

INSTONE REAL ESTATE GROUP SE

QUARTERLY REPORT

Q1 2022

31/03/2022



► Key indicators overview

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Key figures at a glance TABLE 001

In millions of euros

		3M 2022	3M 2021
Key performance indicators			
Volume of sales contracts		87.6	118.6
Volume of new approvals ¹		99.8	69.8
Revenue adjusted		118.5	128.1
Key earnings figures			
Gross profit adjusted		35.2	40.5
Gross profit margin adjusted	In %	29.7	31.6
EBIT adjusted		17.0	26.7
EBIT margin adjusted	In %	14.3	20.8
EBT adjusted		13.4	22.6
EBT margin adjusted	In %	11.3	17.6
EAT adjusted		9.3	15.8
EAT margin adjusted	In %	7.8	12.3
Key liquidity figures			
Cash flow from operations		-12.7	151.3
Cash flow from operations without new investments		25.4	160.0
Free cash flow		-81.6	167.2

¹Excluding volume of approvals from joint ventures consolidated at equity.

Key figures at a glance TABLE 001

In millions of euros

		31/03/2022	31/12/2021
Key performance indicators			
Project portfolio		7,567.7	7,500.0
Key balance sheet figures			
Total assets		1,608.8	1,520.8
Equity		596.5	590.9
Cash and cash equivalents and term deposits ¹		160.3	151.0
Net financial debt ²		267.4	239.5
Leverage ³		1.8	1.5
Loan-to-cost ⁴	In %	21.8	20.1
ROCE ⁵ adjusted	In %	19.1	22.0
Employees			
Number		483	457
FTE ⁶		403.8	387.6

¹Term deposits are comprised of cash investments of more than three months.

²Net financial debt = financial liabilities less cash and cash equivalents and term deposits.

³Leverage = net financial debt/12-month adjusted EBITDA.

⁴Loan-to-cost = net financial debt/(inventories + contract assets).

⁵Return on capital employed = LTM EBIT adjusted/(four-quarter average equity + net financial debt).

⁶Full-time employees.



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Results of operations, net assets and financial position

Results of operations

The following presentation of the adjusted results of operations reflects the business of the Instone Group, which was largely influenced by project developments. The adjustments to the income statement are described on [page 122](#) of the annual report.

Adjusted results of operations TABLE 002

In millions of euros

	3M 2022	3M 2021	Change
Revenue adjusted	118.5	128.1	-7.5%
Project costs adjusted	-83.3	-87.6	-4.9%
Gross profit adjusted	35.2	40.5	-13.1%
Gross profit margin adjusted	29.7%	31.6%	
Platform costs adjusted	-18.7	-16.3	14.7%
Share of results of joint ventures adjusted	0.6	2.5	-76.0%
Earnings before interest and tax (EBIT) adjusted	17.0	26.7	-36.3%
EBIT margin adjusted	14.3%	20.8%	
Income from investments adjusted	0.0	0.0	0.0%
Financial result adjusted	-3.7	-4.1	-9.8%
Earnings before tax (EBT) adjusted	13.4	22.6	-40.7%
EBT margin adjusted	11.3%	17.6%	
Income taxes adjusted	-4.1	-6.8	-39.7%
Earnings after tax (EAT) adjusted	9.3	15.8	-41.1%
EAT margin adjusted	7.8%	12.3%	

Revenue

Adjusted revenues fell by 7.5% to €118.5 million in the first three months of the 2022 financial year (previous-year period: €128.1 million). The slight decline in revenues was due to the lower sales volume compared with the comparison period. In the same period of the previous year, two significant institutional sales had already been achieved which were expected comparatively later in the current financial year. Institutional sales traditionally have a pronounced seasonality and are concentrated in the second half of the year.

The adjustment of effects from purchase price allocations weighed on the adjusted revenue in the amount of €-2.6 million (previous-year period: €-0.3 million). The separate measurement of share deals ("Westville" project) increased the adjusted revenue by €7.0 million (previous-year period: €8.6 million).

Revenue TABLE 003

In millions of euros

	3M 2022	3M 2021	Change
Revenue	114.1	119.9	-4.8%
+ effects from purchase price allocations	-2.6	-0.3	766.7%
+ effects from share deal agreements	7.0	8.6	-18.6%
Revenue adjusted	118.5	128.1	-7.5%



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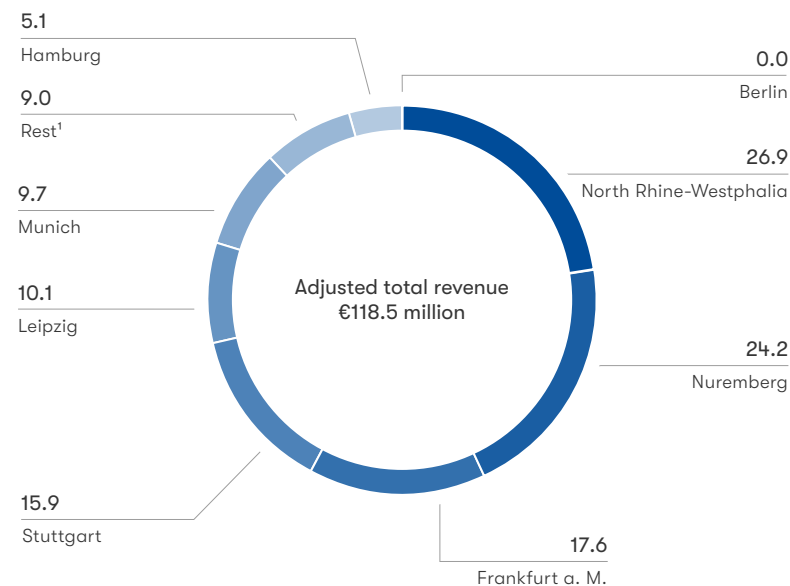
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The adjusted revenue of the Instone Group was almost exclusively generated in Germany and spread across the following regions:

Sales (adjusted) by region

In millions of euros



¹ Includes, among others, Potsdam (€5.8 million), Bamberg (€1.4 million) and Wiesbaden (€1.8 million)

Project costs

The adjusted project costs, mainly consisting of the cost of materials and changes in inventories, also fell to €83.3 million in the first quarter of 2022 (previous-year period: €87.6 million). The increased purchases of land and the continuation of construction activities led to a significant increase in the cost of materials to €115.6 million (previous-year period: €74.2 million). The decreases in inventories of €-33.7 million (previous-year period: €7.3 million) reflected the increasing level of sales of the projects being realised.

Indirect sales expenses in the amount of €0.2 million (previous-year period: €0.2 million) and material cost-related other operating income of €-0.9 million (previous-year period: €0.0 million) were allocated to adjusted project costs in the first quarter of 2022. The adjustment of the capitalised interest in the changes in inventories of €0.3 million (previous-year period: €0.2 million) added to the adjusted project costs. Effects from the amortisation of purchase price allocations reduced adjusted project costs by €-4.3 million (previous-year period: €-2.0 million). Due to the separate valuation of share deals, adjusted project costs again increased by €6.1 million (previous-year period: €7.6 million)

Project costs

TABLE 004

In millions of euros

	3M 2022	3M 2021	Change
Project costs	81.9	81.5	0.5%
+ effects from purchase price allocations	-4.3	-2.0	115.0%
+ effects from reclassifications	-0.4	0.4	n/a
+ effects from share deal agreements	6.1	7.6	-19.7%
Project costs adjusted	83.3	87.6	-4.9%

Gross profit

Due to the decline in revenues in the first quarter of 2022, the adjusted gross profit fell to €35.2 million (previous-year period: €40.5 million) compared with the previous year.

Gross profit

TABLE 005

In millions of euros

	3M 2022	3M 2021	Change
Gross profit	32.2	38.3	-15.9%
+ effects from purchase price allocations	1.7	1.7	0.0%
+ effects from reclassifications	0.4	-0.4	n/a
+ effects from share deal agreements	0.9	1.0	-10.0%
Gross profit adjusted	35.2	40.5	-13.1%
Gross profit margin adjusted	29.7%	31.6%	



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The adjusted gross profit margin – calculated from the adjusted gross profit relating to the adjusted revenue – amounted to 29.7% (previous-year period: 31.6%) and therefore remains at a high level even in comparison with the industry.

Platform costs

The adjusted platform costs, consisting of staff costs, other operating income and expenses and depreciation and amortisation, increased to €18.7 million (previous-year period: €16.3 million). In the period under review, indirect distribution costs of €-0.2 million and material cost-related other operating income in the amount of €0.9 million were reclassified as project costs.

Platform costs		TABLE 006		
In millions of euros				
	3M 2022	3M 2021	Change	
Platform costs	18.0	16.5	9.1%	
+ effects from reclassifications	0.7	-0.2	n/a	
Platform costs adjusted	18.7	16.3	14.7%	

At €14.2 million, personnel expenses rose by around 19% at the end of the first quarter of 2022 compared with the previous year's level (previous-year period: €11.9 million). This was mainly due to the larger number of employees at 472 (previous-year period: 416) to implement the medium-term growth targets as well as the corresponding increase in the FTE figure of 397.2 (previous year: 347). Other operating income increased to €2.3 million, mainly due to increased income from the reversal of provisions (previous-year period: €0.6 million). Other operating expenses increased to 5.0 million in the period under review (previous-year period: €4.1 million), mainly due to increased warranty expenses. Depreciation and amortisation was €1.2 million (previous-year period: €1.1 million), a slight increase compared with the previous year.

Share of results of joint ventures

The adjusted share of results from joint ventures amounting to €0.6 million (previous-year period: €2.5 million) was almost entirely attributable to the construction activities of the sales from the Berlin Friedenauer Höhe joint ventures in the previous year.

Earnings before interest and tax (EBIT)

Adjusted earnings before interest and tax amounted to €17.0 million, mainly due to the lower revenues and lower results from joint ventures (previous-year period: €26.7 million).

EBIT		TABLE 007		
In millions of euros				
	3M 2022	3M 2021	Change	
EBIT	14.7	24.4	-39.8%	
+ effects from purchase price allocations	1.7	1.7	0.0%	
+ effects from reclassifications	-0.3	-0.3	0.0%	
+ effects from share deal agreements	0.9	1.0	-10.0%	
EBIT adjusted	17.0	26.7	-36.3%	
EBIT margin adjusted	14.3%	20.8%		

Investment and financial result

There was no adjusted income from investments in the period under review (previous-year period: €0.0 million).

The reported financial result improved in the financial year to €-4.0 million (previous-year period: €-4.4 million). The reduction in interest expenses was mainly attributable to the decrease in gross debt in the previous year.



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The adjusted financial result also increased to €-3.7 million (previous-year period: €-4.1 million). The adjusted financial result of €-0.3 million (previous-year period: €0.3 million) included reclassifications of capitalised interest from project financing before the start of sales, which reduced the adjusted project costs by the same amount.

Earnings before tax (EBT)

Due to the decline in revenues and the lower results from joint ventures, adjusted earnings before tax fell to €13.4 million (previous-year period: €22.6 million).

