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Independent Auditor´s report

Consolidated Financial Statements

for the Financial Year 2022

according to § 315e HGB by

International Financial Reporting Standards

ESPG AG, Cologne

(formerly: Diok RealEstate AG)

A member of Nexia International

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Consolidated Financial Statements

ESPG AG, Cologne (formerly: Diok RealEstate AG)

Consolidated balance sheet at December 31, 2022

in EUR	Notes	31.12.2022	31.12.2021
Assets			
Non-current assets			
Intangible assets		1,387.00	3,885.00
Property, plant & equipment		373,404.74	296,936.11
Investment properties	8.1	228,500,000.00	205,790,000.00
Loans	8.2	8,964,351.00	7,754,191.07
Other non-current assets	8.3	1,007,204.42	919,942.26
Deferred tax claims	8.9	29,616.79	18,746.19
Non-current assets, total		**238,875,963.95**	**214,783,700.62**
Current assets			
Trade receivables	8.4	496,500.83	522,667.60
Income tax receivables		135,658.58	133,414.04
Other current receivables and assets	8.5	1,251,695.88	865,206.22
Cash	8.6	3,015,078.51	3,672,326.84
Current assets, total		**4,898,933.80**	**5,193,614.70**
Total assets		**243,774,897.75**	**219,977,315.32**
Equity and Liabilities			
Equity			
Subscribed capital	8.7	23,431,820.00	23,431,820.00
Reserve		-8,926,022.71	-17,289,387.67
Consolidated balance sheet result		25,261,295.77	23,904,568.43
Equity attributable to the shareholders of the parent entity		**39,767,093.06**	**30,047,000.77**
Minority shares	8.8	9,684,095.02	8,390,906.73
Equity, total		**49,451,188.08**	**38,437,907.50**
Non-current liabilities			
Deferred tax liabilities	8.9	10,557,416.94	9,577,354.49
Bond	8.10	0.00	42,195,980.19
Financial loans	8.11	94,666,798.62	107,965,609.22
Other non-current liabilities	8.13	1,170,033.25	949,657.20
Non-current liabilites, total		**106,394,248.81**	**160,688,601.11**
Current liabilities			
Bond	8.10	45,843,789.54	0.00
Financial loans	8.11	37,670,714.70	17,543,022.49
Trade liabilities		871,396.80	267,798.30
Income tax liabilities	8.12	645,977.00	603,076.95
Other current liabilities	8.13	2,897,582.82	2,436,908.97
Current liabilities, total		**87,929,460.86**	**20,850,806.72**
Total of Liabilities and Equity		**243,774,897.75**	**219,977,315.32**

ESPG AG, Cologne (formerly: Diok RealEstate AG)

Consolidated statement of comprehensive income for the period from January 1 to December 31, 2022

in EUR	Notes	01.01. - 31.12.2022	01.01. - 31.12.2021
Income from property management		12,545,258.01	11,792,044.19
Expenses from property management		-4,812,120.03	-5,125,604.43
Earnings from property management	9.1	**7,733,137.99**	**6,666,439.76**
Personnel expenses	9.2	-1,126,370.84	-953,813.25
Other operating income	9.3	1,441,557.66	606,171.85
Other operating expenses	9.4	-2,956,638.66	-1,524,064.43
Depreciation of PPE and amortisation of intangible assets		-122,019.32	-118,255.96
Measurement result of investment properties	8.1	6,879,131.28	-624,910.48
Earnings before interest and taxes		**11,848,798.10**	**4,051,567.49**
Financial income	9.5	561,555.76	395,601.06
Financial expenses	9.6	-8,712,027.13	-8,458,008.95
Earnings before taxes		**3,698,326.74**	**-4,010,840.40**
Income taxes	9.7	-1,620,555.37	-542,356.44
Group earnings / Total consolidated earnings		**2,077,771.37**	**-4,553,196.83**
Of the Group earnings, there is attributable to:			
Shareholders of the parent company		1,356,727.31	-4,589,587.10
Minority shareholders		721,044.06	36,390.25
Of the total consolidated earnings, there is attributable to:			
Shareholders of the parent company		1,356,727.31	-4,589,587.10
Minority shareholders		721,044.06	36,390.25

ESPG AG, Cologne (formerly: Diok RealEstate AG)

Consolidated cash flow statement for the period from January 1 to December 31, 2022

in EUR	Notes	01.01. - 31.12.2022	01.01. - 31.12.2021
Earnings before interest and taxes	10.	**11,848,798.10**	**4,051,567.49**
Non-cash expenses/income:			
Measurement result of investment properties		-6,879,131.28	624,910.48
Depreciation of PPE and amortisation of intangible assets		122,019.32	118,255.96
Other non-cash expenses/income		32,000.00	-11,975.11
Change in working capital:			
Change in receivables and other current assets		-657,530.75	12,665.70
Change in operating liabilities		1,015,853.60	62,971.21
Operating cash flow		**5,482,008.99**	**4,858,395.73**
Interest paid and incidental costs of finance		-6,558,764.01	-6,717,811.10
Interest received		6,322.93	242,780.41
Payments of income tax		-610,708.01	-77,313.20
Cash flow from operating activity		**-1,681,140.10**	**-1,693,948.15**
Payments for the acquisition of real estate property companies less net funds acquired at the same time		-4,899,053.94	0.00
Disbursements for investment properties		-293,021.96	-252,124.08
Payments received from sales of investment properties		0.00	4,691,023.46
Disbursements for the extension of non-current loans		-450,000.00	-2,425,087.59
Payments received from loan redemptions		0.00	3,746,148.29
Disbursements for investments in property, plant & equipment and in intangible assets		-56,153.28	-41,361.31
Cash flow from investing activity		**-5,698,229.18**	**5,718,598.77**
Contributions to equity		8,159,879.76	0.00
Payments received from the issue of bonds		2,802,964.55	2,426,911.09
Payments received from the take-up of financial loans		31,317,782.85	34,350,000.00
Disbursements for redemption of financial loans		-35,471,284.15	-46,249,236.32
Disbursements for redemption of financial liabilities		-87,222.06	-73,545.18
Cash flow from financing activity		**6,722,120.94**	**-9,545,870.41**
Net change in cash		**-657,248.33**	**-5,521,219.80**
Cash at beginning of period		**3,672,326.84**	**9,193,546.64**
Cash at end of period	8.6	**3,015,078.51**	**3,672,326.84**
thereof available cash at end of period		2,156,078.51	2,813,326.84
thereof controlled cash at end of period		859,000.00	859,000.00

ESPG AG, Cologne (formerly: Diok RealEstate AG)

Statement of changes in Group equity for the period from January 1 to December 31, 2022

in EUR	Subscribed Capital	Reserve	Consolidated balance sheet profit	Equity attributable to the shareholders of the parent entity	Minority shares	Total Equity
Balance at 1.1.2021	**23,431,820.00**	**-17,385,625.47**	**28,494,155.53**	**34,540,350.06**	**3,262,766.97**	**37,803,117.03**
Group earnings	0.00	0.00	-4,589,587.10	-4,589,587.10	36,390.25	**-4,553,196.85**
Change in scope of consolidation respectivly in the percentage of shares held	0.00	96,237.80	0.00	96,237.80	5,091,749.51	**5,187,987.31**
Balance at 31.12.2021	**23,431,820.00**	**-17,289,387.67**	**23,904,568.43**	**30,047,000.76**	**8,390,906.73**	**38,437,907.49**
Group earnings	0.00	0.00	1,356,727.31	1,356,727.31	721,044.06	**2,077,771.37**
Contribution to the capital reserve	0.00	8,363,364.96	0.00	8,363,364.96	0.00	**8,363,364.96**
Change in scope of consolidation respectivly in the percentage of shares held	0.00	0.00	0.00	0.00	572,144.22	**572,144.22**
Balance at 31.12.2022	**23,431,820.00**	**-8,926,022.71**	**25,261,295.74**	**39,767,093.03**	**9,684,095.01**	**49,451,188.04**

ESPG AG, Cologne (formerly: Diok RealEstate AG)

Notes to the consolidated financial statements for the business year 2022

1. GENERAL INFORMATION

As the parent company of the Group, ESPG AG (formerly Diok RealEstate AG) (hereinafter: ESPG) is domiciled at Kleingedankstrasse 11a in Cologne in Germany. The Company is filed in the commercial register of the municipal court of Cologne under the number HRB 91529. The financial year is the same as calendar year.

Corporate News of June 14, 2022 announced a change in shareholder structure whereby Delta BuyCo I Sarl ("DBC") acquired a 49.9% stake in the company. DBC is an investment company managed by global asset manager Alvarium Investments ltd (now renamed Alvarium Thiedemann following a merger). Further changes in the shareholder structure took place during the rest of the year. In this context the strategic reorientation of the group took place and in connection with this the change of name to ESPG AG, a partial replacement of the supervisory board, and the addition of new members to the management board. ESPG is an abbreviation for European Science Park Group.

The business activity of ESPG AG and the subsidiaries included in the consolidated financial statements (hereinafter: ESPG Group) is now concentrated on the purchase, development and running of science parks. So far, science parks constitute only a small and relatively new asset class in the property market. Science parks are occupied principally by tenants from innovative industries such as those in the bio sciences, green technologies and digital transformation, which benefit from being close to each other and in immediate proximity to universities, clinics or research facilities.

Despite the reorientation of the investment focus, the previous property portfolio will not be disbanded, but either developed in the direction of science parks or - where this does not make sense due to the micro-location or the commitment to long-term tenants - will continue to be managed to ensure sustainable cash flows.

