INSTONE REAL ESTATE
ANNUAL REPORT
2022

SUSTAINABLE ACTION

Key figures at a glance

TABLE 001

in € million

		2022	2021	Q4 2022	Q4 2021
Key performance indicators					
Volume of sales contracts		292.1	1,140.1	41.9	761.7
Volume of new approvals[1]		336.7	1,587.4	0.0	254.0
Adjusted revenue		621.0	783.6	179.1	378.0
Key earnings figures					
Adjusted gross profit		157.2	221.5	43.4	100.5
Adjusted gross profit margin	In %	25.3	28.3	24.2	26.6
Adjusted EBIT		88.6	155.7	27.7	90.4
Adjusted EBIT margin	In %	14.3	19.9	15.5	23.9
Adjusted EBT		72.7	136.5	23.4	81.3
Adjusted EBT margin	In %	11.7	17.4	13.1	21.5
Adjusted EAT		50.0	96.9	16.0	56.6
Adjusted EAT margin	In %	8.1	12.4	8.9	15.0
Key liquidity figures					
Cash flow from operations		70.2	43.9		
Cash flow from operations without new investments		187.2	256.3		
Free cash flow		79.6	167.4		

Key figures at a glance

TABLE 001

in € million

		31 Dec. 2022	31 Dec. 2021
Key performance indicators			
Project portfolio		7,668.8	7,500.0
Key balance sheet figures			
Total assets		1,780.3	1,520.8
Equity		573.0	590.9
Cash and cash equivalents and term deposits[2]		255.6	151.0
Net financial debt[3]		265.1	239.5
Leverage[4]		2.8	1.5
Loan-to-cost[5]	In %	20.8	20.1
Adjusted ROCE[6]	In %	10.2	22.0
Employees			
Number		488	457
FTEs[7]		409.4	387.6

[1] Excluding volume of approvals from joint ventures consolidated at equity.
[2] Term deposits comprise cash investments with a term of more than three months.
[3] Net financial debt = financial liabilities less cash and cash equivalents and term deposits.
[4] Leverage = Net financial debt/12-month adjusted EBITDA
[5] Loan-to-cost = Net financial debt/(inventories + contract assets).
[6] Return on capital employed = LTM adjusted EBIT/(four-quarter average equity + net financial debt).
[7] Full-time employees.

CONTENTS

SUSTAINABLE SUCCESS

IN CONVERSATION WITH THE MANAGEMENT BOARD

How are the current economic conditions affecting Instone Real Estate's business model? How can project development reconcile environmental sustainability and social responsibility with profitability? The Management Board answer these questions and more besides.

Mr Crepulja, 2022 was one of the most challenging years for the entire real industry – and hence also for Instone Real Estate. How has the company been affected by the developments in recent months?

KRUNO CREPULJA 2022 was indeed an eventful year for us, as well as a challenging one in many respects. And it showed us just how quickly things can change. The Russian attack on Ukraine derailed the global economic landscape in next to no time. In the 13 years following the end of the major financial and economic crisis in 2009, we experienced a period in which our business went from strength to strength. Even a pandemic lasting several years was sufficient to only temporarily interrupt this development. However, 2022 heralded a turning point. Despite all these challenges, Instone Real Estate has many reasons to look to the future with confidence. The demand overhang for our product remains intact. One of our major advantages is our strong balance sheet, which gives us a competitive edge that should not be underestimated in light of the general industry and macroeconomic environment. We are benefiting significantly from our many projects under construction with a volume of €3.2 billion, of which around 91 percent have already been sold. This provides us with a large degree of certainty with regard to substantial future cash flows and gives us the financial scope to take advantage of attractive investment opportunities as they become available on the market. We will continue on our growth path once the view ahead becomes clearer, and we are ready to gain further market share in a consolidating market.

How long do you expect this crisis to continue? And to what extent are you adapting your corporate strategy to the new conditions?

KRUNO CREPULJA It goes without saying that everyone wants to know how long the impact of this global crisis will persist and how serious it will be. However, no reliable answers are available at the moment. A lot of things are still up in the air right now. For example, we are unable to estimate where the price level will end up in cities or even in specific microlocations. With this in mind, we are proceeding with caution and adopting a highly selective approach to investments for the time being. The market environment changed significantly in 2022. Rising construction costs and reluctance among buyers in response to interest rate hikes had a negative impact on our results. The pace of sales is falling, and so too is our sales volume. We are therefore also making adjustments to our sales structure. For example, we are reducing the size of the sub-projects we market so that we can achieve the sales quotas we need to start construction more quickly in the current sales environment. We expect to feel the economic impact of the crisis for some time to come, meaning that 2023 and 2024 are expected to remain challenging.

Do you believe in the long-term strength of Instone Real Estate's business model even in the face of changing economic parameters?

DR FORUHAR MADJLESSI Absolutely. We are confident that Instone Real Estate will continue to be one of the main beneficiaries of the demand overhang for housing in Germany, and that it can actually emerge from the current difficult situation in a stronger position than before. One critical factor is that, ultimately, new construction is the only way to address the acute housing shortage. Demand for energy-efficient buildings, which has increased in response to the energy crisis, has also played into our hands. We build to stringent energy standards. In line with the slightly modified strategy that was mentioned previously, we will shortly be marketing additional projects individually to private investors. The level of interest

"Despite all these challenges, Instone Real Estate has many reasons to look to the future with confidence."

Kruno Crepulja
Chairman of the Management Board/CEO

among institutional clients also remains high. We expect the transaction market to open up again in the second half of 2023. In this situation, we will also benefit from our financial strength and best-in-class profitability with our in-house construction management, which give us a competitive edge that should not be underestimated in light of the general industry and macroeconomic environment. We are among the few project developers in Germany with the ability to reliably offer our product and continue to build even in a difficult market environment. Many developers with weaker balance sheets and lower profitability are currently finding themselves with less room for manoeuvre. As they postpone or cancel projects, the scarcity of our product will continue to increase. We are extremely confident that this environment will allow us to make acquisitions with very attractive margins. Although costs are continuing to increase, we are at least observing a slight easing in the supply bottlenecks and construction cost inflation, which gives us further grounds for confidence.

"Sustainability and economic efficiency are not mutually exclusive. They will go hand in hand to an ever greater extent in future."

Dr Foruhar Madjlessi
Chief Financial Officer

"We do more than just build housing: We design living space and ensure quality of life in the community and societal integration."

Andreas Gräf
Chief Operating Officer

Instone Real Estate has made a clear commitment to being a pioneer within the industry when it comes to sustainability. With the economic conditions becoming more difficult, can companies really afford to focus on ecological sustainability and social impact?

DR FORUHAR MADJLESSI Of course, we are a business with a keen interest in efficiency, profitability, and ensuring the greatest possible customer satisfaction. At the same time, we have a social and ecological responsibility as a project developer and a designer of living space. Finding solutions is our aspiration and our obligation. We address this responsibility with our sustainability strategy. We are committed to taking even greater account of the impact our projects have on the common good and the immediate environment. This obviously involves up-front costs. However, we have no doubt that this represents a worthwhile investment. Sustainable action and economic efficiency are not mutually exclusive. Quite the opposite, in fact: They will go hand in hand to an even greater extent in future, not least because a growing number of customers, local authorities and investors have clear expectations when it comes to sustainability.

Everyone seems to be talking about social impact these days. How exactly can Instone Real Estate offer this?

ANDREAS GRÄF Firstly, we have been creating housing and helping to combat the housing shortage for decades. We promote the important issue of affordable housing. But we also do so much more besides – and we can become even better. We provide kindergartens and schools and infrastructure in the form of retail and catering. We include residents in our planning process and take their preferences into account, with examples including public meeting spaces, playgrounds or neighbourhood kiosks. Finally, we make an important contribution to ensuring future-oriented neighbourhood development in municipalities. We do more than just build housing: We design living space and ensure quality of life in the community and societal integration. In the past, we have done more than many of our competitors in this area – but we apparently failed to talk about it enough, because we believed it went without saying. In any case, we are in the process of implementing a new dimension of project development entitled "impact". This will involve a clear process for examining and deciding on the right measures to be taken in a neighbourhood. The industry is still in the early days in this respect, but we definitely want to play a pioneering role. We firmly believe that this investment will pay off for us and for all stakeholders.

What does this commitment mean in terms of your specific approach to project development?

ANDREAS GRÄF We are not turning all our processes upside down. It is not a question of jumping aboard the ESG bandwagon purely because it is fashionable. For us, ESG is an ongoing process that began many years ago. When it comes to our projects, topics such as energy efficiency, reducing greenhouse gases and, as mentioned, creating social infrastructure have enjoyed high priority for some time now. The sustainability department we established last year has an important role to play in this respect. However, it is also clear that diversity of use is becoming increasingly important as a result of the urbanisation trend, which is why we are already adopting a highly selective approach to acquisitions. Not every property we might have purchased five years ago is suited to this new dimension of neighbourhood development. In future, we must aim to take into account not only the needs of our customers, the users of our homes, but also the contribution our projects make to the common good – and to do so out of our own inner conviction. Logically, this approach to project development begins with the search for suitable spaces.

"We are in close dialogue with other relevant sectors to enable us to explore the best possible paths together."

Kruno Crepulja
Chairman of the Management Board/CEO

In the real estate sector, the construction of buildings places one of the greatest strains on the environment because manufacturing the necessary building materials, such as concrete, involves carbon emissions. With this in mind, how is it possible to make new buildings completely climate-neutral as of 2045? What role do new technologies play in this?

DR FORUHAR MADJLESSI The construction sector is currently responsible for around 40% of global CO_2 emissions and has a corresponding impact on climate change. Therefore, together with our business partners, we will vigorously push ahead with decarbonising the construction and building sector as well as appreciably reducing our consumption of resources and emissions. We all know

"Our clearly stated aim is to make our business climate-neutral along our entire value chain as of 2045."

Dr Foruhar Madjlessi
Chief Financial Officer

that concrete and cement account for the biggest share of greenhouse gas emissions. But we also need to keep a close eye on the production of windows using energy-intensive materials. A holistic view is required.

The key is to intelligently use as many levers as possible. We want to achieve the best possible interaction of different solutions. This is why we are engaging intensively with new technologies that make the production of building materials more environmentally friendly. We are also looking at alternative materials such as wood in detail. We naturally have to take important factors such as statics, insulation and fire protection into account. A step-by-step policy is also a sensible approach – using wooden rather than plastic window frames, for example. Furthermore, one of the sections of the current "Friedenauer Höhe" neighbourhood development in Berlin-Friedenau is the first pilot project in which we are using resource-efficient reduced-CO_2 concrete. 200 tons of this specially treated recycled aggregate concrete are being used in the shell construction. The manufacturing process developed by a Swiss company reduces the climate impact of the material by up to 20 percent compared with conventional concrete. This demonstrates our active commitment to the issue of alternative building materials.

KRUNO CREPULJA If I may add something: Harnessing ecological infrastructure to improve climate protection is another important factor, and this is an area where we intend to work even harder than before. But structuring the project environment in an ecologically compatible way and measures such as tree planting also play a role. In other words: Going forward, we believe that precisely this customised interaction between innovative technologies, improved processes in planning and construction, alternative materials and a modified energy mix will lead us to our goal of climate neutrality. Of course, we can't achieve that all on our own. For this reason, we are in close dialogue with other relevant sectors such as the energy industry, building materials manufacturers and one or two interesting start-ups to enable us to explore the best possible paths together.

DR FORUHAR MADJLESSI We are also extensively addressing the extent to which our business activities can contribute to climate protection. We have therefore significantly intensified our efforts to measure our greenhouse gas footprint. We are aiming to reach a net-zero climate impact by 2045 and have already submitted our data to the global SBT initiative for certification in the past year. We will initially reduce the greenhouse gas emissions generated, for example, by our company vehicles, leased office buildings and construction sites by around 40 percent between 2020 and 2030. Our clearly stated aim is to make our business climate-neutral along our entire value chain as of 2045. It is extremely important for the Management Board to communicate the fact that this will require the ideas of the construction material and energy industry as well as our entire team. Pragmatic and economically efficient solutions are called for. Each and every one of us at our company can help to combine economic efficiency and impact through intelligent networking, smart ideas and inner conviction. It is up to us.

DENSIFI-CATION

PERSONAL DETAILS

Name

Peter Borsbach

Position at Instone Real Estate

Senior project manager at the Rhine-Main branch

Peter Borsbach completed traditional construction training, from concrete and reinforced concrete engineering to foremanship, before joining Hochtief AG in 1984. In 2011, he moved to Instone Real Estate's predecessor, formart GmbH & Co. KG, where he was directly responsible for managing major projects. He also studied construction site management and facility management on a part-time basis. The 56-year-old is a keen triathlete. The stamina this requires also comes in handy in his working life. Construction sites have been a part of his life for the last 38 years.

PETER BORSBACH & A FRANKFURT BROWNFIELD SITE

"Turning something old into something new and enduring."

On this sunny day, we find Peter Borsbach standing contentedly in the garden of his detached house. A quiet humming noise emanates from a large box in the corner. It is a heat pump, and it replaced the old gas heating system a few months ago. A quick glance at the roof shows where the electricity comes from: In a few weeks' time, a photovoltaic system with battery storage will be installed so that the heat pump can be solar-powered. Borsbach's decision to opt for a far-sighted sustainable solution has been made even easier by recent developments on the energy market.

"The spaces in the Schönhof-Viertel are a synonymous with the sustainable approach of Instone Real Estate."

Peter Borsbach
Senior Project Manager at Instone Real Estate

"Turning something old into something new and enduring" could also be the motto of the Instone projects he currently manages. Take construction sites C2 and C3 at the new Schönhof-Viertel in Frankfurt-Bockenheim, for example. Over the coming years, around 2,000 rental and owner-occupied apartments will be constructed on an area totalling 125,000 square metres as part of a joint venture with Unternehmensgruppe Nassauische Heimstätte | Wohnstadt. More than 1,000 of these apartments are being built by Instone Real Estate at sites C2 and C3 and other plots. C2 has the alluring name "Florentinus" and will be home to 132 owner-occupied apartments, while the same number of rental apartments is being constructed at site C3 on behalf of an investor. The location is particularly special. A former brownfield industrial site is being turned into a lively and attractive residential neighbourhood centred on a park with a footprint of around 28,000 m² – densification on an extra-large scale.

A PARTICULAR FOCUS ON PEOPLE

"We need to build housing in Germany. The only question is how best to do it," says Borsbach. "The spaces in the Schönhof-Viertel are synonymous with the sustainable approach of Instone Real Estate, which encompasses far more than just construction. We want future residents to feel at home." The aim is to build high-quality, long-lasting housing for potential tenants and owners while also ensuring a particular focus on stakeholders, including the employees. The comprehensive sustainability concept is underlined by the efforts to achieve DGNB (German Sustainable Building Council) Gold certification for the quarter and NaWoh (Quality in Sustainable Housing) certification for the buildings on the C2 and C3 plots. This encompasses energy-efficient new buildings in line with the KfW 55 standard and full compliance with economic, sociocultural and functional aspects.

ABOUT THE PROJECT

Name

Schönhof-Viertel, construction site C2 and C3

Location

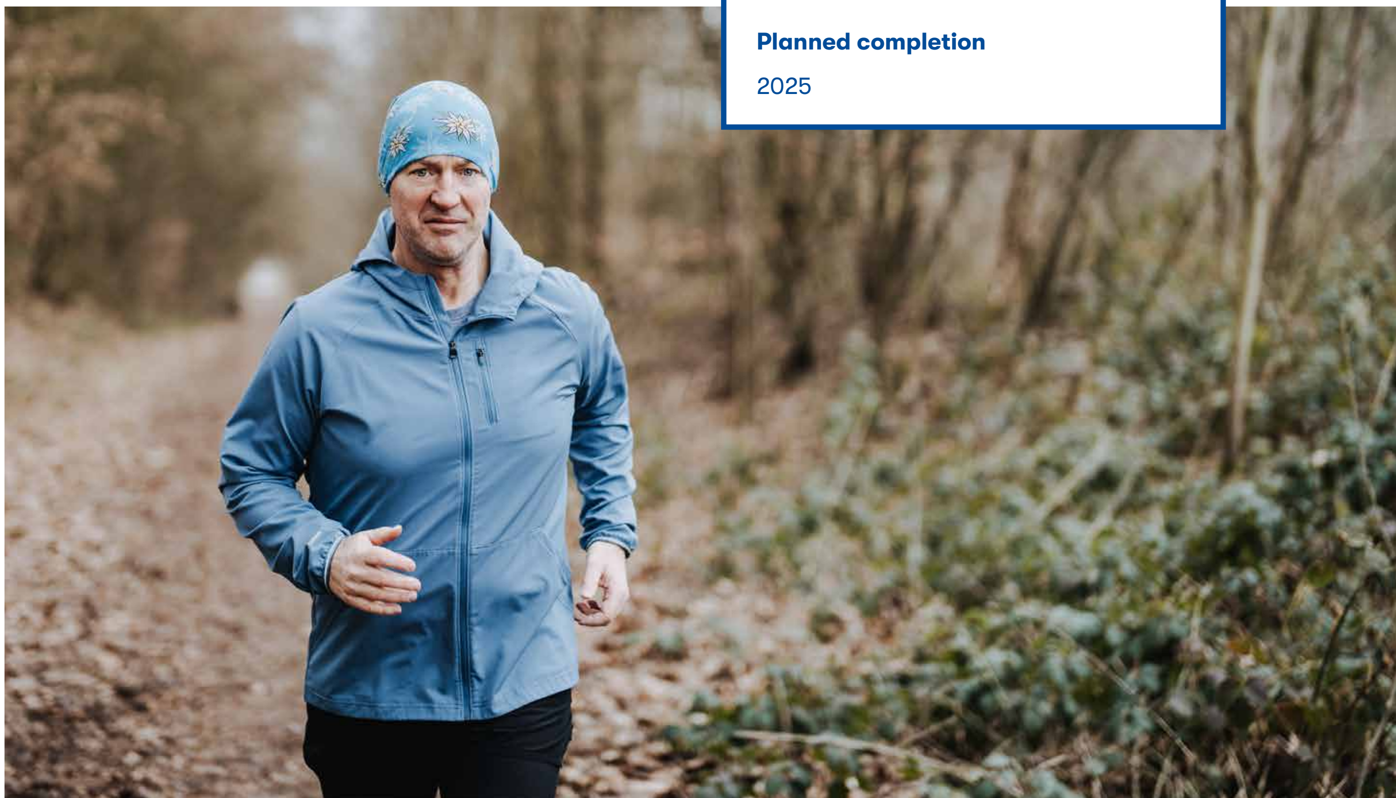
Frankfurt am Main,
Bockenheim district

Housing units

C2 "Florentinus", 132 owner-occupied apartments
C3, 132 rental apartments

Planned completion

2025



Borsbach explains: “This means we are using district heating in the buildings, as it already delivers excellent energy efficiency and can be adapted to the potential hydrogen technologies of the future.” On the public roads, rainwater is directed into channels and collected in tanks so that it can be used to water plants on hot summer days. LED lighting is installed in all public areas, while green spaces, designated paths and e-bike stations ensure a welcoming environment for pedestrians and cyclists. Electric charging is also available in all underground car parks. When the former Siemens office building was demolished, the concrete was crushed on-site and checked for contaminants. The recycled material is being used as foundations for the roads, so it remains in the neighbourhood and does not have to be removed.

A comprehensive micro infrastructure with several day care centres, shops, medical practices and food retailers supplement the existing macro infrastructure, including the railway station, motorway connections, swimming pools and the Nidda Park, Frankfurt am Main largest green space. This meant nothing new had to be constructed in this respect. To ensure low maintenance and operating costs during the building life cycle, the use of technology has been deliberately kept to a sensible level. In the construction process itself, materials from the region are used where possible and waste is systematically avoided.

MENTORING IS A FORM OF SUSTAINABILITY

The result is a neighbourhood that provides a high quality of life. Instone Real Estate also puts sustainability into practice. For Borsbach and his five-person team, mentoring is especially important. “Passing on knowledge to the next generation is itself a form of sustainability, because it lays important foundations for the future.” Indeed, communicating information and engaging in dialogue in every direction is a matter of principle for more than just the project manager and his team. The company as a whole is committed to the vision of working together in order to cover future demand for housing and create long-lasting neighbourhoods – while ensuring a commitment to resource conservation. One of Borsbach’s mottos is: “Instead of always planting new trees, we should fight to protect every tree from being cut down.” In its own way, the brownfield site in Frankfurt-Bockenheim is an old tree that is now blossoming again as a residential quarter for thousands of people. A project after Borsbach’s own heart.

ALTERNATIVE ENERGY GENERATION

BENJAMIN OTTO/PETER NOWAK
& THEIR ECO-NEIGHBOURHOOD

“Project developers are naturally ahead of the curve.”

When Benjamin Otto and Peter Nowak describe their work for Instone Real Estate, it immediately becomes clear that they are not just talking about a job, but a vocation. They are passionate about their convictions, their visions and the opportunity for change. "We want to be measured by our deeds, not our words" is the credo of Otto, a qualified real estate agent who also studied business administration. He joined Instone Real Estate in 2019 and has been the head of project development at the Bavaria North branch in Nuremberg since early 2022. In Nowak, a qualified architect who joined the company as a project developer in Nuremberg at almost exactly the same time, he has a close ally in his efforts to make construction and housing more climate-friendly. It is no surprise to learn that they were two of the first people from the Nuremberg team to opt for a fully electric company car. They both have the stated aim of making the use of fossil fuels a thing of the past – in their private lives and in their professional capacity as designers of sustainable living space. They are aware that this takes patience, and that a change in mindset is the first step.

"We want to be measured by our deeds, not our words."

Benjamin Otto
Head of Project Development, Northern Bavaria branch,
Instone Real Estate

"We are placing a strong focus on renewable energy sources – and not just since we all started to feel the impact of the war in Ukraine. We are also keen to switch to construction materials that are less damaging to the environment. However, we are still in the early stages in this respect," says Otto. He believes that wood and recycled concrete could be one solution. The aspiration to build and live as environmentally consciously as possible is something that Nowak has already adopted in a successful project of his very own. In 2020, he built a wooden house in a small town with a population of 3,500, fitting it with an air-to-air heat pump and a photovoltaic system that also supplies his zero-pollution Instone company car with power generated from solar energy. "We also live by the U 25 principle, meaning that everything we need to live is bought from no more than 25 kilometres away. That works extremely well here in the countryside," he explains contentedly.

"What works for a detached house can also be applied to 200 residential units."

Peter Nowak
Project Developer, Northern Bavaria branch,
Instone Real Estate

MEETING HIGH ENERGY STANDARDS

"And what works for a detached house like mine can also be applied to 200 or more residential units," says Nowak in reference to a very special project. He and Otto are responsible for the "Thumenberger Weg" in Nuremberg, where Instone Real Estate is demonstrating what is currently feasible when it comes to alternative energy generation. The planned seven buildings with a total of 200 residential units – the quarter is scheduled to be completed in spring 2027 – will meet high energy standards. Among other things, this is made possible by high-quality façade insulation and the use of state-of-the-art power generation systems. The centrepiece of the innovative supply concept is a large-scale photovoltaic system on the roofs that will power a total of four air source heat pumps. This will deliver around 80 percent of the energy required by the buildings. A biomass heating plant will be used to cover the remaining heat requirements. This means that ab-

PERSONAL DETAILS

Name

Benjamin Otto

Position at Instone Real Estate

Head of Project Development at the Northern Bavaria branch

Benjamin Otto is 45 years old and has a commercial background. Born in Berlin, the cosmopolitan Otto is a qualified real estate agent who also studied business administration. He began his career in 1997 with a medium-sized property developer. The father to a 13-year-old son, Otto loves the outdoors and is a keen sportsman. "I take every opportunity I can to spend time in the open air," he says. He regularly goes mountaineering, hiking and camping in the Alps.

solutely no fossil fuels will be consumed even when the outdoor temperature is extremely low and heating requirements are especially high.

At Thumenberger Weg, power generated from solar energy will be stored in batteries so that it can be used at a later date, e.g. for technical building components or electric charging stations. Excess electricity will be fed into the local grid in order to benefit the general public. The pronounced ecological mindset behind the new quarter can also be seen in other areas. For example, the plans provide for the buildings to be carefully positioned among the existing flora, making it possible to retain the vast majority of the valuable tree population on the construction site. This will make an important contribution to climate protection and rainwater retention, as will the façade greening and additional new planting. “The project typifies a new way of thinking”, say Otto and Nowak with satisfaction.

FUTURE-ORIENTED THINKING IS ESSENTIAL

The future neighbourhood in the north-east of Nuremberg illustrates the nature of Benjamin Otto and Peter Nowak’s profession: dealing with things that only become a reality several years down the line. “Given the long timespan between a plot being acquired and a property being handed over to the new resident, project developers naturally tend to be ahead of the curve. Forward thinking is essential,” says Otto. For example, projects that are being initiated now must take account of the current boom in electric mobility: “In a few years’ time, every apartment user will expect to be able to charge their vehicle in front of their building or in their underground car park.”

The Nuremberg-based project developers believe that taking environmental and social responsibility also means being clear about the financial impact. “Sustainability costs money, which can mean smaller margins. But there is no alternative. This is something that buyers, investors and the real estate industry as a whole need to take on board,” Nowak emphasises. For Instone Real Estate, at least, a clear commitment to sustainability is nothing new. “That is reflected in the creative leeway we enjoy. Each and every one of us at the company is encouraged to contribute ideas and suggestions for improvements,” Otto adds. There it is again – that passion for their convictions, their visions and the opportunity for change.

ABOUT THE PROJECT

Name

Thumenberger Weg

Location

North-eastern Nuremberg

Housing units

200 residential units across a total of seven buildings

Planned completion

Spring 2027

PERSONAL DETAILS

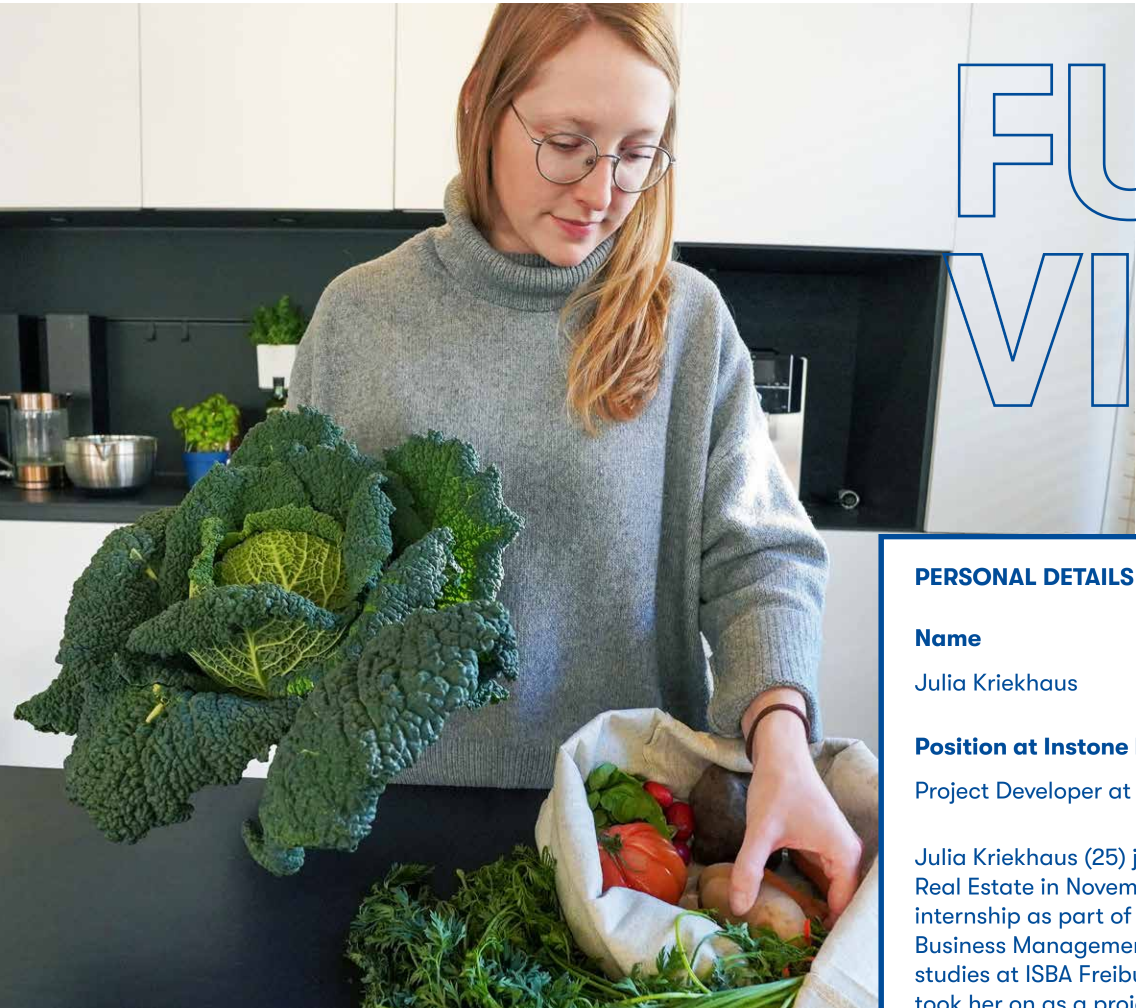
Name

Peter Nowak

Position at Instone Real Estate

Project Developer at the Northern Bavaria branch

Peter Nowak was fascinated by building design even as a child in his home town of Herzogenaurach. Now 38 years of age, it did not take him long to decide to study architecture. After obtaining his degree, he worked for a high-profile architecture firm, where he was responsible for a wide range of projects across all project phases. In his spare time, he loves to get out on his downhill bike and tear up the nearby single tracks.
“My hobby has taken me from the city to the countryside and increased my awareness of my surroundings and the natural world.”



FUTURE VIABILITY

PERSONAL DETAILS

Name

Julia Kriekhaus

Position at Instone Real Estate

Project Developer at the Berlin branch

Julia Kriekhaus (25) joined Instone Real Estate in November 2020 on an internship as part of her International Business Management and Real Estate studies at ISBA Freiburg. The company took her on as a project developer in August 2021. Since early 2022, she has been the project manager responsible for the development of 131 apartments in the “Marlene und Dietrich” project in Berlin, which forms part of the “Friedenauer Höhe” urban quarter.

JULIA KRIEKHAUS & REDUCED-CO_2 CONCRETE

“Not acting sustainably is not an option.”

At Instone Real Estate's Berlin branch in Chausseestrasse, Julia Kriekhaus is where she is so often to be found – at her desk, absorbed in her work. She is preparing for an upcoming appointment with the notary's office on the sale of an apartment in the "Marlene und Dietrich" project. She has been with Instone Real Estate for around two and a half years. After joining in November 2020 as an intern, she was taken on as a permanent employee almost one year later. In early 2022, she became the project manager responsible for the development and sale of 131 owner-occupied apartments in the "Marlene und Dietrich", which forms part of the new "Friedenauer Höhe" urban quarter.

In her role, she has to deal with lots of contacts – from agents and notaries to potential buyers. When asked whether the latter group are becoming more interested in sustainability issues when it comes to purchasing apartments, she replies without hesitation: "Our experience in sales is that owner-occupiers and investors are increasingly enquiring about certain sustainability aspects before making their decision. These include insulation, the use of photovoltaics, building certification, and collaborative urban gardening spaces in the neighbourhood."

TAKING RESPONSIBILITY AND SHOWING MORE COURAGE

When it came to planning the "Friedenauer Höhe" quarter, which Instone Real Estate is realising in a joint venture with OFB Projektentwicklung GmbH, these aspects were taken into account right from the start. By 2026, the five hectares of the decommissioned former railway depot will have been transformed into a lively new urban neighbourhood. The plan is to build 131 owner-occupied apartments and around 930 rental apartments. The quarter will include a day care centre, shops and public meeting spaces. New paths will be created, surrounded by park-like public spaces with children's playgrounds, plant beds, trees and plazas. Greened roofs and a cogeneration power plant are also planned. Kriekhaus: "The former commercial location is now being significantly upgraded from a societal, social and ecological perspective and will make an excellent addition to its surroundings. The numerous cycle paths and the car-free neighbourhood will also ensure that residents enjoy a sense of homeliness. All of these elements help to create liveable neighbourhoods – another important aspect of sustainability."

The Instone Real Estate planner goes on to describe an exciting pilot project between the Berlin Senate Department for the Environment, Mobility, Consumer and Climate Protection, the companies neustark, Heim Recycling and Berger Beton, and the Heidelberg Institute for Energy and Environmental Research. Resource-efficient reduced-CO_2 concrete will be used in one of the sections of the "Friedenauer Höhe" quarter – the first example of this technology being used in Berlin. Kriekhaus firmly believes that Instone Real Estate is sending out an important signal with this move. "The construction industry urgently requires affordable alternatives to conventional construction methods and new and more sustainable standards in order to continuously improve the environmental footprint of project development. This will undoubtedly take a little courage."

A KEY COMPETITIVE FACTOR

She feels that Instone Real Estate is already very well positioned for the future with its projects. The internal sustainability team that was established two years ago has also had an important role to play. The topic has gained considerable momentum ever since, and we never take action without first considering the ecological or social impact. Kriekhaus believes this also helps to make Instone Real Estate an attractive employer. She is in no doubt that employees and applicants are increasingly taking notice of a company's attitude towards sustainability. But what about her own personal relationship with the topic? Right away, she says it is extremely important to her. It begins with buying seasonal and regionally sourced food – ideally without packaging.

"The construction industry urgently requires affordable standards in order to continuously improve its environmental footprint. This will undoubtedly take a little courage."

Julia Kriekhaus
Project Developer at the Berlin branch

ABOUT THE PROJECT

Name

"Friedenauer Höhe"

Location

Berlin, Friedenau district (Tempelhof-Schöneberg)

Housing units

Around 1,060 apartments are being built in a joint venture with OFB Projektentwicklung GmbH. 131 owner-occupied apartments will be sold under the name "Marlene und Dietrich", with the remaining 933 apartments being available for rental.

Planned completion

"Marlene und Dietrich" by mid-2024, the entire "Friedenauer Höhe" quarter by 2026

PROJECTS FIT FOR THE FUTURE

Above all, however, Julia Kriekhaus's passion lies in a special project that she has been involved in for almost two years. As a member of a community-run agriculture enterprise, weekends often see her working at "Hof Basta", an organic farm in Oderbruch. The principle of community agriculture involves consumers supporting local farms both financially and by volunteering. In exchange, they receive a regular box of seasonal produce. "Last summer, I helped with the rewilding of a fenland area," Kriekhaus says. "It's an extremely exciting project where you feel like you're really making a difference. Wetlands are the world's most important areas when it comes to capturing and storing carbon dioxide, so these activities have a big role to play in terms of environmental protection." Looking to the future, she hopes that environmental awareness will continue to increase in society, politics and industry and among global corporations. "If I can say that I did my best and if everyone plays their own little part, we will make the progress we need to make." Kriekhaus concludes: "I am looking forward to all of the future projects at Instone Real Estate and to making sure that sustainability topics are taken into account right from the very start, so that my colleagues and I can continue to press ahead with our sustainability strategy."

IMPACT

HANNAH VIERGUTZ/VALERIE BLUM
& SOCIAL RESPONSIBILITY

“It has always been a part of our DNA.”

As the outside world zooms past, Hannah Viergutz and Valerie Blum are engrossed in their work like so often. They are on their way to the branch office – by public transport, of course. Rail travel is a firm part of their outlook on life. And if the train doesn't go all the way to where they need to be, they often complete the journey on foot or by bike. Viergutz has never owned a car, while Blum only uses hers in exceptional circumstances. Both are committed to reaching their destination by sustainable means. And that is an approach they take into their working life, albeit on a much wider scale: As one of Germany's leading residential and neighbourhood developers, Instone Real Estate aspires to be a pioneer within the industry when it comes to sustainability and social impact.

"As neighbourhood developers, we will have to increasingly adopt a holistic urban planning perspective in future."

Valerie Blum
Project Developer at Instone Real Estate

In recent months, the two sustainability experts have been laying the foundations for binding social impact guidelines and an innovative scoring model as part of the "Quartiers-IMPACT" project. This will make sustainability an integral element of all (neighbourhood) developments in the future. After all, the company has set itself the target of being climate-neutral along the entire value chain by 2045 while also meeting its social responsibility. Going forward, this will mean an even stronger business focus on people and their social needs.

ESTABLISHING A SCIENTIFIC APPROACH

In preparing for the project, it was considered important to establish a scientific approach on the basis of extensive research and analysis. "While working for Instone Real Estate as a student trainee in 2021, I wrote a thesis on social impacts in residential neighbourhoods. I was fascinated by the subject, and the company's sustainability strategy gave me the impetus to address it even more intensively in future," says Blum. After completing her construction and real estate management studies, she conducted external and internal analyses and held a number of conversations with responsible officers at the company throughout Germany, such as branch managers and project developers. She also analysed the company's internal and external communication in this area. This served as a good starting point for Viergutz when she joined Instone in early 2021 as a member of the company's newly formed sustainability team. "We were able to build on the existing foundations in order to define the strategic conditions for Instone Real Estate's future work in the area of social impact," she explains.

Although Blum took on operating responsibility for project development at the same time, she continues to support the "Quartiers-IMPACT" project as a point of contact and in an advisory capacity. This has allowed her to contribute a practical perspective on sustainability and the social impact approach from specific projects at the same time as developing the guidelines. One of these projects is the current neighbourhood development in Cologne-Bickendorf, on the former factory site of an international cosmetic group. In light of the numerous potential uses for this large inner-city space, Instone Real

PERSONAL DETAILS

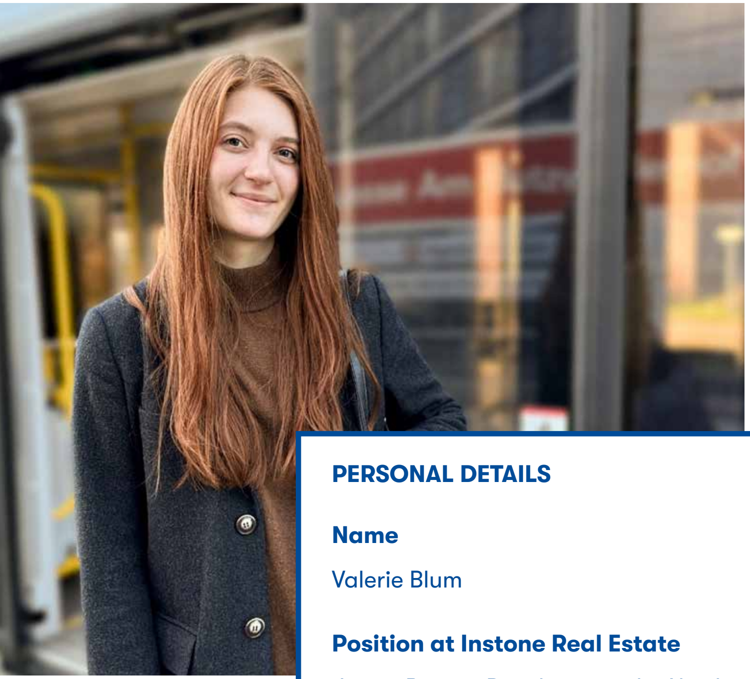
Name

Hannah Viergutz

Position at Instone Real Estate

Sustainability Officer

Hannah Viergutz obtained a master's degree in architecture from RWTH Aachen. After graduating in 2015 she continued to work in the area of DGNB certification as she had done parallel to her studies, which is where she discovered her passion for sustainability. She then returned to the Faculty of Architecture as a research assistant focusing on real estate project development. She is currently working on her doctorate on sustainable hospital architecture. She has also been working part-time as a sustainability officer at Instone since December 2021. She will take up this position on a full-time basis after completing her doctorate.



PERSONAL DETAILS

Name

Valerie Blum

Position at Instone Real Estate

Junior Project Developer at the North Rhine-Westphalia branch

Valerie Blum obtained a bachelor's degree in architecture at Cologne University of Applied Sciences and a master's degree in construction and real estate management at TU Dortmund University. While working for Instone Real Estate in 2021 as a student trainee, she finalised her thesis on social impacts in residential real estate. She then joined the Instone subsidiary Nyoo Real Estate GmbH, which specialises in affordable, environmentally friendly housing, where she took on the "Impact" special project for the development of principles for social impact guidelines. She has been a junior project developer at the Cologne branch since January 2022.

Estate is engaged in an intensive dialogue with citizens, authorities and politicians in order to coordinate the development opportunities with a view to their social impact and the priorities of future-oriented urban development. It has held numerous discussions with neighbours, special interest groups and local residents and has gone on joint walkabouts. "This already represents a good example of our social approach. As neighbourhood developers, we will have to increasingly adopt a holistic urban planning perspective in future as part of an impact-oriented strategy," explains Blum.

"Our aim is to play a pioneering role within the industry. That is why it is important for us to put our social impact strategy into practice throughout the company."

Hannah Viergutz
Sustainability Officer at Instone Real Estate

IMPACT PERSPECTIVES FOR IDENTIFYING DEVELOPMENT POTENTIAL

Since November 2022, ongoing workshops with project developers from various branches have been taking place with the aim of strategically integrating the topic of social impact into Instone Real Estate's processes so that they can be realised in practice. This has resulted in modular social impact guidelines for neighbourhood development that take account of potential impact perspectives from a quarter-specific, quality-specific and process-specific point of view. Examples of quarter-specific impact perspectives include housing, education and mobility options. Quality-specific impact perspectives include accessibility and healthcare, whereas timely communication and intermediate uses are examples of process-specific impact perspectives. Viergutz, who developed the guidelines together with the "Quartiers-IMPACT" team, explains: "The early analysis of the current situation in terms of the existing social, cultural and infrastructural conditions allows us to identify development potential more quickly and effectively." The social impact guidelines are supplemented by a scoring model for internal assessment that is used to plan and evaluate new neighbourhood developments.

Both tools will change Instone Real Estate's approach to project development in future. "In my discussions with colleagues who work in project business, we often found that many people were unsure as to whether they were even aiming in the right direction. Now we have the basis for a more strategic course of action – but this has always been a part of the DNA of the company and its employees," Blum emphasises.

"Instone Real Estate has already achieved a great deal in terms of its social impact, but our aim is to play a pioneering role within the industry. That is why it is important for us to put our ideas and approaches into practice throughout the company with the social impact strategy," Viergutz adds. To be continued.

TO OUR SHARE-HOLDERS

LETTER TO SHAREHOLDERS

Dear Shareholders,
Dear Readers,

The past financial year was very eventful. And it showed us just how quickly things can change. The Russian attack on Ukraine derailed the global economic landscape in next to no time. The market environment changed significantly in 2022. Rising construction costs, negative demand effects triggered by historical interest rate hikes, and the slowdown in construction due to a shortage of materials all had an unavoidable impact on our figures for the year. Although we were also forced to adjust our original forecast to reflect this market environment, we nevertheless achieved impressive results. At €621 million, adjusted revenue for 2022 was well within the adjusted forecast range. The adjusted gross profit margin remained best-in-class at 25.3 percent. Accordingly, adjusted earnings after tax also came in at the upper end of our forecast range at €50 million.

However, we expect to feel the economic impact of the crisis for some time to come, meaning that 2023 and 2024 are expected to remain challenging. Despite all these challenges, Instone Real Estate has many reasons to look to the future with confidence. We are mastering the current crisis from a position of strength. This is not least thanks to our strong balance sheet, which shows low leverage of 2.8 and a high level of available liquidity. With our extensive portfolio of projects that we have already sold, we have secured significant future revenue as well as substantial cash flows. We are benefiting greatly from our many projects under construction with a volume of €3.2 billion, of which around 91 percent have already been sold. Our strong position means we compare favourably with many of our competitors. We expect this situation to continue to offer us attractive growth opportunities that we intend to take. We expect the highly fragmented market to consolidate further, allowing us to gain considerable additional market share.

With our project pipeline having grown to total around €7.7 billion, we already have excellent foundations for continuing our successful strategy. Demand for housing remains vast and will only continue to intensify over the coming years. We will benefit from this. As part of our slightly modified sales strategy, we will market additional projects and position ourselves as a solution provider. We are continuing to work hard to reconcile economic growth with social requirements and aspects of environmental protection as a matter of principle. As one of Germany's biggest residential developers, we embrace our social and ecological responsibility. We are continuously enhancing our sustainability strategy. Sustainability, also known as ESG, is the most fundamental issue for the future. Our aspiration is to be pioneers within the industry in this respect. Elsewhere in this Annual Report, we will present some current examples that illustrate the good progress we are making towards achieving our ambitious targets.

Given the recent cost increases in the real estate industry in particular, we are intensively pursuing the goal of making construction and housing in medium-sized cities and peripheral metropolitan areas more affordable for the broad middle of society. With our innovative subsidiary, nyoo, we are generating impetus for standardised, digitised planning and serial building. This will allow us to reduce costs while maintaining a high level of quality. We are addressing new markets and target groups with nyoo, and we believe this offers huge growth potential for the Group. Our objective remains for the affordable housing segment to account for around half of all homes developed by Instone Real Estate by 2030.

Despite the substantial demand overhang due to structural factors, short-term forecasts are subject to considerable uncertainty in the current market environment. In light of the large number of homes that have already been sold, we are forecasting adjusted revenue of between €600 million and €700 million and adjusted earnings after tax of €40 million to €50 million in 2023, meaning that our results will remain stable compared with 2022 as a minimum. We are extremely well positioned and are adapting to the changing conditions – just like we did in the "coronavirus years". With their passion, expertise and inventiveness, our entire team is taking action for the future of housing and our company. 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 are convinced by the future viability and solidity of our business model, and we will continue to resolutely pursue the growth path we have successfully initiated.

Kruno Crepulja

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

TCFD governance

The Management Board

From left to right:

Kruno Crepulja
Chairman of the Management Board/
CEO

Andreas Gräf
Chief Operating Officer

Dr. Foruhar Madjlessi
Chief Financial Officer

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 a career of around 20 years on the management boards of large development companies, such as Wilma Wohnen Süd GmbH. Mr Crepulja has been CEO of Instone Real Estate Development GmbH's predecessor, formart GmbH & Co. KG, since 2008. He was also 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.

Dr Foruhar Madjlessi

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

Dr Foruhar Madjlessi was appointed member of the Management Board/CFO of Instone Real Estate Group SE with effect from 1 January 2019. As a recognised capital market expert, he has extensive expertise in the field of corporate finance and an excellent personal network in the world of international investment. Before joining Instone Real Estate, he worked for Deutsche Bank AG for twelve years, most recently as Managing Director of the Equity Capital Markets (ECM) division for Germany, Austria and Switzerland (DACH). Prior to that, he was responsible for various functions for Merrill Lynch in Frankfurt/Main, London and New York.

Member of the Management Board since 1 January 2019; appointed until 31 December 2026

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 worked 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 GmbH & Co. KG, in 2008. 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 2022, I would first like to share a few observations about the past financial year.

We can look back on a financial year that was marked by major events for Europe, the real estate industry and also for our Company. For the third year in a row, the Corona pandemic has been preoccupying us, albeit happily to an increasingly lesser extent – as is noticeable to us all in everyday life. However, at the beginning of the 2022 financial year, the Russian war of aggression against Ukraine was something new and unexpected for all of us, which has caused immense suffering in the heart of Europe and continues with no end in sight at the moment. This is also a major event for Instone Real Estate. Our Company has not been spared the macroeconomic shocks caused by this war and its accompanying effects. Essential pillars of our business, including production and energy costs, interest rates and the associated demand for housing as a whole, have changed within a very short period of time in a way that is adversely impacting our business. This has also contributed to a significant devaluation of our share price.

However, the Supervisory Board is convinced that Instone Real Estate will also use this period to emerge stronger and further expand its own market position as one of Germany's leading residential property developers. The Management Board has already responded decisively to the challenges and has taken the right course with a clear focus on a strong balance sheet, the existing project pipeline and a conservative acquisition policy in view of the current market environment.

Against this background, our board work in the past financial year has primarily involved dealing comprehensively and regularly with the current situation of the Company and the strategy of the Management Board. The Supervisory Board has also dealt several times with the performance of the share price. In addition, the Supervisory Board was able to continue to support our Company's transformation in the areas of digitisation and sustainability, where we have already achieved many of our goals.

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

In the following section, we will inform you about the work of the Supervisory Board and its committees in 2022.

The Supervisory Board fulfilled all the duties assigned to it by the law and the Articles of Association in the 2022 financial year. It supervised the Management Board in the management of the Company and provided advice. GRI 2-17

Members and meetings and resolutions of the Supervisory Board and its committees in the past financial year

In the past financial year, the Supervisory Board held a total of 12 meetings and also met regularly without the presence of the Management Board, for instance when topics such as Management Board remuneration or the assessment of the quality of the audit of financial statements were discussed. In total, six resolutions were passed in writing. No member of the Supervisory Board was absent at more than one meeting.

The overview of the members of the Supervisory Board in the 2022 financial year as well as the individual attendance at meetings of the Supervisory Board and the Supervisory Board committees is shown below and can also be accessed on the Company's website at ↗ https://ir.de.instone.de/websites/instonereal/English/5650/supervisory-board.html.

Topics discussed by the Supervisory Board and its committees

At its first meeting of the financial year on 2 February 2022, the Supervisory Board extensively reviewed the Company's planning and 2022 budget and after an in-depth discussion with the Management Board, approved the latter's presentation of these. The Supervisory Board also dealt with the pooling of corporate functions in Instone Real Estate Group SE. Without the members of the Management Board present, the remuneration of the Management Board for the past financial year and the targets for Management Board remuneration in the 2022 financial year were subsequently discussed.

On 10 February 2022, the Supervisory Board approved the implementation of the Company's 2022/I share buyback programme at an extraordinary meeting.

On 14 March 2022 the Supervisory Board meeting focused first on extensively discussing the audited annual financial statements and the consolidated financial statements, including the combined management report for the 2021 financial year, and then approving and adopting these. The Supervisory Board also approved the profit appropriation proposal and the remuneration report for the 2021 financial year. The Supervisory Board also dealt with its report to be presented to the Annual General Meeting. The Management Board continued to report on the course of business. Without the presence of the Management Board, the Supervisory Board then determined that the target for the Management Board remuneration for the 2021 financial year had been achieved. In addition, the targets for the remuneration of the Management Board for the 2022 financial year were set.

On 14 April 2022, the Supervisory Board held an extraordinary meeting to approve a major project in the metropolitan region of Berlin.

At the meeting on 26 April 2022, the Supervisory Board first dealt with the agenda for and implementation of the 2022 Annual General Meeting, as well as the resolutions by management to be proposed to the AGM, in particular the nomination of candidates for the Supervisory Board and for the auditor. As in the previous year, the Supervisory Board approved the Management Board's proposal to take advantage of simplified rules enacted by legislators to conduct the Annual General Meeting virtually. The meeting also addressed the conclusion of a revolving credit line of €50 million and the current share price performance.

On 9 June 2022, the Supervisory Board held a follow-up discussion on the virtual Annual General Meeting and resolved on appointments to the Supervisory Board committees.

In its meeting on 30 June 2022, the Supervisory Board received the Management Board's report on the course of business. In addition, the process of nominating another female member of the Supervisory Board for the 2023 Annual General Meeting as well as the current share price performance were also discussed at the meeting.

On 31 August 2022, the Supervisory Board approved at an extraordinary meeting participation in a further financing round of a joint venture for digital project development.

At a further extraordinary meeting on 25 October 2022, the Supervisory Board approved an extension of the company's share buyback programme (share buyback programme 2022/II).

On 5 November 2022 and 21 November 2022, the Supervisory Board dealt with selected strategic topics.

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Supervisory Board 2022/Overview of meeting participation

TABLE 002

	Stefan Brendgen	Dr Jochen Scharpe	Dietmar P. Binkowska	Thomas Hegel	Christiane Jansen	Written SB resolutions
Supervisory Board						
02/02/	Yes	Yes	Yes	Yes	Yes	
10/02/*	Yes	Yes	Yes	Yes	Yes	
14/03/	Yes	Yes	Yes	Yes	Yes	
14/04/*	Yes	Yes	Yes	Yes	Yes	
26/04/	Yes	Yes	Yes	Yes	Yes	
09/06/	Yes	Yes	Yes	Yes	Yes	
30/06/	Yes	Yes	Yes	Yes	Yes	
31/08/	Yes	Yes	Yes	Yes	No	
25/10/	Yes	No	Yes	Yes	Yes	
05/11/	Yes	Yes	Yes	Yes	Yes	
21/11/*	Yes	Yes	No	Yes	Yes	
07/12/	Yes	Yes	Yes	Yes	Yes	
Total	**12 / 12**	**11 / 12**	**11 / 12**	**12 / 12**	**11 / 12**	**5**
Audit committee						
02/02/	Yes	Yes		Yes		
14/03/	Yes	Yes		Yes		
26/04/	Yes	Yes		Yes		
30/06/	Yes	Yes		Yes		
31/08/	Yes	Yes		Yes		
06/12/	Yes	Yes		Yes		
Total	**6 / 6**	**6 / 6**		**6 / 6**		**0**
Remuneration committee						
02/02/	Yes	Yes	Yes			
02/03/*	Yes	Yes	Yes			
14/03/	Yes	Yes	Yes			
26/04/	Yes	Yes	Yes			
07/12/	Yes	Yes	Yes			
Total	**5 / 5**	**5 / 5**	**5 / 5**			**1**
Nomination Committee						
26/04/	Yes	Yes		Yes		
28/07/*	Yes			Yes	Yes	
Total	**2 / 2**	**1 / 1**		**2 / 2**	**1 / 1**	**0**

* Virtual meeting (telephone or video conference).

In the last meeting of the financial year on 7 December 2022 the Management Board gave its regular report to the Supervisory Board on the course of business and presented the Company's preliminary planning for the 2022 financial year to the Supervisory Board, which was discussed in-depth. As part of this agenda item, the Management Board also presented the planning process in detail. Another item at the meeting was the presentation of a potential new project in the Rhine-Main region. In addition, the Supervisory Board reviewed the status of the nomination process for another female member of the Supervisory Board. The Supervisory Board also approved the Declaration of Compliance with the German Corporate Governance Code (GCGC), an updated skills profile and diversity concept as well as a qualification matrix for the members of the Supervisory Board.

The six resolutions passed in writing by the Supervisory Board in the past financial year related to the adoption of the Corporate Governance Statement, the approval of a revolving credit line and a promissory note loan, the extension of Dr Madjlessi's term of office as a member of the Management Board, the adjustment of the dividend proposal due to the acquisition of own shares in advance of the Annual General Meeting, as well as editorial adjustments to the Management Board contracts of Mr Crepulja and Mr Gräf. GRI 2-18

Supervisory Board committees

In order to streamline the work of the Supervisory Board, the Supervisory Board had three standing committees with various responsibilities in the 2022 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 decisions of the plenary session within the limits of their respective responsibilities. 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. More information on the tasks and responsibilities of the committees of the Supervisory Board can be found in the Corporate Governance Statement page 176.

Audit committee

The members of the Audit Committee in the reporting year were Dr Jochen Scharpe (Chairman), Stefan Brendgen and Thomas Hegel. In the reporting year, the Audit Committee held six meetings. No written resolutions were passed.

Topics dealt with by the Audit Committee during the reporting period included the recommendation to the Supervisory Board plenum session to approve the planning and budget for 2022 and to approve or adopt the consolidated and annual financial statements for 2021, the audit plan and audit priorities of the auditor and the work of internal audit.

In addition, the Audit Committee dealt intensively with the ESG and CSR reporting of Instone Real Estate in several meetings. In particular, it dealt with the sustainability report, the status and further development of ESG reporting and the sustainabilitystrategy of the Management Board.

Nomination Committee

The members of the nomination committee in the reporting year were Thomas Hegel (Chairman), Stefan Brendgen, Dr Jochen Scharpe (until 9 June 2022) and Christiane Jansen (from 9 June 2022). The Nomination Committee held two meetings in the reporting year and did not pass any written resolutions.

The purpose of the Nomination Committee meetings was, among other things, to propose to the full Supervisory Board the election of members of the Supervisory Board by the 2022 Annual General Meeting, as well as to discuss the process for finding another female member of the Supervisory Board.

Remuneration committee

In the 2022 financial year, the members of the Remuneration Committee were Dietmar P. Binkowska (Chairman), Stefan Brendgen and Dr Jochen Scharpe. The Remuneration Committee held five meetings during the reporting year and passed one written resolution.

In its meetings, the Remuneration Committee dealt in particular with the recommendations for determining the Management Board remuneration as well as the Remuneration Report for the 2021 financial year and the targets for the Management Board remuneration for the 2022 financial year. The written resolution related to a recommendation to extend Dr Madjlessi's employment contract as a member of the full Supervisory Board.

Trusting cooperation between the Management Board and the Supervisory Board

In the context of the topics outlined above, the Supervisory Board also 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 Supervisory Board Committees within the scope of their respective areas of responsibility.

In addition to and outside its meetings, the Supervisory Board also discussed strategic issues with the Management Board in this financial year. This year, the focus was in particular on business development and the macroeconomic environment as well as the further development of Instone Real Estate in the areas of ESG and neighbourhood development.

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, key investment plans, construction costs trends, the performance of the share price and fundamental matters concerning corporate planning, strategy and organisation. The Management Board additionally 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 reports 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 pursuant to the Articles of Association and Rules of Procedure of the Management Board were submitted by the Management Board to the Supervisory Board for resolution and discussed in detail with the Supervisory Board prior to the resolution.

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 extensively and repeatedly dealt with corporate governance matters.

The topics covered included the delegation of authorities for the Management Board, the remuneration of the members of the Management Board, as well as the skill profile and the qualification matrix for the Supervisory Board.

In December 2022, 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 (Aktiengesetz, AktG). It is included in the Annual Report 2022 on page 176 and can also be found on the Company's ↗ website in the Investor Relations section under Instone Declaration of Conformity.

In addition, the Management Board and Supervisory Board report in detail on the corporate governance of Instone Real Estate Group SE in the corporate governance statement pursuant to Sections 289f and 315d of the German Commercial Code (HGB), which can be found on page 176 of this annual report. The declaration on corporate governance 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.

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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 within the Management Board and Supervisory Board

In the 2022 financial year there were no personnel changes in the Management Board and Supervisory Board.

The existing term of office of Dr Madjlessi was extended by the Supervisory Board until 31 December 2026. All members of the Supervisory Board were confirmed in office by a large majority at the 2022 Annual General Meeting until the Annual General Meeting which will pass a resolution on discharge for the 2025 financial year.

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 31 August 2022 and established accordingly.

The consolidated financial statements for the 2022 financial year were prepared on the basis of the International Financial Reporting Standards (IFRS) as adopted in the European Union and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB).

The auditor provided its report and the documentation relating to the financial statements for the financial year 2022 to the members of the Audit Committee and Supervisory Board on 10 March 2023.

The report was discussed in detail at the Audit Committee meeting and the financial statements review meeting held by the plenary Supervisory Board on 13 March 2023. 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 2022 and the combined management report on 10 March 2023. Following a detailed audit of the annual financial statements, the consolidated financial statements and the combined management report as at 31 December 2022 by the Audit Committee, the latter recommended its approval to the plenum. Per the final result of its own examination, 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. Having examined it in detail and weighed up all the considerations, the Supervisory Board approved the proposal of the Management Board to the 2023 Annual General Meeting on the appropriation of the annual net profit for the 2022 financial year.

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, 13 March 2023

For the Supervisory Board

Stefan Brendgen

Chairman of the Supervisory Board

EQUITY STORY

Major beneficiary of the strong demand for housing in the German metropolitan regions:

As one of Germany's leading residential real estate developers, Instone Real Estate benefits from structurally growing demand combined with the low availability of housing, especially in metropolitan regions.

Instone Real Estate develops residential projects throughout Germany with a focus on attractive locations in the most important metropolitan areas and their catchment areas. A key competitive factor is the extensive in-house expertise along the entire value chain, from purchasing and developing property to planning and providing construction services to selling homes. This extensive expertise is also reflected in a gross margin of 25.3%, which puts Instone Real Estate at the top of the industry.

Product innovation nyoo promises medium-term growth:

The development and launch of the innovative product nyoo for affordable housing gives Instone Real Estate a significant competitive edge and offers considerable growth potential. After several years of development, Instone Real Estate has succeeded in significantly reducing planning and construction costs by using smart standardisation in the planning process and simplifying the production process. The digitalisation of the planning process and creation of a highly scalable product are the key success factors. nyoo enables the Company to enter a completely new market in the mid-range price segment, which has to date barely been served. The expansion of the nyoo business is a very important pillar of our medium-term growth strategy. In the medium term, this should generate an annual revenue volume of around €1.5 billion.

Cash flow secured due to projects under construction that have already been sold:

The project portfolio secured as at 31 December 2022 with a gross development value of €7.7 billion means that future income is highly visible.

Of this €7.7 billion, projects totalling a sales volume of around €3.3 billion are ready for or in the construction phase. Of these, housing accounting for a sales volume of some €3.0 billion had already been sold as at 31 December 2022. This offers a high degree of security with regard to the expected revenues and cash flows in the future and thus strong protection against risk.

From the projects already under construction, Instone Real Estate expects a high, largely secured free cash flow over the next three years, which can be used for investments in future growth and for the distribution of attractive dividends.

A strong balance sheet ensures a defensive risk profile and forms the basis for medium-term growth:

Instone Real Estate's continuing strong balance sheet figures represent a particular competitive advantage, especially in the current macroeconomic environment. The low debt ratio as at the reporting date is reflected in the leverage ratio of 2.8x (net financial liabilities/EBITDA) and a loan-to-cost-ratio of 20.8%. Instone Real Estate thus has sufficient financial leeway to take advantage of the anticipated opportunities that could arise, particularly in the area of project acquisition, in the current market environment in the course of the year.

Clear commitment to taking social responsibility:

Sustainability is a key pillar of the corporate strategy. Instone Real Estate supports the climate targets of the EU and the German Federal Government and has committed to becoming carbon neutral by 2045. By 2030, it should already have reduced its CO_2 emissions by 50% compared with what it produces today. Overall, Instone Real Estate aims to be a trailblazer within the industry when it comes to sustainability. The rating agency Sustainalytics, which specialises in ESG ratings, ranked Instone Real Estate among the top 2% of real estate developers worldwide. Instone Real Estate is firmly committed to continuously improving its rating over the coming years.

TCFD strategy

Share

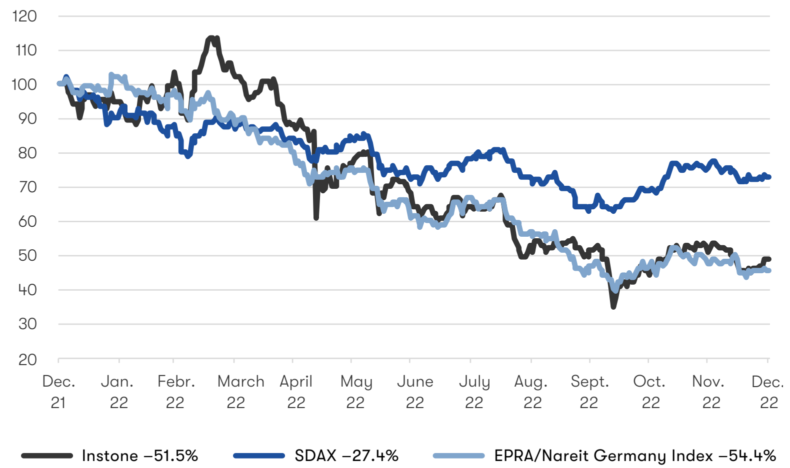
Instone's share price performance

In 2022 global stock markets were impacted by the war in Ukraine and its effects. The sharp rise in inflation, which triggered a radical reversal in monetary policy by international central banks, as well as increased uncertainty about energy supply and associated recession fears had a negative impact on share prices. The interest rate reversal by the central banks also led to a corresponding hike in interest rates on real estate loans. This has had a significant negative impact on the property market due to the increasing unaffordability of properties and the increase in relative attractiveness of other lower-risk comparable investments on the bond market. The benchmark index for German real estate stocks, the EPRA/NAREIT Germany, lost a total of 54% in value in 2022. The SDAX closed the year down 27%.

Instone shares reached their highest level of €18.88 on 18 March 2022 (basis: Xetra closing price) following the publication of the 2021 financial figures. In May 2022, Instone Real Estate was one of the first real estate companies to warn of the impact of the war on future business performance and reduced its financial forecast for the year as a whole. The increasing burden on international supply chains as well as the noticeable decline in sales among both private buyers and institutional investors were major factors. As a result, the share price fell significantly and reached its low of €5.75 on 12 October 2022. At the close of trading on 31 December 2022, the share price was €8.07. Taking into account the dividend paid, the share thus posted a negative performance of 48.9%. The market capitalisation of Instone Real Estate was €379 million at the end of the year (previous year: €759 million).