EBT			
In millions of euros			
	3M 2022	3M 2021	Change
EBT	10.8	20.0	-46.0%
+ effects from purchase price allocations	1.7	1.7	0.0%
+ effects from share deal agreements	0.9	1.0	-10.0%
EBT adjusted	13.4	22.6	-40.7%
EBT margin adjusted	11.3%	17.6%	

Income taxes

The tax rate in the adjusted results of operations in the first quarter of 2022 was 30.6% (previous-year period: 30.2%). Non-recurring tax effects from subsidiaries resulted in a temporary reduction in the reporting period.

Earnings after tax (EAT)

As a result of the effects mentioned above, the adjusted earnings after tax of the Instone Group totalled €9.3 million (previous-year period: €15.8 million).

EAT			
In millions of euros			
	3M 2022	3M 2021	Change
EAT	7.4	13.6	-45.6%
+ effects from purchase price allocations	1.2	1.2	0.0%
+ effects from share deal agreements	0.7	1.0	-30.0%
EAT adjusted	9.3	15.8	-41.1%
EAT margin adjusted	7.8%	12.3%	

Earnings after tax and after minority interests

The non-controlling interests in adjusted earnings after tax amounted to €-0.1 million (previous-year period: €0.0 million).

Earnings after tax and after minority interests			
In millions of euros			
	3M 2022	3M 2021	Change
EAT after minority interests	7.5	13.9	-46.0%
+ effects from purchase price allocations	1.2	1.2	0.0%
+ effects from share deal agreements	0.7	1.0	-30.0%
EAT adjusted after minority interests	9.4	16.1	-41.6%



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Earnings per share

Adjusted earnings per share in the first quarter were €0.20 (previous-year period: €0.34) below the value in the same period of the previous year.

Earnings per share

TABLE 011

In millions of euros

	3M 2022	3M 2021	Change
Shares (in thousands of units) ¹	46,983.8	46,988.3	- 0.0%
Owners of the Company	7.5	13.9	- 46.0%
Earnings per share (in euros)	0.16	0.30	- 46.7%
Owners of the Company adjusted	9.4	16.1	- 41.6%
Earnings per share adjusted (in euros)	0.20	0.34	- 41.2%

¹ Average weighted number of shares as at 31/03/2022.

Net assets

Condensed statement of financial position¹

TABLE 012

In millions of euros

	31/03/2022	31/12/2021	Change
Non-current assets	79.0	70.2	12.5%
Inventories	877.4	843.7	4.0%
Contract assets	375.0	358.0	4.7%
Other current assets	117.1	97.9	19.6%
Cash and cash equivalents and term deposits	160.3	151.0	6.2%
Assets	1,608.8	1,520.8	5.8%
Equity	596.5	590.9	0.9%
Liabilities from corporate finance	200.3	199.1	0.6%
Liabilities from project-related financing	227.5	191.4	18.8%
Provisions and other liabilities	584.5	539.3	8.4%
Equity and liabilities	1,608.8	1,520.8	5.8%

¹ Items have been adjusted: Term deposits have been allocated to liquid assets due to short- to medium-term availability, and financial liabilities allocated on the basis of their use in corporate finance or project financing.

As at 31 December 2022, Instone Group total assets increased to €1,608.8 million (31 December 2021: €1,520.8 million). This was mainly attributable to the increase in stocks of inventories and contract assets.

As at 31 March 2022, inventories rose to €877.4 million (31 December 2021: €843.7 million). This increase in inventories is mainly the result of the purchase of new land for future residential project developments. As at 31 March 2022, acquisition costs and incidental acquisition costs for land amounting to €659.6 million (31 December 2021: €631.9 million) were included in inventories.

Receivables from customers for work-in-progress (gross contract assets) already sold and valued at the current completion level of development rose to €957.4 million as at 31 March 2022 (31 December 2021: €858.6 million) due to the increased completion of work-in-progress. Payments received from customers amounted to €589.3 million as at 31 March 2022 (31 December 2021: €506.6 million). The increase reflects the progress made in construction in the financial year linked to advance payments from customers. Due to the increased proportion of sales from projects before the start of construction, advance payments received grew disproportionately more slowly than contract assets.

Contract assets

TABLE 013

In millions of euros

	31/03/2022	31/12/2021	Change
Contract assets (gross)	957.4	858.6	11.5%
Payments received	- 589.3	- 506.6	16.3%
	368.1	352.0	4.6%
Capitalised costs to obtain a contract	6.9	6.0	15.0%
Contract assets (net)	375.0	358.0	4.7%



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Trade receivables fell to €27.5 million as at 31 March 2022 (31 December 2021: €48.2 million). The decline in trade receivables resulted mainly from agreed partial payments for property sales made in December 2021, for which further payment receipts will become due in future.

The shares accounted for using the equity method, which also included investments in project companies, rose in the first quarter of 2022 from €30.8 million to €40.1 million as a result of a capital injection into our Stuttgart joint venture for the "Europaviertel" project and the construction progress of project developments in other joint ventures.

Cash and cash equivalents and term deposits of €160.3 million (31 December 2021: €151.0 million) increased mainly as a result of the expansion of project financing. As at the reporting date, the term deposits amounted to a total of €80.0 million (31 December 2021: €20.0 million) and had a maturity of more than three months.

Non-current financial liabilities increased to €242.6 million as at 31 March 2022 (31 December 2021: €220.9 million). During the same period, current financial liabilities rose to €185.2 million (31 December 2021: €169.6 million). The increase in financial liabilities entirely resulted from the increased utilisation of project financing lines in line with the scheduled construction progress of our projects.

Trade payables fell during the first quarter of 2022 to €100.9 million (31 December 2021: €125.1 million) and mainly included the services provided by contractors.

