Financial Year 2023
Group Financial Statement of ESPG AG.

International Financial Reporting Standards (IFRS)

Consolidated balance sheet as of 31 December 2023

in EUR	Appendix	31.12.2023	31.12.2022
Assets			
Non-current assets			
Intangible assets		3.00	1,387.00
Property, plant and equipment		326,465.74	373,404.74
Investment property	8.1	228,600,000.00	228,500,000.00
Loans	8.2	9,591,855.51	8,964,351.00
Other non-current assets	8.3	1,510,740.92	1,007,204.42
Deferred tax assets	8.10	38,586.12	29,616.79
Total non-current assets		**240,067,651.29**	**238,875,963.95**
Current assets			
Receivables from goods and services	8.4	261,943.77	496,500.83
Income tax receivables		103,935.18	135,658.58
Other current receivables and assets	8.5	503,402.56	1,251,695.88
Cash	8.6	7,160,757.67	3,015,078.51
Total current assets		**8,030,039.18**	**4,898,933.80**
Total assets		**248,097,690.47**	**243,774,897.75**

Consolidated balance sheet as of 31 December 2023

in EUR	Appendix	31.12.2023	31.12.2022
Liabilities			
Equity capital			
Share capital	8.7.	23,431,820.00	23,431,820.00
Reserve	8.8	911,037.52	-8,926,022.71
Consolidated balance sheet result		18,312,430.60	25,261,295.77
Equity attributable to shareholders of the parent company		**42,655,288.12**	**39,767,093.06**
Non-controlling interests	8.9	9,654,852.40	9,684,095.02
Total equity		**52,310,140.52**	**49,451,188.08**
Non-current liabilities			
Deferred tax liabilities	8.10	10,512,336.15	10,557,416.94
Bond	8.11	45,843,139.53	0.00
Collateralised financial loans	8.12	110,640,814.81	94,666,798.62
Unsecured financial loans	8.12	74,662.00	0.00
Other non-current liabilities	8.14	1,227,204.63	1,170,033.25
Total non-current liabilities		**168,298,157.12**	**106,394,248.81**
Current liabilities			
Bond	8.11	0.00	45,843,789.54
Collateralised financial loans	8.12	21,634,366.89	37,670,714.70
Unsecured financial loans	8.12	1,131,254.85	0.00
Liabilities from deliveries and services		571,911.19	871,396.80
Income tax liabilities	8.13	285,835.44	645,977.00
Other current liabilities	8.14	3,866,024.45	2,897,582.82
Total current liabilities		**27,489,392.82**	**87,929,460.86**
Total liabilities and equity		**248,097,690.47**	**243,774,897.75**

Consolidated statement of comprehensive income / profit & loss statement for the 2023 financial year

in EUR	Appendix	01. - 31.12.2023	01.01. - 31.12.2022
Income from property management	9.1	15,729,753.20	12,545,258.01
Expenses from property management	9.1	-8,386,565.40	-4,812,120.03
Result from property management	9.1	**7,343,187.80**	**7,733,137.98**
Personnel expenses	9.2	-1,057,273.51	-1,126,370.84
Other operating income	9.3	787,683.57	1,441,557.66
Other operating expenses	9.4	-2,841,969.95	-2,956,638.66
Depreciation and amortisation of property, plant and equipment and intangible assets		-123,728.59	-122,019.32
Valuation result from investment property	8.1	-247,323.61	6,879,131.28
Earnings before interest and taxes		**3,860,575.71**	**11,848,798.10**
Financial income	9.5	627,554.27	561,555.76
Financial expenses	9.6	-11,122,840.52	-8,712,027.13
Earnings before taxes		**-6,634,710.54**	**3,698,326.73**
Income taxes	9.7	-343,397.46	-1,620,555.37
Consolidated net income / consolidated comprehensive income		**-6,978,107.99**	**2,077,771.37**
of the Group result is attributable to:			
Shareholders of the parent company		-6,948,865.37	1,356,727.31
Profit attributable to non-controlling interests		-29,242.62	721,044.06
of the consolidated total result is attributable to:			
Shareholders of the parent company		-6,948,865.37	1,356,727.31
Profit attributable to non-controlling interests		-29,242.62	721,044.06

Consolidated cash flow statement for the 2023 financial year

in EUR	Appendix	2023	2022
Earnings before interest and taxes	10.	**3,860,575.71**	**11,848,798.10**
Non-cash expenses/income:			
Valuation result from investment property		247,323.61	-6,879,131.28
Depreciation and amortisation of property, plant and equipment and intangible assets		123,728.59	122,019.32
Other non-cash expenses/income		0.00	32,000.00
Change in receivables and other current assets		479,313.94	-657,530.75
Change in operating liabilities		612,741.69	1,015,853.60
Operating cash flow		**5,323,683.54**	**5,482,008.99**
Interest paid and ancillary financing costs		-9,725,907.06	-6,558,764.01
Interest received		49.70	6,322.93
Income tax refunds (+) / income tax payments (-)		-725,865.74	-610,708.01
Cash flow from operating activities		**-5,128,039.55**	**-1,681,140.10**
Payments for the acquisition of property companies less co-acquired net financial resources		0.00	-4,899,053.94
Payments for investments in investment property		-347,323.61	-293,021.96
Payments from the granting of long-term loans		0.00	-450,000.00
Payments for investments in property, plant and equipment and intangible assets		-40,658.10	-56,153.28
Cash flow from investing activities		**-387,981.71**	**-5,698,229.18**
Payments into equity		8,788,075.10	8,159,879.76
Proceeds from the issue of bonds		0.00	2,802,964.55
Proceeds from the raising of financial loans		39,061,121.96	31,317,782.85
Payments from the repayment of financial loans		-38,100,769.01	-35,471,284.15
Payments from the repayment of financial liabilities		-86,727.63	-87,222.06
Cash flow from financing activities		**9,661,700.42**	**6,722,120.94**
Net change in cash and cash equivalents		**4,145,679.16**	**-657,248.33**
Cash and cash equivalents at the beginning of the period		**3,015,078.51**	**3,672,326.84**
Cash and cash equivalents at the end of the period	8.6	**7,160,757.67**	**3,015,078.51**
of which freely available cash and cash equivalents at the end of the period		**6,401,726.69**	**2,156,078.51**
of which restricted cash at the end of the period		**759,030.98**	**859,000.00**

Consolidated statement of changes in equity for the 2023 financial year

in EUR	Share capital	Reserve	Consolidated retained earnings	The shareholders of the equity attributable to the parent company	Non-controlling interests	Total equity
Status as of 01/01/2022	**23,431,820.00**	**-17,289,387.67**	**23,904,568.46**	**30,047,000.79**	**8,390,906.74**	**38,437,907.52**
Consolidated net income	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 the consolidation circuit	0.00	0.00	0.00	0.00	572,144.22	**572,144.22**
Status as of 31/12/2022 / 01/01/2023	**23,431,820.00**	**-8,926,022.71**	**25,261,295.77**	**39,767,093.06**	**9,684,095.02**	**49,451,188.08**
Consolidated net income	0.00	0.00	-6,948,865.37	-6,948,865.37	-29,242.62	**-6,978,107.99**
Contribution to the capital reserve	0.00	9,837,060.23	0.00	9,837,060.23	0.00	**9,837,060.23**
Status as of 31 December 2023	**23,431,820.00**	**911,037.51**	**18,312,430.60**	**42,655,288.12**	**9,654,852.40**	**52,310,140.53**

Independent auditor's report (courtesy translation)

To ESPG AG, Cologne

Audit judgement

We have audited the consolidated financial statements of **ESPG AG, Cologne,** and its subsidiaries (the Group). These are comprised of the consolidated balance sheet as of 31st December 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year frunning rom 1st January 2023 to 31st December 2023, and notes on the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on the findings of our audit, the accompanying consolidated financial statements comply in all respects with IFRSs as adopted by the EU, and give a true and fair view of the financial position of the Group as of 31st December 2023 and of its financial performance for the financial year from 1st January to 31st December 2023 in accordance with these requirements.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements.

Basis for the audit opinion

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB. Germany generally accepts these standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles 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 companies 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.

Note to emphasise a fact

Significant financing conditions and the consequences of a possible covenant breach of the terms under the corporate bond recognised at a liability of €45,843k are explained in section 11.2 d) of the notes to the consolidated financial statements. A key financing condition as of 31st December 2023 was an LTV covenant of 75% (the ratio of net financial liabilities and bond liabilities secured by land charges to the value of the property assets). The company calculated a leverage ratio of 74.8% as of the balance sheet date and therefore did not identify any

breaches. In this context, we would like to emphasise that the principles of property valuation are explained in the notes of the consolidated financial statements 5.3 and 8.1. The sensitivity analysis presented in Note 8.1 shows the effect of even minor adjustments to key valuation parameters on the property valuation. In addition to assumptions regarding a reduction in vacancy rates, this relates in particular to property capitalisation rates, which are only identifiable to a limited extent in the current market environment. This shows that even minor adjustments to valuation parameters could lead to a breach of the leverage ratio. Due to the bondholders' right to call the bond as of 31 December 2023, such a breach would generally have resulted in the bond being reported as current liabilities. Even if such a notice of termination was to be given, it would only be effective if the notice of termination from bondholders were in a nominal amount of at least 10% of the total amount of the bond still outstanding at that time it had been received.

