INSTONE REAL ESTATE

# 9M 2018 RESULTS PRESENTATION

## NOVEMBER 27, 2018

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# 9M 2018 wrap-up

✓ **Positive business development continues**

✓ Outlook for financial year 2018 confirmed

✓ Strong project portfolio and acquisition pipeline

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# Positive business development continues

| In € thousands | 9M 2017 (reported) | 9M 2018 (reported) | IFRS 15 effect | 9M 2018 (pre IFRS 15) | PPA effect | 9M 2018 (pre PPA) | 9M 2018 (pre IFRS 15 + PPA) |
|---|---|---|---|---|---|---|---|
| Revenues | 123,835 | 223,524 | -92,315 | 131,209 | | 223,524 | 131,209 |
| Operating performance | 154,243 | 236,428 | -11,109 | 225,319 | 13,910 | 250,338 | 239,229 |
| Cost of materials | -109,497 | -184,605 | 8,310 | -176,295 | | -184,605 | -176,295 |
| Cost of sales | -15,524 | -6,952 | | -6,952 | | -6,952 | -6,952 |
| Gross profit[1] | 29,221 | 44,871 | -2,799 | 42,072 | 13,910 | 58,781 | 55,982 |
| Gross margin | 23.6% | 20.1% | | 32.1% | | 26.3% | 42.7% |
| EBIT | 3,916 | 5,876 | -2,799 | 3,077 | 13,910 | 19,786 | 16,987 |
| EBIT margin | 3.2% | 2.6% | | 2.3% | | 8.9% | 12.9% |
| EBT | -11,024 | -1,591 | -2,799 | -4,390 | 13,910 | 12,319 | 9,520 |
| EAT | -13,043 | -10,482 | -1,937 | -12,419 | 9,472 | -1,010 | -2,947 |
| EAT attributable to shareholders | -13,188 | -10,487 | -1,937 | -12,424 | 8,265 | -2,223 | -4,160 |
| EPS (€)[2] | -0.36 | -0.28 | | -0.34 | | -0.06 | -0.11 |

[1] Gross profit = Operating performance – cost of materials – cost of sales; [2] Shares outstanding = 36,988,336

# Project portfolio key figures

| In € million | Q1 17 | Q2 17 | Q3 17 | Q4 17 | Q1 18 | Q2 18 | Q3 18 |
|---|---|---|---|---|---|---|---|
| Volume of sales contracts | 90.8 | 120.4 | 88.5 | 58.4 | 30.0 | 120.0 | 104.3 |
| Volume of new permits | 0.0 | 174.2 | 203.9 | 128.0 | 0.0 | 173.2 | 17.8 |
| Handovers | 17.9 | 25.8 | 82.5 | 75.6 | 30.3 | 36.5 | 70.8 |
| Project Portfolio (as of) | na | 3,039.8 | 3,374.8 | 3,410.0 | 3,408.5 | 3,589.1 | 3,620.3 |

| In units | Q1 17 | Q2 17 | Q3 17 | Q4 17 | Q1 18 | Q2 18 | Q3 18 |
|---|---|---|---|---|---|---|---|
| Volume of sales contracts | 193 | 527 | 189 | 110 | 56 | 273 | 245 |
| Volume of new permits | 0 | 555 | 458 | 358 | 0 | 575 | 55 |
| Handovers | 18 | 44 | 208 | 190 | 75 | 92 | 92 |
| Project Portfolio (as of) | na | 7,675 | 8,042 | 8,390 | 8,355 | 8,863 | 8,924 |

Unless otherwise stated, the figures are quarterly values

# 9M 2018 wrap-up

✓ Positive business development continues

✓ **Outlook for financial year 2018 confirmed**

✓ Strong project portfolio and acquisition pipeline

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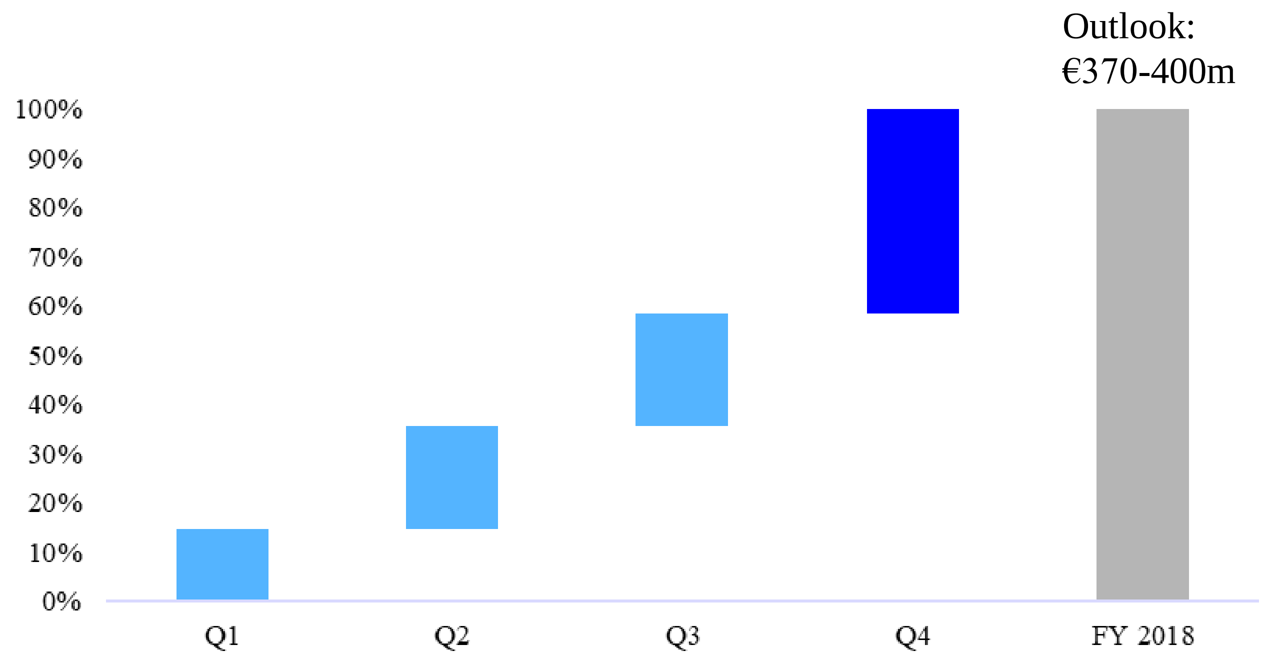
# Positive FY 2018 outlook confirmed