The increase in other current liabilities to €345.6 million (31 December 2021: €292.4 million) resulted mainly from advance payments received for the "Westville" project in the amount of €241.4 million (31 December 2021: €241.4 million) and liabilities from government grants in the amount of €77.7 million (31 December 2021: €29.8 million).

The equity ratio as at 31 March 2022 was 37.1% (31 December 2021: 38.9%). As at the reporting date, group equity included 75,324 treasury shares with acquisition costs of €1.4 million.

Financial liabilities TABLE 014

In millions of euros

	31/03/2022	31/12/2021	Change
Non-current financial liabilities	242.6	220.9	9.8%
Current financial liabilities	185.2	169.6	9.2%
Financial liabilities	427.7	390.5	9.6%
– Cash and cash equivalents and term deposits	–160.3	–151.0	6.2%
Net financial debt (NFD)	267.4	239.5	11.7%
Inventories and contract assets/liabilities	1,223.9	1,190.1	2.8%
Loan-to-cost¹	21.8%	20.1%	
EBIT adjusted (LTM ²)	146.0	155.7	–6.2%
Depreciation and amortisation (LTM ²)	4.7	4.6	2.2%
EBITDA adjusted (LTM²)	150.6	160.3	–6.1%
Leverage (NFD/EBITDA adjusted [LTM ²])	1.8	1.5	

¹ Loan-to-cost = net financial debt / (inventories + contract assets/liabilities).

² LTM = last twelve months.

Leverage decreased slightly compared to the corresponding value of the previous year. The increased net debt due to financing-related costs from the project business and the lower result increased leverage slightly to 1.8 times the adjusted EBITDA. At the same time, the ratio of net debt to balance sheet inventories, contract assets and contract liabilities improved to 21.9% (31 December 2021: 20.1%).



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Financial position

In the first quarter of 2022, the utilisation of corporate financing lines remained unchanged at €197.5 million (31 December 2021: €197.5 million). Utilisation of project-financing lines rose to €226.9 million (31 December 2021: €190.9 million). The total funding available, then amounting to €707.4 million (31 December 2021: €612.1 million) increased in the financial year due to the conclusion of new conventional project financing. As at 31 March 2022, loan amounts totalling €390.9 million (31 December 2021: €295.6 million) were available from project financing and €316.5 million (31 December 2021: €316.5 million) from corporate finance.

The balance sheet liabilities from corporate financing valued at the current repayment amount rose to €200.3 million in the first three months of the 2022 financial year (31 December 2021: €199.1 million). Recognised liabilities from project-related financing increased to €227.5 million (31 December 2021: €191.4 million). Recognised total liabilities from financing operations thus increased to €427.7 million on the reporting date (31 December 2021: €390.5 million). The current project financing included in this is comprised of option agreements for extension.

The maturities of the non-discounted repayment amounts are as follows:

Financial liabilities

In millions of euros

TABLE 015

	Due in	Credit amount	Utilisation as at 31/03/2022
Corporate finance			
Promissory note loan	2022	69.5	69.5
Promissory note loan	2024	28.0	28.0
Promissory note loan	2025	100.0	100.0
Syndicated loan	2023	10.0	0.0
Syndicated loan	2024	84.0	0.0
Current account loans < 1 year	2023	25.0	0.0
		316.5	197.5
Project financing			
Term < 1 year	2023	131.3	111.4
Term > 1 and < 2 years	2024	190.6	77.4
Term > 2 and < 3 years	2025	24.1	24.1
Term > 3 years	> 2025	44.9	13.9
		390.9	226.9



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Condensed statement of cash flows

TABLE 016

In millions of euros

	3M 2022	3M 2021	Change
Cash flow from operations	-12.7	151.3	n/a
Cash flow from investing activities	-68.9	15.9	n/a
Free cash flow	-81.6	167.2	n/a
Cash flow from financing activities	31.0	-84.7	n/a
Cash change in cash and cash equivalents	-50.6	82.5	n/a
Cash and cash equivalents at the beginning of the period	131.0	87.0	50.6%
Other changes in cash and cash equivalents	0.0	0.0	n/a
Cash and cash equivalents at the end of the period	80.5	169.4	-52.5%

The cash flow from ongoing Instone Group operations of €-12.7 million in the first quarter of 2022 (previous-year period: €151.3 million) was essentially due to the increased payment flows to suppliers for current projects with simultaneous purchase price payments and land acquisition taxes for land plots totalling €38.1 million (previous-year period: €8.7 million).

The operating cash flow, adjusted for payments for land, in the period under review was €25.4 million (previous-year period: €160.0 million).

Cash flow from operations

TABLE 017

In millions of euros

	3M 2022	3M 2021	Change
EBITDA adjusted	18.2	27.9	-34.8%
Other non-cash or reclassified items	-6.4	-2.5	156.0%
Taxes paid	-0.4	-8.5	-95.3%
Change in net working capital ¹	-24.1	134.4	n/a
Cash flow from operations	-12.7	151.3	n/a
Payments for land	38.1	8.7	335.0%
Cash flow from operations without new investments	25.4	160.0	-84.2%

¹Net working capital is made up of inventories, contract assets and trade receivables less contract liabilities and trade payables.

Cash flow from investing activities in the first quarter of 2022 amounted to €-68.9 million (previous-year period: €15.9 million). This was mainly due to new short-term deposits in the amount of €60.0 million and the investment in the capital of our joint venture for the "Europaviertel" project, Stuttgart, amounting to €8.8 million.

The cash flow from financing activities as at 31 March 2022 stood at €-31.0 million (previous-year period: €-84.7 million). This was mainly due to the net take-up of finance facilities in the amount of €35.0 million. This includes payments received from new finance facilities taken out in the amount of €42.6 million, and repayments for terminated finance facilities in the amount of €7.7 million.