In this context, we draw attention to Note 11.2 d) in the notes to the consolidated financial statements, according to which compliance with the LTV covenant for 2023 was suspended, in application of the the resolutions of the bondholders passed in a bondholder meeting (using the “vote without meeting” process) running from 18th to 20th March 2024. Our audit opinion is not qualified in this context.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements

Management is responsible for the preparation of the consolidated financial statements that comply, in all respects, with IFRSs as adopted by the EU, and 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 these requirements. Furthermore, management is responsible for such internal controls as they determine necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or errors (i.e. accounting misstatement or error).

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. Furthermore, they are responsible for disclosing, when applicable, matters related to going concern. In addition, they are responsible for financial reporting, based on the going concern of accounting, unless there is an intention to liquidate the Group, cease operations, and there is no realistic alternative.

The Supervisory Board is responsible for overseeing the Group's financial reporting process, including the preparation of the consolidated financial statements.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurances about whether the consolidated financial statements as a whole are free from material misstatemements, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with section 317 HGB, as well as German generally accepted practices for the audit of financial statements 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 as an aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

During the audit, we exercised professional judgement and maintained professional scepticism. In addition we:

- Identifed and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, as well as the design, performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide the basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtained an understanding of internal controls 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 opinion on the effectiveness of these systems.

- Evaluated the appropriateness of accounting policies used by the executive directors, the reasonableness of accounting estimates and related disclosures made by the executive directors.

- Concluded on the appropriateness of managements’ use of the going concern basis of accounting, the audit evidence obtained, and 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 were to 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 qualify our opinion. We draw our conclusions on the basis of 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.

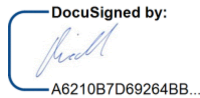
- Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU.

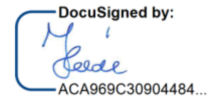
- Obtained sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group, that express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We are solely responsible for our audit opinion.

We communicated with those in charge of 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, 19 June 2024

RSM Ebner Stolz GmbH & Co. KG
Auditor andTax consultancy firm





Florian Riedl
Certified Public Accountant

Dirk Heide
Auditor

Notes to the consolidated financial statements for the 2023 financial year

1. GENERAL INFORMATION

ESPG AG (hereinafter: ESPG), the parent company of the Group, has its registered office at Kleingedankstrasse 11a, Cologne, Germany. The company is entered in the commercial register of Cologne Local Court under HRB 91529. The financial year is the calendar year.

The business activities of ESPG AG and the subsidiaries included in the consolidated financial statements (hereinafter: ESPG Group) focus on the acquisition, development and management of science parks. Science parks are typically clusters of research and development companies located close to universities, hospitals or research centres, which often operate laboratories, clean rooms, testing facilities or other areas for experiments. The sector is predominantly characterised by tenants from future-oriented industries such as life sciences, green technologies or digital transformation, who benefit from their proximity to each other and the local availability of skilled workers and the existence of permits.

Science parks are a relatively small and comparatively new asset class in the property market, but they have developed positively in the wake of the coronavirus pandemic. ESPG has achieved strong letting results in 2023.

ESPG's strategy is to further develop the existing property portfolio in the direction of science parks or - where this is not possible due to the micro-location - to continue to manage or sell it in order to secure sustainable cash flows. The proportion of dedicated science space to the total lettable space if the portfolio as of 31st December 2023 is 78%. However, new properties are only acquired according to a strict catalogue of criteria. Against this backdrop, acquisitions in neighbouring European countries are now also possible.

The consolidated financial statements were approved by the Executive Board on 19th June 2024.

2. ACCOUNTING PRINCIPLES

2.1 Basics of preparing financial statements

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

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

The financial statements of the subsidiaries are prepared using uniform accounting policies and the same balance sheet date as the parent company's financial statements. The nature of expense method was applied for the consolidated statement of comprehensive income .

The consolidated financial statements are prepared in euros, the Group's functional currency.

Assets and liabilities are recognised under the going concern premise (IAS 1.25 et seq.).

2.2 Accounting standards to be applied for the first time in the 2023 financial year

In the 2023 financial year, the ESPG Group applied the amendments to IFRS 17 "Insurance Contracts", IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", IAS 1 "Presentation of Financial Statements", IFRS Practice Statement 2 "Making Materiality Judgements" and IAS 12 "Income Taxes" on the recognition of deferred taxes from a single transaction and amendments to IAS 12 "Income Taxes" on the International Tax Reform - Pillar 2 model rules, however, the first-time application had no impact on the net assets, financial position and results of operations. A list and description of these amendments is therefore not provided.

2.3 Accounting standards that are not yet mandatory

The IASB has adopted a number of amendments to standards that are to be applied from 1st January 2024 or later. These include amendments to IFRS 16 "Leases" on accounting for lease liabilities from sale and leaseback transactions, amendments to IAS 1 "Presentation of Financial Statements" on the classification of liabilities as current or non-current and classification of non-current liabilities with ancillary conditions, amendments to IAS 7 "Statements of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" on supplier financing arrangements, amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" on accounting for a lack of exchangeability and the new regulations of IFRS 18 and IFRS 19. IFRS 18 - Presentation and Disclosures in Financial Statements – will replace the previous standard IAS 1 – Presentation of Financial Statements. These changes are intended to improve the presentation of financial information and make financial statements more transparent and easier to compare. IFRS 19 - Subsidiaries without Public Accountability: Disclosures - sets out reduced disclosure requirements that a qualifying entity may apply, instead of the disclosure requirements in the other IFRS accounting standards. With the exception of amended disclosure requirements, these amendments are not expected to have a material impact on the consolidated financial statements of the ESPG Group. A list and description of these amendments is therefore not provided.

3. PRINCIPLES OF CONSOLIDATION

Subsidiaries are all the companies that are controlled by ESPG AG. The Group controls a company if it is exposed to fluctuating returns and benefits or has a right to these and has the ability to influence these returns through its influence over the company. Control is usually accompanied by a share of voting rights of more than 50 per cent. When assessing whether control exists, the existence and effect of potential voting rights that are currently exercisable or convertible are taken into account.

Subsidiaries are fully consolidated from the date on which control is transferred to the parent company. They are deconsolidated when control ends.

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

In the case of business combinations, an assessment is made (see 6. Significant accounting judgements and estimates) as to whether a business combination in accordance with IFRS 3, or merely an acquisition of a group of assets and liabilities as a single entity without corporate quality exists.

Acquisitions within the meaning of IFRS 3 are recognised using the purchase method. Accordingly, the acquisition costs are allocated to the acquired, individually identifiable assets, liabilities and contingent liabilities in accordance with their fair values at the time of acquisition. Any remaining positive difference is recognised as goodwill and any negative difference is recognised in profit or loss. Incidental acquisition costs are recognised as an expense.

Shares in the net assets of subsidiaries that are not attributable to ESPG AG are recognised separately in equity as non-controlling interests. Consolidation entries recognised in profit or loss are also taken into account when calculating the consolidated net profit attributable to non-controlling interests. Non-controlling interests in partnerships are recognised as a separate item under liabilities.

Changes in the Group's ownership interests in subsidiaries that do not result in a loss of control over this subsidiary are recognised as equity transactions. The carrying amounts of the shares held by the Group and the non-controlling interests are adjusted to reflect the changes in the shareholdings in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and allocated to the shareholders of the parent company.

The acquisition of property companies that do not constitute a company within the meaning of IFRS 3 is recognised as a direct purchase of a tangible asset – in particular real estate. The acquisition costs are allocated to the individually identifiable assets and liabilities on the basis of their fair values. The acquisition of property companies therefore does not result in a positive or negative difference from capital consolidation. The sale of property companies is recognised accordingly as the sale of a tangible asset – in particular real estate.

Intragroup receivables, liabilities and results are eliminated as part of the consolidation of liabilities and income and expenses for the purposes of the consolidated financial statements. Expenses and income resulting from intragroup transfers of assets are also eliminated.

4. SCOPE OF CONSOLIDATION

The scope of consolidation, including the parent company, comprises 21 fully consolidated companies. The scope of consolidation has developed as follows:

Number	2023	2022
Status 01.01.	**21**	**20**
Additions	0	1
Departures	0	0
As of 31 Dec.	**21**	**21**

There were no changes to the scope of consolidation in the 2023 reporting period.

The scope of consolidation of ESPG AG as of 31st December 2023 is as follows:

No.	Company	Registration	Share in %	Held by no.	Activity
	Fully consolidated companies:				
1.	ESPG AG	Cologne			Holding company
2.	ESPG Asset GmbH	Cologne	100.0	1	Holding company
3.	BellGarden Bochum GmbH	Cologne	89.9	2	Inventory management
4.	the forty-five Hattingen GmbH	Cologne	89.9	2	Inventory management
5.	CUBE12 Neuss GmbH	Cologne	89.9	2	Inventory management
6.	Science City Ulm GmbH	Cologne	89.9	2	Inventory management
7.	FUTURE Campus Essen GmbH	Cologne	89.9	2	Inventory management
8.	LAB City Neu-Ulm GmbH	Cologne	89.9	2	Inventory management
9.	BlueCircle Würselen GmbH	Cologne	89.9	2	Inventory management
10.	Engineering Park Aachen GmbH	Cologne	89.9	2	Inventory management
11.	North43 Cologne GmbH	Cologne	89.9	2	Inventory management
12.	one one Magdeburg GmbH	Cologne	89.9	2	Inventory management
13.	ZeroFour Campus Gelsenkirchen GmbH	Cologne	89.9	2	Inventory management
14.	TOGETHER Offenbach GmbH	Cologne	89.9	2	Inventory management
15.	AERO49 Hallbergmoos GmbH	Cologne	89.9	2	Inventory management
16.	Eurolab GmbH	Cologne	89.9	2	Stocks
17.	PowerHUB Minden GmbH	Cologne	89.9	2	Inventory management
18.	ESPG Betriebs GmbH	Cologne	100.0	2	Operator companies
19.	ESPG Silo2 GmbH	Cologne	89.9	2	Stocks
20.	ESPG Silo 1 GmbH	Cologne	89.9	2	Stocks
21.	Campteq Innovation Campus Griesheim GmbH	Cologne	89.9	2	Inventory management

ESPG AG also holds a 50% stake in Diok Assekuranzmakler GmbH & Co. KG, Düsseldorf. Due to a change of the insurance broker on 1st January 2023, there have been no business activities since then. As the company therefore had no significant business activities in the 2023 financial year, this company was not consolidated for reasons of materiality.