Performance of the share from 1 January 2022 to 31 December 2022

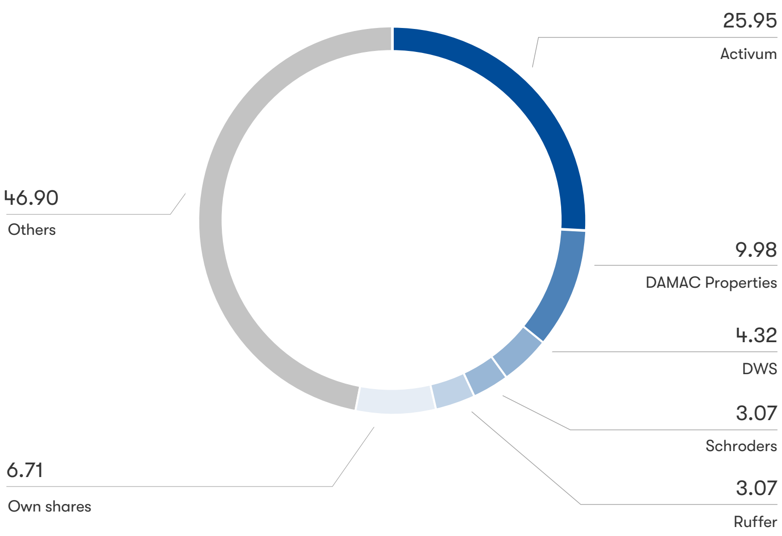
Indexed, 31/12/2021 = 100%
Historical prices (Xetra closing prices)



Major shareholders

As at: 31/12/2022

Share in %



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

Shareholder structure and share buyback programme

There has been a noticeable change in the shareholder structure of Instone Real Estate in the past year. In March 2022, the private equity investor Activum announced its involvement by exceeding the reporting threshold of 3% of the shares. At the end of the year, its holding was reported as 25.95%.

Also in March, Instone Real Estate launched a share buyback programme for the first time, making use of the authorisation granted by the Annual General Meeting on 13 June 2019. In the period from 18 March 2022 to 24 October 2022, 2,349,416 shares were acquired for a total of €25.4 million; this corresponds to 5% of the registered capital. The second share buyback programme was run from 26 October 2022 to 6 February 2023, under which another 1,349,417 shares (2.87% of the registered capital) with a total value of €11.45 million were bought back. As of 31 December 2022, own shares accounted for 6.7% of the registered capital. The acquired shares may be used for all purposes permitted by law, but a redemption of the shares is not excluded.

In November 2022, 33,072 own shares had already been issued to employees as part of an employee share programme.

Both the changes in the shareholder structure and the share buyback programme had an impact on the free float of Instone shares according to Deutsche Börse's definition. This was 67.21% at the end of the year. Taking into account the likewise lower share price, this led to a significantly lower market capitalisation of the proportion of shares in free float (free float market capitalisation) and thus the relevant criterion for compiling the selection indices of the German stock exchange. Against this background, the Instone share left the SDAX as of 19 December 2022.

Investor relations activities

In the past financial year, we again engaged in intensive dialogue with existing and potential shareholders as well as other stakeholders. During the year, the general conditions for investor relations work normalised again after the significant pandemic-related restrictions. Various investor conferences and roadshows, especially in the second half of the year, were once again held as face-to-face meetings. In total, the Management Board held 10 virtual roadshows in Europe and the United Kingdom in the past year and participated in nine investor conferences. We also presented our construction projects to some investors on site. In September, we also held an event for private investors with Schutzgemeinschaft der Kapitalanleger e. V. The Annual General Meeting took place on 9 June 2022 as a virtual event.

Currently, seven analysts regularly prepare research reports on our shares, two more than in the same period in the previous year. Of these, currently four analysts have issued a buy recommendation, two analysts are neutral, and one analyst is recommending selling Instone shares. The average share price target is

€11.00 (as of March 2023). The current ratings and share price targets as well as the consensus of analysts' estimates can be found on our ↗ Investor Relations website.

In the financial year under review, the Management Board regularly reported in 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 company information, such as presentations, financial reports, and press releases and ad-hoc announcements is also available on our ↗ website under Investor Relations.

Dividend proposal

The Management Board and Supervisory Board will propose to the Annual General Meeting on 14 June 2023 that a dividend of €0.35 be paid for each no-par value share carrying dividend rights (previous year: €0.62) and that the net profit attributable to shares not carrying dividend rights be carried forward to new account and/or appropriated to other revenue reserves. In addition, the Management Board is adhering to its goal of distributing approximately 30% of the adjusted net profit after tax (EAT) to shareholders in the long term.

Basic information about the share as at 31 December 2022

Initial listing	15/02/2018
Total number of shares	46,988,336
Registered capital	EUR 46,988,336
Free float	67.21%
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)
Indices	SDAX (until 19 December 2022)
Xetra closing price (31 December 2022)	EUR 8.07
Dividend proposal for 2022:	EUR 0.35 per share
Market capitalisation (31 December 2022)	EUR 379 million
Xetra high (18 March 2022)	EUR 18.88
Xetra low (12 October 2022)	EUR 5.75
Average daily trading volume	97 thousand Shares

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

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Head of Business Development & Communication
Telephone: + 49 201 45355-137
Mobile: + 49 173 2606034
Email: investorrelations@instone.de

COMBINED MANAGEMENT REPORT

Foundations of the Group

Business model and organisational structure

GRI 1

Instone Real Estate is one of Germany's leading residential property developers and is listed on the Prime Standard of the Frankfurt Stock Exchange. 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. In the course of over 30 years, Instone has handled more than one million square metres of real estate. The company employs 488 people across nine locations in Germany. As at 31 December 2022, the project portfolio of Instone Real Estate included 52 development projects with an anticipated gross development value of €7,668.8 million and 16,209 units. GRI 2-7

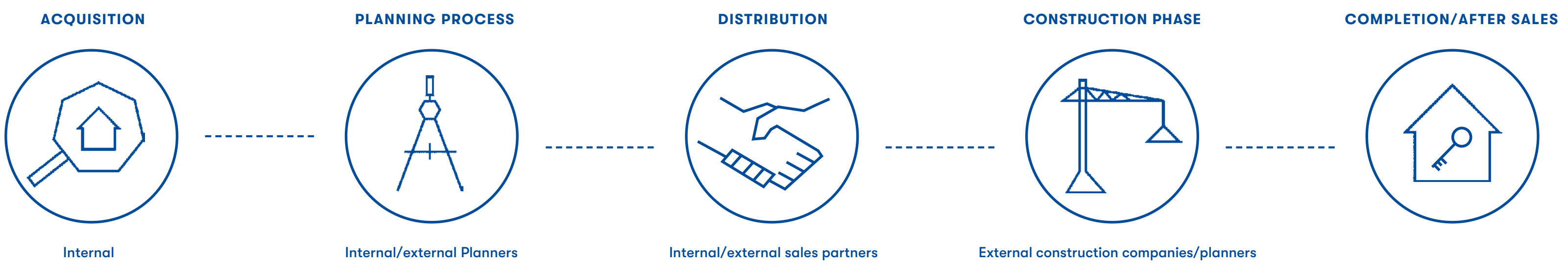
Around 86% of the development portfolio (based on the expected sales volume after completion of the development) is traditionally focused on the most important metropolitan regions of Germany (Berlin, Bonn, Düsseldorf, Frankfurt am Main, Hamburg, Cologne, Leipzig, Munich, Nuremberg and Stuttgart). Around 14% 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 rent and homes for sale Instone Real Estate 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 accordance with the Group's strategy, the development of nyoo should make a considerable contribution to planned medium-term growth. With the help of nyoo, about half of all properties developed by the Instone Group will come from the "affordable housing" segment (see also the "Strategy" section on page 43) as early as 2030.

Coverage of the entire value chain

Instone Real Estate is the only developer in Germany, listed on the regulated market of the Frankfurt Stock Exchange, that exclusively focuses on residential real estate and also covers the entire value chain Figure 001. The Instone Group offers 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 value chain FIGURE 001



Each of the eight operative Instone 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 49 employees, is located in Cologne.

GRI 2-4

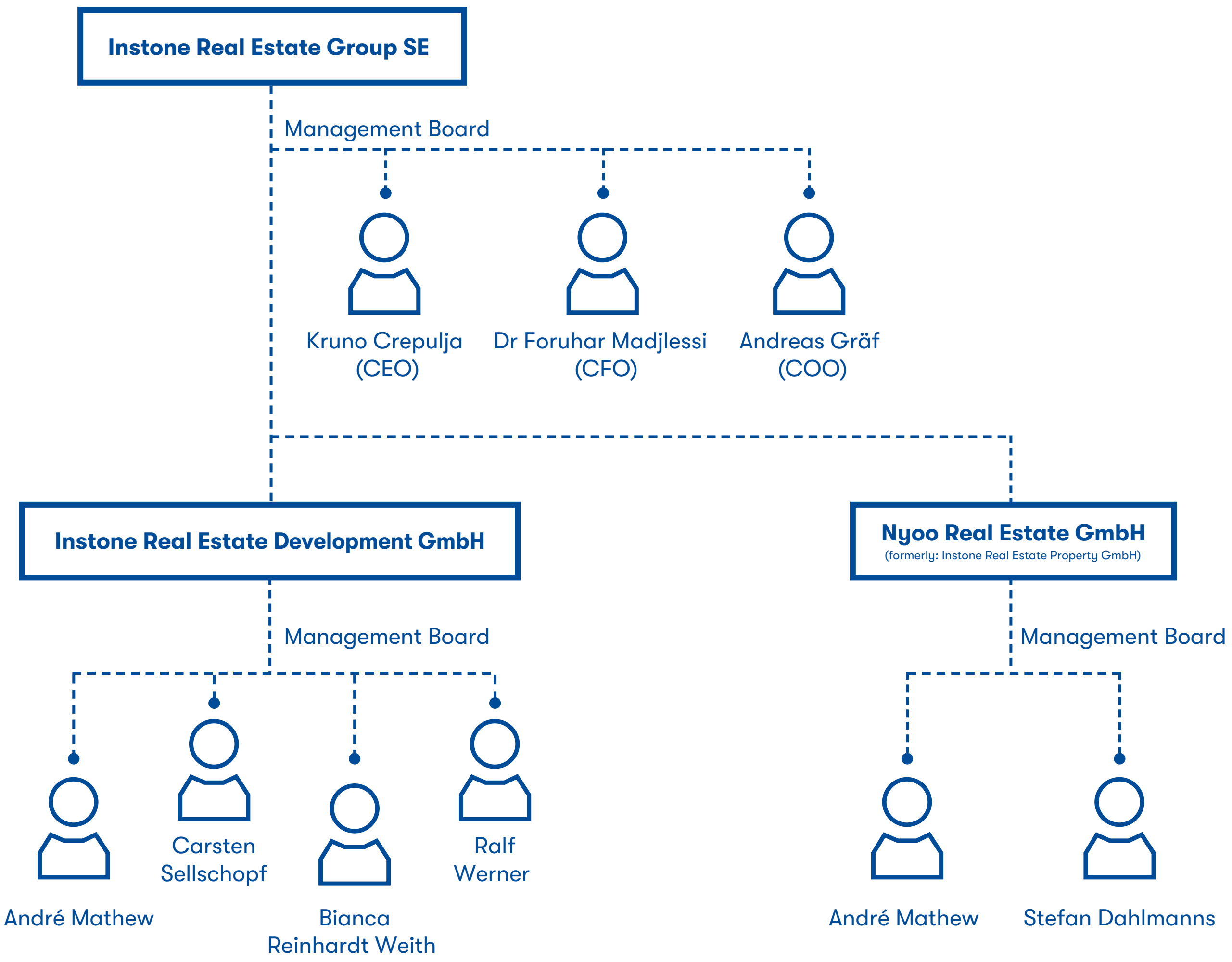
With regard to corporate management, Instone Real Estate implements an integrated risk management system and uses reporting and planning tools to minimise risk in the development process. As per German Broker and Developer Regulations (Makler- und Bauträgerverordnung, MaBV, Instone Real Estate has the option of contractually agreeing instalment payments on the basis of construction progress 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 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

In the 2022 financial year, the members of the Management Board resigned from the management of Instone Real Estate Development GmbH and Nyoo Real Estate GmbH. The idea is for the Management Board to concentrate more closely on strategic issues at Instone Real Estate.

The number of employees continues to rise

As at 31 December 2022, a total of 488 people (including apprentices, interns and student trainees) were employed by the Instone Group, marking a 6.8% increase compared to the total at the end of the previous financial year (previous year: 457 people). GRI 2-7

Organisational structure of Instone Real Estate (as at: 31 December 2022) FIGURE 002



Market environment and regulatory conditions

Market environment under the influence of the war in Ukraine

Instone Real Estate is one of the leading residential real estate developers in Germany and has a nationwide presence in all major metropolitan regions. The market environment in the real estate sector has changed considerably as a result of the Russian war of aggression against Ukraine last year. There were already bottlenecks for materials due to supply chains being disrupted by the coronavirus pandemic. Some of these have intensified and led to significant supply bottlenecks and to significant price increases for construction materials and thus construction costs as a whole. Thanks, among other things, to contractually securing a high proportion of procurement volumes at an early stage, we were able to cushion the negative consequences for our customers and keep our margins stable at a high level in the past financial year. The energy crisis led to further increases in energy supply costs and pushed inflation to a record level at the end of the year. The international central banks reacted with a historic increase in key interest rates. This led to an increase in mortgage interest rates from under 1.0% in some cases to around 4.0% within a year. The sharp deterioration in financing conditions had a direct impact on the demand for Instone products from both private and institutional investors. In our opinion, the current crisis will have a significantly negative impact on the construction of new apartments and thus further exacerbate the structural excess demand situation on the German residential real estate market. This is particularly true in large cities and conurbations, but also increasingly in their catchment areas. In the German residential real estate market, demand has outpaced supply for years. The demand for affordable housing in particular is rising and is a major political issue. With the market launch of nyoo, our innovative modular product for creating affordable housing, we want to make a sustainable contribution to satisfying this unmet demand. At the same time, we are tapping into a sales market in the mid-price segment, which in our opinion has enormous growth potential and has so far hardly been served.

Competitive environment

In a fragmented competitive environment, Instone Real Estate sees itself as holding a leading position in the market. 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, regional or local project developers. This market structure means that few companies have the financial and human resources or the economies of scale to create a product with standardised planning to develop affordable housing.

In the current market environment, Instone Real Estate benefits significantly from its financial strength, which we believe is reflected in a very low leverage and high liquidity. In our opinion, the increases in interest rates for borrowing over the past year will force some project developers to withdraw from the competition for land or abandon projects that have already been purchased. We expect this will result in acquisition opportunities for Instone Real Estate.

Further information on the development of the German residential real estate market over the past financial year can be found in the “Economic conditions” section starting on page 119.

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 Instone Real Estate 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. Instone Real Estate continuously monitors the changing regulatory framework closely and aligns its business activities with the new legislation. We cultivate an intensive dialogue with local authorities and state legislatures to actively help to improve the framework for the creation of housing. To achieve this objective, Chair of the Management Board Kruno Crepulja is, for instance, Vice Chair of the Residential Real Estate Committee for the German Property Federation (ZIA), 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 halted projects. The increasing weight of environmental concerns also further increases the complexity of the process of procuring construction rights. Nevertheless, it is worth noting at present that most Instone Real Estate projects are supported by the public. On our part, this is underpinned by active and transparent communication and high levels of credibility. In development planning processes, Instone Real Estate maintains open communications and involves all stakeholders, such as neighbours and interested citizens, at an early stage of planning the neighbourhood, which results in comparatively few conflicts and minimal associated public law proceedings.

The obligations under the urban development contracts with local authorities are met by Instone Real Estate itself as an integral part of the value chain. This includes, among other things, the creation within our current projects of some 1,713 child day-care places and affordable housing in locations with large shortages, amounting to 2,872 subsidised homes or 139 reduced-price homes.

The following significant changes in the regulatory environment or uncertainty factors are currently ongoing and could affect our Group's business model:

Federal funding policy

The current "traffic light" coalition government in Germany has described the creation of new housing as an important political objective. Among other things, a separate Federal Ministry of Construction was created for this purpose. The main objective is the construction of 400,000 new apartments every year, of which 100,000 will be publicly subsidised. However, the number of new apartments in 2022 is expected to remain well below this target. One clear reason for the reluctance to build is the worsening of general conditions with rapidly rising loan interest rates and construction costs. Also to blame are the general macroeconomic risks, as well as the ongoing uncertainties regarding the federal government's funding programmes to promote new building. First, in January 2022, the current funding programme promoting the construction standard known as Effizienzhaus 55 (Federal Funding for Efficient Buildings) was temporarily stopped due to excessive demand. This had a noticeable negative impact on construction activity. The financial framework was exhausted, after grants of about €5 billion were approved in January alone for new EH55 buildings – almost as much as for the whole of 2021. The programme for new KfW 40 houses, which was resumed shortly thereafter and worth €1 billion, was also wound up within just a few hours (phase one "EH 40"). From 20 April 2022 to 31 December 2022, only Efficiency Houses 40 with the relevant sustainability class and the quality seal for sustainable buildings (QNG) were still being subsidised (phase two "EH 40 NH"). The EH/EG 40 NH programme was available in the form of loans; the total funding volume was €500 million.

For 2023, new funding for climate-friendly new buildings and residential property amounting to over €1 billion in total is available, which is comparatively low. Approximately €350 million of this amount is to be made available to help families buy their own homes and replace the Construction Child Allowance that expired at the end of 2022. Funding is only available for new buildings for owner-occupied residential use in Germany that meet the Efficiency House 40 (EH40) standard plus the quality seal for sustainable construction. So families with at least one minor child in the household and a maximum taxable annual household income of €60,000 would be eligible to apply. This is generally the case for around 75% of households in Germany. The ceiling is increased by €10,000 for each additional minor child. However, an exclusion applies to families that have already received federal funding for residential property in the past, such as Construction Child Allowance. No grants are to be issued, but only low-interest KfW loans, although these can be used instead of equity. A further €650 million is also to be made available to fund the construction of new climate-friendly rental apartments (EH 40). Housing companies and cooperatives as well as private builders with more funding available can benefit from this.

In addition, the Federal Government has approved tax relief for real estate owners as of 1 January 2023. The linear depreciation rate for residential buildings constructed for rental purposes is expected to increase from 2 to 3%, thus shortening the depreciation period from 50 to 33 years. The aim is to support a climate-friendly construction drive for new buildings. However, the depreciation rate for buildings completed up to 2023 is expected to remain at 2% per year. A special depreciation rate is also expected to apply for a limited period, with the option to write down 5% of production costs over four years. The upper limit for production costs is €4,800 per square meter, of which a maximum of €2,500 per square meter can be claimed for tax purposes. This preferential tax treatment depends on compliance with the energy-related building standard Efficiency House 40 and the quality seal for sustainable buildings (QNG).

German Act on the Modernisation of Land for Construction now implemented across individual states

The German Act on the Modernisation of Land for Construction (Baulandmobilisierungsgesetz), which came into force in mid-2021, has now been implemented in different ways in the individual federal states. For example, while Baden-Württemberg mainly introduced the pre-emptive purchase right of local authorities for undeveloped sites in certain municipalities, Hamburg and Berlin also chose to apply withholding of approval for conversion of rental apartments into freehold property (Section 250 of the German Federal Building Code (BauGB)).

In the real estate industry, the Act is viewed as a drastic intervention in the market and in property rights, which is expected to result in a sustainable reduction in supply for purchasers of freehold apartments. As a result, we expect the excess demand in the housing market and therefore the demand for Instone Real Estate products to continue to increase.

Thanks to their pre-emptive purchase right, local authorities now have more opportunities to gain preferential access to land and houses, and to build housing there themselves. Accordingly, an increasing proportion of pre-emptive purchase rights exercised by local authorities may also affect the acquisition activities of Instone Real Estate. The generally small financial leeway of many local authorities, further eroded by the consequences of the COVID-19 pandemic, significantly limits their acquisition potential.

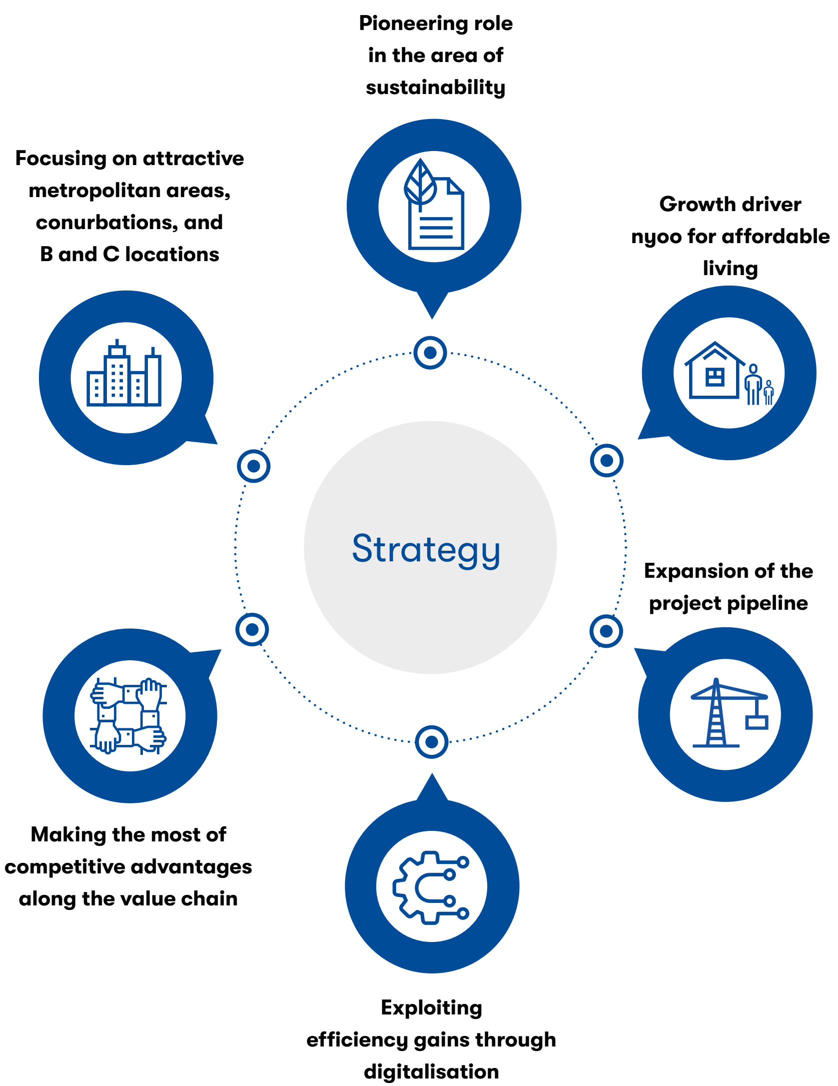
In fact, Instone Real Estate believes that the increased exercise of pre-emptive purchase rights could lead to additional opportunities through potential public sector collaborations.

Municipal land regulations

There are political efforts in a number of Instone Real Estate's core markets to further extend regulations as part of creating new planning permission. 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, social rented housing or cooperative housing.

While additional regulations of this type are likely to have negative effects on both the demand for and supply of construction land in general, Instone Real Estate believes that 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. In addition, these conditions do not affect existing projects with planning permission and projects where the process to procure construction rights has already started.

Strategy



Instone Group is one of the leading residential real estate developers in Germany. The strategic goal is to sustainably and continuously expand this competitive position through profitable growth. Opportunities to purchase projects, given the correction phase that is currently shaping the market, are to be exploited accordingly. At the same time, added value is to be created for all stakeholders. This particularly includes our customers, employees, shareholders, local authorities and the social environment in which we operate.

As a result of the war in Ukraine, the cost of materials and therefore construction has increased considerably. The general rise in inflation led to strong interest rate increases, which had a negative impact on real estate demand and thus stalled the positive price trend for German residential real estate. We are also responding to these changes in market conditions through a more cautious purchasing policy in the short term.

The Group strategy includes the following essential elements: GRI 2-22

Focus on metropolitan areas and conurbations in Germany and on B and C locations

As part of our traditional core product, the individually planned and tailored development of homes for rent and homes for sale, we are focusing on inner-city locations in metropolitan areas and medium-sized cities with structural surplus demand and demographic growth. With our new nyoo product, we are also targeting B and C locations around economic centres which are in our view becoming increasingly attractive. In our projects, we also always focus on sustainable, environmentally-friendly neighbourhood development and the integration of social aspects. For example, our projects regularly include a high proportion of accessible homes. Neighbourhood developments consist of a mix of residential units supplemented by other usage categories, such as offices, commercial spaces and community facilities, like child day-care centres. For a larger proportion of non-residential developments, we take on land development and generally include project partners for the commercial part. In terms of project size, with our traditional product we concentrate on large projects with an average value of at least €100 million. The average project size at nyoo, on the other hand, is around €30 to €50 million.

Nyoo as a growth driver for affordable housing

With our nyoo product to create affordable housing, we are supplementing our existing successful product range with high-quality, low-cost apartments based on modular planning. By combining modular planning, serial construction, product simplification and using digital sales channels, we plan to significantly reduce production costs and the duration of projects. The cost advantages created by this product are allowing Instone Real Estate to tap into the mid-price market, which we feel has barely been catered for until now and represents vast potential for growth. This will enable us to address the high need for homes for rent and homes for sale for medium-income groups while making a valuable contribution to more affordable housing on the outskirts of metropolitan areas and in what we believe to be attractive B and C locations. Two nyoo projects are currently under construction in Düsseldorf-Unterbach and Duisburg, and the project pipeline has been expanded. By 2030, around half of the apartments developed are expected to be affordable housing.

Expansion of the project pipeline

The acquisition of suitable land is of key importance for the planned growth of Instone Group. In the 2022 financial year, we significantly reduced our acquisition activity temporarily due to the increased uncertainties in the market environment. However, we assume that in future we will be able to benefit from opportunities in the form of land or projects where progress has already been made. Given the strong balance sheet, we also believe that Instone Real Estate is well positioned to take advantage of the opportunities described, as and when the time is right.

Making the most of competitive advantages along the value chain

As one of the few developers in Germany focusing exclusively on residential real estate, Instone Real Estate is able to draw on its many years of extensive expertise along the entire value chain:

→ When acquiring land, we prioritise “off-market transactions”, i.e. acquisitions outside the public, multi-level 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. Instone Real Estate brings its experience to acquiring economically attractive planning permission.

→ Instone Real Estate supports local authorities with procuring planning permission, in particular by developing urban planning strategies and proposals for action as well as drafting land use and development plans.

→ In the overwhelming majority of cases, Instone Real Estate acts as an independent prime contractor. Contracts are individually awarded to regional and national construction companies from our existing network on the basis of 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 creates competitive advantages, 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. Our own added value has a positive overall effect on the operating margin.

→ In marketing and sales, we maximise our access to any relevant target groups, such as owner-occupiers, capital investors and institutional investors.

Exploiting efficiency gains through digitalisation

For Instone Real Estate, the increasing digitisation of our business processes is a key factor in further efficiency increases, as well as being a key competitive advantage in a highly fragmented industry with comparatively little digitisation. Through continuously analysing and digitising all processes, we can routinely identify potential for improvement, and thus increase efficiency in the planning and building process in the long term. For example, we are working on the uniform digitisation of our entire process landscape with proprietary software. This provides an integrated planning and construction process that can make the best possible use of the opportunities offered by serial construction.

Pioneering role in the area of sustainability

Fair and responsible action with regard to economic, environmental and social sustainability is the cornerstone of Instone Real Estate's Group strategy. We believe that our company's sustainability performance is key to our long-term business success and competitiveness. In the past financial year, we were able to continue to drive forward the implementation of our strategy, for example by introducing a taxonomy review, adapting our investment process in relation to ESG effects and physical climate risks, and implementing internal working groups. These groups are intensively involved in the operational implementation and integration of things like sustainable materials, neighbourhood infrastructure and key social aspects in our neighbourhoods.

GRI 2-22 TCFD strategy

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 Instone Real Estate'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 building block for success in terms of further strengthening Instone Real Estate'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. An essential 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, Instone Real Estate 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 Real Estate corporate governance 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 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, income from investments and other earnings, 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 of tangible and financial assets, 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, write-ups 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

The volume of sales contracts reflects the sales-relevant (adjusted) contract volume for our projects. Essentially, this includes all sales-related transactions, such as notarised real estate purchase agreements, individual orders from customers and rental income.

The term sales volume is also used synonymously for the volume of sales contracts.

Other key performance indicators

The management of Instone Real Estate 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. Instone Real Estate divides its project portfolio into three different groups depending on the stage of development: In the case of projects with a "pre-sale" status, the land in question is purchased, secured or made subject to a binding offer from us, but marketing does not start yet. 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. When structural obligations are met and the entire sale[1] and the full transfer are completed, projects are removed from the project portfolio in the following reporting month.

Volume of new approvals

The volume of new approvals reflects our Group's success in acquiring new land and development projects. In order to ensure the future cash outflows resulting from the approved investment, the project is included in our project portfolio from the time of approval. The internal approvals associated with the volume of new approvals are based on property access secured by us with a binding offer. The volume of new approvals is measured at the volume of sales contracts expected at the time the new approval is granted.

Project gross profit or loss 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

a. Applied reporting standards

In this year's sustainability report, Instone Real Estate is voluntarily fulfilling the commercial law requirements for non-financial reporting in accordance with Section 315c in conjunction with Sections 289c–289e of the German Commercial Code (HGB), although Instone Real Estate is not obliged to do so under the terms of the HGB in view of the size of the company. In addition, this report provides more than the legally required minimum amount of information and is already partially aligned with the drafts of the European Sustainability Reporting Standard (ESRS) and the EU Corporate Sustainability Reporting Directive (CSRD). These standards and directives are likely to become mandatory for Instone Real Estate in its reporting from the financial year 2025 onwards. As Instone Real Estate believes that these changes are important and indicate the direction of future developments, we are already anticipating the requirements of part of the directive in this year's reporting.

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

In the context of the identification of material themes to be included in the report, the HGB and the ESRS/CSRD (draft, as at 15 November 2022) currently differ with regard to their definition of double materiality.

Double materiality consists primarily of:

1. Sustainability themes 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, themes that are simultaneously material from both perspectives must be taken into consideration, while the ESRS/CSRD (draft dated 15 November 2022) also take into consideration all those themes that are material only in one way.

Instone Real Estate has assessed all the relevant themes 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 action areas described (page 54 materiality matrix)

In addition, from this financial year onwards, Instone Real Estate is likewise reporting in full, in accordance with 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 provided and indicated with the icon ||| in this report as well as the taxonomy reporting were subjected to an independent audit with limited assurance by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, in accordance with the audit standards relevant to sustainability reporting (ISAE 3000 Revised).

In its disclosures, Instone Real Estate is guided by recognised standards and reporting initiatives, including the requirements of the Global Reporting Initiative (GRI) GRI table, and the recommendations of the Task Force on Climate-Related Financial Disclosures TCFD, appendix. Our climate targets were reviewed by the Science Based Target 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 United Nations Sustainable Development Goals (SDGs).

b. 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.

In this context, in the financial year 2022 Instone Real Estate has revised and supplemented its existing data with other important key sustainability figures in the dimensions of the environment (E), social (S) and governance (G), in accordance with the requirements of the ESRS/CSRD (draft dated 15 November 2022) and the EU Taxonomy Regulation. This has resulted in additional key figures being recorded over the last year, including additional key environmental figures compared with 2021 and the measurement of our social impact[1] in initial examples. This forms the basis for further improvements to the quality and completeness of our data in the long term, so that it can be used in the context of business decisions.

The structure of the published information follows the drafts of the ESRS.
All the information relates to the financial year 2022 up to the reporting date of 31 December 2022. 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 the Instone Real Estate Group SE, with the exception of the investment in the proptech start-up beeboard GmbH, which because of its size and the non-controlling interest of Instone Real Estate (alongside other investors) has been excluded from the sustainability report for this financial year.

All the information in this sustainability report is generally presented at Group level in accordance with the consolidation/balance sheet group which forms the basis of the consolidated financial statements and the 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.

[1] See glossary for definition

Business model and strategy

TCFD risk management

c. Business model

Detailed information on the business model is set out in the section "Foundations of the Group", which is a topic with double materiality. page 37 onwards.

Corporate governance

The corporate governance statement page 176 onwards includes the declaration of compliance, 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 issues. TCFD governance

Equity story

The equity story is based on our company's particular strengths and clearly articulated growth strategy. At the same time, we are addressing existing and future investors and other stakeholders. The key points of the strategy and the future prospects of the company are described here. The detailed explanations can be found on page 32 of the management report.

d. Strategy in the context of sustainability.

In its 2021 sustainability report and the preparatory activities for the previous years, Instone Real Estate was able to demonstrate that sustainability is a central part of its corporate strategy. Five key aspects reflect the importance of the theme and the extent to which it is integrated in our activities:

- We create transparency for our shareholders and stakeholders.
- We take responsibility for the effects that our business activities have.
- We actively manage our impact and our sustainability-related risks.
- We open up specific business opportunities with the help of sustainable products and create long-term competitive advantages.
- We deliberately take on a leading role and set an example in our industry.

For these reasons, all the key sustainability themes are part of our business strategy and have also been included in the section Strategy, page 43 of the annual report.

In the financial year 2022, we were able to continue with implementing the strategy in our general business processes. Good examples of this are the introduction of the audit with limited assurance of the report contents in accordance with the Taxonomy Regulation, which is organised primarily by the project managers. In addition, our investment process has been modified to take into consideration ESG effects and physical climate risks have been analysed and clustered. The sustainability department has presented its findings and information on the subject of sustainability to internal audiences in lectures, training courses and working groups. Furthermore, five internal impact working groups have been set up which will focus in detail on the operational implementation and integration of sustainable materials, neighbourhood infrastructure and social neighbourhood impact.

e. Instone value chain

The section "Foundations of the Group" from page 37 onwards. contains detailed information about the Instone Real Estate value chain.

f. Table of targets

Table 004 provides an overview of our sustainability targets – all the explanations are addressed and explained further in the sections covering the environmental, social and governance aspects.

g. Materiality analysis

TCFD risk management/key performance indicators and targets

i. Procedure

To identify sustainability themes that are relevant for Instone Real Estate's business activities and stakeholders, a materiality analysis was carried out for 2022 based on the previous year's analysis. Instone Real Estate assessed the existing questions to determine whether they needed to be amended. The 2022 analysis was based on the process specified in the guidelines to ensure the comparability of the results of analyses carried out at different times.

In doing so, we took into account the requirements of the HGB and GRI. We also wanted to clarify the understanding of double materiality in accordance with the CSRD and the drafts (dated 15 November 2022) concerning the materiality analysis in the ESRS.

The following are therefore considered to be material:

- Themes that have a material influence 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 themes are material for Instone Real Estate 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, local authorities, associations and NGOs, employees and customers. 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 figure on the following page shows the materiality analysis 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 important 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?

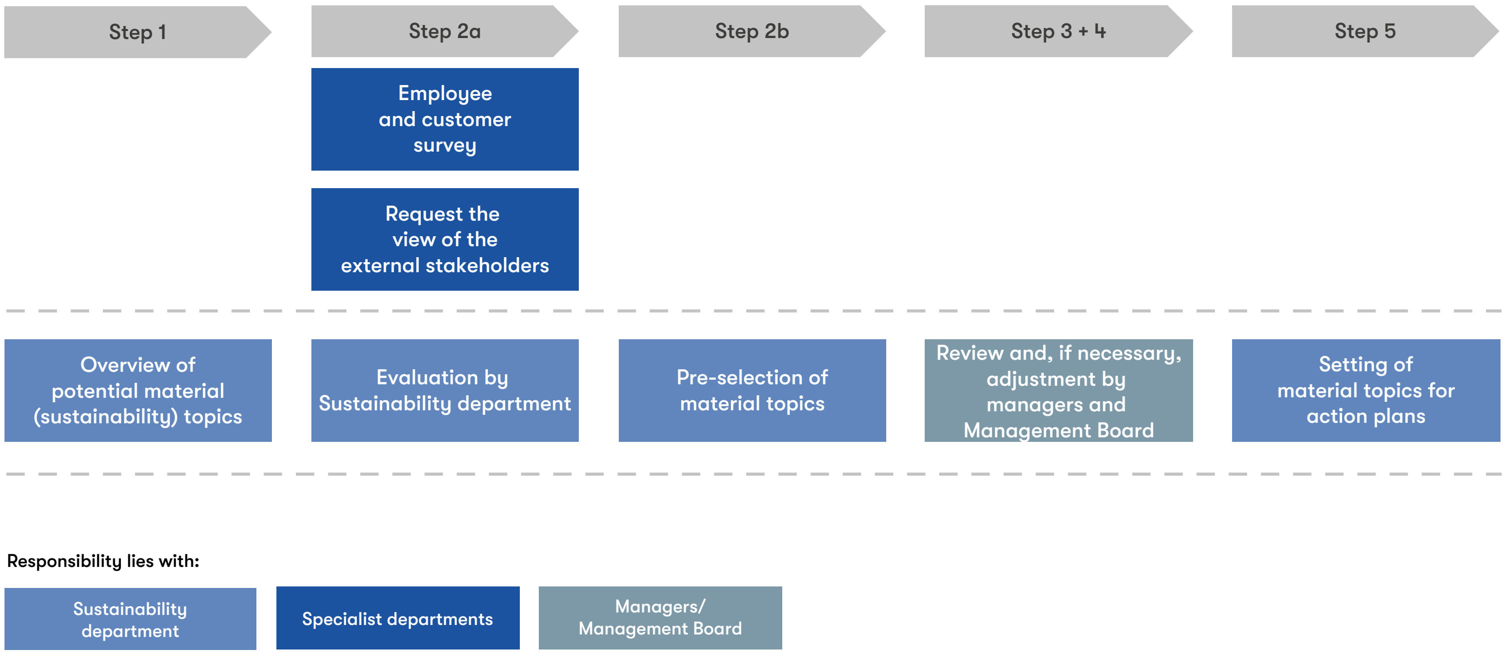
All three parameters are given a score between 0 and 5 using a manual assessment process. The final result of the evaluation of impact materiality and the financial materiality of a theme is the total of the parameters.

GRI 3; 3-1; 3-3

[1] Facts identified as material under the terms of Section 289c (3) HGB.
[2] Material themes in accordance with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standard (ESRS), which are mandatory for Instone Real Estate from the annual report for 2025 onwards.
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[3]

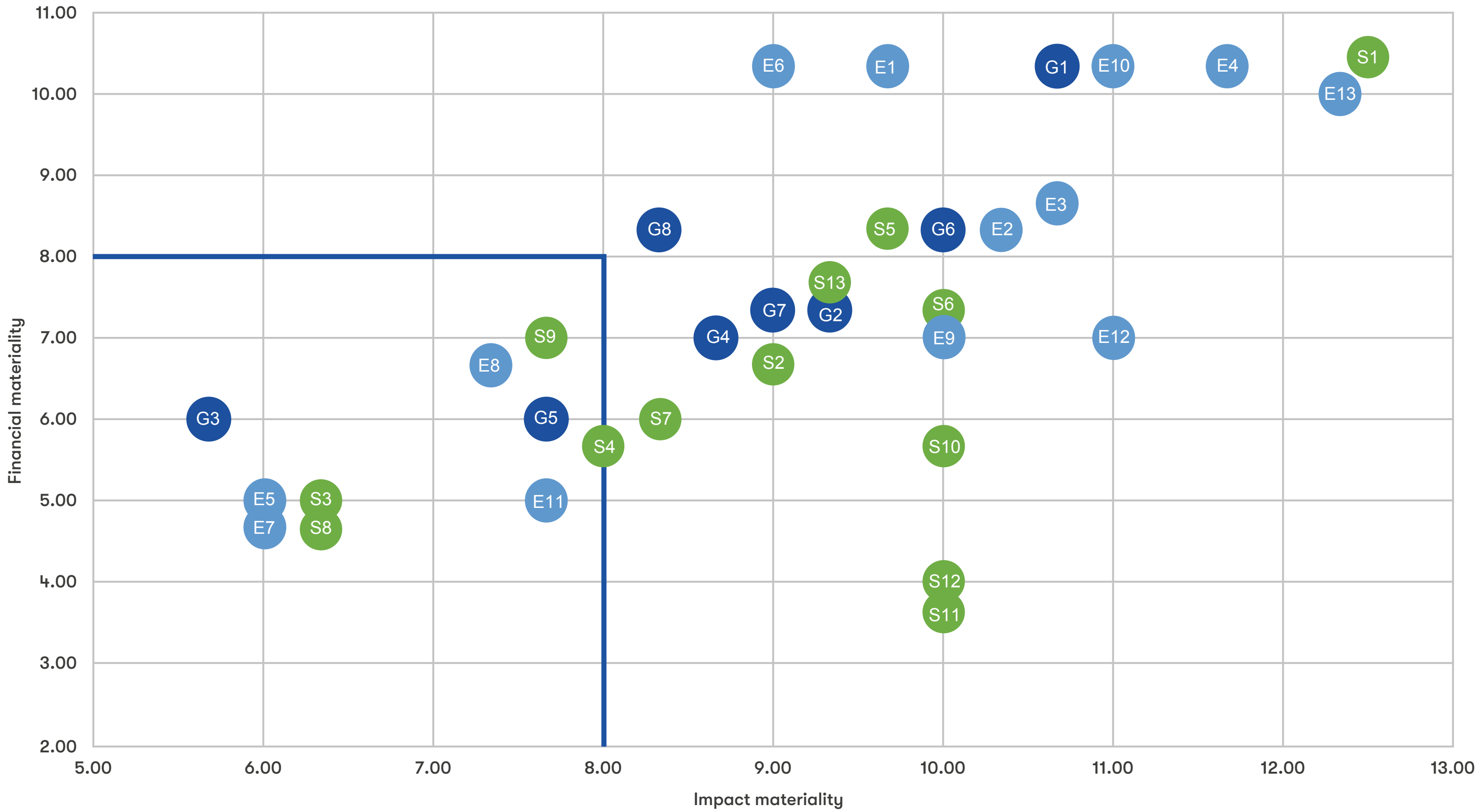
FIGURE 003



[3] For the evaluation from the stakeholder perspective, the corresponding departments assess the position of the stakeholders on the basis of their interactions with them. GRI 2-29

ii. Results and materiality matrix GRI 3-2

Materiality matrix for the financial year 2022 FIGURE 004



Index

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 engagement
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 (for example from within associations)
G4 - Compliance/anti-corruption measures
G5 - Incorporating ESG targets into the management remuneration system
G6 - Customer 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

The themes marked in blue in the index have ,for the first time this year, at least single materiality.

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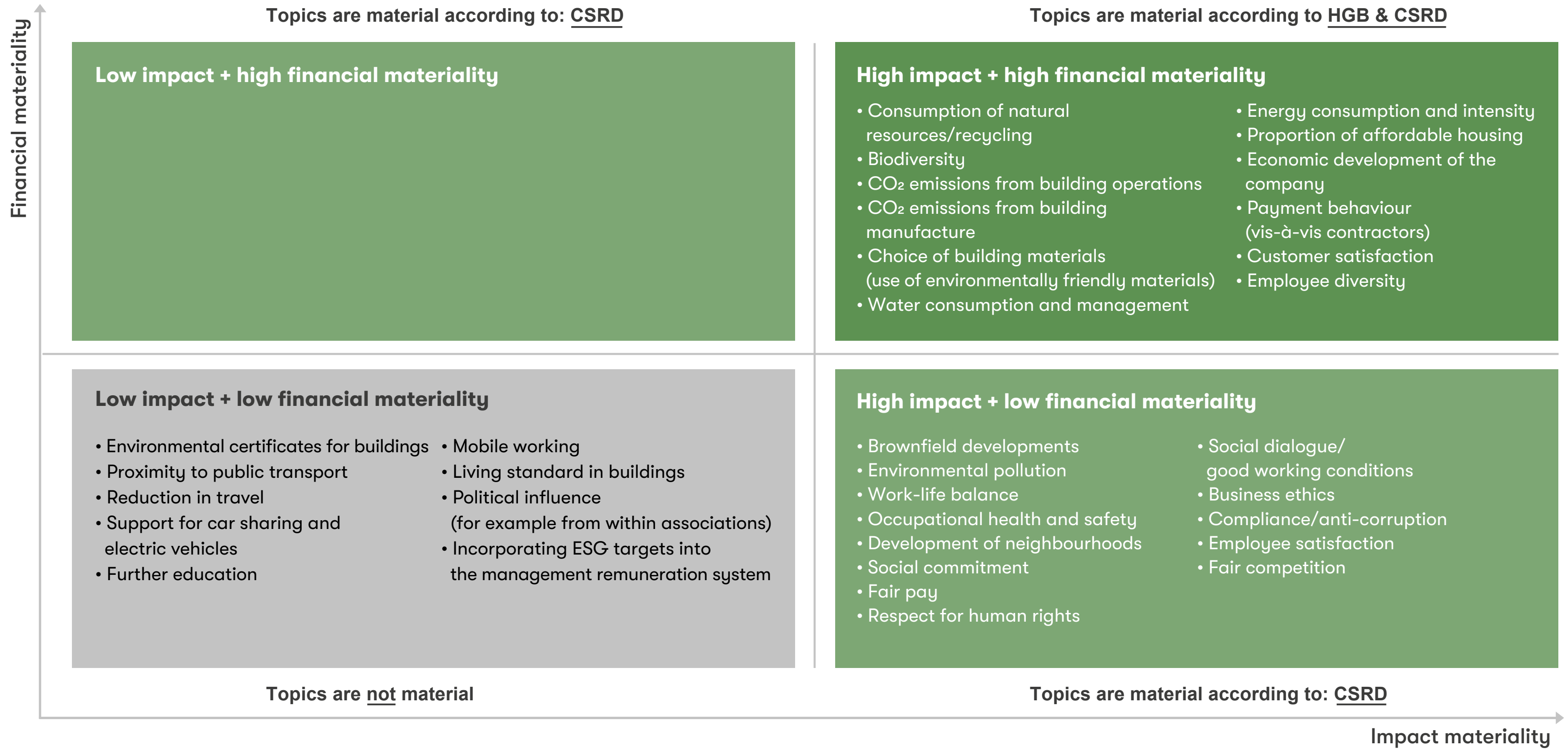
The themes in the top right-hand corner of the matrix are those which are assessed to be the most material and which are particularly relevant from the perspective of financial and impact materiality. The themes in the bottom left-hand corner of the matrix are considered to be less material.

Taking into consideration the HGB and the ESRS (draft, as at 15 November 2022), Instone Real Estate has identified more material themes overall in comparison to the previous year. The themes which are material for the first time this year are shown in the matrix in a blue font.

In the area of the environment, the themes of biodiversity and the prior use of plots have grown in importance. There were new social themes concerning, on the one hand, the company's employees and, on the other, the social effects of Instone's business model. In the area of governance, there is greater focus on the themes of compliance and fairness, for example, in relation to fair payment and fair competition.

Breakdown of the themes in the materiality matrix FIGURE 005



Depending on the framework used, the themes from only one (CSRD) or from both materiality analyses (HGB and CSRD) that are relevant are defined as material Figure 005 on page 55.

In the materiality analysis, themes relating to employee issues and respect for human rights as well as combatting corruption and bribery are only categorised as material in the impact materiality dimension, but according to Section 289c (2) HGB they constitute a material component of the report. Instone Real Estate regards these themes as important, but also believes that the evaluation by the stakeholders confirms their trust that Instone is managing them in a businesslike way, which means that there is no resulting financial materiality or risk.

Instone Real Estate reports on all the issues raised in the materiality analysis and that have at least one impact dimension. Point S1 Employee diversity, which was categorised as having single materiality in the analysis, had its relevance increased as a result of the board decision to approve the materiality analysis and is also treated as a theme with double materiality. Table 003

Overview of the material themes TABLE 003

	Theme	Materiality (impact/financial/double)	Reference in the report
Environmental issues			
E1	Consumption of natural resources/recycling	Double	p. 85 onwards
E2	Biodiversity	Double	p. 83 onwards
E3	CO_2 emissions from building operations	Double	p. 70 onwards
E4	CO_2 emissions from building manufacture	Double	p. 70 onwards
E6	Choice of building materials (use of environmentally friendly materials)	Double	p. 85 onwards
E9	Brownfield developments	Impact	p. 79 onwards
E10	Water consumption and management	Double	p. 81 onwards
E12	Environmental pollution (air, water, soil)	Impact	p. 79 onwards
E13	Energy consumption and intensity	Double	p. 70 onwards
Employee issues			
S1	Employee diversity**	Double**	p. 96 onwards
S2	Work-life balance	Impact	p. 97 onwards
S4	Occupational health and safety	Impact	p. 99 onwards

** Double materiality according to Management Board decision

Overview of the material themes TABLE 003

	Theme	Materiality (impact/financial/double)	Reference in the report
S10	Fair pay	Impact	p. 100 onwards
S13	Employee satisfaction	Impact	p. 94 onwards
Social issues			
S5	Proportion of affordable housing	Double	p. 108 onwards
S6	Development of neighbourhoods (for different sociodemographic groups and social infrastructure, such as schools and child daycare centres)	Impact	p. 107 onwards
S7	Social commitment	Impact	p. 107 onwards
S12	Social dialogue/good working conditions	Impact	p. 101 onwards
G1	Economic development of the company	Double	p. 119 onwards
G6	Customer satisfaction	Double	p. 110 onwards
G7	Fair competition	Impact	p. 102 onwards
G8	Payment behaviour (towards contractors)	Double	p. 102 onwards
Respect for human rights			
S11	Respect for human rights	Impact	p. 100 onwards
G2	Business ethics – compliance with social and ethical criteria (Instone Code of Conduct)	Impact	p. 100 onwards
Combating corruption and bribery			
G4	Compliance/anti-corruption measures	Impact	p. 117 onwards

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

h. Measures and targets to address material sustainability themes

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

Table of targets

TABLE 004

Environment

Index	Environmental issues	Unit	2021	2022	Target (if applicable)	Materiality (impact/ financial/ double)
E3, E4	**GHG emissions** GRI 305					Double
	Scope 1 GHG emissions	tCO_2e	840	943		
	Scope 2 GHG emissions for electricity[1]	tCO_2e	1,607	921		
	Scope 2 GHG emissions for heating[1]	tCO_2e	298[2]	283		
	Total for scope 1&2 GHG emissions	tCO_2e	2,746	2,147	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	56	39		
	– Plane	tCO_2e	45	21		
	– Rail	tCO_2e	4	9		
	– Rental car	tCO_2e	0.1	0		
	– Hotels	tCO_2e	7	9		
	Commuting	tCO_2e	160	161		
	Properties rented before the start of the project	tCO_2e	2,780	2,695		
	Projects (lifecycle perspective)[3]					
	Completed buildings – manufacturing phase	tCO_2e	29,169	124,134		
	Total for scope 3 GHG emissions – upstream value chain	tCO_2e	32,165	127,029	Net zero climate neutrality by 2045	
	Completed buildings – use phase (BAU)[4]	tCO_2e	64,695	299,288		
	Completed buildings – disposal phase	tCO_2e	3,506	13,172		

[1] Calculations partly based on previous year's data.
[2] For 2021, the heating and therefore the scope 2 emission values had to be adjusted for Cologne and Munich to reflect the detailed consumption statements now available.
[3] Compared to last year, the calculation of the net floor area, which is included in the intensity calculation, has been adjusted. As of this year, the areas and emissions for the buildings completed in the reporting year are reported over the lifecycle in accordance with the consolidated balance sheet group. The lifecycle perspective does not allocate things to scope 1, 2 or 3 and reports all emissions throughout the lifecycle 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, erection 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 key performance indicators and targets GRI 302-1, 302-2, 302-3, 302-4, 302-5

Table of targets

TABLE 004

Environment

Index	Environmental issues	Unit	2021	2022	Target (if applicable)	Materiality (impact/financial/double)
	Total for scope 3 GHG emissions – downstream value chain	tCO_2e	68,201	312,460	Net zero climate neutrality by 2045	
	Total for scope 3 GHG emissions – upstream and downstream value chain	tCO_2e	100,367	439,489	Net zero climate neutrality by 2045	
	Total for scope 1-3 GHG emissions	tCO_2e	103,113	441,636	Net zero climate neutrality by 2045	
	GHG intensity/revenue	kg CO_2e/€	0.1316	0.7112		
	GHG intensity/project areas[1]	kg CO_2e/m^2	1,517	1,536		

[1] Net floor area in m² of the completed buildings. Project portfolio in accordance with consolidated balance sheet group

TCFD key performance indicators and targets GRI 302-1, 302-2, 302-3, 302-4, 302-5

Table of targets

TABLE 004

Environment

Index	Environmental issues	Unit	2021	2022	Target (if applicable)	Materiality (impact/ financial/ double)
E13	**Energy consumption and intensity**					Double
	In-house consumption (offices and construction sites)					
	Energy consumption	kWh	5,220,907	3,422,168	By developing an additional package of measures in 2023, our goal is to reduce our energy consumption in the long term.	
	Energy intensity of offices and construction sites/ revenue	kWh/€	n/a	0.0055		
	Project portfolio[1]					
	Average primary energy consumption of buildings[2]	KWh/m²	36.65	36.44		
	Proportion of buildings that achieve NZEB[1] – 10%[3]	Percentage	82.5[4]	97.4	In 2030, the percentage for the project portfolio is 100%.	
	Climate risks					
	Number of projects assessed for physical climate risks	Number	n/a	25	All projects are reviewed annually.	
	Number of projects assessed to have a high risk	Number	n/a	5	All projects identified high risk have defined climate change adaptation measures.	
E12	**Environmental pollution**					Impact
	Number of incidents of environmental pollution	Number	0	0	Target in 2023: 0	
	Fines or financial penalties imposed	Number	0	0	Target in 2023: 0	
	Soil					
	Number of projects with a soil contamination assessment carried out before the project start	Number	n/a	25	All projects are reviewed.	
	Number of projects where soil contamination had to be removed	Number	n/a	19	For all projects where soil contamination had to be removed, evidence of removal is available.	

[1] The portfolio in question consists of completed buildings and some buildings under construction in accordance with consolidated balance sheet group.
[2] Net floor area in m² of the buildings under construction and completed. Project portfolio in accordance with consolidated balance sheet group
[3] NZEB = Nearly Zero Energy Building, in accordance with the German Building Energy Act (GEG) as amended on 31 December 2021;
NZEB – 10% corresponds to the maximum energy consumption of a taxonomy-compliant building in accordance with the technical screening criteria of the EU Taxonomy Regulation as amended on 31 December 2021.
[4] In the 2021 reporting year, this value was still determined on the basis of the number of projects. As of the 2022 reporting year, this value is determined on the basis of the number of buildings.

TCFD key performance indicators and targets GRI 302-1, 302-2, 302-3, 302-4, 302-5

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TABLE 004

Environment

Index	Environmental issues	Unit	2021	2022	Target (if applicable)	Materiality (impact/ financial/ double)
E10	**Water consumption and management** GRI 303					Double
	Water/waste water consumption (construction sites)	m^3	n/a	34,492[1]	Target in 2023: complete recording of all construction sites, definition of measures and targets	
	Water intensity (consumption/turnover)	m^3/€	n/a	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	n/a	74	> 90% fulfilment for all future buildings[2] with commercial use (starting from contracts awarded in 2023)	
E2	**Biodiversity** GRI 304					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	n/a	98	All projects are reviewed for these aspects prior to acquisition.	
E9	**Brownfield sites**[4]	m^2	~645,000	~532,000		Impact
E9	Greenfield sites[4]	m^2	n/a	~123,000		
E1	**Consumption of natural resources/recycling**				Fulfilment of theme-specific taxonomy requirements for all Instone projects by complying with legal obligations	Double
E6	**Choice of building materials (use of environmentally friendly materials)**				Balanced consideration of ecological and economic factors in the selection of building materials	Double

[1] 24 construction sites were taken into account; in the case of incomplete evidence, projections were made for the financial year.
[2] The portfolio in question consists of completed buildings and some buildings under construction.
[3] Proportion based on the number of projects in accordance with consolidated balance sheet group.
[4] Proportion of project developmentsites of projects fully consolidated in the reporting year.

TCFD key performance indicators and targets

Table of targets

TABLE 004

Social issues

Index	Employee issues	Unit	2021	2022	Target (if applicable)	Materiality (impact/ financial/ double)
S1	**Employee diversity/diversity in management positions** GRI 405, 405-1					Double
	Diversity ratio (management levels)					
	First management level[1]					
	Number of managers	Number	4	5		
	Proportion of male/female/other	Number/ percentage	3/1/0 75/25/0	4/1/0 80/20/0	Target as defined in 2020: 25% female (see Annual Report 2021, page 175); re-assessment in 2025	
	Age					
	< 30 years	Number	n/a	0		
	30–50 years	Number	n/a	5		
	> 50 years	Number	n/a	0		
	Second management level[2]					
	Number of managers	Number	26	25		
	Proportion of male/female/other	Number/ percentage	20/6/0 77/23/0	18/7/0 72/28/0	Target as defined in 2020: 30% female (see Annual Report 2021, page 175); re-assessment in 2025	
	Age					
	< 30 years	Number	n/a	0		
	30–50 years	Number	n/a	18		
	> 50 years	Number	n/a	7		
	Third management level[3]					
	Number of managers	Number	n/a	32		
	Proportion of male/female/other	Number/ percentage	n/a	26/6/0 81/19/0	Target: 25% female, review of target defined in 2025	
	Age					
	< 30 years	Number	n/a	1		
	30–50 years	Number	n/a	23		
	> 50 years	Number	n/a	8		

[1] Management level: Managing director 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.

Table of targets

TABLE 004

Social issues

Index	Employee issues	Unit	2021	2022	Target (if applicable)	Materiality (impact/ financial/ double)
S1	**Employee diversity/diversity of company employees** GRI 405, 405-1					Double
	Total number[1]	Number	457 (387.6 FTE)	488 (409.4 FTE)	The target for 2023 is organic growth[2].	
	of whom employed at:					
	Instone Real Estate Group SE	Number	11 (10.5 FTE)	104 (76.2 FTE)		
	Instone Real Estate Development GmbH	Number	407 (341.9 FTE)	335 (201.2 FTE)		
	Nyoo Real Estate GmbH	Number	38 (34.2 FTE)	49 (42 FTE)		
	Proportion of temporary/permanent/freelance	Percentage	8.97/91.03/0	11.07/88.93/ 0.2		
	Proportion of full-time/part-time	Percentage	79.65/20.35 (of whom 31.18% are student trainees)	79.51/20.49 (of whom 29% are student trainees)		
	Proportion of male/female/other	Number	259/198/0	280/208/0		
	Proportion of male/female/other	Percentage	56.68/43.32/0	57.38/42.62/0		
	Proportion of people with disabilities (male/female/other)	Percentage/ number	n/a	1.64/0.61/0 8/3/0		
	Proportion who belong to a minority (male/female/other)		Instone Real Estate has a diverse workforce and, in order to avoid discrimination, does not collect data about minority groups.			
	Proportion without an entitlement to social security (male/female/other)	Percentage	0/0/0	0/0/0		
	Age of the workforce					
	< 30 years	Number	74	95		
	30–50 years	Number	271	291		
	> 50 years	Number	112	102		
	Length of service (average)	Years	6.3	6.45		

[1] Employees including apprentices, interns and student trainees.
[2] Organic growth is defined by Instone Real Estate as the growth that the company achieves through its own efforts.

GRI 2-7

Table of targets

TABLE 004

Social issues

Index	Employee issues	Unit	2021	2022	Target (if applicable)	Materiality (impact/ financial/ double)
S4	**Occupational health and safety** 403, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10, 404-1					Impact
	Number of deaths due to work-related injuries	Number	0	0	Target in 2023: 0	
	Proportion of deaths in relation to all work-related injuries	Percentage	0	0	Target in 2023: 0	
	Number of work-related injuries	Number	1	1	Target in 2023: 0	
	Number of work-related illnesses[1]	Number	n/a	n/a		
	Number of working days lost as a result of work-related illnesses and deaths[1]	Number	n/a	n/a		
	Absence rate as a result of illnesses	Percentage	2.37	4.3	Target: Less than the German average for the financial year under consideration (5.35% for 2022)[2]	
	Proportion of employees not covered by statutory or company health insurance	Number	0	0	Target in 2023: 0	
	Proportion of employees covered by company health and safety management systems based on legal requirements and/or recognised standards or audited internal guidelines.	Percentage	100	100	Target in 2023: 100%	
	Rate per thousand people[3]	Percentage	2.77	2.45	Target in 2023: 0	
	First aiders (total/newly or retrained)	Number	45/26	61/32	Target in 2023: At least 1 first aider per 25 employees	
	Average number of hours of training for employees	Hours	8.8	9.4	Target in 2023: 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

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Index	Employee issues	Unit	2021	2022	Target (if applicable)	Materiality (impact/ financial/ double)
S2	**Work-life balance**					Impact
	Proportion of employees who were entitled to take time off to care for family members	Percentage	100	100	Target: 100%	
	Number of employees who took time off to care for family members GRI 401-3	Number	36	37		
	Proportion of employees who were entitled to adjust their contractual working hours for private welfare work	Percentage	100	100	Target: 100%	
	Number of employees who adjusted their contractual working hours for private welfare work	Percentage	100	100		
	Turnover rate GRI 401	Percentage	9.04	9.31	Target in 2023: < 10%	
	Employees joining/leaving the company[1]	Number	108/28	103/67		
	Days off in lieu in accordance with Section 616 of the German Civil Code (BGB)	Number	153	199		
S10	**Fair pay**					Impact
	Proportion of employees who earn less than the benchmark figure for fair pay[2]	Percentage	0	0	Target in 2023: 0%	
S10	**Pay differences between men and women** GRI 202-1, 405-2					Impact
	Unadjusted ratio of basic salaries and emoluments of men and women as a percentage	Percentage[3]	114.1/79.2	111.04/83.73		
S10	**Pay distribution** 202-1					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)[4]	Factor	9.4	7.5		

[1] Joiners and leavers are any employees, without exception, who joined and/or left in 2022 incl. temporary employees and student trainees/interns.
[2] In Germany, fair pay is equivalent to the minimum wage.
[3] 100% is the total for all salaries divided by the number of employees.
[4] Median of complete workforce/highest paid person.

Table of targets TABLE 004

Social issues

Index	Employee issues	Unit	2021	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	n/a	126.23		
S11, S12	**Discrimination and the right to equal opportunities** GRI 406, 406-1					Impact
	Number of discrimination cases	Number	0	0	Target in 2023: 0	
	The 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	euro	0	0	Target in 2023: €0	
	The total amount of fines, penalties and compensation for damages paid as a result of violations of human rights and social rights	euro	0	0	Target in 2023: €0	
	Collective bargaining agreements					
	Proportion of employees covered by collective bargaining agreements	Number/percentage	305/66.7	326/66.8		
S12	**Social dialogue/good working conditions**					Impact
	Employees from the company's own workforce represented at company level by employee representatives	Number	n/a	469	Target in 2023: 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	0	1[2]	Target in 2023: 0, The aim is to continue responding quickly and appropriately if an incident is suspected.	

[1] Increase median divided by increase of highest-paid person. The data protection authority has confirmed that the report is not relevant and further follow-up has been abandoned.
[2] The data protection authority has closed the proceedings due to lack of relevance.

Table of targets TABLE 004

Social issues

Index	Employee issues	Unit	2021	2022	Target (if applicable)	Materiality (impact/ financial/ double)
	Violations of other employment-related rights of employees	Number	0	0	Target in 2023: 0	
	The total amount of financial penalties, fines and compensation for damages paid as a result of violations of other employment-related rights of employees	euro	0	0	Target in 2023: €0	
	Mandatory data protection training	Percentage	96	100	Target in 2023: 100%	
	Mandatory information security training (new in 2022)	Percentage	n/a	100	Target in 2023: 100%	
	Social issues					
S10	**Contractual partners and their employees in the supply chain**					Impact
	Number of non-employed workers working in the company's core business	Number	n/a	13,670[1]		
	Proportion paid at least the statutory minimum wage	Percentage	100%	100%	Target in 2023: 100%	
	Proportion with an entitlement to social security	Percentage	100%	100%	Target in 2023: 100%	
S11	**Human rights**				0	Impact
	Incidents and complaints together with serious effects and incidents relating to human rights	Number	0	0	Target in 2023: 0	
S7	**District and local authorities**					Impact
	Number of daycare centre places	Number	1,288	1,713		
	Number of playgrounds	Number	n/a	109		
E11	**Number of charging stations**	Number	734	1,433	All Instone projects under construction from 2025 have electric vehicle charging stations.	
	Number of electric bike charging stations	Number	479	570	All Instone projects under construction from 2030 will offer possibilities for e-bike charging stations.	

[1] 24 construction sites were taken into account; in the case of incomplete evidence, projections were made for the financial year.