The consolidated financial statements were approved by the management board on June 5, 2023.

2. BASES OF THE ACCOUNTING SYSTEM

2.1 Bases of the preparation of the financial statements

The consolidated financial statements of ESPG AG have been prepared in conformity with International Financial Reporting Standards (IFRS) as applicable in the EU.

The consolidated financial statements comprise the financial statements of ESPG AG and its subsidiaries at December 31st of each business year.

The financial statements of the subsidiaries were prepared using uniform accounting and measurement methods at the same balance sheet date as for the financial statements of the parent entity. The type-of-expenditure format has been used for the statement of comprehensive income.

The financial statements are prepared in euro, which is the functional currency of the Group.

Assets and debts are accounted for on the assumption of a going concern (IAS 1.25). The precondition for this is the successful conclusion of refinancing agreements, in particular of the bond. In this connection we refer to the disclosures on liquidity and risk management.

2.2 Accounting rules to be applied for the first time in the business year 2022

In the financial year 2022 the ESPG Group took note of changes, applicable for the first time, to IAS 12 “Deferred Taxes”, to IFRS 3 “Reference to the Conceptual Framework” and to IFRS 9 “Debt Modifications,” whereby the initial application did not have any effect on the net assets, financial position or earnings. Therefore, there is here no enumeration or description of these amendments.

2.3 Accounting rules which are not yet mandatory

The IASB has approved some amendments to standards which are to be applied from January 1, 2023, or later. It is not expected that these amendments will have any material effect on the consolidated financial statements of the ESPG Group. Therefore, there is here no enumeration or description of these amendments.

3. PRINCIPLES OF CONSOLIDATION

Subsidiaries are defined as all enterprises which are controlled by ESPG AG. The Group is said to control an enterprise when it is exposed to variable profits, or has a right to such, and it has the ability to influence these profits through its influence on the enterprise. As a general rule, control is accompanied by a voting share of more than 50 percent. In judging whether there is control, one consideration is the existence and effect of voting rights such that these can be exercised at present or could be obtained.

Subsidiaries are fully consolidated from the time that control has passed to the parent enterprise. They are de-consolidated when the control ends.

All material subsidiaries are included in the consolidated financial statements (see 4. Scope of consolidation).

In the case of company acquisitions, a judgement is made (see 6. Principal discretionary decisions and estimates) whether what is involved is a corporate merger under IFRS 3 or only the acquisition of a group of assets and debts as an aggregate without these possessing the quality of a enterprise.

Company acquisitions in the meaning of IFRS 3 are treated using the purchase method. This involves the acquisition costs being allocated to the purchased, individually identifiable assets, debts and contingent liabilities in accordance with their fair values at the time of purchase. Any remaining asset difference is recognised as goodwill, and any remaining liability difference is recognised in the income statement. Incidental costs of acquisition are recorded as expenses in the income statement.

Interests in the net assets of subsidiaries which are not attributable to ESPG AG are presented separately under equity as interests of minority shareholders. In calculating the portion of the Group result which is due to the minority shareholders, consideration is also given to consolidation bookings which have an effect on the income statement. Interests of minority shareholders in partnerships are presented as a separate item under liabilities.

Changes in the Group participatory ratios in subsidiaries which do not lead to a loss in control of this subsidiary are accounted for as equity transactions. The book values of the shares held by the Group and the non-controlling shares are adjusted such that the changes reflect the share ratios existing in the subsidiaries. Each difference between the amount by which the non-controlling shares are adjusted and the fair value of the consideration paid or received is recorded directly under equity and attributed to the shareholder of the parent enterprise.

The acquisition of property companies which do not constitute enterprises in the meaning of IFRS 3 is modelled as the direct purchase of an aggregate of assets - in particular of buildings. Here the acquisition costs are assigned to the individually identifiable assets and debts on the basis of their fair values. Therefore the acquisition of property companies does not lead to any asset or debt difference arising from the capital consolidation. The sale of property companies is modelled, therefore, as the sale of an aggregate - in particular of buildings.

For purposes of the consolidated financial statements, amounts due or owed and earnings within the Group are eliminated as part of the debt or expense & income consolidation. Expenses and income which have arisen from internal group transfers of assets are also eliminated.

4. SCOPE OF CONSOLIDATION

The scope of consolidation, including the parent enterprise, comprises 21 entities, which are consolidated in full. The scope of consolidation has changed as follows:

Number	**2022**	**2021**
Status 01.01	**20**	**21**
Additions	1	0
Disposals	0	1
Status 31.12	**21**	**20**

The addition in the period under review was of Campteq Innovation Campus Griesheim GmbH (formerly: Revion 1 Projektgesellschaft mbH), which was acquired in the second quarter of 2022.

At December 31, 2022, the scope of consolidation of ESPG AG was as follows:

No.	Company	Domicile	Share in %	Held by No.	Activity
	Fully consolidated enterprises:				
1.	ESPG AG	Cologne			Holding
2.	ESPG Asset GmbH	Cologne	100,0	1	Holding
3.	BellGarden Bochum GmbH	Cologne	89,9	2	Building admin
4.	the fourty-five Hattingen GmbH	Cologne	89,9	2	Building admin.
5.	CUBE12 Neuss GmbH	Cologne	89,9	2	Building admin
6.	Science City Ulm GmbH	Cologne	89,9	2	Building admin
7.	FUTURE Campus Essen GmbH	Cologne	89,9	2	Building admin
8.	LAB City Neu-Ulm GmbH	Cologne	89,9	2	Building admin
9.	BlueCircle Würselen GmbH	Cologne	89,9	2	Building admin
10.	Engineering Park Aachen GmbH	Cologne	89,9	2	Building admin
11.	North43 Köln GmbH	Cologne	89,9	2	Building admin
12.	one one Magdeburg GmbH	Cologne	89,9	2	Building admin
13.	ZeroFour Campus Gelsenkirchen GmbH	Cologne	89,9	2	Building admin
14.	TOGETHER Offenbach GmbH	Cologne	89,9	2	Building admin
15.	AERO49 Hallbergmoos GmbH	Cologne	89,9	2	Building admin
16.	Eurolab GmbH	Cologne	89,9	2	Shelf company
17.	PowerHUB Minden GmbH	Cologne	89,9	2	Building admin
18.	ESPG Betriebs GmbH	Cologne	100,0	2	Operator company
19.	ESPG Silo2 GmbH	Cologne	89,9	2	Shelf company
20.	ESPG Silo 1 GmbH	Cologne	89,9	2	Shelf company
21.	Campteq Innovation Campus Griesheim GmbH	Cologne	89,9	2	Building admin

ESPG AG also has a 50% participation in Diok Assekuranzmakler GmbH & Co. KG, Düsseldorf, which was established in 2019. Since this company did not have any significant business in 2022 and since, on account of a change in underwriter, there has not been any basis for business operations since January 1, 2023, it was decided for reasons of materiality not to consolidate this company.

5. ACCOUNTING AND MEASUREMENT PRINCIPLES

5.1 Measurement of fair value

The fair value is the price which, in a well-ordered transaction, would have been received at the measurement date between market participants for the sale of an asset or received for the transfer of a debt. In measuring the fair value it is assumed that the transaction context in which the sale of the asset or the transfer of the debt takes place:

- is the main market for the asset or the debt, or
- is the most advantageous market for the asset or the debt, where there is no principal market.

The Group must have access to the principal market or to the most advantageous market. The fair value of an asset or a debt is measured on the basis of assumptions that market participants would use for determining the price of the asset or debt. Here it is assumed that the market participants act in their own best economic interest.

The Group applies valuation techniques which are appropriate under the pertinent circumstances and for which sufficient data is available to measure the fair value. Here the application of observable inputs is to be held as high as possible and that of unobservable inputs kept as low as possible.

All assets and debts for which the fair value is determined or presented in the financial statements are classified using the fair value hierarchy described below; this classification is based on the input parameter of the lowest level which is material for the measurement of the fair value.

Level 1: Prices listed (without adjustment) in active markets for identical assets or debts.
Level 2: Valuation methods in which input parameters of the lowest level material for the measurement of fair value are observable directly or indirectly on the market.
Level 3: Valuation methods in which input parameters of the lowest level which is material for the measurement of fair value cannot be observed on the market.

In the case of assets and debts which are recognised in the financial statements on an iterative basis the Group determines whether re-groupings have taken place between the levels of the hierarchy by reviewing the classification at the end of the reporting period, this classification being based on the input parameters of the lowest level for which the measurement of the fair value is material.

5.2 Intangible assets and property, plant & equipment

On initial recognition, individually acquired intangible assets are measured at cost. After initial recognition, intangible assets with a limited useful life are amortised straight-line over their probable useful life, which is generally three to five years, and are examined for impairment as soon as there is evidence of this. Impairments of intangible assets are taken to the income statement under amortisation of intangible assets.

Property, plant and equipment is recognised at cost less accumulated scheduled depreciation and accumulated impairment expenses. The acquisition costs comprise the expenditure that is directly attributable to the purchase. Subsequent acquisition or manufacturing costs are only capitalised when it is probable that they will lead to the company receiving an economic benefit. Repairs and maintenance are recognised as expenses in the statement of comprehensive income in the year when incurred. The depreciation is recorded straight-line using estimated useful lives of, generally, three to fifteen years. The depreciation methods and useful lives are reviewed at each balance sheet date and adjusted if required. The book values of the property, plant and equipment are reviewed for impairment as soon as there is evidence that the book value exceeds the recoverable amount.

Gains and losses from the disposals of assets are determined as differences between the net sales revenues and the book value; they are recorded in the income statement.