5. ACCOUNTING AND VALUATION PRINCIPLES

5.1 Measurement of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date. When measuring fair value, it is assumed that the transaction by which the sale of the asset or the transfer of the liability occurs is based either on the market price of the asset or the market price of the liability:

- The principal market for the asset or liability
  or
- most favourable market for the asset or liability if no principal market exists.

The Group must have access to the main market or the most favourable market. The fair value of an asset or liability is measured on the basis of the assumptions of market participants who price the asset or liability. It is assumed that the market participants act in their best economic interest.

The Group uses valuation techniques that are appropriate in the circumstances, for which sufficient data is available to measure fair value. The use of observable input factors is maximised and the use of unobservable input factors is minimised.

All assets and liabilities for which fair value is determined or recognised in the financial statements are categorised in the fair value hierarchy described below. This is based on the lowest level input parameter that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: Valuation techniques for which the lowest level input parameters that are significant to the fair value measurement as a whole are directly or indirectly observed in the market.
Level 3: Valuation techniques, for which the lowest level input parameters that are significant to the fair value measurement, as a whole are not observable on the market.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether reclassifications have taken place between the levels of hierarchy, by reviewing the classification (based on the input parameter of the lowest level that is significant for the overall fair value measurement) at the end of the reporting period.

5.2 Intangible assets and property, plant and equipment

Individually acquired intangible assets are initially recognised at acquisition costs. After initial recognition, intangible assets with a finite useful life are amortised on a straight-line basis over the expected useful life (generally three to five years), and tested for impairment as soon as there are indications of impairment. Impairment losses on intangible assets are recognised in the income statement under the amortisation of intangible assets.

Property, plant and equipment are recognised at cost, less accumulated depreciation and accrued impairment losses. The acquisition costs include the expenses that are directly attributable to the acquisition. Subsequent acquisition or production costs are only capitalised if it is probable that future economic benefits will flow from these to the company. Repairs and maintenance are recognised as an expense in the statement of comprehensive income in the financial year in which they are incurred. Depreciation is recognised using the straight-line method, which is based on estimated useful lives of generally three to fifteen years. The depreciation methods and economic useful lives are reviewed at each balance sheet date and adjusted if necessary. The carrying amounts of property, plant and equipment are tested for impairment as soon as there are indications that the carrying amount exceeds the recoverable amount.

Gains and losses from the disposal of assets are calculated as the difference between the net disposal proceeds and the carrying amount and are then recognised in profit or loss.

At around 0.13% of assets, intangible assets and property, plant and equipment are of absolutely minor importance in the ESPG AG Group and are therefore not commented on further.

5.3 Investment property

Investment property comprises all properties that are held for the long term, in order to generate rental income or increase in value, and are not intended for own use or for sale in the ordinary course of business.

At the time of acquisition, investment property is measured at cost, including incidental acquisition costs incurred. In subsequent periods, investment property is measured at fair value. The costs of ongoing maintenance are recognised as an expense in the statement of comprehensive income. Modernisation measures that go beyond ongoing maintenance are capitalised if it is probable that the company will derive an economic benefit from them in the future. The valuation results are recognised in the statement of comprehensive income under "Valuation result from investment property".

Investment property is not traded on an active market, but is measured using input factors based on unobservable market data (Level 3).

The fair value of investment property is generally determined on the basis of appraisals by external experts, based on current market data using recognised valuation methods. Capitalised earnings value methods are used (see comments on the valuation methods under 8.1). If a notarised contract for the sale of an investment property exists by the time the financial statements are prepared, the agreed purchase price is used as the basis for determining the fair value.

Investment property is derecognised when it is sold or permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses on disposal or decommissioning are recognised in the year of disposal or decommissioning. The gain or loss is the difference between the selling price and the carrying amount on the one hand, plus any selling costs on the other.

Properties are transferred from the investment property portfolio to another balance sheet item if there is a change in its use. This is evidenced by the commencement of owner-occupation or the commencement of development with the intention of sale.

5.4 Financial assets

The ESPG Group only has financial assets that are valued at their amortised cost, in accordance with IFRS 9.4.1.2. These are mainly loans to third parties and receivables from rent and ancillary rental costs and service charge.

All loans are held to maturity and repayments only include interest and amortisation.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the rights to receive the cash flows are transferred in an arrangement, in which all significant risks and rewards of ownership of the financial asset are also transferred.

They are classified as current assets if their maturity does not exceed twelve months following the balance sheet date. Otherwise, they are recognised as non-current assets. The effective interest method is only applied if the asset has a maturity of more than twelve months.

5.5 Impairment of financial assets

Due to its business model and tenant structure, the Group is not exposed to a high risk of impairment. If individual commercial tenants account for the majority of the rental income of a rental property, the creditworthiness of that tenant is monitored on an ongoing basis. Impairments are measured by the amount of the expected credit losses over the term, with the exception for the following impairments, which are measured in the amount of the expected 12-month credit loss:

- Debt securities with a low default risk as of the balance sheet date
- Other debt instruments, including bank balances for which the default risk has not increased significantly since their initial recognition.

Impairment losses on trade receivables (rent receivables, receivables from the sale of properties and contract assets) are always recognised in the amount of the expected credit loss over the term, on the basis of customary impairment matrices. Loans are continuously monitored for impairment. Whereby the granting of loans will play a significantly less important role in the balance sheet in the future.

For reasons of materiality, impairments of financial assets in accordance with IFRS 9 are not recognised in a separate item in the consolidated statement of comprehensive income, but rather are recognized as other operating expenses (trade receivables), or financial expenses (other debt instruments). Impairment losses on financial assets are recognised separately in the notes to the consolidated financial statements.

The gross carrying amount of a financial asset is written down if the Group does not reasonably believe that the financial asset will be realised in full or in part. Subsequent cash receipts on amounts previously derecognised are also recognised in profit or loss as other operating income.

5.6 Means of payment

Cash and cash equivalents in the consolidated balance sheet comprise of bank balances.

5.7 Non-current assets and liabilities held for sale

A non-current asset or a group of assets held for sale is classified as "held for sale" if the associated carrying amount is realised primarily through a sale transaction and not through continued use. The asset is then available for immediate sale and the sale is considered highly probable. The value is crecognised as the lower of the previous carrying amount and the fair value less costs required to sell. These assets or groups of assets and the associated liabilities are recognised separately in the balance sheet. Liabilities are classified as "held for sale" if they are associated with an asset that is held for sale and are also assumed by a buyer.

ESPG AG recognises its investment properties as assets held for sale, if notarised purchase agreements or declarations of intent to purchase are signed by both parties and are available on the balance sheet date. However, the transfer of ownership will not take place until the subsequent period is in accordance with the contract. They are initially recognised at the contractually agreed selling price and subsequently at fair value less costs to sell, if this is lower.

Level 1 input factors are used to determine the fair value of non-current assets and liabilities held for sale.

5.8 Provisions

Provisions are recognised for legal or constructive obligations to third parties that originated in the past and are uncertain as to their amount or timing, if it is probable that the settlement of the obligation will lead to an outflow of Group resources. Therefore, a reliable estimate of the amount of the obligation can be made. The Group recognises a provision for loss-making transactions if the expected benefit from the contractual claim is lower than the unavoidable costs of fulfilling the contractual obligation. Measurements are based on the best possible estimate of the current obligation as of the balance sheet date. Non-current provisions are recognised at their settlement amount and are discounted to the balance sheet date.

5.9 Liabilities

Loan liabilities, bond liabilities and other liabilities are initially recognised at fair value less transaction costs. After initial recognition, liabilities are recognised at amortised cost using the effective interest method.

Financial liabilities are derecognised when they have been repaid. For instance, when the contractual obligations specified in the contract have been met, obligations have been settled, cancelled or have expired. Liabilities are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability, to a date at least twelve months after the balance sheet date.

5.10 Taxes

The actual tax refund claims and tax liabilities are measured at the amount expected to be refunded or paid to the tax authorities. This is based on the tax rates and tax laws that are applicable on the balance sheet date.

Deferred taxes are generally recognised in accordance with IAS 12 for all temporary differences between the tax base of assets and liabilities and their carrying amounts in the IFRS financial statements, as well as on tax loss carryforwards.

Deferred tax assets for tax loss carryforwards are recognised in the amount at which the associated tax benefits are likely to be realised through future taxable profits.These take into account minimum taxation (minimum balance sheet amount equal to the deferred tax liabilities). The loss carryforwards exist exclusively in Germany and cannot expire. For this reason, the maturity dates of the non-capitalised loss carryforwards are not disclosed.

The tax rates on which the calculation of deferred taxes is based, are determined on the basis of the currently applicable tax rates calculated in accordance with statutory provisions. A tax rate of 15.0% for corporation tax, 5.5% for the solidarity surcharge and 16.625% for trade tax was applied for Group companies. Deferred tax assets for temporary differences and also for tax loss carryforwards were recognised in the amount, at which it is probable, that the temporary differences can be offset against future positive taxable income, taking into account minimum taxation. Expected effects from the extended reduction of income, due to the letting of our own real estate on domestic trade tax, are taken into account in the measurement of deferred taxes.