Table of targets

TABLE 004

Social issues

Index	Employee issues	Unit	2021	2022	Target (if applicable)	Materiality (impact/ financial/ double)
	Number of cycle parking spaces	Number	18,835	25,608	All Instone projects under construction have sufficient cycle parking spaces in accordance with regional requirements.	
	Number of cargo bike parking spaces	Number	n/a	213	All Instone projects under construction from 2030 have sufficient cycle parking spaces for cargo bikes in accordance with regional requirements.	
E11	**Number of car sharing parking spaces**	Number	n/a	36		
	Public spaces and green space	m²	~160,000	~185,000		
	Green roofs	Percentage	n/a	55		
	Roof terraces	Percentage	n/a	41		
	Solar power systems/photovoltaics	KWh/a	n/a	~215,000	All future projects from 2030 will feature solar power systems/photovoltaics.	
	Portfolio of residential units – subsidised/ price-controlled/publicly financed	Percentage	17/1.5/81.5	18/1/81	At least 50% of residential units that constitute affordable housing (socially subsidised, price-controlled and nyoo[1]) by 2030	Double
	Portfolio of retail space (%) – subsidised/ price-controlled/publicly financed	Percentage	15/1/84	15/1/84	At least 50% of residential units that constitute affordable housing (socially subsidised, price-controlled and nyoo[1]) by 2030	Double
G6	**Customers and end consumers**					Double
	Customer satisfaction (score, end customer)	Score	n/a	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 con tractors)**					Double
	Average number of days needed by Instone Real Estate to pay invoices submitted by business partners	Days	n/a	< 30 days	Target in 2023: < 30 days	

[1]The proportion of nyoo's residential units is included in the proportion of privately-financed residential units. There is no separation in the presentation.

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TABLE 004

Governance

Index	Governance committees	Unit	2021	2022	Target (if applicable)	Materiality (impact/financial/double)
S1	**Diversity** GRI 405, 405-1					Double
	Supervisory Board					
	Number of members	Number	5	5	Target in 2023: 6[1]	
	Proportion of male/female/other	Number	4/1/0	4/1/0	Target in 2023: 4/2/0	
	Management Board				Target in 2023: 0% female	
	Number of members	Number	3	3		
	Proportion of male/female/other	Number	3/0/0	3/0/0		
	Management Board				Target in 2023: 20% female	
	Number of members	Number	4	5		
	Proportion of male/female/other	Number	3/1/0	4/1/0		
	Sustainability Committee					
	Number of members	Number	4	4		
	Proportion of male/female/other	Number	3/1/0	3/1/0		
G4	**Compliance/anti-corruption measures** GRI 205, 410, 410-1					Impact
	Mandatory anti-corruption and anti-bribery training (listed in 2021 under E-training – Compliance)	Percentage	96	100	Target in 2023: 100%	
	Incidents of corruption or bribery	Number	0	0	Target 2023: The aim is to continue responding quickly and appropriately if an incident is suspected.	
	Number of pending legal proceedings	Number	0	0		

[1] The Supervisory Board has set the target figure for the proportion of women on the Supervisory Board at its current level at 20% and intends, subject to the approval of the 2023 Annual General Meeting, to increase the target figure so women make up 30% of the Supervisory Board by enlarging the Supervisory Board in order to appoint another female member.

Environment

As part of the revision of its sustainability strategy in financial year 2021, Instone Real Estate decided to make it a priority in 2022 to collect data on the other environmental issues of environmental pollution, water and marine resources and biodiversity and resource use alongside the climate change data and on this basis, analyse the strategic implications more accurately. This has been successfully implemented. In the following chapters, all the themes identified as having at least single materiality have been categorised into the corresponding areas. GRI 300

Climate Change

a. Strategy and materiality

Climate change has been evaluated from the financial and impact perspectives of materiality. This is reflected in the assessment of the themes "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 has an impact on all strategic business decisions, for example the selection of the location of new projects, the choice of materials in the planning phase and the selection of heating systems for the buildings.

In the financial year 2021, Instone Real Estate 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. Instone Real Estate 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 Target Initiative (SBTi). To identify the transition and physical risks and opportunities involved in the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), in the financial year 2022 the climate scenario analysis carried out in 2021 was updated and extended. In addition, the work on incorporating and implementing the climate strategy as part of the general business strategy continued.

In our case, scope 1 covers emissions from the company car fleet, while scope 2 is based on the electricity and heating consumption of the offices and branches, as well as the power required for construction. Our scope 3 emissions include those caused by the manufacture of building materials, the construction, use, demolition and recycling of developed buildings. In addition, our scope 3 emissions, which Instone Real Estate causes directly, include: travel, commuting of Instone employees, and emissions from buildings rented before the start of the project. TCFD risk management/key performance indicators and targets

b. Measures and implementation

Impact perspective

The recording of GHG emissions was developed internally into a standard process. This includes the overall perspective and the lifecycle perspective, together with all the energy consumption relating to the company's own business activity, and therefore covers all the effects of our business activities Table 004, page 58 [1]. Data surveys for emissions and energy consumption are now part of an ESG database and key figure system. The reporting of GHG emissions for projects is now also shared with the organisation. Against this background, additional employees have been given training in using the lifecycle analysis software and the time when initial projects are recorded in the software has been moved to an earlier stage of development. This means that future potential for improvements can be assessed and implemented in an early planning phase. The integration of additional climate-related key figures into the project management software used by the Controlling department is also planned. This also includes energy consumption and the involvement of energy management. These aspects significantly influence the collection of GHG emissions (in particular scope 2 and 3) and are therefore collected together.

[1] The greenhouse gas (GHG) emissions that we produce are divided up using two different approaches. On the one hand, we use the standard classification according to scopes 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 and handed over in the financial year 2022 will be recorded in the same year.
The lifecycle perspective, the second method of presenting the data used in this report, assigns all the emissions from all the projects completed in the reporting period to the relevant lifecycle phases (manufacture, erection, 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 lifecycle of a building (embodied carbon).

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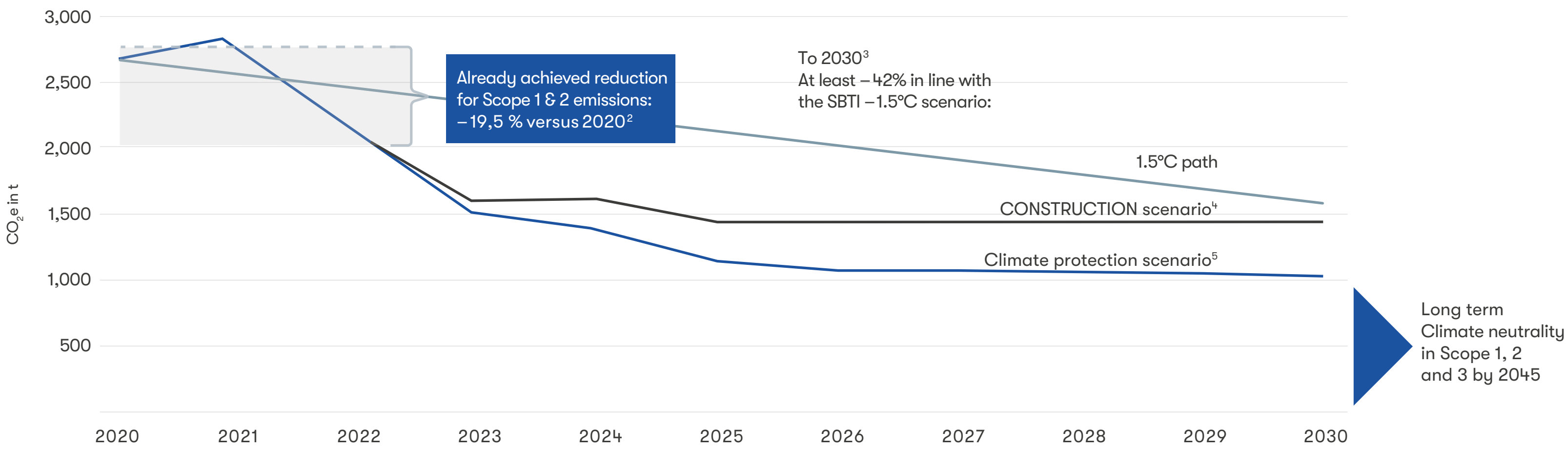
As part of the process of achieving the target, GHG emissions fell in scopes 1 and 2, which make up approximately 1% of the total emissions, by 19.5% in absolute terms compared with the base year 2020 and by 82% in relation to GHG intensity/m^2 compared with the previous year. This means that last year Instone Real Estate met its own target for annual reductions, which was validated by the SBTi and involves decarbonising in accordance with a 1.5°C pathway Figure 006. The scope 2 improvements were achieved mainly by converting the offices and construction sites to green electricity. Replacing company cars with electric vehicles also had an initial positive impact on scope 1 emissions. The measures listed below also offer potential for reductions in energy and scopes 1 and 2 emissions in the year to come. (Figure 006 on the status of the implementation process) Glossary page 287

In addition to the scope 3 emissions from the project development process, there are also emissions from travel and from employees' commute to work, which make up around 0.1% of the scope 3 emissions. Measures to tackle these included amending the travel guidelines and a scheme to provide business bikes.

Energy consumption reduction measures for scopes 1 and 2 TABLE 005

Scope	Measure	Degree of implementation[1]
Scope 1	Converting the company car fleet to 100% electric vehicles by 2035 (via newly registered vehicles)	In progress
Scope 2	Changeover of the entire electricity use on all construction sites to green electricity by 2030	In progress
Scope 2	Minimum standards for the electricity and heating supply and for the efficiency of leased buildings when leasing new offices or moving to another building	In progress

Projected versus actual climate targets FIGURE 006



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

[2] The heating emissions and therefore the scope 2 emissions for 2020 and 2021 had to be adjusted for Cologne and Munich. This adjustment was the result of the availability of detailed consumption statements. This also led to the total emissions, the baseline (2020) and the corresponding targets being amended. Likewise, the values for the 2021 reporting year were also corrected once the accounts were available, which led to an increase in consumption (in relation to the base year 2020) of ~ 3%. This increase in consumption was offset by a reduction in consumption of ~ 22% in this reporting year (2022). This results in an overall reduction (based on the base year 2020) of ~ 19.5%. The SBTi has been notified of these changes.

[3] The course of scopes 1 and 2 is based on projects involving planned measures and takes into account planned growth.

[4] 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)

[5] Climate protection 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).

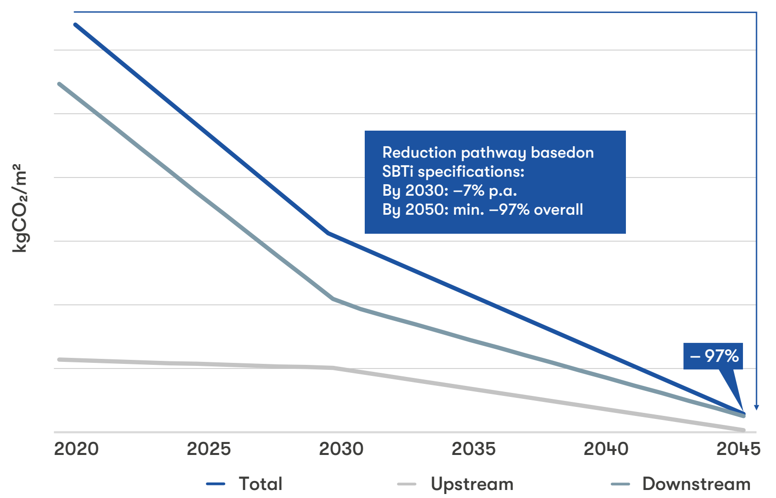
In relation to our **scope 3** emissions, which account for approximately 99% of total emissions, an increase of 4% relative to the previous year was recorded, which also results, among other things, from an increase of 323% in completed projects. The measures taken in 2021 were recorded in detail using the lifecycle-based software evaluation Table 006.

As part of the ongoing development and improvement of the measures to reduce **scope 3** emissions and to achieve net zero emissions in this area, several company-wide working groups became involved in this area and the possible scope 3 pathways were analysed and compared. The focus here was mainly on completed buildings. Figure 007 shows an example of the reduction requirements for achieving our net zero target in accordance with the specifications of the SBTi. The information from the emission sources in the value chain upstream and downstream of the building, from the perspective of Instone Real Estate as the project developers, and the technological options in the lifecycle phases of the building were included in the process of identifying the requirements. The energy management measures in the planning phase for the buildings developed by Instone Real Estate are therefore directly linked to the reduction of GHG emissions. The process of recording the building information in the lifecycle analysis software included identifying the fuels, energy consumption and energy intensity.[1] This allows different energy concepts for individual projects to be compared and assessed. The responsibility for this lies with the project teams. On the basis of the comparison of the portfolio of completed buildings, an average increase in energy intensity during the use phase of 9% compared to the previous year was determined. For example, the assumption is that the emissions in the use phase can be reduced more quickly than those in the manufacturing phase in the period up to 2030, because technologies that will result in significant decarbonisation in the production of materials are only expected to become available after 2030. By contrast, the use phase is dependent on the fuels used to provide heating and electricity. To achieve a reduction of over 60% 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 the winter of 2022, a project aimed at identifying the marginal abatement cost curves (MACC) was launched and will be continued in 2023. The results will form the basis for discussions on measures to be implemented in the early planning phases of projects.

Scenario for a potential scope 3 net zero pathway for the completed buildings of Instone Real Estate (base year 2020)[2]

FIGURE 007

Scope 3 emissions target curve based on SBTi



[1] For a detailed description of how the lifecycle analysis software is used, see Annual Report 2021, page 80.
[2] 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.

Scope 3 reduction measures identified in the early development phase as of 31 December 2022

TABLE 006

Measure	Lifecycle phase	Degree of implementation [1]
Gradually increase the proportion of reusable and recyclable materials in tenders and adapt the documentation requirements of the contractual partners	Manufacturing phase	In progress
Plans involving the use of alternative building materials including timber	Manufacturing phase	In progress
Construction site infrastructure (for example greater use of recycled rubble for paths and backfilling)	Manufacturing phase	In progress
Planning and using solutions with the best possible energy technology	Use phase	In progress
Dialogue with business partners on the further development of smart home solutions that promote energy-efficient behaviour	Use phase	In progress
Increased planning of photovoltaic systems on roofs as soon as the regulations allow for this	Use phase	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	Use phase	In progress
Adapting the design of buildings to simplify the dismantling process and allow for the reuse of materials	Disposal phase	In progress
For demolition activities carried out by Instone Real Estate in its projects: Revising the requirements for service providers who carry out this work	Disposal phase	In progress

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

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

Risk and opportunity perspectives

TCFD governance/strategy/risk management/key performance indicators and targets

GRI 201-2

The climate scenario analysis used to investigate the transition and physical risks was updated and expanded.

Key financial figures from Instone Real Estate were added to the analysis of transition risks and opportunities based on two 1.5°C scenarios and one 2.6°C scenario[1] and were also evaluated. The introduction of the Munich Re Climate Risk Assessment Suite allowed the analysis of the physical risks to be carried out on a project-specific level. Three scenarios covering a range of < 2°C, 3°C and > 4°C[2] were assessed. As part of the process, since the middle of 2022 each project site in the portfolio has been evaluated for potential physical risks. The sustainability department was responsible for the analysis process. The responsibilities are now gradually being transferred to the project managers so that the results can be incorporated into purchasing decisions and into adjustments to the planning and construction processes (see measures shown in Table 010).

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

Assessment of risks and opportunities in the 1.5°C scenario as of 31 December 2022 — TABLE 007

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 m² (+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	Higher risk
Cost of steel	Increase of approx. +14% by 2025, doubling by 2045, but very small proportion	Costs	No risk/opportunity
Cost of bricks (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

Higher risk · Medium risk · No risk/opportunity · No information

The additional inclusion of a 2.6°C scenario in the analysis of **transition climate risks** represents an expansion of the previous year's analysis (2021: only a 1.5°C scenario was considered by Instone Real Estate). This year's results also include additional quantitative-specific calculations relating to cost, revenue and profitability. The calculations took into consideration market changes, regulation, fluctuations in energy prices during the energy crisis and the effects of the COVID-19 pandemic. The source of the scenarios – the Network for Greening the Financial System (NGFS) – was complemented, where necessary, by current material prices, macroeconomic data and internal information. The 1.5°C scenario was also quantified with two additional sensitivities. The Net Zero 2050 (1.5°C) scenario – relating only to Instone Real Estate – (scenario 1 – Instone Real Estate) is based on the assumption that the current status of all other industry sectors and therefore the materials purchased by Instone Real Estate will remain unchanged in terms of their emission intensities, although this is explicitly not assumed in this scenario for the energy sector. By contrast, in the Net Zero 2050 (1.5°C) scenario (scenario 2 – all industry sectors) all the industry sectors are transformed, which could result in a reduction in the emissions and energy intensity of materials.

All the scenarios include much higher increases in the costs of energy and emissions from 2022 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 actions.

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.

Assessment of risks and opportunities of manufacturing costs in the 1.5°C and 2.6°C scenarios as of 31 December 2022 TABLE 008

		Net-Zero 2050 (1.5°C) – Instone Real Estate		Net Zero 2050 (1.5°) – All industry 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
Earthwork and foundations	Concrete price	High	High	High	Not available	High	Low
Shell construction work	Concrete price Steel price Sand-lime brick price Timber price Brickwork price Brick price	High	Medium	High	Not available	High	Low
Insulation	Insulation material price	High	Medium	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 Instone Real Estate's business model. The most important materials were identified and allocated on the basis of an overview of the manufacturing costs for each trade. The materials that were analysed made up a total of 72% of the manufacturing costs, while the remainder was below the materiality threshold of 5%.

The results show that in the 1.5°C scenario – scenario 1 – the highest cost rises can be expected up to 2030 and up to 2050. In the 1.5°C scenario – scenario 2 – 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 during the current energy crisis 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.

Assessment of risks and opportunities of revenue drivers in the 1.5°C and 2.6°C scenarios as of 31 December 2022 TABLE 009

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 trades most heavily affected by transition risks are shell construction, excavation and foundations. 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 manufacturing costs that they represent, which amounts to around 35% in total.

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 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 is that Instone is already constructing highly CO_2-efficient and energy-efficient buildings. Initial studies show that these buildings could potentially fetch higher prices than conventional buildings.

The changing subsidy situation represents a minor risk. As the KfW Federal Funding for Efficient Buildings scheme comes to an end, the subsidies will no longer be available, but they represent only a very small percentage of the revenue. No decisions have yet been made about future developments.
GRI 201-4

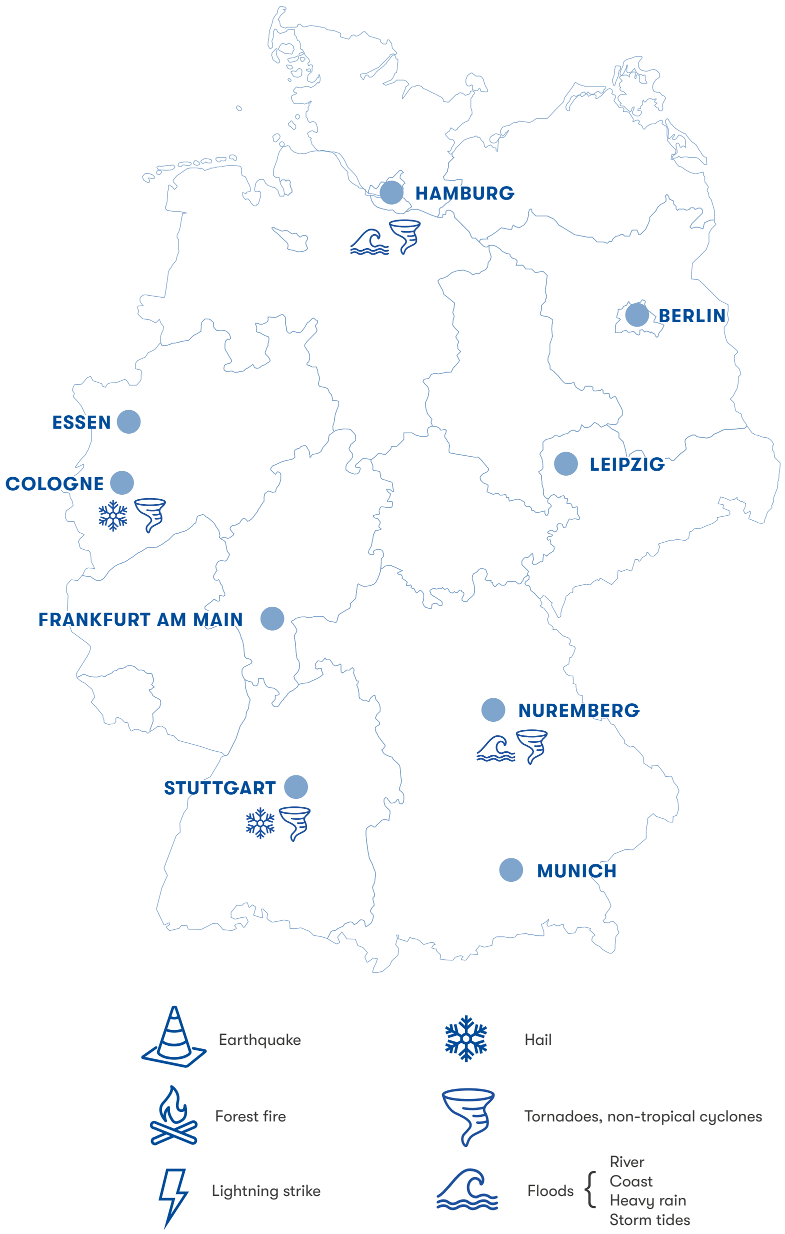
The possible reduction in the option of passing on costs was categorised as a moderate risk. A comparison of historic data relating to construction prices and sale prices of new apartment blocks shows a slight fall in the trend for passing on price increases since 2021. Therefore, it is not possible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

In summary, Instone Real Estate 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 business model of Instone Real Estate is resilient to climate risks. GRI 201-4

The analysis of the **physical climate risks** was automated in the financial year 2022 with the use of the Munich Re Climate Risk Assessment Suite and the process from the previous year was no longer used. All the fully consolidated and revenue-related projects in the portfolio were analysed and all projects with high climate risks were required to take adaptation measures.

Figure 008 shows the geographical distribution of different risks in the Instone portfolio on the basis of the Munich Re climate risk assessment. More than 40 years' worth of data on natural hazards and current scientific findings were used to produce a reliable risk assessment. High risks were identified primarily in two projects in Baden-Württemberg. These could be triggered by hail and tornadoes in particular. Hamburg, North Rhine-Westphalia and northern Bavaria each have a project with an increased risk. In Hamburg in particular there is a risk of flooding. Of the 25 projects surveyed, five projects (20%) have a high risk of at least two hazards. Measures were taken into account in the planning.

FIGURE 008



Overview of the measures where there is a high risk of specific physical hazards TABLE 010

Hazard	Measures	Degree of implementation [1]
Hail (for 60% of the projects with increased risk)	Do not install glass roofs/glass roof lights 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 40% of the projects with increased risk)	Backfilling the site, building plateaus, planning and implementing drainage measures, permanent protection systems, underground garage, sealing floor panels and walls, backflow system/backflow traps	Implemented
Tornadoes (for 100% of the 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 to take the measure has been made; 2) In progress: Work is already in progress on implementing the measure; 3) Implemented: The measure has already been included in standard processes in guidelines and work equipment etc.

Environmental pollution

a. Strategy and materiality

The results of the materiality analysis confirm that the theme of "environmental pollution" (E12) has impact materiality in relation to the effects of the business activities of Instone Real Estate. Until now there has been no materiality from a risk perspective. However, in the future the pollution of the environment in the form of noise, dust or toxic substances could have various different financial implications. The assessment of the financial materiality will be reviewed every year to ensure that it remains up to date.

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 projects[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

In addition, checks were carried out to identify the precautions, rules and measures that had already been implemented to reduce existing environmental pollution to a minimum or prevent it altogether and to determine whether there is a need for further action.

The target for the action area of environmental pollution is to meet the requirements of the Taxonomy Regulation for each theme[3] for all Instone projects.

TCFD key performance indicators and targets GRI 306, 306-01, 306-2, 306-3, 306-4

[1] Potential contamination of water/waste water is covered in section X.
[2] Definition of brownfield projects in accordance with the EU Taxonomy Regulation criteria for new builds.
[3] The Taxonomy Regulation specifies for the activity "Construction of buildings" (NACE: 41) in the action area "Avoid environmental pollution" the following "do no significant harm" (DNSH) criteria:
• Construction materials and other materials contain no toxic substances
• For new builds on brownfield sites: Examine the site for contamination (if necessary, list the measures to be taken)
• Reduce noise, dust and hazardous substances on the construction site.

Sources of environmental pollution and measures taken TABLE 011

Source of pollution	Measure	Degree of implementation [1]
Hazardous substances in construction materials and other materials	All works contracts with subcontractors exclude the use of construction materials and other materials that contain toxic substances (as specified in the appendix, for example formaldehyde or other carcinogenic volatile organic compounds). The subcontractors must provide corresponding proof for monitoring purposes.	Implemented
Hazardous substances in the soil	Depending on the situation, different processes are used to avoid and remove hazardous substances in the soil on brownfield projects: If it is already suspected that there is existing contamination in the soil, the previous owner or the relevant local authority will report this. There may already be a soil report (for example in accordance with ISO 18400) or a report can be commissioned during the purchase process. If the suspicion arises during the due diligence process for the site that there could be existing contamination, a soil report must be commissioned. The same applies in the case of sites where an environmental impact assessment must be carried out in accordance with Annex II of the EU Directive 2011/92/EU. In all cases, measures must be taken and documented on the basis of the report to remove the contamination. The removal process is usually monitored by experts who can confirm that it has been completed. If there is already an entry in the register of contaminated sites, this entry will be deleted after the removal of the contamination has been confirmed.	Implemented
Hazardous substances and waste on the construction site	All works contracts with contractual partners impose an obligation on them to dispose of non-hazardous waste, building rubble and construction waste in accordance with the German Circular Economy Act[2] and therefore to return reusable and recyclable materials into the cycle. If hazardous substances and waste from previous uses are found, for example, during the demolition of buildings, they must be separated out and disposed of safely. The statutory framework in this case consists of the German Circular Economy Act[2] and the "Technical Rules for Hazardous Substances" (TRGS). The contractual partners must provide corresponding proof for monitoring purposes.	Implemented
Noise and dust on the construction site	All contractual partners sign the construction site regulations drawn up by Instone Real Estate, the specific requirements for minimising noise and dust based on the regulations of the professional and trade associations relating to occupational health and safety and the Non-Road Mobile Machinery Directive (NRMM).	Implemented

[1] The degree of implementation is broken down into three stages as follows: 1) In planning: Decision to take the measure has been made; 2) In progress: Work is already in progress on implementing the measure; 3) Implemented: The measure has already been included in standard processes in guidelines and work equipment etc.
[2] Section 14 (2) of the German Circular Economy Act requires preparations to be made for the reuse, recycling or other recovery of at least 70% of the total weight of non-hazardous construction and demolition waste. Compliance with this act also fulfils the DNSH criterion of the EU Taxonomy Regulation for new builds.

b. Measures and implementation

Impact perspective

The analysis in the financial year 2022 showed that measures had already been integrated into the business processes in relation to all sources of pollution. In addition, awareness of the subject had been raised again among employees in all the affected areas, such as purchasing and project management, and they had been made familiar with the documentation requirements of the Taxonomy Regulation. If necessary, adjustments were made to ensure that the environmental pollution could be kept to a minimum for every project Table 011.

Risk and opportunity perspectives

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. This risk of an incident of this kind is assessed as being low because contractual regulations and the selection process for contractual partners are designed to ensure that only business partners who at least always comply with statutory requirements are used. In addition, it is possible that the measures to prevent environmental pollution will need to be strengthened to comply with current and future regulations or to ensure that the projects are compliant with the Taxonomy Regulation.

This is also where the potential positive financial effects and opportunities lie. By achieving sustainability under the terms of the EU Taxonomy Regulation for buildings, Instone Real Estate can show that it is taking effective measures to prevent environmental pollution and meeting high standards. By increasing the attractiveness of its product, Instone Real Estate hopes to have a positive impact on many stakeholder groups, in particular the customers, investors, financial institutions and the employees.

Water consumption and management

a. Strategy and materiality

"Water consumption and management" (E10), and, therefore, also the protection of water resources form part of the Instone Real Estate sustainability strategy and have double materiality, as the results of the materiality analysis show.

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

In addition, Instone Real Estate has analysed water consumption and management, which includes 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 or contamination of the groundwater before the purchase of plots,
- 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]

Checks were carried out to identify the precautions, rules and measures that had already been implemented and to determine whether there is a need for further action.

The target for the action area of water consumption and management is to meet the requirements of the Taxonomy Regulation for each theme[2] in at least 90% of all Instone projects concerned (buildings with commercial use; starting from contracts awarded in 2023).

TCFD key performance indicators and targets GRI 303-1, 303-2, 303-3

[1] As Instone Real Estate 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 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, removing 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.

Potential and measures for water protection TABLE 012

Potential for water protection	Measure	Degree of implementation [1]
Existing contamination of groundwater on plots	Before the plots are purchased, a construction-related and chemical analysis of the groundwater is carried out and, if necessary, an expert report is prepared. On this basis, if the decision is made to purchase the plot, measures are taken to remove the contamination. Information about this is generally included in the soil report or a hydrological report.	Implemented
Water efficiency in the use phase of commercial sites	In 2022, the service specifications for contractual partners responsible for the installation of sanitary facilities were amended to change the maximum flow rates of sanitary equipment such as wash basins, showers, toilets and urinals.[2] In addition to commercial sites, sanitary facilities with reduced water use have been installed for the first time in residential properties.	In progress
Water efficiency on the construction site	By carrying out its first survey of water consumption on construction sites in the financial year 2022, Instone Real Estate is paving the way for the definition of reduction measures which will be developed together with the project managers in the financial year 2023. Internal construction site regulations currently specify that water needed for construction purposes can only be taken from locations that have previously been identified and agreed, in order to ensure that the quantity of water used and the responsible use of water can be monitored as effectively as possible. Consumption data is used for monitoring purposes.	In progress
Waste water drainage and preventing contamination on the construction site.	The protection of nearby bodies of water, groundwater and other natural areas (maintaining water quality and avoiding water shortages) surrounding the construction site is monitored as standard in the case of projects with a requirement to carry out an environmental impact assessment (EIA) in accordance with Annex II of Directive 2011/92/EU. For projects without an EIA, in future a management plan must be drawn up which identifies the risks and the measures to be taken. If necessary, Instone Real Estate will be informed about the plan by the water protection authorities in the building permit as a requirement for the permit. In addition, the construction site regulations determine the measures that the contractual partners must take for the drainage of waste water (for example, cleaning regulations, ban on drainage into the soil etc.).	Implemented

[1] The degree of implementation is broken down into three stages as follows: 1) In planning: Decision to take the measure has been made; 2) In progress: Work is already in progress on implementing the measure; 3) Implemented: The measure has already been included in standard processes in guidelines and work equipment etc.
[2] The maximum flow rates are specified in accordance with the DNSH criterion of the EU Taxonomy Regulation for new builds.

b. Measures and implementation

Impact perspective

The due diligence showed that only a few measures relating to the protection of water resources as part of water management have been integrated into the business processes. Against this background and in the context of the documentation requirements for the taxonomy evaluation, four measures have been developed (further) and implemented in projects with the help of the purchasing and project management teams. Table 012

Risk and opportunity perspectives

TCFD strategy

Although the financial risk, for example from the cost of water, is only 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, Instone Real Estate 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 higher water prices, higher costs of procurement and transport and possibly also additional costs caused by slower construction work in the event of bottlenecks.

Biodiversity

a. Strategy and materiality

Protecting biodiversity is part of our sustainability strategy. The materiality analysis revealed that the topic of “biodiversity” (E2) has double materiality for Instone Real Estate and the topic of “brownfield developments” (E9) is material from an impact perspective.

For the overarching topic of biodiversity protection, a topic-specific due diligence review was carried out in the 2022 financial year to analyse where the highest risks of endangering biodiversity lie as posed by business activities. These are:

- 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.

Likewise, we reviewed which precautions, regulations and measures have already been implemented to preserve biodiversity and whether there is a need for additional action.

In future, the target for the action area of biodiversity is to review the requirements of the Taxonomy Regulation for each theme[1] for all potential Instone projects prior to acquisition.

b. Measures and implementation

Impact perspective

The analysis performed in the 2022 financial year showed that some measures regarding the protection of biodiversity had already been integrated into the business practice. In this context and as part of the documentation requirements for the taxonomy survey, five measures were (further) developed and implemented on a project-specific basis with the help of the Purchasing and Project Management staff Table 013.

TCFD key performance indicators and targets GRI 304-2, 304-3, 304-4

[1] The Taxonomy Regulation provides the following Do No Significant Harm (DNSH) criteria for the activity “Construction of buildings” (NACE: 41) in the action area of biodiversity:
- If 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

Potential for biodiversity protection and measures TABLE 013

Potential for biodiversity protection	Measure	Degree of implementation [1]
Protection of endangered species	With the introduction of the standard taxonomy survey, all new projects where endangered species (flora and fauna as defined by the European Red List) are present will continue to be reviewed and measures agreed with the environmental authorities and associations.	Planning
Relocation of animals and, if necessary, plants	In order to address the biodiversity aspects of land, Instone Real Estate works closely with nature conservation authorities, landscape planners and nature conservation associations to draft catalogues of measures for the relocation or retention of animals and plants on site. For example, the breeding periods of bats and times when they are active are taken into account.	Implemented
Exclusion of greenfield projects on land or in the direct vicinity of land with high biodiversity	With the introduction of the standard taxonomy survey for all new projects, land such as arable land with moderate to high fertility and below-ground fertility according to EU LUCAS, green spaces with recognised high biodiversity and forests will be checked for high biodiversity for the purpose of our business activities. Appropriate distances are maintained from protected areas in the direct vicinity.	In progress
Compensatory areas for sealed surfaces	Instone Real Estate meets the requirements for creating compensatory areas, which have a comparable level of biodiversity at the very least. In line with the focus on housing in urban areas, the majority of projects do not involve the net resealing of land.	Implemented
Designing shared habitats for nature and people	Instone Real Estate also uses its cooperation with nature conservation authorities, landscape planners and nature conservation associations to secure habitats during and after completion of the projects. Examples of this include the installation of nesting boxes, the promotion of bee colonies or the construction of green roofs for insects and rainwater retention (for relieving the strain on sewer systems).	In progress

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

Risk and opportunity perspectives

TCFD strategy

From a financial point of view, raising biodiversity standards in the context 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 the legal requirements specify and designing accordingly or including as much residential space as possible in the project or on the construction land, has an impact on the revenue achievable for Instone Real Estate. In the financial year 2022, only the basic impact chains of biodiversity aspects on the financial performance of Instone Real Estate have been discussed thus far as part of the materiality analysis. A quantitative survey is planned in the next few years. The planned incorporation into the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD) was postponed due to the priority given to the process implementation and documentation of projects on EU taxonomy compliance.

Use of natural resources and recycling

GRI 301, 301-1, 301-2, 301-3

a. Strategy and materiality

Effective use of resources and the transition to a circular economy are part of Instone Real Estate's sustainability strategy. The materiality analysis revealed that "use of natural resources/recycling" (E1) and the "choice of building materials" (E6), i.e. use of environmentally sustainable materials, have double materiality for Instone Real Estate. An important indication of this is, not least, that approx. 28% of Instone Real Estate's total GHG footprint[1] is attributable to the manufacturing phase of our properties. The gradual switch to recycled, reusable and reused building materials and materials thus represents a significant lever for climate goals.

As for the other environmental aspects, Instone Real Estate also analysed this topic in a due diligence review in the financial year 2022 to identify where the highest potentials for the optimal use of resources and circular economy lie within the scope of our business activities:

- Demolition design of pre-used sites and construction site infrastructure
- Allocation of the largest possible proportion of non-hazardous waste and construction waste for recycling or reuse in accordance with the Circular Economy Act applicable in Germany
- Adjustment in the design of buildings and construction technology
- Increase in the proportion of recycled, reusable and reused building materials

Likewise, we reviewed which precautions, regulations and measures have already been implemented to promote the efficient use of resources and circular economy principles and whether there is a need for additional action where necessary.

The target for the action area of the use of natural resources and recycling is, on the one hand, to meet the requirements of the Taxonomy Regulation for each theme[2] for all Instone projects by complying with legal obligations. On the other hand, it is the aim when selecting building materials to achieve a large degree of crossover between natural alternative building materials, construction options and economic efficiency.

TCFD key performance indicators and targets

b. Measures and implementation

Impact perspective

Analysis in the financial year 2022 showed that only a few measures have been integrated into the business practice with regard to resource use and the circular economy. In this context and as part of the documentation requirements for the taxonomy survey, the measures listed in Table 014 were (further) developed and implemented on a project-specific basis with the help of the Purchasing and Project Management staff. In addition, a working group consisting of representatives from Project Management, Purchasing, Project Services and the Sustainability Team took up operational implementation with regard to the theme of the circular economy in the fourth quarter in order to be able to take further measures.

In addition, the IMPACT working groups "Sustainable Building" and "Hybrid-timber Construction" have begun to analyse the building materials, optimisation potentials and alternative natural building materials, which are usually used at Instone Real Estate, with regard to ecology, construction options and economic efficiency. The aim is to find an optimal solution, taking into account the previous considerations. Progressive adaptation and review is necessary in line with technological progress and the adaptation of building materials in the coming years to achieve climate neutrality.

[1] Includes Instone Real Estate Group SE scopes 1, 2 and 3; see table on page 58

[2] The Taxonomy Regulation specifies for the activity "Construction of buildings" (NACE: 41) the following DNSH criteria in the action area of circular economy:
- At least 70% of non-hazardous construction waste and demolition is allocated 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 technology support the circular economy

Potential for promoting the efficient use of resources and recycling and measures TABLE 014

Potential for promoting the circular economy and the selection of building materials	Measure	Degree of implementation [1]
Reuse and recycling of non-hazardous waste and construction waste	All contracts with contractual partners that Instone Real Estate commissions to dispose of waste on construction sites must continue to take into account the German Circular Economy Act as amended.[2] The same requirements are imposed on the elimination material from the demolition of buildings in previous use.	Implemented
Adjustment in the design of buildings and construction technology	All contracts with contractual partners shall include the requirement that the design of the buildings and the building technology are – as a minimum – in accordance with ISO 20887 or comparable standards for the assessment of the dismantling or adaptability of buildings to increase resource efficiency, adaptability, flexibility and dismantling capability.	Planning
Increase in the proportion of recycled and reused building materials	Recycled materials can sometimes be used to develop and/or construct the projects. Instone Real Estate is working to record and gradually increase the proportion of recycled and reusable materials used.	Planning
Selection of building materials	Analysis of the building materials used to date for alternatives, in particular with regard to the selection of sustainable material, climate protection, resource conservation, health and environmental protection and sustainable supply chains, taking into account economic efficiency	In progress
Hybrid-timber construction	Analysis of implementation options in hybrid-timber construction	In progress

[1] The degree of implementation is broken down into three stages as follows: 1) In planning: Decision to take the measure has been made; 2) In progress: Work is already in progress on implementing the measure; 3) Implemented: The measure has already been included in standard processes in guidelines and work equipment etc.
[2] The German Circular Economy Act prescribes in Section 14 (2) a process for the reuse, recycling and other material recovery of non-hazardous construction and demolition waste amounting to at least 70% of the total weight. Compliance with this act also fulfils the DNSH criterion of the EU Taxonomy Regulation for new builds.

Risk and opportunity perspectives

TCFD strategy

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

The costs or savings, if any, associated with a switch to recycled, reused and/or alternative natural building materials for Instone Real Estate cannot be quantified at this time. This is due on the one hand to the volatility of prices for conventional, as well as natural, materials and 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. In some cases, the appropriate technology is still missing, for example with regard to cement. Based on the findings of the "Climate-Neutral Germany 2045"[3] study, Instone Real Estate does not expect to have access to a low-emission product until the early 2030s at the earliest. Accordingly, the only statement that can be made today with regards to this topic is that Instone Real Estate will monitor development in this area and quantify the financial implications for the business model as soon as this is possible on the basis of available information.

GRI 306, 306-01, 306-2, 306-3, 306-4

[3] Prognos; Öko-Institut; Wuppertal Institute: Climate-Neutral Germany 2045. How Germany can reach its climate targets before 2050. Long version commissioned by Stiftung Klimaneutralität, 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 obligations under Article 8 of the Taxonomy Regulation are linked to the existence of a non-financial reporting obligation under the Non-Financial Reporting Directive, which is implemented in the German Commercial Code (HGB).

In its scope of application, Article 8(1) and (2) of the taxonomy Regulation obliges companies to disclose their taxonomy-related and -compliant revenue, CapEx and OpEx. This obligation has been made concrete by supplementary legal acts both in terms of content (Delegated Act on Climate Change Mitigation and Adaptation) and form (Delegated Act on Article 8 of the taxonomy Regulation including corresponding annexes).

Disclosure will be mandatory for Instone Real Estate for the financial year 2025 and the scope for reporting according to the relevant Corporate Sustainability Reporting Directive (CSRD) will extend to the preparation of a non-financial report and thus also to the disclosure of taxonomy KPIs in accordance with Article 8 (1) of the Taxonomy Regulation.

The business model of Instone Real Estate Group SE is to develop residential properties. This is an economic activity, "7.1 New buildings", to which the EU taxonomy applies and for which there are technical assessment criteria and “Do No Significant Harm” criteria. Other economic activities in "7.2. Renovation of existing buildings" are not part of the Instone Real Estate business model as defined in the Delegated Regulation. The economic activity of leasing (company cars) that falls under 6.5. “Transport by motorbikes, passenger cars and light commercial vehicles” from a CapEx consideration and 7.7. “Acquisition and ownership of buildings”, and, in particular at Instone Real Estate, interim leasing during the period of establishing building rights and before the demolition/new construction that was analysed, do not exceed the materiality threshold set by Instone Real Estate. They are therefore declared as not material.

Potential taxonomy-relevant revenue, CapEx and OpEx fall under the defined materiality threshold of 3%.

Instone Real Estate’s interpretation is that information is only to be included if it is necessary for an understanding of the business operations, situation and anticipated development thereof. This is in line with the interpretation of Deutsche Rechnungslegungs Standards Committee e.V. (German Accounting Standards Committee e.V. – DRSC) 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 be able to determine the relevance of the economic activities and related revenue, CapEx and OpEx in the Instone Group, it was necessary when preparing this report to evaluate the disclosure of Instone Real Estate Group SE in terms of the taxonomy with regard to the three matters of revenue, CapEx and OPEX as follows:

a. Revenue from project development is recognised in the IFRS consolidated financial statements of Instone Real Estate Group SE mainly using the revenue recognition over time method in accordance with IFRS 15. However, some of the technical assessment criteria (for example, “blower door test”) or the DNSH criteria can only be finally tested or documented after the completion of the new building.

In order to be able to present taxonomy-compliant revenue for the relevant period and also to position it in relation to the total annual revenue and thus to be able to develop a meaningful statement on the matter, it is indispensable to define criteria that indicate taxonomy compliance even before the completion of construction and when the revenue is recognised according to the “revenue

[1] Detailed requirements of all criteria can be found here: EU taxonomy Compass for New Construction
[2] Development of construction projects for residential and non-residential buildings by pooling financial, technical and material resources to execute the construction projects for subsequent sale, as well as the construction of complete residential or non-residential buildings for the Company’s account for resale or on a fee or contract basis (in particular NACE codes F.41.1 and F.41.2, which also include activities under NACE code F.43).

recognition over time method". Nevertheless, the obligation to comply with the taxonomy-compliant standards will be included in the purchase agreements that Instone Real Estate concludes with its customers. 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 the final inspection after the completion of the construction project.

Around 0.024% of the taxonomy-relevant revenue analysed in 2022 comes from projects that had already been completed in the previous year and from residual payments from customers and settlements/credits from contractual partners. These projects were not included in the compliance audit, as in this year's introduction of the audit according to the EU Taxonomy Regulation, these projects were classified as not relevant due to the low revenue. This is a one-off situation, as the EU Taxonomy Regulation audit will be carried out continuously from the financial year 2022 onwards and projects that will be completed in 2022 and become relevant for the 2023 annual report have been included in this year's audit.

b. In the IFRS consolidated financial statements of Instone Real Estate Group SE, capital expenditure thereafter comprises, according to Annex I of the Delegated Act on Article 8 of the Taxonomy Regulation, the costs accounted for on the basis of 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 Instone Real Estate Group SE. 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-compliant categories mentioned account for less than 1% of the Instone Group's total assets and are therefore not significant in terms of their informative value for taxonomy-compliant reporting on the business model of Instone Real Estate Group SE under the economic activity according to "7.1 Construction of new buildings".

c. OpEx as defined by the taxonomy includes 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 assets by the Company or third parties to whom activities are outsourced that are necessary to ensure the continuous and effective functioning of these assets. This OpEx must be related to activities that are taxonomy-compliant.

Instone Real Estate Group SE has made the necessary adjustments to existing processes and responsibilities, for example, data collection and evaluation, determination of taxonomy eligibility and compliance as well as accounting classification in existing internal or process descriptions such as the accounting guidelines, guidelines on project documentation in accordance with the technical screening criteria and DNSH criteria and process descriptions.

In addition, the EU taxonomy requires the introduction of an operational process to review and control the taxonomy criteria under Point 7.1. regarding the significant contribution to the environmental goals for climate change mitigation and adaptation. For climate change mitigation, the criterion focuses on the energy efficiency of the primary energy requirement of new buildings (exceeding the national requirements for Nearly Zero Energy Buildings (NZEB) by at least 10%, stipulated in Germany in the Building Energy Act of 2021) as well as the testing for airtightness and thermal integrity and the recording of lifecycle greenhouse gas emissions for buildings larger than 5,000 m^2. Only buildings that show a high risk in a physical climate risk analysis and for which it can be demonstrated that this risk can be reduced through appropriate measures can count towards achieving the environmental goal for climate change adaptation. In addition, the specific Do No Significant Harm (DNSH) criteria in the areas of climate change mitigation and adaptation, depending on the environmental goal, water, circular economy, environmental pollution and biodiversity, are to be reviewed.

The DNSH criteria are checked as follows:

1. Water: Water efficiency in commercial areas is proven by the tender and product description of the sanitary facilities. The further evidence isprovided via notices provided under water law and information from the responsible water authorities.

2. Circular economy: Contractual agreement of the contractual partners to comply with the German Circular Economy Act Section14 (2) with additional consideration of the comments from the draft commission notice of the EU of 19 December 2022 and consideration of the standard components according to DGNB Tec 1.6.

3. Environmental pollution: Contractual obligation of the contractual partners to avoid the installation of toxic building materials and evidence via product data sheets. Investigation of the land, preparation of soil assessments as well as documentation of any necessary measures.

4. Biodiversity: Evidence via, for example, species protection reports for flora and fauna and, in the case of arable land, the fertility indicators.

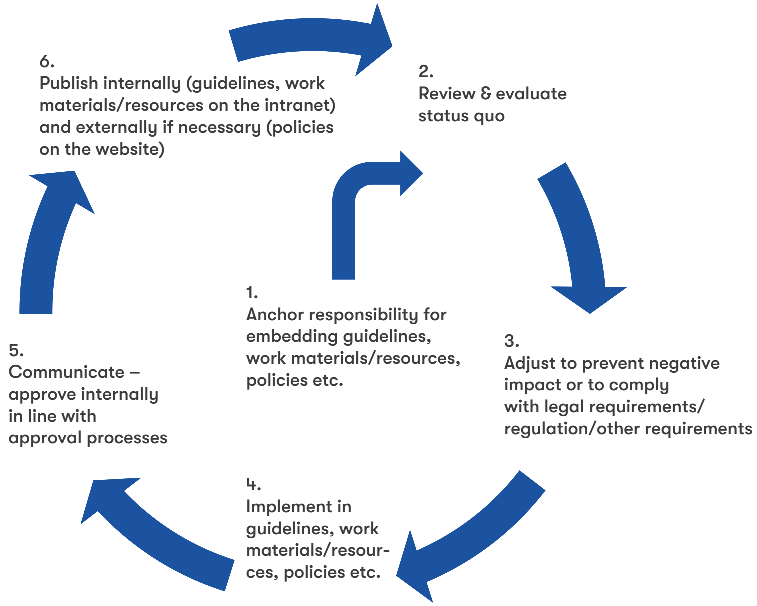
Instone Real Estate checks conformity to both sets of goals in an automated taxonomy form that guides the user intuitively and without extensive prior knowledge through the criteria review process, and provides guidance on filing evidence and checking results. Instone Real Estate contributes to the environmental goal of climate change mitigation using a logic check to ensure the environmental goal for climate change adaptation is not being undermined.

During the operational review of its projects, Instone Real Estate determined, using the technical screening criteria, that the environmental goal relating to climate change mitigation directly applies to this area of operations and that all Instone projects can have an effect on this goal. Moreover, this goal does not harm the environmental goal of climate change adaptation. The evidence was provided by the operational processing of all taxonomy-relevant projects using Excel documentation for the review.

On the basis of the review, it was determined that the environmental goal relating to climate change mitigation is considered taxonomy-relevant for Instone Real Estate.

The requirement of the EU Taxonomy Regulation on minimum safeguards and the related review following the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, including the ILO Core Labour Standards and the International Convention on Human Rights, and the related due diligence review, is fulfilled by Instone Real Estate through its generally implemented process for reviewing guidelines, work equipment/ resources and policies at Group level Figure 009 for a diagram of the process).

Cycle for reviewing guidelines, work equipment, resources FIGURE 009



Among other things, compliance with legal regulations, statements on dealing with human rights, e.g. via its Code of Conduct for employees and contractual partners, occupational health and safety, the environment, combating bribery and corruption, and taxes, e.g. via corporate policies, are taken into account. The review is conducted on a regular basis thanks to coordination between the responsible Legal department and the responsible departments at Group level and is broken down into the subsidiaries if necessary (see the section on social issues page 94 onwards).

The implementation of the audit process at 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.

EU taxonomy and strategic relevance

Instone Real Estate is pursuing the strategic goal of reviewing all new projects in future with regard to the current EU Taxonomy Regulation criteria. In the financial year 2022, a rate of 86.7% taxonomy-compliant project revenue was achieved. In 2022, all revenue-relevant projects and their subprojects were analysed. Similarly, 94.2% of all 191 revenue-relevant buildings achieved taxonomy compliance, which corresponds to a total of 180 taxonomy-compliant buildings.

In order to be able to decide in the future as early as the time of the acquisition of projects whether a project can achieve taxonomy conformity, the first essential criteria, such as information on the biodiversity of the site, physical climate risks and water quality due to pollution at the site, as well as the planned energy standard, are recorded and evaluated when the investment application process is begun and supplemented in a second step by the planning team once planning permission has been granted. In case of non-compliance with the technical screening criteria (TSC) or do no significant harm (DNSH) criteria, this process makes it possible to make changes before the projects are complete in order to make as many projects as possible taxonomy-compliant.

Taxonomy buildings TABLE 015

Sales-relevant buildings in 2022	Taxonomy-relevant	Taxonomy-compliant
191 buildings	100% 191 buildings	94.2% 180 buildings

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Revenue

TABLE 016

Economic activities (1)	Code(s) (2)	Absolute revenue (3)	Share of revenue (4)	Significant contribution criteria: Climate protection (5)	Significant contribution criteria: Climate change adaptation (6)	DNSH criteria ("No significant negative impact"): Climate protection (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum level of protection (17)	Taxonomy-compliant proportion of revenue, 2022 (18)	Taxonomy-compliant proportion of revenue, 2021 (19)[1]	Category (enabling activities) (20)	Category ("transitional activities") (21)
		Currency [€]	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-RELEVANT ACTIVITIES																
A.1. Ecologically sustainable activities (taxonomy-compliant)																
Activity 1: 7.1. New construction	41.10	538,209,212	86.7	100	0	J	J	J	J	J	J	J	86.7	n/a		
Revenue from environmentally sustainable activities (taxonomy-compliant) (A.1)		538,209,212	86.7	100	0	J	J	J	J	J	J	J	86.7	n/a		
A.2 Taxonomy-relevant but not environmentally sustainable activities (non-taxonomy-compliant activities)																
Activity 1: 7.1. New construction	41.10	60,933,745	9.8													
Revenue from taxonomy-relevant but not environmentally sustainable activities (non-taxonomy-compliant activities) (A.2)		60,933,745	9.8										9.8	n/a		
Total (A.1 + A.2)		599,142,957	96.5										96.5	n/a		
A. NON-TAXONOMY-RELEVANT ACTIVITIES																
Revenue from non-taxonomy-relevant activities (B)		21,863,760	3.5													
Total (A+B)		621,006,716	100													

[1] Instone has started auditing and reporting with reference to the EU Taxonomy Regulation from the reporting year 2022 on a voluntary basis. Reporting on the reporting year 2021 will not be performed.

Note: The adjusted total revenue of Instone Real Estate amounts to 621,007 thousand euro, of which 599,143 thousand euro are taxonomy-relevant revenue from projects.

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CapEx

TABLE 016

				Significant contribution criteria		DNSH criteria ("No significant negative impact")										
Economic activities (1)	Code(s) (2)	Absolute revenue (3)	Share of revenue (4)	Climate protection (5)	Climate change adaptation (6)	Climate protection (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum level of protection (17)	Taxonomy-compliant proportion of CapEx, 2022 (18)	Taxonomy-compliant proportion of CapEx, 2021 (19)	Category (enabling activities) (20)	Category ("transitional activities") (21)
		Currency [€]	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-RELEVANT ACTIVITIES																
A.1. Ecologically sustainable activities (taxonomy-compliant)																
CapEx from environmentally sustainable activities (taxonomy-compliant) (A.1)		0	0										0	n/a		
A.2 Taxonomy-relevant but not environmentally sustainable activities (non-taxonomy-compliant activities)																
CapEx from taxonomy-relevant but not environmentally sustainable activities (non-taxonomy-compliant activities) (A.2)		0	0										0	n/a		
Total (A.1 + A.2)		0	0										0	n/a		
A. NON-TAXONOMY-RELEVANT ACTIVITIES																
CapEx from non-taxonomy-relevant activities (B)		2,046,818	100													
Total (A+B)		2,046,818	100													

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OpEx

TABLE 016

				Significant contribution criteria		DNSH criteria ("No significant negative impact")										
Economic activities (1)	Code(s) (2)	Absolute revenue (3)	Share of revenue (4)	Climate protection (5)	Climate change adaptation (6)	Climate protection (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum level of protection (17)	Taxonomy-compliant proportion of OpEx, 2022 (18)	Taxonomy-compliant proportion of OpEx, 2021 (19)	Category (enabling activities) (20)	Category ("transitional activities") (21)
		Currency [€]	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-RELEVANT ACTIVITIES																
A.1. Ecologically sustainable activities (taxonomy-compliant)																
OpEx from environmentally sustainable activities (taxonomy-compliant) (A.1)		0	0										0	n/a		
A.2 Taxonomy-relevant but not environmentally sustainable activities (non-taxonomy-compliant activities)																
OpEx from taxonomy-relevant but not environmentally sustainable activities (non-taxonomy-compliant activities) (A.2)		0	0										0	n/a		
Total (A.1 + A.2)		0	0										0	n/a		
A. NON-TAXONOMY-RELEVANT ACTIVITIES																
OpEx from non-taxonomy-relevant activities (B)		1,540,011	100													
Total (A+B)		1,540,011	100													

Social

Employee issues

GRI 401

a. Strategy and materiality

From an impact perspective, Instone Real Estate's employees are essential. As part of the update of the materiality analysis in the financial year 2022, 9 out of a total of 14 topics that relate directly to Instone employees have been identified as material (impact dimension) and are reported on below. Employees plan and implement the 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 conurbations that are worth living in.

The management of the main issues in this action area is primarily the responsibility of the HR Department. As part of a due diligence process, this department takes over the planning and implementation of measures for key issues in the area of employee concerns and coordinates with the Sustainability department and Sustainability committee in accordance with the governance concept page 112 onwards. The key figures regarding our employees can be found in Table 004.

In the financial year 2022, employees were transferred from the service areas responsible for all parts of the company, for example, Controlling, Human Resources, FRW, Taxes etc., to Instone Real Estate Group SE.

The goal in the area of employees is both to continuously review the existing processes and structures and, if necessary, reorganise and restructure them. This includes, for example, internal mentoring programmes for high-potential employees and recently promoted managers or, if necessary, working time records that need to be revised. The appointment of a new HR manager at the end of the financial year has led to a reorganisation of structures, tasks and areas of responsibility.

GRI 402, 402-1

b. Measures and implementation

Employee recruitment and satisfaction (S13)

GRI 202-2

The successful retention and satisfaction of Instone staff, in addition to attracting and recruiting new skilled and junior staff, is an ongoing concern and strategic challenge in the face of a persistent shortage of skilled workers. Risks may arise if key positions cannot be filled in good time – or at all. Opportunities arise from the reorientation of skilled workers towards attractive and secure employers such as Instone Real Estate.

Instone Real Estate offers a modern working environment and supports training and development. 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. Instone Real Estate's good Kununu[1] rating of 4.0 qualifies it as a top employer.[2] The results of the annual employee survey[3] support this picture. With a group-wide participation rate of 82% (previous year: 63%), 75% of the 428 active employees are satisfied with Instone Real Estate as an employer (previous year: 70%). 72% feel connected to the company (previous year: 76%). 75% of employees would recommend Instone Real Estate as an employer (previous year: 77%).

In order to encourage applications from and retain future Generation Y and Z employees, one strategy we have implemented has been holding events and workshops at universities. Instone Real Estate employs a large number of interns and student trainees (2022: 29 interns and student trainees) to give them an insight into the work of a project developer and to attract them into applying for a permanent position after graduation.

[1] Portal for applicants and employees to rate employees created by the social media network Xing.
[2] https://inside.kununu.com/kununu-pruefprozess/ and https://inside.kununu.com/wie-kununu-daten-verarbeitet/
[3] Based on the reporting date of 31 May 2022, number of employees including apprentices, interns, student trainees.

The "New Work" [1] trend is receiving attention at Instone Real Estate. The digital workplace is an important building block in digital transformation. We are digitising communication, tools, processes and information in a strategically compatible way. This makes efficient, modern mobile working possible for employees.

In the financial year 2022, leadership and purpose were a point of focus in the area of employer attractiveness[1].

In this context, the way staff are managed has been identified by the Management Board and all employees as a central theme of a new culture of how we work and interact with one another. Following the introduction of Instone Real Estate's mission statement in 2021, management principles emerged from it in 2022 under the heading "Agile Leadership – Growing Together":

TRUSTWORTHY. Because we trust in ourselves and our products.

APPRECIATIVE. Because we see, support and listen to each other.

AUTHENTIC. Because we truly believe in and are committed to our vision.

To anchor these principles, the financial year 2022 saw an intensification in the communication on this topic in the individual branches and on our Intranet "InHome". For 2023, Instone Real Estate is planning a project in which good examples of internal practice will be presented.

[1] Definition in the glossary.

We are also keen to address the increasing relevance of the meaning and purpose of one's own activity in the workplace. By implementing its corporate and sustainability strategy, Instone Real Estate clearly demonstrates that the Group takes its responsibility seriously. Instone Real Estate shows, in a transparent manner, which solutions it is addressing with regard to the societal and social topics that are part of its business model, for example with the Social Impact Initiative, which Instone Real Estate pioneered in the financial year 2022.

The sustainability strategy and the related ambitions that Instone Real Estate has are taken into account when designing individual job profiles with their activities.

The following measures were implemented to increase the success of staff recruitment and satisfaction:

TABLE 017

Area	Measure	Degree of implementation [1]
	Workshop formats for entrants (for example, auf der Polis)	Implemented
	Series of seminars/lectures at TU Darmstadt (Technical University of Darmstadt), TU Dortmund (Technical University of Dortmund), RWTH Aachen University etc.	Implemented
	Target group-specific targeting on the social media platforms Instagram, Xing, LinkedIn (#JobderWoche) (job of the week)	In progress
	Targeted participation in career days (for example ExpoReal)	Implemented
	Establishment of our own network and talent pool	Implemented
Employee recruitment	Targeted recruitment via regional fairs at universities	Implemented
	Employee dialogue in discussion panels and function-related working groups	In progress
	Workshops on agile working	Planning
	Annual employee surveys and processing of potential in national and regional Management Board discussions and branch-specific discussions	Implemented
	Transparent communication on all levels (including broadcasts by the Management Board, Intranet, regular regional-office meetings, dialogue at function level)	Implemented
Employee satisfaction	Encouraging employees to hold personal discussions with superiors, the management team or the Management Board if they are dissatisfied	In progress

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

Based on the measures introduced in the financial year 2021 and their continuation in 2022, there has already been some initial success in this area. New employees were recruited for project development and project management roles, among others, and the positions available in nyoo's Planning department for Instone Real Estate. The staff turnover rate has remained at a constant level. The average length of service is 6.45 years (previous year: 6.3 years). GRI 401-1

Employee diversity (S1)

In line with the core dimensions of the Diversity Charter, the commitment to the Universal Declaration of Human Rights and compliance with the International Labour Standards of the International Labour Organization (ILO), Instone Real Estate is committed to the issues of diversity and respect for human rights and works within the Group and with contractual partners in accordance with these guidelines.

At Instone Real Estate, diversity means forms of work in which different skills, talent, experience and convictions can play a role. In this sense, Instone Real Estate is committed to always treating its employees equally, regardless of all their differences in age, gender, sexual orientation, physical characteristics, ethnicity, nationality, religion and belief or other characteristics. Vacancies are advertised and filled at Instone Real Estate in accordance with the General Equal Opportunities Act (Gleichbehandlungsgesetz, AGG).

Taking these points into account, Instone Real Estate uses these characteristics of diversity and equal opportunities as an innovative, creative driver along the entire value chain.

Instone Real Estate continues to follow its plans for achieving a balanced distribution of male and female managers in the coming years. The balance is assessed through continuous due diligence. The current distribution and target rate of managers by gender can be found in Table 004.

In the chapter on governance, the topic of diversity is addressed at the level of the Supervisory Board and the Management Board.

TABLE 018

Area	Measure	Degree of implementation [1]
	Review of the Instone Real Estate mission statement and the principles of governance after twelve months with managers and employees	In progress
	Compliance with the employees' Code of Conduct	Implemented
Diversity	Virtual workshop: How can we proactively promote diversity in the Company?	Planning

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

GRI 405, 405-1

Work-life balance and mobile working (S2)

When carrying out their work, many employees take advantage of a high degree of flexibility in terms of working hours and location. Due to the increasing digitalisation of work processes, working environments can now also be established outside the traditional office setting.

As an attractive employer, Instone Real Estate generally offers employees the flexibility of working where they prefer via mobile working two days a week.

However, the necessary operational efficiency must still be guaranteed. The existing works agreement regulates the possibilities and conditions for mobile working and at the same time protects operational processes, the security of the company IT network and covers precautions and preventive measures required for occupational health.

TABLE 019

Area	Measure	Degree of implementation [2]
	Develop concept for meeting hygiene including recommendations for employees	Planning
	Webinars on self-organisation, time management etc.	Planning
	Create options for job rotation, sharing or enlargement (= making work less stressful by making it more varied)	Planning
Work-life balance	Company support through sports programme offered by employees	In progress
Working on the go	Review works agreement every year	Implemented

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

Further education (S12)

Training and development remain an essential issue for Instone Real Estate. In addition to the mandatory training on data protection, IT security, compliance (anti-corruption and anti-trust law), employees have the opportunity to participate in professional training, soft skills/health training and individual training. As a rule, professional development also includes the compulsory training required for architects and engineers to maintain their chamber membership. All further training is organised and tracked via the digital tool "Academymaker".

Overview of Instone Real Estate's training categories:

- Compulsory training
- Industry expertise
- After sales management
- Technical training for office management staff
- Building and engineering
- Soft skills and work organisation
- IT skills and tools
- Special training courses:
  - Leasing bike
  - Mobile working

TABLE 020

Area	Measure	Degree of implementation [1]
	Improving opportunities for education (specialist, soft skills etc.)	In progress
· Further education	ESG training	Planning

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

GRI 404, 404-2

Occupational safety and health promotion (S4)

The HR manager, as the interface to all parties involved in occupational safety, moderates and plans the quarterly meetings of the Occupational Safety Committee (ASA). The Instone Real Estate service provider for this topic is responsible for the recording and analysis of potential emergency situations. 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 customers.

Together with the occupational safety service provider and the professional association for the construction industry, it is ensured that all relevant legal requirements and internal specifications are met. Instone Real Estate's construction sites are secured by construction fences around the site, safety nets on the scaffolding, covered walkways, adequate lighting and signage and may be guarded by security services in some cases. Safety officers in all areas of the Company support the tasks of the occupational health and safety team.

Continuous monitoring and improvement of occupational safety as well as offering health-promoting programmes focus on prevention in particular. The health programme in 2022 included the introduction of virtual keynote presentations on health, such as strategies to help combat stress and supporting back muscles. The successful motivational sports scheme from 2021 "Instone moves" ran again in 2022 and will be repeated every year in the future as an incentive to participate in group sports activities.

TABLE 021

Area	Measure	Degree of implementation [1]
	Continue virtual health seminars	Planning
	Continue "Instone Moves" initiative	Planning
Health promotion	Medical screening	Implemented

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

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

Fair payment and remuneration (S10)

Instone Real Estate's remuneration framework its the basis for the fair and market-oriented payment of employees. Remuneration is in line with the position, experience, area of responsibility and work quality and is non-discriminatory and performance-related.