| | FY18 outlook (August 2018) | FY18 outlook (November 2018) | |
|---|---|---|---|
| Revenues | €370-400m | €370-400m | ✓ |
| Operating performance | >€500m | >€500m | ✓ |
| Volume of concluded sales contracts | >€500m | ~€500m | ➡ |
| Gross profit margin[1] | ~24% | ~24% | ✓ |
| Adj.[2] EBIT | €48-54m | €48-54m | ✓ |
| Adj[2]. EBT | €32-37m | €32-37m | ✓ |
| Tax rate | Stable at 30% | Stable at 30% | ✓ |

[1] Pre PPA (expected PPA in 2018: ~€18m) and including sales commissions; [2] Pre PPA

# Revenue ramp-up well on track




- Main contribution from following projects in Q4 2018:

| Project | Location | Revenue |
|---|---|---|
| Stallschreiber Strasse / Luisenpark | Berlin | ~€30m |
| Heeresbäckerei | Leipzig | ~€25m |
| Marienkrankenhaus | Frankfurt | ~€25m |
| Wilhelm IX | Wiesbaden | ~€10m |

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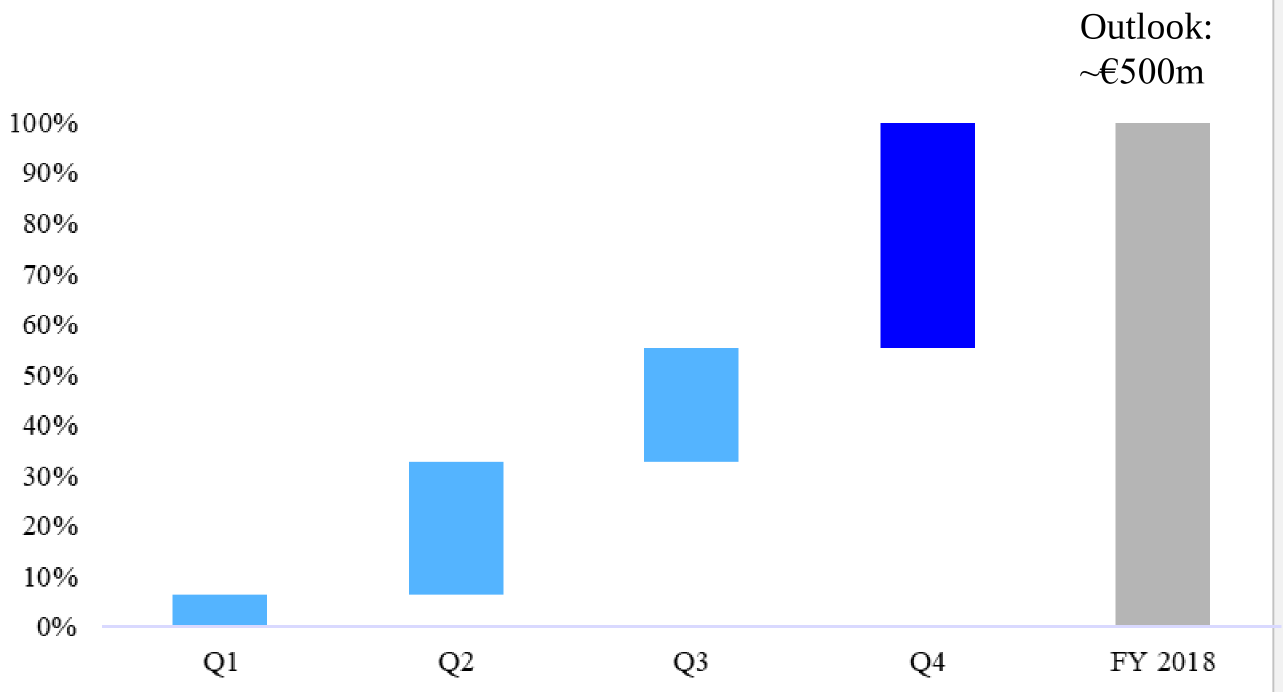
# Ramp-up of volume of concluded sales contracts towards Q4