No deferred taxes are recognised on taxable temporary differences in connection with shares of in Group companies, as long as the Group can control their reversal and they will not reverse in the foreseeable future.

Deferred tax assets and tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities. These relate to income taxes levied by the same tax authority on the same taxable entity.

5.11 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred. The application of IAS 23 has no effect, as the relevant assets (properties) are already recognised at fair value.

5.12 Leases

The Group is both a lessor and a lessee in the context of property leasing.

With the inception of the contract, the Group assesses whether the contract is or contains a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract contains the right to control an identified asset, the Group applies the definition of a lease in accordance with IFRS 16.

As lessee

As part of an analysis of leases, the following contract types in particular were identified in which the ESPG Group has entered into obligations as a lessee and has obtained a right of use to an asset:

- Rental agreements for office space
- Lease agreement for car park areas
- Leasing contracts for motor vehicles

On the provision date, the Group recognises an asset for the right of use granted and a lease liability. The right-of-use asset is initially measured at cost, which corresponds to the initial measurement of the lease liability. This is adjusted for payments made on or before the commencement date, plus any initial direct costs and estimated costs of dismantling or removing or restoring the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently amortised on a straight-line basis from the commencement date to the end of the lease term, unless ownership of the underlying asset is transferred to the Group at the end of the lease term or the cost of the right-of-use asset reflects the fact that the Group will exercise a purchase option. In this case, the right-of-use asset is amortised over the useful life of the underlying asset, which is determined in accordance with the regulations for property, plant and equipment. In addition, the right-of-use asset is continuously adjusted for impairment losses, and if necessary, adjusted for certain remeasurements of the lease liability.

The lease liability is initially recognised at the present value of the lease payments that are not yet made at the commencement date and then discounted at the interest rate underlying the lease, or if this cannot be readily determined, at the Group's incremental borrowing rate. The ESPG Group uses an incremental borrowing rate as the discount rate.

The lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments, amounts expected to be payable under a residual value guarantee, the exercise price of a purchase option or payment for an extension option if the Group is reasonably certain to exercise it, and penalties for early termination of the lease unless the Group is reasonably certain not to terminate the lease early.

The lease liability is measured at amortised carrying amount using the effective interest method. It is remeasured if the future lease payments change, due to a change in an index or (interest) rate, if the Group adjusts its estimate of the expected payments under a residual

value guarantee, if the Group changes its estimate of the exercise of a purchase, extension or cancellation option, or if a de facto fixed lease payment changes. In the event of such a remeasurement of the lease liability, the carrying amount of the right-of-use asset is adjusted accordingly or recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

In the balance sheet, ESPG AG recognises right-of-use assets that do not meet the definition of investment property under property, plant and equipment, as well as lease liabilities under other liabilities. Right-of-use assets in investment property that are measured at fair value in accordance with IAS 40 are also measured at fair value and recognised under investment property.

ESPG AG has decided not to recognise right-of-use assets and lease liabilities for leases based on low-value assets and for short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease.

As lessor

If the Group acts as lessor, it categorises each lease as either a finance lease or an operating lease at the inception of the lease. In order to categorise each lease, the Group has made an overall assessment of whether the lease transfers substantiate all the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is classified as an operating lease. As part of this assessment, the Group takes certain indicators into account, such as whether the lease comprises the majority of the economic useful life of the asset.

The ESPG Group leases investment property. From the lessor's perspective, these leases are classified as operating leases. Lease payments from operating leases are recognised on a straight-line basis over the term of the lease under income from property management (net rental income).

When a contract containing a lease component is commenced or amended, the Group allocates the contractually agreed consideration on the basis of the relative stand-alone selling prices. If an agreement contains lease and non-lease components, the Group applies IFRS 15 to allocate the contractually agreed consideration. A distinction must be made between those non-lease components of the lease (where the lessee does not receive a separate service) but must reimburse the ESPG Group as part of the operating cost settlement (subject of IFRS 16) and those where the ESPG Group has an obligation to provide a service (subject of IFRS 15). Income from the recharging of expenses for property tax and building insurance now falls within the scope of IFRS 16 in addition to net rental income.

The Group applies the derecognition and impairment provisions of IFRS 9 to the net investment in the lease.

5.13 Realisation of income and expenses

Income from the rental of properties (net rental income) results from leases and is recognised over time in accordance with the provisions of the underlying contracts. Rent receivables and

income are recognised when they are contractually fixed, and it is probable that the economic benefits will flow to the Group. As the net rents are generally paid monthly in advance, the rent receivables are due immediately.

Income from operating cost recharges is recognised over time in accordance with the underlying service provision. That is when control of the service is transferred to the tenants. The prerequisite is that contractual agreements with the tenants exist and that receipt of the agreed consideration is probable. Operating costs and their recharges are recognised using the headmaster method. The expenses relevant to operating costs and the corresponding income from charges passed on to tenants are recognised in the consolidated statement of comprehensive income without netting. The liabilities from the service charges which received prepayments are netted against the receivables from services not yet invoiced and the net amount is recognised under 'Other current receivables and assets' or 'Other current liabilities'. The tenants' advance payments for operating costs are due monthly together with the net rents and are payable immediately.

Other income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be reliably measured.

Interest income and expenses are recognised on a time proportion basis, taking into account the residual receivables or liabilities, and the effective interest rate over the remaining term.

Expenses are recognised as soon as they have been economically incurred.

5.14 Earnings per share

The shares of ESPG AG are exclusively privately held and are not publicly traded. Earnings per share are therefore not calculated.

5.15 Currency conversion

The consolidated financial statements are prepared in euros. 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, meaning that there is no functional currency other than the euro and this cannot have any effect on the consolidated financial statements.

5.16 Cash flow statement

The cash flow statement shows the development of the Group's cash flows in the reporting period. In the consolidated financial statements, cash flows from operating activities are calculated using the indirect method, whereby earnings before interest and taxes (EBIT) are adjusted for non-cash items and supplemented by cash items. The cash flow statement shows the cash flows from operating activities, investing activities and financing activities.

6. SIGNIFICANT JUDGEMENTS AND ESTIMATES

When preparing the consolidated financial statements, the Executive Board makes estimates and assumptions about expected future developments based on the circumstances as of the balance sheet date. The estimates derived from this may differ from the actual circumstances and outcomes at a later date. In this case, the assumptions and the carrying amounts of the assets or liabilities concerned are adjusted prospectively, if necessary.

Assumptions and estimates are reviewed on an ongoing basis and are based on past experience and other factors, including expectations regarding future events that appear reasonable under the given circumstances.

In applying the accounting and valuation methods, the Management Board has made the following estimates, which have a material impact on the amounts in the consolidated financial statements :

- Market values of investment properties are based on the results of independent valuation experts instructed for this purpose. This valuation is based on discounted future surplus income, which is generally calculated using the capitalised earnings value method. For valuation purposes, the appraisers must estimate factors such as future rental income, vacancy rates, maintenance, modernisation measures and applicable property capitalisation rates, which have a direct influence on the fair value of the investment properties. The fair values of properties with development potential aredetermined using the residual value method, whereas the key parameters subject to estimation are future construction costs, future market rents and the market rent multipliers used to derive a selling price based on these market rents.

- Estimates also characterise the calculation of impairments of financial assets. In this context, the default risks of financial assets must be assessed, and the respective expected credit losses estimated.

- Deferred taxes: The Executive Board makes decisions on the basis of current planning as to the extent to which future loss carryforwards can be utilised. Decisions are therefore based on the expected taxable profits of the respective company, which are largely correlated with the fair value of the properties of the respective company.

- In the case of provisions, various assumptions must be made with regard to the probability of occurrence and the amount of utilisation. All information known at the time the balance sheet was prepared was taken into account.

In applying the accounting and valuation methods, the Management Board has made the following judgements, which have a material effect on the amounts in the consolidated financial statements:

- ESPG specialises in the management and growth of a science park portfolio. The acquisition of properties therefore often arises from special situations of the seller. In connection with such transactions, ESPG decides whether the property was acquired on an open market in accordance with IFRS 13, or whether the acquisition took place on a non-transparent (bidding) market. If the market was a non-transparent market, ESPG checks whether the property would achieve a higher value on the open market in accordance with IFRS 13. The transaction market for office properties and science parks continued to be characterised by a comparatively low transaction volume in the 2023 financial year.

Comparative transactions that substantiate the valuations, determined by appraisals, are therefore only available to a limited extent.

- With regard to the properties held by the Group, the Executive Board must decide at each reporting date whether they are to be held for long-term rental, for capital appreciation or for sale. Depending on this decision, the properties are either recognised as investment properties or as non-current assets held for sale. This decision is subject to judgement as opportunities for a particularly advantageous sale of properties, that are generally held for long-term rental or for value appreciation purposes, are not foreseeable.

- When acquiring property companies, a decision must be made as to whether this involves the acquisition of a business operation. If, in addition to the assets and liabilities, a business operation (integrated group of activities) is also acquired, then this constitutes a business combination. For example, the business processes of asset and property management, receivables management and accounting are considered an integrated group of activities. In addition, a key indicator that a business operation has been acquired, is whether staff are also employed by the acquired company.

- When financial instruments are initially recognised, a decision must be made as to which measurement category they are allocated to.

- Interest paid and ancillary financing costs, as well as interest received are allocated to cash flow from operating activities in the cash flow statement.