Intangible assets and property, plant & equipment constitute about 0.15 % of the assets and are therefore of very subordinate importance in the Group of ESPG AG; hence there are no further remarks here.

5.3 Investment properties

Investment properties comprise all buildings which are held long-term in order to obtain rental income or increases in value and are not intended to be used themselves or held for sale in the course of ordinary business.

At the time of addition, the investment properties are recognised at their acquisition and manufacturing costs including incidental costs of acquisition. In subsequent periods the investment properties are measured at their fair values. The costs of ongoing maintenance are recorded in the statement of comprehensive income as expenses. Modernisation measures (upgrades) which exceed the ongoing maintenance are capitalised if it is probable that the company will receive an economic benefit from them. The measurement results are stated in the statement of comprehensive income in the item “Measurement result of investment properties”.

Investment properties are not traded on an active market, but measured on the basis of input factors which are based on non-observable market data (level 3).

The fair value of investment properties is determined generally on the basis of expert reports by external specialists, who use current market data with the aid of recognised measurement methods. This means that income value methods are applied (cf. comments on the measurement procedures under 8.1). If there is a notarially documented contract on the sale of an investment property prior to the preparation of the financial statements, the purchase price agreed is used as the basis for the determining the fair value.

Investment properties are retired when they are sold or no longer used permanently and no future economic benefit is expected from their disposal. Gains or losses from any sale or closure are recorded in the year of sale or closure. The gain or loss is the difference between the sales price and the book value plus any selling expenses.

Properties are transferred from the inventory of investment properties to another balance sheet item when there is a change in use which is documented by the beginning of own use or the beginning of actions with the intention of sale.

5.4 Financial assets

All financial assets in the ESPG Group are measured at adjusted acquisition cost in accordance with IFRS 9.4.1.2. These are mainly lendings to third parties and receivables from rent or incidental rental costs.

All lendings are held until maturity; inflows contain solely interest payments and redemptions.

All financial assets are retired when the contractual rights to cash flows from the financial asset expire or the rights to retain the cash flows are transferred together with all material risks and opportunities derived from ownership of the financial asset.

Financial assets count as current assets if their date of maturity does not exceed a period of twelve months from the balance sheet date.

Otherwise they are presented as non-current assets. The effective interest method is only applied if the asset presents a maturity of more than twelve months.

5.5 Impairments of financial assets

On account of its business model and the mix of its tenants, the Group is not exposed to any great risk of impairment. Where an individual commercial tenant dominates in the rental income from a property, there is continual control of the creditworthiness of that tenant. The adjustments are measured in the amount of the credit losses to be expected over the term, except for the following adjustments, which are measured in the amount of the expected credit losses over 12 months:

- bonds which present a low risk of default at the balance sheet date, and
- other debt instruments including bank balances where the default risk has not significantly increased since initial recognition.

Impairments for trade receivables (rental receivables, receivables from the sale of property and contractual assets) are consistently measured in the amount of the credit loss expected over their term on the basis of adjustment matrices commonly used in the sector. The lendings are monitored continually for recoverability, whereby, in future, extension of lendings will have a noticeably lower significance in the balance sheet.

In view of their immateriality, impairments of financial assets under IFRS 9 are not presented as a separate item in the Group statement of comprehensive income but under other operating expenses (trade receivables) or financial expenses (other debt instruments). The impairment of financial assets is presented separately in the Notes to the Group financial statements.

Impairments of financial assets, which are measured at adjusted acquisition cost, are deducted from the gross book value of the assets. In the case of bonds which are measured at fair value with adjustments in other earnings, the impairment from the other earnings is reclassified to profit or loss.

The gross book value of a financial asset is written down if, after appropriate estimate, the Group does not assume that the financial asset will be wholly or partly recoverable. Any payments subsequently received for previously retired amounts are recorded as other operating income.

5.6 Means of payment (Cash)

Means of payment in the Group balance sheet comprises bank deposits.

5.7 Long-term assets and debts held for sale

A non-current asset or a group of assets to be sold is classified as “held for sale" if the pertinent book value is to be realised by a sales transaction rather than continued use, if the asset can be sold without delay, and if the sale is assumed to be highly probable. Measurement is at the lower of book value and fair value less selling expenses. Within the balance sheet these assets or groups of assets as well as any associated debts are presented separately. Debts are classified as “held for sale” if they are associated with an asset held for sale and are adopted by a purchaser.

ESPG AG recognises investment properties as being assets held for sale if, at the balance sheet date, there exist notarial purchase contracts or declarations signed by both parties of intent to sell or buy but, by contract, ownership will only be transferred in the subsequent period. Initial recognition is at the contractually agreed sales price and subsequently at the fair value after deduction of selling expenses, where this is lower.

In determining the fair value of the non-current assets and debts held for sale, level 1 input factors are used.

5.8 Provisions

Provisions are set up for legal or constructive obligations to third parties which have their origin in the past and whose due date or amount are uncertain, if it is likely that the fulfilment of the obligation will lead to an outflow of resources from the Group, and if it is possible to make a reliable estimate of the amount of the obligation. The Group forms a provision for loss-making transactions if the expected use from the contractual claim is lower than the inevitable costs of the obligation to fulfil the contract. Measurement is at the best estimate of the present obligation at the balance sheet date. Non-current provisions are recognised at the settlement amount discounted to the balance sheet date.

5.9 Liabilities

Loan liabilities, bond liabilities and other liabilities are recognised initially at their fair value after deduction of transaction expenses. After initial recognition, the liabilities are measured using the effective interest method at adjusted acquisition costs.

Financial liabilities are retired when they have been redeemed, i.e. when the obligations stated in the contract have been met, been revoked or have expired.

Liabilities are classified as current if the Group does not have the unconditional right to postpone the redemption to a time at least twelve months after the balance sheet date.

5.10 Taxes

The actual tax refund claims and tax debts are measured at the amount at which a refund from or payment to the tax authorities is expected. For this, the tax rates and laws are applied which are in force at the balance sheet date.

In accordance with IAS 12, deferred taxes are recognised for all temporary differences between the tax basis of the assets and liabilities and their book values in the IFRS financial statements as well as on tax loss carry-forwards.

Deferred tax assets for tax loss carry-forwards are recognised, account being taken of the minimum taxation, at the amount at which the realisation of the associated tax benefits against future tax profits is likely (balance sheet recognition in the amount at least of the deferred tax liabilities). The loss carry-forwards exist solely in Germany and therefore they are not subject to forfeit. For this reason there is here no specification of the maturity structures of the non-capitalised loss carry-forwards.

The tax rates on which the calculation of the deferred taxes are based were determined on the basis of the statutory regulations which are currently valid.

For Group companies a tax rate was assumed of 15.0 percent for corporation tax, 5.5 percent for the solidarity surcharge and 16.625 percent for municipal trade tax. Deferred tax claims for temporary differences and also for tax loss carry-forwards were recognised at the amount at which it is likely that the temporary differences can be offset against future taxable income, taking into account the minimum taxation. Probable effects from the extended reduction of the income from the rental of own landed property on domestic municipal trade tax were taken account of in the measurement of the deferred taxes.

No deferred taxes are formed on temporary tax asset or tax liability differences in connection with interests in the Group companies as long as the Group can control their reversal and will not reverse them in the foreseeable future.

Deferred tax claims and tax debts are offset against each other if (i) the Group has a claim, recoverable by law, to offset the actual tax refund claims against the actual tax debts and if (ii) these relate to income taxes of the same tax subject and if (iii) those income taxes are imposed by the same tax authority.

5.11 Costs of outside capital

Costs of outside capital are recorded as expense in the period in which they are incurred. The application of IAS 23 does not give rise to any effects since the relevant assets (buildings) are already recognised at their fair value.

5.12 Lease relationships

In connection with the rental of buildings the Group is both a lessor and a lessee.

At the beginning of the contract the Group judges whether the contract constitutes or contains a lease. This is the case if the contract gives entitlement to control the use of an identifiable asset against payment of remuneration for a certain period. In order to judge whether a contract contains the right to control an identifiable asset, the Group uses the definition of a lease under IFRS 16.

<u>As lessee</u>
When the lease relationships were analysed the following kinds of contract in particular were identified where the ESPG Group has entered obligations as a lessee and obtained a right of use in an asset:

- Rental contracts for office premises
- Lease contract for vehicle parking spaces
- Leasing contracts for motorised vehicles

At the provision date, the Group recognises an asset for the right of use which has been granted and a lease liability. The right of use is measured initially at acquisition cost, which corresponds to the initial measurement of the lease liability, and adjusted by payments made on or prior to the provision date plus any initial direct costs as well as the estimated costs for dismantling or removal of the underlying asset or to restore the underlying asset or to restore it to the location at which it was, less any leasing incentives received.

Subsequently the right of use from the provision date until the end of the lease period is amortised straight-line unless the ownership of the underlying asset will pass at the end of the term of the leasing relationship to the Group or else the details of the costs of the right of use provide for the Group to exercise a purchase option. In this case, the right of use is amortised over the useful life of the underlying asset, this useful life being determined in accordance with the rules for property, plant & equipment. In addition, the right of use is corrected continually by impairments, where necessary, and adjusted by certain revaluations of the lease liability.

Initially the lease liability is discounted to present value of the lease payments which, at the provision date, will not yet have been made, the discount rate being the interest rate which is implicit in the lease relationship or, if this cannot be determined readily, using the Group's interest rate for incremental outside capital. The ESPG Group uses an incremental borrowing rate of interest as the discount rate.

