

ANNUAL FINANCIAL STATEMENTS

1 Annual financial statements

2 Statement of financial position

4 Income statement

5 Notes to the annual financial statements

5 Basis of the annual financial statements

8 Notes to the statement of financial position

12 Notes to the income statement

14 Other disclosures

20 Independent auditor's report

27 Insurance of legal representatives

28 About us

► Annual financial statements

► Statement of financial position

Income statement

Notes to the annual financial statements

Statement of financial position

Statement of financial position Assets

TABLE 01

In thousands of euros

	Note	31/12/2020	31/12/2019
A. Non-current assets			
Financial assets	1		
1. Investments in affiliated companies		223,615	230,916
2. Loans to affiliated companies		268,116	190,465
		491,731	421,381
		491,731	421,381
B. Current assets			
I. Receivables and other assets	2		
1. Trade receivables		0	4
2. Receivables from affiliated companies of which with a remaining term of over one year: €11,562 thousand (previous year: €2,320 thousand) of which trade receivables: €195 thousand (previous year: €322 thousand) of which from other assets: €31,726 thousand (previous year: €26,627 thousand)		31,921	26,949
3. Other assets		3,194	14,195
		35,114	41,148
II. Cash on hand, bank balances	3	141,809	5,120
		176,923	46,268
C. Prepaid expenses and deferred income		140	18
D. Deferred tax asset		23,029	27,685
		691,823	495,352

► Annual financial statements

► Statement of financial position

Income statement

Notes to the annual financial statements

Statement of financial position (continued)

Statement of financial position Equity and liabilities

TABLE 01

In thousands of euros

	Note	31/12/2020	31/12/2019
A. Equity	4		
I. Share capital contingent capital: €3,698 thousand (previous year: €3,698 thousand)		46,988	36,988
II. Capital reserves		358,958	198,874
III. Net profit		14,669	17,642
		420,615	253,504
B. Provisions			
1. Provisions for pensions and similar obligations	5	737	577
2. Tax provisions	6	3,701	2,067
3. Other provisions	6	7,130	6,903
		11,568	9,547
C. Liabilities			
1. Loans from banks and other lenders of which with a remaining term of up to one year: €2,851 thousand (previous year: €1,668 thousand) of which with a remaining term of over one year: €206,000 thousand (previous year: €181,000 thousand)	7	208,851	182,668
2. Trade payables of which with a remaining term of up to one year: €217 thousand (previous year: €611 thousand)	8	217	611
3. Liabilities to affiliated companies of which with a remaining term of up to one year: €50,042 thousand (previous year: €48,441 thousand) of which trade payables: €0 thousand (previous year: €3,145 thousand) of which from other liabilities: €50,042 thousand (previous year: €45,296 thousand)	9	50,042	48,441
4. Other liabilities of which with a remaining term of up to one year: €530 thousand (previous year: €581 thousand) of which for taxes: €68 thousand (previous year: €75 thousand)	10	530	581
		259,640	232,301
		691,823	495,352

► Annual financial statements

Statement of financial position

► Income statement

Notes to the annual financial statements

Income statement

Income statement

TABLE 02

In thousands of euros

	Note	2020	2019
1. Revenue	11	936	1,581
2. Other operating income	12	675	3,453
Operating performance		1,611	5,034
3. Staff costs	13		
a) Wages and salaries		-3,829	-5,106
b) Social security contributions and expenses for pensions and other employee benefits of which for retirement provision: €48 thousand (previous year: €44 thousand)		-167	-132
4. Other operating expenses	14	-16,644	-10,289
Operating profit		-19,028	-10,493
5. Income from investments of which from affiliated companies: €0 thousand (previous year: €41,905 thousand)	15	0	41,905
6. Income from profit and loss transfer agreements	15	20,112	21,214
7. Income from other securities and loans of the financial assets of which from affiliated companies: €9,461 thousand (previous year: €2,221 thousand)	15	9,503	2,221
8. Other interest and similar income of which from affiliated companies: €0 thousand (previous year: €70 thousand) of which from discounting: €13 thousand (previous year: €43 thousand)	15	13	116
9. Depreciation and amortisation of financial assets and current asset securities of which from affiliated companies: €-8,321 thousand (previous year: €-29,582 thousand)	15	-8,367	-29,582
10. Expenses from profit and loss transfer agreements	15	-131	0
11. Interest and similar expenses of which from affiliated companies: €-1,886 thousand (previous year: €-4,740 thousand) of which from the compounding of pension provisions: €-245 thousand (previous year: €-161 thousand)	15	-10,961	-9,568
12. Taxes on income and earnings of which deferred tax expenses/income: €-7.108 thousand (previous year: €27.685 thousand)	16	-6,916	26,233
13. Earnings after tax/net loss for the year (previous year: net profit for the year)		-15,775	42,046
14. Withdrawal from the capital reserves		12,802	0
15. Profit carried forward (previous year: loss carried forward)		17,642	-24,404
16. Net profit		14,669	17,642

Annual financial statements

► Notes to the annual financial statements

► Basis of the annual financial statements

Notes to the statement of financial position

Notes to the income statement

Other disclosures

Independent auditor's report

Insurance of legal representatives

About us

Notes to the annual financial statements

Basis of the annual financial statements

General principles

Instone Real Estate Group AG (hereinafter also referred to as the “Company”) with its registered office at Grugaplatz 2–4, 45131 Essen, Germany, is registered under reference number HRB 29362 in the Commercial Register of the Essen District Court. Instone Real Estate Group AG has been listed on the regulated market of the Frankfurt Stock Exchange since 15 February 2018 and has been part of the SDAX since 29 August 2019.