- As of 31st December 2023, ESPG had concluded loans in the amount of €16,948k (previous year: €8,160k), which qualify as equity in the balance sheet due to the agreed repayment terms. The loans, plus capitalised interest in the amount of €1,252k (previous year: €203k) are to be repaid at the earlier of the dissolution of the company and 90 years after the respective loan was granted, provided that no further financial liabilities have been recognised for at least 30 days as of the reporting date (note 8.8). ESPG has a discretionary option for early repayment. Discretion is exercised to the extent that ESPG decides to utilise this repayment option on each balance sheet date.

7. SEGMENT REPORTING

ESPG AG is not classified as a capital market-oriented company within the meaning of Section 264d HGB, IFRS 8. Nevertheless, it requires publication of segment reporting for IFRS consolidated financial statements if debt or equity is traded on a stock exchange within the meaning of IFRS and segmentation is performed for internal reporting purposes. This also includes over-the-counter trading or comparable marketplaces.

ESPG AG does not report internally by segment, so segment reporting is not possible. Further information to be disclosed in accordance with IFRS 8 is also not relevant. Although the sale of a property may generate significant revenue with an individual customer within a year, no dependencies can be derived from this.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET

8.1 Investment property

Investment properties are recognised at fair value. The fair values were developed as follows in the reporting period:

in EUR	2023	2022
Carrying amounts as of 01.01.	**228,500,000.00**	**205,790,000.00**
Acquisitions (+)	0.00	15,562,846.76
Other additions (+)	347,323.61	293,021.96
Fair value increases (+)	5,649,261.53	8,877,748.14
Fair value impairments (-)	-5,896,585.14	-1,998,616.86
Disposals/purchase price reductions (-)	0.00	-25,000.00
Reclassification (-)	0.00	0.00
Carrying amounts as of 31.12.	**228,600,000.00**	**228,500,000.00**

All investment properties are encumbered with land charges as collateral for financial loans. In this respect, any proceeds from sales must first be applied to loan repayments (see 8.12).

The property portfolio of the ESPG Group consists exclusively of commercial properties, primarily located in or near to science parks.

Some rental agreements have expired during and after the reporting period. However, rental agreements for around 14,900 square metres of rental space were concluded in the reporting period, which corresponds to around 11.8% of the total net lettable space of the ESPG portfolio. The company and its service providers are in advanced negotiations with prospective tenants for the rental units still vacant at the end of 2023. This means that the letting of significant new spaces is expected to continue throughout the course of 2024. In addition, expiring rental agreements will be extended or will renew automatically. This expectation was taken into account in the expert valuation.

The rent is contractually linked to inflation (indexation), meaning that existing rental agreements were increased by 6.2% like for like in the reporting year.

There were no purchases or sales in the 2023 financial year.

As in the previous year, other additions relate to value-enhancing investments in property portfolios.

There are no obligations to acquire further properties as of 31st December 2023.

In the reporting period, fair value increases of €5.7 million and fair value decreases of €5.9 million were registered, leading to a valuation result of €-0.2 million (previous year: €6.9 million), which was recognised in the statement of comprehensive income. The decreases in fair value result in particular from the recognition of higher property capitalisation rates as part of the expert valuation of the properties.This is primarily due to the ECB's restrictive interest rate policy and the resulting decline in the investment climate. Despite higher property capitalization rates, the increases in fair value are due to the reduction in vacancies, the

extension of rental agreements (in some cases on better terms and higher rent), applicated rent indexation and the implementation of value-enhancing capex measures.

The fair value (level 3 of the fair value measurement based on valuation models) of individual properties is determined on the basis of discounted net operating income, using the income capitalisation approach in accordance with the ImmoWertV. The fair value of the investment property is determined on the basis of income and expenses, and then discounted using a risk-adjusted property capitalistion rate. The land value is measured separately from the market value of the properties. In the case of two portfolio properties, land development potential was valued using the residual value method at €3,110k (previous year: €4,280k). The valuation is based on construction and other costs, the realisable market rent, market rent multipliers to determine a potential sales price, and a discount for uncertainties.

The following overview shows the key assumptions used in measurements of the fair value of investment property, using the income capitalisation approach:

Range	31.12.2023	31.12.2022
Market rent in EUR	2.50 - 13.00	2.39 - 14.51
Property interest in %	3.98 - 5.90	3.60 - 5.60
Remaining useful life in years	35 - 45	35 - 45
Maintenance costs EUR/sqm	11.82 - 15.79	10.90 - 14.66

The ranges stated do not take into account any exceptional individual cases. The assumptions used to value the properties were made by an independent valuation expoert who has many years of experience in this field. In the case of one property (previous year: two properties), the property value determined by this expert was not adopted by the Executive Board, but the respective asset was transferred to the consolidated balance sheet at a discount to the external valuation. For all other properties, the appraisal values were adopted after review.

The property capitalisation rate, the underlying rents and the useful life were identified as the main value drivers that are influenced by the market. The effects of possible fluctuations in these parameters are shown in isolation from each other below. Interactions between the parameters are possible, but cannot be quantified due to the complexity of the interrelationships.

31.12.2023	Property capitalisation rates		Rent		Useful life	
	-0.5 percentage points	+0.5 percentage points	-10.0%	+10.0%	-5 years	+5 years
Changes in value						
in kEUR	18,650	-16,600	-20,250	20,100	-10,000	8,000
in %	8.1	-7.2	-8.8	8.7	-4.4	3.5

31.12.2022	Property capitalisation rates		Rent		Useful life	
	-0.5 percentage points	0.5 percentage 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

8.2 Loans

in EUR	2023	2022
Carrying amounts as of 01.01.	**8,964,351.00**	**7,754,191.07**
Additions (+)	627,504.51	1,210,159.93
Dispositions (-)	0.00	0.00
Carrying amounts as of 31.12.	**9,591,855.51**	**8,964,351.00**

The non-current loans relate to loans to non-controlling shareholders. These are each limited liability companies that are jointly and severally liable for each individual loan. The recoverability of the individual loans is indirectly determined by the recoverability of the ESPG Group's property portfolio.

The interest claims accrued from 2021 to 2023 were capitalized; i.e. allocated and added to the loans. The additions shown in the table above for 2023 represent the capitalised interest for 2023.

The loans bear interest at 7.0% p.a. and have a term until 31st December 2025. The loans were issued for the purpose of earning interest; no trading takes place and is not planned.

8.3 Other non-current assets

Other non-current assets include rental deposits paid by tenants, which are invested in separate bank accounts, as well as brokerage costs deferred over the term of the rental agreement for new rental agreements.

8.4 Trade receivables

The trade receivables result exclusively from the letting of property and are not interest-bearing. Of the trade receivables, an amount of €587k was overdue as of the balance sheet date, before taking value adjustments into account (previous year: €643k). Valuation allowances are recognised based on the ageing structure and depend on whether the tenants are active or former tenants. As of 31st December 2023, the value adjustments on trade receivables amounted to €325k (previous year: €277k).

8.5 Other current receivables and assets

Other current receivables and assets are made up as follows:

in EUR	31.12.2023	31.12.2022
Interest receivables from long-term loans	0.00	5,295.40
Prepaid costs for the following year	107,105.74	156,398.44
Premium interest cap	77,800.00	155,600.00
Operating costs to be invoiced less advance payments	147,646.54	0.00
Claims for reimbursement of costs against third parties	0.00	491,162.52
Tax receivables (value added tax)	5,264.92	14,000.24
Rent deposits	1,644.73	180,350.80
Other current assets	163,940.63	248,888.48
Total	**503,402.56**	**1,251,695.88**

8.6 Cash and means of payment

Cash and cash equivalents totalling €7,161k (previous year: €3,015k) consist exclusively of short-term bank balances. Cash and cash equivalents comprise unrestricted cash totalling €6,402k (previous year: €2,156k) and restricted cash of €759k (previous year: €859k), which is also available at short notice.

8.7 Equity capital

The share capital of ESPG AG amounts to €23,431,820.00 and is divided into 9,373,728 no-par value registered shares.

ESPG AG has no authorised or conditional capital as of the balance sheet date and does not hold any treasury shares.

The non-controlling interests shown relate to the capital and profit shares of third parties in the fully consolidated corporations in which ESPG AG or its subsidiaries do not hold a 100% interest.

8.8 Contributions to the reserve (Shareholder Loans)

In the 2022 and 2023 financial years, contributions were made to the reserve in the amount of €8,160k and €8,788k respectively, totalling €16,948k. These result from the granting of loans to ESPG AG by its shareholders. In addition, there is capitalised interest, which is reported as equity in accordance with IFRS due to the contractual structure (note 6).

in EUR	2023	2022
Carrying amounts as of 01.01.	**-8,926,022.71**	**-17,289,387.67**
Additions (+)	8,788,075.10	8,159,879.76
Capitalised interest (+)	1,048,985.13	203,485.20
Dispositions (-)	0.00	0.00
Carrying amounts as of 31.12.	**911,037.52**	**-8,926,022.71**

These loans are classified as equity in the balance sheet due to the agreed terms of these loans. The loans plus capitalised interest amount to €18,200k (previous year: €8,363k) are repayable at the earlier of the dissolution of the company and 90 years after the respective loan was granted, provided that no further financial liabilities have been recognised for at least 30 days as of the reporting date.

The company's right to early repayment was not exercised. The interest for 2023 was capitalised in accordance with the company's letter to the shareholders granting the loan.

8.9 Non-controlling interests

As of 31st December 2023, non-controlling interests accounted for a share of €9,655k (previous year: €9,684k) which is recognised as equity.