The lease payments which are measured in the lease liability comprise: fixed payments; variable payments; amounts which will probably have to be paid on account of a residual value guarantee; the exercise price of a purchase option if the Group is sufficiently certain it will exercise this option; lease payments for any prolongation, if the Group is sufficiently certain it will exercise this option; and penalty payments for a premature termination of the lease relationship unless the Group is sufficiently certain that it will not terminate prematurely.

The lease liability is measured at the adjusted book value using the effective interest method. It is re-measured if the future lease payments change on account of a change in the index or interest rate; if the Group adjusts its estimate of the probable payments in connection with a residual value guarantee; if the Group changes its estimate of the exercise of a purchase, prolongation or termination option; or if a lease payment which is de facto fixed changes. In the case of such a re-measurement of the lease liability, the book value of the right of use is adjusted accordingly or, if the book value of the right of use has fallen to zero, the adjustment is recorded in the income statement.

In the balance sheet ESPG AG presents under property, plant & equipment any rights of use which fail to satisfy the definition of an investment property; it presents lease liabilities under other liabilities. Rights of use to investment properties which, under IAS 40, are measured at their fair value are themselves measured at the fair market value and presented under investment properties.

ESPG AG has resolved not to recognise rights of use and liabilities for leases involving low-value assets and short-term leases. The Group recognises the payments connected with these leasing relationships as expense over the term of the leases.

As lessor

When the Group acts as a lessor it classifies at the beginning of the contract each relationship as either a finance lease or an operating lease. In order to classify each leasing relationship, the Group has undertaken an overall estimate whether the lease transfers all material risks and opportunities which are associated with ownership of the underlying asset. If this is the case, the leasing relationship is classified as a finance lease; if not, it is an operating lease. In deciding this, the Group takes into consideration certain indicators such as whether the leasing relationship covers the greater portion of the economic useful life of the asset.

The ESPG Group rents out the buildings held as investment properties. On the lessor side, these leasing relationships are classified as operating leases. Lease payments from operating leases are recorded straight-line under income from property management (net rental income).

At the beginning of a contract, or in the event of a change to a contract which contains a leasing component, the Group divides the contractually agreed remuneration on the basis of the relative individual sales prices. If an agreement contains leasing and non-leasing components, the Group applies IFRS 15 to separate the contractually agreed remuneration. A distinction is made between non-lease components of the ongoing debt relationship - these involve operating costs which the tenant must reimburse to the ESPG Group (the subject of IFRS 16) - and those in which the ESPG Group has an obligation to render a performance (the subject of IFRS 15). Hence the revenues from the on-charging of expenses for land tax and building insurance now come under the scope of IFRS 16, alongside net rental income.

The Group applies the retirement and impairment rules of IFRS 9 to the net investment in the leasing relationship.

5.13 Realisation of income and expense

The income from the rental of buildings (net rental revenue) results from lease relationships; it is recorded period-for-period in conformity with the rules of the underlying contracts. The rental receivables & income are recorded when they are fixed contractually and if it is probable that the economic benefit will flow to the Group. Since the net rents are paid monthly in advance, the rental receivables are due immediately.

The income from the on-charging of running costs are recorded periodically in line with the rendering of the pertinent performances, i.e. with transfer of availability of the service to the tenants. This presupposes that there are contractual agreements with the tenants and that it is probable that the specified consideration will be received. The running costs and their on-charging is accounted for using the “Principal” method. The expenses relating to the running costs and the corresponding income from on-charging to tenants are presented, without offsetting, in the statement of comprehensive income. The liabilities from the advance payments of incidental (i.e. running) costs are offset against the receivables for the services which have not yet been invoiced; the net amount is presented under "Other current receivables and assets" or "Other current liabilities". The advance payments by tenants for running costs fall due monthly together with the net rents and they are payable immediately.

Other income is recorded if it is probable that the economic benefit will flow to the Group and the amount of the income can be determined reliably.

Interest income and expense are recognised in the income statement in proportion with the remaining receivable or liability and the effective interest rate over the remaining term.

Expenses are recorded as soon as caused economically.

5.14 Earnings per share

The shares of ESPG AG are held privately and are not traded publicly. Therefore the results per share have not been calculated.

5.15 Currency translation

The consolidated financial statements are in euro. The euro is the currency of the primary economic environment in which the Group operates and is therefore the functional currency. The Group does not have any foreign subsidiaries; there is therefore no other functional currency which might give rise to effects on the consolidated financial statements.

5.16 Cash flow statement

The cash flow statement describes the development of the payments streams of the Group during the reporting period. In the consolidated financial statements, the cash flow from operating activity is determined using the indirect method, with earnings before tax and interest (EBIT) being adjusted by non-cash items and adding cash items. The cash flow statement describes the cash flow from operating activity, from investing activity and from financing activity.

6. PRINCIPAL DISCRETIONARY DECISIONS AND ESTIMATES

In drawing up the consolidated financial statements the Management Board makes estimates and assumptions on expected future developments on the basis of the circumstances prevailing at the balance sheet date. The resulting estimates may deviate from what later transpires. In this case, the assumptions and the book values of the assets or debts are adjusted as necessary.

Assumptions and estimates are reviewed continually; they are based on experience and other factors, including expectations about future events which in the circumstances seem reasonable.

In its application of the accounting and measurement methods, the Board has made the following estimates which influence materially the amounts stated in the consolidated financial statements:

- Market values of investment properties are based on the findings of specialists commissioned for this purpose. This measurement is based on the discounted future income surpluses, i.e. the present value of future cash flows. For purposes of measurement the experts estimate factors such as future rental income, vacancy rates, maintenance and improvements as well as any applicable land interest rates, all of which directly affect the fair value of the properties.

- The calculation of impairment of financial assets is also subject to estimates. In this connection the risks of default on financial assets must be judged and estimates made of any credit losses to be expected.

- Deferred taxes: The Board takes decisions on the basis of its current planning of the extent to which it will be possible to use future loss carry-forwards. The criteria are, therefore, expected tax profits of the pertinent company, which correlate largely with the fair value of the properties held by that company.

- Various assumptions need to be made in relation to provisions about the probability of occurrence and the amount of the utilisation. Here consideration is given to all information available at the time the balance sheet is prepared.

In its application of the accounting and measurement methods, the Board has made the following discretionary decisions which influence materially the amounts stated in the consolidated financial statements:

- ESPG has specialised in the creation and growth of a Science Park portfolio. Properties are often purchased when the seller is subject to exceptional circumstances. In connection with such transactions, ESPG AG decides whether the property was purchased on the principal market as under IFRS 13 or whether the purchase was on a non-transparent (bidders') market. Where the purchase took place on a non-transparent market, ESPG AG examines whether, under IFRS 13, the property would have obtained a higher price on the principal market.

- With regard to the properties held by the Group, the Board must decide at each balance sheet date whether they should be held long-term for rental or purposes of an increase in value, or for sale. Depending on this decision, the properties are presented under investment properties or under long-term assets to be sold. This decision is one of judgement since it is not possible to predict opportunities for a specially advantageous sale of properties held long-term for rental or for purposes of value increase.

- When property companies are acquired, a decision must be made whether this constitutes the purchase of a business operation. If, alongside the assets and debts, an operating business (integrated group of activities) is taken over, this is a company merger. An integrated group of activities is considered to be, for example, asset and property management, receivables management and accounting. A further indicator that it is an operating business which is being taken over is whether the purchased entity has employees.

- In the initial recognition of financial instruments a decision must be made on which measurement category they belong to.

- Interest paid and incidental costs of finance as well as interest received are recorded in the cash flow statement as cash flow from operating activity.

- During the year ESPG concluded a loan from DBC which, in the light of the repayment conditions which were agreed, qualifies in the balance sheet as equity. The loan and capitalised interest totalling kEUR 8,363 is to be repaid from the dissolution of the company or at December 31, 2112, if no further financial debts have been recognised for at least 30 days (paragraph 8.7).

7. SEGMENT REPORTING

Although ESPG is not classified as a "capital-market oriented" enterprise in the meaning of § 264d HGB (German Commercial Code) IFRS 8 mandates from IFRS consolidated financial statements the publication of segment reporting if outside or equity capital is traded on an exchange platform in the meaning of IFRS (which also includes over-the-counter or similar marketplaces) or if there is segmentation for internal reporting purposes.

ESPG AG does not report internally by segment, and therefore segment reporting is not possible. Further information which is required under IFRS 8 is also inapplicable. Although it is possible that the sale of a building may mean that within one year a material turnover is obtained from a single customer, it cannot be inferred from this that there is any dependency.

8. EXPLANATIONS ON THE CONSOLIDATED BALANCE SHEET

8.1 Investment properties

Investment properties are recognised at their fair values. The fair values in the period under review developed as follows:

in EUR	2022	2021
Book values at 01.01	**205,790,000.00**	**206,260,000.00**
Purchases (+)	15,562,846.76	0.00
Other additions (+)	293,021.96	163,933.72
Fair value increases (+)	8,877,748.14	4,769,115.52
Fair value decreases (-)	-1,998,616.86	-5,394,026.00
Disposals / Purchase price reductions (-)	-25,000.00	-9,023.24
Reclassification (-)	0.00	0.00
Book values at 31.12	**228,500,000.00**	**205,790,000.00**

All investment properties are encumbered with land charges as collateral for financial loans. Hence any revenues which result from sale are to be used primarily to repay the loans (see 8.11).

The property portfolio of the ESPG Group consists solely of commercial buildings.

A number of rental contracts expired either at the end or after the end of the reporting period. Furthermore, a material lease agreement was newly concluded, see section 13.6. The Management Board is also in advanced negotiations with prospective tenants, some of whom have concluded reservation agreements, with the result that it is expected that significant space will be relet in the course of 2023. This expectation was taken into account in the expert valuation.