The comparisons of the last few years show that the differences caused by demographic factors in the last few years are gradually levelling out Table 004. Instone Real Estate is continuing to make every effort to rule out any form of unjustifiable remuneration differences among employees.

Instone Real Estate bases the remuneration of its employees on the collective agreement for the mainstream construction industry, which also safeguards the framework conditions of the statutory minimum wage and fair remuneration. In addition to the current works agreements, the link to the collective bargaining agreement is the basis for a transparent salary structure.

In September 2022, an employee share programme was launched in which all employees were able to participate.

TABLE 022

Area	Measure	Degree of implementation [1]
Fair payment and remuneration	Monitoring remuneration with regard to diversity, function and fairness	Planning
	Introduction of new KPIs to compare income differentials page 65	Planning
	Check annual adjustments to the collective agreement for the construction industry	Implemented

Respect for human rights (S11)

Respect for human rights is a vital part of Instone Real Estate's responsible corporate governance. Instone Real Estate's commitment in this regard applies along the entire value chain. Internally and externally and at all times, full compliance with human rights is expected and assumed.

The basic values of lawful and ethical conduct have been formalised in the Instone Real Estate Code of Conduct for contractual partners and employees, and the principles of conduct therein are derived from the current obligations and responsibilities prescribed by law, existing official, regulatory instructions and Instone Real Estate's interpretation of the matter. All employees and contractual partners receive the Code of Conduct as an annex to their contract to be signed (G2).

TABLE 023

Area	Measure	Degree of implementation [1]
Human rights	Continuous annual review of our processes to comply with human rights requirements by HR and the Legal department	In progress

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

These guidelines provide employees, service providers and contractual partners with guidance and assistance in their daily work and activities.

If Instone Real Estate becomes aware of any non-compliance with the Code of Conduct, a review will be initiated and suitable action will be considered. In the case of contractual partners, the Legal, HR and Purchasing departments are responsible for reviewing these matters and deciding which action should be taken. Information on the number of incidents or complaints is shown in Table 004.

Social dialogue/good working conditions (S12)

Instone Real Estate, as an employer, is not aware if any employees are members of or involved in trade unions. At Instone Real Estate, there is a general works council at Group level and in the subsidiaries, as well as representation in the regions North-East (Hamburg, Berlin, Leipzig), West (Essen, Cologne, Frankfurt am Main) and South (Munich, Nuremberg, Stuttgart).

Employees at all levels work on the basis of trust-based working time. The respective supervisors are responsible for ensuring that the general rules on occupational health and safety are observed. Each employee is granted three days of time off in lieu per year at each site as part of a works agreement.

Feedback that employees wish to give based on their work, tasks or leadership can be noted anonymously in Management Board live streams. Alternatively, the anonymous whistleblower contact option can be used. In future, a new dialogue form for anonymous feedback will also be created for employees.

To promote internal and external social commitment, Instone Real Estate allocates at least one working day per year as a social day that involves all the employees at the respective location. For example, in 2022, some locations supported food banks or participated in reforestation programmes.

All issues 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, are also clarified with the works council. From a legal perspective, the internal Legal Department provides advice.
GRI 2-30, GRI 407, 407-1, 409, 409-1

TABLE 024

Area	Measure	Degree of implementation [1]
Social dialogue/ good working conditions	Quarterly exchange between HR management, works council, Chief Human Resources Officer	Implemented
	Development of a sustainable concept for employees to provide anonymous feedback	Planning

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

Contractual partners and their employees in the supply chain

a. Strategy and materiality

Instone Real Estate assigns implementation of its construction projects to the contractual partners that are responsible for the various construction activities; our contractual partners' employees therefore have a key role in completing Instone projects successfully and in compliance with our exacting standards. In this connection, the staff working on construction sites, whether entirely or in some instances, are exposed to different risks than those faced by employees working in offices. The findings of our materiality analysis identified three topics, in particular, that are highly relevant for Instone Real Estate from an impact perspective: They are "occupational health and safety/health promotion", "fair remuneration" and "compliance with human rights". The topic of "payment behaviour toward contractors" was assessed as having double materiality.

Sustainability issues are discussed with the contractual partners and the results are documented to increase transparency. This also allows us to comply with the varied regulatory requirements. The strategic goal is to cultivate long-term relationships with contractual partners and, by doing so, to guarantee reliable partnerships.

Given that the legal requirements are changing continuously, an important element will be to regularly inform contractual partners of the changes at an early stage and, if applicable, to support them through training and standardised, simple tools and processes. The adjustment of the Mindestlohngesetz (German Minimum Wage Act) or the Taxonomieverordnung (Taxonomy Regulation) are examples of changes of this kind.

The management of material topics in the "Contractual partners and their workers in the supply chain" action area is primarily the responsibility of the Purchasing department, which assumes responsibility for the planning and implementation of measures for material topics in the area of "Contractual partners and their workers in the supply chain" as part of a due diligence process and coordinates with the Sustainability department and committee in accordance with the governance concept page 112.

b. Measures and implementation

Instone Real Estate awards contracts for its construction services as individual or general contracts.

Building specifications and lists of services are prepared in collaboration with the Procurement and Project Services departments as the basis of plans and tenders are usually issued on a trade-specific basis.

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 for all parties, this process is recorded and amendments or adjustments are recorded in the contracts. This open and transparent process is a material element of any long-term, trust-based cooperation (G7).

Payment behaviour towards contractors (G8)

In addition to transparent communication, compliance with the agreements governing payment behaviour is crucial to establishing mutual trust. As a reliable partner, Instone Real Estate usually undertakes to pay within 30 working days of invoices being received in its contracts. Instone Real Estate complies with its agreed payment obligations in a timely manner. This is the basis for a long-term successful relationship between Instone Real Estate, as the contractor, and its contractual partners.

All current and new contractual partners are included in the supplier relations management (SRM) database and assessed with regard to different aspects at various stages in the process. In the event of non-fulfilment of the criteria, the aspects can be modified before a project starts, during it and once it is concluded.

The aspects assessed include:

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

Instone Real Estate carries out regular checks to ensure that requirements placed on contractual partners, such as the Code of Conduct, the contractual and negotiating documents to be concluded with the contractual partners and other evidence to be supplied are being complied with: minimum wage certificates, site journals, site regulations, building specifications and lists of services. Compliance with Instone policies and regulations, which include compliance with ESG criteria in addition to the technical, professional and legal requirements, play an increasingly central role (G2).

Our commitment to society obliges us to focus on the following criteria in particular.

- Fair pay: Compliance with the statutory minimum wage applicable in Germany
- Occupational health and safety/health promotion
  - Compliance with the statutory working hours regulations;
  - Collaboration in preparing the concept for health and safety on construction sites as described in the section on the Company's own employees
  - Compliance with professional associations' recommendations regarding occupational health and safety, such as those in the site regulations
- Human rights 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 expect our contractual partners to pay greater attention to all topics of environmental relevance, such as climate protection, biodiversity and a circular economy. With regard to any materials they install, contractual partners are increasingly expected to take responsibility for documenting these materials, including their CO_2 emissions, whether they can be recycled and whether they can be removed. All known requirements in and additions to the guidelines and working materials are identified and included in the process of updating the documents.

Finally, our contractual partners will be required to include their plans for reducing their CO_2 footprint in the architects and engineering contract.

In particular, these include reviewing designs, technical equipment and the option of installing renewable energy systems as well as other items.

Overview of SRM evaluation of contractual partners (unaudited) FIGURE 010

Contract (1 – very good to 5 – poor)

Characteristic

- Quality of the tender
- Tender submitted on time
- Communication (presentation of certificates, tenders, change requests etc.)
- Quality of the contract negotiations
- Willingness to negotiate

Score: x.x

Performance (1 – very good to 5 – poor)

Characteristic

- Initial discussion
- Compliance with the schedule by the contractor
- Coordination by the contractor
- Quality of performance
- Processing of special requests from clients
- Invoicing
- Management of changes to orders
- Construction meetings
- Defects management

Score: x.x

Project completion (1 – very good to 5 – poor)

Characteristic

- Final discussion
- Contractor's conduct during acceptance
- Final invoice sent on time

Score: x.x

ESG criteria

Compliance evidenced

Characteristic

- Digital correspondence/accounting
- Waste disposal/separation

Characteristic

Compliance with UVV (accident prevention regulations) occupational health and safety regulations, evidence of payment of the minimum wage

- Use of the Company's own employees
- Use of subcontractors

Characteristic

Instone Real Estate Code of Conduct accepted

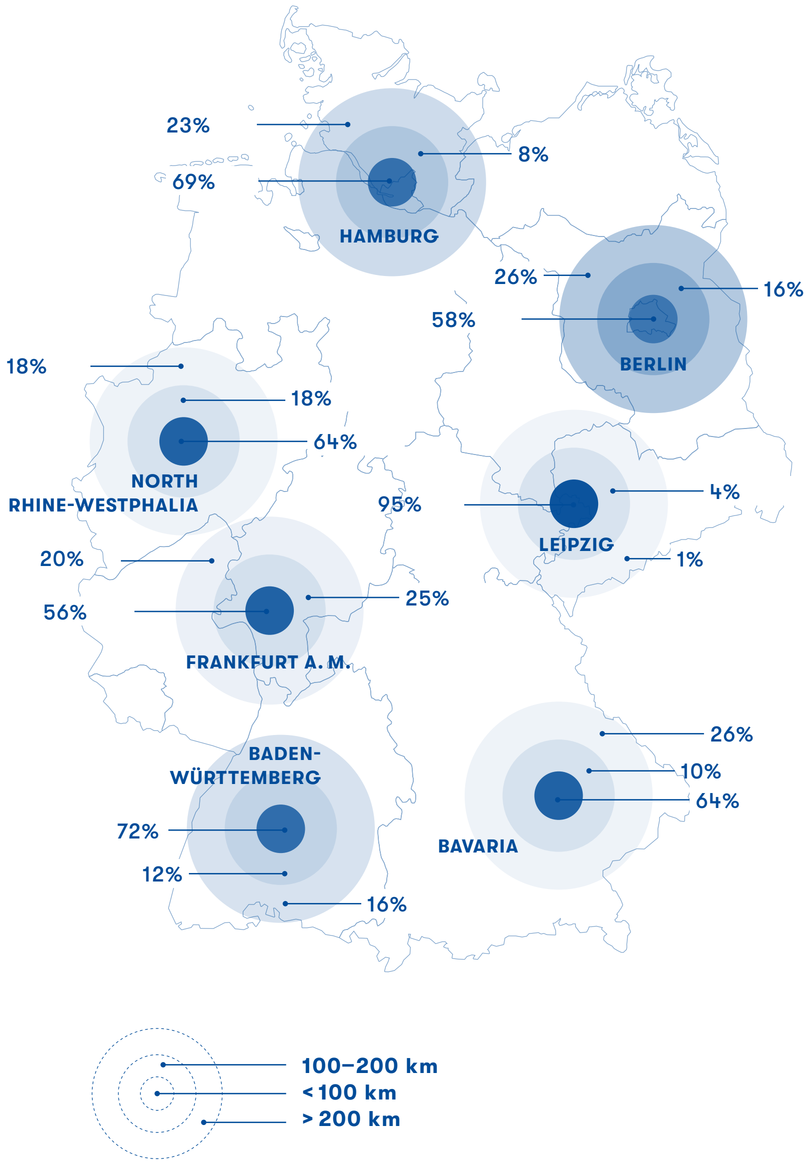
- Does the subcontractor have its own Code of Conduct?
- Is there a risk management system?

Score: x.x

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

Supplier region

FIGURE 011



Since 2022, potential new companies have had the option of applying to Instone Real Estate as contractual partners via a new area of the company's website.
↗ https://www.instone.de/en/contractual-partner

Contractual partners – regions

Instone Real Estate's contractual partners can be subdivided into the following categories:

- Brokers who have access to our customers
- Consultants who provide due diligence assistance during the purchase and sales processes
- General contractors, construction companies and contract partners for individual trades operating at construction sites
- Property management service providers
- Planning teams comprising architects and design engineers.

Instone Real Estate usually selects contractual partners whose products and services are largely local to the region around the respective projects' locations Figure 011.

TABLE 025

Area	Measure	Degree of implementation [1]
	Adaptation of policies, working materials, tools to the requirements of regulatory issues, EU Taxonomy Regulation, planning requirements, new statutory regulations, social aspects etc.	In progress
	Analysis of parameters from the SRM tool plus derivation of measures and improvements	Planning
Contractual partners	Compliance with payment agreement with contractual partners	Implemented

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

Risks relating to contractual partners and resulting from the current situation are dealt with in the Risk and opportunity management section in the management report, page 150.

Procurement 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 the case of employee issues. Within the Management Board, our CEO, Kruno Crepulja is responsible for Procurement and our CFO, Dr Foruhar Madjlessi, is responsible for the Legal department. GRI 204, 204-1, GRI 409, 409-1

Cities and communities

a. Strategy and materiality

From a strategic perspective, there are two material topics of relevance in particular in relation to cities and communities: the "development of neighbourhoods" (impact dimension) and "proportion of affordable housing" (double materiality).

As a company, Instone Real Estate wishes to establish a successful long-term collaboration with cities and communities and, at the same time, demonstrate its social responsibility to people and the environment. In many projects, Instone Real Estate is no longer merely developing housing but also developing neighbourhoods. The Company plans mixed neighbourhoods with residential and multi-family buildings as well as publicly funded construction and affordable residential construction. It also adds social infrastructure to many neighbourhood projects.

The provision 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 needed, especially in metropolitan areas. In our definition of core cities (A cities plus Leipzig and Nuremberg), there is an annual shortfall in supply of around 11,000 homes (see Bulwiengesa 2022). Current demand is not met and the situation deteriorates with every passing year. This increases rents and sales 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 the period during which rents are controlled. The number of subsidised units decreased from around 2.1 million to 1.1 million (see Statista 2022)[1] between 2006 and 2020 and has therefore almost halved. The supply of affordable housing is therefore coming under ever increasing pressure and this situation will be further exacerbated by the current trends in inflation as well as higher interest rates, construction costs and the price of energy.Instone Real Estate strives to ensure that basic rents for nyoo homes are below the local market level for new builds.[2]

A rethink by all those involved in a project development, such as administrations, politicians, project developers and investors is therefore required to be able to build the 400,000 new homes per year required by the German Federal Government. To achieve this, among other things, approval processes need to be reduced, support policies need to be standardised, as do other legal conditions, such as establishing longer-term planning security. These political and statutory adjustments and decisions would give investors and project developers the ability to plan reliably and cost-effectively once more.

The management of material topics in this action area is primarily the responsibility of the managers at Instone Real Estate Development and nyoo. 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 page 112.

b. Measures and implementation

Development of neighbourhoods (S6, S7)

When developing neighbourhoods, we can make a sustainable contribution if the project generates social and/or environmental added value for communities and local authorities that would not have been generated without this investment. The "Wohnen im Hochfeld" Instone project in Düsseldorf is a good example of this. A grocery chain's former warehouse with a completely sealed site area is being converted into a mixed residential neighbourhood for various target groups. The neighbourhood will be virtually car-free and very green. Playing facilities will be created within the neighbourhood and a new daycare centre will be constructed, for example. We will organise and measure the positive and negative effects as well as the intended and unintended consequences over the course of the project to make a sustainable contribution. In doing so, we aim to promote positive effects and avoid or reduce negative effects.

[1] https://de.statista.com/statistik/daten/studie/261850/umfrage/brutto-und-nettoeinkommen-je-privatem-haushalt-in-deutschland/
[2] Note: The current situation regarding inflation and rising energy costs etc., which will lead to an increase in ancillary costs, has not yet been priced in accordingly here.

The impacts on the environment, society and stakeholders will be considered as a whole over the entire lifecycle of the project. During the acquisition phase and the procurement of construction rights, Instone Real Estate will be in regular contact with cities and communities to specify meaningful added value above and beyond the urban development agreements.

Examples of the creation of social and environmental added value include:

- Interim utilisation options while construction rights are being obtained (such as art events, areas for walking, flowerbeds etc.)
- Expanding the services available within the neighbourhood beyond the usual educational facilities and shops (for example, co-working spaces, facilities for culture, community and mobility services etc.)
- Accessible outdoor facilities and community gardens
- Participation through surveys, think tanks, workshops etc.

Prices on the German real estate market have risen disproportionately in recent years. Both purchase prices and rents in Germany caught up significantly with other European countries up to the beginning of 2022.[1] The significance of urban development geared towards the common good or social impact development has become more important.[2] Project developers such as Instone Real Estate strengthen 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. Social impact driven urban development can be described as a discipline of urban planning that involves all stakeholders to a greater degree.

[1] https://www2.deloitte.com/de/de/pages/real-estate/articles/property-index.html
[2] https://www.bbsr.bund.de/BBSR/DE/themen/gesellschaft/gemeinwohlorientierte-stadtentwicklung/_node.html#:~:text=Viele%20B%C3%BCrger%2C%20Institutionen%20und%20Unternehmen,staatlicher%20Steuerung%20und%20zivilgesellschaftlichem%20Handeln. And https://icg-institut.de/de/social-impact-investing/

Instone Real Estate acts as a partner in any development and will make a material social and sustainable contribution. The requirements of ESG, the EU Taxonomy and certifications affect the various stakeholders differently. Each project is analysed in terms of its neighbourhood, quality and process building blocks, such as additional core uses, inclusion or participation, for instance, during the acquisition phase.

To ensure that sustainable neighbourhoods are developed for cities and communities, we usually no longer plan exclusively residential areas but adopt a holistic development approach in planning developments from the beginning. Specifically, this means that comprehensive concepts to combine residential real estate for different target groups, commercial real estate as well as public private infrastructure are created not just through policies but also by Instone Real Estate.

TABLE 026

Area	Measure	Degree of implementation [3]
Development of neighbourhoods	Social impact guide	In progress
	Social impact scoring model	In progress

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

Affordable housing (S5)

To respond to the shortfall in supply, Instone Real Estate together with its subsidiaries Instone Real Estate Development GmbH and, in particular, Nyoo Real Estate GmbH embodies the next step in the optimisation of processes and the value chain and places both processes and the efficient use of resources (land and soil, materials, energy efficiency and the efficient use of living space) in a new, more sustainable context, which prioritises affordability for a broad target group. Here, Instone Real Estate Development GmbH and Nyoo Real Estate GmbH can profit from the opportunities in B and C locations around the metropolitan cities and as a result expand the regions on which it focuses.

As part of Instone Real Estate Group SE, nyoo has set itself the goal of helping shape the future of affordable housing. The combination of modular planning, serial construction and product simplification and the systematic standardisation and digitalisation associated therewith lies at the heart of its conceptual approach. An interdisciplinary team helps supply large parts of the value team internally. Interfaces with external additional planners are reduced, while optimal use is made of resources of all kinds. This allows us to minimise production costs and the duration of projects. As a rule, nyoo develops projects for institutional clients holding portfolios of residential housing, funds and private and local authority housing cooperatives. Firstly, this closes a gap within the Instone value chain in the area of affordable housing and, secondly, it creates an offering for B2B clients among holders of portfolios of residential housing, funds and other institutional investors.

The average project volume (revenue) of Nyoo Real Estate GmbH is usually around €30 to €50 million. Instone Real Estate has set itself the target of building 50% of the residential units with the subsidiaries Instone Real Estate Development GmbH and Nyoo Real Estate GmbH and the affordable housing business segment by 2030. The respective managers are responsible for developing this business segment (page 39 in the management report). GRI 203, 203-1

TABLE 027

Area	Measure	Degree of implementation [1]
	Check of higher-level certifications (such as serial certification for the nyoo planning toolbox etc.)	Planning
	Specialist lectures at subject-specific events, local authorities, local authority associations (such as Deutscher Städtetag (an association representing German cities and towns) and the like) to demonstrate the added value of Instone Real Estate and nyoo in all phases	In progress
Affordable housing	Evaluation of funding opportunities	In progress

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

GRI 413; 413-1; 413-2

Customers and end consumers (G6 III)

a. Strategy and materiality

In future, sustainability will evolve from being a cost factor to a revenue factor and is an important future topic for both institutional clients and end consumers.[1] Positive client experience, satisfaction and loyalty are among the prerequisites for the Group's positive and sustainable development.

From the perspective of the materiality analysis, the topic of "development of neighbourhoods" has been rated as relevant for the purpose of impact materiality for institutional investors and the group of private customers and end consumers, and the topic of "customer satisfaction" is deemed to have double materiality. However, the two groups have different priorities or differ in their motivations with regard to sustainability.

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. The aspect of climate protection is increasingly paramount. Generally, Instone Real Estate recognises that institutional clients' criteria relate in particular to the EU's Sustainable Finance Disclosure Regulation (SFDR) and the Principles for Adverse Impact (PAI), which constitute the basis for Article 8 and 9 fund products (sustainable and impact funds). The requirements of the EU Taxonomy also play a role in the product preferences of institutional clients and investors.

Firstly, they consider the orientation and supply of a sustainable real estate product and, secondly, the sustainability strategy of Instone Real Estate:

[1] https://www2.deloitte.com/de/de/pages/risk/articles/sustainability-transformation.html & https://klardenker.kpmg.de/customer-insights-hub/nachhaltigkeit-sorgt-fuer-kundenerlebnis-und-zufriedenheit/

- What are the Group's working conditions and processes?
- How are employees trained? How much does it pay its employees (compliance with minimum wage legislation, fair pay etc.)?
- What is its sustainability strategy and how does it implement this specifically?
- Does the project developer have a climate strategy that is valid and backed by reduction measures?
- What is the project's lifecycle?
- How is the project or neighbourhood integrated into the surroundings and is it worth living in long-term?

The issue of climate change is also important to private clients and end consumers but for them a balanced cost ratio or affordability, which can be achieved by the home being highly energy-efficient, is more important.

Management of the material topics in this action area is primarily the responsibility of the branches. As part of a due diligence process, they assume responsibility for planning and implementing measures for material topics in the customers and end consumers area and come to an agreement in accordance with the governance concept page 112.

b. Measures and implementation

Instone Real Estate obtains information about clients' and end consumer's preferences and requirements through a continuous dialogue. We look after institutional clients through dedicated account managers, usually the branch management, management or Management Board.

With regard to end consumers, Instone Real Estate uses digital client satisfaction surveys via its project-specific client portals. Since the financial year 2022, these surveys have contained questions on the three aspects of ESG in addition to questions on satisfaction with the (purchase) process and the project. The project team receives feedback on clients' satisfaction with the individual process steps, the explicit purchase criteria and the importance of building-related characteristics. Regional differences can be identified at a higher level. Future project developments can be accelerated and optimised with regard to planning, processes and sales activities on the basis of these findings.

The Sustainability department developed the anonymous client satisfaction analyses in 2021/22 as a survey in the Microsoft survey tool Forms and explained the process to the project teams whose projects were handed over to end clients in 2022. Any particular project features will be added following consultation. The Sustainability department is currently responsible for aggregating the data.

For Instone Real Estate, satisfaction is key as a higher-level indicator for the benchmark among its projects and for the company as a whole. The indicator for satisfaction with the projects handed over to end clients in 2022 is 1.7 (with a rating scale of 1 – very satisfied to 5 – not at all satisfied).

Instone Real Estate caters to the preferences and information requirements of our institutional clients in implementing its sustainability strategy. It does so by grappling with investors' regulatory and market-driven requirements and thinking ahead about how to implement them. One example of this is the fact that Instone Real Estate has already checked and optimised the ESG concept for a project in terms of the requirements of the EU's Sustainable Finance Disclosure Regulation and the Taxonomy in the early planning phase in the financial year, since these two issues can have a material impact on decisions in the planning phase.

With regard to the requirements for neighbourhood developments, Instone Real Estate sees a high degree of conformity with the characteristics listed in the section on communities and local authorities, such as a greater mixture of housing, work and commerce as well as adequate social infrastructure in the form of daycare centres, care service providers, connections to urban transport, playgrounds and green spaces.

With regard to requirements as to the standard of living in our properties, Instone Real Estate responds to the requirement to make apartments more flexible to take account of the different phases of peoples' lives. The following characteristics, in particular, are reflected in planning projects:

- Intelligent floor plans that mean properties are 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 number of older people
- Energy efficiency and ideally the abandonment of fossil fuels

Instone Real Estate's objective is to achieve the greatest possible satisfaction among all target groups and to combine the requirements and implement them in the best possible way. According to the Management Board decision, an indicator of less than 2.4 can be assumed to indicate a satisfied customer.

TABLE 028

Area	Measure	Degree of implementation [1]
ESG preferences of clients and end consumers	Check the feasibility of requirements in Instone planning requirements	Planning
Standard of living offered by properties	Analysis of current trends and feasibility check	Planning
	List of measures for suggested improvements	
	List of requirements for sustainability aspects	Planning
	Revision of the digital client survey concept to increase participation rates in digital client surveys	Planning
	Obtain structured feedback from institutional investors	Planning
	Communicate Instone Real Estate's social impact activities	In progress
	Expand clients' participation opportunities	In progress
	Improving community services	In progress

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

Governance

Governance, risk management and internal control system

a. Relevance of governance processes for the strategy, business model and organisation of Instone Real Estate

GRI 2-9

Detailed information on corporate governance and the principles of corporate governance at Instone Real Estate, 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 included in the combined management report and presented on page 176 onwards. of the Annual Report. GRI 2-22

The Management Board has laid down basic values for lawful, ethical conduct in a Group-wide Code of Conduct for employees. This specifies Instone Real Estate's understanding of business ethics and existing duties and responsibilities and establishes rules of behaviour. It provides employees with orientation and assistance in their day-to-day work and contains binding requirements for their actions.

Compliance and associated governance structures are a significant part (impact dimension) of successful and responsible corporate governance at Instone Real Estate. In addition to the Code of Conduct for employees, the compliance system consists of standardised policies, work instructions and contractual clauses. It acts as an architect of our integrity-based corporate governance activities and culture and encourages a culture of compliance among managers and employees. Compliance with the Code of Conduct and other provisions aims to protect Instone Real Estate from losses resulting, for example, from corruption, money laundering, unfair competition, the abuse of power, breaches of employee rights (including such breaches at contractual partners), greenwashing or from breaches of other legal frameworks.

Violations of the compliance rules will not be tolerated. Compliance is the basis of Instone Real Estate's economic success in that it ensures that Instone Real Estate produces high quality projects and consequently achieves high levels of client satisfaction in the long term. By establishing a whistleblower hotline and an anonymous whistleblower system, Instone Real Estate has made it easy to report violations anonymously. As implementation of ESG processes continues, we focused on the introduction of appropriate structures in the financial year 2022 (see next section) (G2).

b. Structure of the governance concept TCFD governance

i. Governance Boards

The duties, responsibilities and roles incumbent upon employees within the overarching sustainability governance framework Figure 012 are shown below. The description of nomination and selection processes and their principles can be found in the general section on corporate governance in the management report on page 176 onwards..

Management Board and Supervisory Board

The Management Board consists of three members. The Supervisory Board currently consists of five members. While the Management Board manages the Company, the Supervisory Board performs an advisory and monitoring function. In 2022, the Supervisory Board prematurely extended the mandate of the Management Board member Dr Foruhar Madjlessi until 31 December 2026. The other members of the Management Board, Kruno Crepulja (CEO) and Andreas Gräf (COO), are appointed until 2025.

In the financial year 2022, the Management Board and Supervisory Board declared their intention to increase the Supervisory Board to six members at the ordinary Annual General Meeting in 2023 with the aim of being able to elect another woman to the Board.

On the Management Board, Dr Foruhar Madjlessi, the CFO, is responsible for sustainability and reports on this topic to the Supervisory Board's Audit Committee.

Achievement of sustainability targets has been a component of the Management Board's variable remuneration since the financial year 2021. Specifically, this means that part of the Management Board's variable remuneration is dependent on fulfilment of strategy and sustainability targets (25% of the short-term variable Management Board remuneration based on an improvement in the Sustainalytics ESG rating within three years) and ESG targets (30% of the long-term variable Management Board remuneration based on the integration of mandatory targets). The precise objectives can be found in the remuneration report from page 259 onwards.

Management Board

The management teams of the operating subsidiaries of Instone Real Estate have appointed one person within management who is in regular contact with the CFO and Sustainability department regarding relevant, strategic sustainability issues. Within the Management Board, our CFO, Dr. Foruhar Madjlessi, is responsible for sustainability. He makes and is responsible for all decisions on sustainability issues in consultation with his Management Board colleagues. This responsibility includes the adoption of sustainability targets and the monitoring of steps and progress in achieving these targets. Adjustments to the objectives of the doubly material sustainability issues are adopted once a year in the context of Management Board resolutions.

On the basis of their regional responsibility, the management teams in the subsidiaries are an important multiplier for the operational integration of sustainability aspects in branches and central functions. In the financial year 2022, this involved the implementation of the Taxonomy verification process at project level, for example.

Sustainability department

The Sustainability department comprises three employees. They are promoting the ongoing development and implementation of the sustainability strategy, are implementing the associated processes across multiple departments and are responsible for ESG data management and sustainability reporting.

The head of the Sustainability department reports directly to the Management Board and CFO, Dr Foruhar Madjlessi. It also moderates the Sustainability committee with its members from multiple functions Figure 012. The CFO regularly monitors and checks progress in achieving targets and the status thereof. He also helps with the integration of cross-departmental issues in other specialist departments, corporate planning and governance as well as policies. Regular dialogue takes place for this purpose.

The department also deals with needs-based training, conference papers and events involving sustainability-related knowledge transfer and change management. Likewise, the department records and evaluates climate-related risks and opportunities using climate scenario analyses.

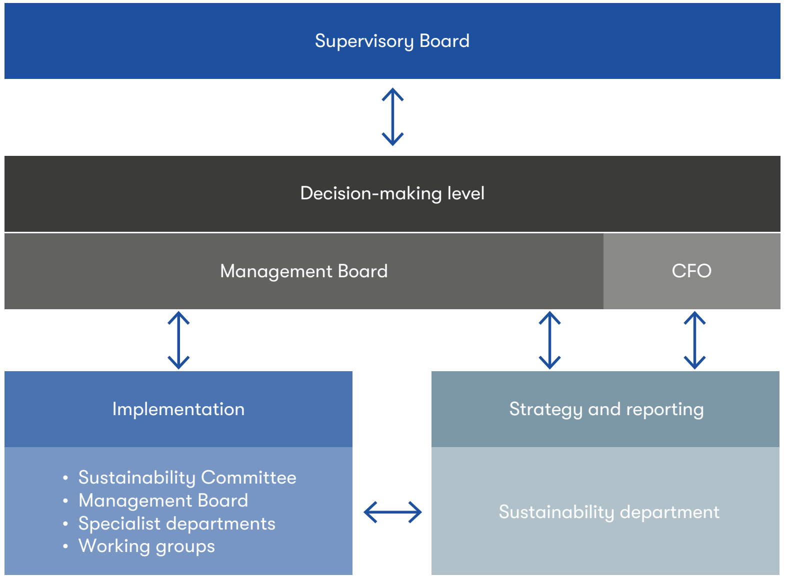
In this context, the employees in the Sustainability department act as the contact persons for this specific issue and as the monitoring body for recording sustainability data in the company, for sustainability and taxonomy reporting, for example.

On this basis, the Sustainability department is responsible in consultation with the departments affected for the due diligence assessment of the effects, risks and opportunities of the doubly material issues as well as proposals for the associated measures and objectives. These proposals are subsequently discussed in the Sustainability Committee and decided by the CFO. GRI 2-9

Sustainability committee

The Sustainability department chairs the quarterly meeting of the Sustainability committee on the communication, update and preparation of decisions with cross-departmental implications. Each year, the Committee addresses progress in achieving the sustainability targets set, in particular, the reduction of GHG emissions as part of our scientific climate target, which was validated by the Science Based Targets Initiative (SBTi). Proposals for new targets or adjustments to targets introduced by the Sustainability department and, if applicable, specialist departments affected are discussed in connection with setting sustainability objectives. Likewise, the effectiveness and feasibility of measures as well as implementation thereof are discussed. As described above, the CFO is responsible for the final decision.

Presentation of the governance structure for sustainability issues FIGURE 012



If required, representatives of the specialist departments Investor Relations, Communication, Finance/Controlling, Risk Management, Procurement, branch managers and Planning departments will be in contact with the head of the Sustainability department, who will work with the department to prepare the upcoming issues and take them to the Sustainability Committee for further decisions. GRI 2-9

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

As part of the identification of material topics, we identified which topics are material and which are doubly material in the financial year 2022. On this basis, we carried out a due diligence assessment of the effects as well as the risks and opportunities under the direction of the Sustainability department and with the involvement of relevant specialist departments. In doing so, we recorded existing measures and added new measures in some cases.

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

The second area relates to measures that are only to be dealt with for specific projects and are therefore the responsibility of the project manager. An example of this is compliance with biodiversity requirements when initiating projects, planning them and during construction. Here too, the Sustainability department is involved in the initiation of measures and raising project managers' awareness of these measures. The measures are checked in regular site discussions between the project managers and the respective contractual partners on the construction sites. They are documented in minutes of the discussions. Working groups have been working on five key topics Figure 013 since autumn 2022 to share learning outcomes across different sites, to constantly improve project teams' sustainability skills and to 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.

IMPACT project working groups FIGURE 013

STEERING BOARD

1 Sustainable building
2 Hybrid-timber or three alternative constructions
3 Neighbourhood infrastructure
4 Neighbourhood impact
5 ESG Instone Inside

Project management

PROJECT TEAMS

Policies, work instructions and documentation

The following policies, working materials and guidelines existing in relation to the implementation of the sustainability strategy and the achievement of the targets set, which are gradually adjusted to new additional requirements.[1]

- Code of Conduct for employees: Code of Conduct for interacting responsibly with each other, protecting natural resources and nature and good business conduct
- Code of Conduct for contractual partners addresses expectations of partners
- Accounting manual
- Guideline for materiality analysis
- Guideline and form for collecting project-specific ESG parameters
- Guideline and form for project-specific data collection for the EU Taxonomy and associated sources
- Building specification
- Site regulations
- Information from the professional association on occupational health and safety
- Integration of technical rules for hazardous materials (TRGS)
- Integration guideline for off-road machinery and devices
- Contracts with contractual partners and employees
- Contract for individual or general services
- ESG process documentation
- Process documentation for accounting for greenhouse gas emissions
- Process documentation for the scenario analysis
- Investment application

[1] The detailed application can be found in the specialist sections on the environmental and social aspects.

ii. Risk management and internal control system

Risk management process for sustainability issues (in planning)

TABLE 029

Step	Description	Responsibilities	Monitoring
Identification	At Instone Real Estate, sustainability-related risks are identified according to the principle of double materiality as part of the materiality analysis page 52 onwards. The process is documented in a guideline and includes internal and external stakeholders across multiple departments	The Sustainability department runs the query process.	The management team and the Management Board monitor the process and design the queries for the material topics and the risks associated therewith.
Assessment	Defined scales to assess the materiality of topics from the perspective of their relevance to the business and their impact on business activities help Instone Real Estate to assess sustainability-related risks in relation to their severity, their scope and their timescale. A climate scenario analysis is also undertaken to assess climate risks with the aim of considering transitory and physical climate risks in detail and under various global warming pathways.	The Sustainability department carries out the assessment and shares the results with the relevant areas of operations.	The managers and Management Board validate the results.
Management	The Sustainability department discusses risks that are rated “high” during the assessment with all areas of operations that can contribute to reducing these risks. Measures to be taken are then defined jointly by the parties involved.	The Sustainability department coordinates and initiates management of sustainability-related risks. It is the responsibility of any areas of operations affected to take measures and implement them.	This will be checked by the respective segment managers and the management responsible. The CFO checks the activities of the Sustainability department.
Monitoring	As part of the annual updating of sustainability key performance indicators, the Sustainability department monitors the implementation of measures in the areas of operations affected.	The Sustainability department carries out the checks.	The CFO checks the activities of the Sustainability department.
Communication	The Sustainability department undertakes the sustainability reporting for internal and external purposes. Areas of operations affected are informed of progress in targeted events.	The Sustainability department is responsible for reporting and communication.	The Management Board approves the content of internal and external reporting. The Supervisory Board is also given access to the information.

TCFD risk management

Sustainable corporate governance (business conduct)

a. Description of corporate governance

A description of key principles of corporate governance and culture and the associated policies is provided in the general section on governance processes in the management report on page 176 onwards.

The following activities are planned in relation to the continuing integration of sustainability aspects in corporate governance in the 2023 financial year:

- Greater standardisation and formalisation of the integration of sustainability risks in existing risk management tools and the internal control system (ICS) page 153 onwards.
- Continual efforts to make appointments to management roles more diverse (for example in relation to the framework conditions, encouraging a more diverse group of applicants and promoting internally)
- Expansion and establishment of adjusted environmental standards and associated requirements for contractual partners Environmental section from page 70
- Concept for including ESG targets in the agreed targets for additional management levels outside the Management Board
- Implementation of internal social impact scoring and guidance
- Implementation of the first findings from the operational working groups on the topics sustainable building, alternative construction, neighbourhood infrastructure, neighbourhood impact and ESG Instone Inside

The Sustainability department is responsible for initiating these measures. It will provide impetus, motivate the areas of operations affected and support them in implementing the relevant measures.

b. Compliance, anti-corruption and anti-money laundering (G4)

TCFD risk management

At Instone Real Estate, 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 themes in the action area is primarily the responsibility of the Legal department, which undertakes the planning and implementation of measures for material themes in the area 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 page 112 onwards.

The goal of the Group-wide compliance management system is to prevent breaches of applicable laws and internal policies, and to protect Instone Real Estate 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. These also include measures to prevent corruption and bribery, as well as money laundering prevention.

The whistleblower system offers people within and outside the Company the opportunity to report potential violations of rules or laws by employees to Instone Real Estate. Each report will be examined and followed up systematically. The following principles will be observed here:

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

A digital whistleblower system, an external, independent law firm with a hotline and direct contact with the Compliance Officer are options available to those looking to report misconduct.

Likewise, under no circumstances is corruption tolerated by Instone Real Estate, 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.

Instone Real Estate does not allow transactions with the Company to be misused for the purposes of money laundering or the financing of terrorism. Instone Real Estate rejects any transaction in which a third party benefits from a criminal offence. Instone Real Estate has therefore taken special preventive measures as part of its compliance programme to detect and take steps against such suspicions, including:

- Due diligence of business partners for compliance risks,
- Due diligence around suspicions of money laundering,
- Checking of potential business partners for entries in sanctions lists and
- Verification of bank data in payment transactions with business partners and clients.

Further information on the compliance management system and the measures taken by Instone Real Estate to prevent corruption and money laundering can be found on the Instone Real Estate website. The indicators for compliance and anti-corruption measures are included in Table 004. GRI 205

c. Political involvement and lobbying activities

Instone Real Estate is involved in various initiatives, associations and organisations. In some cases, the Company's employees perform representational tasks. However, no financial resources beyond normal membership fees are provided.
GRI 2-23, 2-24, 2-28, 415, 415-1

Memberships at Company level:

- Rotonda
- IMMOEBS e. V.
- DIRK – Deutsche Investor Relations Verband (German Investor Relations Association)
- EPRA – European Public Real Estate Association
- Wirtschaftsrat der CDU (Economic Council of the CDU)
- Grüner Wirtschaftsdialog (Green Economic Dialogue)
- ZIA – Zentraler Immobilienausschuss e. V. (German Central Real Estate Committee)
- Leipziger Fachkreis e. V.
- BfW Bundesverband Freier Immobilien- und Wohnungsunternehmen (Federal Association of Independent Real Estate and Housing Companies)
- IWS – Immobilienwirtschaft Stuttgart e. V.
- Gif – Gesellschaft für Immobilienwirtschaftliche Forschung e. V. (Society for Real Estate Research)
- ICG– Institut für Corporate Governance in der deutschen Immobilienwirtschaft e.V. (Institute for Corporate Governance in the German Real Estate Industry)
- Zukunft Metropolregion Rhein-Neckar e. V.
- Connected.Real e. V.
- Heuer Dialog
- Charta der Vielfalt (Diversity charter)
- DENEFF e.V. – Deutsche Unternehmensinitiative Energieeffizienz e. V. (German Corporate Initiative for Energy Efficiency), Immo2Zero initiative
- DGNB – Deutsche Gesellschaft für nachhaltiges Bauen e. V. (German Sustainable Building Council)
- Urban Land Institute
- "Wir geben Leben Raum" (We give life space) initiative

Economic report

Economic conditions

Overall, the German economy is holding up well in a challenging environment

In spite of the Russian attack on Ukraine and the resulting crisis on the energy markets, 2022 saw the German economy continue to recover from the sharp decline caused by the coronavirus pandemic. According to initial calculations by the Federal Statistical Office, the price-adjusted gross domestic product (GDP) rose by 1.8%. The economic recovery, which initially began at the start of the year as the coronavirus protection measures were lifted, was slowed down with the outbreak of the war in Ukraine. The reduced inflows of gas from Russia led to a supply shortage in the energy market and a significant increase in energy and producer prices. The rise in the prices of raw materials and precursors due to disruption in supply chains caused by the coronavirus pandemic also drove prices up. Although the price increases at producer level were not fully passed on to consumers, the inflation rate rose to its highest point since German reunification and prompted central banks to initiate an interest rate turnaround. In the fourth quarter of 2022, GDP fell slightly by 0.2% compared to the previous quarter, mainly due to lower private consumer spending. Overall, the Deutsche Bundesbank expects GDP to drop by 0.5% in 2023 and increase again to 1.7% in 2024.

Almost all economic sectors contributed to growth in 2022. The services sector in particular benefited from catch-up effects after the coronavirus protection measures were dispensed with. In retail and construction, however, gross value added fell. In the construction industry, the decline was mainly due to a shortage of materials and skilled workers, high construction costs and increasingly poor financing conditions as a result of the rise in interest rates.

On the consumption side of things, GDP growth was mainly bolstered by private consumer spending and investment in equipment. Private consumer spending rose by 4.6% compared to the previous year, almost reaching the pre-crisis level of 2019. This was mainly due to catch-up effects from the pandemic period. In particular, people in Germany spent more money on holidays and visits to restaurants, as well as leisure, entertainment and culture. On the other hand, people spent less on food and natural gas (after adjustment for price rises), which is linked to the sharp price increases seen during the course of the year. In 2022, the savings ratio fell significantly by four percentage points to 11.2%, bringing it back towards pre-crisis levels. Between 2017 and 2019, it averaged at 10.9%.

Government consumption expenditure saw a moderate increase of 1.1%. This included, in particular, higher spending in connection with the forced migration from Ukraine and other countries. Health spending related to the coronavirus pandemic was lower than in the previous year.

Building investment fell by a total of 1.6% in 2022. At 2.0%, the decline in residential construction was even sharper. The construction industry particularly struggled with the rise in construction costs, which were caused by high capacity utilisation due to a shortage of skilled workers and material bottlenecks on one hand and by higher energy prices on the other. The rise in prices also increasingly led to a reduction in incoming orders and to order cancellations. Although the shortage of materials is expected to be alleviated significantly in the coming months, the negative effects of demand from rising construction, financing and living costs will continue to have a dampening impact on the construction industry.

Investments in equipment contributed 2.5% to GDP growth. Overall, net exports had a negative effect, as the growth of imports (+6.7%) overcompensated for the increase in exports (+3.2%).

A stable labour market

The labour market seems to be stable in spite of the crisis. The shortage of skilled workers is counteracting a fall in demand for labour in the current economic environment. It is expected that, in light of this, most companies will try to keep hold of their existing workforce to a large extent. As a result, employment is only likely to see a temporary decline.

According to the Federal Statistical Office, Germany's working population grew by 1.3% on average to 45.6 million, reaching the highest level since German reunification (previous year: 44.9 million). This increase was due to the influx of foreign workers and a rise in employment within the domestic population. According to the Federal Employment Agency, the unemployment rate in Germany fell on average in 2022 to 5.3% (previous year: 5.7%). In light of the recession, the Deutsche Bundesbank anticipates that it will increase moderately in 2023 to 5.6%. The core cities had an annual average unemployment rate of 6.2% in 2022, which was above the average for Germany as a whole. Munich and Stuttgart recorded the lowest figures at 3.9% each, while Berlin and Cologne once again recorded the highest at 8.8% and 8.6% respectively.

There is still a significant shortage of skilled workers in the construction industry. According to the ifo Institute, the proportion of companies in the mainstream construction industry whose construction activity has been hampered by the skills shortage increased significantly in the past year. However, with sales expected to fall, the number of employees in the mainstream construction industry is expected to decline slightly in 2023 for the first time since 2009.

Inflation at record levels

Inflation jumped in 2022 in the wake of the war in Ukraine. The main reason for this was the significant increase in energy and food prices. In October, the inflation rate reached a new record high of 10.4%. According to the Federal Statistical Office, the overall inflation rate in the past year was 7.9%, the highest level since the Federal Republic of Germany was founded (previous year: 3.1%).

The international central banks subsequently raised base rates in a bid to counter a further rise in inflation. The measures started to take effect at the end of the year and consumer prices have fallen slightly month-on-month since November 2022 as energy costs have come down.

The Deutsche Bundesbank anticipates a slight decline in the annual average inflation rate in 2023 to 7.2%, which is still high. In particular, the various government measures taken to cushion the rise in energy prices are making themselves felt in this regard. Nevertheless, inflation is expected to be at 4.1% into 2024, too, thus remaining above the ECB's target of 2%.

Rising interest rates on housing loans impacting credit demand

The central banks' base rate hike led to a sharp rise in interest rates on housing loans within the space of a year. While the average effective interest rate on housing loans granted to private households with the interest initially fixed over ten years was still around 1.0% in January 2022, interest rates shot to over 4.0% in October. The ECB's base rate at the end of the year was 2.5%. The ECB Governing Council expects interest rates to be raised further in 2023.

In the course of 2022, rising financing costs had an increasingly negative impact on the affordability of real estate and thus on the demand for real estate loans. According to the Deutsche Bundesbank, the volume of newly granted real estate loans from German banks to private households was still at a very high level in the first months of the year, reaching over €32 billion in March, but by November the figure had dropped to only €13 billion. Overall, the volume of new loans fell by 6.3% back to €243 billion in the period from January to November 2022 (January to November 2021: €260 billion).

Affordability of residential property in Germany significantly affected

The affordability of residential property for German households has deteriorated due to high inflation as well as the effects of the sharp rise in mortgage interest rates. According to the Federal Statistical Office, real wages decreased by 4.1% in 2022 compared to the previous year, based on preliminary results. This is the most significant real wage loss since the time series began in 2008. Although nominal wages saw their sharpest rise since 2008 at 3.4%, consumer prices increased by 7.9%, thus reducing the purchasing power of private households.

At the same time, the development of property prices has been largely stable on an annual average over the past year. This led to a noticeable drop in demand for purchasing property among both private and institutional investors. In its forecast, the Deutsche Bundesbank expects real wages to start going up again from the second half of 2023 against the backdrop of a labour market that is still robust, rising nominal wages and falling inflation rates.

TABLE 030

Structural data for 2022	Inhabitants in thousands[1]	Population development 2012–2022 in %[1]	GDP in millions of euros[2]	GDP per capita in euros[2]	Available income per capita in euros annually in 2022[1]	Unemployment rate in % (average for 2022)[3]
Berlin	3,740	10.8	154,537	42,145	23,305	8.8
Dusseldorf	629	6.0	50,915	81,963	29,555	6.8
Frankfurt a. M.	779	13.3	70,073	91,749	27,922	5.8
Hamburg	1,880	8.4	117,892	63,730	27,606	6.8
Cologne	1,100	7.4	62,667	57,722	26,252	8.6
Leipzig	610	17.2	22,521	37,831	22,151	6.4
Munich	1,509	8.7	120,075	80,793	33,223	3.9
Nuremberg	514	3.9	31,074	60,109	26,225	4.6
Stuttgart	635	6.2	53,021	83,747	28,505	3.9
Core cities	**11,397**	**9.4**	**682,776**	**66,643**	**27,194**	**6.2**

[1] Forecast value for 2022/source: bulwiengesa AG

[2] Version 2020/source: Federal and State Statistical Offices

[3] Source: Federal Employment Agency

Rounding differences may arise

German population has grown significantly

According to initial estimates by the Federal Statistical Office, Germany's population grew substantially in 2022, reaching a new peak at 84.3 million. As of 31 December 2022, there were 1.1 million more people in Germany than there were at the end of 2021. This was mainly the result of record-high net immigration. In total, net immigration in the past year was around 1.4 to 1.5 million people (2021: 329,163). In addition to the strong influx of war refugees from Ukraine, the immigration of people of other nationalities has also increased significantly. In contrast to this, excess deaths also had an impact on population development. While the birth rate continued to decline over the past year to between around 735,000 and 745,000, the number of deaths rose to approximately 1.1 million.

In its moderate scenario, the latest population forecast issued by the Federal Statistical Office in December 2022 assumes an average net immigration of around 290,000 people per year. This estimates that the population would continue to grow at first, reaching 85.2 million people by 2031, before dropping back down to 82.6 million by 2070. If, on the other hand, the migration balance is comparatively low at around 180,000 people per year, a population decline could be expected by as early as 2023 or 2024.

The forecast also shows that the working-age population (20 to 66) is expected to shrink in the next few years. Even with high net immigration, there would be a slight decrease of 1.6 million from the current figure of about 51.4 million people by the mid-2030s. The proportion of people of working age is therefore expected to fall from 62% as it stands today to 57% in 2040. At the same time, the proportion of elderly people will increase. The proportion of people aged 67 and over is expected to rise sharply to around 23 to 26% in 2040 as the “baby boomer” generation moves up to this age group.

Above-average population development in the core cities

The core cities have grown at an above-average rate in recent years. According to figures published by bulwiengesa, the population there increased by around 7.6% from 2012 to 2021. The figure for Germany as a whole during the same period was 3.4%. The highest growth rates according to those figures were in Leipzig at 15.6% and Frankfurt am Main at 10.4%. At 3.1%, the city of Nuremberg recorded the lowest increase out of the core cities. According to bulwiengesa's forecast, the growth prediction for the core cities remains positive. By 2030, the population is expected to increase by 3.0%.

But the areas around the big cities have also been experiencing positive population development for years. A representative survey and data analysis by ImmoScout24 suggests that two thirds of Germans are considering moving out to the areas surrounding the metropolitan centres. The reasons for this include, most notably, lower property prices compared to those in the cities, the desire for a quieter, more child-friendly environment and the increased need for living space in recent years. In times of rising interest rates and high financing costs, the financial arguments in particular are coming further to the fore. At the same time, more modern working conditions such as working from home arrangements are gaining acceptance, which is another factor behind the trend toward moving to the outskirts. After all, fewer days in the office could encourage workers to take on longer commutes. In our view, B cities in the immediate vicinity of the big metropolitan centres, which can be reached by train in less than an hour, are also proving increasingly attractive.

Further increase in the number of households expected

The development of the number of households is the most important factor when it comes to determining demand for housing. Thanks to various social developments, this figure has increased disproportionately to the population development in recent years. According to the Federal Statistical Office, while the population grew by only 3.6% between 2011 and 2021, the number of households increased by 4.4% over the same period. This is mainly driven by the growing proportion of single-person households, which rose from 39.6% to 40.8% during this period. Reasons for this include, for example, the increasing number of single people (singularisation), due in part to an increase in life expectancy. The Federal Statistical Office expects a further increase in the proportion of single-person households to more than 45% by 2040, compared with around 41% in 2021.

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.

More permits than completions

From January to November 2022, the number of building permits in Germany decreased by 5.7% compared to the previous year. This includes both new buildings to be constructed and new apartments in existing buildings. In the new construction sector, permits for single- and two-family houses in particular fell dramatically by 15.9% and 10.1% respectively, while the number of apartment complexes increased by 1.2%. According to the Federal Statistical Office, 321,757 apartments were approved in total (January to November 2021: 341,037).

The most recently published figures from the Federal Statistical Office indicating the number of completed apartments for 2021 shows a decline of 4.2% to 293,393 (previous year: 306,376). Estimates by the Zentralverband Deutsches Baugewerbe (the Association of the German Construction Industry) suggest that this development is continuing. The association is expecting approximately 280,000 completed apartments for 2022 and about 245,000 for 2023. This falls considerably short of the German Federal Government's target of 400,000 new homes per year.

Against this backdrop, the so-called construction surplus – the number of construction projects that have not yet been started or have not yet been completed – has increased further nationwide. The trend that has persisted since 2008 thus gained more momentum in 2021 and brought the figure to 846,467 homes, its highest level for Germany as a whole since 1996.

In the core cities, the number of completed apartments dropped even more sharply, by 12.6%, in 2021 and fell to its lowest level in five years at 39,767 units. The highest percentage falls were recorded in Leipzig and Hamburg, with –43% and –35% respectively. In Cologne, on the other hand, there was a 24% increase in the number of apartments completed year-on-year. This was followed by Nuremberg and Dusseldorf, with a rise of 9% each.

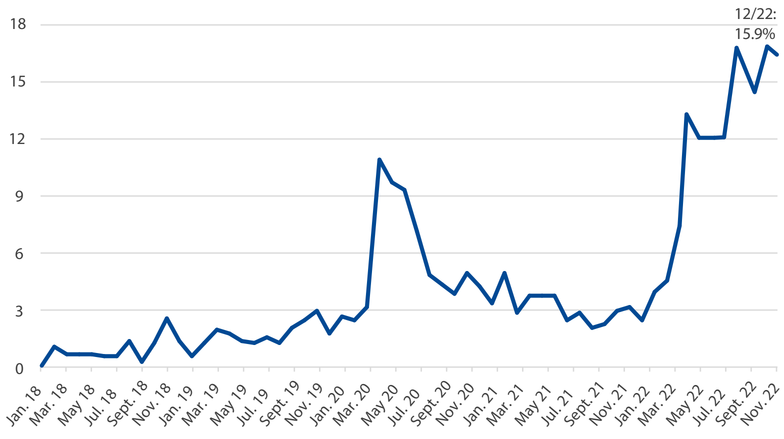
In the core cities alone, the surplus increased by a factor of more than 15 from 2011 to 2021.

Housing shortage exacerbated by crisis

The German housing market has been suffering from a structural supply shortage for years, which, in our view, will continue to escalate significantly due to the current general conditions in the real estate market. A study by the Pestel Institute and the building research institute ARGE has concluded that Germany is more than 700,000 apartments short of the number required in 2023. It describes this as the largest housing deficit in more than 20 years and notes, especially, that the shortage of affordable housing is growing bigger and bigger. In particular, the increase in financing and construction costs will lead, in the short term, to some planned construction projects being postponed or not being realised at all. Although this will relieve the strain on construction capacities that have been under pressure in the past, the continuing shortage of skilled workers and lengthy planning and approval processes will also put the brakes on any significant increase in completed builds.

Order cancellations in housing construction FIGURE 014

Percentage of companies affected



Source: ifo Institute, January 2023

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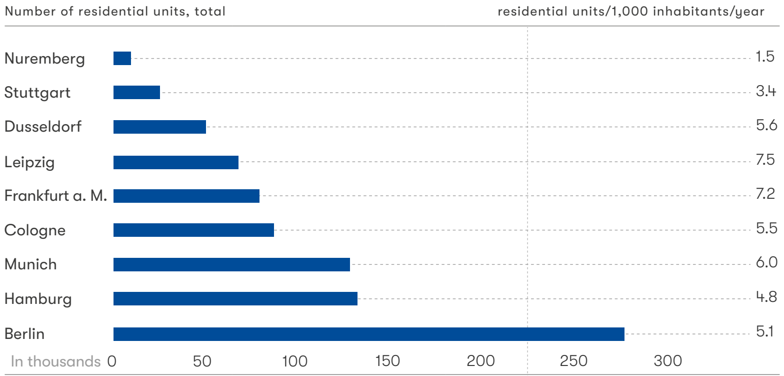
All in all, the number of completed constructions is not sufficient to meet the increasing demand for housing. According to calculations performed by bulwiengesa, in the core cities alone, just under 60,000 new homes will be needed each year until 2035. In contrast, only around 40,000 homes were completed in 2021. This means that only about 78% of the homes that are needed are currently being built.

The further reduction of vacant properties also reflects the shortage on the housing market. This is shown in the data from the current CBRE empirica vacancy index. At the end of 2021, the active market vacancy rate, i.e. apartment buildings that can be rented directly or capitalised in the medium term, was 2.8%. The absolute vacancy rate thus fell by around 4,000 compared to the previous year, dropping from 611,000 to 607,000 apartments, after having risen slightly for two years. Munich once again recorded the lowest rate at 0.2% and was followed by Frankfurt am Main, Münster and Freiburg at 0.3% each.

Housing demand forecast up to 2035 in the core cities[1] FIGURE 015



[1] Reference year: 2021, replacement and additional demand excluding pent-up demand (source: State Statistical Offices with bulwiengesa forecasts)

Stable property prices in 2022, moderate declines expected in 2023

Housing prices in Germany have, on average, been as stable as they could be over the past year. After prices went up significantly again in the first quarter, the increasing reluctance to buy on the back of the sharp rise in interest rates from the second quarter onwards had a dampening effect on price development. For 2023, the Management Board of Instone Real Estate SE expects a slight decrease in the price of new-build properties in our core markets, the most attractive metropolitan regions in Germany, as properties in these areas are still in very short supply in the face of significant excess demand. In addition, the high energy efficiency of new builds has a price-stabilising effect on our product. Unrenovated old buildings with a poor energy footprint lost value the fastest over the past year.

According to bulwiengesa, the average purchase prices for new residential units traded throughout Germany increased by + 5.5% in 2022 compared with the previous year. In the core cities, purchase prices rose by an average of + 5.8% to over €7.300 per square metre (previous year: around €6,900). Overall, prices have more than doubled since 2012. Berlin achieved the greatest year-on-year growth of 10.5%, while Frankfurt am Main recorded the lowest at 1.8%.

The trend in rents is still going up. The persistently high demand for rental apartments is coming up against a lack of affordable supply. The high number of refugees from Ukraine is pushing demand upwards, while the number of new buildings is declining. In addition, more and more interested parties are also opting for rented apartments because they cannot afford or do not want to buy their own property due to the increase in financing costs. Aside from basic rents, ancillary costs have also risen enormously as a result of the energy crisis, leading to a significant cost burden for tenants. This has also triggered additional demand from tenants for energy-efficient apartments and, as a result, new buildings.

According to bulwiengesa, rent on first-time rentals in new builds in Germany increased by 3.1% in 2022 as a whole. Growth in the core cities was 2.5% compared to 2021. The average annual increase since 2012 was 3.7%.

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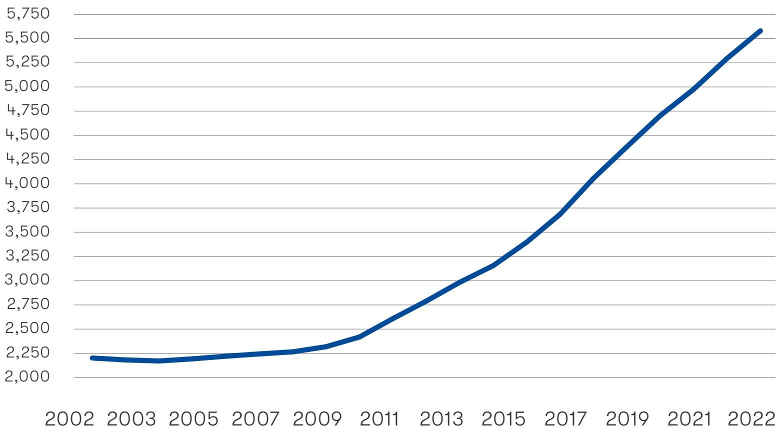
Bulwiengesa real estate index price for new build residential units FIGURE 016

AS AT: 4TH QUARTER OF 2022

Average figures in euros per m²

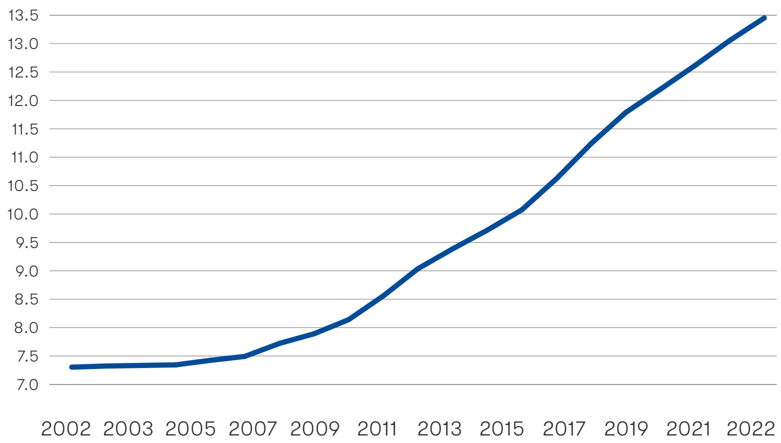


Source: © bulwiengesa AG

bulwiengesa real estate index new-build housing rents FIGURE 017

AS AT: 4TH QUARTER OF 2022

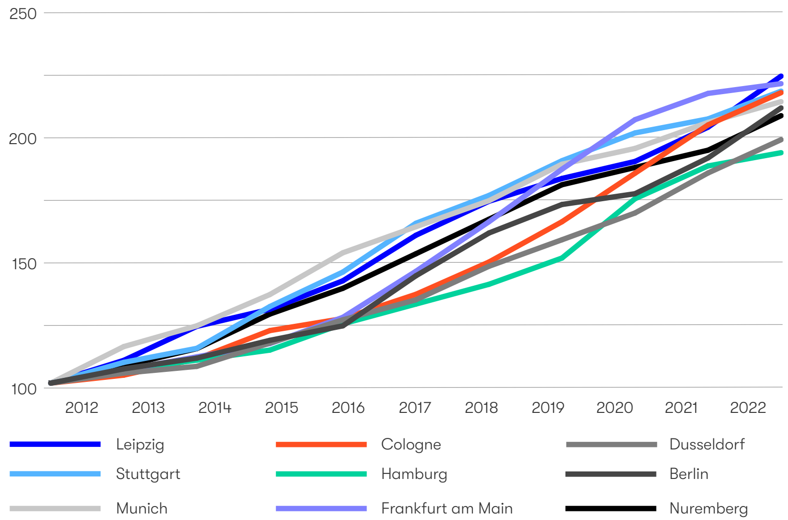
Average figures in euros per m²



Source: © bulwiengesa AG

Average purchase prices in the core cities 2012–2022[1] (first occupation) FIGURE 018

In %



[1] Forecast value for 2022 (source: bulwiengesa AG).

Overall statement on the financial year

The coronavirus pandemic and the war in Ukraine had a significant impact on the 2022 financial year

Instone Real Estate Group SE was not able to escape the increasingly difficult conditions of the industry and general economic environment, but, in our view, it has still managed to achieve considerable, largely secure cash inflows from sales that have already taken place. Overall, the business developed in line with the expectations adjusted halfway through the year.

However, the sharp rise in interest rates has affected the affordability of real estate and triggered increased uncertainty among private and institutional investors. This had a significant negative impact on sales speed and revenue recognition. In addition, the materials shortage continued to have a negative effect on construction speed.

Bottlenecks in the supply of key building materials as a result of the coronavirus pandemic and the war in Ukraine, along with the subsequent rise in energy costs, were accompanied by a sharp increase in material costs and, therefore, construction costs. The persistently high gross profit margin shows that, up to now, Instone Real Estate has been able to significantly mitigate the negative effects in the first quarter thanks to a high proportion of procurement volumes already secured through contracts, as well as subsidies for energy efficiency buildings and price adjustments. In our view, however, there has been a general downward trend in inflation with regard to construction costs over the past few months. GRI 201-4

The increase in the project portfolio to €7,668.8 million as at 31 December 2022 (previous year: €7,500.0 million) resulted from additions of new project developments in the amount of €336.7 million, disposals of €483.1 million and revaluations of €315.2 million. Adjusted Group revenue declined by around 21% to €621.0 million as a result of the interest-induced slowdown in demand, as well as the reduction in construction speed caused by the shortage of materials (previous year: €783.6 million). Adjusted earnings before interest and tax (EBIT) fell disproportionately by about 43% to €88.6 million (previous year: €155.7 million). Aside from the lack of revenue, this is due to the slight decline in the gross profit margin, which remains at a very high level. Adjusted consolidated earnings therefore fell significantly to €50.0 million (previous year: €96.9 million).

Operating cash flow before payments for land acquisitions amounted to €187.2 million due to the positive net profit for the year and the positive trend of net working capital before land acquisitions (previous year: €256.3 million).

Comparison of actual and forecasted development

Comparison of actual and forecasted development in 2022 TABLE 031

In millions of euros

		Actual development in 2022	Adjusted forecast [1]	Initial forecast [2]
Revenues (adjusted)		621.0	600 to 675	900 to 1,000
Gross profit margin (adjusted)	In %	25.3	≥ 25	25 to 26
Earnings after tax (EAT) (adjusted)		50.0	40 to 50	90 to 100
Volume of sales contracts		292.1	around 350	greater than 1,000

[1] Source: interim consolidated report Q2 2022, page 19.