The following summarised financial information results for these companies, which is presented in an aggregated form for reasons of clarity and not per company:

in kEUR	2023	2022
1.1 - 31.12.		
Proceeds	14,943	12,541
Result from continuing operations	-290	7,139
Other result	0	0
Overall result	-290	7,139
31.12.		
Non-current assets	230,110	229,506
Current assets	42,001	36,983
Non-current liabilities	122,663	106,230
Current liabilities	53,855	64,376
Net assets	95,593	95,882
Share of non-controlling interests in %	10.1%	10.1%
Non-controlling interests in kEUR	9,655	9,684

8.10 Deferred taxes

Deferred tax assets (+) and liabilities (-) are broken down as follows:

in EUR	31.12.2023	31.12.2022
Tax loss carryforwards	2,629,008.72	2,105,708.66
Accounting for leases in accordance with IFRS 16	2,365.32	1,726.00
Valuation of investment property	-12,640,518.75	-12,136,510.27
Valuation of financial liabilities	-464,605.38	-498,724.54
Total deferred tax assets	**2,631,374.04**	**2,107,434.66**
Total deferred tax liabilities	**-13,105,124.12**	**-12,635,234.81**
Balance	2,592,787.92	2,077,814.87
Recognised deferred tax assets	**38,586.12**	**29,616.79**
Recognised deferred tax liabilities	**-10,512,336.15**	**-10,557,416.94**

The change in the deferred taxes is mainly the result of effects recognised in the profits and loss statement.

No deferred tax assets are recognised on corporation tax loss carryforwards of around €29.8 million (previous year: around €23.6 million) and trade tax loss carryforwards of around €36.2 million (previous year: around €27.4 million), as their achievability is not sufficiently concrete.

The temporary differences from undistributed earnings of subsidiaries for which no deferred taxes were recognised amount to €0.4 million (previous year: €0.3 million).

8.11 Liabilities from bonds

The liabilities recognised under bonds relate to the corporate bond 2023/2026.

In August 2023, the corporate bond was extended until 1st October 2026 by resolution of the bondholders' meeting. Interest is due annually. The interest rate after the extension is 9.5% (previously: 6.0%). The corporate bond is unsecured and not collateralised.

By resolutions of the corporate bond holders held using the “vote without meeting” procedure running from 18th to 20th March 2024, the financial covenant LTV was suspended as of 31st December 2023 (see note 11.2 d).

8.12 Financial loans

Financial loans are mainly comprised of liabilities in connection with the acquisition and financing of investment property. Financial loans include both fixed-interest and variable-interest bank loans and loans from insurance companies and other lenders.

From the 2023 financial year, we break down the financial loans recognsised on the balance sheet separately between secured and unsecured financial loans. The basis for determining the bond LTV (11.2 d) are the net financial liabilities secured by land charges. The separation of financial loans into collateralised and uncollateralised financial loans allows the bond LTV to be derived directly from the values shown on the balance sheet.

As of the balance sheet date, financial loans totalling €133,481k (previous year: €132,338k), of which €110,715k (previous year: €94,667k) are non-current and €22,766k (previous year: €37,671k) are repayable within one year.

No interest rate hedges were concluded in the current year. To hedge future interest rate risks, interest rate hedges (interest rate cap) were concluded in the 2022 financial year for a loan amount of €16,660k with a term until 31st December 2024.

The financial loans are mainly collateralised with mortgages. The assignment of rental income, any sales proceeds, insurance claims, as well as the pledging of bank balances serve as further collateral. Furthermore, individual financing arrangements are secured by limited guarantees from ESPG AG and/or ESPG Asset GmbH and, in one case, by a letter of comfort from ESPG AG.

The financial loans are collateralised with assets as follows:

in EUR	31.12.2023	31.12.2022
Investment property	228,600,000.00	228,500,000.00
Rent receivables	633,309.67	329,254.43
Cash at hand	4,301,513.81	1,821,609.03

Long-term loans from shareholders totalling €74k, which do not qualify as equity due to their term, are reported as unsecured financial loans. The short-term unsecured financial loans are bridge loans in the amount of €1,131k. These were repaid in full in January 2024.

8.13 Income tax liabilities

Income tax liabilities totalling €286k (previous year: €646k) include tax provisions for current corporate income tax and trade tax obligations.

8.14 Other liabilities

Other liabilities are made up as follows:

in EUR	31.12.2023	31.12.2022
Accrued interest	1,266,381.16	847,200.53
Rent deposits	1,130,492.10	1,127,926.52
Deferred costs	1,961,429.92	1,109,082.34
Leasing liabilities	178,723.50	224,893.78
Rents received for 2024 and in the previous year for 2023	235,593.46	210,807.23
Tax liabilities	43,416.19	199,336.05
Operating costs to be invoiced	0.00	35,499.83
Other	277,192.75	312,869.79
Total	**5,093,229.08**	**4,067,616.07**
- thereof long-term	**1,227,204.63**	**1,170,033.25**
- thereof short-term	**3,866,024.45**	**2,897,582.82**

The rent deposits relate to rent deposits paid by tenants, which are held in separate bank accounts.

The deferred costs mainly relate to management costs, maintenance costs and consulting costs.

The tax liabilities relate to sales and wage taxes.

9. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

9.1 Result from property management

Income and expenses from property management break down as follows:

in EUR	01.01. - 31.12.2023	01.01. - 31.12.2022
Net rental income	10,415,701.75	9,774,919.52
Income from recharge of operating costs	2,753,636.22	2,654,223.80
Other income from property management	2,560,415.23	116,114.69
Income from property management - total	**15,729,753.20**	**12,545,258.01**
Operating, heating and administrative costs	-5,766,313.78	-3,780,294.22
Maintenance costs	-2,256,504.84	-921,205.60
Letting costs	-374,764.16	-92,853.80
Other income / expenses	11,017.38	-17,766.40
Expenses from property management - total	**-8,386,565.40**	**-4,812,120.03**
Result from property management	**7,343,187.80**	**7,733,137.98**

Income from property management is attributable entirely to the investment properties of the Group.

Other income from property management includes income of €1,446k from compensation payments and cost re-charge transfers for two properties, which are offset by a corresponding amount of maintenance costs. This item also includes changes to the work in progress totalling €769k (previous year: €50k).

Direct operating expenses directly attributable to investment properties that did not generate rental income in the reporting year totalled €0k (previous year: €202k).

9.2 Personnel expenses

Personnel expenses include:

in EUR	01.01. - 31.12.2023	01.01. - 31.12.2022
Salaries and other benefits	1,014,522.36	1,080,546.76
Social security contributions	42,751.15	45,824.08
Total	**1,057,273.51**	**1,126,370.84**

In the reporting period, the Group had three Management Board members until 5th June 2023 and two Management Board members from 6th June 2023 onwards, as well as an average of five employees.

9.3 Other operating income

Other operating income in the reporting period mainly includes income from the reversal of provisions (€262k; previous year: €188k), income from the derecognition of liabilities (€185k; previous year: €2k), insurance reimbursements (€76k; previous year: €996k), income from the reversal of value adjustments / reserves (€42k; previous year: €26k) and income from benefits in kind (€20k; previous year: €43k).

9.4 Other operating expenses

In the reporting period, other operating expenses mainly resulted from legal and consulting costs (€1,292k; previous year: €1,218k), accounting costs (€92k; previous year: €45k), asset management fees and property management costs (€902k; previous year: €726k), advertising and travel expenses (€187k; previous year: €207k) and value adjustments/write-offs on receivables (€152k; previous year: €265k).

9.5 Financial income

Financial income mainly includes interest income in connection with long-term loans.

9.6 Financial expenses

Financial expenses break down as follows:

in EUR	01.01. - 31.12.2023	01.01. - 31.12.2022
Interest expenses for financial loans incl. effective interest rate adjustment	7,114,229.83	5,299,406.87
Interest expenses for bonds incl. effective interest rate adjustment	4,000,618.87	3,398,452.49
Interest expenses for other liabilities	7,991.82	14,167.77
Total	**11,122,840.52**	**8,712,027.13**

9.7 Income taxes

Income taxes break down as follows:

in EUR	01.01. - 31.12.2023	01.01. - 31.12.2022
Current income tax expense	**-397,447.56**	**651,363.50**
Deferred tax expense/income Loss carryforwards	-416,478.52	-284,520.11
Deferred tax expense temporary differences	470,528.63	1,253,711.98
Deferred taxes	**54,050.11**	**969,191.87**
Total	**343,397.46**	**1,620,555.37**

The current tax expense is calculated on the basis of the taxable income for the financial year. For the 2023 financial year, the combined tax rate of corporation tax and solidarity surcharge for the domestic companies is 15.825%. Including trade income tax of around 16.625%, this results in a Group tax rate of 32.45% (previous year: 32.45%). Expected effects from the extended trade tax reduction on domestic trade tax are taken into account in the measurement of deferred taxes.

The tax on the Group's pre-tax profit differs from the theoretical tax rate, resulting in the application of the Group tax rate of 32.45%, as follows:

in EUR	01.01. - 31.12.2023	01.01. - 31.12.2022
Earnings before income taxes	-6,634,710.54	3,698,326.75
Expected tax result at 32.45%	-2,152,963.51	1,200,107.03
Reconciliation due to tax effects:		
Effects from the application of the extended commercial tax reduction	-732,699.09	-1,804,609.30
Effects from losses that cannot be utilised in the future or utilisation of previously unrecognised loss carryforwards	3,247,588.32	1,804,689.36
Effects from trade tax modifications	24,427.08	383,959.16
Other effects	-42,955.35	36,569.24
Total	**343,397.46**	**1,620,555.37**

10. NOTES TO THE CASH FLOW STATEMENT

The cash flows are broken down into operating activities, investing activities and financing activities. The indirect calculation method was selected for the presentation of cash flows from operating activities, however, cash flows from investing and financing activities are calculated on the basis of payments. Cash and cash equivalents correspond to cash and cash equivalents.