One addition refers to the purchase of Campteq Innovation Campus Griesheim GmbH. The transaction was completed in June 2022.

As in the prior year, the other additions relate to upgrades to property already held.

At December 31, 2022, there were no obligations to purchase further properties.

In the reporting period, increases of EUR 8.9 million in current value and decreases of EUR 2.0 million in current value led to a measurement result of EUR 6.9 million (prior year: EUR minus 0.6 million), which was recorded as earnings in the statement of comprehensive income. The decreases in fair value come mainly from properties in which rental relationships expired during or even before the reporting period and which will require investment before renewed rental becomes possible. The fair value increases are mainly attributable to the newly acquired property in Griesheim as a result of an advantageous acquisition and otherwise, depending on the property, as a result of the reduction in vacancies, the extension of rental agreements, the inflation-related increase in rents and the resulting recognition of lower property interest rates.

The fair value (level 3 of the fair value measurement on the basis of valuation models) of individual buildings was determined on the basis of discounted income surpluses, i.e. using the capitalised value method in conformity with the “Real Estate Appraisal Ordinance” (abbreviated to ImmoWertV). The fair value of the investment properties is derived from the income and outgoings; it is discounted using a risk-adjusted land interest rate. Separately from the determination of the market value of the buildings there is a measurement of the land value.

The following table shows the main assumptions which were used to measure the fair value of the investment properties using the present value of future cash flows:

Range	**31.12.2022**	**31.12.2021**
Market rent in EUR	2.39-14.51	2.50 – 12.00
Land interest rate in %	3.60 – 5.60	3.50 – 5.41
Residual useful life in years	35 – 45	35 - 45
Maintenance costs EUR / square metre	10.90 – 14.66	9.26 - 12.20

The ranges quoted do not take into consideration any outliers. The assumptions applied in the valuation of the properties were made by the independent expert on the basis of his many years of experience. In the case of two properties, the management board did not adopt the value determined by the expert, but recognised them in the consolidated financial statements at a lower value. For all other properties, after examination, the expert's values were adopted.

The land interest rate, the pertinent rents and the duration of use were identified as the main value drivers influenced by the market. The effects of any fluctuations of these parameters are modelled below in isolation from each other. Interactions between the parameters are possible, but due to their complexity cannot be quantified.

31.12.2022	**Land interest rate**		**Rent**		**Useful life**	
	-0.5%-points	**+0.5%-points**	**-10.0%**	**+10.0%**	**-5 years**	**+5 years**
Changes in value						
in kEUR	19,310	-17,170	-21,920	22,140	-10,930	8,820
in %	8.4	-7.5	-9.5	9.6	-4.7	3.8

31.12.2021	**Land interest rate**		**Rent**		**Useful life**	
	-0.5%-points	**0.5%-points**	**-10.0%**	**+10.0%**	**-5 years**	**+5 years**
Changes in value						
in kEUR	17,570	-15,630	-18,680	18,580	-9,990	7,980
in %	8.5	-7.5	-9.0	9.0	-4.8	3.8

8.2 Loans

in EUR	2022	2021
Book values at 01.01	**7,754,191.07**	**3,746,148.29**
Additions (+)	1,210,159.93	7,754,191.07
Disposals (-)	0.00	-3,746,148.29
Book values at 31.12	**8,964,351.00**	**7,754,191.07**

The non-current lendings relate to loans to non-controlling shareholders. The loans issued in prior years were redeemed in full in the financial year 2021 in connection with the changeover of all minority shareholders. Simultaneously, in 2021 the new minority shareholders were granted loans of EUR 7.7 million.

Further loans of kEUR 450 were granted in 2022. In addition, the interest claims for 2021 and 2022 were capitalised, i.e. added to the loan.

The loans bear interest at 7.0% p.a. and have a term until December 31, 2025. The loans were issued with the purpose of obtaining interest income; there was no trade, nor is any trade planned.

8.3 Other non-current assets

The other non-current assets comprise mainly tenants' guarantee deposits which are held in separate bank accounts.

8.4 Trade receivables

Trade receivables derive solely from rental and do not bear interest. Of the trade receivables, prior to consideration of adjustments, an amount of kEUR 643 was overdue as at the balance sheet date (prior year: kEUR 362). Adjustments are formed on the basis of the age structure and depending on whether the tenants concerned are current or former tenants. At December 31, 2022, the adjustments on trade receivables came to kEUR 277 (prior year: kEUR 90).

8.5 Other current receivables and assets

Other non-current receivables and assets are composed as follows:

in EUR	31.12.2022	31.12.2021
Interest receivables from non-current lendings	5,295.40	298,432.78
Costs paid in advance for the following year	156,398.44	174,532.58
Zinscap premium	155,600.00	0.00
Running costs still to be invoiced less advance payments	0.00	172,672.91
Claims for cost reimbursements from third parties	491,162.52	97,927.26
Tax receivables (value added tax)	14,000.24	30,185.09
Tenants' guarantee deposits	180,350.80	17,639.62
Other current assets	248,888.48	73,815.98
Total	**1,251,695.88**	**865,206.22**

8.6 Means of payment (Cash)

The cash of kEUR 3,015 (prior year: kEUR 3,672) consists entirely of bank deposits available at short notice. The cash comprises kEUR 2,156 available on demand (prior year: kEUR 2,813) and funds of kEUR 859 (prior year: kEUR 859) to which access is restricted but which is also available at short notice.

8.7 Equity

The nominal capital of ESPG AG is kEUR 23,431,820.00. It is divided into 9,373,728 registered no-par shares.

At the balance sheet date ESPG AG did not have any approved or conditional capital nor did it hold any treasury shares.

In the first half of 2022, 49.9% of the existing share capital of ESPG AG was sold by the previous shareholders to DBC, which is an international consortium of private investors led by London-based Alvarium Investments. In the second half of 2022 a further 20.0% of the shares of the previous shareholders were sold to Science Park Acquisition S.à.r.l., Luxembourg, and 10.1% to Moore Strategic Ventures, LLC, USA. In connection with the transaction it is important that the new shareholders plan to refinance a large portion of the Company's existing liabilities in order to lower the degree of indebtedness of the enterprise. In addition, the company plans to accelerate its expansion and concentrate on science parks. The changes in the management and supervisory boards are connected with this change in shareholder structure.

The interests of the minority shareholders relate to capital and earnings portions of third parties in the fully consolidated companies in which the participation of ESPG AG or its subsidiaries is less than 100%.

The allocation in the reporting year to the capital reserve in the amount of kEUR 8,363 results from the granting of a loan to ESPG AG with capitalised interest, which, on account of the contractual structure, is presented as equity under IFRS (paragraph 6).

8.8 Minority shares

At December 31, 2022, a portion of kEUR 9,684 (prior year: kEUR 8,391) related to the minority shareholders; it is shown under equity.

In the financial year 2021, the shares of the non-controlling shareholders were increased to 10.1% for all companies holding property or companies for which property acquisition is planned. In all, at the balance sheet date there were shares of non-controlling shareholders in 18 companies.

This gives rise to the following summarised financial information for these companies, presented for the sake of clarity in aggregate rather than separately for each company.

in kEUR	2022	2 021
1.1 - 31.12.		
Revenues	12,541	11,763
Earnings from business areas to be continued	7,139	480
Other earnings	0	0
Total earnings	7,139	480
31.12.		
Non-current assets	229,506	206,709
Current assets	36,983	32,030
Non-current debts	106,230	83,091
Current debts	64,376	72,570
Net assets	95,882	83,078
Proportion in % held by minority shareholders	10.1%	10.1%
Proportion in kEUR held by minority shareholders	9,684	8,391

8.9 Deferred taxes

The deferred tax claims (+) and liabilities (+) are composed as follows:

in EUR	31.12.2022	31.12.2021
Tax loss carry-forwards	2,105,708.66	1,821,731.29
Accounting for leases under IFRS 16	1,726.00	1,454.61
Valuation of investment properties	-12,136,510.27	-10,514,159.11
Valuation of financial liabilities	-498,724.54	-867,635.09
Total of deferred tax claims	**2,107,434.66**	**1,823,185.90**
Total of deferred tax liabilities	**-12,635,234.81**	**-11,381,794.20**
Balance	2,077,817.87	1,804,439.71
Deferred tax claims presented	**29,616.79**	**18,746.19**
Deferred tax liabilities presented	**-10,557,416.94**	**-9,577,354.49**

The change in deferred taxes is mainly due to effects on the income statement.

No deferred tax assets have been formed on corporation tax loss carry-forwards of about EUR 23.6 million (prior year: about EUR 18.1 million) or on municipal trade tax loss carry-forwards of about EUR 27.4 million (prior year: about EUR 20.1 million) since it is not sufficiently certain that they will be recoverable.

The temporary differences from results of subsidiaries which have not been distributed, for which no deferred taxes were formed, come to EUR 0.3 million.

8.10 Liabilities from bonds

The liabilities presented under this heading relate to the corporate bond 2018/2023. In 2022, kEUR 3,055 was placed with investors.

The corporate bond is due for repayment on October 1, 2023. Interest is due annually. The corporate bond is not secured.

8.11 Financial loans

The financial loans comprise mainly liabilities in connection with the purchase and the financing of investment properties. The financial loans comprise bank loans with fixed interest rates, bank loans at variable interest rates and loans from insurance enterprises.