- Main contribution from following projects in Q4 2018:

| Project | Location | Sales volume |
|---|---|---|
| City-Prag | Stuttgart | ~€110m |
| Marienkrankenhaus | Frankfurt | ~€25m |
| Stallschreiber Strasse/Luisenpark | Berlin | ~€25m |

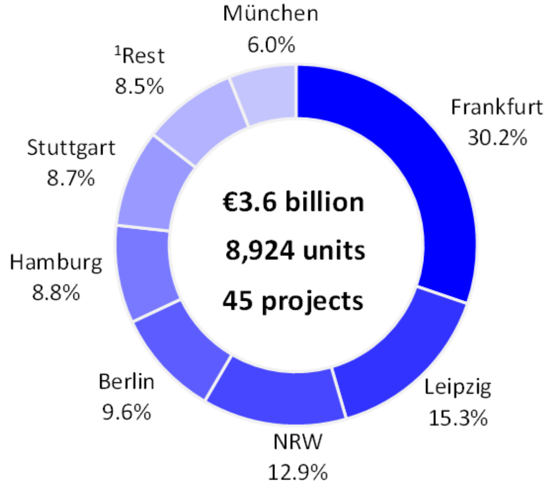
# 9M 2018 wrap-up

- ✓ Positive business development continues
- ✓ Outlook for financial year 2018 confirmed
- ✓ **Strong project portfolio and aquisition pipeline**

# Strong project portfolio being basis for sustainable profitable growth

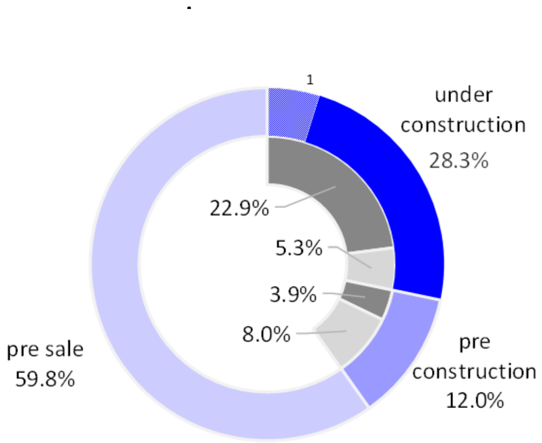
- 45 projects with 8,924 units pointing to an overall expected sales volume of €3.6bn
- 92% of sales volume located in key metropolitan regions
- 27% of sales volume already sold
- 28% of sales volume already under construction

**Project portfolio by region;**
based on sales volume




1) includes Wiesbaden, Ulm, Mannheim, Hannover

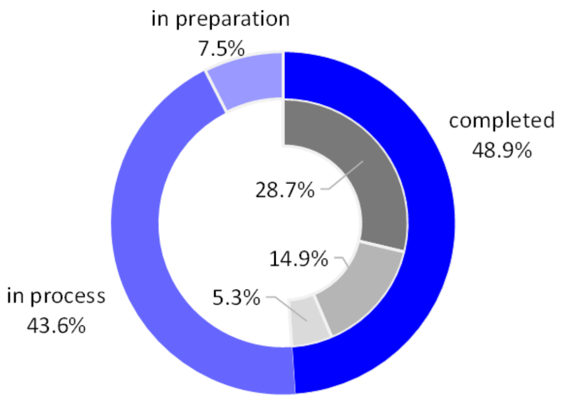
**Project portfolio by status;**
based on sales volume