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

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

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

The annual financial statements of Instone Real Estate Group AG have been prepared according to the accounting standards currently applicable to corporations as per the German Commercial Code (Sections 242 et seqq. and 264 et seqq. HGB), taking into account the specific legal form statutory

provisions of the German Stock Corporation Act (AktG). As a listed company, the Company is a large corporation within the meaning of Section 264d HGB in conjunction with Section 267 (3) sentence 2 HGB.

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

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

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

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

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

Accounting and measurement principles

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

Annual financial statements

► Notes to the annual financial statements

► Basis of the annual financial statements

Notes to the statement of financial position

Notes to the income statement

Other disclosures

Independent auditor's report

Insurance of legal representatives

About us

Non-interest-bearing and low-interest **loans** are valued at their nominal value and, if impairment is expected to be permanent, at the lower fair value.

Receivables and other assets are recognised at acquisition cost. For the valuation of receivables and other assets, the foreseeable risks are taken into account through appropriate value adjustments (impairment). The amount of the impairment provision is based on the probable default risk. As in the previous year, the receivables have a remaining term of less than one year.

Cash and cash equivalents are reported at their nominal value.

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

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

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

Equity is recognised at nominal value.

Provisions for pensions and similar obligations include obligations by the Company with respect to current and future benefits for eligible current and former employees and their survivors. These obligations largely relate to pension benefits. The individual commitments are determined on the basis of the length of service and the salaries of the employees. The measurement of provisions for defined benefit plans is based on the actuarial value of the respective obligation. This is determined using the projected-unit credit method. This projected-unit credit method not only includes pensions and accrued benefits known as at the reporting date, but also wage increases (+3.00%; previous year: +2.65%), pension increases for commitments with adjustment guarantees (+1.00%; previous year: +1.00%), pension increases for other commitments (+1.50%; previous year: +1.50%) and fluctuation probabilities (+3.13%; previous year: +2.94%) expected in the future. The calculation is based on actuarial reports using biometric calculation methods ("Richttafeln 2018 G" (guideline tables) produced by Professor Dr Klaus Heubeck). Direct pension obligations are valued in accordance with the provisions of Section 253 (1) and (2) HGB.

The option under Section 253 (2) sentence 2 HGB was used for determining the actuarial interest rate. Provisions for pension obligations or comparable long-term obligations may therefore be discounted as a lump sum with the average market interest rate which results for an assumed residual term of 15 years. The underlying actuarial interest rate for discounting pension obligations amounted to 2.30% (previous year: 2.71%). In accordance with Section 253 (6) sentence 3 HGB, the difference between the recognition of provisions in accordance with the corresponding average market interest rate from the past ten years and the recognition of the provisions in accordance with the corresponding average market interest rate from the past seven financial years is to be determined in each financial year.

Annual financial statements

► Notes to the annual financial statements

► Basis of the annual financial statements

Notes to the statement of financial position

Notes to the income statement

Other disclosures

Independent auditor's report

Insurance of legal representatives

About us

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

Pension provisions	TABLE 03	
In euros		
	31/12/2020	31/12/2019
Provisions derived		
using the 10-year average interest rate	1,884,997.00	1,636,227.00
using the 7-year average interest rate	2,196,705.00	1,927,189.00
Difference according to Section 253 (6) HGB	311,708.00	290,962.00
Of which, subject to a distribution block in accordance with Section 253 (6) sentence 1 HGB	311,708.00	290,962.00

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

The **tax provisions** and the other provisions are made according to a reasonable commercial assessment, taking the legal assessment as a basis, where applicable. Price and cost increases expected in future are taken into account when determining the settlement value of the other provisions. Provisions with a residual maturity of more than one year are each discounted with the average market interest rate of the past seven years with matching maturities calculated and announced by the Bundesbank.

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

Estimates and assumptions

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

Annual financial statements

► Notes to the annual financial statements

Basis of the annual financial statements

► Notes to the statement of financial position

Notes to the income statement

Other disclosures

Independent auditor's report

Insurance of legal representatives

About us

Notes to the statement of financial position

Non-current assets

1 Financial assets

The development of the financial assets is shown in the following overview.

Development of financial assets		
	TABLE 04	
	In thousands of euros	
	2020	2019
Acquisition costs		
As at 1 January	260,498	253,289
Additions	1,021	7,333
Disposals	0	-124
As of 31 December	261,519	260,498
Cumulative depreciation and amortisation		
As at 1 January	-29,582	0
Additions	-8,321	-29,582
As of 31 December	-37,904	-29,582
Carrying amounts as at 31 December	223,615	230,916

Shares in affiliated companies are shown in the following table. An addition to the investment in Instone Real Estate Leipzig GmbH in the amount of €1,021 thousand was immediately written off again. Overall, the impairment test of material investments resulted in a need for write-downs for Instone Real Estate Leipzig GmbH of €8,321 thousand (previous year: €29,582 thousand).