At the balance sheet date, the financial loans ran to kEUR 132,338 (prior year: kEUR 125,509) in total, of which kEUR 94,667 (prior year: kEUR 107,966) were non-current, and kEUR 37,671 (prior year: kEUR 17,543) were to be redeemed in less than one year.

To cover future interest risks, in the financial year 2022 interest hedges (“Zinscap”) were concluded for a loan amount of kEUR 16,660.

The financial loans are secured principally with mortgages. Further collateral is provided in the form of assignment of rental income, any revenues from disposals and insurance claims as well as the hypothecation of bank deposits. Moreover, individual financial packages are secured by sureties of ESPG AG and/or ESPG Asset GmbH as well as by a letter of comfort of ESPG AG.

The financial loans are secured with assets as follows:

in EUR	**31.12.2022**	**31.12.2021**
Investment properties	228,500,000	205,790,000.00
Rental receivables	329,254.43	296,262.48
Bank deposits	1,821,609.03	2,025,490.93

8.12 Income tax liabilities

The income tax liabilities in the amount of kEUR 646 (prior year: kEUR 603) comprise tax provisions for current corporation and municipal trade tax obligations.

8.13 Other liabilities

The other liabilities are composed as follows:

in EUR	**31.12.2022**	**31.12.2021**
Deferred interest	847,200.53	1,238,091.62
Tenants’ guarantee deposits	1,127,926.52	938,226.31
Deferred costs	1,109,082.34	560,753.81
Lease liabilities	224,893.78	153,018.50
Rents recorded as income for 2023 or in the prior year for 2022	210,807.23	158,963.84
Tax liabilities	199,336.05	180,398.91
Running costs still to be invoiced less advance payments	35,499.83	0.00
Other	312,869.74	157,113.18
Total	**4,067,616.02**	**3,386,566.17**
- thereof non-current	**1,170,033.25**	**949,657.20**
- thereof current	**2,897,582.77**	**2,436,908.97**

The guarantee deposits made by tenants are held in separate bank accounts.

The deferred costs relate mainly to hospitality, maintenance and consultancy.

The tax debts relate to value added and to wages tax.

9. EXPLANATIONS TO THE STATEMENT OF COMPREHENSIVE INCOME

9.1 Result from property management

The income and expenses from property management are composed as follows:

in EUR	01.01. – 31.12.2022	01.01. – 31.12.2021
Net rental income	9,774,919.52	9,054,563.00
Income from the on-charging of running costs	2,654,223.80	2,658,011.49
Other income from property management	116,114.69	79,469.70
Income from property management – total	**12,545,258.01**	**11,792,044.19**
Running, heating and administrative costs	-3,780,294.22	-3,487,789.41
Maintenance costs	-921,205.60	-1,371,791.43
Costs of letting	-92,853.80	-254,247.05
Other expenses from property management	-17,766.40	-11,776.54
Expenses from property management – total	**-4,812,120.02**	**-5,125,604.43**
Result from property management	**7,733,137.99**	**6,666,439.76**

The income from property management relates entirely to investment properties.

The direct operating expenses which are directly attributable to investment properties and for which no rental income was obtained in the year under review amounted to kEUR 202 (prior year kEUR 565).

9.2 Personnel expenses

The personnel expenses comprise:

in EUR	01.01. – 31.12.2022	01.01. – 31.12.2021
Salaries and similar	1,080,546.76	910,067.51
Social security charges	45,824.08	43,745.74
Total	**1,126,370.84**	**953,813.25**

During the reporting period, the Group employed three board members and, on average, three members of staff.

9.3 Other operating income

The other operating income comprised in the reporting period mainly income from insurance reimbursements (kEUR 996; Vorjahr: kEUR 125), the reversal of provisions (kEUR 188; prior year: kEUR 174), and income from benefits in kind (kEUR 43; prior year: kEUR 45). The insurance reimbursements are connected with the costs incurred for remedying water damage which occurred in two properties and led to loss of rent.

9.4 Other operating expenses

In the reporting period, the other operating expenses comprised mainly legal & consultancy fees (kEUR 1,218; prior year: kEUR 1,159), damage of kEUR 435 covered by insurance (prior year kEUR 0), adjustments / retirement of receivables (kEUR 265; prior year kEUR 100) and to publicity & travel expenses (kEUR 207; prior year: kEUR 132).

9.5 Financial income

The financial income comprises mainly interest income from the long-term lendings.

9.6 Financial expenses

The financial expenses are composed as follows:

in EUR	01.01. – 31.12.2022	01.01. – 31.12.2021
Interest expenses for financial loans incl. effective interest adjustment	5,299,406.87	5,140,996.81
Interest expenses for bonds incl. effective interest adjustment	3,398,452.49	3,309,378.89
Interest expenses for other liabilities	14,167.77	7,633.25
Total	**8,712,027.13**	**8,458,008.95**

9.7 Income taxes

The income taxes are composed as follows:

in EUR	01.01. – 31.12.2022	01.01. – 31.12.2021
Current income tax expense	**651,363.50**	**387,376.95**
Deferred tax expense/income from loss carry-forwards	-284,520.11	203,453.07
Deferred tax expense from temporary differences	1,253,711.98	-48,473.58
Deferred taxes	**969,191.87**	**154,979.49**
Total	**1,620,555.37**	**542,356.44**

The current tax expense is determined on the basis of the taxable income of the reporting year. For the financial year 2022, the aggregate tax rate for corporation tax and solidarity surcharge was 15,825 percent. Adding in the municipal trade tax of about 16,625 percent, there results a group tax rate of 32.45 (prior year: 32.45) percent. Probable effects from the extended reduction of municipal trade tax are taken into consideration in the measurement of the deferred taxes.

The tax on the pre-tax profit of the Group deviates from the theoretical tax rate that results from the application of the Group tax rate of 32.45 percent as follows:

in EUR	**01.01. – 31.12.2022**	**01.01. – 31.12.2021**
Earnings before income taxes	3,698,326.75	-4,010,840.40
Expected tax result at 32.45%	1,200,107.03	1,301,517.71
Reconciliation through tax effects:		
- Effects from the application of the extended municipal trade tax reduction	1,804,609.30	589,669.24
- Effects from losses which will not be able to be used or use of loss carry-forwards not previously recognised	-1,804,689.36	-2,006,884.51
- Effects from modifications to municipal trade tax	383,959.16	-341,336.98
- Other effects	36,569.24	-85,321.90
Total	**1,620,555.37**	**-542,356.44**

10. EXPLANATIONS TO THE CASH FLOW STATEMENT

The payment flows are presented in subdivisions according to operating activity, investing activity and financing activity. For the description of the cash flow from operating activity, the indirect calculation method was chosen, whereas the cash flows from investing and financing activity were determined on the basis of payments. The cash & cash equivalents corresponds to the means of payment held.

The cash flow from operating activity in the reporting period came to kEUR minus 1,694 (prior year: kEUR minus 1,694). The cash flow from operating activity, apart from the cash flow from operating activity of kEUR 5,482 (prior year: kEUR 4,858), comes mainly from payments of interest and incidental costs of finance in the amount of kEUR 6,559 (prior year: kEUR 6,718).

Whereas the cash flow from investing activity in the prior year (kEUR 5,719) arose mainly from the sale of properties / property companies (kEUR 4,691) and the receipts from loans (kEUR 3,746), the cash flow from investing activity in 2022 (kEUR minus 5,698) was mainly determined by disbursements for the acquisition of a property company (kEUR 4,899).

The cash flow from financing activity (kEUR 6,722; prior year kEUR minus 9,546) results mainly from disbursements for the redemption of financial credits in the amount of kEUR 35,471 (prior year: kEUR 46,249) as well as from payments into equity (kEUR 8,160; prior year kEUR 0) and the new take-up of financial credits (kEUR 31,317; prior year kEUR 34,350).

Cash & cash equivalents decreased by kEUR 657 from kEUR 3,672 at the beginning of the reporting period to kEUR 3,015 at the end. The cash & cash equivalents comprises kEUR 2,156 (prior year: kEUR 2,813) available on demand and kEUR 859 (prior year: kEUR 859) to which access is restricted.

As a consequence of financing activities, the financial liabilities developed in the reporting period as follows:

Reporting period 2022

			Non-cash changes			
in kEUR	**Initial amount 01.01.2022**	**Monetary change**	**Change in scope of consolidation**	**Effective interest method**	**Reclassi-fications**	**Final amount 31.12.2022**
Financial loans	125,509	-4,154*	9,887	1,096	0	132,338
Bonds	42,196	2,802*	0	846	0	45,844
Total	**167,705**	**-1,352**	**9,887**	**1,942**	**0**	**178,182**

* Including disbursements for incidental costs of finance

Reporting period 2021

			Non-cash changes			
in kEUR	**Initial amount 01.01.2021**	**Monetary change**	**Change in scope of consolidation**	**Effective interest method**	**Reclassi-fications**	**Final amount 31.12.2021**
Financial loans	136,684	-12,730*	0	1,555	0	125,509
Bonds	39,180**	2,270*	0	746	0	42,196
Total	**175,864**	**10,460**	**0**	**2,301**	**0**	**167,705**

* Including disbursements for incidental costs of finance
** minus claims not yet taken to income from the issue of bonds

11. DETAILS OF FINANCIAL INSTRUMENTS AND FAIR VALUES

11.1 Additional details of the financial instruments

a) Formation of categories

The classification of financial instruments which is required by IFRS 7 is performed in the ESPG Group analogously to the pertinent balance sheet items. The following tables show a reconciliation of the book values for each IFRS 7 category (balance sheet item) to the measurement categories at the different cut-off dates.