Inner circle:
- Units sales agreement
- No unit sales agreement

1) thereof 4.8% of delivered volume of the project portfolio

**Project portf. by state of building right;**
based on sales volume

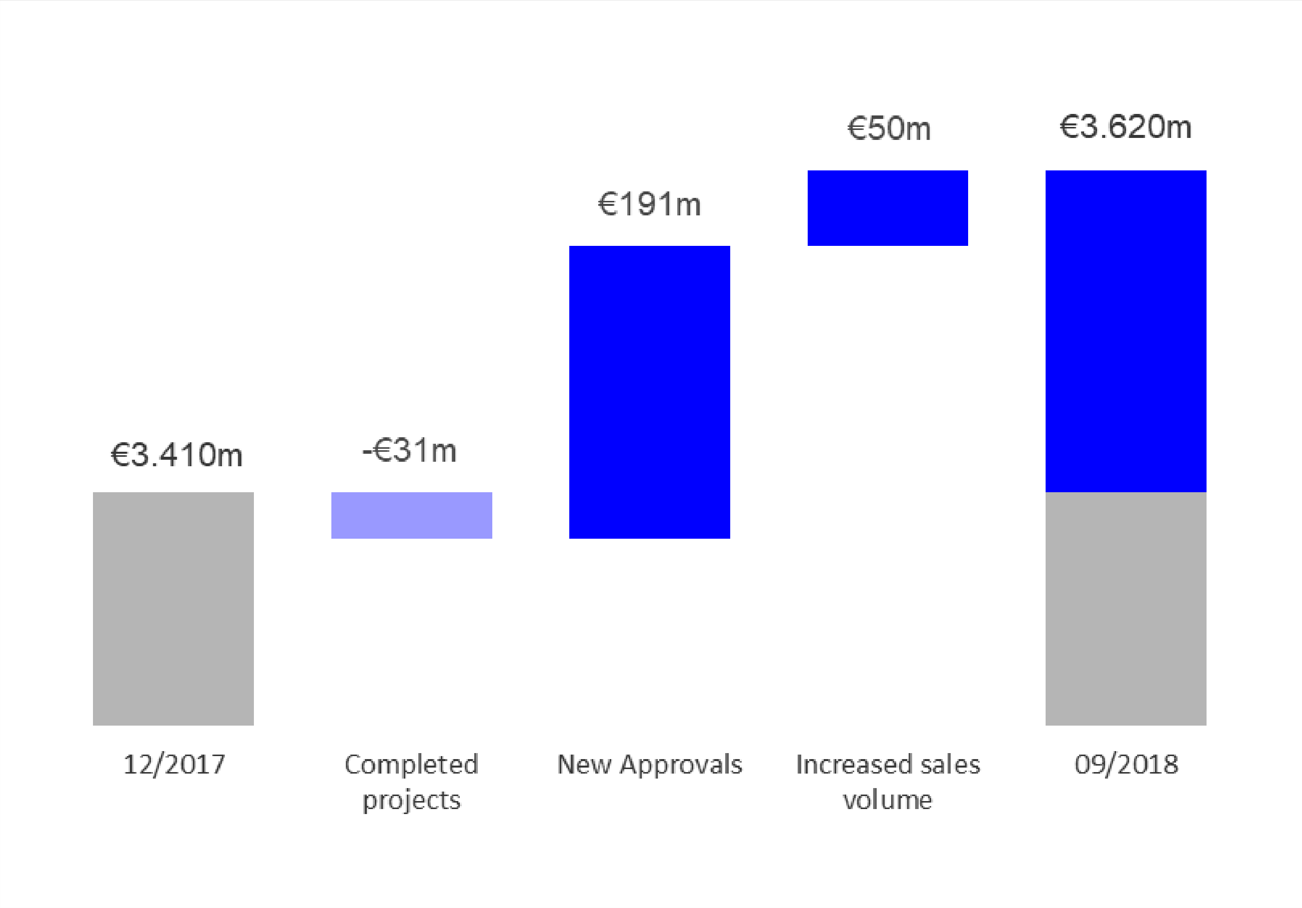



Inner circle:
- Building permit
- Building application submited
- Before building application



Project portfolio data per 30.09.2018

# Increased project portfolio driven by new approvals




- **New approvals include:**
  - Neckartalterassen, Rottenburg (expected sales volume: ~€105m)
  - Semmelweisstrasse, Leipzig (expected sales volume: ~€66m)
- **Completed projects:**
  - Freiburg and Leipzig
- **Increased expected sales volume:**
  - Marienkrankenhaus, Frankfurt (+€13m)
  - Adjustments in different projects (+€37m)

# More than € 1.3bn GDV in 2018 purchased or agreed exclusivity

Approved and secured (y-t-d):

| Project | Exp. sales volume (€) | Residential units |
|---|---|---|
| Beethovenpark, Augsburg | 135m | 396 |
| Sportplatz, Hannover | 116m | 281 |
| Neckartalterassen, Rottenburg | 105m | 364 |
| Semmelweissstrasse, Leipzig | 66m | 210 |
| Total | 422m | 1,251 |

Approved (y-t-d):

