

Instone Group has a very solid start to the year; signs of a pickup in demand

- *Adjusted revenues were nearly stable at EUR 119.5 million in Q1-2024 (Q1-2023: EUR 123.5 million), mainly based on construction of sold units progressing according to plan*
- *A continued high adjusted gross profit margin of 27.4 percent (Q1-2023: 27.4 percent) underscores the quality of Instone Group projects and cost discipline*
- *Sales amounting to EUR 88.0 million (Q1-2023: EUR 52.7 million) confirm a continued moderate recovery in demand*
- *Very solid earnings after tax of EUR 9.6 million, slightly above the previous year also as a result of improvements in efficiency (Q1-2023: EUR 8.5 million)*
- *A strong balance sheet remains a key pillar of the business model (loan-to-cost: 17.3 percent)*
- *Resumption of acquisitions; initial transactions are in advanced negotiations*
- *Outlook for 2024 reiterated adjusted revenues of EUR 500 to 600 million, adjusted earnings after tax of EUR 30 to 40 million, sales of over EUR 300 million*

Essen, Germany, 8 May 2024: Instone Real Estate Group SE (“Instone Group”) had a very solid start to the year in an industry environment that remains challenging. Based on a high number of projects already sold, adjusted revenues on the basis of the planned construction progress was around the same level as in the previous year. Thanks to a continuing high adjusted gross profit margin, successful improvements in efficiency and a lower tax rate, earnings after tax increased slightly at the start of the year compared to the previous year’s level.

Following the sharp rise in construction costs and interest rates, demand still poses the biggest challenge. However, there was an upturn in retail sales during the second half of 2023 and particularly in the final quarter. Taking into account the seasonal factors, overall, this trend continued in the first quarter of 2024. The institutional transaction market is still characterised



by strong restraint. Nevertheless, increasing investor interest can also be observed here again and a first sale to an institutional investor was already concluded in the first quarter of 2024. Sales in the first quarter of 2024, at EUR 88.0 million, were significantly higher than the previous year's low level (Q1-2023: EUR 52.7 million).

Instone Group maintains leading profitability in a difficult market environment

Adjusted revenues in Q1-2024 amounted to EUR 119.5 million, almost at the previous year's level (Q1-2023: EUR 123.5 million). The Instone Group continues to benefit from the high share of projects that have already been sold. Of the projects under construction, with a volume of around EUR 2.9 billion, around 90 percent had already been sold by the end of the quarter, thus largely securing the expected cash flows from these projects.

The adjusted gross profit margin in the first quarter of 2024 was 27.4 percent (Q1-2023: 27.4 percent), still on a high and industry-leading level. The company benefits from fixed-price contracts and economies of scale in purchasing, the structural advantages of a high level of vertical integration and its many years of expertise in construction. Based on the expected mix of projects, a slightly lower gross margin is expected for the full year, as planned.

On the cost side, the measures implemented to increase efficiency have contributed to a noticeable reduction in platform costs.

The adjusted operating profit (adjusted EBIT) therefore remained stable at EUR 15.8 million (Q1-2023: EUR 15.8 million). At EUR 9.6 million, adjusted earnings after tax (EAT) in the first quarter of 2024 were slightly up on the previous year, partly due to a lower tax rate (Q1-2023: EUR 8.5 million).

Moderate pickup in demand continues

In the first quarter, the Instone Group sold properties worth EUR 88.0 million, which is significantly higher than the previous year's low level (Q1-2023: EUR 52.7 million). An institutional sale with a volume of around EUR 62 million contributed significantly to this. Overall, the institutional market is still characterised by a pronounced reluctance to buy, but investor interest is growing again. In retail sales, the trend of a moderate recovery in demand continued also at the start of the year, taking seasonal effects into account. The introduction



of increased tax depreciation for new buildings as part of the implementation of the new Growth Opportunities Act should generate additional positive boosts in demand.

Strong balance sheet combined with a large number of pre-sold projects provides the basis for future cash flows

The Instone Group 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 cost (loan-to-cost, LTC) at 31 March 2024 remains at a very low level of only 17.3 percent (31 December 2023: 15.1 percent). The ratio of net debt to adjusted EBITDA is just 2.4x (31 December 2023: 2.1x).

Freely available cash amounted to over EUR 240 million as of 31 March 2024. In addition, the company has substantial unused credit lines (RCFs) as well as unused project financing lines.

First acquisitions since 2022 in advanced stages; focus is shifting back to growth

The expected sales value of the Instone Group project portfolio (gross development value, GDV) as at the end of the quarter was approximately EUR 6.9 billion (31 December 2023: EUR 7.0 billion). The current size of the pipeline is already securing the business potential for the next few years. The part of the portfolio that is under construction totals around EUR 2.9 billion, of which EUR 2.6 billion, or around 90 percent, has already been sold. Once again, this provides high visibility with regard to the expected future revenues and cash flows. This significantly mitigates the risk profile of the Instone Group.

The company is now also back in advanced discussions for the first project acquisitions since 2022 to strengthen the basis for a future return to growth. Instone Group benefits from the current market environment, so these projects should also be associated with above-average margins and returns in the future.

“Our figures once again demonstrate that we are holding our position very well in the ongoing crisis. While securing our strong balance sheet, we are beginning to examine opportunities in the current environment and thus setting the course for future growth”, says Kruno Crepulja, CEO of Instone Real Estate Group SE.



Outlook for 2024 confirmed

Based on the results of the first quarter of 2024, the Management Board confirms the financial outlook for 2024 and continues to expect adjusted sales of EUR 500 to 600 million, an adjusted gross profit margin of around 22.0 per cent, adjusted earnings after taxes of EUR 30 to 40 million and sales of more than EUR 300 million.

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

About Instone Real Estate Group SE (Instone Group)

The Instone Group is one of the leading residential developers in Germany and is listed on the Prime Standard of the German stock market. Since 1991, we have been developing future-proof and sustainable urban residential quarters with apartments for sale or rent throughout Germany – to provide a long-lasting good life in the country's metropolitan areas. Our diverse expertise, combined with efficient processes and a solid financial basis, creates real added value for our stakeholders in environmental, social and economic terms. This means we are taking responsibility for one of the most pressing social issues of our time – creating needs-based and attractive living space. The company employs 421 employees at nine locations across Germany. As at 31 March 2024, the project portfolio included 45 development projects with an anticipated overall sales volume of approximately EUR 6.9 billion and over 14,000 residential units. www.instone-group.de/en

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