As at 31 March 2022, financial resources without term deposits fell to €80.3 million (31 December 2021: €131.0 million).



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Project business at a glance

Real estate business key performance indicators

TABLE 018

In millions of euros

		3M 2022	3M 2021
Volume of sales contracts		87.6	118.6
Volume of sales contracts	In units	191	372
		31/03/2022	31/12/2021
Project portfolio (existing projects)		7,567.7	7,500.0
of which, already sold		3,070.1	3,038.9
Project portfolio (existing projects)	In units	16,607	16,418
of which, already sold	In units	7,404	7,215

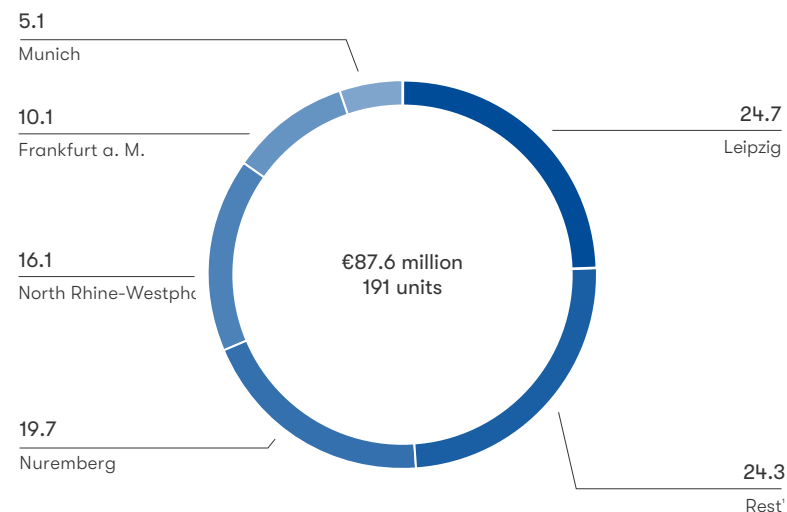
Market demand for our product remained high among both private and institutional buyers and was reflected in our marketing success for the first quarter of 2022 at €87.6 million and 191 units. In particular, the successful sales activities in our projects with unit sales led to realised sales with a volume of around €67 million and 144 units. In addition, in the first quarter, investors were sold for a building with more than 40 residential units in the "Lagarde 8" project in Bamberg. The construction of six new residential buildings in accordance with the KfW55 RE standard with around 240 residential units and, in some cases, commercial space on the ground floor of the buildings was planned for the entire neighbourhood.

The comparison with the previous year (€118.6 million) showed a lower overall volume of sales for the period under review. This was due, among other things, to a lower transaction volume for institutional sales. In comparison to the first quarter of 2022 (approx. €21 million), one package sale and one property sale in the same period in the previous year, as well as subsequent sales agreements in the case of existing institutional contracts, led to a total sales volume of around €41 million. At €67 million, the volume of sales contracts for our projects in unit sales was also slightly below the level of the previous year (€77 million), mainly due to the different price points of the units sold.

The realised volume of sales contracts of around 75% as at 31 March 2022 was mainly focused on the most important metropolitan regions of Germany. Around 25% is located in other prosperous medium-class cities.

Marketing in Q1 2022 by region

In %



¹Mainly includes Potsdam, Wiesbaden, Berlin, Stuttgart and Hamburg



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The following projects essentially contributed to successful marketing in Q1 2022:

Real estate business key performance indicators – volume of sales contracts

TABLE 019

In millions of euros

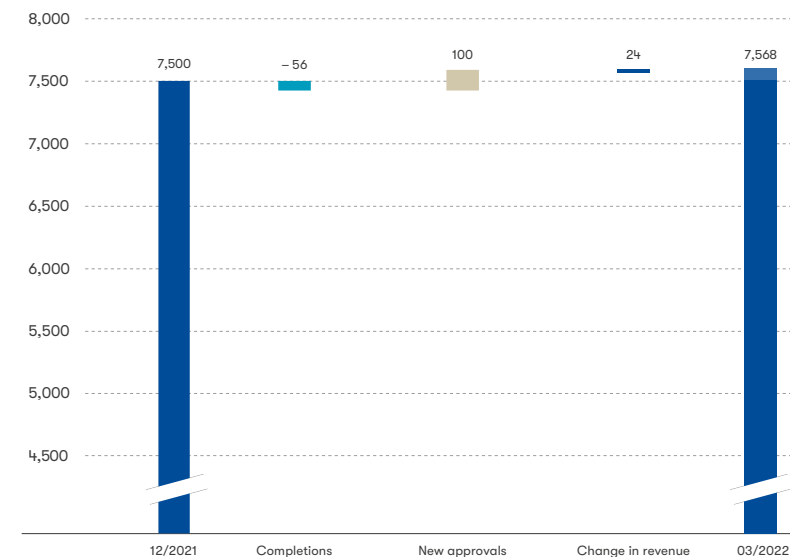
		Volume	Units
Parkresidenz	Leipzig	21.6	52
Bamberg, Lagarde	Bamberg	n/a	46
Seetor "City Campus"	Nuremberg	16.1	30
"Wohnen im Hochfeld" Unterbach	Dusseldorf	12.9	21
"Schönhof-Viertel"	Frankfurt am Main	7.9	11
Rote Kaserne West - "Fontane Gärten"	Potsdam	5.0	8
"Lokhöfe", Bahnhofsareal Nord	Rosenheim	4.4	22
"Carlina Park", Schopenhauerstraße	Nuremberg	1.0	1

The sales supply of our individual sales projects on the market reduced significantly in comparison with the year-end value for 2021 (391 residential units) and stood at 248 residential units with an expected revenue volume of €172 million. The decline can be traced back to the successful sales process for our unit sales projects in the first three months of 2022. In the "Parkresidenz" district in Leipzig, residential units had already been marketed in full for the first sub-projects. In the coming months, the sales supply will also be replenished as scheduled as further sales start.