Investments in affiliated companies		
	TABLE 05	
	In thousands of euros	
	31/12/2020	31/12/2019
Investments in affiliated companies included in the consolidated financial statements		
Instone Real Estate Development GmbH	181,821	181,821
Instone Real Estate Leipzig GmbH	41,281	48,581
Westville 1 GmbH	464	464
Instone Real Estate Landmark GmbH	25	25
Nyoo Real Estate GmbH (formerly Instone Real Estate Property GmbH)	25	25
	223,615	230,916

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

Development of loans to affiliated companies		
	TABLE 06	
	In thousands of euros	
	31/12/2020	31/12/2019
Acquisition costs		
As at 1 January	190,465	3,048
Additions	110,307	190,465
Disposals	-32,655	-3,048
As of 31 December	268,116	190,465
Carrying amounts as at 31 December	268,116	190,465

Annual financial statements

► Notes to the annual financial statements

Basis of the annual financial statements

► Notes to the statement of financial position

Notes to the income statement

Other disclosures

Independent auditor's report

Insurance of legal representatives

About us

Loans to affiliated companies are presented in the following overview.

Loans to affiliated companies	TABLE 07	
In thousands of euros		
	31/12/2020	31/12/2019
Loans to affiliated companies included in the consolidated financial statements		
Instone Real Estate Development GmbH	246,880	168,000
Westville 1 GmbH	18,236	22,465
Nyoo Real Estate GmbH (formerly Instone Real Estate Property GmbH)	3,000	0
	268,116	190,465

The loan to Westville 1 GmbH has a low interest rate of 0.02% and has a remaining term of less than one year.

Current assets

2 Receivables and other assets

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

Receivables from affiliated companies	TABLE 08	
In thousands of euros		
	31/12/2020	31/12/2019
Receivables from affiliated companies		
Instone Real Estate Development GmbH	31,811	23,780
Nyoo Real Estate GmbH (formerly: Instone Real Estate Property GmbH)	81	0
Instone Real Estate Leipzig GmbH	21	57
Westville 1 GmbH	5	1
Instone Real Estate Landmark GmbH	1	3,111
KORE GmbH	1	0
	31,921	26,949

The other assets include the following items:

Other receivables and assets	TABLE 09	
In thousands of euros		
	31/12/2020	31/12/2019
Other receivables and assets		
Receivable tax exemption Hochtief Solutions AG	1,419	2,267
Receivables from tax authorities from offsetable taxes	1,022	11,533
Input tax surplus	738	385
Other	16	10
	3,194	14,195

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

3 Bank balances

Bank balances essentially comprise short-term cash investments as at 31 December 2020. As in the previous year, they are not subject to any drawing restrictions.

4 Equity

As at 31 December 2020, the subscribed capital of the Company was €46,988,336.00 (previous year: €36,998,336.00) and is fully paid up. It is divided into 46,988,336 no-par value shares (previous year: 36,988,336). The arithmetical value of the shares is €1.00. In the financial year, the subscribed capital was increased by €10,000,000.00 through a capital increase with shareholders' subscription rights against contributions.

The Annual General Meeting decided on 29 June 2018 to create an authorised capital. The Management Board is authorised to increase the share capital of the Company by up to 18,450,000 in the period to 28 June 2023 through the issue of up to €18,450,000.00 new shares. The authorised capital became effective upon the registration of the Company in the commercial register of the Local Court of Essen during the cross-border conversion of legal form on 28 August 2018. In connection with the capital increase, the authorised capital was used through

Annual financial statements

► Notes to the annual financial statements

Basis of the annual financial statements

► Notes to the statement of financial position

Notes to the income statement

Other disclosures

Independent auditor's report

Insurance of legal representatives

About us

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 2020. This corresponds to 8,450,000 no-par-value shares.

The Management Board was authorised by the Annual General Meeting with effect from 28 June 2019 to issue single or multiple bearer or register warrants or convertible bonds up to a total nominal amount of €250 million with or without a term restriction until 12 June 2024 with the approval of the Supervisory Board and to give the holders or creditors of the bond warrants or conversion rights for up to 3,698,833 new shares in the Company with a total pro-rata amount of the share capital ("contingent capital") of up to €3,698,833.

The Management Board suggest that €12,801,531.85 be taken from the capital reserves and transferred to the net retained profit.

As of 31 December 2020, the capital reserves amounted to €358,957,638.59 (previous year: €198,873,822.19).

Information on amounts subject to a distribution block

The provisions for pension obligations recognised on the statement of financial position (before deduction of the corresponding hedging funds) were calculated on the basis of the corresponding average market interest rate from the past ten years. An average formation on the basis of seven financial years would have resulted in higher liabilities of €311,708.00. This difference is subject to a distribution block pursuant to Section 253 (6) HGB.

The deferred tax assets of €23,028,875.82 in the statement of financial position are blocked pursuant to Section 268 (8) HGB.

A total of €23,340,583.82 is therefore subject to a distribution block.