[2] Source: combined management report 2021, page 162.

Results of operations, net assets and financial position

Cumulative financial key performance indicators TABLE 032

In millions of euros

	2022	2021	Change
Revenue adjusted[1]	621.0	783.6	–20.8%
Gross profit adjusted	157.2	221.5	–29.0%
Gross profit margin adjusted[1]	25.3%	28.3%	
EBIT adjusted	88.6	155.7	–43.1%
EBT adjusted	72.7	136.5	–46.7%
EAT adjusted[1]	50.0	96.9	–48.4%

[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 and changes in inventories form project costs.

→ 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).

Within the results of operations, all income is shown 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, 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, write-ups 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 and including the effects of 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-related other operating income (income offset 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 of associates and joint ventures 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 investment and financial result is 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 033

In millions of euros

	2022	2021	Change
Revenues adjusted	621.0	783.6	–20.8%
Project costs adjusted	–463.8	–562.1	–17.5%
Gross profit adjusted	**157.2**	**221.5**	**–29.0%**
Gross profit margin adjusted	**25.3%**	**28.3%**	
Platform costs adjusted	–72.5	–80.5	–9.9%
Share of results of joint ventures adjusted	3.9	14.6	–73.3%
Earnings before interest and tax (EBIT) adjusted	**88.6**	**155.7**	**–43.1%**
EBIT margin adjusted	**14.3%**	**19.9%**	
Income from investments adjusted	0.0	0.1	–100.0%
Financial result adjusted	–15.9	–19.3	–17.6%
Earnings before tax (EBT) adjusted	**72.7**	**136.5**	**–46.7%**
EBT margin adjusted	**11.7%**	**17.4%**	
Income taxes adjusted	–22.6	–39.6	–42.9%
Earnings after tax (EAT) adjusted	**50.0**	**96.9**	**–48.4%**
EAT margin adjusted	**8.1%**	**12.4%**	

→ 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

Adjusted revenue decreased by around 21% to €621.0 million in the 2022 financial year (previous year: €783.6 million). The decline in sales is mainly due to buying restraint as a result of the drastic rise in interest rates and to reduced construction output as a result of material shortages. Both factors are direct and indirect consequences of the war in Ukraine.

The adjustment of effects from purchase price allocations resulted in a slight increase in adjusted revenue of €3.9 million (previous year: €–2.7million). The separate valuation of share deals ("Westville" project) increased the adjusted revenue by €49.6 million (previous year: €45.1 million).

Revenue TABLE 034

In millions of euros

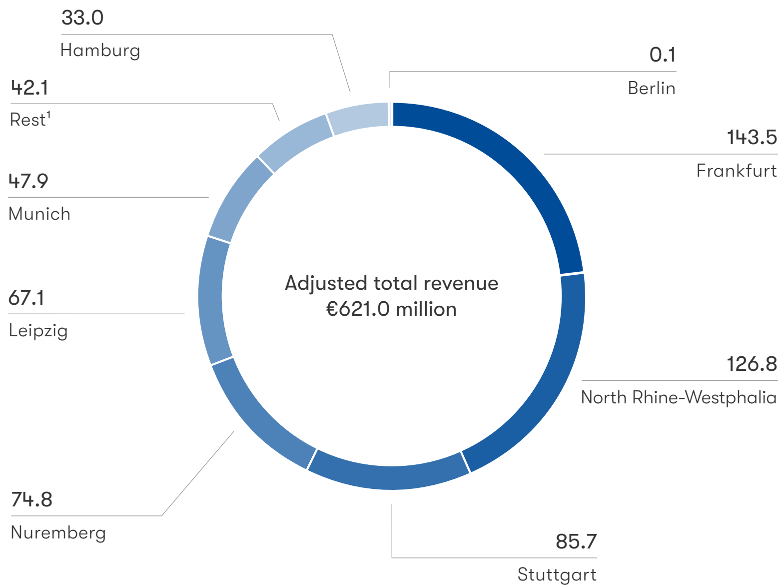
	2022	2021	Change
Revenue	**567.5**	**741.2**	**–23.4%**
+ effects from purchase price allocations	3.9	–2.7	n/a
+ effects from share deal agreements	49.6	45.1	10.0%
Revenues adjusted	**621.0**	**783.6**	**–20.8%**

The increase in the revenue contribution from the "Westville" project resulted from the planned construction progress in particular. There were no non-recurring effects during the financial year.

The adjusted revenue of the Instone Group was almost exclusively generated in Germany and spread across the following regions:

Sales (adjusted) by region FIGURE 019

In millions of euros



[1] Includes, among others, Potsdam (€23.8 million), Wiesbaden (€15.5 million) and Bamberg (€3.0 million)

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 €–463.8 million (previous year: €– 562.1 million). Reduced purchases of land led to a reduction in the cost of materials to €–551.2 million (previous year: €– 608.1 million) despite the continuation of construction activities. The increased changes in inventories to €123.5 million (previous year: €65.9 million) reflect the increasing construction progress of projects that are being realised but have not been sold or projects sold in the form of a share deal.

Indirect sales expenses in the amount of €–2.8 million (previous year: (€–2.0 million) and material cost-related other operating income of €10.2 million (previous year: €0.6 million), including €7.3 million from subsidies, were allocated to adjusted project costs as at 31 December 2022. The adjustment to the capitalised interest in the changes in inventories of €– 3.2 million (previous year: €4.0 million) added to the adjusted project costs. Effects from the amortisation of purchase price allocations reduced adjusted project costs by €10.3 million (previous year: €14.4 million). Due to the separate valuation of share deals, adjusted project costs again increased by €–50.6 million (previous year: €– 36.9 million).

Project costs TABLE 035

In millions of euros

	2022	2021	Change
Project costs	**– 427.6**	**– 542.1**	**–21.1%**
+ effects from purchase price allocations	10.3	14.4	–28.5%
+ effects from reclassifications	4.1	2.6	57.7%
+ effects from share deal agreements	– 50.6	– 36.9	37.1%
Project costs adjusted	**– 463.8**	**– 562.1**	**–17.5%**

Gross profit

Due to the decline in revenues in the financial year and a slightly lower project gross profit margin, the adjusted gross profit fell to €157.2 million (previous year: €221.5 million) compared with the previous year.

Gross profit TABLE 036

In millions of euros

	2022	2021	Change
Gross profit	**139.9**	**199.1**	**–29.7%**
+ effects from purchase price allocations	14.3	11.7	22.2%
+ effects from reclassifications	4.1	2.6	57.7%
+ effects from share deal agreements	– 1.1	8.2	n/a
Gross profit adjusted	**157.2**	**221.5**	**–29.0%**

The adjusted gross profit margin – calculated from the adjusted gross profit relating to the adjusted revenue – amounted to 25.3% (previous year: 28.3%). The adjusted gross profit margin fell in the financial year, mainly due to the changed project mix and the forecast cost increases in the project evaluation.

Platform costs

Adjusted platform costs decreased to €–72.5 million (previous year: €–80.5 million). In the financial year, indirect distribution costs of €2.8 million and material cost-related other operating income in the amount of €–10.2 million were reclassified as project costs and other non-recurring effects in the amount of €2.1 million were adjusted.

Platform costs TABLE 037

In millions of euros

	2022	2021	Change
Platform costs	**– 67.2**	**– 81.9**	**–17.9%**
+ effects from reclassifications	– 7.4	1.4	n/a
+ non-recurring effects	2.1	0.0	n/a
Platform costs adjusted	**– 72.5**	**– 80.5**	**–9.9%**

At €–48.7 million, staff costs fell by around 3% at the end of the 2022 financial year compared with the previous year's level (previous year: –€50.0 million). This was mainly due to the reduced expenses for performance-related remuneration. Other operating income rose, primarily due to the reversal of provisions and released liabilities as well as due to the use of grants, to €17.9 million (previous year: €3.2 million), of which €10.2 million were reclassified in project costs.
GRI 2-7, 2-8

Other operating expenses increased to €31.6 million in the period under review (previous year: €–30.5 million), mainly due to increased consulting expenses. Other operating expensesmainly include consulting expenses, distribution costs, IT costs and court costs, lawyers' and notaries' fees.

Depreciation and amortisation was €–4.8 million (previous year: €–4.6 million), a slight increase compared with the previous year.

Share of results of joint ventures

The adjusted shares of results of joint ventures of €3.9 million (previous year: €14.6 million) was almost entirely attributable in the financial year to construction activities and sales of the Berlin joint venture "Friedenauer Höhe". In the previous year, the construction activities and sales were comparatively higher.

Earnings before interest and tax (EBIT)

Adjusted earnings before interest and tax decreased to €88.6 million in the 2022 financial year, mainly due to the lower revenues and reduced shares of results of joint ventures (previous year: €155.7 million).

EBIT TABLE 038

In millions of euros

	2022	2021	Change
EBIT	**76.6**	**131.9**	**–41.9%**
+ effects from purchase price allocations	14.3	11.7	22.2%
+ effects from reclassifications	–3.2	4.0	n/a
+ non-recurring effects	2.1	0.0	n/a
+ effects from share deal agreements	–1.1	8.2	n/a
EBIT adjusted	**88.6**	**155.7**	**–43.1%**
EBIT margin adjusted	**14.3%**	**19.9%**	

Investment and financial result

The adjusted result from equity investments in the financial year of €0.0 million (same period last year: € 0.1 million) was due to a change in the entitlements to profits of minority shareholders in project-specific limited partnership companies.

The reported financial result declined in the financial year to €–19.1 million (previous year: €–15.3 million). The increase in interest expenses was mainly due to the project-related new debt entered into in the financial year and the increased interest rate level.

The adjusted financial result decreased to €–15.9 million (previous year: €–19.3 million) due to reclassifications of capitalised interest from project financing before the start of sales in the amount of €3.2 million (previous year: €–4.0 million).

Earnings before tax (EBT) GRI 207-1

Adjusted earnings before tax fell to €72.7 million (previous year: €136.5 million) due to the decline in revenue, the lower results from joint ventures and the lower gross profit margin.

EBT TABLE 039

In millions of euros

	2022	2021	Change
EBT	**57.4**	**116.6**	**–50.8%**
+ effects from purchase price allocations	14.3	11.7	22.2%
+ non-recurring effects	2.1	0.0	n/a
+ effects from share deal agreements	–1.1	8.2	n/a
EBT adjusted	**72.7**	**136.5**	**–46.7%**
EBT margin adjusted	**11.7%**	**17.4%**	

Income taxes

The tax rate in the adjusted results of operations in the 2022 financial year was 31.2% (previous year: 29.0%). In the 2022 financial year, tax effects relating to other periods essentially led to a lower tax rate compared to that expected.

Due to the effects mentioned above, income taxes in the reported earnings amounted to an expense of €17.7 million (previous year: €35.4 million).

Earnings after tax (EAT)

As a result of the effects mentioned above, the adjusted earnings after tax of the Instone Group totalled €50.0 million (previous year: €96.9 million). Before adjustment for effects from purchase price allocations, effects from share deals as well as non-recurring effects, reported earnings after tax were €39.8 million (previous year: €81.3 million).

EAT TABLE 040

In millions of euros

	2022	2021	Change
EAT	**39.8**	**81.3**	**–51.0%**
+ effects from purchase price allocations	9.7	7.6	27.6%
+ non-recurring effects	1.4	0.0	n/a
+ effects from share deal agreements	– 0.9	8.0	n/a
EAT adjusted	**50.0**	**96.9**	**–48.4%**
EAT margin adjusted	**8.1%**	**12.4%**	

Earnings after tax and after minority interests

Non-controlling interests in the earnings after tax amounted to €–0.8 million (previous year: €–1.8 million). Non-controlling interests in the adjusted earnings after tax also amounted to €–0.8 million (previous year: €–1.8 million).

Earnings after tax and after minority interests TABLE 041

In millions of euros

	2022	2021	Change
EAT after minority interests	**40.6**	**83.1**	**–51.1%**
+ effects from purchase price allocations	9.7	7.6	27.6%
+ non-recurring effects	1.4	0.0	n/a
+ effects from share deal agreements	– 0.9	8.0	n/a
EAT adjusted after minority interests	**50.9**	**98.7**	**–48.4%**

Earnings per share

Adjusted earnings per share in 2022 were €1.11 (previous year: €2.10), thus significantly below the figure for the same period last year.

Earnings per share TABLE 042

In millions of euros

	2022	2021	Change
Shares (in thousands of units)[1]	45,890.0	46,988.3	–2.3%
Owners of the Company	40.6	83.1	–51.1%
Earnings per share (in euros)	0.88	1.77	–50.3%
Owners of the Company adjusted	50.9	98.7	–48.4%
Earnings per share adjusted (in euros)	1.11	2.10	–47.1%

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

Net assets

Condensed statement of financial position[1] TABLE 043

In millions of euros

	31/12/2022	31/12/2021	Change
Non-current assets	82.8	70.2	17.9%
Inventories	967.3	843.7	14.6%
Contract assets	333.6	358.0	–6.8%
Other current assets	141.1	97.9	44.1%
Cash and cash equivalents and term deposits	255.6	151.0	69.3%
Assets	**1,780.3**	**1,520.8**	**17.1%**
Equity	573.0	590.9	–3.0%
Liabilities from corporate finance	179.7	199.1	–9.7%
Liabilities from project-related financing	341.0	191.4	78.1%
Provisions and other liabilities	686.7	539.3	27.3%
Equity and liabilities	**1,780.3**	**1,520.8**	**17.1%**

[1] Items have been adjusted: Term deposits have been allocated to liquid assets 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 2022, Instone Group total assets increased to €1,780.3 million (previous year: €1,520.8 million). This was mainly attributable to the increase in inventories.

As at 31 December 2022, contract assets rose to €967.3 million (previous year: €843.7 million). This increase in inventories is mainly the result of the purchase of new land for future residential project developments. As at 31 December 2022, acquisition costs and incidental acquisition costs for land amounting to €690.4 million (previous year: €631.9 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 slightly to €847.9 million as at 31 December 2022 (previous year: €858.6 million), due to the increase in residential property handovers. As at 31 December 2022, advance payments from customers amounted to €519.6 million (previous year: €506.6 million). The increase reflects the progress made in construction in the financial year linked to advance payments from customers.

Contract assets TABLE 044

In millions of euros

	31/12/2022	31/12/2021	Change
Contract assets (gross)	847.9	858.6	–1.2%
Payments received	– 519.6	– 506.6	2.6%
	328.3	**352.0**	**–6.7%**
Capitalised costs to obtain a contract	5.3	6.0	–11.7%
Contract assets (net)	**333.6**	**358.0**	**–6.8%**

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 2022 inventories and contract assets still included write-ups of €17.1 million (previous year: €31.4 million) from purchase price allocations. Based on current estimates, the Instone Group expects these effects to expire in 2024.

Trade receivables in the financial year decreased to €2.8 million (previous year: €48.2 million). This decline is mainly due to agreed payments for property sales made in December 2021.

Shares in joint ventures, also including investments in project companies, rose in the 2022 financial year from €30.8 million to €43.8 million as a result of the sale and construction progress of project developments of joint ventures as well as a capital increase in our joint venture for the"Europaviertel" project, Stuttgart, in the amount of €8.5 million.

Non-current financial receivables amounting to €19.0 million (previous year: €17.6million) included loans to joint ventures and increased slightly in the financial year due to new loans to financing investments.

Non-current right of use assets amounting to €7.6 million (previous year: €9.4 million) mainly relate to rights of use for real estate and passenger cars. Current right of use assets include a leasehold plot intended for project development in the amount of €3.0 million (previous year: €0 million).

Other current receivables and other assets increased in 2022 from €47.9 million to €133.9 million. This was due to increased receivables from public-sector grants in the amount of €86.7 million recorded in the 2022 financial year (previous year: €30.3 million). The subsidies were linked to projects that meet the special energy requirements of the KfW 55 or KfW 40 standards. In addition, as at 31 December 2022, other receivables were recognised relating to a tax exemption of €1.2 million (previous year: €1.2 million) by Hochtief Solutions AG, Essen, and capitalised tax receivables of €0.1 million (previous year: €0.1 million). Prepayments on land for which the transfer of benefits and encumbrances occurring after the respective balance sheet date increased to €42.4 million (previous year: €6.7 million), due in particular to new purchase agreements concluded in the financial year. GRI 201-4

Cash and cash equivalents and term deposits of €255.6 million (previous year: 151.0 million) increased mainly due to the continuous inflow of funds from ongoing project developments, which more than compensated for investments in new land and the dividend payment to shareholders. For more information, please refer to the Group's consolidated statement of cash flows. page 189 et seq. As at the reporting date, term deposits with a term of more than three months amounted to a total of €0.0 million (previous: €20.0 million).

Non-current provisions for pensions and similar obligations fell in 2022 to €0.1 million (previous year: €4.4 million). The defined benefit obligation for pension obligations amounting to €8.7 million (previous year: €14.2 million) was offset by plan assets of €8.6 million (previous year: €9.8 million). Plan assets amounting to €8.1 million (previous year: €9.3 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 European Bank for Financial Services GmbH (ebase®), Aschheim, Germany. GRI 201-3

The remaining other non-current provisions for the financial year fell from €6.1 million to €3.3 million in 2022. Provisions for long-term incentive plans amounting to €2.5 million (previous year: €5.1 million) and other non-current personnel provisions amounting to €0.8 million (previous year: €1.0 million) are included in this item.

The other current provisions for the 2022 financial year fell to €21.9 million (previous year: €24.1 million). Project-related provisions for work still to be carried out, impending losses, and warranty and litigation risks in the 2022 financial year were €16.7 million (previous year: €17.2 million).

Non-current financial liabilities increased to €292.0 million as at 31 December 2022 (previous year: €220.9 million). During the same period, current financial liabilities rose to €228.6 million (previous year: €169.6 million). The overall increase in financial liabilitiesis due to the increased volume of project financing and the new promissory note loan concluded in May 2022.

Leasing liabilities in the amount of €10.9 million (previous year: €9.7 million) hadincreased as at 31 December 2022, mainly due to the initial accounting of a leasehold plot intended for project development.

Trade payables in the financial year rose to €150.4 million (previous year: €125.1 million) and mainly included the services provided by contractors. The increase corresponds to the improved performance in the financial year.

The increase in other current liabilities to €393.6 million (previous year: €292.4 million) resulted mainly from advance payments received for the "Westville" project in the amount of €302.5 million (previous year: €241.4 million) and liabilities from government grants in the amount of €79.8 million (previous year: €29.8 million).

Deferred tax liabilities as at 31 December 2022 amounted to €50.3 million (previous year: €45.6 million). This figure also included deferred tax liabilities of €5.5 million (previous year: €11.1 million), which were formed on the basis of the write-ups from the first-time consolidation of Group companies in 2014, 2015 and 2019.

Income tax liabilities increased to €30.2 million as at 31 December 2022 (previous year: €20.2 million) due to the taxable profits for the 2022 financial year.

The equity ratio as at 31 December 2022 was 32.2% (previous year: 38.9%).

The share buyback programme announced on 10 February 2022 was completed on 24 October 2022 with a total volume of €25.4 million. On 25 October 2022, Instone Real Estate announced its intention to launch a new five-month share buyback programme of up to €25 million. As of 31 December 2022, we had acquired additional shares with a value of €6.9 million. The number of shares held by the company as at 31 December 2022 was 3,154,018, which corresponds to 6.7% of the shares. The two share buyback programmes are expected to use the entire approved 7.87% of the current share capital once complete in 2023.

Leverage increased compared with the previous year, but remains at a low level in the opinion of the Management. The increased net debt due to new financing and the lower result increased leverage to 2.8 times the adjusted EBITDA. At the same time, the ratio of net debt to balance sheet inventories, contract assets and contract liabilities decreased only slightly to 20.8% (previous year: 20.1%).

Net financial debt and debt-to-equity ratio TABLE 045

In millions of euros

	31/12/2022	31/12/2021	Change
Non-current financial liabilities	292.0	220.9	32.2%
Current financial liabilities	228.6	169.6	34.8%
Financial liabilities	**520.6**	**390.5**	**33.3%**
– Cash and cash equivalents and term deposits	– 255.6	– 151.0	69.3%
Net financial debt (NFD)	**265.1**	**239.5**	**10.7%**
Inventories and contract assets/liabilities	1,275.0	1,190.1	7.1%
Loan-to-cost[1]	**20.8%**	**20.1%**	
EBIT adjusted (LTM[2])	88.6	155.7	–43.1%
Depreciation and amortisation (LTM[2])	4.8	4.6	4.3%
EBITDA adjusted (LTM[2])	**93.4**	**160.3**	**–41.7%**
Leverage (NFS/EBITDA adjusted (LTM[2]))	2.8	1.5	

[1] Loan-to-cost = net financial debt/(inventories + contract assets/liabilities).
[2] LTM = last twelve months.

Financial position

In the 2022 financial year, corporate finance decreased due to repayments of €69.5 million in the wake of promissory note loans becoming due and a new promissory note loan of €50.0 million being concluded to €178.0 (previous year: €197.5 million); syndicated loans were not drawn, as in the previous year. Utilisation of project-financing lines rose to €340.2 million (previous year: €190.9 million), in particular due to increased use of existing project financing and the conclusion of new project financing. The overall financing framework available, which now stands at €1,001.3 million (previous year: €612.1 million) increased in the financial year dueto the conclusion of new classic project financing and other corporate finance. As at 31 December 2022, financial resources amounting to €653.3 million (previous year: €295.6 million) were available from project financing and €348.0 million (previous year: €316.5 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 on page 170.

In the balance sheet as at 31 December 2022, liabilities from corporate finance amounted to €179.7 million (previous year: €199.1 million) and project financing liabilities stood at €341.0 million (previous year: €191.4 million). Recognised total liabilities from financing operations thus rose to €520.6 million on the reporting date (previous year: €390.5 million). The current project financing included in this is comprised of option agreements for extension.

The individual project financing of Instone Real Estate was negotiated with various financial institutions and was subject to varying 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 2022 were at the previous year’s level. As a result of the project financing, which is mainly subject to variable interest rates, the interest rate increases of the European Central Bank in particular led to higher interest rates and thus to higher interest expenses. The mostly variable interest rates are between 1.24% and 3.00% for margin spreads on EURIBOR (previous year: Between 1.25% and 3.00%) and between 1.95% and 4.50% for fixed-rate contracts (previous year: between 1.95% and 4.00%).

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 046

In millions of euros

Corporate finance (promissory notes)	Due in	Credit amount
Promissory note loan	2023	12.5
Promissory note loan	2024	15.5
Promissory note loan	2025	100.0
Promissory note loan	2027	50.0
		178.0

Corporate finance (loans)	Due in	Credit line	Utilisation 31/12/2022
Syndicated loan	2023	10.0	0.0
Syndicated loan	2024	110.0	0.0
Current account loans >1 and <2 years	2024	50.0	0.0
		170.0	**0.0**

Project financing	Due in	Credit line	Utilisation 31/12/2022
Term <1 year	2023	273.0	213.7
Term >1 and <2 years	2024	55.1	54.0
Term >2 and <3 years	2025	72.8	14.9
Term >3 years	> 2025	252.4	57.6
		653.3	**340.2**

Condensed statement of cash flows TABLE 047

In millions of euros

	2022	2021	Change
Cash flow from operations	70.2	43.9	59.9%
Cash flow from investing activities	9.4	123.5	–92.4%
Free cash flow	**79.6**	**167.4**	**–52.4%**
Cash flow from financing activities	45.0	–123.5	n/a
Cash change in cash and cash equivalents	**124.6**	**43.9**	**n/a**
Cash and cash equivalents at the beginning of the period	131.0	87.0	50.6%
Cash and cash equivalents at the end of the period	**255.6**	**131.0**	**95.1%**

Cash flow from operations in the Instone-Group in the amount of €70.2 million in the 2022 financial year (previous year: €43.9 million) was essentially due to the increased payment flows from customer payments for current projects with simultaneous purchase price payments and land acquisition taxes for land plots totalling €117.0 million (previous year: €212.4 million).

In the 2022 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 €187.2 million (previous year: €256.3 million). This underpins the sustained positive return flows of liquidity to the Instone Group from the current residential property developments, in spite of the deterioration of the industry environment as a result of the war in Ukraine.

Cash flow from operations TABLE 048

In millions of euros

	2022	2021	Change
EBITDA adjusted	93.4	160.3	–41.8%
Other non-cash items	–20.3	–36.6	–44.6%
Taxes paid	–4.5	–8.3	–45.8%
Change in net working capital[1]	1.6	–71.5	n/a
Cash flow from operations	**70.2**	**43.9**	**–59.9%**
Payments for land	117.0	212.4	–44.9%
Cash flow from operations without new investments	**187.2**	**256.3**	**–27.0%**

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

Depreciation on non-current assets of €4.8 million (previous year: €4.6 million), expenses from deferred taxes of €2.2 million (previous year: €20.6 million), the results from the revaluation of the shares valued at equity of €3.9 million (previous year: €14.6 million), the interest expense of €19.1 million (previous year: €15.3 million), the decrease in provisions by €–4.6 million (previous year: increase of €1.7 million) as well as expenses for income taxes amounting to €15.4 million (previous year: €14.8 million) in the 2022 financial year did not affect cash.

Cash flow from investing activities amounted to €9.4 million in the past financial year (previous year: €123.5 million). This was mainly due to the netted repayment of short-term deposits in the amount of €20.0 million and the investment in the capital of our joint venture for the “Europaviertel” project, Stuttgart, amounting to €–8.5 million.

The cash flow from financing activities as at 31 December 2022 was at €45.0 million (previous year: €–123.5 million). This was mainly due to the net take-up of new finance facilities of €129.3 million, consisting of payments received from new finance facilities taken out in the amount of €252.6 million and repayments for terminated finance facilities in the amount of €123.3 million. In the financial year, payments for interest amounting to €19.5 million (previous year:

€14.8 million) and payments for the purchase of own shares of €32.3 million (previous year: €0 million) as well as dividend payments of €28.7 million (previous year: €12.2 million) were included in the cash flow from financing activities.

As at 31 December 2022, financial resources increased to €255.6 million (previous year: €131.0 million).

As at 31 December 2022, the Instone Group had credit guarantee facilities of €400.0 million (previous year: €385.0 million). The increase results from the successful conclusion of new agreements and increases in existing agreements.

Project business at a glance

Real estate business key performance indicators TABLE 049

In millions of euros

		12M 2022	12M 2021
Volume of sales contracts		292.1	1,140.1
Volume of sales contracts	In units	530	2,915
		31/12/2022	**31/12/2021**
Project portfolio (existing projects)		7,668.8	7,500.0
of which already sold		2,987.3	3,038.9
Project portfolio (existing projects)	In units	16,209	16,418
of which already sold	In units	7,309	7,215

The direct and indirect effects of the war in Ukraine, especially in conjunction with the sharp rise in interest rates, have had a noticeable impact on demand for residential property. Already in the course of early 2022 it was clear to us that the sales success in 2021 with a marketing volume of €1,140.1 million and 2,915 units and the target range of €900 to 1,000 million communicated in the financial forecast of 17 March 2022 could not be achieved. The Russian invasion of Ukraine has led to a significant shortage of important building materials and thus to a significant increase in construction costs. General inflation, especially high due to soaring energy costs, has finally prompted the international central banks to initiate a drastic turnaround in interest rates. For the real estate sector, this resulted in a drastic rise in mortgage rates, a negative factor on the demand side. In addition to reduced affordability due to the rise in interest rates, the general rise in inflation and the economic downturn had a dampening effect on demand from private investors. Institutional investors, too, were also particularly reluctant to buy due to the change in interest rates and the more difficult macro environment, as other fixed-income asset classes had become more attractive as a result of the rise in interest rates. In response to the significantly changing market conditions , we withdrew the forecast on 11 May 2022 and on 10 August 2022 revised the marketing forecast for the 2022 financial year to €350 million .

The sales volume of €292.1 million achieved in the 2022 financial year, with 530 sales units, must therefore be assessed with particular regard to the macroeconomic effects described above, which intensified especially in the second half of 2022. With a view to the fourth quarter of 2022 in particular, the conscious decision to market in new phases of the sales in a highly selective manner also had an impact. This also had a negative effect on the short-term sales result. In the current market environment, we remain open to the opportunities to further develop our sales-ready products to meet new market trends and to adapt the start of sales in line with our assessment of the market's absorption capacity in order to optimise our value generation.

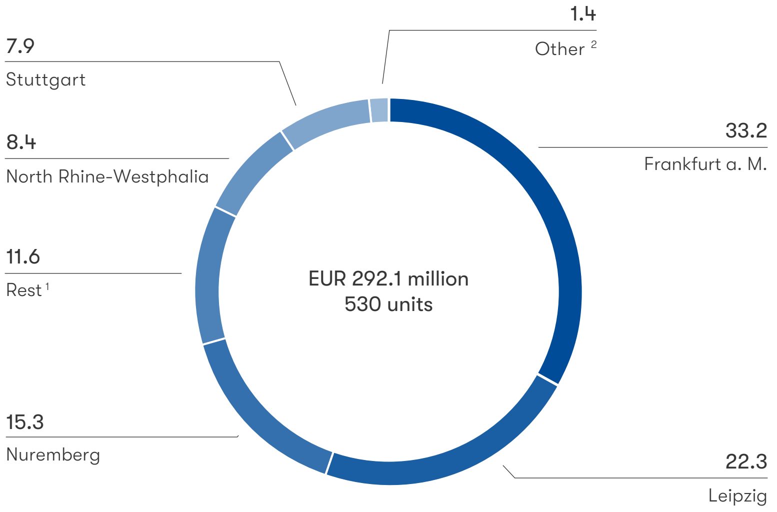
Our unit sales projects accounted for the larger share of marketing output in 2022, with a sales volume of €157.4 million and 317 sales units. Examples include the sales phases of the "Parkresidenz" projects in Leipzig with a sales success of 143 units, "Seetor" in Nuremberg with 66 units sold and "Unterbach" in Düsseldorf with 27 sales units marketed.

The transaction volume for institutional package and property sales in the 2022 financial year was €134.8 million and included 213 sales units. In 2022, the "Steinbacher Hohl" project, Frankfurt am Main, "Bamberg Lagarde Haus 2" and the office section of the "City-Prag" project, Stuttgart, were sold. The transaction in Stuttgart covers approx. 2,900 square metres of modern office and commercial space as well as a five-group children's nursery with approx. 1,100 square metres.

The realised volume of sales contracts of around 88% as at 31 December 2022 was mainly focused on the most important metropolitan regions of Germany. Around 12% is located in other prosperous medium-class cities.

Marketing in 12M 2022 by region FIGURE 020

In %



[1] Mainly includes Bamberg, Potsdam and Wiesbaden.
[2] Includes Berlin, Hamburg and Munich.

The following projects mainly contributed to successful marketing in the 2022 period under review:

Real estate business key performance indicators – volume of sales contracts in 2022 TABLE 050

In millions of euros

		Volume	Units
Steinbacher Hohl	Frankfurt a. M.	69.2	154
Parkresidenz	Leipzig	64.9	144
Seetor “City Campus”	Nuremberg	34.3	66
Stuttgart, City Prag	Stuttgart	22.4	9
"Wohnen im Hochfeld" Unterbach	Düsseldorf	20.2	27
“Schönhof-Viertel”	Frankfurt a. M.	16.5	19
Bamberg, Lagarde	Bamberg	n/a	46
Rote Kaserne West – “Fontane Gärten”	Potsdam	12.4	19
“Fuchsgärten” – Nuremberg Boxdorf	Nuremberg	10.6	18
Westville [1]	Frankfurt a. M.	7.3	0

[1] Marketing volume comes from supplementary items to the purchase agreement

The sales portfolio of our individual sales projects on the market as at 31 December 2022 included 325 units with an anticipated revenue volume of €221 million. Compared with the end-of-year value for 2021 (391 units and €235 million), we are at a lower level with the current supply base.

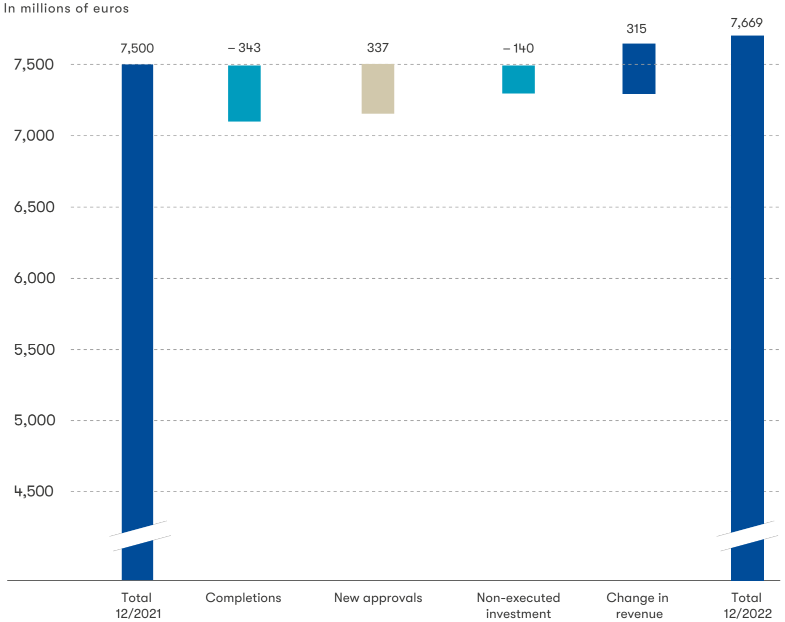
On the one hand, the sales launches in 2022 led to an increase in the sales portfolio of the individual sales properties. For example, the "Fuchsgärten" project in Nuremberg Boxdorf was able to start sales. The "Fuchsgärten" on Erich-Ollenhauer-Straße/corner of Rotfuchsstraße offer suitable living space concepts for different target groups. Eight apartment buildings with 102 owner-occupied homes incorporate living areas ranging from 37 to 141 square metres spread over one to four rooms. In addition, there are ten town houses, which are constructed with six rooms and 155 square metres of living space or with four rooms and 127 square metres of living space on several floors. Each apartment has its own balcony, terrace or roof terrace. In addition, 122 underground parking spaces and the preparatory set-up for e-charging stations are planned. All the homes will be built in accordance with BEG efficiency house standard 55 EE.

In addition to the "Fuchsgärten", sales of four other construction sites of the "Parkresidenz" project began during the reporting period. In total, five construction phases with 249 sales units went on the market in 2022. The reduction in starting individual sales compared to the previous year is due to the already described deliberately selective marketing in new phases of the sales.

The individual sales made in the reporting period led to a reduction in the sales portfolio. A total of 317 units were successfully sold in the 2022 financial year.

Development of the project portfolio as at 31 Dec. 2022 FIGURE 021

In millions of euros



As at 31 December 2022, the project portfolio of Instone Real Estate comprised 52 projects with a currently expected marketing volume of €7,668.8 million. It was thus expanded moderately compared to 31 December 2021 (€7,500.0 million). A major factor in this is the realised and expected revenue increases in the project portfolio amounting to €315.2 million. In addition to the further consolidation of the plans and changes to the sales concepts, sales price increases as a result of indexing were also drivers for the amount of the increase in revenue.

This is offset by the investments that were not made, which affected the annual development of the project portfolio with a volume of €–139.7 million.

In terms of completion, no further development was recorded in the fourth quarter of 2022. This means that in the 2022 calendar year, in addition to the "Wendenschlossstraße" property in Berlin, which was removed from the portfolio calculation at the end of the first quarter of 2022 following its handover to the investor, in the second quarter of 2022 with the "St. Marienkrankenhaus" project in Frankfurt am Main, the "Bleicherwerken" project in Leipzig and the "Herrenberg I" project in the last quarter of 2022 four completions were successfully implemented and were therefore removed from the project portfolio.

€1,902.7 million in adjusted revenue have already been realised by the current project portfolio.

New approvals in the 2022 financial year amounted to a total of €336.7 million.

Volume of new approvals in 2022 TABLE 051

In millions of euros

	Volume	Units
Mülheim an der Ruhr	14.4	34
Nuremberg	85.4	140
Nauen	144.5	361
Hainburg	41.0	100
Kempen	51.4	114
Total	**336.7**	**749**

Compared to the volume of new approvals in 2021 (€1,587.4 million), this shows a significant decline, which reflects the deliberately chosen strategy for selective investment activity. We expect that the changing interest rate and financing environment will result in attractive opportunities for the acquisition of projects from competitors with weaker financial resources. We are therefore taking a rather wait-and-see attitude at the moment.

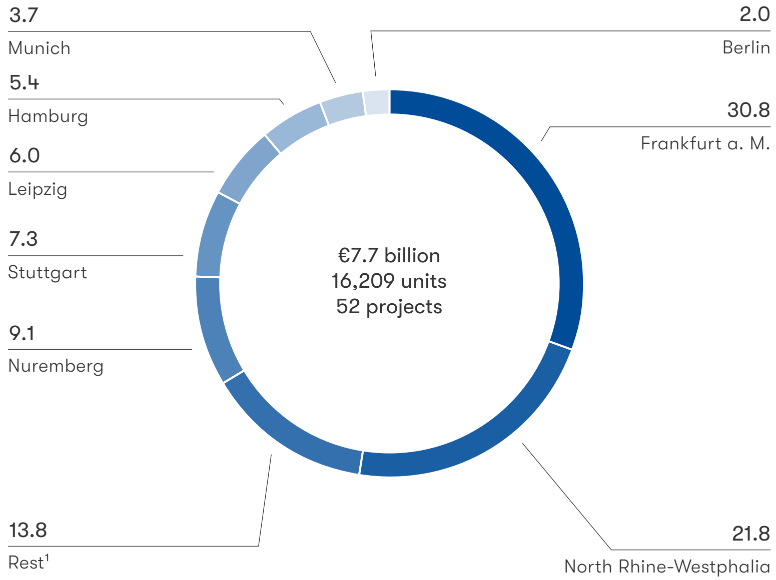
The project valuation reflects the substantial cost increases of the past year and the expected further cost increases in the coming years, which are in the high single-digit percentage range. Based on these assumptions, the gross profit margin expected for the project portfolio excluding the "Westville" project in Frankfurt is currently around 22.5% (31 December 2021: around 25%).[1]

We continue to monitor all developments on the market and in our projects closely and compensate for them as far as possible by making the appropriate adjustments to relevant processes.

[1] If the large "Westville" project was to be taken into consideration, the expected project gross profit margin for the project portfolio would be about 21.9% (31 December 2021: around 24%).

Project portfolio by region FIGURE 022

In %

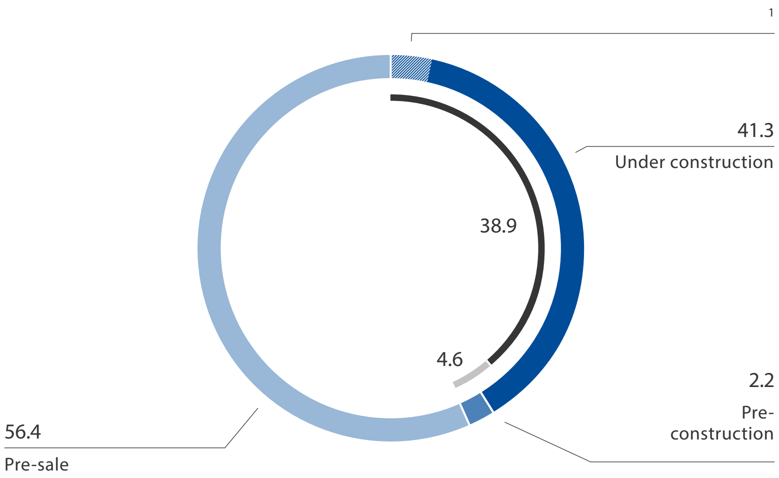


[1] Included Wiesbaden, Hanover, Potsdam, Bamberg

The majority – approximately 86% – of the anticipated overall volume of revenue from the project portfolio as at 31 December 2022 is located in the most important metropolitan regions of Germany: Berlin, Bonn, Düsseldorf, Frankfurt am Main, Hamburg, Cologne, Leipzig, Munich, Nuremberg and Stuttgart. Around 14% is attributable to other prosperous medium-sized cities.

Project portfolio by groups; Basis: Sale proceeds FIGURE 023

In %



Internal sector:
■ Sold
■ Unsold

[1] 7.7% of the project portfolio has already been transferred.

Based on the continuous growth of our project portfolio in recent years, the majority of our ongoing projects are in the “pre-sale” stage of development.

As at 31 December 2021, 31.5% of the project portfolios were "under construction", 12.7% in the "pre-construction" and 55.8% in the "pre-sale" stage. As of 31 December 2022, there was an increase in the "under construction" category by approx. 9.8 percentage points to 41.3%, which can be mainly explained by the start of 20 construction phases. Accordingly, the "pre-construction" category fell from 12.7% at the end of 2021 to approx. 2.2% as at 31 December 2022.

Compared to the end of 2021, the "pre-sale" category is at a similar level at 56.4% (previous year: 55.8%).

In addition, the preceding diagram shows that, as at 31 December 2022 we had already sold approximately 39% of the anticipated overall revenue volume of the project portfolio. In terms of the anticipated revenue volume of the "under construction" and "pre-construction" project categories, approximately 89% of the projects were sold as at 31 December 2022.

In addition to the 52 projects, Instone Real Estate’s project portfolio will be supplemented by three further projects that will be realised in joint ventures. Overall, a total volume of sales of over €1 billion (Instone Real Estate share: approx. €500 million) and the development of approximately 1,800 residential units is expected for these projects.

In the reporting period, all construction phases of the southern area of the "Friedenauer Höhe" neighbourhood in Berlin have started to be completed, with all construction sites of the project now being under construction. In addition, the sales launch for the last construction site in the southern area was carried out. Here 36 sales units have already been successfully sold.

Adjusted revenue

Adjusted revenue of €621.0 million was achieved in the 2022 financial year (previous year: €783.6 million). This is within the forecast adjusted in August 2022 of €600 million to €675 million.

The following projects contributed significantly to the adjusted revenues in the period under review:

Key projects revenue recognition (adjusted) 2022 TABLE 052

In millions of euros

		Revenue volume (adjusted)
“Schönhof-Viertel”	Frankfurt a. M.	79.8
Parkresidenz	Leipzig	66.9
"Wohnen im Hochfeld" Unterbach	Düsseldorf	63.1
Seetor "City Campus”	Nuremberg	50.4
Westville	Frankfurt a. M.	49.6
Beethovenpark (“Augusta and Luca”)	Augsburg	38.2
City-Prag – Wohnen im Theaterviertel	Stuttgart	33.1
“Neckar.Au Viertel”	Rottenburg	27.9
Rote Kaserne West – “Fontane Gärten”	Potsdam	23.8
west.side	Bonn	23.0

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. While the marketing in the reporting year remained well below the expectations of the originally announced annual forecast, the marketing successes of the past years and the construction starts in 2022 as well as the progress of the projects under construction particularly contributed to the realisation of revenue.

In the following projects, a total of 20 construction phases involving around 2,600 residential units started in the reporting period:

Construction starts in 2022 TABLE 053

“Schönhof-Viertel” (4 construction phases)	Frankfurt a. M.	around 850 residential units
Westville 2 (4th construction phase)	Frankfurt a. M.	around 360 residential units
Parkresidenz (8th construction phase)	Leipzig	around 310 residential units
Wiesbaden Delkenheim	Wiesbaden	around 250 residential units
Literaturquartier	Essen	around 240 residential units
Rothenburgsort (2nd construction phase)	Hamburg	around 210 residential units
Steinbacher Hohl	Frankfurt a. M.	around 150 residential units
west.side (4th construction phase)	Bonn	around 100 residential units
„Neckar.AU Viertel“ (3rd construction phase)	Rottenburg	around 60 residential units
“Wohnen im Hochfeld” (5th construction phase)	Düsseldorf	around 60 residential units

The steady increase in projects that have entered the construction phase led to an increase to more than 6,000 units in parallel construction for the first time in 2022.

Despite the material and supply bottlenecks caused by the Russian war of aggression on Ukraine, which were clearly noticeable in the course of 2022 and had a dampening effect on construction progress, a solid construction realisation wasrecorded. This is also reflected in the planned handover process for the projects already completed in the 2022 financial year.

For example, at the "Wohnen im Hochfeld" neighbourhood in Düsseldorf-Unterbach, both the "Scholle 1" construction site and a further construction phase at Gerresheimer Landstraße 71–75 were completed.

The successful handover of 16 terraced houses and 45 owner-occupied homes to the new owners was carried out in the "Scholle 1" construction phase. A mix of one to six-room homes and living spaces of 42 to 195 square metres has been created on the site. The high level of appeal of the area is characterised in particular by the fact that great importancehas been placed on accessible green areas and children's play areas and thus creating communal meeting areas. The proximity of the location to Lake Unterbach and the good connections to the centre of Düsseldorf round off the product.

The construction site at Gerresheimer Landstraße 71–75 was successfully handed over to LEG Immobilien and includes a total of 104 rental apartments – 16 of which are subsidised, 66 are price-controlled and 22 are publicly financed – as well as a five-group daycare centre with outdoor play area and six commercial units. All residential units are accessible in accordance with the KfW 55 standard.

As part of the comprehensive development of the neighbourhood, the Düsseldorf "residential action plan" will be implemented on an area of about 55,000 square metres, with housing, some of which is publicly funded and price-controlled. A total of 360 residential units are planned, which should be completed by the end of 2024.

Another successful completion was achieved with the first construction phase "Neckar.Home" of the "Neckar.Au Viertel" project in Rottenburg. This includes 66 apartments, eight of which are socially subsidised. "Neckar.Home" offers living space with modern one- to four-room homes and living space of 40 to 100 square meters for singles, couples and families. The good infrastructure with only a short distance to the historic old town of Rottenburg and close proximity to shopping, daycare centres and a school are the reasons for the location's high level of appeal.

Together with the city of Rottenburg, Instone Real Estate will be developing a total of around 400 residential units in the next few years, with the "Neckar.Au Viertel" located close to the city centre. With a balanced mix of owner-occupied homes, work opportunities and offerings for the whole family, the neighbourhood will offer its future residents an enjoyable and sustainable living environment. In this context, the urban planning requirements are balanced with the current housing requirements.

At completion, Instone Real Estate projects reported a 100% sales ratio in almost all cases. In the case of fully completed projects, our portfolio does not contain any more than 1% of unsold units.

Instone Real Estate Group SE

Operations

Instone Real Estate Group SE is the Instone-Group's strategic management holding. Instone Real Estate Group SE owns all shares in Instone Real Estate Development GmbH, all of the interests in Instone Real Estate Leipzig GmbH and Nyoo Real Estate GmbH and all or almost all shares in the other operating subsidiaries of the Instone-Group.

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

The 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 figure for inventories, receivables, leases, provisions, financial liabilities and deferred taxes 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 control system, expected development, and opportunities and risks of the Instone Group are reported in detail in the "Strategy" page 51, "Corporate governance" page 46, "Risk and opportunities report" page 150 and "Outlook" page 168 sections of this combined management report.

2022 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 "Project business at a glance" page 139 and "Results of operations, net assets and financial position" page 127 sections of this combined management report.

Results of operations

Condensed income statement TABLE 054

In millions of euros

	2022	2021	Change
Revenue	7.4	3.9	89.7%
Other operating income	4.7	1.2	291.7%
Staff costs	–10.9	–4.5	142.2%
Other operating expenses	–13.3	–7.2	84.7%
Depreciation and amortisation	–0.6	0.0	0.0%
Financial result	63.7	105.7	–39.7%
of which income/losses from profit and loss transfer agreements	65.2	106.4	–38.7%
Taxes on earnings	–16.9	–30.3	–44.2%
Earnings after tax	**34.3**	**68.7**	**–50.1%**

The reported revenue of Instone Real Estate Group SE in the amount of €7.4 million (previous year: €3.9 million) resulted mainly from the provision of services to affiliated companies. This increase is due to the expansion of the range of services during the financial year through the systematic inclusion of all central Group functions and their corresponding allocations.

Other operating income rose to €4.7 million (previous year: €1.2 million) and includes, in particular, income from passing on expenses to affiliated companies.

Staff costs rose in the year under review to €–10.9 million (previous year: €–4.5 million) due to the transfer of personnel from subsidiariesto reflect all central Group functions.

At €–13.3 million, other operating expenses were significantly above the previous year's level of €–7.2 million. This increase is mainly due to the consultancy and service contracts with external service providers for the central Group functions that have been taken over. During the 2022 financial year, other operating expenses essentially included expenses from other taxes amounting to €–1.3 million and expenses for insurance premiums of €–1.0 million. In addition, they included expenses for organisational consulting and services amounting to €–6.9 million.

The changes in the financial result, which went from €105.7 million in the previous year to €63.7 million, were essentially made up as follows:

→ Income from profit and loss transfer agreements amounted to €71.1 million (previous year: €110.6 million). The decrease is mainly due to the lower margins compared to the previous year of the Instone Real Estate Development GmbH residential property developments which were handed over to customers after completion.

→ Income from loans amounted to €9.2 million (previous year: €10.3 million).

→ On the other hand, write-downs on financial assets amounting to €0.0 million (previous year: €1.0 million) were performed.

→ Expenses from the assumption of losses amounted to €–5.8 million (previous year: €–4.2 million).

→ Interest and similar expenses stood at €–11.0 million (previous year: €10.0 million), more or less the same level as last year.

Taxes on income and earnings amounted to €– 16.9 million (previous year: €30.3 million).

In the period under review, there was a total net profit of €34.3 million (previous year: €68.7 million). This reduction is mainly due to the significantly lower results from profit and loss transfer agreements.

Net assets

Condensed statement of financial position — TABLE 055

In millions of euros

	31/12/2022	31/12/2021	Change
Non-current assets	224.1	222.6	0.7%
Loans and receivables from affiliated companies	303.7	445.9	– 31.9%
Other receivables, other assets and deferred income	3.3	1.9	73.7%
Bank balances	189.6	73.2	159.0%
Deferred tax asset	4.8	5.9	– 18.6%
Assets	**725.5**	**749.6**	**–3.2%**
Equity	450.6	477.1	–5.6%
Provisions	31.6	22.5	40.4%
Loans from banks and other lenders	180.9	200.3	– 9.7%
Liabilities to affiliated companies	58.2	48.8	19.3%
Other liabilities	4.2	0.8	425.0%
Equity and liabilities	**725.5**	**749.6**	**–3.2%**

The total assets of Instone Real Estate Group SE as at the year-end decreased to €725.5 million (previous year: €749.6 million) as at the reporting date. On the assets side, this is mainly due to the reduction in receivables from affiliated companies and, on the liabilities side, it is mainly the result of the drop in corporate financing.

Non-current assets mainly included the investment book values of Instone Real Estate Development GmbH, Essen amounting to €181.8 million (previous year: €181.8 million) and Instone Real Estate Leipzig GmbH, Leipzig amounting to €40.3 million (previous year: €40.3 million).

Loans, receivables and other assets and prepaid expenses and deferred income amounting to €303.7 million (previous year: €445.9 million) include loans to affiliated companies amounting to €200.4 million (previous year: €312.5 million) and ongoing receivables from affiliated companies based on profit and loss transfer agreements. Other assets amounting to €1.6 million (previous year: €1.5 million) include, in particular, 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.

Due to temporary valuation differences between the commercial balance sheet and the tax balance sheet, deferred tax assets of €4.8 million (previous year: €5.9 million) were still shown as at the reporting date.

The equity ratio on the balance sheet date was 62.1% (previous year: 63.6%).

Provisions increased to €31.6 million in the financial year (previous year: €22.5 million) and in particular related to tax provisions and personnel provisions for pensions and premium commitments to the Company's own employees and employees of Group companies.

The liabilities essentially consist of loan liabilities to credit institutions and other lenders amounting to €180.9 million (previous year: €200.3 million) and those to affiliated companies in the amount of €58.2 million (previous year: €48.8 million). Loans from banks, other lenders and affiliated companies resulted in particular from the strategic alignment of financial management, which includes corporate finance taken by the Group's parent company as well as free liquidity at the Group's parent company and its subsequent use in the Group companies.

Financial position

As a goal for financial management that is considered appropriate by the Management, the Instone Group, through Instone Real Estate Group SE, provides what it deems to be sufficient liquid funds to meet the operational and strategic financial needs of the Group companies at all times. 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 what we deem to be an adequate ratio between equity and debt financing in the interests of these stakeholders.

Employees

At the end of the year, around 104 people were employed at Instone Real Estate Group SE (previous year: around 11 employees). The increase was due to the transfer of personnel from subsidiaries in the financial year to reflect all central Group functions. GRI 2-7

Outlook

Due to its positioning as a strategic holding company, the Company does not have its own operating business. Revenues are generated almost exclusively from the administrative services provided to Group companies and the fees agreed for doing so. At the same time, the Company also bears expenses for the salaries of employees of the administrative central departments, Management Board salaries and Supervisory Board remuneration, as well as for interest expenses from corporate finance including commission on guarantees. The total of these expenses exceeds the revenue that can be generated.

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 transfer agreements compared with the previous year must be assumed for the 2023 financial year as a whole. Overall, we expect earnings after tax for the 2023 financial year significantly above the previous year's figure.

Risk and opportunities report

The risk management of Instone Real Estate is geared towards securing the successful, continued development and profitability of the Group in the long term.

Risk management system

TCFD risk management

Instone Real Estate refers to the entirety of all organisational regulations and measures as a risk management system 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 Instone Real Estate. Unrecognised and therefore uncontrolled and unmanaged risks represent a high risk potential for Instone Real Estate. Systematic risk management reduces the risk potential and ensures the continued existence of the Company, the preservation of jobs and the successful further development of Instone Real Estate.

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. There is no separate opportunity management in the risk management process. Instone Real Estate evaluates identified opportunities in terms of their impact on planned earnings metrics 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 stock corporation listed on the Frankfurt Stock Exchange (Prime Standard), Instone Real Estate is subject to the appropriate 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, if necessary, updated. GRI 2-22

Responsibilities

In organisational terms, risk management is a sub-department of Controlling and belongs directly to the Management Board, which has 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 corporate management. The Supervisory Board's Audit committee monitors the findings of the risk management system. In the interest of major 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 trading activities into account.

The top two levels of executives below the Management Board are designated risk officers and assume responsibility for identifying, evaluating, documenting, managing and communicating all material risks within their area of responsibility. Every Instone Real Estate employee 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, risk management coordinates the recording, evaluation, documentation and communication of risks. They consolidate the risk reports of the risk officers and prepare 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 opinion, the risk management system of Instone Real Estate ensures the early identification, assessment, management and monitoring of all material risks. In particular, this also includes risks which exist beyond the financial risks processed in controlling and can endanger not only net assets and the financial position, but also intangible assets such as the reputation of the Company. Project risks are identified and evaluated in particular as part of the project-controlling process. The project controlling process uses central database-supported software, the data and analyses of which ensure close coordination with regard to project statuses and potential risks – both at project and Company level. Potential dangers that may affect the Company's value or development are thereby recognised early. This takes environmental and Company-specific early warning indicators into account and also includes the regional knowledge and perceptions of our employees working around the country.

Risk assessment

Risk managers regularly identify, analyse and, if necessary, update all risks within their area of responsibility that arise in the reconciliation with the applicable medium-term planning with the support of the risk assistants as part of a systematic process. 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 levels of damage and probabilities of occurrence as identified are classified within specified bandwidths for each risk and documented in a Group-wide risk overview. An assessment is made with regard to EBT and liquidity for possible deviations from the plan over the three-year observation period.

Risks are documented as gross and net risks; the probability of occurrence and damage impact are therefore recorded before and after the impact of the implemented and effective measures. 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 individual cases, as 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 have a severe effect and have at least a moderate probability of occurrence.

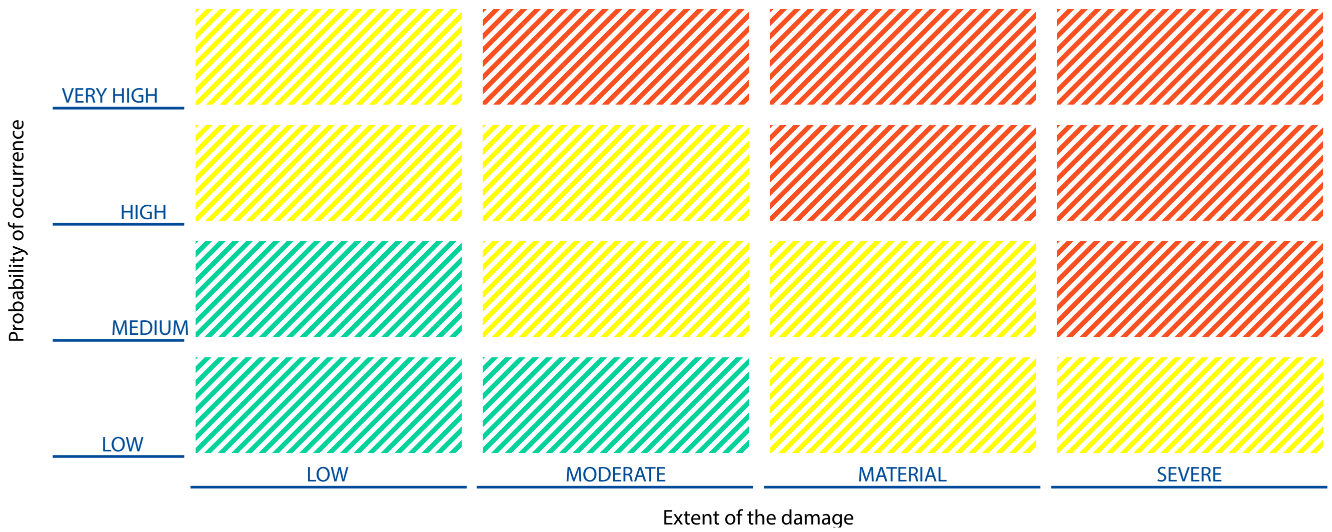
TABLE 056

Probability of occurrence	In %	Damage impact	EBT in thousands of euro	Liquidity in thousands of euro
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 024



Monitoring the risk management system

The risk management system is subject to regular updates and further development, and in particular, to adjusting to changes in the Company and/or the Instone-Group too. The risk management guidelines describe the core elements of the risk management system and defines the various responsibilities. This is amended continuously as necessary. Fundamental and coordinating activities related to the risk management system are carried out by the Controlling department and communicated to the Risk Management committee and, if necessary, approved by the Risk Management committee and the Instone Management Board. This process includes but is not limited to:

→ Documentation and communication of rules for the risk management process at Instone Real Estate

→ Definition, ongoing identification and review of the risk-bearing capacity of the Company

→ Further development of existing risk management regulations

→ A point of contact for all base risk management issues at Instone Real Estate

→ 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 as well as the decision-relevant points are presented to the Risk Management committee meeting once a quarter. Extraordinary meetings are convened when needed.

Reporting

Risk management documentation is provided quarterly in a 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 risk management system is an integral part of the ICS and closely linked to it. The ICS regulates the avoidance or limitation of risks by means of control measures and thus aims at safeguarding against the risks of financial/sustainability reporting as well as at safeguarding against operational risks. It is regularly adjusted to the current risk situation of the Group. The accounting-related ICS ensures the accuracy and reliability of accounting and compliance with legal requirements which are relevant 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 own 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 for the purposes of the relevant regulations is to guarantee legally compliant and correct financial reporting. To this end, 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, accounting principles, allocations, processes and process controls. The central control elements are the internal approval processes, the four-eyes principle and the requirement for functional separation. Instone Real Estate has an authorisation concept that is adapted to the relevant job profile of the employee.

Internal Audit

The Internal Audit department prepares a risk-oriented audit schedule annually based on an analysis of all material business processes. After approval by the Management Board, the Internal Audit department independently and autonomously checks the compliance with the legal requirements and Group-wide guidelines for the control system. This evaluates the functionality and effectiveness of the internal control and risk management system and identifies possible optimisation potential for minimising risks in process execution and the control environment. Individual audit reports are provided to the Management Board and the audited business unit. 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 jointly agreed measures will also be the subject of follow-up audits. The Management Board and the Audit committee receive an annual report from the Internal Audit department. GRI 205-1

Risk-bearing capacity

Within risk management, ensuring risk-bearing capacity is a key objective at Instone Real Estate. The assessment of overall operational risk by means of risk aggregation can determine whether the risk coverage potential of a company is sufficient to cover all risks even in the future. The risk-bearing capacity is derived by comparing the risk coverage potential with the respective overall risk positions over the observation period of three planning years. It can therefore be interpreted as the available EAT or liquidity cover buffer, after taking into account identified quantitative net risks. Any observation of risk-bearing capacity over time is cumulative in nature.

The overall risk position describes the risk measure that results from the aggregation of all quantitative net risks in the risk inventory based on their impact on EBT and liquidity. The overall risk position for EBT is then converted to an overall risk position for EAT.

The risk coverage potential is regularly determined by Controlling and is incorporated into the assessment of risk-bearing capacity. The basic scenario for the risk coverage potential is derived from the ongoing Group planning, only takes account of existing projects in the project portfolio and assumes there are no changes in terms of planning for personnel and material costs. The risk coverage potential as compared with the overall risk position for EAT is based on IFRS equity or, in terms of liquidity, on free liquid funds including contractually guaranteed credit lines.

Current risk assessment

The main risk categories and their risk sub-categories at Instone Real Estate are described below in a compressed risk assessment. The description is based on the risk inventory as at 31 December 2022. 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 considered relevant if they account for more than 5% of the overall risk situation as assessed, if at least one risk is deemed “material” or “severe” or if the Management Board of Instone Real Estate determines this to be the case from its higher-level perspective.

As at 31 December 2022, Instone Real Estate identified the sales risk for all planned marketing activities of the portfolio as an individual risk classified as severe based on the macroeconomic effects described in the "General business risks" section.

Compared to the previous year, the risk situation developed adversely for Instone Real Estate, in particular due to the direct and indirect effects of the Russian war of aggression against Ukraine and the drastic reversal of the international central banks' policy on interest rates, which is partly related to this. In some cases, risks had to be reassessed and adapted to the new circumstances. The changes in the risk situation were continuously monitored, assessed and, if necessary, incorporated into the ongoing forecast.

The risk sub-categories “Global/national economy”, “Sustainability strategy”, “Interest”, “Taxes” and “Liability and insurance” and the cluster for IT risks known as “IT and communication risks” are assessed as relevant compared to the previous year.

General business risks

TCFD risk management

Global/national economy

Instone Real Estate is dependent on the German residential real estate market, which is impacted by various macroeconomic and general factors, such as economic, demographic and political developments. The current war of aggression against Ukraine has caused political and economic uncertainty worldwide. Disadvantageous global and European developments in politics and the economy could have negative effects on the export-oriented German economy as a whole and may in particular lead to a higher unemployment rate, further rises in inflation, lower per capita purchasing power and increasing economic uncertainty. Such factors may significantly reduce or delay the demand for residential real estate.

The sharp rise in inflation in 2022 as a result of the war in Ukraine triggered a reversal of interest rate policy both at central banks and in the capital market, resulting in a rapid rise in interest rates. This led to an increase in financing costs, which had a dampening effect on real estate demand. In terms of institutional investors, the new interest rate environment and more challenging conditions are clearly also putting off potential buyers. Further interest rate hikes and rising financing costs over the longer term could further reduce demand for what Instone has to offer. In addition, demographic and socioeconomic trends in the key Instone Real Estate markets may have a significant impact on residential real estate demand. Although the population in the most important conurbations in Germany increased from 2008 to 2021 as a result of increasing urbanisation and a generally growing population in Germany, this trend may reverse or at least slow down. In 2022, this trend did not reverse, which was also due to the significant net immigration from abroad. Without taking immigration into account, a shrinking and ageing population is to be expected in Germany. Lower levels of immigration and an ageing population, which would slow down the urbanisation trend, could in turn reduce demand, especially in Instone Real Estate's key markets. Instone Real Estate has a broad base in order to better respond to potential changes in the market. Instone Real Estate is represented in the core cities of Germany where it provides real estate in various price segments, from publicly funded to high-end residential constructions as well as in prosperous medium-sized cities. The project portfolio includes new construction projects as well as the renovation of listed buildings. The projects are subdivided into different phases so that the requirements of the market can be met in each section. Sales also serve various customer groups such as owner-occupiers, investors and institutional investors. Despite this diversification and other measures, the impact of the remaining risk arising from the global and national economies is considered to be relevant.

Business-specific regulatory risks

The real estate sector is subject to numerous legal provisions and legal framework conditions page 34 et seq. Changes in these areas may lead to the need for real estate companies, and thus for Instone Real Estate, to adapt and take action. These may include, but are not limited to, legislative changes or amendments to construction regulations, such as the Building Energy Act, as well as regulatory intervention in the real estate market, for example through rent brakes or subsidised housing quotas.

As the topic of "housing creation" is so politically sensitive, cities and municipalities are able to shape the development planning process. In the context of planning, construction contracts are a frequently used instrument in many municipalities and cities to ensure that urban planning tasks that cannot be defined in a development plan can be delivered as well. In the course of its business activities , Instone Real Estate may encounter local authorities and/or supervisory authorities that have different views on individual building planning issues, resulting in unfavourable administrative decisions for Instone Real Estate. These could in turn lead to financial losses and delays in the delivery of real estate development projects and have a negative impact on the Instone Real Estate brand.