In view of the expansion of the sales supply due to the planned start of sales and the continuation of the currently high demand for our product, as demonstrated by the still high speed of sales as well as the existing reservations and notary appointments, good conditions were in place for successful marketing in the 2022 financial year. Nevertheless, the uncertainty noticed in some cases among private and institutional investors as a result of the changed financing environment could not be fully estimated from increased equity shares for private real estate financing and from increased interest rates and were being monitored accordingly closely.

Development of the project portfolio as at 31/03/2022

In millions of euros



As at 31 March 2022, Instone Real Estate's project portfolio comprised 55 projects, from which we then anticipated a total volume of sales contracts of €7,567.7 million¹, representing a slight increase from that of 31 December 2021 (€7,500.0 million). The successful growth of our project portfolio at €6,054.2 million for the first quarter of 2021 was particularly evident in comparison with the previous year's figure. In the first quarter of 2022, a total of two new projects with an expected revenue volume of €99.8 million were approved. At the same time, after the successful sale of the "Wendenschlossstraße" property in Berlin last year and the subsequent handover to the investor, the project was removed from the project portfolio. The existing projects also resulted in realised and expected revenue increases of approximately €24 million due to the further consolidation of the plans and changes to the sales concepts.



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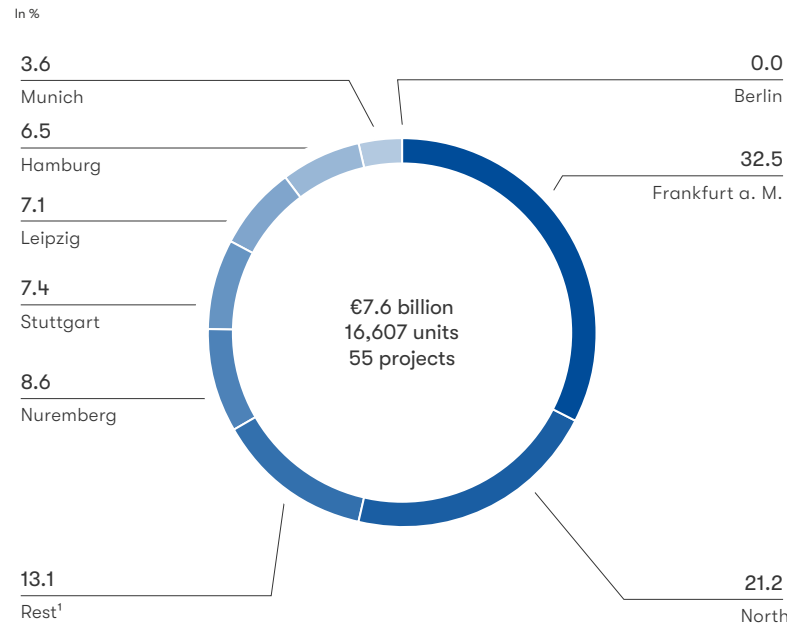
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Taking into account an assumed price development on the sales and cost side, the gross profit margin expected from the project portfolio excluding the major Westville project in Frankfurt was around 25% as at the reporting date.²⁾

¹⁾This included approved investment authorisations with a prospective project volume of around €87 million in which the process of securing the land is still being fleshed out.

²⁾If the large "Westville" project was to be taken into consideration, the expected project gross profit margin for the project portfolio would be about 24%.

Project portfolio by region

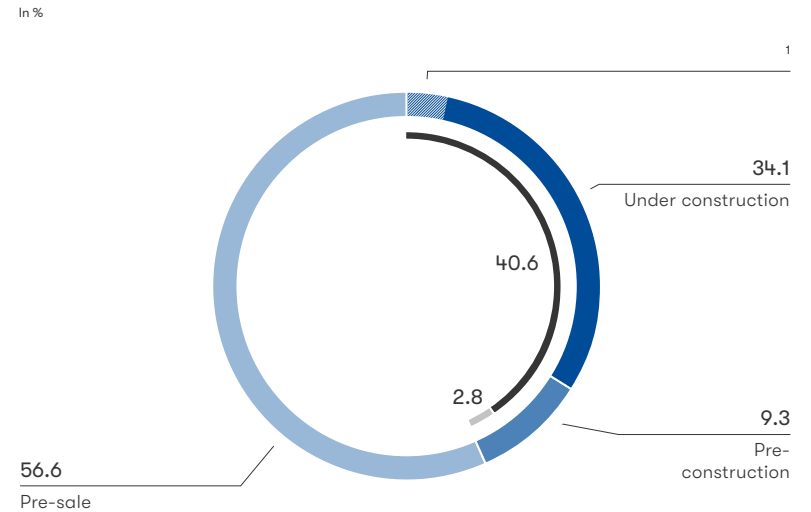


¹⁾Included Wiesbaden, Hanover, Potsdam, Bamberg

The majority – approximately 87% – of the anticipated overall volume of revenue from the project portfolio as at 31 March 2022 is located in the most important metropolitan regions of Germany: Berlin, Bonn, Düsseldorf, Frankfurt am Main, Hamburg, Cologne, Leipzig, Munich, Nuremberg and Stuttgart. Around 13% is attributable to other prosperous medium-sized cities.

Project portfolio by group

Basis: Sale proceeds



Internal sector:
Sold
Unsold

¹⁾ 5.3% of the project portfolio has already been handed over.