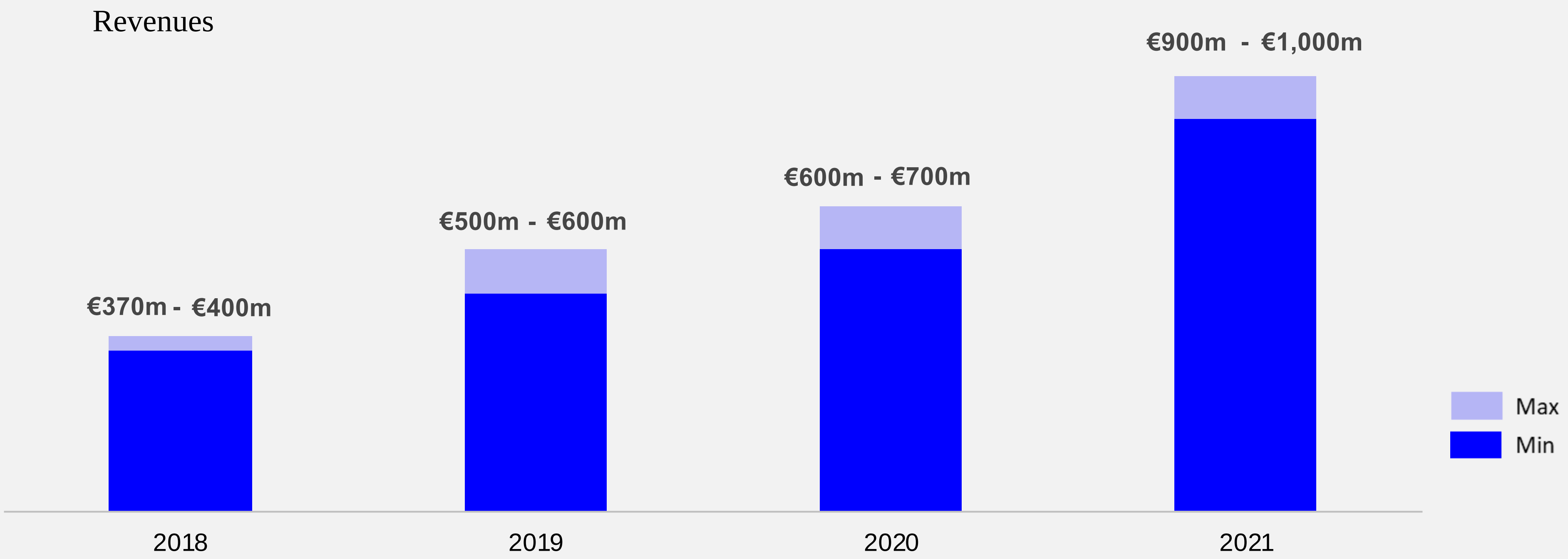
| Project | Exp. sales volume (€) | Residential units |
|---|---|---|
| Metropolitan region Hamburg | 102m | 286 |
| Metropolitan region Rhine Ruhr | 81m | 258 |
| Potsdam | 47m | 114 |
| Frankfurt | 39m | 69 |
| Leipzig | 18m | 55 |
| Total | 287m | 782 |

In the approval process:

| Project | Exp. sales volume (€) | Residential units |
|---|---|---|
| Augsburg | ~220m | ~600 |
| Metropolitan region Hamburg | ~195m | ~470 |
| Metropolitan region Rhine Ruhr | ~75m | ~430 |
| Metropolitan region Frankfurt | ~80m | ~230 |
| Berlin | ~80m | ~260 |
| Metropolitan region Stuttgart | ~50m | ~130 |
| Total | ~700m | ~2,040 |

- ✓ Well on track to exceed our annual acquisition target of €900 – 1,000m sales volume
- ✓ Average gross margin above medium-term target of 25%
- ✓ Projects regionally well balanced

# Medium-term revenue guidance confirmed



# APPENDIX

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# Project portfolio (projects >€30m sales volume, representing total: >€3.5bn)

| Project | Location | Sales volume (expected) | Land plot acquired | Building right obtained | Sales started | Construction started |
|---|---|---|---|---|---|---|
| **Hamburg** | | | | | | |
| NMA | Hamburg | 145 Mio. € | ● | ● | ● | ● |
| Essener Straße | Hamburg | 89 Mio. € | ● | | | |
| Schulterblatt | Hamburg | 83 Mio. € | ● | ◑ | | |
| **Berlin** | | | | | | |
| Quartier Stallschreiber Straße / Luisenpark | Berlin | 233 Mio. € | ● | ● | ● | ● |
| Wendenschloss | Berlin | 119 Mio. € | ● | ◑ | | |
| **NRW** | | | | | | |
| Sebastianstraße / Schumanns Höhe | Bonn | 67 Mio. € | ● | ● | | |
| Halle 17 - Clouth Areal | Cologne | 31 Mio. € | ● | ● | ● | ● |
| Niederkasseler Lohweg | Dusseldorf | 72 Mio. € | ● | ◑ | | |
| Dusseldorf Unterbach / Wohnen im Hochfeld | Dusseldorf | 149 Mio. € | ● | ◑ | | |
| west.side | Bonn | 179 Mio. € | ● | ● | ◑ | |

Increased from €232m

Construction launched for section 3 / whole project now under construction

Increased from €64m

Increased from €178m



a) Status as per 30.09.2018

Indicating changes vs previous quarter

b) Semi-filled circle means that the milestone has yet been achieved for sections of the project (land plot acquisition, start of sales or construction). Concerning the building right the semi-filled circle means that the zoning process has been initiated. No circle for „land plot acquired“ means that the land has not yet been purchased but secured by contract.

# Project portfolio (projects >€30m sales volume, representing total: >€3.5bn)

| Project | Location | Sales volume (expected) | Land plot acquired | Building right obtained | Sales started | Construction started |
|---|---|---|---|---|---|---|
| **Rhine Main** | | | | | | |
| Wiesbaden-Delkenheim, Lange Seegewann | Wiesbaden | 89 Mio. € | | ◑ | | |
| Schönfeld Areal | Frankfurt am Main | 422 Mio. € | ● | ◑ | | |
| Marienkrankenhaus | Frankfurt am Main | 210 Mio. € | ● | ● | ● | |
| Wohnen an der Lange Straße | Frankfurt am Main | 43 Mio. € | | ● | | |
| Rebstock | Frankfurt am Main | 49 Mio. € | ● | ● | ● | ● |
| Friedberger Landstraße | Frankfurt am Main | 305 Mio. € | | ◑ | | |
| Elisabethenareal | Frankfurt am Main | 60 Mio. € | ● | | | |
| Wohnen am Kurpark / Wilhelms IX | Wiesbaden | 97 Mio. € Increased from €95m | ● | ● | ● | ● |
| Steinbacher Hohl | Frankfurt am Main | 41 Mio. € | ● | | | |



a) Status as per 30.09.2018

Indicating changes vs previous quarter

b) Semi-filled circle means that the milestone has yet been achieved for sections of the project (land plot acquisition, start of sales or construction). Concerning the building right the semi-filled circle means that the zoning process has been initiated. No circle for „land plot acquired“ means that the land has not yet been purchased but secured by contract.