Instone Real Estate is involved in real estate interest groups such as the German Central Real Estate Committee (ZIA) in order to contribute, to the collective work undertaken, with its many years of experience from a wide variety of projects. Furthermore, we examine possible regulatory adjustment risks when acquiring land and take this into account in the contract or when determining the purchase price.

Due to the potentially serious impact of regulatory risks, and as these cannot be ruled out with projects tending to run for several years, Instone Real Estate considers them to be relevant.

Market developments

As at 31 December 2022, approximately 86% of our portfolio (based on anticipated revenue volume after completion of development) was located in the most important conurbations and metropolitan areas in Germany (Berlin, Bonn, Düsseldorf, Frankfurt am Main, Hamburg, Cologne, Leipzig, Munich, Nuremberg and Stuttgart) and approximately 14% in other prosperous medium-sized cities. In our opinion, positive population and household trends and the continuing need for new housing are favourable factors for the current real estate market. In recent years, increased demand for housing in conurbations and large cities has been observed. If growth in the conurbations changes, this would be a risk for the core markets of Instone Real Estate. Instone Real Estate is also looking into project opportunities outside the core cities to cope with any such development. With the subsidiary Nyoo Real Estate GmbH, the business segment associated with affordable housing, the target group that can be reached with this will be expanded significantly as well as the potential project locations in the conurbations and beyond (especially in so-called B locations). We closely monitor market developments as well as the supply and demand situation in order to be able to react to potential changes. Instone Real Estate currently expects that the positive dynamic sale price increases of recent years, due to the war of aggression against Ukraine, will not continue in 2023. GRI 202

As Instone Real Estate would be directly affected by a change in the market, the effects arising from the market development risks are considered to be relevant.

Staff

Demographic change and the associated shortage of skilled workers are having a decisive impact on the labour market situation. Furthermore, influencing factors such as globalisation and digitalisation have continued to shape the working environment significantly over a long period. Due to the resulting shortage of skilled workers, it is essential to manage the transfer of knowledge as efficiently as possible. To meet this challenge, Instone Real Estate has set itself the task of identifying key positions as well as actively managing succession. For this purpose, a concept was developed in the 2022 financial year, which is already in the implementation phase. This approach is used to counteract the loss of know-how at Instone Real Estate over the long term.

The promotion of young talent is a key issue in recruiting in order to adequately meet medium-and long-term needs. In 2022, tailor-made individual concepts for promoting Instone Real Estate at universities were successfully implemented with this in mind. Formats such as supporting seminar series at universities have been established. In order to respond efficiently to emerging needs in the future, further individual trainee programmes have been developed and implemented. Tried-and-tested instruments for the promotion of young talent – vocational training and dual studies – continued to be used as before.

Our employees are the flagship of the entire Group and our link to our customers and business partners. By deliberately keeping an eye on and developing qualified personnel, we can place highly skilled employees in positions that best fit their profile. We believe this will enable us to promote the image of the Instone Real Estate brand in the best possible way and retain sufficient qualified personnel.

Due to its streamlined business structure, Instone Real Estate cannot rule out vacancies in positions requiring specific and individual expertise due to absences, such as sick leave, termination of contract or holidays.

This may lead to a risk in certain situations. Overall, we consider the impact of personnel risks to be relevant despite the measures implemented.

Reputation

To some extent, Instone Real Estate's business and growth strategy partly depends on preserving the integrity of the brand and reputation of Instone Real Estate as a reliable partner and a quality provider.

Instone Real Estate's reputation can be damaged by a number of factors and events that Instone Real Estate may have no influence over. 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 discussion about regulatory issues, such as the affordability of housing, the rent cap or sustainability issues, may all have a negative impact on the reputation of Instone Real Estate.

Instone Real Estate may also encounter inconsistencies with local authorities and/or regulators in connection with its activities, resulting in administrative proceedings and unfavourable decrees, directives or enactments that could lead to financial losses and delays in the completion of development projects.

With the involvement of external partners, Instone Real Estate has coordinated and developed a communication strategy and steps to take for various potential events. Reports in the (social) media are monitored constantly in order to be able to respond quickly to relevant reports.

Incorrect or poor communication with the capital market (analysts and investors) means that Instone Real Estate may risk failing 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. There is a continuous exchange with the capital market, particularly investors and analysts.

Despite the established risk communication, Instone Real Estate considers the impact of potential reputational risk to be relevant.

Sustainability strategy GRI 2-22 TCFD risk management

From the 2022 reporting year, all major financial market participants will be required to report in the context of the EU taxonomy, but for 2022 they will only initially be required to report on the environmental targets of climate protection and adapting to climate change. Instone Real Estate is not yet obliged to report, but is voluntarily reporting on its activities in the Annual Report 2022. Instone Real Estate has reviewed all criteria according to their current status and has implemented this review for the projects accordingly. The ongoing, evolving legislative process is being continuously monitored by Instone Real Estate.

A relevant proportion of future price increases for various CO_2-intensive building materials is expected to correlate with their CO_2 intensity. They were cushioned by using various alternative building materials. According to current estimates, energy costs on construction sites will increase, and, due to the current situation in the energy sector, a reliable estimate is currently not possible. However, the price increase for energy costs is expected to continue. With this in mind, Instone Real Estate actively investigates alternative solutions for the projects. With regard to site electricity, Instone Real Estate has been using green electricity since January 2022.

Various developments are already evident in the financial market. Climate stress tests are already being carried out by investors, and a change in investment behaviour can be observed, which supports climate-conscious decisions subject to certain cost and profitability parameters. For the future, Instone Real Estate expects a consistent increase in climate-conscious investment behaviour.

The risks associated with the sustainability strategy risk sub-category are considered relevant by Instone Real Estate.

Competition

The German residential real estate market is highly competitive. This competition covers the entire value chain of Instone Real Estate's development activities. Competitors mainly consist of local real estate developers who have very good networking and specialist knowledge in these markets. There are also a few major competitors throughout Germany who operate in the same regions and cities where Instone Real Estate is represented. We believe that Instone Real Estate is competing with these residential real estate developers to acquire attractive development land that is usually in short supply. In the current market phase, however, competition for this land has decreased in line with demand.

Instone Real Estate is one of the leading project developers with expertise in urban district development and the complexities associated with the procurement of construction rights. With its established branch structure focusing on the core cities, Instone Real Estate has continued its strategy of intensive and regionally adapted market development. Instone Real Estate achieves very good networking in the markets thanks to its regional structure. This enables us to achieve our targeted acquisition volume and gives Instone Real Estate access to interesting projects.

The impact of the risk, based on the current easing of competitive pressure, is currently considered relevant – with the strategy successfully implemented.

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. In addition, as a listed company, Instone Real Estate is subject to a variety of capital market legal rules, which have to be complied with by law. Instone Real Estate depends on all employees complying with the applicable laws and compliance guidelines issued by Instone Real Estate. The internal Group-wide compliance guidelines and procedures for further expanding compliance are kept constantly up-to-date and revised as necessary. All Instone Real Estate employees and business partners are required to comply with the Code of Conduct for employees and contractual partners.

With the help of our procedures and monitoring mechanisms used in compliance and risk management, we want to detect and prevent violations of law and unethical behaviour, including corruption, and also ensure that our employees comply with our internal Company regulations.

Compliance responsibilities FIGURE 025

Instone Real Estate is constantly working on improving the compliance management system and providing helpful information to all employees. An anonymous whistleblower system is available to employees and third parties, such as customers or business partners, to report irregularities.

At Instone Real Estate, compliance, in organisational terms, is a matter for the Group Legal department at Instone Real Estate Group SE, whose Head reports directly to the CFO. The Supervisory Board's Audit Committee also deals with compliance and reports on this to the Supervisory Board. Instone Real Estate has alsoset up a Compliance Committee, which includes the Chief Financial Officer and the Head of the Legal Department, as well as the heads of the Tax, Finance and Accounting and Human Resources departments , and which deals with compliance-related topics on a regular basis and on an ad hoc basis, including the continuous further development of the compliance management system.

In the 2022 financial year, there were no legal proceedings due to anti-competitive behaviour, price-fixing or monopoly practices. In addition, there were no indications of compliance violations at Instone Real Estate in the past financial year that were subsequently confirmed. Nevertheless, Instone Real Estate carefully investigates and responds to suspected compliance cases. Instone Real

Estate is not aware of any cases of corruption at this time, so no material risks have arisen in this area. GRI 205, 205-3, 206-1

Instone Real Estate must observe comprehensive rules on data protection 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. Instone Real Estate has appointed an external Data Protection Officer, who is available as a contact person for all employees. Instone Real Estate provides its employees with annual training and information material from the external Data Protection Officer. The IT landscape of Instone Real Estate has been adapted to current legislation. The technical organisational measures taken to protect data are regularly reviewed to ensure they are up-to-date and offer little scope for attacks. A potential data breach or non-compliance with other data protection regulations can have significant consequences. GRI 417-2, 417-3, 418, 418-1

Despite the measures implemented, there remains a residual risk that breaches of data protection regulations may occur. In the past financial year, for example, there was a total of six known cases of personal data violations. These, however, involved either no risk or only risk in terms of the rights and freedoms of the data subjects concerned or were reported to the responsible State Data Protection Officer as a precaution, who chose not to open proceedings.

Despite the measures implemented, there remains a residual risk. We consider the impact of these risks arising from compliance and data protection to be relevant.

Financial risks

Banking partners

Deposits with our banking partners outside the deposit protection scheme can be subject to a total loss in extreme scenarios. Existing financing may cease to be offered. Both risks can cause a liquidity bottleneck for Instone Real Estate, so that new acquisitions cannot take place or liabilities cannot be serviced.

Furthermore, due to interest rate increases, the current financing conditions may deteriorate, so that existing variable financing can become more expensive or new financing can only be concluded under worse conditions.

Instone Real Estate has a Financial Risk Policy that specifies the concept and structure of banking 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, Instone Real Estate follows the general market observations of the individual credit institutions and reviews potential default risks in given cases. 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. This would trigger the repayment of the financing provided. 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 at Instone Real Estate. Prior to investment decisions, the impact of the respective investment on the existing financial covenants is assessed. Instone Real Estate believes that there is comfortable leeway as regards these covenants.

Due to continuous monitoring, the probability of the risk of a financial covenant being violated 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 our corporate financing are concluded on a variable-interest basis. The reference interest rate is based on the guidelines of the European Central Bank. The increase in interest rates has had a noticeable impact since the beginning of 2022, and if this trend continues or intensifies, our debt-financed projects will have to bear higher interest costs and payments than currently calculated.

For the project portfolio element involving planned land and/or development financing, further interest rate increases would also exceed original calculations and lead to additional costs and pressure on margins.

After detailed analysis, a decision was made not to arrange interest rate hedging instruments.

In view of the current interest rate environment, Instone Real Estate 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.

Each company must maintain a minimum level of liquidity to ensure stable liquidity. As far as economically reasonable, debt financing is generally concluded for projects.

Given the current opacity as to when the demand situation might stabilise again, sales velocities in terms of portfolio projects and the associated return payment flows for medium-term planning purposes are based on very conservative estimates. Unforeseen further delays in return payment flows may have a negative impact on the liquidity of the Company.

Sufficient cash and cash equivalents were available throughout the financial year. There are no discernible circumstances that indicate a liquidity shortage.

Instone Real Estate considers the potential impact of liquidity risk to be relevant, despite the implemented measures due to the severe effects.

Tax

Regular tax audits may reveal tax risks that might reach a relevant level when they occur. The audit procedures of Instone Real Estate have been completed for 2011 to 2013.

The current tax audit for Instone Real Estate for 2014 to 2016 is expected to be completed in May 2023. The tax audit of the Instone companies for the assessment periods 2017 to 2019, which is also ongoing, is expected to be completed in 2024. The basis for the conservative tax declaration is provided by accounting, which uses the ICS described. The ICS aims to ensure the accuracy of the disclosures.

Tax regulations relating to ‘interest barriers’ apply to Instone Real Estate. According to this, up to 30% net interest expenses (i.e. after deduction of interest income) of the taxable EBITDA are in principle tax deductible.

The amendments to the Land Transfer Tax Act, which came into force in 2021, in particular the move to encompass the concept of a new, notional change of shareholders in the case of corporations, could also lead to land transfer tax in the case of listed real estate companies in relation to existing structures.

The potential impact from the tax risks is assessed as 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 start 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 investment approval, the investment capacities for the coming years are examined on the basis of the existing project portfolio and with the addition of the requested investment measure. From the time of approval, full account must be taken of each project in the ongoing planning process until handover is complete or a decision is made to divest.

Selecting business partners, engaging contractors and awarding contracts

Instone Real Estate relies on the provision of construction and other services by external suppliers and contractual partners 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 nation-wide increase in construction volume from previous years stagnated in the 2022 financial year, due to business closures and insolvencies, shortages could also arise in future on the supplier and execution side.

Should Instone Real Estate be unable to find qualified and reliable contractual partners for its development projects, this could hamper its ability to complete projects on time within the stipulated limit and to the level of quality expected.

As part of its corporate strategy, Instone Real Estate relies on its regional and partially cross-regional networks to engage qualified and reliable contractual partners, most of whom have long-standing relationships with Instone Real Estate, 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. Instone Real Estate 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. Instone Real Estate is noticing an increased demand for price escalator clauses in the drafting of contracts with our contractors.

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. In order to achieve a high degree of cost certainty for the individual projects, the Project Services department carries out cost calculations for all branches on the basis of the direct costs on partial services, no later than the start of sales for our projects, and can draw on the cost parameters and experience from all Instone Real Estate projects. 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. Instone Real Estate assesses the potential impact of the risks to be relevant and protects against this in each individual case at the earliest possible opportunity.

Approval process

Given the possibility that, on investment being approved, the desired construction rights – with regard to economically viable use – may not be forthcoming or subject to considerable delay, there is a risk of selling a property without construction taking place. Also, insufficient capacity at government agencies and changes associated with local government committee meetings may mean that processes such as obtaining planning rights and building permits may not be completed on time. This can lead to postponements in the start of construction work and, as a result, to delayed earnings and return payment flows for our projects.

Instone Real Estate relies on a strong regional network and expertise to reduce the risk of delayed project implementation due to delays in obtaining construction rights and maintains close contact with the competent authorities. Any challenges during the procurement of construction rights are analysed in detail. Outstanding issues are clarified in dialogue with local authorities and community representatives. However, due to the increased number of building applications, 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. Instone Real Estate considers the potential impact of this risk to be relevant.

Project implementation/construction

A variety of risks can occur 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 Instone Real Estate may not be able to compensate for. As a result, under some circumstances Instone Real Estate may not be able to sell some or all its development properties on profitable terms.

The refurbishment of listed buildings involves specific risks associated with the essence of the building. This may 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 2022 financial year was influenced by the impact of the war in Ukraine on commodity markets, energy costs, production capacity, supply chains and price increases, which directly affected Instone Real Estate. Almost all the building materials and precursors required for our construction business were subject to price increases for short periods, and, despite the temporary fall or slower rate of increase atthe end of 2022, these remained in the double-digit percentage range compared to the same period last year.

From today's perspective, we expect lower material price increases in the coming years and have taken into account corresponding inflationary developments in our project calculations. A fall in prices is not expected in the medium term. These price increases resulted, among other things, from sharply increased energy costs. Most of the main building materials used by Instone Real Estate (A-materials such as reinforcing steel, cement, insulation materials, installation materials and gypsum products) require energy inputs in the production process, so increased energy prices have a direct impact.

Collapsed raw material supply chains and the associated increase in demand as well as logistical problems also drove up prices. As a result, the availability of building materials was in some cases significantly restricted until the third quarter of 2022, just like in 2021.

Instone Real Estate tries to compensate for price increases and material shortages by agreeing price escalator clauses, encouraging subcontractors to buy and store the required materials in advance and awarding contracts to subcontractors in good time.

The still tense situation on the German construction and real estate market can also be seen in rising numbers of corporate insolvencies. Furthermore, the development of construction companies is also being restricted by the restrained and cautious attitude of banks. This makes it more difficult for companies to obtain new loans, for example to offset pre-financing costs for larger contracts. This development is also having an effect on Instone Real Estate's portfolio of contractors.

In order to identify possible risks and effects at an early stage, an essential part of risk management – from an internal purchasing perspective – is active monitoring of contractual partners, as early as the award stage, by checking out their credit history. Thereafter, any change involving the respective company (for example regarding the financial situation, legal form, change of management) is re-evaluated and automatically reported to the requesting party for one year as part of a monitoring process. In some individual cases, a second opinion is obtained, by way of verification, from another rating agency.

Due to climate change, more and more weather events may occur with the potential to restrict future construction activities, with, for example, heavy rain, heat, cold or storm capable of halting construction progress. Instone Real Estate is insured against damage, but not against time delays.

Instone Real Estate 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. Instone Real Estate encourages communication between employees to support knowledge transfer. This facilitates the sharing of expertise among employees. All projects are conservatively forecasted in the controlling system and brought up to date with the current state of knowledge.

Instone Real Estate considers the potential impact of these risks to be relevant.

Marketing/sales

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 Instone Real Estate is slower or more cost-intensive.

In our opinion, the reluctance to purchase in the 2022 financial year, as described in the section "Project business at a glance" will not suddenly disappear in 2023. As a result, the Company's forecast has already taken into account sharply reduced sales velocities and delays in package sales to investors. There could also be further reductions, possibly resulting in a temporary halt to the sales process. It is impossible to rule out further significant reductions in purchase prices, compared to the current price assumptions, with a view to boosting sales.

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 for market acceptance. If the concept is not accepted or if sales expectations are not achievable, the project will be readjusted and rechecked. The aim is to identify and implement alternative sales channels and product modifications.

The sales risk for all planned marketing activities of the portfolio represents a severe individual risk as at 31 December 2022, because this has a severe damage impact and a high probability of occurrence.

Instone Real Estate considers the potential impact of the risks to be relevant.

IT and communication risks

Instone Real Estate 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. Instone Real Estate IT systems may fail or be disrupted by events that are entirely or partially beyond the control of Instone Real Estate. 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 Instone Real Estate.

Instone Real Estate 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, Instone Real Estate 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 Instone Real Estate is fully implemented in the Microsoft Azure Cloud in the EU and incorporates redundancy via data storage in the Microsoft data centres in Amsterdam and Dublin. Multi-level, continuously updated defence systems, client and identity management systems for all mobile devices, apps and user accounts, as well as a 24x7 cloud security operation centre at a specialist serviceprovider protect the infrastructure against external cyber attacks. Multi-level data storage systems allow the complete recovery of all data. We believe that the measures taken ensure a minimal risk of failure and a high level of data security.

Instone Real Estate considers the potential impact of IT and communication risks to be relevant, in spite of the IT concepts it has implemented.

Legal risks

Litigation

In the 2022 financial year, Instone Real Estate was exposed to several legal disputes relating to individual real estate project developments. The responsibility for handling these disputes lies with our individual branches, which pre-hire local law firms to represent the interests of Instone Real Estate and defend against potential third-party claims or enforce claims. The majority of these claims relate to construction defects and the warranty rights of Instone Real Estate customers. Instone Real Estate has set up provisions for legal disputes insofar as this is necessary taking into account the circumstances in question. The remaining potential impact of the risk is not considered to be relevant.

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. Instone Real Estate, working together with its contractors, aims to hand over real estate of defect-free or practically defect-free quality to therefore prevent any potential claims. Instone Real Estate is also entitled to assert acquirers' claims against the executing contractor.

Although Instone Real Estate is insured against fire, natural disasters, business interruption and liability, Instone Real Estate's insurance contracts are subject to exclusions (such as terrorist attacks) and liability limits for claims and insured events. With the help of an insurance concept, we assume that we are adequately insured against the most common types of damage. However, we consider the potential impact of the risk to be relevant.

Opportunities Report

Instone Real Estate defines its opportunities as a positive deviation from corporate planning, based on the same approach as for risks. In addition to the aforementioned risks, we believe that the current prevailing market conditions and forecasts for market development, based on the Group's valuation approach, will provide opportunities for Instone Real Estate which will stabilise the currently adverse market situation, with high margins returning in the medium 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 real estate
- → Social and political demand for sustainability in terms of building efficiency
- → Establishment of efficiency-enhancing planning and construction processes for our nyoo product in the core business of creating affordable and sustainable housing
- → Attractiveness of neighbourhood developments through proximity to supplies, integrated concepts and social infrastructure
- → Social and political pressure to create subsidised housing

Instone Real Estate has a low level of debt and high liquidity reserves. It also has a nationwide presence, a very good network and expertise in developing urban neighbourhoods where building rights are complicated to obtain, as well as a good reputation with municipal and institutional decision-makers. These all provide us with the financial framework and trust we need to exploit the opportunities from land acquisitions – with a view to delivering large and complex projects on an even greater scale. From this position, Instone Real Estate also sees itself as sufficiently well equipped to take advantage of attractive purchasing opportunities from the currently precarious environment in the real estate market.

Instone Real Estate 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.

Due to Instone Real Estate’s many years of experience, properties already and yet to be acquired offer opportunities for the extended utilisation of land in terms of gross floor area (GFA), site occupancy ratio (SOR) and floor area ratio (FAR).

Instone Real Estate pursues a value-driven business model that is focused on growth, social and environmental sustainability and the interests of all relevant stakeholders. Objectives are underpinned by a high level of transparency, a comprehensive sustainability report that goes far beyond the legal requirements and continued dialogue with all our stakeholders. This creates further opportunities for us to be able to act successfully in line with our growth strategy.

Overall assessment of the risk and opportunities situation by the Management Board

The overall assessment of the risk situation for Instone Real Estate as of 31 December 2022 and the forecast for the current financial year show a significantly negative change in the macroeconomic risk situation.

Risks, particularly in terms of sales velocities and sales prices, have increased significantly. The Management Board has responded to this with a series of measures. Where possible, sales of Instone products and the start of construction work are broken down and staggered to minimise the risks of anything being left over. The acquisition of land is much more selective. Liquidity and debt are becoming even more important in management decisions. The

Management Board will continue to closely monitor developments and has prepared the options for action for all relevant scenarios.

On the construction costs side, the Management Board assumes that material price increases will slow. The extent to which declining demand for tradesmen's services will lead to sustainable price advantages for Instone Real Estate cannot be conclusively assessed at present.

Based on a current assessment, any continued reluctance to make new acquisitions will have a negative impact on the growth of the company in the medium term.

On a project-specific basis, municipal decision-making processes, particularly relating to procurement of planning and construction rights , remain risky and not always predictable in terms of time.

From today’s perspective, the Management Board of Instone Real Estate does not consider there to be any risks that the Company will be unable to adequately counteract or which risk jeopardising the continued existence of the Group’s income from operations, net assets and/or financial position.

Overall, the macroeconomic risks in particular and the associated risks of sales have increased significantly. The Management Board has responded by taking a number of measures to ensure in particular that the Company has the financial strength to cope with all relevant scenarios and to enable the Company to benefit from the medium-term acquisition opportunities expected.

The current risk situation was taken into account in the forecast.

Outlook

General economic and industry economic conditions

The German economy continued to hold up well in 2022 as a whole, with GDP growth of 1.8%, in spite of the challenging environment. The effects of the Russian attack on Ukraine, including – in particular – the sharp energy price rises, slowed economic recovery. Exacerbated material and supply bottlenecks, substantial increases in food prices, the shortage of skilled workers and the ongoing coronavirus pandemic (although this subsided over the course of the year) also had a dampening effect. The negative factors had a particularly strong impact in the final quarter, when economic performance declined slightly. In its forecast of December 2022, the Deutsche Bundesbank assumes that the economy will only start to gradually recover from this period of weakness in the second half of 2023. It is then expected that foreign demand will pick up, uncertainties will subside and the price pressure from energy commodities will ease, which will have a positive effect on the inflation rate. Assuming that the labour market continues to develop robustly and wages rise significantly, real household incomes and private consumption will go back up again. Overall, the Deutsche Bundesbank expects a moderate decline in calendar-adjusted GDP of 0.5% in 2023 and growth of 1.7% in 2024.

The labour market remained stable in 2022 in spite of the challenging economic environment. The shortage of skilled workers meant that the impact on employment remained fairly insignificant. The Federal Employment Agency recorded an average unemployment rate of 5.3% in 2022 (2021: 5.7%). In light of the recession, the Deutsche Bundesbank anticipates that it will increase moderately in 2023 to 5.6%.

In the past year, the market for residential real estate in Germany was particularly influenced by the significant increase in mortgage rates, which is an indirect consequence of the sharp rise in inflation rates. The higher financing costs have led to a drop in investment in residential property amongst both private and institutional buyers. At the same time, the structural supply/demand imbalance in the German market has been further aggravated by construction projects being postponed in some cases. The Zentralverband Deutsches Baugewerbe (Central Association of the German Construction Industry) expects about 280,000 apartments to be completed in 2022 and about 245,000 in 2023, which is well below the demand for 400,000 new apartments per year estimated by the German Federal Government. A study by the Pestel Institute and the building research institute ARGE has concluded that Germany is more than 700,000 apartments short of the number required in 2023. It describes this as the largest housing deficit in more than 20 years The shortage is becoming ever greater especially in the case of affordable housing.

Against this backdrop, the Management Board assumes that the underlying demand for Instone products will remain very high and that sales volumes will also recover once the interest rate situation stabilises. In terms of the interest rate trend, the further development of inflation remains a decisive factor. For the 2023 average, the Deutsche Bundesbank expects inflation to fall slightly to a continuing high level of 7.2%. Inflation is expected to remain above the 2% target set by the ECB in 2024, at 4.1%. Demand should also be supported by rising real wages, which the Bundesbank expects from the second half of 2023.

According to the Management Board's assessment, significant changes in the general conditions will also trigger an adjustment of residential property prices. Prices for newly built apartments in good locations remained largely stable last year on average. For 2023, the Management Board expects a slight decrease in the price of new-build properties in our core markets, the most attractive metropolitan regions in Germany, as properties in these areas are still in very short supply in the face of significant excess demand. In addition, the high energy efficiency of new builds has a price-stabilising effect on our product. Unrenovated old buildings with a poor energy footprint lost value at the fastest over the past year.

Construction costs rose by a good 15% on average in the past year, with the price increases peaking in the summer months. Although the pressure on construction prices is still high at the beginning of 2023, we expect increases to decline significantly overall. The decisions on gas and electricity price controls as well as the increasing competition for orders due to the declining construction economy should have a dampening effect here. The Instone Management Board expects construction costs to increase significantly more moderately in 2023. An important cost factor in the construction industry is the existing shortage of skilled workers. However, due to the anticipated decline in revenue, a slight fall in the number of people employment in the construction industry is expected in 2023 for the first time since 2009.

Outlook for the Instone-Group

The development of the macroeconomic and industry environment has a significant effect on the forecasts presented below. An important prerequisite is also to achieve significant milestones in our projects. Key factors here include building rights being obtained and building permits granted, as well as the announcement of sales launches, adherence to the planned sale deadlines and expected construction start dates and construction projects progressing according to plan.

Any deviation from the Management assumptions regarding the macroeconomic-environment trends for this industry or any changes in political factors or the risks and opportunities already described in the "Risk and opportunities report" section page 150 of this combined management report or any changes to the project schedule may, in the opinion of the Management, cause the actual business performance to deviate from the forecasts.

We have taken into account the negative impact of the significant increase in interest rates on demand by setting a sales speed for our unit sales projects which is lower than ever. We have also factored in the persistent reluctance on the part of institutional investors.

Based on the assumptions made and taking due account of the current uncertainties, we expect a continued reduced volume of sales contracts in 2023 of over €150 million.

We expect adjusted revenues of €600 million to €700 million in 2023, largely on the basis of sales already secured.

For the project mix relevant to revenue recognition, we anticipate a gross profit margin of around 25%.

Adjusted consolidated earnings after tax are forecast to be in the range of €40 to €50 million.

Adjusted consolidated earnings after tax also form the basis for determining dividend distribution. The target figure for the expected payout ratio is 30% of adjusted consolidated earnings.

Forecast of key management performance indicators for 2023 TABLE 057

In millions of euros

	2023 outlook
Revenues (adjusted)	600-700
Gross profit margin (adjusted) as a %	~ 25%
Consolidated earnings after tax (adjusted)	40-50
Volume of sales contracts	> 150

Other disclosures

Takeover law disclosures

The legal acquisition disclosures are shown below in accordance with Sections 315a and 289a HGB:

1 Composition of the subscribed capital

As at 31 December 2022, the subscribed 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 2022, the Company held 3,154,018 of its own shares.

2 Restrictions affecting voting rights and the transfer of shares

As far as the Management Board is aware, there are no restrictions affecting 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 voting rights notice dated 5 August 2022, Mr Saul Goldstein held an indirect investment in the capital of the Company via the companies in which he has a controlling interest (ASG Fund VI Tower S.à r.l. and ASG Fund VII Knight S.à r.l.) with a total of 12,192,94 (25.95%) voting rights. 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 investments 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 Article 39 para. 2 (1) of the SE Regulation (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.

Pursuant to Art. 9 para. 1 point c)) (ii) SE-VO in conjunction with Section 179 para. 1 (1) AktG, the amendment of the Company's Articles of Association is made 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 mandatory statutory legislation requires a larger majority. In order to amend the Articles of Association, pursuant to Section 21.5 thereof, a majority of two thirds of the votes cast or, if at least half of the registered capital is represented, a simple majority of the votes cast is required, unless mandatory statutory provisions stipulate otherwise. Insofar as the law also requires a majority of the registered capital represented in order to pass resolutions of the Annual General Meeting, the simple majority of the registered capital represented shall suffice for passing a resolution, insofar as this is legally permissible. According to Section 21.5 of the Company's Rules of Procedure, resolutions that can be passed with a simple majority of votes 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). According to 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 2018 authorised capital

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 28 June 2023 by up to a total of €8.45 million by issuing up to a total of 8,450,000 new no-par value bearer shares against cash contributions and/or contributions in kind (2018 authorised capital) and, according to Section 6.2 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 2021 authorised capital

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 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.

7.3 2021 contingent capital

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 warrant 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 to purchase treasury shares

By resolution of 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 consent of the Supervisory Board, the Management Board decided to purchase up to 2,349,416 shares on 10 February 2022 and to purchase up to 1,349,417 additional shares (thus resulting in a total of up to 3,698,833 shares) on 25 October 2022 in accordance with the authorisation granted by the Annual General Meeting 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 are entitled to a special contract termination right. In particular, a change of control occurs when a third party or several third parties acting jointly who do not currently hold or hold less than 30% of the voting rights in the Company acquire at least 30% of the voting rights.

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 of 1.5 gross annual salaries if, in addition to a change of control as described in section 8, the basis of the business is fundamentally impaired; in other words, if the member of the Management Board is either withdrawn from his or her function, the Company is merged, all or substantial assets of the Company are transferred to third parties not belonging 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 member of the Management Board loses the independence granted by the German Stock Corporation Act or the SE Regulation, or if the decision-making powers of the terminating member of the Management Board are substantially impaired without objective reason.

Corporate governance statement (unaudited)

In this report, Instone Real Estate 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, and 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 the corporate culture of Instone Real Estate Group SE comply with the legal requirements and – with a few justified 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 as amended on both 28 April 2022 and on 20 March 2020 and submitted their regular Declaration of Conformity with the recommendations of the GCGC in December 2022 in accordance with Section 161 AktG and commented on the few exceptions.

The statement and any further declarations of compliance since the IPO are published on the Company's website under the ↗ Instone compliance statement.

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 conformity 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 submitting the Declaration of Compliance in December 2021, 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") with the following exceptions, or that they will not do so in future:

1. In accordance with the updated recommendation C.1 of the 2022 GCGC, the competence profile for the Supervisory Board should also include expertise on sustainability issues that are important to the Company. On 7 December 2022, the Supervisory Board decided to amend the competence profile in accordance with this recommendation in order to comply with the recommendation for the future.

2. In accordance recommendation G.7 of the 2022 GCGC, the Supervisory Board shall define the performance criteria for each member of the Management Board for all variable remuneration components for the coming financial year, which are to be geared primarily towards strategic objectives, in addition to operational ones. The corporate planning and the forecast from which the relevant performance criteria for the Management Board are derived by the Supervisory Board will be approved at the beginning of the financial year in order to ensure greater planning accuracy. Based on this, the Supervisory Board will also define the performance criteria for the variable remuneration components at the beginning of the respective financial year. From the

Supervisory Board's perspective, this is appropriate for harmonising the approved corporate planning with the performance criteria for the Management Board. This recommendation will therefore not be complied with in the future.

3. In accordance with recommendation G.10 sentence 2 of the GCGC, a member of the Management Board shall only have long-term variable amounts granted after four years. By way of derogation from this, the remuneration system for the Management Board and the employment contracts of the members of the Management Board provide for long-term variable performance-related remuneration to be granted after 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 on voting rights. As far as the Supervisory Board is concerned, however, postponing the payment of variable long-term remuneration for longer does not offer any additional added value in terms of incentives for the Management Board compared to the existing contractual provisions. This recommendation will therefore not be complied with in the future.

Furthermore, since the last statement of compliance was submitted in December 2021, the Company has complied with all the recommendations of the version of the German Corporate Governance Code of 16 December 2019 ("2020 GCGC") published by the Federal Ministry of Justice in the official section of the Federal Gazette on 20 March 2020 until the entry into force of the 2022 GCGC, with the following exceptions:

1. Recommendation G.7 of the 2020 GCGC was not complied with for the reasons given under point 2 above.

2. Recommendation G.10 sentence 2 of the 2020 GCGC was not complied with for the reasons given under point 3 above.

Essen, December 2022

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 down basic values for lawful and ethical conduct in a Group-wide Code of Conduct, which is also available on our website under ↗https://ir.de.instone.de/websites/instonereal/English/5800/code-of-conduct.html. This specifies existing duties and responsibilities at Instone Real Estate and derives various codes of conduct on the basis of the law or existing official instructions. The Code of Conduct offers Instone-Group employees orientation and assistance in their day-to-day work while at the same time providing 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.

Working methods of the Management Board and Supervisory Board

According to its Articles of Association, Instone Real Estate Group SE, as a European stock corporation (SE), with headquarters in Essen, Germany, 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 Supervisory Board maintain an intensive and constant dialogue, which forms the basis for 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 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 and compliance 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. For dealing of conflicts of interest within the Supervisory Board and the Management Board, the respective Rules of Procedure of the Management Board and Supervisory Board also contain provisions which, in addition to a duty to disclose conflicts of interest without delay, provide for the approval of the Supervisory Board in the event of material conflicts of interest and, in the event of identified conflicts of interest within the Supervisory Board, prohibit the member concerned from participating and/or voting. In the event of material and not merely temporary conflicts of interest, the Supervisory Board member concerned must resign from his or her position. No conflicts of interest were identified within the Management Board or Supervisory Board in the year under review.

Transactions with the Company or its affiliated companies by members of the Supervisory Board and the Executive Board and related parties also require the approval of the Supervisory Board Audit Committee. The assumption of ancillary activities outside the Company by members of the Management Board – in particular, the performance of supervisory board mandates and mandates in 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 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 2022 financial year, the Management Board consisted of three members with equal rights, each responsible for the departments assigned to them.

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 235 CVs of the members of the Management Board are also available on the Instone Real Estate website at https://www.instone.de/en/management.

Tasks 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 ensuring an appropriate and 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

Allocation of responsibilities 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 Board of Management 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.

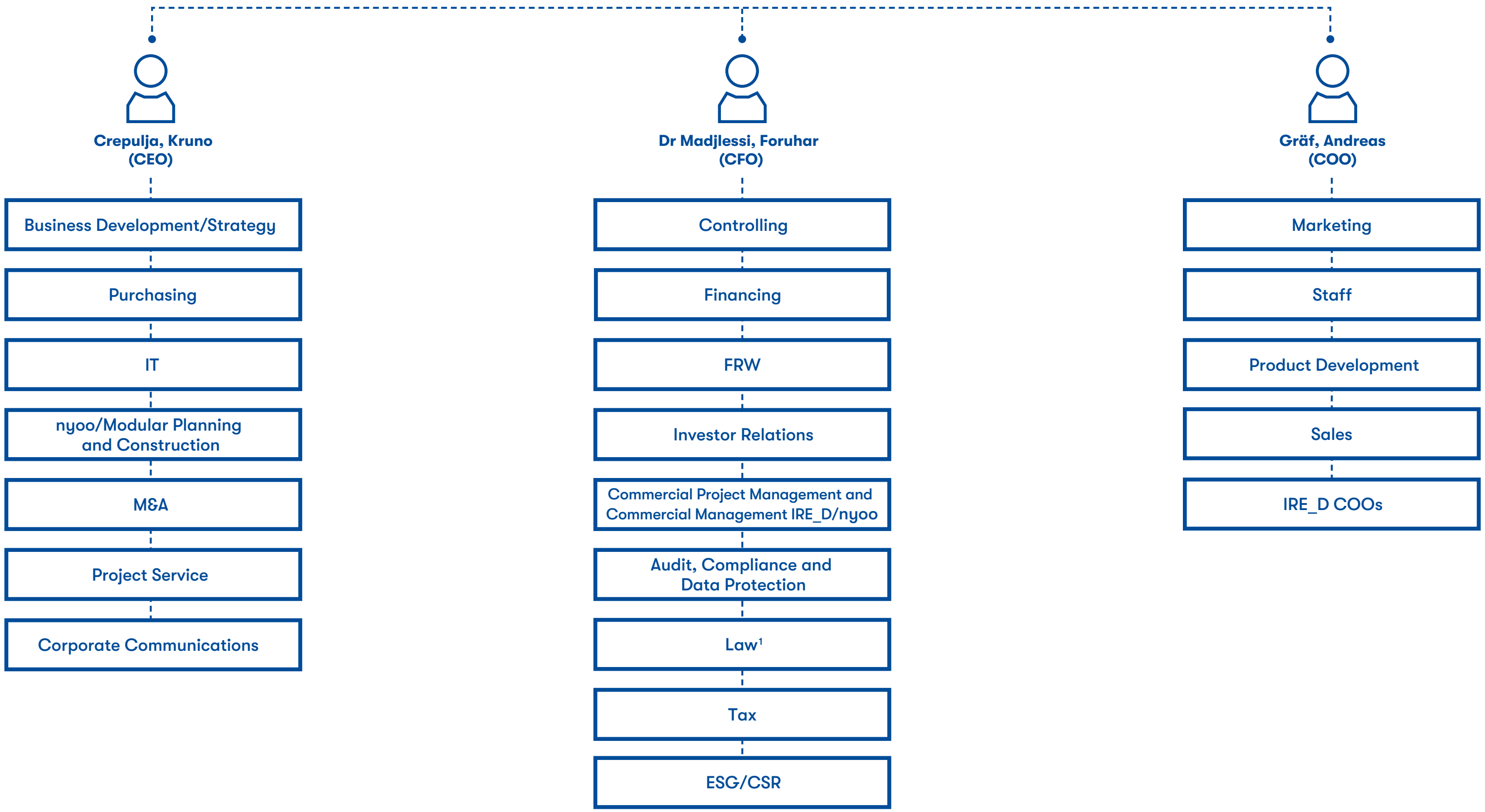
The organisational chart defined for the Management Board is shown on the following page. The Rules of Procedure of the Management Board also stipulate cases in which a resolution by the entire Management Board is required. Management Board meetings are held on a biweekly basis when possible, but at least once a month, in both face-to-face and virtual form, under the direction of the Chairman 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.

Approval reservations and information regulations

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 plan, 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 any issues that are relevant to strategy, planning and business development, the risk situation, risk management and compliance relevant to the Company as well as the ongoing projects and the financing situation of the Company. The Chair of the Management Board and the Chair of the Supervisory Board are also in regular communication.

Business distribution plan of the Management Board of Instone Real Estate Group SE of 26 April 2022 FIGURE 026



[1] Including company and capital market law as well as SB support.

Supervisory Board

Composition

According to the Articles of Association, the Supervisory Board consists of five 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 of the German Commercial Code (HGB). Page 235 CVs of the Supervisory Board members are also available on the Instone Real Estate website at https://ir.de.instone.de/websites/instonereal/English/5650/supervisory-board.html.

Tasks 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. Otherwise, it holds meetings as and when required in the interests of the Company. The number and subject matter of the Supervisory Board meetings in the 2022 financial year are explained in more detail in the Supervisory Board report from page 26 onwards.

Evaluation of the committee work and further training of members of the Supervisory Board

The Supervisory Board assesses the efficiency of its activities at regular intervals, most recently in the 2021 financial year, when it critically evaluated and assessed the committee's work in a structured review process.

In the 2022 financial year, the Supervisory Board took advantage of training in the areas of capital market law, new legal requirements for supervisory board activity and sustainability reporting. In addition, the Company supports the members of the Supervisory Board in undertaking individual training and further training measures.

Competence profile and qualification

The Company has complied with the requirements under stock corporation law regarding the appointment of the Supervisory Board 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 competence profile and a diversity concept in order to ensure qualified monitoring of and the provision of advice to the Management Board by the Supervisory Board. It most recently reviewed this in December 2022 and explicitly extended it to include the field of competence "sustainability". The intention is for the members of the Supervisory Board to have the following knowledge, skills and professional experience needed for the proper performance of the duties of a supervisory board in a capital market-oriented real estate company:

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

- → 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 expertise in the field of accounting and at least one other member must have expertise in auditing (Section 100 para. 5 AktG), whereby accounting and auditing also include sustainability reporting
- → Experience with capital market instruments and bank financing
- → Expertise on sustainability issues that are important to the company in the real estate sector and the project development industry

Qualification matrix for the Supervisory Board of Instone Real Estate Group SE FIGURE 027

		Stefan Brendgen	Dr Jochen Scharpe	Christiane Jansen	Dietmar P. Binkowska	Thomas Hegel
Member of the Supervisory Board since		13 August 2018	13 August 2018	20 September 2021	03 April 2019	03 April 2019
Appointed until		oHV2026	oHV2026	oHV2026	oHV2026	oHV2026
Knowledge, skills or professional experience	Managing or supervising medium-sized or large companies or complex organisations	+ +	+ +	+ +	+ +	+ +
	Familiarity with the real estate sector and the project development industry	+ +	+ +	+	+ +	+ +
	Finance, accounting treatments and accounting	+ +	+ +	+ +	+ +	+
	Accounting*	+ +	+ +	+	+	+ +
	Annual audit*	+	+ +	+	+	+
	Law and compliance	+	+	+ +	+	+ +
	Capital market instruments and bank financing	+ +	+	+	+ +	+
	Sustainability	+ +	+	+	+	+
Independence		Yes	Yes	Yes	Yes	Yes

*incl. sustainability reporting and reviewing it

+ Expertise
++ Specialist knowledge

The Supervisory Board should also include an appropriate number of independent members.

The status of the implementation of the competence profile is also presented for the first time for the individual members of the Supervisory Board in the above qualification matrix. GRI 2-10

In the interests of complementary cooperation within the Supervisory Board, the selection of candidates for the Supervisory Board is based on sufficient diversity with regard to different professional backgrounds, specialist knowledge and experience. The members of the Supervisory Board should also have sufficient time to fulfil their mandate. As far as the Supervisory Board is concerned, 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 2022, no member of the Supervisory Board had reached the age of 70 or exceeded the standard limit for membership of the Supervisory Board.

Supervisory Board committees

In the 2022 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 and the fee agreement 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 full Supervisory Board, the Audit Committee shall decide on agreements with the auditor (in particular the granting of the audit assignment, the determination of audit priorities and the fee agreement). The Audit Committee also decides on related party transactions instead of the full Supervisory Board plenary session. 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 matters and advises the Management Board on sustainability-related issues.

The following members were members of the Audit Committee in financial year 2022:

→ Dr Jochen Scharpe (Chairman)

→ Stefan Brendgen

→ Thomas Hegel

Due to their education, professional experience as CEOs or managing directors of large real estate companies and long-standing membership of supervisory boards of large enterprises, Dr Scharpe, Mr Brendgen and Mr Hegel each offer expertise in the field of accounting and are familiar with the sector in which the Company operates. Dr Scharpe also has expertise in the area of auditing, so all three members qualify as financial experts within the meaning of Section 107 para. 4 (3) in conjunction with Section 100 para. 5 of the German Stock Corporation Act.

Nomination Committee

The Nomination Committee proposes suitable candidates to the Supervisory Board for its nominations to the Annual General Meeting and deals with succession planning in the Supervisory Board.

Members of the Nomination Committee in the 2022 financial year were:

→ Thomas Hegel (Chairman)

→ Stefan Brendgen

→ Dr Jochen Scharpe (member until 9 June 2022)

→ Christiane Jansen (member since 9 June 2022)

Remuneration committee

The Remuneration Committee advises on the employment contracts of the members of the Management Board and prepares resolutions of the Supervisory Board.

In the 2022 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 2022 complies with the described diversity concepts. The members of the Management Board have a range of different professional qualifications and, inter alia, many years of experience in international corporations. Dr Foruhar Madjlessi has been a member of the Management Board since 1 January 2019 and brings with him many years of international experience and specialist expertise in capital markets and corporate finance. Furthermore, none of the members of the Management Board has reached the age of 65. The Supervisory Board continues to remain diverse as of 31 December 2022 and the target for the proportion of women set by the Supervisory Board has also been met.

Target figures for the proportion of women

The German Stock Corporation Act requires Instone Real Estate Group SE to set targets for the proportion of women on the Supervisory Board, the Management Board and the first two management levels below the Management Board.

Supervisory Board target

The target set for the proportion of women on the Supervisory Board is currently 20%. The proportion of women on the Supervisory Board was 20% in the year under review, so the target has been met. The Supervisory Board intends to raise the target for the proportion of women on the Supervisory Board to 30%, subject to the approval of the 2023 Annual General Meeting for the extension of the Supervisory Board to include another female member.

Management Board target

For the Management Board of Instone Real Estate Group SE, the target for the proportion of women, as defined by the Supervisory Board, is currently 0%. This is due not least to the fact that the Supervisory Board, taking into account the existing circumstances, in particular the current term of appointment of the members of the Management Board and the size of the Management Board (which currently has three members), was not able to set a higher quota. Nonetheless, the Supervisory Board has determined that the composition of the Management Board will also continue to respect diversity in the future. Nevertheless, the Supervisory Board is convinced that a position is to be filled primarily on the basis of qualification and competence – irrespective of gender. The Company has met the targets during the period under review.

Both targets most recently confirmed for the Management Board and the Supervisory Board in December 2020 are valid for five years until December 2025 according to the guidelines of the Supervisory Board. It will reassess the targets by the end of this period at the latest and examine the target for the Supervisory Board immediately after the 2023 Annual General Meeting with a view to implementing the intended expansion of the Supervisory Board.

First management level target

In December 2020, the Management Board decided to raise the target for the proportion of women at the first management level below the Management Board, which previously stood at 0%, to 25% (without taking into account dual mandates). This level consists of the members of the management of Instone Real Estate Development GmbH and Nyoo Real Estate GmbH. As at 31 December 2022, the proportion of women in the first management level was 20% (previous year: 25%), meaning that the target was not achieved in the last financial year for the first time. This was due to expanding the first management level to include a commercial managing director, who previously held the function of a division head at the second management level. Despite this, Instone Real Estate attaches great importance to achieving the target.

Second management level target

In December 2020, the Executive Board decided to set the target figure for the proportion of women at the second management level below the Management Board, which had previously stood at 25%, to 30%. This level consists of branch managers, commercial managers, division managers and department heads. As at 31 December 2022, the proportion of women in the second management level was 28% previous year: 23%), so the target has not yet been met, but Instone Real Estate has made further progress as planned.

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.

Development of managers

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 further education measures as well as separate work time models 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.

The Management Board reports regularly to the Supervisory Board on the appointment and succession planning at the other management levels 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 of an expiring employment contract before its expiry, 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 Supervisory Board's Nomination Committee, which identifies suitable candidates in the event of existing or impending vacancies on the Supervisory Board, taking into account the competence and diversity profile of the Supervisory Board, and recommends them to the Supervisory Board for nomination by the Annual General Meeting.

Remuneration systems and remuneration report

The remuneration report for the 2022 financial year, including the auditor's report in accordance with Section 162 AktG, the applicable remuneration system pursuant to Section 87a (1) and (2) sentence 1 AktG and the most recent remuneration resolution pursuant to Section 113 AktG for the members of the Supervisory Board and Management Board, are publicly available on the Instone Real Estate website at ↗ https://ir.de.instone.de/websites/instonereal/English/5930/remuneration.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 AGM.

Fundamental decisions are made at the Annual General Meeting. These include resolutions on the appropriation of any profits, the discharge of the Management and Supervisory Boards, the election of Supervisory Board members and the selection of the auditorf 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 exchange views on 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.

2022 Annual General Meeting

With the consent of the Supervisory Board, as in the previous year, the Management Board made use of the option provided by the German law on company, cooperative, association, foundation and housing property law measures to combat the effects of the coronavirus pandemic for the 2022 Annual General Meeting. The Annual General Meeting of Instone Real Estate Group SE took place on 09 June 2022 in Essen and was held as a virtual annual general meeting without the physical presence of the shareholders on the basis of the official regulations in force at that time to protect against the health risks associated with the SARS-CoV-2 coronavirus. The shareholders were able to follow the

Annual General Meeting via a live stream and cast their votes by postal vote or via a proxy. The shareholders present represented 71.41% of the registered capital (80.70% of the registered capital when postal votes are taken into account). All agenda items were agreed with a large majority.

Compliance

Compliance at Instone Real Estate is a significant part of successful and responsible corporate governance.

We are committed to ethical principles and valid legal norms. We have enshrined this at a senior level in our compliance management system policy and employee code of conduct, which is available on our website at ↗ 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 contractual partners, to comply with certain standards, including in particular compliance with legal requirements and rules that we have set out in our Code of Conduct for contractors, which is available on our website at ↗ https://www.instone.de/en/contractual-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 primary goal of our Group-wide compliance management system is to prevent and reveal violations of applicable law and Company guidelines, and to protect the Instone Group and its employees from inappropriate and illegal activity. We have therefore implemented a compliance management system that identifies and then reduces risks, and ensures compliance within the Instone Group. In particular, we use various internal policies and processes, for example for money laundering prevention, business partner compliance, capital market compliance and corruption prevention, as well as offering training and advice to our employees. Other key pillars of our compliance management system are our whistleblower system and our Code of Conduct for contractors.

Our Group Compliance Officer is responsible for the Group-wide structuring, development and implementation of our compliance management system and for delivering training courses. The Compliance Officer is available to employees as a contact person for compliance issues. The effectiveness and appropriateness of the compliance management system are reviewed at regular meetings of the compliance committees, 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 Group level can receive legal advice if required.

We regularly conduct compliance and data protection training that provides our employees with information about laws and codes of conduct. Participation in the training events is mandatory for all Instone employees and is reviewed and documented. The rate of successful completion of training courses was over 99% in 2022. In the year under review, the topics related primarily to anti-corruption, data protection, data security and competition and price-fixing law. There is a compliance section on the Instone 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 GRI 410, 410-1

Whistleblower system

Despite the best, wide-ranging prevention measures, infringements and breaches of duty may still arise. Infringements or suspected infringements of laws, legislation and internal guidelines and regulations can be reported by employees, customers, contractual partners and other third parties via e-mail, a whistleblower hotline or a digital external whistleblower portal. Calls to the whistleblower hotline are received by an external law firm and, like the reports in the digital whistleblower portal, are passed on anonymously to Instone Real Estate at the request of the whistleblower. Our employees can also contact their supervisors and the Compliance Officer directly at any time with information. GRI 2-16

We examine all information provided and follow it up systematically. In doing so, we observe the following principles:

- The process is fair
- Anonymity is protected
- Investigations are confidential
- Processes are efficient and protected

In the 2022 financial year, there was no evidence of breaches of compliance at Instone Real Estate that has been confirmed. Nevertheless, Instone Real Estate carefully investigates and responds to suspected compliance cases.

Prevention of money laundering and business partner compliance

An essential part of compliance at Instone Real Estate is the careful selection of business partners, particularly with a view to reducing corruptionand fraud risks and to prevent money laundering. Instone Real Estate has therefore taken special preventive measures to detect and take steps against such suspicions, including:

- Due diligence of business partners for compliance risks
- Due diligence around suspicions of money laundering
- Checking of potential business partners for entries in sanctions lists
- Verification of bank data and payment transactions for contractual partners

Prior to any conclusion of a contract – for example with contractors or buyers of our owner-occupied homes – third party due diligence must be carried out by Instone Real Estate. Employees of Instone Real Estate are obliged by company policies to take care in identifying each potential business partner to begin with. This primarily concerns employees who conclude contracts with business partners, such as those involved in purchasing, project management or sales management. Instone Real Estate has set up a formal review and control process for this. In the event of an increased compliance risk or a money laundering risk, the Compliance Officer must be involved.

Instone Real Estate and its employees also comply with the provisions of the German Money Laundering Act (GwG) in order to protect Instone Real Estate from damages (particularly with regard to reputation). In the case of real estate transactions, the authenticating notary is also obliged to check the identity and thus help to prevent any money laundering in the context of such transactions. If a suspected money laundering risk is detected during the business partner check, a more thorough screening of the business partner is carried out. If the suspected money laundering risk is confirmed, the Compliance Officer decides on what steps to take next and whether to report the matter to the responsible state authorities.

Instone Real Estate complies with legal obligations to assess new customers, suppliers and service providers to check whether they are included in sanction lists. Likewise, for example, existing customers and suppliers with whom the company has a longer relationship are regularly checked in the same way.

Our employees are also obliged to prevent fraudulent activities (fraud) by following a company policy, in compliance with the dual-control principle, to check and approve bank data, transfers and incoming payments.

Code of Conduct for contractors

We also demand compliance with our high standards from our business partners and suppliers. In our aforementioned Code of Conduct for contractors, contractors 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 in the Prime Standard, Instone Real Estate is subject to a variety of capital market regulations, which are, in particular, governed by Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation), the German Securities Trading Act (WpHG) and the Exchange Rules of the Frankfurt Stock Exchange. Instone Real Estate encourages its board members and employees to comply with these regulations by establishing codes of conduct, in particular concerning the following obligations:

- → Prohibition of insider dealing and unlawful disclosure of inside information
- → Ad hoc publicity obligation
- → Prohibition of market manipulation
- → Reporting of managers' own business

Instone Real Estate has also formed an ad hoc committee that advises the Management Board and recommends actions to deal with possible inside information. Employees are obliged to report any inside information to the ad hoc committee immediately and, if they are aware of inside information, they are included on insider lists in accordance with legal obligations. Trading in Instone shares with knowledge of inside information is prohibited. Employees are also urged not to conduct any direct or indirect transactions involving Instone shares during so-called closed periods within 30 days of the publication of the half-year or annual financial statements. The start and end of these closed periods are indicated on the Instone intranet by means of a traffic light system.

The members of the Management Board and the Supervisory Board of Instone Real Estate Group SE, as well as other persons who perform management functions within Instone Real Estate Group SE and persons who are closely related to them, are obliged, in accordance with 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 under ↗ Instone Managers' Transactions.

Fines

No significant fines were imposed against Instone Real Estate in the 2022 reporting year due to non-compliance with laws and regulations in the social and economic sphere.

Adequacy and effectiveness of the risk management system and ICS as well as the compliance management system

Due to the regular involvement of the Management Board with the risk/compliance management system and the ICS, as well as the ongoing reporting of the Internal Audit function to the Management Board, the Management Board is not aware of any circumstances that do not support the adequacy and effectiveness of these systems in all material respects.[1] With regard to sustainability reporting, the Management Board has taken the necessary measures to 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 opportunities report

Preparation

In this document, the terms "we", "us", "our", "Instone Real Estate", "Instone-Group" and the "Company" refer to Instone Real Estate Group SE and its subsidiaries accordingly. Instone Real Estate Group SE has been domiciled 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 2022. Unless stated otherwise, all financial and other information disclosed in this report is as of 31 December 2022.

The recommendations of the German Corporate Governance Code (GCGC), in the version published in the companies register on 27 June 2022, provide for more comprehensive disclosures in relation to the internal control system and the risk and opportunity management system than are legally required for the management report, meaning that they are excluded from the auditor's audit of the management report (disclosures not contained in the management report). They are contained in different paragraphs from the disclosures that are to be audited, and are marked accordingly by means of a footnote.

When reporting on our corporate responsibility activities, we are guided by recognised standards and reporting initiatives, including the requirements of the Global Reporting Initiative (GRI) and the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). In order to clearly demonstrate how our products, services and activities contribute to the individual sustainability goal and our value chain, we have marked the corresponding passages of text with the appropriate GRI or TCFD symbol (for example: GRI, TCFD). These disclosures are not contained in the management report either and are excluded from the auditor's audit.

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 Instone Real Estate 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 Instone Real Estate, 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 Instone Real Estate 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. 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 on page 168 of this report.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement GRI 201-1

Consolidated income statement TABLE 058

In thousands of euro

	Note	2022	2021
Revenue	1	567,513	741,242
Changes in inventories		123,550	65,942
		691,063	**807,184**
Other operating income	2	17,894	3,245
Cost of materials	3	– 551,170	– 608,074
Staff costs	4	– 48,670	– 50,024
Other operating expenses	5	– 31,611	– 30,483
Depreciation and amortisation	6	– 4,780	– 4,619
Consolidated earnings from operating activities		**72,727**	**117,228**
Share of results of joint ventures	7	3,851	14,627
Other results from investments	7	– 10	94
Finance income	8	2,208	1,285
Finance costs	8	– 21,384	– 16,743
Other financial result	8	0	153
Consolidated earnings before tax (EBT)		**57,432**	**116,645**
Income taxes	9	– 17,661	– 35,370
Consolidated earnings after tax (EAT)		**39,771**	**81,275**
Attributable to:			
Owners of the Company		40,586	83,051
Non-controlling interests		– 814	– 1,776
Weighted average number of shares (in units)		45,890,036	46,988,336
Basic and diluted earnings per share (in €)	10	**0.88**	**1.77**

Consolidated statement of comprehensive income GRI 201-1

Consolidated statement of comprehensive income TABLE 059

In thousands of euro

	2022	2021
Consolidated earnings after tax	**39,771**	**81,275**
Items which are not reclassified into the consolidated earnings in future periods		
Actuarial gains and losses	4,710	902
Income tax effects	– 1,490	– 286
Income and expenses after tax recognised directly in equity	**3,220**	**616**
Total comprehensive income for the financial year after tax	**42,991**	**81,891**
Attributable to:		
Owners of the Company	43,805	83,666
Non-controlling interests	– 814	– 1,776
	42,991	**81,891**

Consolidated statement of financial position

Consolidated statement of financial position TABLE 060

In thousands of euro

	Note	31/12/2022	31/12/2021
ASSETS			
Non-current assets			
Goodwill	11	6,056	6,056
Intangible assets	12	940	1,446
Right of use assets	13	7,580	9,376
Property, plant and equipment	14	1,721	2,274
Interests in joint ventures	15	43,754	30,845
Other investments	16	340	469
Financial receivables	18	18,993	17,580
Other receivables		311	5
Deferred tax	28	3,078	2,142
		82,774	**70,193**
Current assets			
Inventories	17	967,253	843,703
Right of use assets	13	3,031	0
Financial receivables	18	663	20,046
Contract assets	19	333,585	358,017
Trade receivables	20	2,778	48,202
Other receivables and other assets	21	133,949	47,988
Income tax assets	22	710	1,639
Cash and cash equivalents	23	255,592	130,969
		1,697,561	**1,450,564**
TOTAL ASSETS		**1,780,335**	**1,520,756**

Consolidated statement of financial position (continued)

Consolidated statement of financial position TABLE 060

In thousands of euro

	Note	31/12/2022	31/12/2021
EQUITY AND LIABILITIES			
Equity	24		
Share capital		46,988	46,988
Capital reserves		358,983	358,983
Group retained earnings/loss carryforwards		198,123	186,378
Accumulated reserves recognised in other comprehensive income		1,755	– 1,465
Treasury shares at acquisition cost		– 32,139	0
Equity attributable to shareholders		573,710	590,884
Non-controlling interests		– 753	61
		572,957	**590,945**
Non-current liabilities			
Provisions for pensions and similar obligations	25	128	4,398
Other provisions	26	3,342	6,140
Financial liabilities	27	292,025	220,943
Liabilities from net assets attributable to non-controlling interests	29	18	5
Leasing liabilities	30	7,359	6,474
Deferred tax	28	50,314	45,630
		353,185	**283,591**
Current liabilities			
Other provisions	26	21,929	24,050
Financial liabilities	27	228,622	169,606
Leasing liabilities	30	3,581	3,193
Contract liabilities	31	25,878	11,667
Trade payables	32	150,450	125,112
Other liabilities	33	393,559	292,439
Income tax liabilities	34	30,175	20,153
		854,193	**646,220**
TOTAL EQUITY AND LIABILITIES		**1,780,335**	**1,520,756**

Consolidated statement of cash flows GRI 201-1

Consolidated statement of cash flows TABLE 061

In thousands of euro

	2022	2021
Consolidated earnings after tax	**39,771**	**81,275**
(+) Depreciation and amortisation/(–) reversal of impairments of property, plant and equipment	4,780	4,619
(+) Profit/(–) Loss on disposals of property, plant and equipment	72	75
(+) Increase/(–) Decrease in provisions	– 4,569	1,690
(+) Current income tax income/(–) Current income tax expense	15,413	14,775
(+) Deferred income tax income/(–) Deferred income tax expense	2,248	20,595
(+) Expenses/(–) income from equity carrying amounts	– 3,851	– 14,627
(+/–) Change in net assets attributable to non-controlling interests	10	– 2
(+) Interest expense / (–) interest income	19,135	15,305
(+/–) Change in net working capital[1]	1,623	– 71,535
(+) Income tax reimbursements/(–) income tax payments	– 4,462	– 8,261
= Cash flow from operations	**70,170**	**43,908**
(–) Outflows for investments in intangible assets	– 12	– 658
(+) Proceeds from disposals of property, plant and equipment	– 67	18
(–) Outflows for investments in property, plant and equipment	– 324	– 1,102
(+) Proceeds from disposals of investments	11,306	5,709
(–) Outflows for investments in financial assets	– 12,303	– 20,084
(–) Proceeds from disposals of unconsolidated companies and other companies	152	0
(–) Outflows for investments in unconsolidated companies and other companies	– 9,516	– 5,641
(+) Proceeds due to financial investments within the scope of current financial planning	80,000	245,000
(–) Outflows due to financial investments within the scope of current financial planning	– 60,000	– 100,000
(+) Interest received	– 230	0
(+) Dividends received	438	281
= Cash flow from investing activities	**9,444**	**123,523**

Consolidated statement of cash flows (continued)

Consolidated statement of cash flows TABLE 061

In thousands of euro

	2022	2021
(–) Acquisition of treasury shares	– 32,325	0
(+) Issuance of treasury shares and other transactions	234	0
(–) Payments for transaction costs of the equity injection	– 271	0
(+) Contributions from minority shareholders	0	17,074
(–) Payments to minority shareholders	0	– 363
(+) Proceeds from loans and borrowings	252,594	77,760
(–) Repayments of loans and borrowings	– 123,253	– 187,250
(–) Payments from lessees to repay liabilities from lease agreements	– 3,747	– 3,734
(–) Interest paid	– 19,471	– 14,775
(–) Dividends paid	– 28,750	– 12,217
= Cash flow from financing activities	**45,010**	**– 123,506**
Cash and cash equivalents at the beginning of the period	130,969	87,044
(+/–) Change in cash and cash equivalents	124,624	43,924
= Cash and cash equivalents at the end of the period	**255,592**	**130,969**

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

Consolidated statement of changes in equity

Consolidated statement of changes in equity TABLE 062

In thousands of euro

	Note	Total	Share capital	Capital reserves	Group retained earnings/loss carryforwards	Accumulated reserves recognised in other comprehensive income	Treasury shares at acquisition cost	Equity attributable to shareholders	Non-controlling interests
As at: 01 January 2021		**521,033**	**46,988**	**358,983**	**115,544**	**– 2,080**	**0**	**519,435**	**1,598**
Consolidated earnings after tax		81,275	0	0	83,051	0	0	83,051	–1,776
Changes in actuarial gains and losses		616	0	0	0	616	0	616	0
Total comprehensive income		**81,891**	**0**	**0**	**83,051**	**616**	**0**	**83,666**	**–1,776**
Dividend payments		– 12,217	0	0	–12,217	0	0	–12,217	0
Other neutral changes		239	0	0	0	0	0	0	239
		– 11,978	**0**	**0**	**–12,217**	**0**	**0**	**–12,217**	**239**
As at: 31 December 2021	24	**590,945**	**46,988**	**358,983**	**186,378**	**– 1,465**	**0**	**590,884**	**61**
As at: 01 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
Issuance 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**

Notes to the consolidated financial statements

Basis of the consolidated financial statements

General information about the Company

Instone Real Estate Group SE (hereinafter referred to as the "Company") has been domiciled at Grugaplatz 2 – 4, 45131 Essen, Germany since 28 August 2018. It is the top parent company of the Instone Real Estate Group (hereinafter also referred to as "Instone Real Estate" or the "Instone Group").