5 Provisions for pensions and similar obligations

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

Pension provisions		TABLE 10	
<small>In thousands of euros</small>			
	31/12/2020	31/12/2019	
Pension provisions			
Settlement value of the pensions and similar obligations	1,885	1,636	
Fair value of the cover fund	-1,148	-1,059	
Net value of the provision for pensions and similar obligations	737	577	
Acquisition costs of the cover fund	1,221	1,089	

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

Securities		TABLE 11	
<small>In thousands of euros</small>			
	31/12/2020	31/12/2019	
Securities			
CTA assets	1,110	1,021	
DC assets	37	38	
	1,147	1,059	

Annual financial statements

► Notes to the annual financial statements

Basis of the annual financial statements

► Notes to the statement of financial position

Notes to the income statement

Other disclosures

Independent auditor's report

Insurance of legal representatives

About us

6 Tax provisions and other provisions

Provisions	TABLE 12	
	In thousands of euros	
	31/12/2020	31/12/2019
Provisions for		
Pensions	737	577
Tax	3,701	2,067
	4,439	2,644
Other provisions		
Provision for stock option plans	3,120	2,463
Provision for indirect personnel costs	2,515	2,456
Provision for premiums	1,105	1,728
Provision for external costs for the annual financial statements	300	191
Provision for outstanding leave	90	65
	7,130	6,903
	11,568	9,547

7 Loans from banks and other lenders

Loans from banks and other lenders amount to €208,851 thousand (previous year: €182,668 thousand). The increase was mainly due to the promissory note loan issued in the year under review in the amount of €100,000 thousand with a term of five years, replacing the term loan in the amount of €75,000 thousand. The promissory note loan taken out in financial year 2020 was granted by an investment management company.

8 Trade payables

As at the closing date of the statement of financial position, there are liabilities in the amount of €217 thousand (previous year: €611 thousand).

9 Liabilities to affiliated companies

Liabilities to affiliated companies	TABLE 13	
	In thousands of euros	
	31/12/2020	31/12/2019
Liabilities to affiliated companies		
Instone Real Estate Leipzig GmbH	48,783	46,644
Instone Real Estate Landmark GmbH	904	0
Instone Real Estate Development GmbH	211	1,797
Nyoo Real Estate GmbH (formerly: Instone Real Estate Property GmbH)	131	0
Westville 3 GmbH	9	0
KORE GmbH	3	0
	50,042	48,441

10 Other liabilities

Other liabilities	TABLE 14	
	In thousands of euros	
	31/12/2020	31/12/2019
Other liabilities		
Liabilities from Supervisory Board bonuses	462	506
Liabilities from taxes	68	75
	530	581

Annual financial statements

► Notes to the annual financial statements

Basis of the annual financial statements

Notes to the statement of financial position

► Notes to the income statement

Other disclosures

Independent auditor's report

Insurance of legal representatives

About us

Notes to the income statement

11 Revenue

Revenues of €936 thousand (previous year: €1,581 thousand) mainly relate to revenues from affiliated companies.

12 Other operating income

Other operating income

TABLE 15

In thousands of euros

	2020	2019
Other operating income		
Income from the reversal of provisions	238	853
Other income	437	27
Income from the disposal of affiliated companies	0	2,573
	675	3,453

13 Staff costs

Staff costs

TABLE 16

In thousands of euros

	2020	2019
Staff costs		
Salaries	-3,829	-5,106
	-3,829	-5,106
Social security contributions/expenses for pensions		
Social security contributions	-119	-88
Changes in pension provisions	-48	-44
	-167	-132
	-3,996	-5,238

On average over the year, the Company had around eight employees (previous year: five employees).

14 Other operating expenses

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

Other operating expenses

TABLE 17

In thousands of euros

	2020	2019
Other operating expenses		
Costs of the capital increase	-8,217	0
Organisational consulting	-4,221	-4,687
Inter-company billing	-1,526	-1,533
Other taxes	-611	-596
Costs of the annual financial statements	-583	-403
Supervisory Board remuneration	-513	-417
Insurance premiums	-226	-788
Expenses resulting from provisions	-157	-958
Other expenses	-591	-907
	-16,644	-10,289

Annual financial statements

► Notes to the annual financial statements

Basis of the annual financial statements

Notes to the statement of financial position

► Notes to the income statement

Other disclosures

Independent auditor's report

Insurance of legal representatives

About us

15 Financial result

Income from investments includes the dividend distribution of Instone Real Estate Leipzig GmbH in the amount of €0 thousand (previous year: €41,905 thousand).

Income from profit and loss transfer agreements in the amount of €20,112 thousand (previous year: €21,214 thousand) relates to the profit and loss agreement with Instone Real Estate Development GmbH.

Of the income from other securities and loans of financial assets, €9,461 thousand (previous year: €2,221 thousand) relate to affiliated companies.

Other interest and similar income relates to affiliated companies of €0 thousand (previous year: €70 thousand). Income from the discounting of provisions for long-term incentive plans amounted to €13 thousand (previous year: €43 thousand).

Depreciation and amortisation of financial assets relates to Instone Real Estate Leipzig GmbH, which was amortised by €8,321 thousand (previous year: €29,582 thousand). In addition, valuation losses in the amount of €- 46 thousand (previous year: €0 thousand) were incurred.

The losses from profit and loss transfer agreements in the amount of €131 thousand (previous year: €0 thousand) relate to the assumption of losses by Nyoo Real Estate GmbH.

The net interest expense from pension obligations of €-218 thousand (previous year: €-80 thousand) includes the interest payable annually on the net cash value of the pension obligations of €-201 thousand (previous year: €- 131 thousand).

These amounts are netted against interest income from plan assets amounting to €17 thousand (previous year: €51 thousand).