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# Project portfolio (projects >€30m sales volume, representing total: >€3.5bn)

| Project | Location | Sales volume (expected) | Land plot acquired | Building right obtained | Sales started | Construction started |
|---|---|---|---|---|---|---|
| **Baden-Wurttemberg** | | | | | | |
| City-Prag - Wohnen im Theaterviertel | Stuttgart | 115 Mio. € | ● | ● | ● | |
| Wohnen am Safranberg | Ulm | 49 Mio. € | ● | ● | ● | ● |
| Franklin | Mannheim | 69 Mio. € | ● | ● | ● | ● |
| Schwarzwaldstraße | Herrenberg | 34 Mio. € | ● | ◑ | | |
| S`Lederer | Schorndorf | 70 Mio. € | ◑ | ◑ | | |
| Neckartalterrassen | Rottenburg | 105 Mio. € | ● | ◑ | | |
| **Bavaria** | | | | | | |
| Therese | Munich | 136 Mio. € | ● | ● | ● | ● |
| Ottobrunner Strasse | Munich | 83 Mio. € | ● | | | |
| **Leipzig** | | | | | | |
| Heeresbäckerei | Leipzig | 122 Mio. € | ● | ● | ● | ● |
| Semmelweisstrasse | Leipzig | 68 Mio. € | ● | ● | | |
| Parkresidenz | Leipzig | 196 Mio. € | ● | ◑ | | |

Increased from €68m

Increased from €66m



a) Status as per 30.09.2018

Indicating changes vs previous quarter

b) Semi-filled circle means that the milestone has yet been achieved for sections of the project (land plot acquisition, start of sales or construction). Concerning the building right the semi-filled circle means that the zoning process has been initiated. No circle for „land plot acquired“ means that the land has not yet been purchased but secured by contract.

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## Income statement

In €m

| | | Q3 2017 | Q3 2018 |
|---|---|---|---|
| | **Total revenue** | **123.8** | **223.5** |
| | Changes in inventories | 30.4 | 12.9 |
| 1 | **Operating performance** | **154.2** | **236.4** |
| | Other operating income | 4.2 | 1.3 |
| 2 | Cost of materials | -109.5 | -184.6 |
| 3 | Staff costs | -19.2 | -22.6 |
| | Other operating expenses | -26.5 | -24.2 |
| | Income from associated affiliates | 0.5 | -2.2 |
| | Other net income from investments | 0.6 | 2.1 |
| | **EBITDA (reported)** | **4.2** | **6.3** |
| | Depreciation and amortization | -0.3 | -0.4 |
| | **EBIT (reported)** | **3.9** | **5.9** |
| | Finance income | 0.8 | 1.0 |
| | Finance costs | -15.7 | -8.4 |
| | Write-down of long-term securities | 0.0 | -0.1 |
| 4 | **Finance result** | **-14.9** | **-7.5** |
| | **EBT (reported)** | **-11.0** | **-1.6** |
| | Income taxes | -2.0 | -8.9 |
| | **Net income (reported)** | **-13.0** | **-10.5** |

## Commentary

1. Operating performance consists of booked revenues from realized projects as well as change in inventories due to projects currently ramping up. Due to the first-time adoption of IFRS 15 in 2018 the operating performance includes also revenues from recognitions over time. The increase of operating performance in Q2 2018 compared to the same period of the previous year is mainly the effect of the first-time adoption of IFRS 15.

2. The cost of materials in Q2 2018 were significant higher compared to Q2 2017 by aprox. €75 million resulting from the higher work in progress for the projects under construction. In addition, the loss relief of three projects is included in the cost of materials in the amount of approx. €8 million in the second quarter of 2018.

3. Personnel expenses increased by €3.3 million to €22.6 million in the period under review com-pared to the same period of the previous year. This increase was mainly due to the increased headcount in the second half of 2017 and in the current period under review.

4. The net financial income in the period under review improved to €-7.5 million (same period last year: €-14.9 million). A crucial factor for this was the conversion of €48.0 million shareholder loans into equity on 28 December 2017 and the repayment of the €57.8 million residual amount of shareholder loans in the period under review.

 Source: Audited historical financials, Company information.