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 participation 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 9 March 2023.

Basis of the consolidated financial statements GRI 2-4

The consolidated financial statements for Instone Real Estate as at 31 December 2022 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 stated in thousands of euros (€ thousand) unless otherwise stated. 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 requirements 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 our products, services and activities make to the individual sustainability goal and our value chain, we have marked the corresponding text passages with the respective GRI and TCFD symbol (illustrative example: GRI, TCFD). This too is information that is not part of the management report and 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.

First-time application of accounting standards 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 primary aim of the collective standards is to clarify inconsistencies and formulations. The following standards that were to be newly applied from the 2022 financial year onwards had no impact on these consolidated financial statements, except for any additional disclosures in the Notes:

- Amendments to IFRS 3, IAS 16 and IAS 37
- 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. Instone Real Estate does not make use of this option. These standards will be implemented in the consolidated financial statements at the time of mandatory adoption.

Already incorporated into EU law (first-time adoption date in brackets):

- IFRS 17 (01 January 2023)
- Amendments to IAS 1 (01 January 2023)
- Amendment to IAS 8 (1 January 2023)
- Amendment to IAS 12 (1 January 2023)

Not yet incorporated into EU law (first-time adoption date in brackets):

- Amendments to IFRS 16 (01 January 2024)
- Amendments to IAS 1 (01 January 2024)

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 Instone Real Estate include all subsidiaries controlled by Instone Real Estate Group SE according to the acquisition method. A control relationship exists if Instone Real Estate 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 associates are recognised using the equity method. A joint venture is established if the Instone Real Estate Group AG jointly conducts activities together with third parties on the basis of a contractual obligation. Decisions on significant activities are made unanimously among the partners. The partners have rights to the net assets of the joint venture. An associate exists if the Instone Group can exercise significant influence without being able to control this company.

As at 31 December 2022, a total of 17 (previous year: 18) domestic and two (previous year: two) European foreign subsidiaries, in addition to Instone Real Estate Group AG, have been included and fully consolidated in the current consolidated financial statements. BEYOUTOPE GmbH was deconsolidated in the financial year. As a result, inventories amounting to €10,570 thousand and liabilities amounting to €7,810 thousand were removed from the consolidated statement of financial position, as well as a loss of €–2,760 thousand.

As at 31 December 2022, eight joint ventures (previous year: eight) and one associate (previous year: one) were 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 financial assets.

Due to their overall minor importance, five 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 Instone Real Estate.

A detailed overview of all shares directly or indirectly held by Instone Real Estate Group SE is provided in the list of shareholdings. page 245 et seq.

Business combinations GRI 2-4

Business combinations are accounted for 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, 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 balance sheet 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 Group holdings 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 taxes are 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 over 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 perpetual annuity is not recognised.

Acquired **intangible assets** are recognised 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 recognised at production costs 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 cost. These costs only include costs 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 book value. 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 more than twelve months and leases where the asset underlying the lease agreement is of low value (less than €5 thousand). Such agreements are recorded 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 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 whereas withdrawals and other changes in equity increase or decrease the carrying amount of the investment. Interests accounted for using the equity method are then impaired if their recoverable amount falls below their book value.

Other investments include investments and securities that fall exclusively in the valuation category "Affecting profit and loss at the fair value". They are measured at their fair value.

Other investments 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. Instone Real Estate 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.

Long-term loans which are recognised in financial liabilities are carried at amortised cost. Interest-bearing loans at normal market rates are recognised at their face value.

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 valued at acquisition and production costs. The acquisition and production costs include the full 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 balance sheet 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.

Receivables and liabilities from individually negotiated customer contracts are listed 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 a 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. 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 right of withdrawal up to a marketing quota of 30% of the residential units of a construction phase so that revenue recognition of the revenue at a period in 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 receivables and liabilities from contract assets, the advance payments received from customers against the contracts concluded are netted with the receivables from the performance of the contract. In principle, 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 balance sheet. 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 Instone Real Estate. Consequently, they are classified as current assets or liabilities, even if the realisation of the entire construction contract takes more than one year.

In principle, the contracts with customers in the Instone Group do not provide for redemption obligations and guarantees beyond the statutory framework.

Government grants are recognised at their fair value at the time there is reasonable assurance that the conditions of the grant will be complied with and the grant will be issued. In the balance sheet, receivables from these grants are shown within other receivables. The grants are reported as current assets, as the receipt and use of the grants are linked to the contract assets and inventories, which are also reported as current assets. Liabilities from government grants are shown under other liabilities. The grants are collected in accordance with the progress of construction and recognised as income in the income statement in the periods in which the corresponding expenses to be compensated by the government grant are recognised as expenses. Government grants are recognised in the Instone Group as income subsidies from KfW funding programmes. This is reported in the income statement under other operating income.

Liquid funds (cash and cash equivalents) are in the form of cash and bank balances. 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 ancillary costs. If these shares are reissued, the difference between the acquisition cost and the issue price is transferred to the capital reserves in the case of additional income, and offset against retained earnings in the case of lower income. The acquisition costs are determined using the average cost method as a consumption sequence 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" (guideline 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 financial 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 reported in equity, are not recognised in profit or loss and are not reported in the consolidated income statement. In subsequent years they are also not shown in the profits and losses.

Instone Real Estate 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 Group. In this context, the amount that appears most likely is used, taking into account the individual case.

Share-based payments are recognised in accordance with IFRS 2. This provision covers the long-term cash-settled share-based payment programmes and the issuance of employee shares. Obligations from long-term share-based incentive plans are measured at their fair value and reported within personnel provisions.

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. On addition to the Group, they are carried as liability at the present value of the repayment amount through other comprehensive income. Subsequent measurement is through profit and loss.

Income tax liabilities include obligations to pay actual income taxes. 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 balance sheet.

Earnings per share are calculated by dividing the net consolidated earnings 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 Group's accounting policies, 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, 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

Operating segment reporting in accordance with IFRS 8 is based on the management approach and thus corresponds to the management and reporting system that Instone Real Estate uses for its segments. Instone Real Estate operates in only one business segment and one geographical segment and generates revenue and holds assets mainly in Germany. In the 2022 financial year, the Instone Group achieved from the revenues of one customer 16.38% (previous year: 18.58%) of the total reported revenues. This corresponded to €92,978 thousand. (previous year: €137,933 thousand). Due to the homogeneity of the services provided to this customer and the other customers, only one business segment continues to be presented.

However, the internal reporting for the single business segment differs from the figures in IFRS accounting. In its internal reporting, Instone Real Estate focuses in particular on the development of housing projects. For this reason, Instone Real Estate conducts segment reporting for this one business 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 and financial key performance indicators, supplemented by an examination of key project milestones and liquidity development.

Instone Real Estate manages its segment through the adjusted results of operations using key performance indicators adjusted revenue, adjusted gross profit and adjusted earnings after interest and tax.

Adjusted revenue

The performance of the business segment is reported via adjusted revenue on the basis of period-related revenue or revenue recognised at a point in time in accordance with 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 and share deals.

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, income from investments and other earnings, 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. From the 2020 financial year onwards, 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 commercially conceived as asset management companies and constitute one major project in Frankfurt am Main. Instone Real Estate 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 revenues of €49,562 thousand (previous year: €45,070 thousand), project costs of 50,640 thousand (previous year: €– 36,895 thousand) and income taxes of €185 thousand (previous year: €– 131 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 the 2019 financial year, as at 31 December 2022 inventories and contract assets still included write-ups of €17,098 thousand (previous year: €31,358 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: €3,932 thousand (previous year: €–2,707 thousand) to revenue, €– 10,328 thousand (previous year: €14,362 thousand) to changes in inventories and €– 4,512 thousand (previous year: €–4,061 thousand) to income taxes. Based on current estimates, the Instone Group expects these effects to expire in 2025.

Reclassifications and non-recurring effects

In this financial year, indirect selling expenses of €2,811 thousand (previous year: €1,985 thousand) were allocated to project costs. Other operating expenses in the amount of €2,066 thousand were adjusted as a non-recurring effect. 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 €10,176 thousand (previous year: €574 thousand) was reclassified in project costs. The adjustment of the capitalised interest in the changes in inventories of €3,231 thousand (previous year: €–3,980 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 2022 TABLE 063

In thousands of euro

	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**

Reconciliation of adjusted results of operations in 2021

TABLE 064

In thousands of euro

	Adjusted results of operations	Share deal effects	Non-recurring effects	Reclassifications	Effects from PPA	Reported results of operations
Revenue	**783,604**	**– 45,070**	**0**	**0**	**2,707**	**741,242**
Project costs	**– 562,095**	**36,895**	**0**	**– 2,570**	**– 14,362**	**– 542,132**
Cost of materials	– 609,485	0	0	1,411	0	– 608,074
Changes in inventories	47,389	36,895	0	– 3,980	– 14,362	65,942
Gross profit	**221,509**	**– 8,174**	**0**	**– 2,570**	**– 11,655**	**199,110**
Platform costs	**– 80,470**	**0**	**0**	**– 1,411**	**0**	**– 81,881**
Staff costs	– 50,024	0	0	0	0	– 50,024
Other operating income	2,671	0	0	574	0	3,245
Other operating expenses	– 28,499	0	0	– 1,985	0	– 30,483
Depreciation and amortisation	– 4,619	0	0	0	0	– 4,619
Share of results of joint ventures	14,627	0	0	0	0	14,627
EBIT	**155,666**	**– 8,174**	**0**	**– 3,980**	**– 11,655**	**131,856**
Other results from investments	94	0	0	0	0	94
Financial result	– 19,285	0	0	3,980	0	– 15,305
EBT	**136,475**	**– 8,174**	**0**	**0**	**– 11,655**	**116,645**
Tax	– 39,562	131	0	0	4,061	– 35,370
EAT	**96,913**	**– 8,043**	**0**	**0**	**– 7,595**	**81,275**

Notes to the consolidated income statement

1 Revenue

Revenue is spread across the following regions:

Revenue by region TABLE 065

In thousands of euro

	2022	2021
Germany	567,377	741,167
Rest of Europe	137	74
	567,513	**741,242**

The composition of revenue by revenue type is shown in the following table:

Revenue by revenue type TABLE 066

In thousands of euro

	2022	2021
Revenue from building contracts		
Revenue recognised over time	558,948	671,894
Revenue recognised at a point in time	1,286	63,247
	560,234	**735,142**
Income from leases	6,997	5,854
Other services	282	246
	567,513	**741,242**

The total amount of unfulfilled or partly unfulfilled performance obligations as at the balance sheet date is €788,589 thousand (previous year: €1,070,644 thousand).

The cycle of contract assets and contract liabilities is – like the construction term – an average of three years (previous year: three years).

2 Other operating income

Other operating income is broken down as follows:

Other operating income TABLE 067

In thousands of euro

	2022	2021
Income from government grants	7,313	574
Income from the reversal of provisions	6,026	1,909
Income from released liabilities	3,880	0
Remaining other operating income	676	762
	17,894	**3,245**

Other operating income includes €7,313 thousand (previous year: €574 thousand) in public subsidies received. There are no unfulfilled conditions or other contingencies related to these grants. Other remaining other income mainly includes cost allocations to subcontractors and items that are not included elsewhere. Income from released liabilities results from expenses accrued in the previous year that are no longer likely to occur in the financial year.

3 Cost of materials

Cost of materials GRI 201-1 TABLE 068

In thousands of euro

	2022	2021
Cost of raw materials, consumables and supplies	– 66,784	– 229,067
Expenses for purchased services	– 484,385	– 379,007
	– 551,170	**– 608,074**

4 Staff costs

Staff costs GRI 201-1 — TABLE 069

In thousands of euro

	2022	2021
Wages and salaries	–42,109	–44,063
Social security contributions and expenses for pensions	–6,561	–5,960
	–48,670	**–50,024**

The contributions paid by the employer to the state-administered pension fund in the financial year amounted to €2,871 thousand (previous year: €2,473 thousand).

Pension expenses amounted to €333 thousand (previous year: €484 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[1] — TABLE 070

Number (average)

	2022	2021
Germany		
Berlin	31	28
Essen	115	103
Frankfurt a. M.	62	56
Hamburg	30	26
Cologne	85	67
Leipzig	38	39
Munich	17	18
Nuremberg	32	26
Stuttgart	34	29
	444	**392**
Rest of Europe		
Austria	0	1
Luxembourg	0	0
	0	**1**
	444	**393**

[1] Previous year was adjusted. Does not include apprentices, interns or student trainees.

5 Other operating expenses

Other operating expenses are broken down as follows:

Other operating expenses GRI 201-1 — TABLE 071

In thousands of euro

	2022	2021
Consulting/analysis expenses	–8,404	–4,190
Other taxes	–3,025	–2,454
Other distribution costs	–2,811	–1,985
Costs for EDP and IT	–2,733	–2,377
Court costs, attorneys' and notaries' fees	–2,378	–3,144
Leasing expenses including ancillary costs	–1,540	–1,890
Travel costs	–1,362	–827
Insurances	–1,243	–1,304
Change in warranty and other provisions	–2,061	–4,449
Warranty costs	–1,181	–1,529
Restructuring and adjustment costs	–640	–597
Hospitality costs	–637	–177
Supervisory Board bonuses	–602	–495
Auditing expenses	–606	–1,011
Costs of postal/payment transactions, telecommunications costs	–468	–386
Further education expenses	–460	–287
Sundry other operating expenses	–1,460	–3,380
	–31,611	**–30,483**

Other operating expenses include, among other things, recruitment costs, hospitality 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 of the leasing assets is divided into the following classes: Real estate €2,110 thousand (previous year: €2,038), passenger cars €1,075 thousand (previous year: €986 thousand), and other €204 thousand (previous year: €443 thousand).

Depreciation and amortisation — TABLE 072

In thousands of euro

	2022	2021
Right of use assets	–3,388	–3,467
Property, plant and equipment	–873	–1,009
Intangible assets	–519	–143
	–4,780	**–4,619**

7 Results from investments

The income from at-equity consolidated investments and other investment income resulted as follows:

Results from investments — TABLE 073

In thousands of euro

	2022	2021
Share of results of joint ventures recognised at equity		
beeboard GmbH	– 130	– 24
FHP Friedenauer Höhe Dritte GmbH & Co. KG	– 43	4,996
FHP Friedenauer Höhe Erste GmbH & Co. KG	1,722	– 115
FHP Friedenauer Höhe Sechste GmbH & Co. KG	– 107	7,925
FHP Friedenauer Höhe Vierte GmbH & Co. KG	1,513	1,678
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG	– 50	438
Twelve GmbH & Co. KG	1,098	0
Wohnpark Gießener Straße GmbH & Co. KG	– 167	41
Wohnpark Heusenstamm GmbH & Co. KG	14	– 310
	3,851	**14,627**
Other results from investments		
Change in net assets attributable to non-controlling interests	– 13	2
Other income from investments	3	92
	– 10	**94**

8 Financial result

Financial result — TABLE 074

In thousands of euro

	2022	2021
Finance income		
Interest and similar income	2,208	1,285
	2,208	**1,285**
Finance costs		
Interest and similar expenses	– 21,254	– 16,620
of which interest expenses from leases	– 313	– 311
Interest shares in allocations to provisions	– 129	– 123
of which, net interest expenses from pension obligations	– 101	– 53
	– 21,384	**– 16,743**
Other financial result		
Income from long-term securities	40	153
	40	**153**

The financial 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 €2,208 thousand (previous year: €1,285 was reported for financial instruments that were not recognised at fair value in profit or loss; interest expenses for these financial instruments amounted to €–20,942 thousand (previous year: €– 16,192 thousand).

The net interest expense from pension obligations of €– 101 thousand (previous year: €– 53 thousand) includes the interest calculated annually on the net present value of the pension obligations in the amount of €– 267 thousand (previous year: €– 182 thousand). These amounts are recognised in interest income from plan assets amounting to €166 thousand (previous year: €129 thousand). GRI 201-3

9 Income taxes

Income taxes TABLE 075

In thousands of euro

	2022	2021
Current income tax		
German trade tax	–8,322	–6,522
Corporation tax	–7,091	–8,253
	–15,413	**–14,775**
Deferred tax		
Deferred tax	–2,248	–20,595
	–17,661	**–35,370**

The change in deferred tax liabilities recognised in other comprehensive income was €1,490 thousand (previous year: €286 thousand). The change in current tax liabilities recognised in other comprehensive income was €86 thousand (previous year: €0 thousand).

For temporary differences in the amount of €7,976 thousand (previous year: €8,763 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 TABLE 076

In thousands of euro

	2022	2021
Earnings before tax	**57,432**	**116,645**
Theoretical tax expenses 31.640% (previous year: 31.744%)	18,172	37,028
Deviation from the expected Group tax rate	–348	–2,297
Tax effect from changes in tax rates	–433	381
Initial recognition of deferred tax assets not previously applied to loss carryforwards and interest carryforwards	0	39
Use of loss and interest carryforwards, for which no deferred taxes have previously been capitalised	–101	–1
Income taxes from other periods	–832	–1,630
Non-tax-deductible expenses and permanent differences	590	725
Trade tax additions and reductions	330	1,127
Changes in value and non-recognition of deferred taxes	284	0
Other effects	0	–1
Effective tax expenses	**17,661**	**35,370**
Effective tax rate	30.75%	30.32%

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 31.640% (previous year: 31.744%) has been used as the expected tax rate.

10 Earnings per share

Earnings per share TABLE 077

	2022	2021
Net result for the shareholders of Instone Real Estate Group SE (in thousands of euros)	40,586	83,051
Weighted average number of shares (in units)	45,890,036	46,988,336
Basic and diluted earnings per share (in €)	0.88	1.77

Basic and diluted earnings per share are calculated by dividing the proportion of net consolidated profit attributable to Instone shareholders by the weighted average number of outstanding shares. The repurchase of treasury shares and the issuance of employee shares in the 2022 financial year 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.

Goodwill — TABLE 078

In thousands of euro

	2022	2021
Acquisition costs as at 1 January	**6,056**	**6,056**
Changes	0	0
As of 31 December	**6,056**	**6,056**

The discount rates for the cash-generating unit Bavaria North, which are used as part of the impairment tests, are 8.85% after taxes (previous year: 7.3%) and before tax at 12.92% (previous year: 10.65%).

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 €877 thousand (previous year: €1,327 thousand) capitalised development costs, the production of which had already been completed as at the balance sheet date, and €63 thousand (previous year: €120 thousand) concessions and industrial property rights. No development costs were capitalised in the 2022 financial year (previous year: €558 thousand).

Intangible assets — TABLE 079

In thousands of euro

	2022	2021
Acquisition costs as at 1 January	**1,714**	**1,056**
Additions	12	658
As of 31 December	**1,725**	**1,714**
Accumulated depreciation as at 1 January	**267**	**124**
Additions	519	143
As of 31 December	**786**	**267**
	940	**1,446**

13 Right of use assets

The right of use assets recognised relate to real estate, heritable building rights on project development land, 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 plant, property and office equipment are leased in the Instone Group.

Right of use assets — TABLE 080

In thousands of euro

	2022	2021
Acquisition costs as at 1 January	**15,132**	**14,495**
Additions	4,742	2,880
Disposals	– 691	– 2,243
As of 31 December	**19,183**	**15,132**
Accumulated depreciation as at 1 January	**5,756**	**3,961**
Additions	3,388	3,467
Disposals	– 572	– 1,672
As of 31 December	**8,572**	**5,756**
	10,611	**9,376**

Leasing payments in the amount of €140 thousand (previous year: €94 thousand) from short-term leases and €3 thousand (previous year: €18 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 €4,990 thousand (previous year: €6,904 thousand), heritable building rights on project development land €3,031 thousand (previous year: €0 thousand), passenger cars €2,259 thousand (previous year: €2,204 thousand) and other €332 thousand (previous year: €268 thousand).

14 Property, plant and equipment

The development of property, plant and equipment is as follows:

Property, plant and equipment — TABLE 081

In thousands of euro

	2022	2021
Acquisition costs as at 1 January	**4,325**	**3,804**
Additions	324	1,084
Disposals	– 24	– 564
As of 31 December	**4,625**	**4,325**
Accumulated depreciation as at 1 January	**2,051**	**1,531**
Additions	873	1,009
Disposals	– 20	– 489
As of 31 December	**2,904**	**2,051**
	1,721	**2,274**

15 Interests in joint ventures

The summarised financial information about joint ventures is presented below.

Material joint ventures TABLE 082

In thousands of euro

Financial information on material joint ventures	31/12/2022	31/12/2022 FHP Friedenauer Höhe Erste GmbH & Co. KG	31/12/2022 FHP Friedenauer Höhe Dritte GmbH & Co. KG	31/12/2022 FHP Friedenauer Höhe Sechste GmbH & Co. KG	31/12/2022 FHP Friedenauer Höhe Vierte GmbH & Co. KG	31/12/2022 Wohnpark Heusenstamm GmbH & Co. KG	31/12/2022 Twelve GmbH & Co. KG
Non-current assets	3,732	0	0	0	0	3,705	28
Current assets	320,901	32,439	19,636	30,872	100,924	222	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	24,098	6,963	10,966	68,097	0	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**	**3,519**	**11,350**	**17,715**	**10,444**	**3,344**	**26,818**
Revenue	65,416	11,836	3,566	5,878	41,730	206	2,200
Depreciation and amortisation	–33	0	0	0	0	–33	0
Interest income	–1,772	756	–935	–1,593	0	0	0
Interest expenses	–5,776	–216	–216	–347	–2,979	–7	–2,011
Income taxes	–425	–345	150	259	–900	412	0
Profit for the year/ total comprehensive income	**8,442**	**3,141**	**–380**	**–688**	**4,044**	**133**	**2,192**
Derivation of the financial information presented on the equity carrying amount in the consolidated financial statements							
Group earnings shares		54.38%	51.62%	51.62%	40.52%	50.10%	50.10%
Carrying amount at the beginning of the financial year	29,938	946	6,702	10,791	3,511	4,104	3,883
Additions in the financial year	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**

Material joint ventures TABLE 083

In thousands of euro

	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021
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**
Non-current assets	3,828	136	0	0	0	3,692
Current assets	202,490	23,662	41,357	67,538	64,225	5,708
of which cash and cash equivalents	5,282	20	17	34	5,012	198
Non-current liabilities	128,125	21,325	27,004	44,352	34,675	769
of which financial liabilities (excluding trade payables)	121,858	21,042	25,012	41,130	34,675	0
Current liabilities	25,384	820	1,028	1,733	21,365	438
of which financial liabilities (excluding trade payables)	1,206	28	34	56	1,090	0
Net assets	**52,809**	**1,654**	**13,325**	**21,454**	**8,185**	**8,191**
Revenue	156,402	0	39,327	63,578	53,498	0
Interest income	1,372	48	480	844	0	0
Interest expenses	–1,556	–249	–302	–491	–512	–3
Income taxes	–6,425	–65	–1,771	–2,844	–975	–769
Profit for the year/ total comprehensive income	**28,777**	**–202**	**9,932**	**15,756**	**3,911**	**–619**
Derivation of the financial information presented on the equity carrying amount in the consolidated financial statements						
Owners of the Company		57.20%	50.30%	50.30%	42.90%	50.10%
Carrying amount on acquisition	10,382	1,061	1,707	2,866	1,834	2,914
Additions in the financial year	1,500	0	0	0	0	1,500
Pro rata profit for the year	14,173	–115	4,996	7,925	1,678	–310
Carrying amount at the end of the financial year	**26,055**	**946**	**6,702**	**10,791**	**3,511**	**4,104**

Immaterial joint ventures and associates — TABLE 084

In thousands of euro

	31/12/2022	31/12/2021
Net assets		
Assets	4,152	16,696
Liabilities	– 680	– 7,606
	3,473	**9,090**
Earnings		
Revenue	9	0
Profit for the year	– 404	809

16 Other investments

Other financial assets are broken down as shown below:

Other investments — TABLE 085

In thousands of euro

	31/12/2022	31/12/2021
Subsidiaries not included in the consolidated financial statements		
Real Estate Company CSC Kirchberg S.à r.l.	31	31
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
	233	**233**
Other investments		
Parkhausfonds Objekt Flensburg GmbH & Co. KG	0	149
CONTUR Wohnbauentwicklung GmbH	51	36
Projektverwaltungsgesellschaft SEVERINS WOHNEN mbH	30	25
formart Wilma Verwaltungsgesellschaft mbH	13	13
FHP Friedenauer Höhe Verwaltungs GmbH	14	14
	107	**236**
	340	**469**

17 Inventories

Inventories — TABLE 086

In thousands of euro

	31/12/2022	31/12/2021
Work-in-progress	967,197	843,647
Finished goods	56	56
	967,253	**843,703**

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 €131,059 thousand (previous year: €94,460 thousand).

Borrowing costs in the amount of €13,685 thousand (previous year: €10,456 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 €847,523 thousand (previous year: €620,413 thousand) can only be realised after more than twelve months.

The inventories were subject to impairment of €12,216 thousand (previous year: €6,844 thousand) and reversals of impairment losses of €1,770 thousand (previous year: €0 thousand).

18 Financial receivables

The financial receivables are as follows:

Financial receivables TABLE 087

In thousands of euro

	31/12/2022	31/12/2021
Non-current		
Loans to joint ventures/other investments	18,978	16,991
Other loans	15	589
	18,993	**17,580**
Current		
Loans to joint ventures/other investments	60	30
Other loans	35	15
Financial receivables from joint ventures/other investments	105	1
Short-term deposits	0	20,000
Other financial receivables	463	0
	663	**20,046**
	19,656	**37,626**

Current financial receivables decreased as at the balance sheet date, mainly due to the scheduled repayment of term deposits.

19 Contract assets

The structure of contract assets is composed as follows:

Contract assets TABLE 088

In thousands of euro

	31/12/2022	31/12/2021
Contract assets	847,923	858,648
Payments received	– 519,638	– 506,601
	328,284	**352,047**
Receivables from costs to obtain a contract	5,301	5,970
	333,585	**358,017**

The change in contract assets is due to the reduction in fulfilment of the underlying contracts with customers, with a simultaneous temporary increase in advance payments received from customers.

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 €2,013 thousand (previous year: €3,853 thousand) offsets the fulfilment of the underlying contracts with customers.

20 Trade receivables

The trade receivables are as follows:

Trade receivables TABLE 089

In thousands of euro

	31/12/2022	31/12/2021
Trade receivables	2,778	48,202
	2,778	**48,202**

The reduction in trade receivables is mainly due to agreed payments for property sales in December 2021.

21 Other receivables and other assets

The following table shows other current and non-current receivables and other assets:

Other receivables and other assets[1] TABLE 090

In thousands of euro

	31/12/2022	31/12/2021
Non-current		
Other receivables and other assets	311	5
	311	**5**
Current		
Receivables from government grants	86,675	30,348
Upfront payments on land	42,416	6,732
Receivable tax exemption Hochtief Solutions AG	1,235	1,229
Processing fees for loans	1,208	239
Deposits given	937	640
Other tax assets	926	104
Insurance premiums	432	0
Receivables from advance outlays for joint ventures	0	7,524
Other receivables and other assets	119	1,170
	133,949	**47,988**

[1] Previous year was adjusted. Other non-current assets added.

It is expected that, other than receivables from government grants and security deposits, no other receivables or other assets can be realised after more than twelve months.

22 Income tax assets

Income tax assets TABLE 091

In thousands of euro

	31/12/2022	31/12/2021
Receivables from domestic and foreign tax authorities during the ordinary course of business	710	1,639
	710	**1,639**

23 Cash and cash equivalents

Cash and cash equivalents TABLE 092

In thousands of euro

	31/12/2022	31/12/2021
Bank balances	255,584	130,964
Cash	8	5
	255,592	**130,969**
of which, restricted	12,600	7,840

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 at 31 December 2022 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 arithmetical value of the shares is €1.00.

In September 2020, the registered capital was increased by €10,000,000 through the issue of 10,000,000 shares as part of a capital increase with subscription rights in return for cash contributions. The subscription price per share was €18.20. All shares are fully entitled to dividends from 1 January 2020. The transaction costs less the tax effect in connection with this capital increase amounted to €5,643 thousand and were offset against the capital reserves.

The Annual General Meeting decided on 29 June 2018 to create an authorised capital. The Management Board is authorized to increase the registered capital of the Company by up to €18,450 thousand in the period until 28 June 2023 through the issue of up to 18,450,000 new shares. In connection with the capital increase in the 2020 financial year, the authorised capital was used through the issue of 10,000,000 no-par-value shares, so that the authorised capital amounted to €8,450,000.00 as at 31 December 2022. This corresponds to 8,450,000 no-par-value shares. On 9 June 2021, the Annual General Meeting decided to create additional authorised capital. In addition, the Management

Board is authorised to increase the registered capital of the Company by up to €8,000 thousand in the period until 8 June 2026 through the issue of up to 8,000,000 new shares.

The Management Board was authorised by the Annual General Meeting with effect from 31 August 2021, with the consent of the Supervisory Board, to grant warrants or convertible bonds on up to 4,698,833 new shares in the Company (conditional capital) on one or more occasions until 8 June 2026.

The 2019 Annual General Meeting authorised the Management Board to buy back up to 10% of the registered capital at the time, corresponding to 3,698,833 shares, until 12 June 2024. The Management Board, with the consent of the Supervisory Board, resolved on 10 February 2022 to acquire up to 2,349,416 shares and on 25 October 2022 to acquire a further up to 1,349,417 shares. A total of 3,187,090 treasury shares were acquired in the financial year at prices between €6.05 and €18.86.

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 preferential conditions in the fourth quarter of the 2022 financial year. The shareswere taken from the holdings of treasury shares at an average cost of €11.23. The issue price for the shares was €8.48. These shares are subject to a vesting period of twelve months. Expenses amounting to €91 thousand were incurred in connection with the employee share programme and are recognised directly within equity.

As at the balance sheet date of 31 December 2022, treasury shares amounted to 3,154,018 shares (previous year: 0 shares). This corresponds to 6.71% of the registered capital.

The capital reserves amount to €358,983 thousand as at 31 December 2022 (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 €0.62 per no-par value share entitled to dividends was paid, with a distribution amount of €28,750 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 €3,220 thousand (previous year: €616 thousand).

The income tax effects recognised directly in equity can be broken down as follows:

Non-controlling interests

Equity TABLE 093

In thousands of euro

	31/12/2022	31/12/2021
Amount before income taxes	4,710	902
Income taxes	– 1,490	– 286
	3,220	**616**

The non-controlling interests of €–753 thousand (previous year: €61 thousand Euro) mainly related to KORE GmbH and the project at Sonnenberg Wiesbaden GmbH. 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 €– 814 thousand (previous year: €– 1,776 thousand).

25 Provisions for pensions and similar obligations

The existing pension plans of Instone Real Estate 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 old-age provision at Instone Real Estate 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 Instone Real Estate are as follows:

Liabilities from defined benefit plans TABLE 094

In thousands of euro

	31/12/2022	31/12/2021
Active employees, not dependent on remuneration	3,816	6,873
Vested claims	3,636	5,853
Ongoing pensions	1,267	1,495
	8,720	**14,221**

The average remaining time in service of the eligible active employees was 13.23 years as at the balance sheet date (previous year: 14.05 years).

The pension obligations within the scope of employee stock option programs are financed by the purchase of interests in mutual funds. The obligations financed by Helaba Pension Trust e.V. account for approx. 93.2% (previous year: approx. 65.5%) of the entire insurance coverage; overall, the coverage is 98.5% (previous year: 69.1%). 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 095

In thousands of euro

	31/12/2022	31/12/2021
Pension obligations covered by funds	8,021	13,377
Deferred Compensation covered by funds	698	845
	8,720	**14,221**
Fair value of the fund assets	– 8,592	– 9,823
	128	**4,398**

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 096

In thousands of euro

	2022	2021
Defined benefit obligation cash value on 1 January	**14,221**	**14,172**
Current service cost	405	544
Interest expense	267	182
Actuarial gains (–)/actuarial losses (+) due to changes in financial assumptions	– 6,105	– 650
Actuarial gains (–)/actuarial losses (+) due to changes in other assumptions	1	33
Pension payments	– 70	– 60
Defined benefit obligation cash value as at 31 December	**8,720**	**14,221**

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 097

In thousands of euro

	2022	2021
Plan assets 1 January	**9,823**	**9,454**
Interest income from plan assets	154	122
Income from plan assets not included in net interest income	–1,386	247
Plan assets as at 31 December	**8,592**	**9,823**

Composition of plan assets TABLE 098

In thousands of euro

	31/12/2022	31/12/2021
Listing in an active market		
CTA[1] assets	8,125	9,320
DC[2] assets	465	502
Current euro balances	2	1
	8,592	**9,823**

[1] CTA = Contractual Trust Arrangement
[2] DC = Deferred Compensation

Factors TABLE 099

In %

	31/12/2022	31/12/2021
Discount factor	4.25	1.58
Salary growth rates	3.00	3.00
Pension adjustment: Commitments with adjustment guarantee	1.00	1.00
Pension adjustment: Other commitments	2.25	1.85

Sensitivity analysis

The pension obligations of Instone Real Estate 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. Instone Real Estate therefore bears the risk arising from the general capital market interest rates with regard to determining benefits. Pension obligations decreased significantly in the financial year due to the general increase in interest rates on 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; there are only a small number of other existing pension plan obligations; so there is little inflation risk during the retirement phase with regard to long-term 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 Instone Real Estate 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 100

In thousands of euro

	31/12/2022		31/12/2021	
	Increase	**Decrease**	Increase	Decrease
Discount factor +0.50%/–0.50%	– 760	870	– 1,568	1,845
Pension growth rate +0.25%/–0.25%	146	– 138	258	– 245
Life expectancy +1.00 year/–1.00 year	217	– 225	495	– 500

Expenses related to defined benefit pension plan obligations are as follows:

→ The current service cost for the following financial year is €405 thousand (previous year: €574 thousand).

→ The contributions to defined contribution plans are expected to rise in financial year 2023 by the same proportion as in financial year 2022.

26 Other provisions

The other provisions are divided as follows:

Other provisions TABLE 101

In thousands of euro

	31/12/2022	31/12/2021
Non-current		
Personnel provisions	3,336	6,101
Remaining other provisions	6	40
	3,342	**6,140**
Current		
Personnel provisions	1,023	2,169
Warranty obligations	9,553	9,302
Provisions for impending losses	4,514	4,538
Tax provisions	1,101	1,158
Litigation risks	2,648	3,387
Remaining other provisions	3,089	3,496
	21,929	**24,050**
	25,270	**30,190**

The short-term and long-term provisions relating to employees primarily relate to provisions for special payments on the basis of a long-term incentive system and 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 102

In thousands of euro

	31/12/2022	01/01/2022	Allocation	Liquidation	Consumption
Personnel provisions	4,358	8,270	1,421	–3,038	–2,294
Warranty obligations	9,553	9,302	1,167	–714	–201
Provisions for impending losses	4,514	4,538	592	0	–616
Litigation risks	2,648	3,387	972	–1,382	–328
Tax provisions	1,101	1,158	0	0	–57
Remaining other provisions	3,095	3,536	2,200	–892	–1,750
	25,270	**30,190**	**6,352**	**–6,026**	**–5,247**

The personnel provisions include commitments to the employees in connection with long-term incentive plans. These plans are cash-settled share-based payments within the meaning of IFRS 2. Provisions of €3,512 thousand (previous year: €7,307 thousand) were recognised for these long-term incentive plans. In the 2022 financial year, expenses in the amount of €0 thousand (previous year: €397 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 four years). The interest rates, which are mostly variable, range from 1.24% to 3.00% (previous year: between 1.25% and 3.00%) plus EURIBOR and between 1.95% and 4.50% under fixed-income contracts (previous year: between 1.95% and 4.00%). The increase resulted essentially from the take-up of corporate finance and project financing for ongoing projects in the amount of €252,594 thousand, which was offset by repayments in the amount of €123,253 thousand.

In accordance with the Group's policy, Instone Group's loans from banks are not the subject of contractual assurances and are instead secured by land charges.

Financial liabilities TABLE 103

In thousands of euro

	31/12/2022	31/12/2021
Non-current		
To financial institutions from project financing	109,844	76,695
To financial institutions from corporate financing	15,427	27,868
Loans from third parties	148,910	99,439
Liabilities to minority shareholders	17,844	16,942
	292,025	**220,943**
Current		
To financial institutions from project financing	213,224	97,335
To financial institutions from corporate financing	13,158	70,535
Loans from third parties	2,196	1,674
Liabilities to minority shareholders	45	62
	228,622	**169,606**
	520,647	**390,550**

Financial liabilities 2022 TABLE 104

In thousands of euro

	31/12/2022	01/01/2022	Cash flow from financing activities	Non-cash changes: Neutral offsetting	Non-cash changes: Deferred interest	Non-cash changes: 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**

Financial liabilities 2021 TABLE 105

In thousands of euro

	31/12/2021	31/12/2020	Cash flow from financing activities	Non-cash changes: Neutral offsetting	Non-cash changes: Deferred interest	Non-cash changes: Amortisation from the valuation using the effective interest method
Loans from banks	272,433	380,943	– 110,606	0	895	1,201
Loans from third parties	101,113	100,713	224	– 11	0	187
Liabilities to minority shareholders	17,004	45	16,610	62	287	0
	390,550	**481,701**	**– 93,772**	**51**	**1,182**	**1,388**

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 €1,364 thousand (previous year: €891 thousand).

There are tax loss carryforwards from our companies, for which no deferred taxes have been recognised: in Luxembourg in the amount of €18,585 thousand (previous year: €18,991 thousand) and in Austria €31,702 thousand (previous year: €31,684 thousand).

In principle, these losses carried forward 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 106

In thousands of euro

	31/12/2022		31/12/2021	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Non-current assets	1,041	17,570	563	16,064
Current assets	136,339	181,392	119,101	157,004
	137,379	**198,962**	**119,664**	**173,068**
Non-current liabilities				
Pension provisions	784	16	2,644	0
Other provisions	963	0	1,289	0
Other non-current debts	851	479	0	476
	2,597	**495**	**3,932**	**476**
Current liabilities				
Other provisions	1,070	6,697	1,089	5,589
Other current debts	16,516	9	10,069	1
	17,586	**6,706**	**11,158**	**5,590**
	157,563	**206,162**	**134,755**	**179,134**
Loss carryforwards	1,364	0	891	0
Gross amount	**158,927**	**206,162**	**135,645**	**179,134**
Offset	–155,849	–155,849	–133,504	–133,504
	3,078	**50,314**	**2,142**	**45,630**

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 €1,490 thousand (previous year: €286 thousand).

29 Liabilities from net assets attributable to non-controlling interests

Liabilities from net assets attributable to non-controlling interests of €18 thousand (previous year: €5 thousand) related to non-controlling interests of Projekt Wilhelmstraße Wiesbaden GmbH & Co. KG.

30 Leasing liabilities

Leasing liabilities — TABLE 107

In thousands of euro

	31/12/2022	31/12/2021
Due in up to one year	3,581	3,193
Due in one to five years	4,206	6,052
Due in over five years	3,153	422
	10,939	**9,667**

Instone Real Estate has concluded long-term contracts for commercial real estate and company vehicles as a tenant/lessee. The carrying amounts of the leasing liabilities as at 31 December 2022 amounted to €3,581 thousand (previous year: €3,193 thousand) of current liabilities and €7,359 thousand (previous year: €6,474 thousand) of non-current liabilities.

31 Contract liabilities

Contract liabilities — TABLE 108

In thousands of euro

	31/12/2022	31/12/2021
Payments received	129,465	44,390
Contract assets	–103,587	–32,723
	25,878	**11,667**

The cycle of contract liabilities is – analogous to the project term – an average of three years.

In contrast to contract liabilities in the amount of €11,667 thousand as at 1 January 2022, €11,667 thousand in revenue was generated in the financial year through contract fulfilment.

32 Trade payables

Trade payables — TABLE 109

In thousands of euro

	31/12/2022	31/12/2021
Trade payables	150,450	125,112
	150,450	**125,112**

33 Other liabilities

Other liabilities — TABLE 110

In thousands of euro

	31/12/2022	31/12/2021
current		
Advance payments received on inventories	302,456	241,402
Liabilities from government grants	79,816	29,774
Liabilities from bonuses	6,718	13,248
Liabilities to employees	534	495
Liabilities from other taxes	432	559
Liabilities from social security contributions	379	39
Performance liability from advance rental payments	1,090	0
Sundry other liabilities	2,133	6,921
	393,559	**292,439**

34 Income tax liabilities

Income tax liabilities TABLE 111

In thousands of euro

	31/12/2022	31/12/2021
Liabilities towards domestic and foreign tax authorities as part of the ordinary course of business	30,175	20,153
	30,175	**20,153**

Notes to 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 when determining the cash flow from operations.

As at 31 December 2022, cash and cash equivalents consisted entirely of liquid funds of €255,592 thousand (previous year: €130,969 thousand), of which €12,600 thousand (previous year: €7,840 thousand) was subject to restrictions on disposal.

The total cash outflows for leases amounted to €4,060 thousand, (previous year: €3,734 thousand), of which with a repayment share of €3,747 thousand (previous year: €3,423 thousand) and interest share of €313 thousand (previous year: €311 thousand).

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:

Relationships with joint ventures GRI 2-15

Relationships with joint ventures/ other investments TABLE 112

In thousands of euro

	31/12/2022	31/12/2021
Receivables		
FHP Friedenauer Höhe Dritte GmbH & Co. KG	2,694	4,718
FHP Friedenauer Höhe Erste GmbH & Co. KG	11,526	3,807
FHP Friedenauer Höhe Sechste GmbH & Co. KG	4,266	7,954
FHP Friedenauer Höhe Vierte GmbH & Co. KG	524	513
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG	42	0
Twelve GmbH & Co. KG	28	7,524
Wohnpark Heusenstamm GmbH & Co. KG	63	31
	19,143	**24,546**
Liabilities		
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG	0	400
	0	**400**

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 residual maturities of between three and five years. The receivables from Twelve GmbH & Co. KG consist of an advance on costs and have a residual term of up to one year.

Relationships with related persons

There were no material transactions between Instone Real Estate Group SE, Essen, Germany or a Group company and persons from the Management Board 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 2022 was comprised of 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 long-term 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 performance 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. Any LTI bonus depends on the achievement of company-related financial targets and non-financial ESG targets and share price performance, taking into account distributions during the performance period. The contractually agreed base amount – a starting amount determined individually for each member of the Management Board on which the calculation is based – is based on the average volume-weighted Instone share price over the last three months prior to the start of the performance period. After the end of the performance period, the Supervisory Board determines whether the targets have been achieved. The overall payout factor is determined by taking into account the weighting of the individual targets. The total amount paid out 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 of the management board — TABLE 113

In thousands of euro

	31/12/2022	31/12/2021
Benefits due in the short term		
Fixed remuneration	1,401	1,254
Variable remuneration	33	936
Benefits after the end of the employment relationship		
Pension expenses	– 584	43
Expenses for share-based remuneration components due in the long term with cash settlement		
Variable remuneration	– 199	441
Total emoluments	**652**	**2,675**
Liability recognised as of 31 December for share-based remuneration components due in the long term with cash settlement	**2,267**	**3,179**

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

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

Transactions with members of the Supervisory Board

No reportable transactions took place with members of the Supervisory Board in the 2022 financial year.

Members of the Management Board

The Management Board is comprised of the following three members:

Kruno Crepulja

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

Dr Foruhar Madjlessi

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

Andreas Gräf

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

Members of the Supervisory Board GRI 2-11, 2-15

Stefan Brendgen, independent management consultant

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

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

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

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

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

→ LEG Immobilien SE (member of the Supervisory Board)

Dietmar P. Binkowska, independent management consultant

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

→ Kathrein SE (member of the Supervisory Board)

Thomas Hegel, lawyer and independent consultant

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

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

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

Ms Jansen is not a member of any other statutory supervisory boards of comparable domestic or foreign supervisory bodies of commercial enterprises in addition to her 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 Prof. Dr Holger Reichmann since 2020.

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 114

In thousands of euro

	31/12/2022	31/12/2021
Annual audit	337	1,065
of which relating to previous years[1]	– 282	273
Other confirmation services	272	147
	609	**1,213**

[1] In the 2022 financial year, income from the reversal of provisions amounted to €282 thousand. million.

In addition to the audit of the annual and consolidated financial statements, the auditors mainly conducted an audit review pursuant to IDW PS 900, which are reported within the audit services. In addition, the auditor provided other assurance services; these are audits pursuant to Section 16 MaBV, as well as agreed investigative actions (covenant reporting) in accordance with ISRS 4400 and agreed investigative actions in accordance with ISAE 3000.

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 disclosure and audit of its annual financial statements and the preparation and audit of a management report. Instone Real Estate Leipzig GmbH, with its registered office in Leipzig and registered in the Commercial Register of the Leipzig District Court under HRB 31977, complies with the requirements set out in Section 264(3) HGB and waives disclosure and auditing of its annual financial statements as at 31 December 2022.

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 balance sheet. The maximum loss or default risk equals the sum of the financial assets. Any risk identified for financial assets is recognised at its impairment charge.

Risk management

All of Instone Real Estate'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 loan, the fixed term loan and the syndicated loan. The covenants include compliance with the debt ratio, the interest rate, equity and loan to value. The potential financial risks resulting from the contractual conditions were not considered to be material as at the balance sheet date 31 December 2022. 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

Instone Real Estate 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 Group. The tables are recorded on the basis of the non-discounted cash flows of the financial liabilities with the date which the 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 at 31 December 2022 includes promissory note loans issued in 2019 (nominal value: €28,000 thousand), 2020 (nominal value: €100,000 thousand) and 2022 (nominal value: €50,000 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 2022

TABLE 115

In thousands of euro

	Carrying amount 31/12/2022	Cash outflows		
		2023	2024-2026	> 2026
Financial liabilities	520,647	250,333	211,771	110,484
Trade payables	150,450	148,632	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	**402,569**	**216,343**	**120,729**

Maturity analysis of financial liabilities in 2021

TABLE 116

In thousands of euro

	Carrying amount 31/12/2021	Cash outflows		
		2022	2023-2025	> 2025
Financial liabilities	390,550	176,143	238,949	0
Trade payables	125,112	125,112	0	0
Liabilities from net assets attributable to non-controlling interests	5	0	0	5
Leasing liabilities	9,667	3,530	6,461	433
	525,334	**304,785**	**245,409**	**438**

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 117

In thousands of euro

	31/12/2022	31/12/2021
Cash and cash equivalents	255,592	130,969
of which cash	8	5
of which, restricted	12,600	7,840
Credit line - unused amount	483,089	223,730
	738,682	**354,698**

Control of default risks

Instone Real Estate is subject to certain default risks due to its operating activities and specific financing activities.

At Instone Real Estate, 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. Instone Real Estate 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 balance sheet. However, the de facto default risk is lower, as collateral has been provided in favour of Instone Real Estate. The maximum risk from financial guarantees is equal to the maximum amount that Instone Real Estate would have to pay. The maximum default risk from loan commitments is equal to the amount of the commitment. At the time of reporting, we consider a recourse to these financial guarantees and loan commitments to be very unlikely.

Instone Real Estate accepts collateral to secure the fulfilment of the contract by subcontractors, the warranty obligations of the subcontractors and fee claims. These securities include, but are not limited to, warranty guarantees, contract performance guarantees, advance payments and payment guarantees. Instone Real Estate has corresponding guidelines for the acceptance of collateral. This includes, 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, Instone Real Estate checks the creditworthiness of the guaranteeing party for all accepted collateral. Instone Real Estate commissions external professionals (such as rating agencies) to assess their creditworthiness as far 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 2022 financial year are based on additions, disposals and utilisations and amount to €966 thousand (previous year: €112 meaning that, as at 31 December 2022, there is an impairment loss on trade receivables of €849 thousand.

Impairments pursuant to ifrs 9 in 2022 TABLE 118

In thousands of euro

	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 book value)	3,627	1,322	460	34	39	1,772
Impairment provisions	– 849	– 13	– 5	0	0	– 831
Trade receivables (net book value)	**2,778**	**1,309**	**455**	**34**	**39**	**941**

Impairments pursuant to ifrs 9 in 2021 TABLE 119

In thousands of euro

	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 book value)	50,018	46,876	358	160	27	2,597
Impairment provisions	– 1,815	– 469	– 4	– 2	0	– 1,341
Trade receivables (net book value)	**48,202**	**46,407**	**354**	**158**	**27**	**1,256**

Control of interest rate risks

The interest rate risk of Instone Real Estate 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 on 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 shown at their 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 Group 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 higher or lower consolidated earnings after tax of €– 1,742 thousand or €910 thousand (previous year: €– 1,268 thousand or €1,138 thousand).

Control of the capital risk

Instone Real Estate manages its capital with the aim of ensuring that all Group companies continue to operate on a going concern basis. The 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 balance sheet 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 2022 — TABLE 120

In thousands of euro

	Carrying amount 31/12/2022	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	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	18	18	0	0
Trade payables	150,450	0	150,450	0
Other liabilities	393,559	0	393,559	0
	1,090,553	**18**	**1,064,656**	**25,878**

Carrying amounts of financial instruments in 2021 TABLE 121

In thousands of euro

	Carrying amount 31/12/2021	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	17,580	0[1]	17,580[1]	0
Current	20,046	0	20,046	0
	37,626	**0**	**37,626**	**0**
Other investments	469	469	0	0
Contract assets	358,017	0	0	358,017
Trade receivables	48,202	0	48,202	0
Other receivables and other assets	47,993	0	47,993	0
Cash and cash equivalents	130,969	0	130,969	0
	623,276	**469**	**264,790**	**358,017**
EQUITY AND LIABILITIES				
Financial liabilities				
Financial liabilities				
non-current	220,943	0	220,943	0
Current	169,606	0	169,606	0
	390,550	**0**	**390,550**	**0**
Contract liabilities	11,667	0	0	11,667
Liabilities from net assets attributable to non-controlling interests	5	5	0	0
Trade payables	125,112	0	125,112	0
Other liabilities	292,439	0	292,439	0
	819,773	**5**	**808,100**	**11,667**

[1] Previous year was 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 is less than the carrying amount by €–17,493 thousand as at 31 December 2022 (31 December 2021: €12,654 . Non-current fixed-interest liabilities fall under fair value, income hierarchy level 2. 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 cost. Their fair value differs from the carrying amount by €–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 122

In thousands of euro

	31/12/2022	31/12/2021
Assets at amortised cost	3,576	2,376
Liabilities at amortised cost	– 20,793	– 16,335
	– 17,217	**– 13,960**

[1] Previous year was adjusted.

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 due to impairment of trade receivables amounted to €– 976 thousand in the financial year (previous year: €– 93 thousand).

Declaration of Conformity with the German Corporate Governance Code

In December 2022, 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 compliance was made permanently publicly available to the shareholders by a link on the Company's website under the ↗ Instone Declaration of Compliance.

Other financial obligations

As at 31 December 2022, there was €143 thousand (previous year: €10 thousand) in other financial obligations. The non-current obligations arising from rentals and leases are reported separately in the balance sheet in accordance with IFRS 16.

Appropriation of earnings

The Management Board proposes to use the net profit of Instone Real Estate Group SE in the amount of €25,199,641.16 to pay a total dividend of €15,162,901.25. This corresponds to a dividend of €0.35 for each no-par share carrying dividend rights. The remaining net profit, including the amount attributable to no-par value shares not carrying dividend rights, will be carried forward to new account.

Events after the balance sheet date

There were no events of particular significance to report after the balance sheet date on 31 December 2022.

Disclosures on preparation and approval

The Management Board of Instone Real Estate Group SE has prepared the consolidated financial statements on 9 March 2023 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, Germany, 9 March 2023

The Management Board

Kruno Crepulja — Dr Foruhar Madjlessi — Andreas Gräf

List of shareholdings (Appendix to the Notes to the consolidated financial statements)

List of shareholdings as at 31/12/2022 GRI 102-45

TABLE 123

	Share of capital in %	Equity in thousands of euro	Earnings in thousands of euro
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., Luxemburg, Luxemburg	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, Erlangen, 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 at 31/12/2022 GRI 102-45

TABLE 123

	Share of capital in %	Equity in thousands of euro	Earnings in thousands of euro
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 participations			
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 am Main, Germany	50.0	43	– 1
Real Estate Company 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 am Main, 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.

List of shareholdings as at 31/12/2021

TABLE 124

	Share of capital in %	Equity in thousands of euro	Earnings in thousands of euro
I. Subsidiaries included in the consolidated financial statements			
BEYOUTOPE GmbH, Hannover, Germany[1]	0.02	256	2
Durst-Bau GmbH, Vienna, Austria	100.0	397	– 115
formart Immobilien GmbH, Essen, Germany[2]	100.0	701	0
formart Luxemburg S.à r.l., Luxemburg, Luxemburg	100.0	715	2
Gartenhöfe GmbH, Leipzig, Germany	100.0	6,110	160
Instone Real Estate Development GmbH, Essen, Germany[3]	100.0	153,986	0
Instone Real Estate Landmark GmbH, Leipzig, Germany	100.0	3,552	4,784
Instone Real Estate Leipzig GmbH, Leipzig, Germany	100.0	35,423	– 117
Instone Real Estate Projekt MarinaBricks GmbH, Erlangen, Germany	100.0	1,225	1,544
Instone Real Estate Projekt Rosenheim GmbH & Co. KG, Erlangen, Germany	100.0	– 765	– 709
Instone Real Estate Projektbeteiligungs GmbH, Erlangen, Germany	100.0	1,062	1,005
KORE GmbH, Dortmund, Germany	85.0	6,322	76
Nyoo Real Estate GmbH (formerly: Instone Real Estate Property GmbH), Essen, Germany[3]	100.0	25	0
Projekt am Sonnenberg Wiesbaden GmbH (formerly: Instone Real Estate Erste Projektbeteiligungs GmbH & Co. KG, Essen, Germany	51.0	– 87	– 575
Projekt Wilhelmstraße Wiesbaden GmbH & Co. KG, Frankfurt am Main, Germany	70.0	18	– 7
Westville 1 GmbH, Essen, Germany	100.0	160	– 10
Westville 2 GmbH, Essen, Germany	99.9	14	– 11
Westville 3 GmbH, Essen, Germany	99.9	15	– 10
Westville 4 GmbH, Essen, Germany	99.9	15	– 10
Westville 5 GmbH, Essen, Germany	99.9	14	– 11

Our company

To our shareholders

Combined management report

Consolidated financial statements

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated statement of financial position

Consolidated statement of cash flows

Consolidated statement of changes in equity

Notes to the consolidated financial statements

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Other information

List of shareholdings as at 31/12/2021 TABLE 124

	Share of capital in %	Equity in thousands of euro	Earnings in thousands of euro
II. Interests in joint ventures			
beeboard GmbH (formerly: coreGRID GmbH), Cologne, Germany	33.3	898	–73
FHP Friedenauer Höhe Dritte GmbH & Co. KG, Berlin, Germany	50.0	–410	9
FHP Friedenauer Höhe Erste GmbH & Co. KG, Berlin, Germany	50.0	–418	–89
FHP Friedenauer Höhe Sechste GmbH & Co. KG, Berlin, Germany	50.0	–1,430	–4
FHP Friedenauer Höhe Vierte GmbH & Co. KG, Berlin, Germany	50.0	–2,995	4,418
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG, Frankfurt am Main, Germany	50.0	901	876
Twelve GmbH & Co. KG, Stuttgart, Germany	50.1	7,750	0
Wohnpark Gießener Straße GmbH & Co. KG, Frankfurt am Main, Germany	50.0	31	6
Wohnpark Heusenstamm GmbH & Co. KG, Essen, Germany	50.1	3,577	45
III. Other participations			
CONTUR Wohnbauentwicklung GmbH, Cologne, Germany	50.0	14	–17
FHP Friedenauer Höhe Verwaltungs GmbH, Berlin, Germany	50.0	27	4
formart Wilma Verwaltungsgesellschaft mbH, Frankfurt am Main, Germany	50.0	44	–2
Real Estate Company CSC Kirchberg S.à r.l., Luxembourg, Luxembourg	100.0	79	6
Instone Real Estate Projektverwaltungs GmbH, Essen, Germany	100.0	–7	–13
Kleyer Beteiligungsgesellschaft mbH, Frankfurt am Main, Germany	100.0	131	–14
Parkhausfonds Objekt Flensburg GmbH & Co. KG, Stuttgart, Germany[4]	6.0	2,979	122
Project Wilhelmstraße Wiesbaden Verwaltung GmbH, Cologne, Germany	70.0	1	0
Projektverwaltungsgesellschaft SEVERINS WOHNEN mbH, Cologne, Germany	50.0	18	–17
TG Potsdam Projektentwickklungsgesellchaft mbH, Munich, Germany[5]	10.0	–712	–236
Twelve Verwaltungs GmbH, Stuttgart, Germany	50.1	24	–1
Uferpalais Verwaltungsgesellschaft mbH, Essen, Germany	70.0	0	1
Westville Vermietungs GmbH (formerly: Instone Real Estate Erste Projekt GmbH), Essen, Germany	100.0	22	–1
Wohnpark Heusenstamm Verwaltungs GmbH, Essen, Germany	50.1	24	–1

[1] Annual financial statements 31/12/2019.
[2] Profit and loss transfer agreement with Instone Real Estate Development GmbH.
[3] Profit and loss transfer agreement with Instone Real Estate Group SE.
[4] Balance sheet date 30/06/2020.
[5] Annual financial statements 31/12/2020.

TRANSLATION
– German version prevails –

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 statement of financial position as at 31 December 2022, and the consolidated statement of profit and loss, consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January 2022 to 31 December 2022, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report on the parent and the Group of Instone Real Estate Group SE, Essen/Germany, for the financial year from 1 January 2022 to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of the section “Sustainability report” and the content of the corporate governance statement pursuant to Sections 289f and 315d German Commercial Code (HGB) and further information on corporate governance included in section “Corporate Governance Statement” as well as the marking of text passages marked as unaudited with regard to the requirements of the General Reporting Initiative (GRI) and the Task Force on Climate Related Financial Disclosures (TCFD) with the respective GRI or TCFD symbol of the combined management report.

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

→ the accompanying 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) German Commercial Code (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 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, 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 content of the section “Sustainability report” and the content of the corporate governance statement pursuant to Sections 289f and 315d German Commercial Code (HGB) and further information on corporate governance included in section “Corporate Governance Statement” as well as the marking of text passages marked as unaudited with regard to the requirements of the General Reporting Initiative (GRI) and the Task Force on Climate Related Financial Disclosures (TCFD) with the respective GRI or TCFD symbol.

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

Basis of the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation (No. 537/2014; referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the 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 2022. 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 key audit matter we have determined concerning revenue recognition over time as well as the measurement of contract assets and of inventories.

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

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

b. auditor's response.

Revenue Recognition Over Time Including Measurement of Contract Assets and Inventories

a. In the consolidated financial statements of Instone Real Estate Group SE, Essen/Germany, for the year ended 31 December 2022, contract assets of kEUR 333,585, inventories amounting to kEUR 967,253, and revenue totalling kEUR 560,234 from the development of residential and multi-family buildings, the design of urban districts, the restoration of historic objects as well as publicly funded construction (development activities) in Germany are reported. Applying the provisions under IFRS 15 on revenue recognition, revenue for units under development is recognised over time. In doing so, the service provided including the pro rata result is reported according to the degree of completion under revenue. Except for restoration objects, revenue for these matters is principally reported if a marketing progress of 30% has been reached for the relevant project. As of this point, the contractual right to withdraw granted to both parties ceases to exist. In the case of restoration objects, the revenue is reported with the start of the construction activity.

The amount of the revenue recognised from a given construction project and the valuation of contract assets or inventories depend on the following parameters:

→ the marketing progress,

→ the degree of completion and actual costs incurred as at the balance sheet date, and

→ the estimate of total revenue and total costs.

While the marketed part of the construction projects is reported under the item contract asset after netting with prepayments received or under contract liabilities, the non-marketed part of the construction projects is reported under inventories.

Revenue recognition and the measurement of contract assets and inventories is based to a substantial extent on estimates and assumptions made by the executive directors with respect to the total amount of costs, the accrual of costs as at the balance sheet date as well as the estimates of total revenue attributable to the respective project. The discretionary estimates made by the executive directors have a direct and, for the most part, significant effect on the amount of revenue recognised in the consolidated statement of profit and loss and the amount of the contract assets or inventories in the consolidated statement of financial position.

Against this background, we have determined this matter as a key audit matter.

Information on revenue recognition and on the measurement of contract assets and inventories is provided by the executive directors in section "Basis for the Consolidated Financial Statements" of the notes to the consolidated financial statements.

b. In auditing revenue, contract assets and inventories, we examined the accounting principles applied in accordance with the provisions under IFRS 15, involving internal IFRS Advisory specialists. Within the scope of our audit, we included the material processes from the acceptance of projects (acquisition of the property) through to project management (construction activity and sale of individual dwelling) as well as the monthly cost accrual procedure, and examined the appropriateness and effectiveness of relevant internal control procedures. Applying the risk-based sampling method, we performed on-site visits to projects and, on the basis of the latter, we assessed the estimates and assumptions made by the executive directors as at the balance sheet date. We assessed the accrual of costs using appropriate evidence based on random sampling. In addition, we examined the accrual postings as at the balance sheet date for plausibility. We assessed the anticipated total revenue and total costs by involving internal Real Estate Consulting specialists as well as their specialist and industry knowledge. We evaluated the relevant disclosures in the notes to the consolidated financial statements as to their completeness and accuracy.

Other Information

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

→ the report of the supervisory board, which is expected to be made available to us after the date of this auditor's report,

→ the section "Corporate Governance Statement" of the combined management report, which also includes the statement on corporate governance pursuant to Sections 289f and 315d German Commercial Code (HGB) and further information on corporate governance,

→ the marking of text passages marked as unaudited with regard to the requirements of the General Reporting Initiative (GRI) and the Task Force on Climate Related Financial Disclosures (TCFD) with the respective GRI or TCFD symbol,the section "Sustainability report" of the combined management report,

→ the executive directors' confirmation regarding the consolidated financial statements and the combined management report pursuant to Section 297 (2) Sentence 4 and Section 315 (1) Sentence 5 German Commercial Code (HGB), respectively, and

→ all the remaining parts of the annual report, which are expected to be made available to us after the date of this auditor's report,

→ with the exception of the audited consolidated financial statements and the audited disclosures included in the combined management report and our auditor's report.

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

Our audit opinions on the 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 mentioned above and, in so doing, to consider whether the other information

→ is materially inconsistent with the consolidated financial statements, with the audited disclosures included in 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) German Commercial Code (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 or error (i.e., fraudulent financial reporting and misappropriation of assets).

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's reliability 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 provide sufficient appropriate evidence for the assertions in the 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 German Commercial Code (HGB) and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

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

- identify and assess the risks of material misstatement of the 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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 the accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the 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) German Commercial Code (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 also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Audit of the Electronic Files of the 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 group management report (hereinafter referred to as "ESEF documents") prepared for publication, contained in the file, which has the SHA-256 value 414a19f55ebc6d1875307412f8066880960d761fa1f60aa43dda640c941dea7f 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 group 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 group 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 group management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Group Management Report" above, we do not express any assurance opinion on the information contained within these electronic reproductions or on any other information contained in the file identified above.

Basis for the Audit Opinion

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

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

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

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

Auditor's Responsibilities for the Audit of the ESEF Files

Our objectives are to obtain reasonable assurance about whether the ESEF files are free from material violations, whether due to fraud or error, against the requirements pursuant to Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the audit. We also

→ identify and assess the risks of material violations against the requirements pursuant to Section 328 (1) HGB, 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 opinion.

→ obtain an understanding of internal control relevant to the audit of the ESEF files 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 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 files enable a XHTML copy of the audited consolidated financial statements and of the audited combined management report whose content is identical with these documents.

→ 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 shareholders' general meeting on 9 June 2022. We were engaged by the supervisory board on 22 September 2022. We have been the group auditor of Instone Real Estate Group SE, Essen/Germany, 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 submitted for inclusion in the Company Register – are merely electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our audit opinion contained therein are to be used solely together with the audited ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

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

Düsseldorf/Germany, 10 March 2023

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

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

Signed: Michael Pfeiffer
Wirtschaftsprüfer
[German Public Auditor]

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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 2022 (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 2022.

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 2022 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 Section 315c in conjunction with Sections 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 the 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 of the Group 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 (fraudulent non-financial reporting) or error.

Some of the wording and terminology contained in the EU Taxonomy Regulation and the delegated acts adopted thereon are still subject to considerable interpretation uncertainty and have not yet been officially clarified. 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 reasonableness of this interpretation. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, the evaluation of the legal conformity is prone to uncertainty.

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 Audit Firm

We have complied with the German professional requirements on independence and other 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 IDW Quality Assurance Standard "Quality Assurance Requirements in Audit Practices" (IDW QS 1) promulgated by the Institut der Wirtschaftsprüfer (IDW) – and therefore maintains a comprehensive quality assurance 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 3000 (Revised): Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 (Revised)), 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 of the Company has not been prepared, in all material respects, in accordance with Section 315c in conjunction with Sections 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 the section "EU Taxonomy" of the consolidated non-financial statement.

