

Instone achieves annual result slightly exceeding previously upgraded guidance - outlook for 2022 confirmed

- *Adjusted revenues increase significantly year-on-year to EUR 783.6 million (+63.2 percent)*
- *Earnings after tax (EAT) of EUR 96.9 million (+135.8 percent) exceed previously raised guidance of EUR 93 - 96 million*
- *Adjusted gross profit margin of 28.3 percent reflects Instone's industry-leading profitability*
- *EUR 1.1 billion volume of concluded sales contracts exceeds revised forecast and reflects exceptional level of demand*
- *EUR 1.8 billion new project acquisitions approved (incl. proportionate share of at-equity consolidated projects)*
- *Management Board and Supervisory Board propose EUR 0,62 dividend per share to be resolved by the Annual General Meeting*
- *Instone reiterates commitment to climate neutrality and substantially expands ESG related disclosure*
- *Outlook 2022: Guidance for fiscal year 2022 confirmed; adjusted revenues ranging from EUR 900 million to EUR 1,000 million; earnings after tax between EUR 90 million and EUR 100 million*

Essen, 17 March 2022: Instone Real Estate Group SE ("Instone") has achieved a strong set of results in 2021. Despite a challenging operating environment, with pandemic related disruptions such as supply bottlenecks and delayed building permits Instone has exceeded previously raised 2021 adjusted earnings after tax guidance.

While these predicaments have negatively affected adjusted revenues our better-than-expected adjusted gross margin is testament to our operational prowess in a market place that remains structurally under supplied and continues to attract high levels of demand from both private and institutional buyers. Strong continued demand is also evidenced by our achieved EUR 1.1 billion 2021 volume of concluded sales contracts versus our upward revised target of



EUR 1.0 billion. Management expects strong demand and favourable pricing trends to continue and help absorb expected construction cost inflation.

Separately, we have successfully expanded our project pipeline with approved 2021 acquisitions contributing to an expected future sales volume (GDV) of EUR 1.8 billion (including proportionate sales of EUR 200 million related to at-equity consolidated projects). As a result, the GDV of our project portfolio as of the reporting date amounts to EUR 7.5 billion.

Despite the uncertainties regarding in particular the economic implications of Russia's unprovoked attack on Ukraine, the Management Board confirms its previous full year 2022 guidance with adjusted revenues ranging from EUR 900 million to EUR 1,000 million and adjusted earnings after tax between EUR 90 and EUR 100 million. In addition, Management expects a 2022 adjusted gross margin of 25-26 percent and the 2022 volume of new customer sales contracts to exceed EUR 1.0 billion.

Instone shows dynamic growth despite challenges caused by the pandemic

2021 adjusted revenue totalled EUR 783.6 million, an increase of 63.2 percent on the previous year. External pandemic related factors such as supply bottlenecks and delays in building permits had an adverse impact on achieved adjusted revenues. At the same time, the German residential real estate market has sustained its stable upward trend with our product enjoying strong demand from institutional and private clients. The retail sales ratio remains above the long-term average. The positive momentum in institutional sales is also continuing. As expected, in a strong final quarter, a total of seven institutional sales contracts have been completed taking the 2021 concluded sales contracts to EUR 1.1 billion.

The industry-leading 2021 adjusted gross margin of 28.3 percent (previous year: 30.5 percent) exceeds both the original guidance for the year as well as our internal target adjusted gross margin of 25 percent. Instone continues to capitalise on a carefully selected project portfolio, positive price trends for German residential real estate across Instone's core markets as well as its operational strengths. This includes our strategy of pro-active early procurements, close relationships to our suppliers, unique cost conscious planning and not least superior construction management expertise, all of which has helped mitigate the impact of construction cost rises during 2021.



For 2022, Management anticipates continuing positive price trends, which should largely offset the effects of further increases in construction costs.

The 2021 adjusted earnings before interest and tax (adjusted EBIT) saw a significant increase to EUR 155.7 million (previous year: EUR 83.8 million). Our exceptional EBIT margin of 19.9 percent (previous year: 17.5 percent) has benefitted from both the strong gross margin as well as EUR 14.6 million income from associates.