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## Balance sheet (1/2)

In €m

| | FY 2017 | Q3 2018 |
|---|---|---|
| Intangible assets | 0.0 | 0.1 |
| Tangible assets | 1.6 | 1.8 |
| Investments accounted for using the equity method | 0.4 | 0.4 |
| Other financial assets | 0.3 | 0.3 |
| Financial receivables | 0.7 | 0.7 |
| Other receivables | 1.0 | 0.0 |
| **Non-current assets** | **4.0** | **3.4** |
| 5 Inventories | 659.4 | 385.5 |
| Financial receivables | 32.4 | 0.0 |
| 6 Trade receivables | 4.2 | 102.8 |
| Other receivables and other assets | 15.5 | 16.0 |
| Income tax assets | 0.0 | 3.8 |
| Cash and cash equivalents | 73.6 | 153.2 |
| **Current assets** | **785.1** | **661.4** |
| **Total assets** | **789.1** | **664.7** |

Source: Audited historical financials, Company information.

## Commentary

5 The decrease in inventories is essentially the result of the first-time adoption of IFRS 15 for the reporting period from 1 January 2018 to 30 September 2018. Taking this new standard into account, the previously as inventories reported projects with already concluded purchase agreements with customers are now reported as receivables.

6 The first-time adoption of IFRS 15 leads to an increase in trade receivables due to the project previously reported as inventories with already concluded customer contracts. However, the increase in receivables is lower than the reduction in inventories, as prepayments received are netted off against trade receivables.

## Balance sheet (2/2)

In €m

| | | FY 2017 | Q3 2018 |
|---|---|---|---|
| | Share capital | 0.0 | 37.0 |
| | Capital reserve | 85.4 | 198.9 |
| | Retained earnings / loss carryforwards | -34.3 | -2.9 |
| | Other equity components | -0.3 | -0.3 |
| | **Equity attributable to shareholders** | **50.7** | **232.7** |
| | Non-controlling interests | 1.5 | 1.5 |
| | **Total equity** | **52.2** | **234.2** |
| | Provisions for pensions and similar obligations | 4.2 | 4.7 |
| | Other provisions | 1.3 | 1.2 |
| 7 | Financial liabilities | 241.0 | 198.3 |
| | Other liabilities | 0.0 | 0.0 |
| | Deferred tax liabilities | 7.7 | 31.6 |
| | **Non-current liabilities** | **254.2** | **235.9** |
| 8 | Other provisions | 49.2 | 19.6 |
| | Financial liabilities | 134.7 | 86.1 |
| 9 | Trade payables | 275.7 | 70.6 |
| | Other liabilities | 9.4 | 7.7 |
| | Income tax liabilities | 13.8 | 10.5 |
| | **Current liabilities** | **482.7** | **194.6** |
| | **Total equity and liabilities** | **789.1** | **664.7** |

## Commentary

7 Non-current and current financial liabilities increased to €284.4 million in the period under review (31 December 2017: €375.7 million). As planned, we paid €57.8 million in liabilities owed to the former majority shareholder of Instone Real Estate Group AG. This was done in connection with the change of legal form to a company limited by shares under Dutch law and the subsequent listing on the Frankfurt Stock Exchange..

8 Other current provisions decreased as planned by €29.5 million in the period under review, from €49.1 million (as at 31 December 2017) to €19.6 million. The reason for this was essentially their use for special payments in connection with a long-term incentive plan. These payments were both neutral in terms of profit and liquidity for the Group, as the former sole shareholder exempted the Group from these costs.

9 Trade payables fell during the period under review to €70.4 million (31 December 2017: €275.7 million). The first-time adoption of IFRS 15 as at 1 January 2018 offset the upfront payments received for signed sales contracts with clients against the recognised assets for these sales contracts. As of 31 December 2017, we had shown advances received totalling €230.4 million. .

 Source: Audited historical financials, Company information.

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## Cash flow

| In €m | FY 2017 | Q3 2018 |
|---|---|---|
| **Consolidated earnings** | **-31.0** | **-10.4** |
| Depreciation and amortization | 0.4 | 0.4 |
| Increase / decrease of provisions | 12.5 | -29.1 |
| Increase / decrease of deferred taxes | -15.7 | 24.0 |
| Decrease / increase of equity carrying amounts | 1.0 | 0.0 |
| Decrease/increase other financial assets | 0.3 | 0.0 |
| Other non-cash income and expenses | 31.2 | 65.2 |
| Profit / loss on disposals of property, plant and equipment | 0.0 | 0.0 |
| Decrease / increase of inventories, trade receivables and other assets | -112.3 | 206.5 |
| Increase / decrease of trade payables and other liabilities | 83.4 | -208.4 |
| **Cash flow from operating activities** | **-30.2** | **48.1** |
| Income taxes paid | -4.2 | -10.9 |
| 10 **Net cash flow from operating activities** | **-34.5** | **37.2** |
| Proceeds from disposals of property, plant and equipment | 0.0 | 0.0 |
| Purchase of property, plant and equipment | -0.5 | -0.6 |
| Proceeds from disposals of non-current financial assets | 0.0 | 0.2 |
| Payments for acquisitions of shares in consolidated companies | -22.8 | -0.1 |
| Receipts from the disposal of subsidiaries | 0.1 | 0.0 |
| Interest paid | 0.0 | -4.3 |
| Interest received | 0.6 | 2.7 |
| 11 **Cash flow from investing activities** | **-22.7** | **-2.1** |
| Increase of issued capital incl contributions to capital reserves | 0.0 | 141.6 |
| Increase from other neutral changes in equity | 0.0 | -1.9 |
| Payout to non-controlling interests | -0.7 | 0.0 |
| Cash proceeds from borrowings | 121.9 | 49.4 |
| Cash repayments of borrowings | -88.3 | -144.6 |
| Interest paid | -14.8 | 0.0 |
| 12 **Cash flow from financing activities** | **18.2** | **44.5** |