16 Taxes on income and earnings

Taxes on income and earnings

TABLE 18

In thousands of euros

	2020	2019
Taxes on income and earnings		
Deferred tax	-4,656	27,685
Trade income tax	-1,206	- 118
Solidarity surcharge	-148	- 70
Corporation tax	- 906	- 1,264
	- 6,916	26,233

Deferred taxes are essentially used for tax loss and interest-rate carryforwards. The tax expense in the financial year is mainly the result of the partial use of the capitalised deferred tax assets.

The calculation of deferred taxes is carried out on the basis of a combined income tax rate of 31.32% (previous year: 32.63%).

Annual financial statements

► Notes to the annual financial statements

Basis of the annual financial statements

Notes to the statement of financial position

Notes to the income statement

► Other disclosures

Independent auditor's report

Insurance of legal representatives

About us

Other disclosures

17 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 AG
- Managing Director/CEO of Instone Real Estate Development GmbH
- Managing Director of Nyoo Real Estate GmbH

Dr Foruhar Madjlessi

- Member of the Management Board/CFO of Instone Real Estate Group AG
- Managing Director/CFO of Instone Real Estate Development GmbH

Andreas Gräf

- Member of the Management Board/COO of Instone Real Estate Group AG
- Managing Director/COO of Instone Real Estate Development GmbH for Saxony

18 Members of the Supervisory Board

Stefan Brendgen, independent management consultant

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

- aamundo asset Management GmbH & Co. KGaA (Chairman of the Supervisory Board)
- aamundo Holding AG (Chairman of the Supervisory Board)
- HAHN-Immobilien-Beteiligungs AG (member of the Supervisory Board)

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

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

- FFIRE Immobilienverwaltung AG (Deputy Chairman of the Supervisory Board)
- LEG Immobilien AG (member of the Supervisory Board)

Annual financial statements

► Notes to the annual financial statements

Basis of the annual financial statements

Notes to the statement of financial position

Notes to the income statement

► Other disclosures

Independent auditor's report

Insurance of legal representatives

About us

Marija Korsch, Chairwoman of the Supervisory Board of Aareal Bank AG

In addition to her function as a member of the Supervisory Board of the Company, Ms Korsch is a member of the following other statutory supervisory boards and comparable domestic and foreign supervisory bodies of commercial enterprises:

- Aareal Bank AG (Chairperson of the Supervisory Board)
- Just Software AG (member of the Supervisory Board)
- Nomura Financial Products GmbH (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 not a member of any other statutory supervisory boards of comparable domestic or foreign supervisory bodies of commercial enterprises in addition to his function as a member of the Supervisory Board of the Company.

19 Remuneration of the Management Board

The remuneration of the members of the Management Board in 2020 consisted of

a 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.

a component under a long-term incentive plan consisting of two components:

One-year variable compensation (Short-term incentive, STI)

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

Multi-year variable compensation (LTI)

- As a further component of variable remuneration, the members of the Management Board are also promised multi-year variable compensation in the form of an LTI bonus.
- Some members of the Management Board have a company pension plan in the form of individual contractual pension agreements which are valid after reaching the minimum pensionable age of 65 years.

The total remuneration granted to the members of the Management Board for the 2020 financial year totalled €2,821 thousand (min: €1,281 thousand, max: €3,999 thousand) (previous year: €3,375 thousand). Of this, €1,110 thousand (previous year: €1,310 thousand) was attributable to fixed, non-performance-based components, €1,540 thousand (min. €0 thousand, max.: €2,718 thousand) (previous year: €1,890 thousand) to variable, one-year and multi-year performance-related compensation components, €57 thousand (previous year: €79 thousand) to non-performance-related, non-cash benefits and other benefits, to severance payments and €114 thousand (previous year: €95 thousand) to pension expenses. The value of fringe benefits was measured at the amount determined for tax purposes.

Annual financial statements

► Notes to the annual financial statements

Basis of the annual financial statements

Notes to the statement of financial position

Notes to the income statement

► Other disclosures

Independent auditor's report

Insurance of legal representatives

About us

The total remuneration received/earned by the members of the Management Board for the 2020 financial year totalled €2,422 thousand (previous year: €2,541 thousand). Of this, €1,110 thousand (previous year: €1,310 thousand) was attributable to fixed, non-performance-based components, €1,170 thousand (previous year: €1,056 thousand) to variable, one- and multi-year performance-related compensation components, €57 thousand (previous year: €79 thousand) to severance payments and €114 thousand (previous year: €95 thousand) to pension expenses. The value of fringe benefits was measured at the amount determined for tax purposes.

The present value of the pension commitments to active and former members of the Management Board amounts to €1,767 thousand (previous year: €1,534 thousand). The pension obligations to former members of the Management Board amount to €1,219 thousand (previous year: €1,099 thousand).

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

20 Remuneration of the Supervisory Board

The total remuneration of the Supervisory Board in financial year 2020 was €462 thousand (previous year: €426 thousand). Of this, €390 thousand (previous year: €355 thousand) was remuneration for work on the General Committee. Remuneration for work on committees amounted to €72 thousand (previous year: €71 thousand).

In the 2020 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, particularly advisory and agency services. Nor were members of the Supervisory Board granted any advances or credits.

For a detailed description of the remuneration of the Management Board and Supervisory Board, we refer to the statements in the remuneration report of the combined management report as at 31 December 2020.