The procedures performed in a limited assurance engagement are less in extent than in 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 October 2022 and March 2023, 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 and relevant personnel who have been involved in the preparation process, about the system of internal control relating to this process, as well as about disclosures in the non-financial reporting,
- → Identification of probable risks of material misstatements in the non-financial reporting,
- → Analytical evaluation of selected disclosures contained in the non-financial reporting,
- → Squaring of selected disclosures with the corresponding data in the consolidated financial statements and in the combined management report,
- → Evaluation of the presentation of the non-financial reporting, and
- → Evaluation of the process used to identify taxonomy-eligible and taxonomy-aligned economic activities and of the corresponding disclosures in the non-financial reporting.

The determination of the disclosures pursuant to Article 8 of the EU Taxonomy Regulation requires the executive directors to make interpretations of indefinite legal concepts. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, the legal conformity of the interpretation, and hence our related examination, is prone to uncertainty.

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 2022 does not comply, in all material respects, with Section 315c in conjunction with Sections 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 the 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 2022 that are not marked with the icon ("").

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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. Hence, this report should not be used by third parties as a basis for any (asset) decision.

We are liable solely to the Company. However, we do not accept or assume liability to third parties. Our conclusion was not modified in this respect.

Essen/Germany, 10 March 2023

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Prof. Dr. Holger Reichmann)
Wirtschaftsprüfer
(German Public Auditor)

(Sebastian Dingel)
Partner

Remuneration report GRI 2-19, 2-20, 2-21

This remuneration report explains the remuneration systems and remuneration for the Management Board and Supervisory Board of Instone Real Estate Group SE in accordance with the legal requirements and the recommendations of the German Corporate Governance Code (GCGC) in the version adopted on 27 June 2022. It also takes into account the requirements of German Accounting Standard No. 17 (Deutscher Rechnungslegungsstandard, GAS) and the German Commercial Code (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, which was approved by the Supervisory Board during this financial year, is based on the remuneration system which entered into force in connection with the successful initial public offering of the Company and the first listing on the Frankfurt Stock Exchange on 15 February 2018, and was based on the employment contracts of the members of the Management Board until 30 June 2021. On 9 June 2021, the Annual General Meeting of the Company approved the remuneration system described under Section I, which is valid from 1 July 2021, with 98.27% of votes cast in favour. The full remuneration system can be viewed at
↗ https://ir.de.instone.de/websites/instonereal/English/5930/remuneration.html.

The remuneration system is geared towards 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 for all newly concluded employment contracts with Management Board members and for contract extensions and amendments from 1 July 2021. Accordingly, the employment contracts of the members of the Management Board were re-drafted with effect from 1 July 2021 in accordance with the provisions and regulations of the new remuneration system. Remuneration claims prior to 1 July 2021, including those from variable remuneration, shall therefore continue to be based on the respective underlying contractual provisions at that time.

The main components of the remuneration system are as follows:

TABLE 125

Remuneration component	Components	Weighting/description
Non-performance-based emoluments (approx. 40% of the target remuneration)	Basic remuneration	Payable annually in 12 equal instalments at the end of each month
	Fringe benefits	Include, for example, use of a company car, premium for accident insurance and reimbursement of other expenses for Management Board activities
Performance-based emoluments – short-term incentive (STI) (approx. 25% of the target remuneration)	Financial target: EAT (adjusted)	37.5% of the STI bonus base amount, measured by the economic success in the underlying financial year
	Financial target: Volume of sales contracts	37.5% of the STI bonus base amount, measured by the performance in the underlying financial year
	Strategic and sustainability goals (quantity: two to four)	25% of the STI bonus base amount, measured on the basis of the target achievement in the underlying financial year
	Payout	Each year following the target approval 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 the target remuneration)	Performance share plan (financial targets and non-financial ESG target)	Virtual share tranche paid out after the end of a three-year performance period on the basis of the achievement of targets specified in advance by the Supervisory Board and presented below
	Financial target: Relative TSR (Instone share price development including distributions)	20% of the LTI bonus base amount measured by comparing the total shareholder return for Instone (Instone share price performance including distributions) during the three-year performance period to the performance of the SDAX (performance index)
	Financial target: Earnings per share (EPS target)	50% of the LTI bonus base amount, measured by the performance of the adjusted earnings per share over 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
	Payout	At the end of a total of three years in euros in the month following the approval of the annual financial statements, for each tranche based on the performance of the Instone share price during the three-year performance period, including distributions (total shareholder return method)
Caps/maximum remuneration	STI cap	200% of the STI bonus base amount
	Maximum LTI payout factor	300% of the LTI target achievement
	LTI cap	300% of the LTI bonus base amount
	Maximum remuneration	€3.1 million for the CEO €2.35 million each for other members of the Management Board
Share ownership guideline	Minimum holding of Instone shares by Management Board members	Obligation to hold Instone shares to the equivalent of a non-performance-based basic salary (gross) throughout the entire term of the contract. The equivalent value is measured according to the purchase price of the shares. If the share ownership obligation has not been met at the start of the contract term, it must be fulfilled during the term of the contract through corresponding purchases.
Malus/clawback regulations		Retention and/or clawback of variable remuneration components in the event of violation of statutory obligations or obligations set out in the employment contract or internal codes of conduct

A. Contribution of remuneration to the promotion of the business strategy and the long-term performance 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. The respective tasks and the personal performance of the individual members of the Management Board are further key criteria for determining the remuneration. The remuneration system sets competitive remuneration by comparison nationally and internationally which creates added value for customers, employees, shareholders and other stakeholders by setting performance criteria based on long-term and sustainable company success in particular, and combining them with challenging objectives. The key objectives set by the Supervisory Board for variable remuneration are in line with the corporate strategy and ensure that the remuneration of the Management Board and long-term corporate performance are aligned with the business planning.

B. Procedure to set and implement the remuneration of the Management Board and to review the remuneration system

Responsibility for creating the remuneration system and determining the specific total emoluments of the individual members of the Management Board and regularly reviewing 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 providing advice on the employment contracts of Management Board members and preparing relevant resolutions, as well as making preparations for setting the objectives 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 establishes a need for action, it decides on the necessary changes and the remuneration system is again submitted to the Annual General Meeting for approval if it is of material significance.

The Supervisory Board may use external consultants to perform its tasks, which it must ensure are independent of the Management Board and Instone Real Estate Group SE, and has done so also for the preparation of the current remuneration system. With regard to dealing with potential conflicts of interest in the Supervisory Board, the Rules of Procedure for the Supervisory Board contain corresponding regulations which provide, among other things, for the disclosure to the Chair of the Supervisory Board of potential conflicts of interest, as well as a ban on participation and voting in the case of identified conflicts of interest. These regulations also apply to remuneration matters.

The Annual General Meeting shall pass a resolution on the remuneration system in the case 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 no later than the next ordinary Annual General Meeting.

C. Setting and appropriateness of the remuneration

In line with the remuneration system, the Supervisory Board has set the amount of the target total remuneration and corresponding remuneration limits (caps) for each member of the Management Board. Remuneration is proportionate to the tasks and performance of the Management Board member and the position of the Instone Group, such that it does not exceed the usual remuneration without special grounds and is geared towards the long-term and sustainable performance of Instone Group. The appropriateness of the remuneration is reviewed regularly by the Supervisory Board. For this purpose, both external and internal comparative analyses are conducted.

Consideration of employee remuneration and employment conditions as well as peer group comparison

The internal analysis was carried out when the current remuneration system was being set up. This analysis was based on a vertical comparison of the employees' remuneration and employment conditions. The remuneration amounts for the members of the Management Board were set in relation to the remuneration levels of the senior management and the workforce as a whole. The delineation between these two employee groups was carried out by the Supervisory Board. Senior management comprises the managing directors of the subsidiaries; the total workforce consists of the full-time employees of the Instone Group in Germany (including senior management). The results of the vertical comparison are taken into account in determining the remuneration system and future adjustments to the remuneration level of the Management Board, including in terms of their development over time.

The Supervisory Board also carried out an external comparison analysis of the remuneration levels on the basis of two peer groups (sector and growth) to develop the remuneration system and assess the appropriateness of the remuneration conditions. The members of the sector group were selected on the basis of six criteria (company size; sector, i.e. direct competitors or companies in other industries with comparable characteristics, in particular, real estate; country; legal form; capital market orientation; and relevant labour market) under the premise of the greatest possible comparability with Instone Real Estate Group SE. Due to the significant growth of the Instone Group since the initial public offering, a second growth peer group has also been set up which is comparable with Instone Real Estate Group SE in terms of revenue 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 are regulated in the same way for all members of the Management Board, and are estimates as the amount of the fringe benefits as part of the non-performance-based remuneration may vary in particular:

TABLE 126

Annual target remuneration	100%
– of which, **non-performance-based** 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-based salary and benefits in kind, performance-based (variable) emoluments and – for two members of the Management Board – pension commitments agreed before their appointment to the Management Board, for which the allocations by the Company up to 2020 are expected to correspond to an annual retirement benefit from the age of 65 of between 3% and 5% of the current annual non-performance-based basic salary. Variable remuneration is determined on a multi-year assessment basis in order to create incentives for sustainable and long-term corporate development. The remuneration system explicitly stipulates that any positive and negative developments are taken into account. The Supervisory Board also sets a maximum amount (cap) for each variable remuneration component. The remuneration of the Management Board is heavily based on performance, with a particular focus on long-term variable remuneration.

For example, the STI bonus is approximately 62.5% of non-performance-based emoluments when the target is fully achieved and approximately 125% of non-performance-based emoluments for maximum target achievement. Due to its even greater weighting, the LTI bonus amounts to approximately 87.5% of non-performance-based emoluments if the target is achieved in full and approximately 262.5% of non-performance-based emoluments for maximum target achievement.

This remuneration generally applies to all activities performed for the Company and for the companies affiliated with the Company in accordance with Sections 15 et seq. of the German Stock Corporation Act (AktG). GRI 2-21

Non-performance-based emoluments

The members of Instone Real Estate Group SE's Management Board receive non-performance-related emoluments in the form of a fixed annual base 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 standard benefits and are taken into account 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 long-term incentive (**LTI**). Due to the structure of the components, the share of the LTI outweighs the share of the STI in the target remuneration.

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In the event that the Management Board member is not entitled to remuneration for the entire financial year underlying the calculation, these variable remuneration components will be reduced accordingly on a pro rata basis.

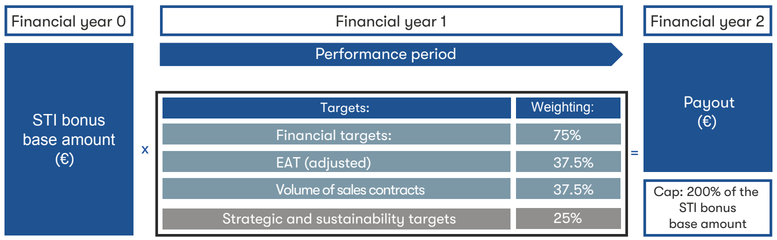
One-year variable remuneration (short term incentive, STI)

The one-year variable remuneration in the form of the STI is linked to

→ the economic results or performance of the Instone Group in the underlying financial year (*financial targets*) and

→ the *strategy and sustainability targets* set for the individual members of the Management Board.

Variable compensation – STI FIGURE 028



The financial targets laid down in the STI, which account for a total of 75% of the STI bonus base amount, consist of the adjusted earnings after tax (**EAT (adjusted)**) and the **volume of sales contracts**, and are weighted identically at 37.5% each. Both the EAT (adjusted) and the volume of sales contracts are financial and corporate governance key performance indicators of the Instone Group, and are part of the company forecast. Both financial targets are therefore essential for the Management Board's corporate strategy and the long-term performance of the Instone Group. From the Supervisory Board's point of view, the measurement of short-term variable remuneration using these financial and corporate governance key performance indicators appears appropriate in order to ensure that the Management Board is incentivised to implement the corporate strategy. The earnings-based key performance indicator EAT (adjusted) is also a benchmark for the dividend policy. The volume of sales contracts, which is a common key performance indicator for real estate, 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 business planning and forecast prepared by the Management Board and approved by the Supervisory Board and are uniformly re-set for the Management Board for each bonus year. EAT (adjusted) and volume of sales contracts are determined on the basis of the adjusted results of operations underlying the financial reporting of Instone Real Estate Group SE and explained in more detail in the annual report on page 127.

Linking the one-year variable remuneration with these Instone Group financial and corporate governance key performance indicators serves to ensure profitable and sustainable growth. In addition, by selecting these targets, incentives are set for the Management Board to act in accordance with the corporate strategy and the business planning approved by the Supervisory Board, or – in the best case – to outperform the forecast communicated to the capital market.

The **strategy and sustainability targets** relevant to the respective bonus year are determined individually by the Supervisory Board for each bonus year and for each member of the Management Board. The Supervisory Board generally defines two to four targets for each member of the Management Board which serve to implement the corporate strategy and the long-term corporate performance. The strategy and sustainability targets amount for 25% of the STI bonus. This allows the Supervisory Board to set central, although not necessarily financial, targets in the interests of the Company for the Management Board and to link them with the individual performance of the members of the Management Board. These targets may include, for example, the promotion and development of the new product line nyoo (affordable housing) or the creation of subsidised housing in addition to environmental issues, such as CO_2 reduction, customer and employee satisfaction, the value of investor sales or the optimisation of corporate finance. In order to ensure sufficient transparency and traceability for the achievement of the targets, the Supervisory Board shall ensure that targets are set in each case or criteria are set for the objectives, the achievement of which is set and measurable ideally using quantitative methods. The Supervisory Board may weight the strategy and sustainability targets set annually differently. 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 the relevant employment contract. The payment amount of this variable remuneration component is then determined according to the achievement of the objectives whose target and threshold achievement values for each performance period are determined by the Supervisory Board as follows:

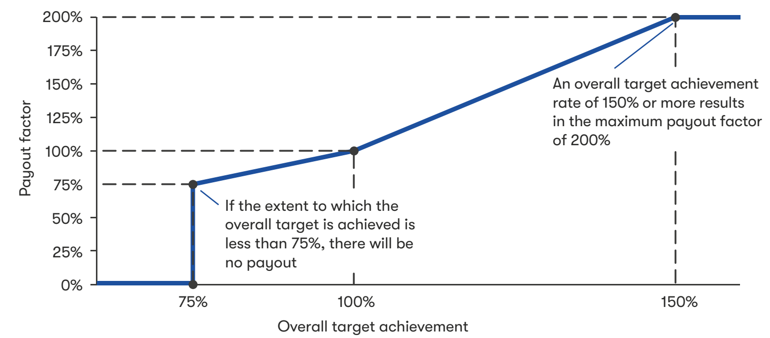
→ At the end of the respective bonus year (performance period), the Supervisory Board determines the achievement of the objectives for each individual target and transfers the achievement of the individual targets into an overall target achievement, taking into account the weighting of the respective individual targets. The maximum target achievement for each individual STI target is capped at 175%.

→ The overall target achievement is allocated to an STI payout factor in accordance with a bonus curve Figure 029. If the overall target achievement is less than 75% (**lower target limit**), there is no entitlement to a payment of the STI bonus. Due to the ambitious targets set, above-average performance of Management Board members is rewarded at an accordingly high rate: If the overall target achievement is 150% or more (**upper target limit**), the STI payout factor is 200%. The STI payout factor for an overall target achievement of between 100% and 150% is calculated according to this proportionality. With a total target achievement of between 75% and 100%, the STI payout factor has a linear correlation to the overall target achievement.

→ 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 not exceed 200% of the STI bonus base amount (**cap**). Payment is made in the month following the adoption of the audited annual financial statements of the Company.

The following is an example of the overall target achievement of the STI and the resulting STI payout factor:

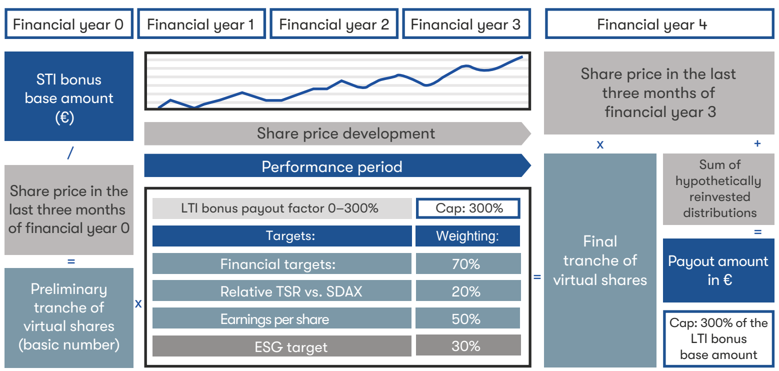
Bonus curve – overall target achievement FIGURE 029



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 on the basis of a share-based virtual performance share plan. Linking this to the price of Instone shares creates incentives for the Management Board to boost the long-term, sustainable performance of the Instone Group. In addition, it strengthens the balance of interests between shareholders and the Management Board.

Variable compensation – LTI FIGURE 030



The amount of any LTI bonus depends on

→ the amount of the LTI bonus base amount and the underlying average share price at the time of allocation of the virtual share tranche in financial year 0 (i.e. the financial year before the start of the three-year performance period),

→ the achievement of *financial targets* and a *non-financial ESG target* during a three-year performance period and

→ The *share price performance* (taking into account distributions) of Instone Real Estate Group SE during the three-year performance period.

The assessment period for the multi-year variable remuneration therefore totals three years.

The financial targets set in the LTI are the performance of the adjusted earnings per share (*EPS*) (**EPS target**) and the total shareholder return (share price performance, taking into account distributions) of Instone Real Estate Group SE compared to the SDAX (**relative TSR**), which account for a total of 70% of the LTI bonus base amount and are weighted at 50% and 20% respectively. Both financial targets are derived from the business planning and forecast prepared by the Management Board and approved by the Supervisory Board and are re-defined for the Management Board uniformly for each three-year performance period.

The **EPS target** has set a target that will be used to incentivise the Management Board to increase the long-term profitability of the Company based on to the multi-year performance period. This creates an incentive to manage the Company profitably and in a profit-oriented manner and, at the same time, to generate long-term, sustainable growth in the interests of shareholders. The EPS target is set in the form of an aggregated target price over the performance period. The EPS target is determined on the basis of the adjusted results of operations underlying the financial reporting of Instone Real Estate Group SE and explained in more detail in the annual report on page 127.

The **relative TSR** provides an incentive for the Management Board to achieve an above-average performance compared with other listed companies. The development of the share price also reflects the increase in value of the Company from a shareholder perspective. The Supervisory Board considers the SDAX, which consists of companies of a comparable size and on which the Instone share was listed until the end of the last financial year, to be an appropriate benchmark. Since the Instone share is no longer listed on the SDAX, in the event that the SDAX is significantly changed or other developments arise that mean that reference to the SDAX no longer seems appropriate, the Supervisory Board may select another suitable equity index as a benchmark with regard to the remuneration system.

The Supervisory Board also sets a non-financial **ESG target** (*Environmental, Social and Governance target*), which accounts for 30% of the LTI bonus base amount. The ESG target, which is set uniformly for each annually granted LTI tranche for all members of the Management Board, aims to promote the sustainable development of the Instone Group in accordance with the Company's ESG strategy. The Supervisory Board will set a target here that is in the interests of the Company's stakeholders and is geared towards meeting the long-term, three-year target. Measurement of the target achievement should ideally be quantifiable.

An LTI bonus base amount in euros is agreed for each member of the Management Board in the relevant employment contract. This is divided by the average volume-weighted Instone share price for the last three months of the financial year before the start of the performance period in order to determine a preliminary tranche of virtual shares allocated to the respective Management Board member (**base number**). The payment amount of this variable remuneration component is then determined according to the achievement of the objectives for which the Supervisory Board sets the target or the threshold values to be achieved for each performance period and the share price performance of the Instone share, as follows:

→ At the end of the three-year performance period, the Supervisory Board determined the achievement of each individual target.

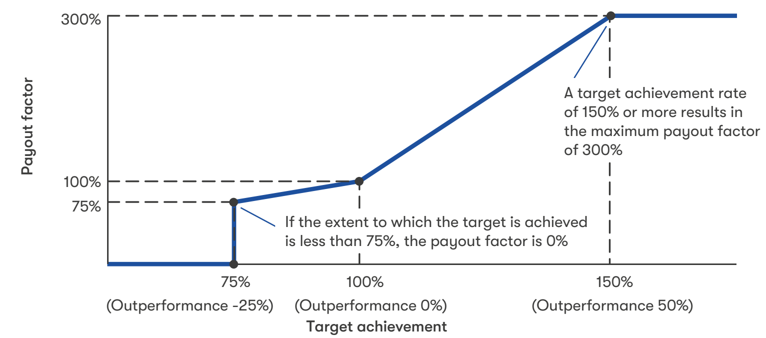
→ The target achievement for each individual target is assigned to an LTI payout factor according to a bonus curve Figure 031. Taking into account the respective weighting of the individual target, the individual LTI payout factors determined in this way form a total payout factor. Due to the ambitious targets set, above-average performance of Management Board members is rewarded at an accordingly high rate: If the target achievement of an individual target is 150% or more (**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 according to this proportionality. If the target achievement for an individual target is 100% or less, this corresponds (subject to and up to a **lower target limit** set by the Supervisory Board) to the LTI payout factor of the respective target achievement.

→ In order to determine the relative TSR, we calculate the ratio of the final Instone share price compared to the initial price. For smoothing purposes, the initial and final prices are based on the volume-weighted average of the closing prices of the Instone share on the Frankfurt Stock Exchange in Xetra (or a comparable successor system) during the last three months. Distributions, including dividend payments, are also taken into account in the final price, assuming that the re-investment in Instone shares is made during the performance period. For calculating the performance of the SDAX (as the performance index), the initial value used is the arithmetic mean of the closing values in the SDAX during the last three months before the start of the respective performance period and the final value used is the arithmetic mean of the closing values in the SDAX during the last three months of the respective three-year performance period. The target achievement for the relative TSR and the proportional LTI payout factor is 100% if, at the end of the performance period, the performance of the share price (including distributions, which include dividend payments, and assuming that the re-investment in Instone shares was made during the performance period) of the Instone share matches the performance 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 cancelled Figure 032.

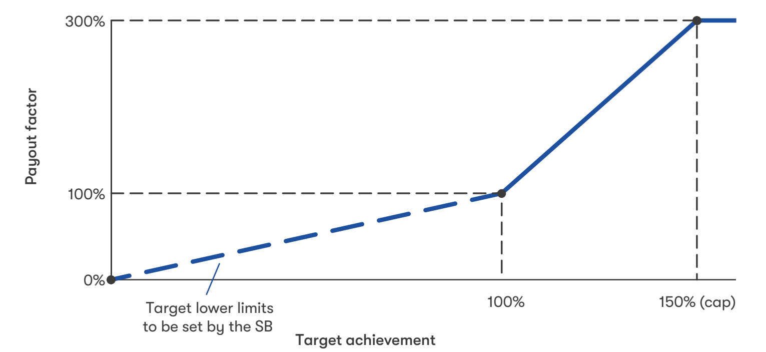
→ The basic number of virtual shares is multiplied by the total payout factor and the average volume-weighted share price during the last three months before the end of the last financial year of the performance period, taking into account distributions (including dividend payments) and assuming that the re-investment in Instone shares was made during the performance period (total shareholder return approach) in order to put the Management Board member in the same position as a real shareholder. Payment is made after the end of the performance period in the month following the approval of the audited annual financial statements of the Company.

The bonus curves for the relative TSR target (first illustration) and for determining the other LTI payout factors (EPS target and ESG target) (second illustration) are shown below:

Bonus curve – relative TSR FIGURE 031



Bonus curve – LTI payout factors FIGURE 032



In the event of the extraordinary performance of the share price, the Supervisory Board is entitled to take into account a reasonable longer period before the end of the respective bonus year to determine the average closing price. If capital measures lead to a reduction or an increase in the number of Instone shares (e.g. equity splits or mergers of shares), this effect is taken into account when determining the target achievement by means of suitable calculations and the effect is neutralised.

The amount paid out of the LTI bonus is overall limited to (capped at) the amount equal to 300% of the LTI bonus base amount (LTI cap).

Share ownership guideline

In order to strengthen long-term performance and boost the Management Board's investment in Instone Real Estate Group SE, the members of the Management Board are obliged, based on the share ownership guideline, to acquire shares in Instone Real Estate Group SE in the amount of a non-performance-based gross annual salary, which is to be done within a four-year build-up phase starting from their appointment to the Management Board. They are also obliged to hold shares in Instone Real Estate Group SE for the entire term of their Management Board employment contract. The equivalent value is measured according to the purchase price of the shares. Shares already held by a member of the Management Board count towards the required ownership quota.

If the respective member of the Management Board has acquired shares in the amount of a non-performance-based gross annual salary, this threshold may be undershot by up to 50% for a maximum period of six months.

In such cases, the Management Board member is obliged to top up the number of shares held to the amount of a non-performance-based gross annual salary within six months.

E. Establishing a maximum remuneration and temporary deviations from the remuneration system

Maximum remuneration

Pursuant to Section 87a (1) sentence 2 no. 1 AktG, the Supervisory Board has set a maximum limit for the total of all remuneration components, including fringe benefits and pension commitments. This amounted to €3.1 million for the CEO and €2.35 million for the other members of the Management Board. These maximum remuneration limits set by the Supervisory Board take into account the findings from the peer group analysis and the strongly performance- and growth-oriented structure of this Management Board remuneration system. They are intended to facilitate the further development of the Management Board remuneration on a market-oriented and company-specific basis in the interests of the Company.

Temporary deviations from the remuneration system

In exceptional cases, deviations from the remuneration system are possible for the Supervisory Board in accordance with the statutory provisions of Section 87a (2) sentence 2 AktG if extraordinary circumstances make such deviations necessary in the interests of the Company's long-term prosperity. 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 need for the deviation in the first place must also be explained to the shareholders in the remuneration report. The conditions described may give rise to a deviation in relation to, in particular, the performance criteria for variable remuneration, the proportions of the components of the target remuneration and extraordinary fringe benefits.

F. The Company's ability to claw back variable remuneration components

The employment contracts of the members of the Management Board contain provisions that provide the Supervisory Board with the discretion to withhold (malus) or reclaim (clawback) variable remuneration components in part or in full. A prerequisite for these regulations to apply is an at least grossly negligent and serious breach of statutory or contractual service obligations or of internal codes of conduct. In these cases, the Supervisory Board may, at its due discretion, reduce variable remuneration components that have not yet been paid out and may withhold or claw back variable remuneration components already paid out.

The aforementioned claims become statute-barred at the end of two years following the end of the assessment period for the respective variable remuneration component.

G. Remuneration-related legal transactions

Terms and conditions for termination of remuneration-related legal transactions

The term of the Management Board employment contracts runs in parallel to the appointment period of the respective member of the Management Board as decided by the Supervisory Board. Each employment contract has a fixed term and therefore does not contain any ordinary right of termination. The right to extraordinary termination remains unaffected.

Severance payments

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 (a so-called "bad leaver case"), this will result in the expiry of all rights arising from the LTI bonus attributable to a period before the expiry of the respective term of three years.

If the employment contract of a member of the Management Board is terminated before the end of the term of the LTI bonus and no other prerequisites for a "bad leaver case" exist (a so-called "good leaver case"), the entitlement to the LTI bonus from ongoing performance periods and, where applicable, for pending performance periods continues to exist on a pro rata basis.

Special termination rights were agreed with the members of the Management Board in the event of a change of control. The members of the Board of Management are entitled to a severance payment if, in addition to the change of control, the basis of the business is fundamentally impaired; in other words, if the terminating member of the Management Board is either withdrawn from his or her function, the Company is merged, all or substantial assets of the Company are transferred to third parties not belonging 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 member of the Management Board loses the independence granted by the German Stock Corporation Act or the SE Regulation, or if the decision-making powers of the terminating Management Board member are substantially impaired without objective reason. In addition, there are special termination rights for members of the Management Board in the event of a dismissal due to a vote of no confidence by the Annual General Meeting or in the event of a resignation for good cause.

If a special termination right is exercised, the terminating member of the Management Board is entitled to a severance payment in the amount of 1.5 the gross annual salary. This severance payment shall be reduced on a pro rata basis if the remaining term to the end of the employment contract is less than 1.5 years. Management Board members shall not be entitled to a severance payment if their board membership ends due to dismissal for good cause within the meaning of either Section 626 of the German Civil Code (BGB) or Section 84 (3) AktG and is not based on a vote of no confidence by the Annual General Meeting.

Variable remuneration components are also paid in the event of early termination of Management Board activities in accordance with the originally agreed assessment bases (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 in 2008 and 1987 respectively and thus significantly before the IPO and the appointment of the eligible Management Board members and will also continue to be executed.

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 and in accordance with the underlying old agreements. 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-based 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 recalculated annually using actuarial methods. The amount of the credited pension components decreases with the progressive duration of the pension agreements with otherwise unchanged fixed non-performance-based emoluments. GRI 201-3

II. Remuneration of the Management Board members in the 2022 financial year

The following part of the remuneration report discloses 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 2022 financial year.

Total remuneration

The total remuneration granted and owed to the members of the Management Board within the meaning of Section 162 (1) sentence 1 AktG for the 2022 financial year was €3,292 thousand. In accordance with the explanatory memorandum to Section 162 (1) AktG, the remuneration (inflows) granted and owed must be shown as amounts that became due during the period under review and have already been paid to the individual Management Board member or the due payment of which has not yet been made. The following overview shows the total remuneration according to these principles, broken down by remuneration component and presented in individualised form for the Management Board members for the 2022 financial year and the previous year. In addition, a long-term variable remuneration (LTI) granted in the financial year 2018 was paid out in the financial year 2022 to the former Management Board member Torsten Kracht who left the Management Board on 31 December 2019.

Remuneration pursuant to Section 162 (1) sentence 1 AktG TABLE 127

In thousands of euros

	Kruno Crepulja		Dr Foruhar Madjlessi		Andreas Gräf	
	CEO		CFO		COO	
	2022	2021	2022	2021	2022	2021
Non-performance-based emoluments	525	490	437	375	406	360
Fringe benefits[1]	29	25	5	9	15	11
Short-term variable remuneration (STI)	351	201	316	242	309	209
Long-term variable remuneration (LTI)[2]	446	0	0	0	268	0
Total	**1,351**	**716**	**758**	**626**	**997**	**580**
Maximum remuneration	3,100	3,100	2,350	2,350	2,350	2,350

[1] Excluding pension expenses. These are shown separately below.

[2] The long-term variable remuneration (2018–2022 LTI) will be paid out for the first time in the 2022 financial year after the expiry of the relevant vesting period from 1 January 2019 up to and including 31 December 2021.

As the overview shows, the maximum remuneration limit set by the Supervisory Board pursuant to Section 87a (1) sentence 2 no. 1 AktG for the members of the Management Board was not exceeded in the year under review. There were no claw-backs or retentions of variable remuneration nor any deviations from the remuneration system.

In the year under review, no advances were paid to members of the Management Board and no loans were made. In the 2022 financial year, the members of the Management Board did not receive any benefits from third parties with regard to their role on the Management Board, nor were any benefits promised to them. GRI 2-21

One-year variable remuneration (short term incentive, STI)

2021 STI – paid out in 2022

Table 128 below shows the weighting, agreed target values and actual value (insofar as these can both be quantified), the target achievement derived from this, the upper target limits and the corresponding STI bonus in euros for the STI targets (i) adjusted EAT, (ii) volume of sales contracts and (iii) strategy and

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sustainability targets for the short-term variable remuneration granted and owed for the 2022 financial year, i.e. the STI bonus earned for the 2021 financial year and paid out in April 2022. The short-term targets and respective target achievement rates (adjusted earnings before tax (EBT), (ii) adjusted ROCE and (iii) personal targets) applicable until the effective date of the current remuneration system on 1 July 2021 are also shown.

The STI for the 2021 financial year was paid out in April 2022 after the Company's audited annual financial statements were approved.

STI for the 2021 financial year – payout in 2022

TABLE 128

Management Board member	Target	Weighting	STI bonus base amount	Targets set for the 2021 financial year		Information on target achievement				STI bonus	
						Target upper limit		Target achievement			
		In %	In thousands of euros[1]	Value	In %	Value	In %	Value	In %	Payout factor (%)	In thousands of euros
Kruno Crepulja CEO	**STI (remuneration system up to 30 June 2021)[2]**										
	Adjusted earnings before tax (EBT)	52.8		€134.7 million	100			€136.5 million	101.3		
	Adjusted ROCE	27.2		18.3%	100			22.0%	119.8		
	Personal targets[3]	20.0		n/a	100			n/a	140.0		
	Total (for the period up to 30 June based on a pro-rata reduction of the STI bonus)	100.0	125		100	€187.5 thousand	150		114.1	114.1	142.6
	STI (remuneration system from 01/07/2021)										
	EAT (adjusted)	37.5		€95.2 million	100	€166.3 million	175	€96.9 million	101.8	103.6	
	Volume of sales contracts	37.5		€1,043.9 million	100	€1,827 million	175	€1,140.1 million	109.2	118.4	
	Strategy and sustainability targets[3]	25.0		n/a	100	n/a	175	n/a	140.0	180.0	
	Total (for the period from 1 July based on a pro-rata reduction of the STI bonus)	100.0	162.5		100	€325 thousand	150		114.1	128.3	208.4
	Total STI for the 2021 financial year		**287.5**								**351.0**

STI for the 2021 financial year – payout in 2022

TABLE 128

Management Board member	Target	Weighting	STI bonus base amount	Targets set for the 2021 financial year		Information on target achievement				STI bonus	
						Target upper limit		Target achievement			
		In %	In thousands of euros[1]	Value	In %	Value	In %	Value	In %	Payout factor (%)	In thousands of euros
Dr Foruhar Madjlessi	**STI (remuneration system up to 30 June 2021)[2]**										
CFO	Adjusted earnings before tax (EBT)	52.8		€134.7 million	100			€136.5 million	101.3		
	Adjusted ROCE	27.2		18.3%	100			22.0%	119.8		
	Personal targets[3]	20.0		n/a	100			n/a	140.0		
	Total (for the period up to 30 June based on a pro-rata reduction of the STI bonus)	100.0	150		100	€225 thousand	150		114.1	114.1	171.1
	STI (remuneration system from 01/07/2021)										
	EAT (adjusted)	37.5		€95.2 million	100	€166.3 million	175	€96.9 million	101.8	103.6	
	Volume of sales contracts	37.5		€1,043.9 million	100	€1,827 million	175	€1,140.1 million	109.2	118.4	
	Strategy and sustainability targets[3]	25.0		n/a	100	n/a	175	n/a	140.0	180.0	
	Total (for the period from 1 July based on a pro-rata reduction of the STI bonus)	100.0	120		100	€240 thousand	150		114.1	128.3	144.9
	Total STI for the 2021 financial year		**270**								**316.0**

STI for the 2021 financial year – payout in 2022

TABLE 128

Management Board member	Target	Weighting	STI bonus base amount	Targets set for the 2021 financial year		Information on target achievement				STI bonus	
						Target upper limit		Target achievement			
		In %	In thousands of euros[1]	Value	In %	Value	In %	Value	In %	Payout factor (%)	In thousands of euros
Andreas Gräf	**STI (remuneration system up to 30 June 2021)[2]**										
COO	Adjusted earnings before tax (EBT)	52.8		€134.7 million	100			€136.5 million	101.3		
	Adjusted ROCE	27.2		18.3%	100			22.0%	119.8		
	Personal targets[3]	20.0		n/a	100			n/a	140.0		
	Total (for the period up to 30 June based on a pro-rata reduction of the STI bonus)	100.0	130		100	€195 thousand	150		114.1	114.1	148.3
	STI (remuneration system from 01/07/2021)										
	EAT (adjusted)	37.5		€95.2 million	100	€166.3 million	175	€96.9 million	101.8	103.6	
	Volume of sales contracts	37.5		€1,043.9 million	100	€1,827 million	175	€1,140.1 million	109.2	118.4	
	Strategy and sustainability targets[3]	25.0		n/a	100	n/a	175	n/a	140.0	180.0	
	Total (for the period from 1 July based on a pro-rata reduction of the STI bonus)	100.0	125		100	€250 thousand	150		114.1	128.3	160.3
	Total STI for the 2021 financial year		**255**								**308.6**

[1] The respective STI bonus base amounts and the STI bonuses achieved in euros already take into account the corresponding pro-rata reductions (50%) resulting from the updating of the remuneration system from 1 July 2021.

[2] There are no lower and upper target limits for the remuneration system STI at individual target level until 30 June 2021; these only become applicable in the overall assessment of target achievement according to the cumulated target achievement based on the individual targets.

[3] The achievement of the objectives under the personal targets and strategy and sustainability targets defined both quantitatively and qualitatively was assessed by way of an overall assessment and is therefore not presented individually for the defined targets (n/a).

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2022 STI – paid out in 2023

For the performance period of the 2022 financial year, the Supervisory Board determined the target achievement on March 13, 2023 and converted it into an overall target achievement rate, taking into account the weighting of the respective individual targets.

The table shows the weighting, the agreed target values and the actual value (insofar as these are quantifiable in each case), the resulting target achievement, the target upper limits and the payout factors (where applicable). Thereafter, the STI bonus will be cancelled due to the non-achievement of the target lower limit for the 2022 financial year.

STI for the 2022 financial year – payout in 2023

TABLE 129

Management 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 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	
	Strategic and sustainability targets[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		€95.0 million	100	€166.3 million	175	€50.0 million	52.6	52.6	
CFO	Volume of sales contracts	37.5		€1,000.0 million	100	€1,750.0 million	175	€292.1 million	29.2	29.2	
	Strategic and sustainability targets[1]	25.0		n/a	100	n/a	175	n/a	75.0	75.0	
	Total	**100.0**	**270**		**100**	**€540 thousand**	**150**		**49.4**	**49.4**	**0.0**
Andreas Gräf	EAT (adjusted)	37.5		€95.0 million	100	€166.3 million	175	€50.0 million	52.6	52.6	
COO	Volume of sales contracts	37.5		€1,000.0 million	100	€1,750.0 million	175	€292.1 million	29.2	29.2	
	Strategic and sustainability targets[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 the objectives under the personal targets and strategy and sustainability targets defined both quantitatively and qualitatively was assessed by way of an overall assessment and is therefore not presented individually for the defined targets (n/a).

Multi-year variable remuneration (long-term incentive, LTI)

LTI allocation in 2023–2025 (new)

The preliminary tranche of virtual shares (basic number) presented in the table below was allocated to the members of the Management Board at the end of the 2022 financial year based on the parameters presented below for the performance period from 1 January 2023 up to and including 31 December 2025 (**LTI for 2023–2025 (new)**).

The target setting for LTI 2023-205 (new) is done according to the remuneration scheme (see page 263 of this remuneration report).

The target achievement will be set and assessed and the LTI for 2023–2025 (new) will be paid out after the performance period has ended in the 2026 financial year.

Long-term variable remuneration (LTI) TABLE 130

in thousands of euros	Kruno Crepulja	Dr Foruhar Madjlessi	Andreas Gräf
	CEO	CFO	COO
Tranche	LTI for 2023–2025 (new)	LTI for 2023–2025 (new)	LTI for 2023–2025 (new)
LTI bonus base amount	455.0	378.0	350.0
Allocation price (€)	7.98	7.98	7.98
Base number (in units)	**57,017.5**	**47,368.4**	**43,859.7**
LTI cap	1,365.0	1,134.0	1,050.0

LTI tranches granted

The LTI tranches granted as of 31 December 2022 are shown in the table below, broken down by individual Management Board members.

The LTI tranches have a term of three years and will only be paid at the end of the respective term at the average closing prices of the Instone share as determined at that time.

In the case of the LTI tranches referred to with the additional label “(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 share during the last 20 trading days of the respective term, plus any dividend paid. The payout amount calculated in this way is capped for each virtual portion of the “(old)” LTI tranches at an amount corresponding to 200% of the initial value determined for the respective bonus year. To determine the initial LTI value, an assessment was carried out at the point when the LTI tranches were granted based on a comparison of the planned vs. actual adjusted earnings before tax in the bonus year, as well as in the two previous years, was and virtual shares were allocated at the average price during the last 20 trading days prior to the end of the bonus year. No performance criteria are applied during the term of the “(old)” LTI tranches, so the final payout amount depends exclusively on the development of the Instone share price.

For the LTI tranches identified by the additional label “(new)”, the payout is made on the basis of the parameters described in section I. D. of this remuneration report.

LTI tranches TABLE 131

in thousands of euros

		Basic number of virt. shares (in units)	Payout price (in euros)	LTI bonus (in thousands of euros)	Payout
Kruno Crepulja, CEO	LTI for 2019–2022 (old)	21,781.2	8.96	195.2	January 2023
	LTI for 2020–2023 (old)	14,861.2	n/a	n/a	January 2024
	LTI for 2021–2024 (old)	8,654.8	n/a	n/a	January 2025
	LTI for 2021–2024 (new)	8,792.3	n/a	n/a	January 2025
Dr Foruhar Madjlessi, CFO	LTI for 2019–2022 (old)	18,151.0	8.96	162.6	January 2023
	LTI for 2020–2023 (old)	12,384.3	n/a	n/a	January 2024
	LTI for 2021–2024 (old)	7,212.4	n/a	n/a	January 2025
	LTI for 2021–2024 (new)	6,135.3	n/a	n/a	January 2025
Andreas Gräf, COO	LTI for 2019–2022 (old)	13,068.7	8.96	117.1	January 2023
	LTI for 2020–2023 (old)	8,916.7	n/a	n/a	January 2024
	LTI for 2021–2024 (old)	5,192.9	n/a	n/a	January 2025
	LTI for 2021–2024 (new)	6,763.3	n/a	n/a	January 2025

Pension commitments

The following overview shows the contributions (additions) to the pension plan attributed to the individual Management Board members and the corresponding itemised cash values in accordance with the IFRS and the German Commercial Code (HGB).

Pension commitments TABLE 132

in thousands of euros

		2022	Allocations	2021
Kruno Crepulja (CEO)	German Commercial Code (HGB)	430.7	57.4	373.3
	IFRS	235.4	–168.2	403.6
Andreas Gräf (COO)	German Commercial Code (HGB)	404.0	63.5	340.5
	IFRS	239.4	–124.9	364.3
	German Commercial Code (HGB)	**834.7**	**120.9**	**713.8**
	IFRS	**474.8**	**–293.1**	**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 for former members of the Management Board TABLE 133

in thousands of euros

		2021	Allocations	2020
Pension commitments for former members of the Management Board	German Commercial Code (HGB)	1,478.7	61.1	1,417.6
	IFRS	939.1	-562.6	1,501.7

Share ownership guideline

The share ownership obligation agreed with all members of the Management Board was fulfilled by the members of the Management Board in the 2022 financial year. The following Table shows the shareholdings of the members of the Management Board reported to the Company as at 31 December 2022:

Share ownership TABLE 134

	Number of shares	Investment in registered capital in %
Kruno Crepulja (CEO)	105,775	0.225
Dr Foruhar Madjlessi (CFO)	27,668	0.059
Andreas Gräf (COO)	50,319	0.107

Remuneration decisions of the Supervisory Board during the 2022 financial year

In June 2022, in the course of extending the Management Board mandate of Dr Madjlessi, Chief Financial Officer/CFO of the Company, to 31 December 2022, the Supervisory board adjusted Dr Madjlessi's remuneration on the basis of the extended employment contract.

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 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 on a corresponding amendment to the Articles of Association of Instone Real Estate Group AG (now Instone Real Estate Group SE), with a majority of 99.05% of the votes cast.

Under the remuneration system agreed by the Annual General Meeting, the members of the Supervisory Board receive fixed annual remuneration of €75.0 thousand. The Chairman of the Supervisory Board receives twice the remuneration and the Deputy Chairman one and a half times this amount. Members of the Audit Committee receive additional remuneration of €15.0 thousand, while members of the Remuneration and Nomination Committee each receive an additional €7.5 thousand per financial year for their work on these committees. 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. The Company has also included the members of the Supervisory Board in the D&O group insurance for corporate bodies. No deductible for the members of the Supervisory Board has been agreed. No performance-based remuneration or attendance fee is paid to Supervisory Board members.

Supervisory Board remuneration TABLE 135

in thousands of euros	Remuneration in 2022 (earned)			Remuneration in 2021 (paid)		
	Remuneration Role General Committee	Remuneration Role Committees	Remuneration Total	Remuneration Role General Committee	Remuneration Role Committees	Remuneration Total
Stephan Brendgen	150.0	30.0	180.0	130.1	22.0	152.2
Dr Jochen Scharpe	112.5	40.8	153.3	97.6	36.3	133.9
Marija Korsch[1]	0.0	0.0	0.0	26.3	1.3	27.6
Dietmar P. Binkowska	75.0	15.0	90.0	65.1	7.8	72.8
Thomas Hegel	75.0	30.0	105.0	65.1	20.6	85.6
Christiane Jansen[2]	75.0	4.2	79.2	21.2	0.0	21.2
Total remuneration	**487.5**	**120.0**	**607.5**	**405.3**	**88.0**	**493.3**

[1] Member of the Supervisory Board until 9 June 2021

[2] Member of the Supervisory Board since 20 September 2021.

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 2022 financial year

The total remuneration of the Supervisory Board in the 2022 financial year was €607.5 thousand (previous year: €493.3 thousand) of which €487.5 thousand (previous year: €405.3 thousand) was remuneration for work on the General Committee. Remuneration for work on committees amounted to €120.0 thousand (previous year: €88.0 thousand). Table 132 below shows the emoluments to the members of the Supervisory Board on an individual basis pursuant to Section 162 (1) sentence 1 AktG, i.e. the remuneration (inflows) granted and owed for work in the 2021 financial year paid in the first quarter of 2022, and the remuneration earned for work on the Supervisory Board in the 2022 financial year paid in the first quarter of 2023.

In the 2022 financial year, the Companies of the Instone Group did not pay or grant any remuneration or other benefits to members of the Supervisory Board for services rendered in a personal capacity, in particular advisory and agency services. Nor were members of the Supervisory Board granted any advances or credits. GRI 2-21

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V. Vertical comparison

The following overview provides a comparison of the annual change in remuneration, the earnings performance of the Company and the average remuneration of employees viewed over the last three financial years on a full-time equivalence basis in accordance with Section 162 (1) sentence 2 no. 1 AktG. The 2017 financial year is not shown as the Company only changed its legal form to a stock corporation in the 2018 financial year.

The remuneration of board members on which the vertical comparison is based was determined on the basis of remuneration granted/owed in accordance with Section 162 (1) AktG. The relevant employee comparison group includes all people employed in the Instone Group in Germany during the relevant period between 1 January and 31 December under the definition contained in Section 267 (5) HGB. The average remuneration of this comparison group was calculated on the basis of remuneration paid with regard to the employment rate.

Vertical comparison

TABLE 136

Changes (%)

Comparison period	2019 vs 2018[2]	2020 vs 2019	2021 vs 2020	2022 vs 2021
Management Board members				
Kruno Crepulja	35%	0%	–14%	89%
Dr Foruhar Madjlessi[1]	–	115%	–23%	21%
Andres Gräf	57%	0%	–11%	63%
Supervisory Board members				
Stephan Brendgen	–1%	0%	10%	18%
Dr Jochen Scharpe	14%	1%	10%	14%
Marija Korsch[3]	9%	–8%	5%	–
Dietmar P. Binkowska[4]	–	3%	13%	24%
Thomas Hegel[5]	–	9%	14%	23%
Christiane Jansen[6]	–	–	–	4%
Average employee remuneration	–	7%	0%	7%
Net income/net loss for the year of Instone Real Estate Group SE (in accordance with separate financial statements pursuant to the German Commercial Code (HGB))	–172%	–17%	369%	68%
Adjusted EAT (as per the consolidated financial statements in accordance with IFRS)	453%	–61%	136%	–48%

[1] Member of the Management Board since 1 January 2019

[2] Disclosures for the members of the Supervisory Board and the Management Board have been extrapolated for the entire 2018 calendar year, as the appointment as members of the Management Board occurred during the year in the course of the conversion of the company into a stock corporation under Dutch law.

[3] Left the Board during the year in 2021. Value extrapolated for the entire 2021 calendar year.

[4] Joined the Board during the year in 2019. Value extrapolated for the entire 2019 calendar year.

[5] Joined the Board during the year in 2019. Value extrapolated for the entire 2019 calendar year.

[6] Joined the Board during the year in 2021. Value extrapolated for the entire 2021 calendar year.

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Acknowledgement of the remuneration report

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE REMUNERATION REPORT IN ACCORDANCE WITH SECTION 162 (3) AKTG

To Instone Real Estate Group SE (formerly: Instone Real Estate Group AG), Essen/Germany

Audit Opinion

We conducted a formal audit of the remuneration report of Instone Real Estate Group SE (formerly: Instone Real Estate Group AG), Essen/Germany, for the financial year from 1 January to 31 December 2021, to assess whether the disclosures required under Section 162 (1) and (2) of the German Stock Corporation Act (AktG) have been made in the remuneration report. In accordance with Section 162 (3) AktG, we did not audit 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 (08.2021))*. Our responsibilities under those requirements and this standard are further described in the "Auditor's Responsibilities" section of our auditor's report. Our audit firm has applied the requirements of the IDW Quality Assurance Standard: Quality Assurance Requirements in Audit Practices (IDW QS 1). 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 Management Board and the Supervisory Board are responsible for the preparation of the remuneration report, including the related disclosures, in compliance with the requirements of Section 162 AktG. In addition, they are responsible for carrying out such internal checks as they consider necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the disclosures required under Section 162 (1) and (2) AktG have been made in the remuneration report, in all material respects, and to express an audit opinion thereon as part of an auditor's report.

We planned and conducted our audit so as 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 did not check whether the contents of these disclosures are correct, nor did we check whether the contents of individual disclosures are complete or whether the remuneration report has been appropriately presented.

Düsseldorf/Germany, 13 March 2022

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Prof. Dr Holger Reichmann)
German Public Auditor

(Michael Pfeiffer)
German Public Auditor

Insurance 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 Instone 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 Instone Group.

Essen, Germany, 9 March 2023

The Management Board

Kruno Crepulja   Dr Foruhar Madjlessi   Andreas Gräf

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TCFD Reporting Index

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	B. Describe the management's role in assessing and managing climate-related risks and opportunities	1. Climate risk management and climate scenario analysis	51, 72 et seq.
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Strategy			
Publish the actual 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	74, 80, 82, 84, 86
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	C. Describe the resilience of the organisation's strategy, considering different climate-related scenarios, including a 2°C or less scenario	1. Environment	74, 80, 82, 84, 86
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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	52
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Publish the indicators and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	A. Publish the indicators 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 seq.
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Instone Real Estate action areas matrix and UN Sustainable Development Goals

Instone Real Estate action areas matrix and UN Sustainable Development Goals FIGURE 033

Key action areas at Instone Real Estate		UN Sustainable Development Goals
Environmental issues	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) E9 Brownfield developments E10 Water consumption and management E12 Environmental pollution (air, water, soil) E13 Energy consumption and intensity	12 Responsible consumption and production 13 Climate action 15 Life on land 3 Good health and well-being
Employee issues	S1 Employee diversity S2 Work-life balance S4 Occupational health and safety S10 Fair pay S13 Employee satisfaction	4 Quality education 5 Gender equality 3 Good health and well-being 8 Decent work and economic growth
Social issues	S5 Proportion of affordable housing S6 Development of neighbourhoods (for different sociodemographic groups and social infrastructure, such as schools and child daycare centres) S7 Social commitment S12 Social dialogue/good working conditions G1 Economic development of the company G6 Customer satisfaction G7 Fair competition G8 Payment behaviour (towards contractors)	12 Responsible consumption and production 13 Climate action 15 Life on land 3 Good health and well-being
Respecting 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	4 Quality education 5 Gender equality 3 Good health and well-being 8 Decent work and economic growth

Glossary

A/core cities
A cities: Refers to the metropolitan cities of Berlin, Hamburg, Munich, Cologne, Stuttgart, Frankfurt am Main and Düsseldorf which are considered in the real estate industry to be the seven most desirable locations in Germany.

Core cities: Instone Real Estate also ranks Leipzig as an A city; all these A cities are together referred to as core cities. In light of its size and proximity to Nuremberg, the Instone location of Erlangen is also categorised as a core city.

Affordable living
Concentration on B and C locations in and around the conurbations covered by the eight Instone Real Estate offices. Construction costs and project lengths are reduced by combining modular planning, lean management and lean construction, product simplification, reduced civil engineering and the deployment of digital sales channels. In this way, Instone Real Estate addresses the strong demand for housing, whether for rental or for sale, for low and medium income groups.

Anticipated items
Deferred items in the statement of financial position reflecting that income or expenses incurred during the year under review do not lead to 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 asset(s) held in a company 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

Instone Real Estate use the generic term “add cities” for these attractive cities.

Instone Real Estate affordable housing (nyoo)
An entirely new approach to project development through systematic digitalisation along the value chain is used to create affordable housing as a product. With our nyoo product, new builds can also be made affordable again for middle-income buyers in Germany.

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 spaces are in fact 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 remuneration of the employee

Divestment
Release of restricted capital in longer-term assets by selling them

Duration
Term of commitment of the capital invested in fixed income securities

Our company

To our shareholders

Combined management report

Consolidated financial statements

Independent auditor's report

Remuneration report

Other Information

EBIT
Earnings before interest and tax

EBITDA
Earnings before interest, tax, depreciation and amortisation

Individual sales
In an individual sale, an owner-occupied apartment only changes owners once after completion, when it is sold by Instone Real Estate directly to the customer. Individual sales are managed either by commissioned sales agents or by Instone Real Estate.

Equity method
Accounting method for long-term investments in a company that participates in the voting capital of another company (the participation 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 area that has not been built on, i.e. on “green” spaces.

GRI
GRI standards constitute global best practice for public disclosures about various economic, environmental and social impacts. The modular, interlinked GRI standards are supposed to be primarily used as a template for compiling a sustainability report focusing on significant 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 and more 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 (IKS), a system of technical and organisational rules for the methodological management and controls in the company with respect to compliance with regulations and preventing losses.

Investor development

Project developments for an investor’s own portfolio or developments at the risk of, and on behalf of, third parties

Investor sales

Projects are sold to investors via Instone Real Estate key account holders.

Capital market sales

Form of selling characterised by a multi-level agency organisation. The agent sells Instone real-estate 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

Lifecycle analysis software

Software used for building optimisation in terms of energy, cost efficiency and environmental aspects. The analyses are based on factors such as the calculation rules relating to buildings according to DIN 15978, as they are also applied – or are to be applied – by the German Sustainable Building Council (DGNB) and the sustainable building quality seal QNG. According to DIN 15978, the range of life cycle modules includes the production phase (A1-3), replacement during use (B4), energy consumption during operation (B6) and waste treatment and disposal (C3, C4).

MaBV

The German Broker and 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 guidelines to protect purchasers of real estate when drawing up and concluding property development contracts.

Mezzanine financing

Financing with hybrid capital, which includes both equity and debt financing

New Work

Nowadays, “New Work” has the same meaning as future work. The term "New Work" is used to describe all developments that have play a significant role in creating a modern, employee-oriented working world in the 21st century.

Prosperous medium-sized cities

For Instone Real Estate, these cities include the following: Darmstadt, Dresden, Freiburg im Breisgau, Hanover, Heidelberg, Heilbronn, Karlsruhe, Mainz, Mannheim, Potsdam, Ulm, Wiesbaden.

PoC method

Percentage of completion method

Purpose

Purpose is an important term in the corporate world. In this context, this term refers to the meaning and purpose of a company. It is a motivating factor that is deeply rooted in the company and has lasting validity.

Neighbourhood development
A neighbourhood is determined through its infrastructure, such as public spaces, residential and service buildings, shops and transport hubs, educational, sports, cultural and medical facilities and green spaces, roads, railways and footpaths.

A neighbourhood influences and determines emotional factors such as identity, community, participation processes, a sense of security, accessibility on foot, sense of place and ties through associations.

A neighbourhood can open up or impede: The quality of life, opportunities, prospects, engagement and social and economic participation, resident diversity in terms of income and background – in the city itself and potentially further afield.

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 includes direct emissions from company assets, the business vehicle fleet and in-house production.

Scope 2 emissions
Scope 2 includes indirect emissions from energy purchased for the company's own use.

Scope 3 emissions
Scope 3 includes all other indirect emissions not covered by scope 2, such as emissions from purchased products and services, as well as emissions from employees commuting, business travel, product transportation or 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.

Social impact of Instone Real Estate
Creating positive (social) added value in our building and neighbourhood developments

Thousand-person quota
Reportable accidents at work per 1,000 full-time workers

Trading development
The project development process is carried out at the project developer's own expense. The marketing risk is borne by the project developer itself.

WACC
Weighted average cost of capital. The average is calculated based on the cost of equity and the cost of debt and weighted according to their share of total capital.

Target areas
In addition to the core cities and prosperous medium-sized cities, Instone Real Estate's target areas also include, for example, Aachen, Augsburg, Baden-Baden, Erfurt, Ingolstadt, Halle, Kiel, Nuremberg, Regensburg and the Rhine-Main region.

Quarterly comparison TABLE 137

In millions of euros		Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Real estate business key performance indicators									
Volume of sales contracts		-86.3	232.8	58.0	87.6	761.7	170.7	89.1	118.6
Volume of sales contracts	In units	– 479	722	96	191	1,906	468	169	372
Project portfolio (existing projects)		7,668.8	7,154.9	7,727.4	7,567.7	7,500.0	7,154.9	6,268.1	6,054.2
of which already sold		2,980.5	2,308.7	2,891.4	3,070.1	3,038.9	2,308.7	2,444.0	2,360.5
Project portfolio (existing projects)	In units	16,209	15,913	16,644	16,607	16,418	15,913	14,338	13,678
of which already sold	In units	7,309	5,401	7,179	7,404	7,215	5,401	5,679	5,510
Volume of new approvals [1]		-996.7	1,048.1	185.5	99.8	254.0	1,097.6	165.9	69.8
Volume of new approvals	In units	-1,979.0	2,093	461	174	517	2,292	275	161
Adjusted results of operations									
Revenue adjusted		215.4	137.6	149.5	118.5	378.0	145.1	132.4	128.1
Project costs adjusted		– 179.2	– 85.4	– 115.9	– 83.3	– 277.5	– 100.8	– 96.2	– 87.6
Gross profit adjusted		**36.2**	**52.2**	**33.6**	**35.2**	**100.5**	**44.3**	**36.2**	**40.5**
Gross profit margin adjusted		**16.8%**	**37.9%**	**22.5%**	**29.7%**	**26.6%**	**30.5%**	**27.3%**	**31.6%**
Platform costs adjusted		– 14.2	– 23.9	– 15.7	– 18.7	– 22.2	– 20.2	– 21.8	– 16.3
Share of results of joint ventures adjusted		1.3	1.1	0.9	0.6	12.0	0.1	0.0	2.5
Earnings before interest and tax (EBIT) adjusted		**23.3**	**29.4**	**18.9**	**17.0**	**90.4**	**24.2**	**14.4**	**26.7**
EBIT margin adjusted		**10.8%**	**21.4%**	**12.6%**	**14.3%**	**23.9%**	**16.7%**	**10.9%**	**20.8%**
Income from investments adjusted		– 0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.0
Financial result adjusted		– 5.7	– 2.7	– 3.8	– 3.7	– 9.1	– 2.6	– 3.5	– 4.1
Earnings before tax (EBT) adjusted		**17.5**	**26.7**	**15.1**	**13.4**	**81.3**	**21.7**	**10.9**	**22.6**
EBT margin adjusted		**8.1%**	**19.4%**	**10.1%**	**11.3%**	**21.5%**	**15.0%**	**8.2%**	**17.6%**
Income taxes adjusted		– 7.7	– 6.0	– 4.8	– 4.1	– 24.7	– 4.8	– 3.3	– 6.8
Earnings after tax (EAT) adjusted		**9.7**	**20.7**	**10.3**	**9.3**	**56.6**	**16.9**	**7.6**	**15.8**
EAT margin adjusted		**4.5%**	**15.0%**	**6.9%**	**7.8%**	**15.0%**	**11.6%**	**5.7%**	**12.3%**
Earnings per share (adjusted)	In euros	0.20	0.47	0.24	0.20	1.19	0.36	0.21	0.34

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

Multi-year overview

TABLE 138

In millions of euros

		2022	2021	2020	2019	2018
Key liquidity figures						
Cash flow from operations		70.2	43.9	119.9	-205.1	-40.4
Cash flow from operations without new investments		187.2	256.3	225.0	115	32.1
Free cash flow		79.6	167.4	– 64.2	-237.5	-39.9
Cash and cash equivalents and term deposits[1]		255.6	151.0	232.0	117.1	88
Key balance sheet figures						
Total assets		1,780.3	1,520.8	1,283.1	1123.4	686.6
Inventories		967.3	843.7	777.8	732.1	404.4
Contract assets		333.6	358.0	194.2	219	158.5
Equity		573.0	590.9	521.0	310.2	246.9
Financial liabilities		520.6	390.5	481.7	595.5	265.6
Of which, from corporate finance		179.7	199.1	207.2	180.8	66.1
Of which, from project financing		341.0	191.4	274.5	414.7	199.5
Net financial debt[2]		265.1	239.5	249.7	478.4	177.5
Leverage		2.8	1.5	2.8	3.6	3.5
Loan-to-cost[3]	In %	20.8	20.1	25.7	50.300	n/a
ROCE[4] adjusted	In %	10.2	22.0	10.3	22.8	11.9
Employees						
Number		488	457	413	375	311
FTE[5]		409.4	387.6	342.5	307.7	258.7

In millions of euros

		2022	2021	2020	2019	2018
Real estate business key performance indicators						
Volume of sales contracts		292.1	1,140.1	464.4	1,403.1	460.8
Volume of sales contracts	In units	530	2,915	1,292	2,733	1,033
Project portfolio (existing projects)		7,668.8	7,500.0	6,053.6	5,845.7	4,763.2
of which already sold		2,980.5	3,038.9	2,328.8	2,174.0	998.2
Project portfolio (existing projects)	In units	16,209	16,418	13,561	13,715	11,041
of which already sold	In units	7,309	7,215	5,381	4,814	2,395
Volume of new approvals[6]		336.7	1,587.4	489.9	1,284.2	1,298.0
Volume of new approvals	In units	749	3,245	1,171	3,857	3,314
Adjusted results of operations						
Revenue adjusted		621.0	783.6	480.1	736.7	372.8
Project costs adjusted		– 463.8	– 562.1	– 333.5	– 548.8	– 266.3
Gross profit adjusted		**157.2**	221.5	**146.6**	**187.8**	**106.4**
Gross profit margin adjusted		**25.3%**	28.3%	**30.5%**	**25.5%**	**28.5%**
Platform costs adjusted		– 72.5	– 80.5	– 65.5	– 59.0	– 56.9
Share of results of joint ventures adjusted		3.9	14.6	2.7	0.7	0.0
Earnings before interest and tax (EBIT) adjusted		**88.6**	155.7	**83.8**	**129.6**	**49.6**
EBIT margin adjusted		**14.3%**	19.9%	**17.5%**	**17.6%**	**13.7%**
Income from investments adjusted		0.0	0.1	– 1.2	– 5.7	– 0.4
Financial result adjusted		– 15.9	– 19.3	– 23.2	– 16.1	– 7.7
Earnings before tax (EBT) adjusted		**72.7**	136.5	**59.4**	**107.8**	**41.5**
EBT margin adjusted		**11.7%**	17.4%	**12.4%**	**14.6%**	**11.5%**
Income taxes adjusted		– 22.6	– 39.6	– 18.3	– 2.2	– 22.4
Earnings after tax (EAT) adjusted		**50.0**	96.9	**41.1**	**105.6**	**19.1**
EAT margin adjusted		**8.1%**	12.4%	**8.6%**	**14.3%**	**5.1%**

[1] Term deposits are comprised of cash investments of more than three months.

[2] Net financial debt = financial liabilities less cash and cash equivalents and term deposits.

[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 employees.

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

[7] Current financial year: proposed dividend/proposed distribution for current number of entitled shares (43,322,575 shares).

Contact

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GRI 2-1, 2-2, 2-3

Management Board

Kruno Crepulja
(Chair of the Management Board/CEO),
Dr Foruhar Madjlessi,
Andreas Gräf

Chairman of the Supervisory Board

Stefan Brendgen

Commercial Register

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

Sales tax ID number
DE 300512686

Concept, design and implementation

MPM Corporate Communication Solutions,
Part of RYZE Digital,
Mainz
www.mpm.de

Financial calendar

16/03/2023	Publication of the financial report for the year ended 31 December 2022
11/05/2023	Publication of quarterly report as at 31 March 2023
10/08/2023	Publication of the semi-annual report as at 30 June 2022
09/11/2023	Publication of quarterly report as at 30 September 2023

GRI 2-3

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