Cash flow from operating activities totalled €-5,128k in the reporting period (previous year: €-1,681k). In addition to the cash inflow from operating activities of €5,324k (previous year: €5,482k), the cash flow from operating activities is mainly characterised by payments of interest and financing ancillary costs amounting to €9,726k (previous year: €6,559k).

While the previous year's cash flow from investing activities (€-5,698k) was largely characterised by payments for the acquisition of a property company (€4,899k), the cash flow from investing activities in 2023 (€-388k) is largely determined by payments for investments in investment properties (€-347k) and payments for investments in property, plant and equipment (€-41k).

The cash flow from financing activities (€9,662k; previous year: €6,722k) mainly results from repayments of financial loans totalling €38,101k (previous year: €35,471k) as well as from payments into equity (€8,788k; previous year: €8,160k) and the raising of new financial loans (€39,061k; previous year: €31,317k). In contrast to the previous year, there were no proceeds from the issue of bonds (€0k; previous year: €2,803k).

Cash and cash equivalents increased by €4,146k from €3,015k at the beginning of the reporting period amounting to €7,161k at the end of the reporting period. Cash and cash equivalents include unrestricted funds totalling €6,402k (previous year: €2,156k) and restricted funds totalling €759k (previous year: €859k).

Financial liabilities dervied from financing activities developed as follows in the reporting period:

Reporting period 2023

in TEUR	Initial inventory 01.01.2023	Payment effective Change	Non-cash changes: Change in the scope of consolidation	Non-cash changes: Effective interest method	Non-cash changes: Reorganisations	Closing position 31.12.2023
Financial loans	132,338	960*	0	108	75	133,481
Bonds	45,844	-854*	0	853	0	45,843
Total	**178,182**	**106**	**0**	**961**	**75**	**179,324**

* Including payments for ancillary financing costs

Reporting period 2022

in TEUR	Initial inventory 01.01.2022	Payment effective Change	Non-cash changes: Change in the scope of consolidation	Non-cash changes: Effective interest method	Non-cash changes: Reorganisations	Closing positions 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 payments for ancillary financing costs

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES

11.1 Additional disclosures on financial instruments

a) Class formation

In the ESPG Group, the classification of financial instruments required by IFRS 7 is analogous to its respective balance sheet items. The following tables show a reconciliation of the carrying amounts for each IFRS 7 class (balance sheet item) to the recognition categories as of the individual reporting dates.

in TEUR	Category according to IFRS 7	Measured at amortised cost		To the Fair value measured	Total
		Book value	Fair value	Book value	Balance sheet items 31.12.2023
Assets					
Loans and other non-current assets values	Aac	11,103	11,103	0	11,103
Receivables from goods and services	Aac	262	262	0	262
Other current assets	Aac	503	503	0	503
Liabilities					
Liabilities from bonds	Flac	45,843	24,246	0	45,843
Financial loans	Flac	133,481	129,104	0	133,481
Liabilities from deliveries and services	Flac	572	572	0	572
Other liabilities	Flac	5,093	5,093	0	5,093

Abbreviations of the IFRS 7 classes:
Aac: Financial assets measured at amortised cost (Financial assets measured at amortised cost)
Flac: Financial liabilities measured at amortised cost

in TEUR	Category according to IFRS 7	Measured at amortised cost		To the Fair value measured	Total
		Book value	Fair value	Book value	Balance sheet items 31.12.2022
Assets					
Loans and other non-current assets	Aac	9,972	9,972	0	9,972
Receivables from goods and services	Aac	497	497	0	497
Other current assets	Aac	1,252	1,252	0	1,252
Liabilities					
Liabilities from bonds	Flac	45,844	36,369	0	45,844
Financial loans	Flac	132,338	129,770	0	132,338
Liabilities from deliveries and services	Flac	871	871	0	871
Other liabilities	Flac	4,067	4,067	0	4,067

Abbreviations of the IFRS 7 classes:
Aac: Financial assets measured at amortised cost (Financial assets measured at amortised cost)
Flac: Financial liabilities measured at amortised cost

Liabilities from advance payments received for ancillary service charge costs totalling €3,376k (previous year: €2,765k) were offset against receivables from services not yet invoiced amounting to €3,523k (previous year: €2,730k) and the net amount was recognised in the consolidated balance sheet under other current receivables and assets (previous year: other current liabilities).

b) Fair value disclosures

The fair values of the financial assets and liabilities for the purposes of measurement or the explanatory notes were determined on the basis of level 3 of the fair value hierarchy, with the exception of the bond liabilities.

Trade receivables, other current assets and cash and cash equivalents have short remaining terms. Their carrying amounts as of the reporting date correspond approximately to their fair values.

The same applies to current financial loans, trade payables and other current liabilities.

The fair value of non-current financial loans is determined by discounting future cash flows or the stock market price. Discounting is based on a market interest rate that is congruent with the term and risk.

c) Net result from financial assets and liabilities

The gains and losses from financial assets and liabilities are as follows:

in TEUR	Category according to IFRS 7	Net result 2022			Net result 2023		
		Interest	Yield/ Expenditure	Total	Interest	Yield/ Expenditure	Total
Financial assets measured at cost	Aac	574	13	587	628	0	628
Financial liabilities measured at cost	Flac	-6,772	-1,940	-8,712	-9,965	-1,157	-11,123

Interest income and interest expenses are recognised as part of financial income and financial expenses respectively. The expenses for financial liabilities are recognized at cost related to the adjustments under the effective interest method. These expenses are recognised under financing expenses.

11.2 Financial risk management and disclosures in accordance with IFRS 7

Financial risk management is an integral part of the risk management system and thus contributes to the achievement of the company's objectives. The main risks monitored and controlled by the Group's financial risk management include interest rate risk, default risk, liquidity risk and financing risk.

a) Interest rate risk
The Group is currently exposed to both short and medium-term interest rate risk due to its existing financing arrangements. The Group recognises around 45% of its financial liabilities as variable, most of which are longer-term. If interest rates were to change by 100 basis points, the interest expense relating to these variable liabilities would increase by €595k.

The interest rate risk also relates to the risk of new fixed-interest financial liabilities to be entered into at higher interest rates. No fixed-interest financial liabilities are due for refinancing in the 2024 financial year. If the existing (approximately 55%) fixed-interest financial liabilities (excluding the bond) were to be refinanced at an interest rate of 100 basis points higher, this would result in additional interest expenses of €739k.

The interest rate risk is significant in relation to the rental income of €15,730k in the 2023 financial year (previous year: €12,545k).

To hedge the interest rate risk, a subsidiary of the company has concluded an interest rate derivative transaction (interest rate cap) with one of its financing banks, according to which the variable base interest rate for the outstanding loan amount of up to €16,000k is limited to 1.5% until 31st December 2024. Once the interest rate cap expires, the interest expense would increase by around €400k p.a. assuming an interest rate of 4.0%.

b) Default risk
A default risk arises from the risk that contractual counterparties are unable to fulfil their contractual payment obligations. The maximum default risk is reflected by the carrying amounts of the financial assets. Collateral, such as deposits, is not deducted when determining the maximum default risk, as this is generally required for renovations.

Control is performed at Group level for the entire Group. There are guidelines in place to ensure that transactions with business partners and tenants are only entered into if they have demonstrated acceptable payment patterns in the past. Trade receivables are mainly due from tenants. When selecting tenants, importance is attached to an acceptable credit rating and deposits or guarantees are required from the tenants to cover this risk. There are no significant concentrations of potential credit risks within the Group. However, there may be increased credit risks for commercial properties due to their tenant structure.

c) Liquidity risk
The responsibility for liquidity risk management sits with the Executive Board, which has established an appropriate concept for managing short, medium and long-term financing and liquidity requirements. The Group manages liquidity risks by constantly monitoring forecasted and actual cash flows and reconciling the maturity profiles of financial assets and liabilities. The aim of liquidity management is to ensure solvency at all times by maintaining sufficient liquidity reserves and optimising intra-Group liquidity balancing.

The following liquidity analysis shows the contractually agreed (undiscounted) cash flows of the primary financial liabilities, including interest payments, as of the respective balance sheet date. All financial instruments held on the balance sheet date were included in the analysis. Planned payments for future new liabilities were not taken into account.

31.12.2023 in TEUR	Cash outflows 2024	2025	2026	2027	2028	> 2028
Liabilities from bonds	4,429	4,429	51,055	0	0	0
Financial loans	28,069	40,028	30,308	9,059	6,074	36,108
Liabilities from deliveries and services	571	0	0	0	0	0
Other liabilities*	3,720	54	52	75	20	981
Total	**36,789**	**44,511**	**81,415**	**9,134**	**6,094**	**37,089**

* Accrued interest is recognised directly as part of the relevant liabilities. Rent deposits of €1,130k are not recognised, as these liabilities are offset by corresponding credit balances in rent deposit accounts and therefore only represent transitory items for the company.

31.12.2022 in TEUR	Cash outflows 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
Liabilities from deliveries and services	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**

* Accrued interest is recognised directly as part of the relevant liabilities. Rent deposits of €1,128k are not recognised, as these liabilities are offset by corresponding credit balances in rent deposit accounts and therefore only represent transitory items for the company.