21 Auditor's fees

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

Audit fees

TABLE 19

In thousands of euros

	31/12/2020	31/12/2019
Audit fees		
Annual audit	558	338
of which relating to previous years	156	79
Other confirmation services	554	76
	1,112	414

In addition to the audit of the annual and consolidated financial statements, the auditors conducted an audit review pursuant to IDW PS 900 and an audit pursuant to IDW PS 850, which are reported within the audit services. In addition, the auditor provided other assurance services; these are audits pursuant to Section 16 MaBV, investigative actions pursuant to ISRS 4400 and audits pursuant to IDW PS 980, pursuant to IDW PS 981 and covenant reporting. In addition, an audit in accordance with IDW PS 910 was carried out in financial year 2020.

22 Events after the end of the financial year

There were no events of particular significance to report after the closing date of the statement of financial position on 31 December 2020.

Annual financial statements

► Notes to the annual financial statements

Basis of the annual financial statements

Notes to the statement of financial position

Notes to the income statement

► Other disclosures

Independent auditor's report

Insurance of legal representatives

About us

23 Affiliates and investment companies

List of shareholdings as at 31/12/2020

TABLE 20

	Share of capital In %	Direct shareholdings	Indirect shareholdings	Equity In thousands of euros	Annual result In thousands of euros
Interests in affiliated companies to be consolidated					
Durst-Bau GmbH, Vienna, Austria	100.0		x	512	- 231
formart Immobilien GmbH, Essen, Germany ¹	100.0		x	701	0
formart Luxemburg S.à r.l., Luxemburg, Luxemburg	100.0		x	929	216
Gartenhöfe GmbH, Leipzig, Germany	100.0		x	5,950	130
Instone Real Estate Development GmbH, Essen, Germany ²	100.0	x		153,986	0
Instone Real Estate Landmark GmbH, Leipzig, Germany	100.0	x		-1,233	- 380
Instone Real Estate Leipzig GmbH, Leipzig, Germany	100.0	x		35,541	3,481
Instone Real Estate Projekt Erlangen GmbH & Co. KG, Erlangen, Germany	100.0		x	- 28	- 35
Instone Real Estate Projekt MarinaBricks GmbH, Erlangen, Germany	100.0		x	- 318	- 227
Instone Real Estate Projekt Rosenheim GmbH & Co. KG, Erlangen, Germany	100.0		x	- 56	- 43
Instone Real Estate Projektbeteiligungs GmbH, Erlangen, Germany	100.0		x	57	29
KORE GmbH, Dortmund, Germany	85.0		x	6,246	90
Nyoo Real Estate GmbH (formerly: Instone Real Estate Property GmbH), Essen, Germany ²	100.0	x		25	0
Projekt Am Sonnenberg Wiesbaden GmbH (formerly: Instone Real Estate Erste Projektbeteiligungs GmbH & Co. KG), Essen, Germany	100.0		x	487	- 543
Projekt Wilhelmstraße Wiesbaden GmbH & Co. KG, Frankfurt am Main, Germany	100.0		x	17,360	10,008
Westville 1 GmbH, Essen, Germany	100.0	x	x	170	49
Westville 2 GmbH, Essen, Germany	99.9		x	10	- 15
Westville 3 GmbH, Essen, Germany	99.9		x	11	- 14
Westville 4 GmbH, Essen, Germany	99.9		x	11	- 14
Westville 5 GmbH, Essen, Germany	99.9		x	11	- 14
Interests in joint ventures					
FHP Friedenauer Höhe Dritte GmbH & Co. KG, Berlin, Germany	50.0		x	- 889	- 612
FHP Friedenauer Höhe Erste GmbH & Co. KG, Berlin, Germany	50.0		x	- 557	- 338
FHP Friedenauer Höhe Sechste GmbH & Co. KG, Berlin, Germany	50.0		x	- 2,230	- 1,043
FHP Friedenauer Höhe Vierte GmbH & Co. KG, Berlin, Germany	50.0		x	- 947	- 620
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG, Frankfurt am Main, Germany	50.0		x	24	- 8
Wohnpark Gießener Straße GmbH & Co. KG, Frankfurt am Main, Germany	50.0		x	511	486
Wohnpark Heusenstamm GmbH & Co. KG, Hamburg, Germany	25.1		x	3,785	57

Annual financial statements
► Notes to the annual financial statements

Basis of the annual financial statements

Notes to the statement of financial position

Notes to the income statement

► Other disclosures

Independent auditor's report

Insurance of legal representatives

About us

List of shareholdings as at 31/12/2020
TABLE 20

	Share of capital In %	Direct shareholdings	Indirect shareholdings	Equity In thousands of euros	Annual result In thousands of euros
Interests in other companies					
BEYOUTOPE GmbH (formerly: Sportplatz RKP GmbH), Hanover, Germany ⁴	0.02		x	256	30
CONTUR Wohnbauentwicklung GmbH, Cologne, Germany	50.0		x	11	-11
FHP Friedenauer Höhe Verwaltungs GmbH, Berlin, Germany	50.0		x	23	-2
formart Wilma Verwaltungsgesellschaft mbH, Kriftel, Germany	50.0		x	46	2
Real Estate Company CSC Kirchberg S.à rl, Luxembourg, Luxembourg	100.0		x	73	30
Instone Real Estate Erste Projekt GmbH, Essen, Germany	100.0		x	23	-2
Instone Real Estate Projektverwaltungs GmbH, Essen, Germany	100.0		x	6	-14
Kleyer Beteiligungsgesellschaft mbH, Frankfurt a. M., Germany	100.0		x	145	-0
Parkhausfonds Objekt Flensburg GmbH & Co. KG, Stuttgart, Germany ³	6.0		x	2,979	122
Project Wilhelmstraße Wiesbaden Verwaltung GmbH, Cologne, Germany	70.0		x	0	-8
Projektverwaltungsgesellschaft SEVERINS WOHNEN mbH, Cologne, Germany	50.0		x	34	8
TG Potsdam Projektentwicklungsgesellschaft mbH, Munich, Germany ⁵	10.0		x	-712	-236
Uferpalais Verwaltungsgesellschaft mbH, Essen, Germany	70.0		x	-11	-12
Wohnpark Heusenstamm Verwaltungs GmbH, Hamburg, Germany	25.1		x	25	-64