in kEUR	Category acc. to IFRS 7	Measured at amortised cost		Measured at Fair Value	Total Balance sheet item 31.12.2022
		Book value	Fair value	Book value	
Assets					
Lendings and other non-current assets	Aac	9,972	9.972	0	9,972
Trade receivables	Aac	497	497	0	497
Other current assets	Aac	1,252	1,252	0	1,252
Equity and Liabilities					
Liabilities from bonds	Flac	45,844	36,368	0	45,844
Financial loans	Flac	132,338	129,770	0	132,338
Trade liabilities	Flac	871	871	0	871
Other liabilities	Flac	4,067	4,067	0	4,067

Abbreviations of the IFRS 7 categories
Aac Financial assets measured at amortised cost
Flac Financial liabilities measured at amortised cost

in kEUR	Category acc. to IFRS 7	Measured at amortised cost		Measured at Fair Value	Total Balance sheet item 31.12.2021
		Book value	Fair Value	Book value	
Assets					
Loans	Aac	8,674	8,674	0	8,674
Trade receivables	Aac	523	523	0	523
Other current assets	Aac	865	865	0	865
Equity and Liabilities					
Liabilities from bonds	Flac	42,196	43,872	0	42,196
Financial loans	Flac	125,509	125,762	0	125,509
Trade liabilities	Flac	268	268	0	268
Other liabilities	Flac	3,387	3,387	0	3,387

Abbreviations of the IFRS 7 categories
Aac Financial assets measured at amortised cost
Flac Financial liabilities measured at amortised cost

Liabilities from the advance payments received for incidental running costs in the amount of kEUR 2,765 (prior year: kEUR 2,440) were offset against receivables for services not yet invoiced in the amount of kEUR 2,730 (prior year: kEUR 2,613); the net amount was presented in the consolidated balance sheet under other current liabilities (prior year: other current receivables and assets).

b) Fair value figures
The fair values of the financial assets and debts for purposes of measurement or explanation in the Notes were determined on the basis of Level 3 of the Fair Value hierarchy except in the case of the bond liabilities.

Trade receivables, other current assets and cash have short residual terms. Their book values at the cut-off date correspond, therefore, approximately to their fair values. The same applies for current financial loans, trade liabilities and other current liabilities.

The fair value of the non-current financing loans is determined by discounting the future cash flow. The discount rate is determined following a market interest rate with congruent term and risk.

c) Net result from financial assets and debts
The gains and losses from financial assets and debt are set out below:

in kEUR	Category acc. to IFRS 7	Net result 2021 Interest	Net result 2021 Income/ expense	Net result 2021 Total	Net result 2022 Interest	Net result 2022 Income/ expense	Net result 2022 Total
Financial assets measured at cost	Aac	387	11	398	574	13	587
Financial liabilities measured at cost	Flac	-6,157	-2,301	-8,458	-6,772	-1,940	-8,712

The interest income and expense are shown under financial income and financial expenses. The expenses of the financial liabilities, measured at cost, relate to adjustments in connection with the effective interest method. These expenses are presented under financial expenses.

11.2 Financial risk management and disclosures under IFRS 7

The financial risk management is an integral part of the risk management system and therefore contributes to achieving the corporate goals. The material risks which are monitored and controlled by the Group's financial risk management are the risk of changes to interest rates, the default risk, the liquidity risk and the financing risk.

a) Interest rate risk
At present the group is exposed to risks from changes in short-term and medium-term interest rates on account of the existing financing packages.

About 20% of the unsecured, mostly long-term financial loans which the Group reports are variable. If the interest rate changes by 100 basis points, the interest expense for these variable liablities would increase by about kEUR 572; in the case of a change by 200 basis points by about kEUR 1,144.

Moreover, an interest rate change risk affects the risk of the reissue of financial loans and bonds being at higher interest rates. In 2023 fixed interest financial loans and bonds in the amount of kEUR 78,026 (Bond an secured loans) are due for refinancing. If these are refinanced at an interest rate which is 100 basis points higher, the additional interest expense would come to about kEUR 780. In the case of them being higher by 200 basis points, the additional expense would be about kEUR 1,560.

The interest rate risk, in relation to the rental income of kEUR 12,545 in 2022, is material.

b) Default risk

The default risk is the risk that a contractual party will be unable to meet its contractual payment obligations. The maximum default risk is the aggregate of the book values of the financial assets. Collateral, for example in the form of tenants' deposits, is not deducted in determining the maximum default risk since this is, as a rule, necessary to pay for refurbishment.

Control is undertaken at the Group level for the entire Group. Guidelines are in place to ensure that transactions are only entered into with business partners who in the past have demonstrated an appropriate payments behaviour. Trade receivables are mostly from tenants. In selecting tenants, emphasis is placed on perfect creditworthiness; the risk here is secured by deposits or sureties from the tenants. There are no significant concentrations in the Group with respect to possible credit risks. Depending on the property, there may be increased credit risks for commercial buildings arising from the mix of tenants. At present no substantial increase in default risks arising from the Corona pandemic can be detected.

c) Liquidity risk

In comparison with the prior year, the company is exposed to a much higher liquidity risk. The responsibility for the liquidity risk management rests with the Board, that has developed an appropriate concept to control the short-term, medium-term and long-term financing and liquidity requirements. The Group controls liquidity risks by continual monitoring of the forecast and actual cash flow and tracking of the maturities of financial assets and liabilities. The purpose of the liquidity management is to ensure solvency at all times by a sufficient stock of liquidity reserves and the optimisation of liquidity within the Group.

The liquidity analyses below show the contractually agreed (non-discounted) payment streams of the original financial liabilities, including interest payments, at the balance sheet date. The analysis includes all the financial instruments which were held at the balance sheet date. Planned payments for future new liabilities were not taken into consideration.

31.12.2022			**Outflows of funds**			
in kEUR	**2023**	**2024**	**2025**	**2026**	**2027**	**> 2027**
Liabilities from bonds	49,424	0	0	0	0	0
Financial loans	41,822	24,303	37,452	1,943	1,943	38,568
Trade liabilities	871	0	0	0	0	0
Other liabilities*	1,689	138	39	43	65	790
Total	**93,806**	**24,441**	**37,491**	**1,986**	**2,008**	**39,358**

* Interest deferrals are recognised under the pertinent liabilities. Similarly, rental guarantee deposits of kEUR 1,128 are left out of account since there are credits from rental deposit accounts corresponding to these liabilities such that for the company they constitute transitory items.

31.12.2021			**Outflows of funds**			
in kEUR	**2022**	**2023**	**2024**	**2025**	**2026**	**> 2026**
Liabilities from bonds	2,614	46,185	0	0	0	0
Financial loans	21,025	42,963	3,079	40,752	1,279	27,957
Trade liabilities	268	0	0	0	0	0
Other liabilities*	1,141	95	57	18	26	35
Total	**25,048**	**89,243**	**3,136**	**40,770**	**1,305**	**28,786**

* Interest deferrals are recognised under the pertinent liabilities. Similarly, rental guarantee deposits of kEUR 938 are left out of account since there are credits from rental deposit accounts corresponding to these liabilities such that for the company they constitute transitory items.

A secured loan in a nominal amount of kEUR 31,400 at the balance sheet date was due for repayment on May 28, 2023. On May 17, 2023, it was agreed that this loan would be prolonged until November 28, 2023, and that a part repayment of kEUR 1,000 would be made at June 1, 2023, at the latest. Subsequently this loan is to be refinanced long-term. For this there is already a non-binding indicative term sheet of a financial institution for a loan volume of up to EUR 28.5 million. The part repayment of kEUR 1,000 was made on May 31, 2023. In addition, there is a further signed non-binding term sheet from a Volksbank for a single property in the portfolio for EUR 4.5 million.

A further secured loan in a nominal amount of kEUR 4,500 at the balance sheet date had a term until June 30, 2023. This loan was already refinanced through a shareholder loan in the same amount, which on account of the contractual design corresponds to the requirements of the IFRS to qualify as equity.

The other outflows of funds from financial loans which are reproduced in the table above arise from scheduled redemptions (installments) and interest payments.

The bond, which at December 31, 2022, had a nominal value of kEUR 46,636 is due for redemption on October 1, 2023. With its announcement of April 24, the Management Board communicated the refinancing options of the bond 2018/2023. In particular, the Management Board is examining a voluntary exchange offer, a limited repurchase of the bond or an adjustment of the bond conditions as provided for by the German Debenture Bond Act. In the light of the operating successes in the past twelve months and the new investors recruited in 2022, the Management Board expects to be able to refinance the bond successfully as it becomes due.

Against this background and the equity contributions of kEUR 8,160 thousand already made in 2022, further equity contributions of kEUR 7,488 thousand already made in 2023 and further expected equity contributions from the shareholders, the Management Board therefore bases its accounting on the going concern assumption and considers the going concern to be largely probable.

In the case, however, of the aforementioned refinancing options not being successful or not being sufficiently successful, the continuation of the enterprise - depending on alternative refinancing possibilities - would be imperilled; to this degree there are, notwithstanding positive business prospects, significant doubts about the continuation of the enterprise.

d) Financing risk

For further acquisitions the Group depends on receiving credit or the issue of further bonds.

In each case there is a risk that a prolongation may not be possible, or may only be possible on less favourable terms. Moreover, there are within the Group credit contracts for which the contractual partners have stipulated financial covenants to be abided by. If these credit stipulations or the bond conditions are violated, various sanctions may follow from the providers of capital going as far as termination of the credit or bonds. The bond and the credit contracts include the usual change-of-control clauses.

The Asset Management of the ESPG Group is oriented on the observance of the Financial Covenants. Moreover, there is continual monitoring by the Management Board.

