

Instone continues its very solid performance in a still challenging environment

- *Adjusted revenues in the first half of 2023 increased slightly to EUR 279.5 million (H1-2022: EUR 268.0 million), mainly based on construction of sold units progressing according to plan*
- *A continued high adjusted gross profit margin of 25.8 percent (H1-2022: 25.7 percent) underscores the quality of Instone projects*
- *Sales amounting to EUR 71.1 million (H1-2022: EUR 145.6 million) reflect continued reluctance to buy despite the recent moderate recovery in unit sales*
- *Adjusted earnings after tax up to EUR 23.9 million (H1-2022: EUR 19.6 million) due to higher adjusted revenues, a stable gross profit margin and higher at-equity result*
- *Positive operating cash flow in the second quarter contributes to further strengthening of the balance sheet (loan-to-cost: 24.2 percent)*
- *Earnings forecast 2023 confirmed: revenues (adjusted) of EUR 600 to 700 million, earnings after tax (adjusted) of EUR 40 to 50 million*

Essen, Germany, 10 August 2023: Instone Real Estate Group SE (“Instone”) continued its solid performance in the first half of 2023, in a still challenging environment for the sector and for the economy as a whole. Based on construction of sold units progressing according to plan, adjusted revenues increased slightly compared to the previous year. With a continuing high adjusted gross profit margin and the positive contribution to earnings from a successful joint venture project in Berlin, adjusted earnings after tax were therefore above the previous year’s level, as planned. As a result, Instone is well on track to achieve its financial forecast for the full year 2023 despite the ongoing difficult market environment.

Demand for new build properties remains significantly below previous years. The increased uncertainty of private and institutional investors remains clearly noticeable. Nevertheless, sales contracts amounting to EUR 71.1 million, including one institutional deal, were

concluded in the first half of the year (H1-2022: EUR 145.6 million). A moderate recovery in demand in unit sales to private investors from a low level can be observed in recent months.

Instone maintains leading profitability in a difficult market environment

Adjusted revenues in the first half of 2023 amounted to EUR 279.5 million, slightly above the previous year's level, as planned (H1-2022: EUR 268.0 million). Instone continues to benefit from the high proportion of projects that have already been pre-sold and have a total volume of around EUR 2.9 billion. Of the projects under construction or in the pre-construction phase, around 90 percent had been sold as at end of H1-2023, thus largely securing the expected cash flows from these projects.

The adjusted gross margin was 25.8 percent in the first half of 2023 (H1-2022: 25.7 percent), still an attractive and industry-leading level, with construction price inflation which is gradually receding. The company benefits from fixed-price contracts and economies of scale in procurement, the structural advantages of a high level of vertical integration and its many years of expertise.

In addition, the planned progress of the joint project Friedenauer Höhe, Berlin, has led to an increase in the at-equity result and also an increase in the operating result compared to the previous year. The adjusted operating profit (adjusted EBIT) increased to EUR 43.3 million (H1-2022: EUR 35.9 million). In spite of higher interest expenses and with a slightly lower tax rate, adjusted earnings after tax (EAT) also increased significantly to EUR 23.9 million (H1-2022: EUR 19.6 million).

Large number of pre-sold projects provides a strong basis for future cash flows

Instone has a strong balance sheet, which is a key competitive advantage in the current market environment. The ratio of net debt to contract assets plus balance sheet inventories valued at costs (loan-to-cost, LTC) at 30 June 2023 amounts to only 24.2 percent (31 December 2022: 20.8 percent). The ratio of net debt to adjusted EBITDA is 3.2x (31 December 2022: 2.8x).

In Q2 2023, a significantly positive operating cash flow was achieved again. This has supported a positive development of key balance sheet ratios. Instone still expects positive operating cash flow for the full year.



Cash, including unused credit lines, amounted to EUR 359 million as of 30 June 2023. In addition, the company has unused project financing lines of more than EUR 150 million.

“Our figures once again demonstrate that we maintain leading profitability and a strong balance sheet even in a difficult environment. The additional measures taken to reduce costs and strengthen the balance sheet are already visible. We therefore have reason to be confident that we will emerge stronger from the crisis and that we will also be able to seize opportunities for further growth once the market stabilises”, says Kruno Crepulja, CEO of Instone Real Estate Group SE.

Large project pipeline continues to allow opportunistic investment strategy

The expected gross development value (GDV) of the Instone project portfolio as at the reporting date was approximately EUR 7.2 billion (31 December 2022: EUR 7.7 billion). In addition to completions, the moderate decline in the current year is also due to the deconsolidation of a joint project and the adjustment of the project strategy for two projects. The current volume of the pipeline allows for the continuation of an opportunistic investment strategy, which is characterised by temporary restraint in land purchases. The part of the portfolio that is in the pre-construction or construction phase totals EUR 3.2 billion, of which EUR 2.9 billion, or around 90 percent, has already been sold. Overall, this provides 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 continue to be significantly reduced. Due to the currently low visibility of transaction market trends, 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.

The definitions of the key performance indicators mentioned in the statement 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 of living space over the last 30 plus years. The company employs 480 employees at nine locations across Germany. As at 30 June 2023, the project portfolio included 49 development projects with an anticipated overall sales volume of approximately EUR 7.2 billion and more than 15,000 residential units.

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