All of these effects together with slightly lower interest expenses have contributed to the sharp increase in 2021 adjusted earnings after tax (adjusted EAT) to EUR 96.9 million (previous year: EUR 41.1 million).

"Despite the adverse effects on revenues due to supply bottlenecks and slower approval processes, we were able to deliver excellent results, exceeding both our original guidance as well as our previously increased 2021 earnings targets. This proves the continued strength of our business model as well as the exceptional operating skills of my team. With our strong project portfolio our new product in the affordable housing segment, our unique platform and superior execution capabilities we will continue to deliver excellent results in a market that remains structurally undersupplied," says Kruno Crepulja, CEO of Instone Real Estate Group SE.

Strong balance sheet provides sound basis for planned step change in growth

Instone maintains a sound balance sheet, which offers considerable financial headroom for future growth investments. Based on substantially improved operating performance, as well as our positive operating cash flow of EUR 43.9 million, the company has further improved its financial leverage ratios, while making significant investments in new land acquisitions to the tune of EUR 212.4 million. The loan-to-cost ratio, i.e. net financial debt relative to net contract assets plus inventories (recognised at historic cost) stands at 20.1 percent (previous year: 26.4 percent). The ratio of net financial debt to adjusted earnings before interest, taxes, depreciation, and amortization (adjusted EBITDA) is 1.5x, significantly below the previous year (previous year: 2.8x). Cash, including unused corporate credit lines, amounted to around EUR 270 million as of 31 December 2021. In addition, the company has unused project financing lines of around EUR 100 million.



Strong project pipeline enhances earnings visibility for the coming years

The expected sales volume of our project portfolio (GDV) has continued to increase significantly to around EUR 7.5 billion as of the reporting date (31 December 2020: EUR 6.1 billion). This constitutes a strong basis to deliver revenues and earnings growth in line with the envisaged 2026 targets.

“Instone has demonstrated its operational excellence against a challenging operating environment. We are highly satisfied with our 2021 results in particular our industry leading margins, our strong cash generation and our ability to expand our project pipeline. We remain fully confident in achieving our mid-term targets. In line with our previous announcements, our shareholders will participate in our success as we propose a fiscal year 2021 dividend per share of EUR 0.62,” says Foruhar Madjlessi, CFO of Instone Real Estate Group SE.

Instone continues to underpin its sustainability strategy by expanding ESG reporting

Instone supports the climate goals of the EU and the German Federal Government and strives for CO₂ neutrality by 2045. As part of its sustainability strategy, Instone achieved important milestones in 2021 that clearly demonstrate the company's commitment. In its first solicited sustainability rating Instone has been awarded a sustainability rating by Sustainalytics equivalent to a top 2% position of rated homebuilders globally. Also, sustainability related reporting in our annual report has been significantly expanded including, among other things, disclosure detailing our anticipated and SBTi approved net zero climate path to be achieved by 2045.

Confirmation of earnings guidance for 2022

Management confirms its previously communicated earnings guidance for 2022 and continues to expect adjusted earnings ranging from EUR 900 to 1,000 million as well as adjusted earnings after tax between EUR 90 and 100 million. In addition, Management expects a 2022 adjusted gross margin between 25 and 26 percent and a 2022 volume of concluded sales contracts amounting to at least EUR 1.0 billion. While economic implications of Russia's unprovoked attack on Ukraine cannot be entirely assessed at this point and will be closely



monitored by Management, the current strength of demand and pricing trends observed year to date confirm the confidence in our guidance.

The definitions of the key performance indicators mentioned in the statement can be found in the glossary on the company's homepage at:

<https://ir.en.instone.de/websites/instonereal/English/3600/glossary.html>

About Instone Real Estate (IRE)

Instone Real Estate is one of the leading residential developers in Germany and is listed on the SDAX. 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 years. The company employs 457 employees at nine locations across Germany. As of 31 December 2021, the project portfolio comprised 54 development projects with an anticipated overall sales volume of approximately EUR 7.5 billion and 16,418 units.

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