¹Profit and loss transfer agreement with Instone Real Estate Development GmbH.

²Profit and loss transfer agreement with Instone Real Estate Group AG.

³Balance sheet date 30/06/2020.

⁴Annual financial statements 31/12/2019.

⁵Annual financial statements 31/12/2015.

Annual financial statements

► Notes to the annual financial statements

Basis of the annual financial statements

Notes to the statement of financial position

Notes to the income statement

► Other disclosures

Independent auditor's report

Insurance of legal representatives

About us

24 Contingent liabilities

Obligations from guarantees and suretyships amounted to €294,672 thousand (previous year: €288,517 thousand). They were issued in favour of subsidiaries. In the 2020 financial year, a guarantee commitment was declared for Instone Real Estate Leipzig GmbH. To our knowledge of the relevant economic situation of the companies concerned, the underlying obligations can be met in all cases; it is not to be expected to be utilised.

25 Other financial obligations

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

Other financial obligations	TABLE 21	
In thousands of euros	31/12/2020	31/12/2019
Other financial obligations		
Due in up to one year	51	72
Due in one to five years	67	107
	118	179

26 Declaration of Compliance with the German Corporate Governance Code

The Management Board and Supervisory Board of Instone Real Estate Group AG issued a declaration of compliance in line with the recommendations of the German Government Commission on the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) for the 2020 financial year in December 2020.

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

27 Proposed appropriation of net income

The annual financial statements of Instone Real Estate Group AG show a net loss of €15,774,540.93. After offsetting the profit carried forward amounting to €17,642,170.58 and a withdrawal of €12,801,531.85 from free capital reserves a net profit of €14,669,161.50 remains. Management Board and Supervisory Board propose to distribute €12,216,967.36 and carry forward the remaining net profit of €2,452,194.14.

Essen, 10 March 2021

The Management Board



Kruno Crepulja



Dr. Foruhar Madjlessi



Andreas Gräf

Annual financial statements

► Notes to the annual financial statements

Basis of the annual financial statements

Notes to the statement of financial position

Notes to the income statement

Other disclosures

► Independent auditor's report

Insurance of legal representatives

About us

INDEPENDENT AUDITOR'S REPORT

To Instone Real Estate Group AG, Essen/Germany

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

Audit Opinions

We have audited the annual financial statements of Instone Real Estate Group AG, Essen/Germany, which comprise the balance sheet as at 31 December 2020, and the statement of profit and loss for the financial year from 1 January to 31 December 2020, and the notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the combined management report on the Group and the Company of Instone Real Estate Group AG, Essen/Germany, for the financial year from 1 January to 31 December 2020. In accordance with the German legal requirements, we have not audited 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" of the combined management report.

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

→ the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2020 and of its financial performance for the financial year from 1 January to 31 December 2020 in compliance with German Legally Required Accounting Principles, and

→ the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the 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".

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

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the combined management report in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the combined management report.

Annual financial statements

► Notes to the annual financial statements

Basis of the annual financial statements

Notes to the statement of financial position

Notes to the income statement

Other disclosures

► Independent auditor's report

Insurance of legal representatives

About us

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the annual financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

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

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

- a) description (including reference to corresponding information in the annual financial statements), and
- b) auditor's response.

Accounting for Investments in Associates

- a) In the annual financial statements of Instone Real Estate Group AG, Essen/Germany, for the year ended 31 December 2020, investments in associates of kEUR 223,615 (32.4 % of the balance sheet total) are reported. These are measured at acquisition cost or – where impairment is expected to be of permanent nature – at the lower fair value.

The interest in Instone Real Estate Development, Essen (book value 31 December 2020: kEUR 181,821) together with the interest in Instone Real Estate Leipzig GmbH, Leipzig (book value 31 December 2020: kEUR 41,281) represent 99.8 % of the book value of investments in associates. As at the balance sheet date, the recoverability of these investments was examined by performing internal business valuations. The fair value of the investments in these associates was established as the present value of the future cash flows using the discounted cash flow method. The underlying cash flows are based on the corporate planning, which includes the expectations of the executive directors of the two subsidiaries with regard to the future development of the projects. The cash flows are discounted on the basis of the weighted average costs of capital.

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

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

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

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

Annual financial statements

► Notes to the annual financial statements

Basis of the annual financial statements

Notes to the statement of financial position

Notes to the income statement

Other disclosures

► Independent auditor's report

Insurance of legal representatives

About us

Other Information

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

- the section "Corporate Governance Statement" of the combined management report, which also includes the statement on corporate governance pursuant to Sections 289f and 315d German Commercial Code (HGB) and further information on corporate governance,
- the executive directors' confirmation regarding the annual financial statements and the combined management report pursuant to Section 264 (2) Sentence 3 and Section 289 (1) Sentence 5 German Commercial Code (HGB), respectively.