## Commentary

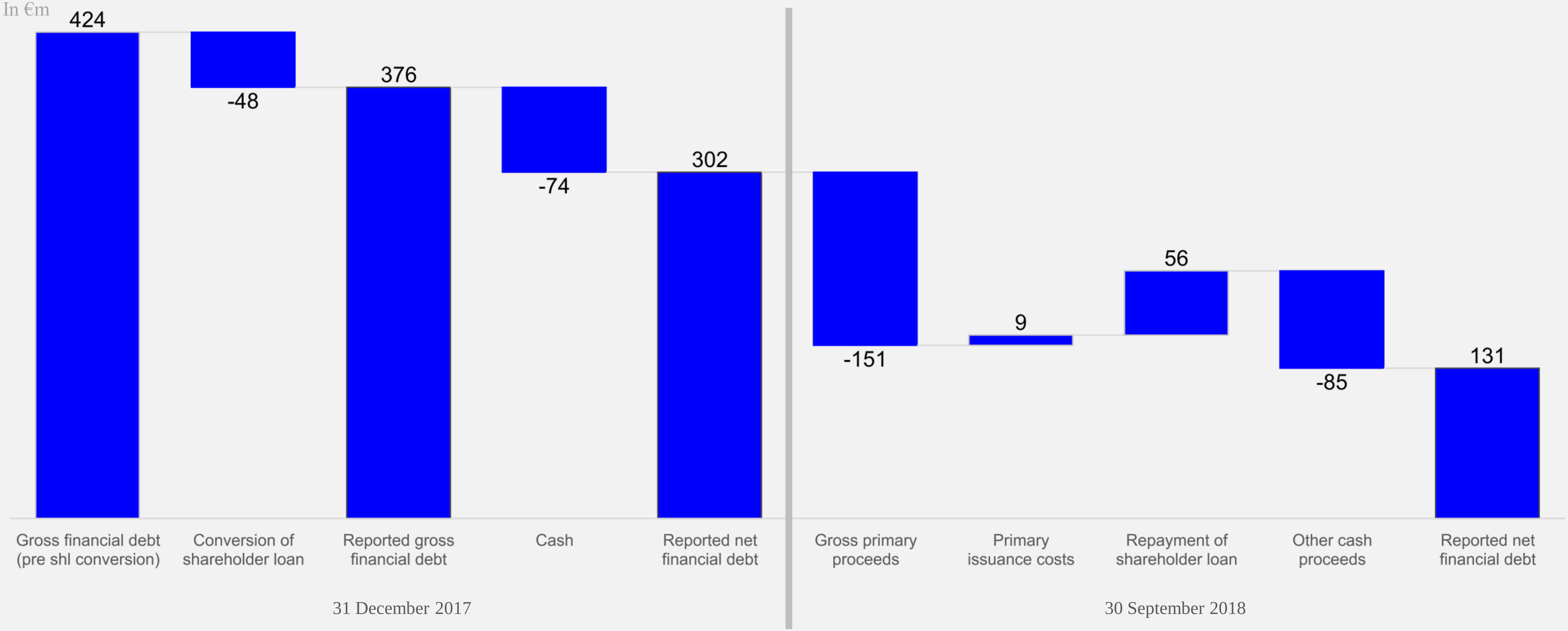
10 The net cash flow from operating activities of Instone Real Estate of €37 million in the period under review (2017: €-34.5 million) has a positive impact on the financial position of Instone Group. The high decrease in inventories and trade receivables as well as the decrease in trade payables is mainly a cash-neutral process due to the first-time application of IFRS 15 as of 01.01.2018.

11 In the period under review, the Instone Group made no significant investments or deinvestments. The investing cash flow is therefore almost zero.

12 In the cash flow from financing activities in the first half of 2018, three transactions are essential:
- the issue of the new shares resulted in a net cash inflow of around €141 million
- the repayment of the shareholder loan in the amount of approx. €-56 million
- repayments and new loans for project financing with a balance of approx. €-39 million
In total, a positive cash flow of €44.5 million remains.

 Source: Audited historical financials, Company information.

## Net financial debt




Source: Company information based on balance sheet as of 31 March 2018.

INSTONE REAL ESTATE

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## Financial calendar / Events:

| | |
|---|---|
| 28 Nov 18 | Exane BNP Paribas MidCap CEO Conference, Paris |
| 21 Jan 19 | UniCredit Kepler Cheuvreux German Corporate Conference, Frankfurt |
| 28 Mar 19 | Publication of Annual Financial Report 2018 |
| 28 May 19 | Publication of Quarterly Statement as of 31/03/2019 |
| 13 June 19 | Annual General Meeting |
| 27 Aug 19 | Publication of Quarterly Report as of 30/06/2019 |
| 26 Nov 19 | Publication of Quarterly Statement as of 30/09/19 |