12. CAPITAL CONTROL

The Group controls its capital with the purpose of maximising the income of the participants in the enterprise by optimisation of the ratio between equity and outside capital. Here it is ensured that all Group enterprises can operate under the going-concern assumption. An important factor here is the Group equity as stated in the balance sheet.

As an Aktiengesellschaft, i.e. a company limited by shares, the Company is subject to the minimum capital requirements of German stock corporation law. Additionally, the Group is subject to the usual and sector-specific minimum capital requirements of financial management, in particular in the financing of specific properties. These include a cap on possible dividend payments to one percent of the comprehensive income. These minimum capital requirements are monitored continually.

The risk management reviews the capital structure of the Group at regular intervals. Key accounting figures are determined and forecast in order to meet the demands of external capital and to adhere to the financial covenants in the financing contracts. These figures include ratios on capital servicing for specific buildings and loan-to-value figures.

At the year end, the equity ratio stood as follows:

in kEUR	**31.12.2022**	**31.12.2021**
Equity (incl. minority shareholdings)	49,451	38,438
Balance sheet total	243,775	219,977
Equity ratio in %	**20.3%**	**17.5%**

The ratio of financial loans less cash to the investment properties (Loan-to-value) is 56.6 percent (prior year: 59.2). If the bond is included in the loan-to-value consideration, the resulting value is 76.7 percent (prior year: 79.8 percent).

13. OTHER DISCLOSURES

13.1 Minimum payments from operating leases

In the rental of commercial properties it is normal for there to be demands for minimum payments from operating leases. Other than these, there are no claims to minimum lease payments. The minimum lease payments comprise the rental income without the running costs, which can be on-charged.

Details on operating leases in kEUR	**2023 less than 1 year**	**2024 - 2027 1 to 5 years**	**from 2028 More than 5 years**
Total of future minimum lease payments on account of irrevocable operating leases as lessor	9,945	24,723	10,761

Prior year:

Details on operating leases in kEUR	2022 less than 1 year	2023 - 2026 1 to 5 years	from 2027 More than 5 years
Total of future minimum lease payments on account of irrevocable operating leases as lessor	8,688	24,432	10,872

In the reporting period, the minimum lease payments (net rents) came to kEUR 9,775 (prior year: kEUR 9,055).

13.2 Other financial obligations and contingent relationships

At December 31, 2022, there were the following material rental and lease obligations:

in kEUR	31.12.2022	31.12.2021
Rental and lease obligations		
- Within one year	2	16
- Maturity between 1 and 5 years	0	0
- Maturity more than 5 years	0	0
Total	**2**	**16**

The financial obligations comprise only the portion of rental and lease obligations which were not accounted for using IFRS 16; at December 31, 2022, they derived mainly from consultancy agreements and lease contracts in connection with telecommunications services.

13.3 Disclosures on related entities and persons

IAS 24 “Related party disclosures” defines as related entities and persons, among others, parent enterprises and subsidiaries of a common parent company, associated enterprises, legal entities which can be influenced by management, and the management of the enterprise. Transactions between ESPG AG and its consolidated subsidiaries are eliminated on consolidation and therefore are not commented on in the Notes to the financial statements.

There is no ultimate controlling party in the meaning of IAS 24.13 for the ESPG Group.

The following transactions took place between the Group and related enterprises or persons:

There is an Asset Management contract between the Group and Alvarium 64 Advisory LLP (UK) under which the LLP prepares regular reports, updates and analyses for the investors based abroad. The LLP is owned 50 % by Alvarium RE Ltd, which is connected indirectly with a shareholder and the supervisory board member Mr Elkington. The other 50 % belongs indirectly to the board member Dr. Nöcker. The consultancy fees paid ran to kEUR 220; 71.4 % of this was to Alvarium RE Ltd and 28.6% to firms connected with Dr. Nöcker.

In the year under review, Delta BuyCo I S.a.r.l., Luxembourg, allocated kEUR 8,363 to the reserves. The deposit was made by granting an economically non-repayable loan of kEUR 8,160, which under IFRS qualifies as equity, and capitalised interest of kEUR 203.

In 2022, Swiss Merchant Group AG did not provide ESPG AG with any advice or brokerage services in connection with the placement of the bond; in the reporting period, therefore, it did not receive any payment; i.e. its remuneration was kEUR 0 (prior year kEUR 115). She also dropped out as a shareholder in Q2 2022.

Diok Assekuranzmakler GmbH & Co. KG, in which ESPG AG holds 50% and which, for reasons of materiality, has not been consolidated, rendered insurance services to entities of the ESPG Group during the reporting period. In this connection, insurance premiums of kEUR 201 (prior year kEUR 161) were recorded as expense.

On the subject of the remuneration of the Management Board, reference is made to the following paragraph.

13.4 Management Board and Supervisory Board

The members of the management board of ESPG AG in the reporting period and now are:

- Dr. Ralf Nöcker, Investment Advisor (since April 14, 2022), chairman of the Management Board since October 10, 2022
- Daniel Grosch, Businessman
- Markus Drews, Businessman

On April 22, 2022, Mr Daniel Grosch resigned from his office as board member. At the Supervisory Board meeting, also held on April 22, 2022, Mr Daniel Grosch was re-appointed as chairman. Simultaneously the appointment of Mr Markus Drews was extended until April 30, 2024, new board member contracts were concluded, permission was granted to engage in secondary activities, and exemption granted from competitive prohibitions.

The Board received a fixed remuneration in the reporting period. The Board members have each a company car, which can also be used for private purposes. In the reporting period, the total remuneration, including the monetary value of the availability of the cars, for all the board members was, together, kEUR 626 (prior year: kEUR 551).

The board members also receive reimbursement of their travel costs and incidental expenses.

The members of the supervisory board of ESPG AG in the reporting period were and are now:

- Arndt Krienen, Lawyer (chairman)
- Jonathan Elkington, Businessman, COO (deputy chairman) (since February 18, 2022)
- George Nicholas, Entrepreneur (since October 10, 2022)
- Florian Funken, Businessman (deputy chairman) (resigned on October 6, 2022)
- Stefan Lutz, Auditor, Tax advisor (until February 18, 2022)

In the reporting year the members of the supervisory board received remuneration of kEUR 12 (prior year: kEUR 24).

13.5 Audit fee

The auditor of the Group financial statements for the business year 2022 receives a total fee of kEUR 125, of which kEUR 122 relates to the performance of auditing services and kEUR 3 to other services.

13.6 Events after the balance sheet date

On account of a change in broker, since 1.1.2023 there has no longer been any business connection with Diok Assekuranzmakler GmbH & Co. KG, Düsseldorf, in which ESPG AG holds a 50% participation.

On January 30, 2023, a new eight-year rental contract was concluded for the property in Essen (FUTURE Campus Essen GmbH).

On March 1, 2023, and May 25, 2023, agreements were concluded on making available to the company further Shareholder Loans in the amounts of kEUR 4,500 and kEUR 2,988; these fufill the requirements of the IFRS to qualify as equity.

With press communiqué of April 24, 2023, Quirin Privatbank AG was appointed to advise the company on the possibility of refinancing options for the 2018/2023 bond.

On May 5, 2023, a non-binding indicative Term Sheet was signed with a financial institution on making available a loan amount of up to EUR 28.5 million and the refinancing of the following loan.

In addition, there is a further signed non-binding term sheet from a Volksbank for a single property in the portfolio for EUR 4.5 million and a further non-binding term sheet of up to EUR 26.5 million for the subordinated financing of a real estate sub-portfolio.

On May 17, 2023, it was agreed that a secured loan with a nominal value of kEUR 31,400 at the balance sheet date would be prolonged until November 28, 2023, having originally had a term until May 17, 2023, and that a repayment of kEUR 1,000 would be made by June 1, 2023, at the latest. The payment was made on May 31, 2023.

A further secured loan in a nominal amount of kEUR 4,500 at the balance sheet date had a term until June 30, 2023. This loan was already refinanced through a shareholder loan in the same amount, which corresponds to the requirements of the IFRS to qualify as equity.

Between the balance sheet day and today, there have not been any other events which would require reporting.

Cologne, June 5, 2023

Markus Drews	Daniel Grosch	Dr. Ralf Nöcker
Board member	Board member	Board member

Independent Auditor's report

To ESPG AG, Cologne (formerly: Diok RealEstate AG),

Audit Opinion

We have audited the consolidated financial statements of **ESPG AG, Cologne (formerly: Diok RealEstate AG),** and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31st December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1st January 2022 to 31st December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31st December 2022, and of its financial performance for the financial year from 1st January 2022 to 31st December 2022.

Pursuant to § 322 Abs. 3 Satz 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements.

Basis for the Audit Opinion

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other

German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Material uncertainty related to the going concern assumption

We refer to notes 2.1 and 11.2 of the notes to the consolidated financial statements, in which management describes that the Group's ability to continue as a going concern is dependent on the successful refinancing of the corporate bond. As disclosed in notes 2.1 and 11.2, these events and circumstances indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern and that constitutes a going concern risk within the meaning of Section 322 (2) sentence 3 HGB. Our audit opinion on the consolidated financial statements has not been modified with respect to this matter.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The supervisory board is responsible for overseeing the Group’s financial reporting process for the preparation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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, as well as to issue an auditor's report that includes our audit opinion on the consolidated financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB 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.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, 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. 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 control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our respective audit opinion. 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 IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an audit opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Hamburg, 5th of June 2023

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Florian Riedl	Dirk Heide
Wirtschaftsprüfer	Wirtschaftsprüfer