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

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

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

- is materially inconsistent with the annual financial statements, with the audited 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 Annual Financial Statements and the Combined Management Report

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

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

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

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

Annual financial statements

► Notes to the annual financial statements

Basis of the annual financial statements

Notes to the statement of financial position

Notes to the income statement

Other disclosures

► Independent auditor's report

Insurance of legal representatives

About us

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this combined management report.

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

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

are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.

- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- evaluate the consistency of the combined management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the

Annual financial statements

► Notes to the annual financial statements

Basis of the annual financial statements

Notes to the statement of financial position

Notes to the income statement

Other disclosures

► Independent auditor's report

Insurance of legal representatives

About us

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 related safeguards.

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Audit Opinion

In accordance with Section 317 (3b) HGB, we have assessed with reasonable assurance whether the electronic files of the annual financial statements and of the combined management report (hereafter referred to as "ESEF files") prepared for publication, contained in the accompanying file, which has the SHA-256 value 18234B88B928F243479EBB9321B47ED17D8086801B09618BF1D93524712FC41A, meet, in all material respects, the requirements concerning the electronic reporting format ("ESEF format") pursuant to Section 328 (1) HGB. In accordance with the German legal requirements, this audit only covers the transfer of the annual financial statements' and the combined management report's information into the ESEF format, and therefore covers neither the information contained in these electronic files nor any other information contained in the file stated above.

In our opinion, the electronic files of the annual financial statements and of the combined management report prepared for publication contained in the accompanying file stated above meet, in all material respects, the requirements concerning the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying annual financial statements and on the accompanying combined management report for the financial year from 1 January to 31 December 2020 contained in the above "Report on the Audit of the Annual Financial Statements and of the Combined Management Report", we do not express any audit opinion on the information contained in these electronic files and on any other information contained in the file stated above.

Annual financial statements

► Notes to the annual financial statements

Basis of the annual financial statements

Notes to the statement of financial position

Notes to the income statement

Other disclosures

► Independent auditor's report

Insurance of legal representatives

About us

Basis for the Audit Opinion

We conducted our audit of the electronic files of the annual financial statements and of the combined management report contained in the accompanying file stated above in accordance with Section 317 (3b) HGB and on the basis of the IDW Draft Auditing Standard: Audit of the Electronic Files of the Annual Financial Statements and of the Management Report prepared for Publication pursuant to Section 317 (3b) HGB (IDW Draft AuS 410). Our responsibilities in this context are further described in the section "Auditor's Responsibilities for the Audit of the ESEF Files". Our audit firm has applied the Quality Assurance Standard: Quality Assurance Requirements in Audit Practices (IDW QS 1) promulgated by the Institut der Wirtschaftsprüfer (IDW).

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

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

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

The executive directors of the Company are also responsible for the submission of the ESEF files together with the auditor's report and the accompanying audited annual financial statements and the audited combined management report as well as other documents to be filed with the publisher of the Federal Gazette.

The supervisory board is responsible for overseeing the preparation of the ESEF files 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.
- assess the technical validity of the ESEF files, i.e. whether the file containing the ESEF files meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as of the balance sheet date as to the technical specification of this file.
- evaluate whether the ESEF files enable a XHTML copy of the audited annual financial statements and of the audited combined management report whose content is identical with these documents.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the shareholders' general meeting on 9 June 2020. We were engaged by the supervisory board on 22 October 2020. We have been the auditor of Instone Real Estate Group AG, 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).

Annual financial statements**► Notes to the annual financial statements**

Basis of the annual financial statements

Notes to the statement of financial position

Notes to the income statement

Other disclosures

► Independent auditor's report

Insurance of legal representatives

About us

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

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

Düsseldorf/Germany, 11 March 2021

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft



Signed: Prof. Dr. Holger Reichmann

Wirtschaftsprüfer

[German Public Auditor]



Signed: Michael Pfeiffer

Wirtschaftsprüfer

[German Public Auditor]

Annual financial statements**► Notes to the annual financial statements**

Basis of the annual financial statements

Notes to the statement of financial position

Notes to the income statement

Other disclosures

Independent auditor's report

► Insurance of legal representatives

About us

Insurance of legal representatives

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

Essen, 10 March 2021

The Management Board



Kruno Crepulja



Dr. Foruhar Madjlessi



Andreas Gräf

Annual financial statements

► Notes to the annual financial statements

Basis of the annual financial statements

Notes to the statement of financial position

Notes to the income statement

Other disclosures

Independent auditor's report

Insurance of legal representatives

► **About us**

About us

Instone Real Estate Group AG

Grugaplatz 2 - 4
45131 Essen
Germany

Telephone: +49 201 45355-0
Fax: +49 201 45355-934
Email: info@instone.de

Management Board

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

Chairman of the Supervisory Board

Stefan Brendgen

Commercial Register

Registered in the Commercial Register
of the Essen Local Court under HRB 29362

Sales tax ID number
DE 300512686

Concept, design and implementation

MPM Corporate Communication Solutions,
Mainz, Germany
mpm.de

Instone Real Estate Group AG

Grugaplatz 2-4
45131 Essen,
Germany

Email: info@instone.de
www.instone.de