

Instone starts the year well despite persistently difficult environment

- *Adjusted revenues of EUR 123.5 million in the first quarter of 2023 (Q1-2022: EUR 118.5 million), mainly based on construction of sold units progressing according to plan*
- *Sales of EUR 52.7 million (Q1-2022: EUR 87.6 million) benefit from one institutional transaction with otherwise unchanged limited willingness to buy*
- *A continued high adjusted gross profit margin of 27.4 percent (Q1-2022: 29.7 percent) underscores the quality of Instone projects*
- *Earnings after tax down slightly to EUR 8.5 million (Q1-2022: EUR 9.3 million) as a result of the lower gross profit margin*
- *Earnings forecast 2023 confirmed: revenues (adjusted) of EUR 600 to 700 million, earnings after tax (adjusted) of EUR 40 to 50 million*
- *Leading position in sustainability confirmed; Sustainalytics agency rates Instone among the top three percent of global real estate developers*
- *Personnel changes in the supervisory board planned for the Annual General Meeting 2023*

Essen, Germany, 11 May 2023: Instone Real Estate Group SE ("Instone") started the 2023 financial year with a good result and a comparatively high adjusted gross profit margin, despite a continued challenging environment for the sector and for the economy as a whole. Instone thus maintained its sector-leading profitability.

The increased uncertainty of private and institutional investors, leading to decreased investment appetite, remains clearly noticeable. Nevertheless sales contracts amounting to EUR 52.7 million, including one institutional sale, were successfully concluded.

Overall, the business has developed in line with expectations. The Management Board confirms the outlook for the full year 2023.



Instone continues to maintain leading profitability

Adjusted revenues in the first quarter of 2023 amounted to EUR 123.5 million, slightly above the previous year's level (Q1-2022: EUR 118.5 million). Instone continues to benefit from the high proportion of projects that have already been pre-sold and have a volume of around EUR 3.0 billion. Of the projects under construction or in the pre-construction phase, 89.2 percent had been sold by the end of the quarter, thus largely securing the expected cash flows from these projects.

The adjusted gross margin was 27.4 percent in the first quarter of 2023 (Q1-2022: 29.7 percent), still an attractive and industry-leading level despite the difficult environment for the sector. The company benefits from fixed-price contracts and scaling in purchasing, the structural advantages of a high level of vertical integration and its many years of expertise. These factors have mitigated the impact of a sharp increase in construction costs.

Nevertheless, adjusted operating profit (adjusted EBIT) declined slightly to EUR 15.8 million (Q1-2022: EUR 17.0 million). This reflects the somewhat lower gross margin and slightly higher platform costs than last year. Adjusted earnings after tax (EAT) amounted to EUR 8.5 million with a slightly higher tax rate (Q1-2022: EUR 9.3 million).

Large number of pre-sold projects offers a strong basis for future cash flow

Instone's operational strength is also reflected in its balance sheet. The ratio of net debt to contract assets plus balance sheet inventories valued at costs (LTC) at 31 March 2023 amounts to only 25.6 percent (31 December 2022: 20.8 percent). The ratio of net debt to adjusted operating profit before depreciation and amortisation (adjusted EBITDA) is 3.8x (31 December 2022: 2.8x).

Cash, including unused credit lines, amounted to EUR 330 million as of 31 March 2023. In addition, the company has unused project financing lines of more than EUR 340 million.

Despite the seasonally negative cash flow in the first quarter, Instone still expects positive operating cash flow for the full year 2023.



"Our figures show that we maintain leading profitability and a strong balance sheet even in a difficult environment. We are preparing ourselves for continued challenging conditions in the rest of the year. Nevertheless, given our financial strength, we remain confident that we will be able to seize opportunities for further growth once the market stabilises", says Kruno Crepulja, CEO of Instone Real Estate Group SE.