The repayment date of the bond, originally due on 1st October 2023, was extended in 2023 by three years to 1st October 2026.

In the 2023 financial year, an expiring loan was also partially replaced by long-term financing from a local bank, while the remaining amount of €26,600k was refinanced with a term until 30th August 2026.

Three secured loans with a total nominal amount of €19,696k were due for repayment on 30th March 2024 and are therefore included in the above presentation of the expected cash outflows for 2024. On 28th March 2024, it was agreed that these loans would be extended until 30th September 2025 through follow-up agreements.

Two unsecured short-term loans totalling €1,131k were repaid in January 2024.

The other cash outflows from financial loans shown in the table above result from scheduled instalment repayments and interest payments.

In light of the successful prolongations and the additional equity injections of €9,837k in 2023, the Executive Board therefore assumes the going concern assumption for accounting purposes and considers the going concern to be largely probable.

d) Financing risk

The Group is dependent on the granting of equity, loans or the issue of further bonds for further acquisitions.

Planned refinancing measures have already been implemented in the current financial year and further financing has been prepared. If, contrary to expectations, these financings are not successful or not successful to the extent required, or if the purchase price payment for Offenbach (see note 13.6) is not made on time, alternative financing options (sales, capital increases, etc.) would need to be implemented.

In all cases, there is a risk that an extension of these financings is not be possible or only at different conditions. In addition, the Group has loan agreements with a volume of €111,242k as of the balance sheet date (including the bond), for which the counterparties have agreements with credit requirements and financial covenants to be complied with. In the event of a breach of the credit requirements, covenants or bond conditions, the lenders could impose various sanctions, including terminatio of the loans/bonds. The bond and the loan agreements contain the usual change-of-control clauses.

The ESPG Group's asset management is focussed on compliance with the financial covenants. Furthermore, ongoing monitoring is carried out by the Executive Board.

In the bond terms and conditions, the company has undertaken to maintain an LTV (loan to value: ratio of net financial liabilities and bond liabilities secured by land charges to the value of the property assets) of less than 75% as of 31st December 2023. An LTV of 70% must be maintained as of 31st December 2024 and 65% as of 31st December 2025. In the event of a breach of duty, the bondholders can demand repayment of the bond under certain further conditions.

Based on these consolidated financial statements as of 31st December 2023, the LTV, as defined by the bond terms, stands at 74.8%.

The requirement to comply with the LTV covenant as of 31st December 2023 was suspended in accordance with resolutions of the bondholders passed from 18th to 20th March 2024 under the “vote without meeting” procedre. In addition, the joint representative of the bondholders may, at its own discretion, decide to suspend the LTV for the 2024 financial year (70%). As of 31st December 2025, an LTV of 65% was agreed in the bond terms and conditions and the consequences of a breach were transferred to the responsibility of the creditors. In order to be able to comply with the LTV in the future, the Group must reduce its debt in accordance with the terms of the bond.

12. CAPITAL MANAGEMENT

The Group manages its capital with the aim of maximising the earnings of its stakeholders by optimising the ratio of equity to debt. This ensures that all Group companies can operate under the going concern assumption. The Group's balance sheet equity is used as an important key figure for capital.

As a stock corporation, the company is subject to the minimum capital requirements of German stock corporation law. In addition, the Group is subject to the usual and sector-specific minimum capital requirements of the financial economy, particularly with regard to the financing of specific properties. This also includes the limitation of possible dividend payments

to a percentage of total earnings. These minimum capital requirements are monitored on an ongoing basis.

Risk management regularly reviews the Group's capital structure. Accounting ratios are calculated and forecast in order to take into account the credit requirements of external capital requirements and the financial covenants of the financing agreements. These also include property-specific debt service ratios and loan-to-value ratios.

The equity ratio at the end of the year was as follows:

in TEUR	31.12.2023	31.12.2022
Equity (incl. non-controlling interests)	52,310	49,451
Balance sheet total	248,098	243,775
Equity ratio in %	**21.1%**	**20.3%**

The ratio of net financial liabilities secured by land charges to investment property (LTV) is 54.7% (previous year: 56.6%). If the bond is included in the LTV analysis, the ratio is 74.8% (previous year: 76.7%).

13. OTHER INFORMATION

13.1 Minimum lease payments from operating leases

Claims to minimum lease payments from long-term operating leases generally arise from the letting of commercial property. There are no further claims to minimum lease payments. The minimum lease payments include rental income excluding apportionable operating costs.

Information about operating leases	2024 up to 1 year	2025 - 2028 1 - 5 years	from 2029 greater than 5 years
Total future minimum lease payments due from operating leases	10,573	24,397	16,109

Previous year:

Information about operating leases in TEUR	2023 up to 1 year	2024 - 2027 1 - 5 years	from 2028 greater than 5 years
Total future minimum lease payments due from operating leases	9,945	24,723	10,761

In the reporting period, minimum lease payments (net cold rent) totalled €10,416k (previous year: €9,775k).

13.2 Other financial obligations

As of 31st December 2023, there are no significant financial obligations that are not already recognised in accordance with IFRS 16.

13.3 Related party disclosures

According to IAS 24 "Related Party Disclosures", related parties are defined as parent companies and subsidiaries, as well as subsidiaries of a common parent company, associated companies, legal entities under the influence of management and the management of the company. Transactions between ESPG AG and its consolidated subsidiaries are eliminated through consolidation and are therefore not explained in the notes.

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

The following business transactions took place between the Group and related parties:

There is an asset management agreement between the Group and Alvarium 64 Advisory LLP (UK), under which the LLP prepares regular reports, updates and analysis for the Group's shareholders based abroad. Alvarium 64 Advisory LLP (UK) is 50% owned by Alti RE Ltd (formerly: Alvarium RE Ltd), which was indirectly linked to a shareholder and Supervisory Board member, Mr Elkington, until 30th June 2023. The other 50% of the LLP is indirectly owned by the Executive Board member Dr Nöcker. The consulting fees paid amounted to €350k (previous year: €220k), of which 71.4% was distributed to Alti RE Ltd. and 28.6% to companies affiliated with Dr Nöcker.

The shareholders Delta BuyCo I S.a.r.l., Luxembourg, Science Park Acquisitions S.à.r.l., Luxembourg and Moore Strategic Ventures, LLC, Luxembourg, made contributions to reserves totalling 16,948k thousand in the 2022 (€8,160k) and 2023 (€8,788k) financial years. The contribution was made by granting economically non-repayable loans, which qualify as equity under IFRS. In addition, the interest accrued on these loans for 2022 (€203k) and 2023 (€1,049k), totalling €1,252k, was capitalised and also transferred to reserves.

Mr Drews acquired ESPG AG debt instruments (DE000A2NBY22) on the stock exchange on various dates during the 2023 financial year via a related party for a total of €24k; this was duly reported and promptly published in the company register.

Please refer to the following section for information on the remuneration of the Executive Board.

13.4 Executive Board and Supervisory Board

The members of the Management Board of ESPG AG were in the reporting period and are currently:

- Dr Ralf Nöcker, businessman, Chairman of the Executive Board
- Markus Drews, businessman
- Daniel Grosch, businessman (until 5th June 2023)

Mr Daniel Grosch resigned from the Executive Board on 5th June 2023.

The Management Board received fixed remuneration in the reporting period. In addition, the members of the Management Board are provided with company cars, which may also be used

for private purposes. In the reporting period, the total remuneration, including the non-cash benefit for the use of the car totalled €512k for the entire Management Board (previous year: €626k).

In addition, the members of the Management Board are reimbursed for travelling costs and expenses.

Members of the Supervisory Board of ESPG AG were in the reporting period and are currently:

- Arndt Krienen, Attorney-at-Law (Chairman)
- Jonathan Elkington, CEO (Deputy Chairman)
- George Nicholas, Entrepreneur

The members of the Supervisory Board received remuneration totalling €34,000 in the reporting period (previous year: €12k).

13.5 Fee of the auditor of the consolidated financial statements

The Group auditor receives a total fee of €110k for the 2023 financial year, of which €105k is for auditing services and €5k for other services.

13.6 Events after the balance sheet date

At the end of March 2024, the Executive Board decided to enter into negotiations on the sale of TOGETHER Offenbach GmbH. The sales contracts were notarised on 17th April 2024 and a customary down payment was paid into a notary escrow account; the completion of the sale is subject to the occurrence of customary conditions.

The sale of ESPG Silo1 GmbH (shelf company) was also completed on 17th April 2024; the conditions necessary for the final settlement of the sale are still open at present.

ESPG Silo2 GmbH was renamed ISI Innovate Space Immobilien GmbH on 16th April 2024. The shareholders ESPG Asset GmbH and BBW Fünfzehnte Beteiligung UG (haftungsbeschränkt) sold their shares in this company to ESPG Betriebs GmbH.

The company has reached an agreement with the other shareholder to liquidate DIOK Assekuranzmakler GmbH.

Three collateralised loans with a total nominal amount of €19,696k as of the balance sheet date were due for repayment on 30th March 2024. On 28th March 2024, it was agreed that these loans would be extended until 30th September 2025 by means of follow-up agreements.

In accordance with the bondholder vote obtained during legally prescribed procedure runnungfrom 18th to 20th March 2024, the bondholders resolved to suspend the LTV covenant for 2023 and to place the application of the LTV covenant for 2024 in the hands of the joint representative.

There were no other reportable events in the period from the balance sheet date to the present day.

Cologne, 19th June 2024

Markus Drews Management Board	Dr Ralf Nöcker Management Board