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Based on the continuous growth of our project portfolio in recent years, the majority of our ongoing projects were in the “pre-sale” stage of development. The comparison of the diagram as at 31 December 2021 shows the progress of our projects due to the successful start of construction for nine sub-projects, in particular for the pre-construction categories, amounting to 9.3% (31 December 2021: 12.7%) and under construction 34.1% (31 December 2021: 31.5%). At 56.6%, the “pre-sale” category was at a comparable level to the year-end value for 2021 (31 December 2021: 55.8%).

In addition, the preceding diagram shows that, as at 31 March 2022 we had already sold approximately 41% of the anticipated overall revenue volume of the project portfolio. In terms of the anticipated revenue volume, approximately 94% of the “under construction” and “pre-construction” projects were sold as at 31 March 2022. The proportion of revenues already realised for our projects in the portfolio was around €1.7 billion and therefore approximately 22% of the anticipated overall revenue volume.

In addition to the 55 projects, Instone Real Estate's project portfolio will be supplemented by three further projects that will be realised in joint ventures. Overall, a total volume of sales of over €1 billion (Instone share approx. €500 million) and the development of approximately 1,800 residential units was expected for these projects. Successful progress towards realisation was achieved last year through the sale of three project sections of the “Friedenauer Höhe” quarter in Berlin. In addition to the sale to Quantum Immobilien KVG at the beginning of 2021, three construction fields with 396 rental apartments were sold to DWS at the end of 2021 together with OFB as part of a forward deal. Construction began in the first quarter of 2022 for the most recently sold construction fields. In total, the Friedenauer Höhe district concept provided for the construction and sale of a further approximately 130 residential units in addition to the rental apartments. Sales will start in a timely manner.

Adjusted revenue

In the first quarter of 2022, we achieved adjusted revenue of €118.5 million (previous year: €128.1 million). The following projects contributed to the adjusted revenues in the period under review:

Key projects revenue realisation (adjusted)

TABLE 020

In millions of euros

		Revenue volume (adjusted)
Seetor “City Campus”	Nuremberg	16.1
“Wohnen im Hochfeld” Unterbach	Dusseldorf	12.5
Parkresidenz	Leipzig	10.1
“Schönhof-Viertel”	Frankfurt a. M.	9.6
Westville	Frankfurt a. M.	7.0
Beethovenpark (“Augusta and Luca”)	Augsburg	6.9
west.side	Bonn	6.6
Rote Kaserne West – “Fontane Gärten”	Potsdam	5.8
Stephanstraße	Nuremberg	5.6
Niederkasseler Lohweg	Dusseldorf	5.2

The building blocks of success for realising the adjusted revenues were steady marketing progress and a further development process in the structural implementation of our projects. For this reason, in addition to the marketing progress achieved, the start of construction and progress in the projects under construction, in particular, contributed to the generation of revenue. Construction started in nine projects in the period under review. This included a second neighbourhood section with two construction fields in the “Schönhof-Viertel” project in Frankfurt. Around 210 apartments, a student hostel and a four-to five-group children's nursery will be built on the two areas already sold to the Nassauische Heimstätte group in 2019. Construction of the penultimate



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sub-project comprising around 60 apartments, of which more than 70% had already been sold in individual sales, had begun for the “Wohnen im Hochfeld” neighbourhood which was being built in Düsseldorf-Unterbach. In addition, in the “Neckar.Au Viertel” project in Rottenburg, construction started on the site sold to The Liebenau Foundation in late 2021. The concept provided for the construction of inclusive living space over a floorspace of around 1,630 m². Last year, the branch in Leipzig started selling and constructing the first construction areas for the “Parkresidenz” neighbourhood. The first quarter of 2022 also saw the start of construction work on further construction phases for a total of around 250 residential units.

At the same time, the projects already under construction were advancing steadily and the planned progress was being made for the majority of projects. However, temporary absences of construction teams were evident across the board as a result of the COVID-19 pandemic, but had only led so far to minor impairments. In addition, the war in Ukraine meant that, in individual cases, Ukrainian construction workers were no longer available on our construction sites. However, to date this had exerted no significant effect on the construction production process. The material and supply bottlenecks triggered by the pandemic last year and further increased this year due to the war in Ukraine had a slightly delaying effect on the construction progress of some projects. All developments on the market and in our projects were monitored closely and compensated for as far as possible by making the appropriate adjustments to relevant processes. The handover processes for the projects already completed so far ran according to schedule.

At completion, Instone Real Estate projects reported a 100% sales ratio in almost all cases. In the case of fully completed projects, our portfolio does not contain any more than 1% of unsold units.



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Risk and opportunities report

At Instone Real Estate, risk and opportunities management is an integral part of the Group-wide system of corporate governance. For a detailed overview of our risk and opportunities management processes as well as the risk and opportunities situation, please refer to the 2021 Annual Report, [☰ pages 144–160](#), “Risk and opportunities report”.

The risk and opportunities situation developed unfavourably for the Instone Group in comparison to our disclosure in the 2021 annual report, due in particular to the direct and indirect effects of the Russian occupation of Ukraine.

The project implementation/construction risk sub-category was still considered to be relevant by Instone Real Estate and was mainly characterised by the re-assessment of potential risk scenarios as a result of the Russian-Ukrainian war. The changes in the risk and opportunities situation were continuously monitored, assessed and, if necessary, incorporated into the ongoing forecast. From the current perspective, there were no identifiable risks that risked jeopardising the continued existence of the Instone Group.



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The framework conditions for the project business changed materially since the date of the report, triggered by Russia's invasion of Ukraine.