Extensive project pipeline allows opportunistic investment strategy

The expected gross development value (GDV) of the Instone project portfolio as at the reporting date was approximately EUR 7.6 billion (31 December 2022: EUR 7.7 billion). The current size of the pipeline therefore allows for an opportunistic investment strategy and temporary restraint in land purchases. The part of the portfolio that is in the pre-construction or construction phase totals EUR 3.3 billion, of which EUR 3.0 billion, or around 89 percent, has already been sold. Overall, this provides a high visibility with regard to the expected future revenues and cash flows. This significantly mitigates the risk profile of the business model.

Outlook for 2023 confirmed

Based on the current business development, the Management Board has confirmed the financial forecast for the current financial year. The Management Board assumes that sales speed will remain significantly reduced. Due to the currently low visibility, no major transactions with institutional investors are included in the forecast. On the cost side, the Management Board expects cost inflation to recede and construction costs to rise in the mid-single-digit percentage range.

On the basis of these assumptions, the Management Board expects adjusted revenues of EUR 600 to 700 million for 2023, an adjusted gross margin of around 25.0 percent and adjusted earnings after tax of EUR 40 to 50 million.

ESG: Sustainalytics confirms top ranking for Instone

In its latest analysis, the renowned specialist sustainability ratings agency, Sustainalytics, ranked Instone among the top three percent of global property developers out of a total of 288 companies monitored worldwide. Instone has thus again confirmed its leading position year-on-year.

Changes in the supervisory board

To further increase the gender diversity of the Supervisory Board in line with the principles of due and proper corporate governance and to meet a target quota of female members of 30 percent, the Management Board and the Supervisory Board will make a proposal to the Annual General Meeting in June 2023 to extend the number of members on the Supervisory Board from five to six. This should facilitate the appointment of one more female member. The Supervisory Board has succeeded in recruiting Ms. Sabine Georgi, Executive Director at the Urban Land Institute, as a candidate for the new position. Her responsibilities there include the successful positioning as a leading partner in the field of ESG with regard to urban transformation.

In addition, a further change in the Supervisory Board is anticipated. For some time now, funds advised by Activum SG Capital have held more than 25 percent of the share capital making them the largest single shareholder. This stake in the shareholder structure shall also be reflected in the constitution of the supervisory board. The Supervisory Board proposes Mr. Stefan Mohr, Partner and Head of Corporate Investments, Activum SG Capital, for election to the Supervisory Board. Stefan Mohr has more than 25 years of experience as an M&A advisor and investment manager for leading European financial institutions, private equity companies as well as real estate investors and already knows the company well from his previous activities.

In order to enable the representation of the major shareholder on the Supervisory Board, Mr. Thomas Hegel has agreed to resign from his position following the end of this year's Annual General Meeting. As Chairman of the nomination committee, he prepared and closely monitored the selection process for the female candidate. Stefan Brendgen, Chairman of the Supervisory Board of Instone Real Estate Group SE says, "On behalf of the entire Supervisory Board, I would like to extend our thanks to Thomas Hegel for the successful and trustworthy cooperation within our board for more than four years. During this time it was possible to implement key decisions together, setting the course for the future common interests of the company and its employees."



The definitions of the key performance indicators mentioned in the release can be found in the glossary on the company's homepage at: [Glossary:Instone Real Estate Group SE](#)

About Instone Real Estate

Instone Real Estate is one of the leading residential developers in Germany and is listed on the Prime Standard of the German stock market. The company develops attractive residential buildings and apartment complexes and also operates in the publicly subsidised residential construction sector. It also works on contemporary urban planning and the refurbishment of listed buildings. These are mainly sold to owner-occupiers, private investors wanting to buy to let and institutional investors. We have developed more than one million square metres over the last 30 plus years. The company employs 485 employees at nine locations across Germany. As at 31 March 2023, the project portfolio included 51 development projects with an anticipated overall sales volume of approximately EUR 7.6 billion and 16,107 units.

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