The current environment was characterised by further significant increases in energy and material costs, renewed losses in supply chains and an increasing scarcity of building materials. This could have negative effects on the speed of construction and the associated revenue recognition.

In addition, in an inflationary environment, the costs of mortgage financing increased significantly for our customers over a short period of time.

In view of this environment, increased uncertainty could no longer be ruled out especially for private investors, despite structural excess demand, and might adversely affect the speed of sales.

The Management Board was therefore no longer sufficiently certain that the targets would be achieved. The risks relate primarily to the timing of revenue recognition and will not have too much impact on the margin target. For this reason, the Management Board withdrew its forecast for the 2022 financial year until further notice.



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TABLE 021

In thousands of euros

	01/01–31/03/2022	01/01–31/03/2021
Revenue	114,110	119,864
Changes in inventories	33,652	–7,299
	147,762	112,565
Other operating income	2,319	618
Cost of materials	–115,571	–74,228
Staff costs	–14,198	–11,919
Other operating expenses	–4,955	–4,070
Depreciation and amortisation	–1,179	–1,139
Consolidated earnings from operating activities	14,180	21,828
Share of results of joint ventures	568	2,534
Other results from investments	12	–6
Finance income	81	–65
Finance costs	–4,049	–4,333
Other financial result	–4	–3
Consolidated earnings before tax (EBT)	10,788	19,955
Income taxes	–3,406	–6,032
Consolidated earnings after tax (EAT)	7,382	13,922
Attributable to:		
Group interests	7,480	13,919
Non-controlling interests	–98	3
Weighted average number of shares (in units)	46,983,811	46,988,336
Basic and diluted earnings per share (in euros) ¹	0.16	0.30

¹The weighted average number of shares has been adjusted as at 31 March 2022 due to holdings of treasury shares.

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TABLE 022

In thousands of euros

	31/03/2022	31/12/2021
ASSETS		
Non-current assets		
Goodwill	6,056	6,056
Intangible assets	1,323	1,446
Right of use assets	8,947	9,376
Property, plant and equipment	2,143	2,274
Interests in joint ventures	40,118	30,845
Other investments	479	469
Financial receivables	17,646	17,580
Other receivables	138	5
Deferred tax	2,142	2,142
	78,991	70,193
Current assets		
Inventories	877,355	843,703
Financial receivables	80,094	20,046
Contract assets	374,989	358,017
Trade receivables	27,533	48,202
Other receivables and other assets	87,858	47,988
Income tax assets	1,639	1,639
Cash and cash equivalents	80,322	130,969
	1,529,790	1,450,564
TOTAL ASSETS	1,608,781	1,520,756



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TABLE 022

In thousands of euros

	31/03/2022	31/12/2021
EQUITY AND LIABILITIES		
Equity		
Share capital	46,988	46,988
Capital reserves	358,983	358,983
Group retained earnings/loss carryforwards	193,857	186,378
Accumulated reserves recognised in other comprehensive income	-1,935	-1,465
Treasury shares at acquisition cost	-1,370	0
Equity attributable to shareholders	596,524	590,884
Non-controlling interests	-37	61
	596,487	590,945
Non-current liabilities	0	0
Provisions for pensions and similar obligations	4,997	4,398
Other provisions	4,491	6,140
Financial liabilities	242,579	220,943
Liabilities from net assets attributable to non-controlling interests	0	5
Leasing liabilities	5,919	6,474
Other liabilities	0	0
Deferred tax	47,460	45,630
	305,447	283,591
Current liabilities		
Other provisions	22,175	24,050
Financial liabilities	185,170	169,606
Leasing liabilities	3,309	3,193
Contract liabilities	28,397	11,667
Trade payables	100,901	125,112
Other liabilities	345,606	292,439
Income tax liabilities	21,288	20,153
	706,847	646,220
TOTAL EQUITY AND LIABILITIES	1,608,781	1,520,756



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TABLE 023

In thousands of euros

	01/01–31/03/2022	01/01–31/03/2021
Consolidated earnings after tax	7,382	13,922
(+) Depreciation and amortisation/(-) write-ups of non-current assets	1,179	1,139
(+) Profit/(-) loss on disposals of property, plant and equipment	4	0
(+) Increase/(-) decrease in provisions	-3,677	545
(+) Current income tax expense/(-) current income tax income	1,576	1,116
(+) Deferred income tax expense/(-) deferred income tax income	2,049	6,723
(+) Expenses/(-) income from equity carrying amounts	-568	-2,534
(+) Expense/(-) income from the investment result from minority interests	-12	6
(+) Interest expense/(-) interest income	3,972	4,401
(+/-) Change in net working capital ¹	-24,114	134,423
(+) Income tax reimbursements/(-) income tax payments	-441	-8,478
= Cash flow from operations	-12,652	151,263
(-) Outflows for investments in intangible assets	-9	-167
(+) Proceeds from disposals of property, plant and equipment	18	0
(-) Outflows for investments in property, plant and equipment	-108	-128
(+) Proceeds from disposals of investments	0	7,437
(-) Outflows for investments in financial assets	-8,849	-1,291
(+) Proceeds due to financial investments within the scope of current financial planning	0	50,000
(-) Disbursements due to financial investments within the scope of current financial planning	-60,000	-40,000
(+) Interest received	0	2
= Cash flow from investing activities	-68,949	15,852



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TABLE 023

In thousands of euros

	01/01–31/03/2022	01/01–31 03/2021
(–) Acquisition of treasury shares	–1,370	0
(–) Payments to minority shareholders	–99	–7,327
(+) Proceeds from loans and borrowings	42,639	8,470
(–) Repayments of loans and borrowings	–7,654	–85,058
(–) Payments from lessees to repay liabilities from lease agreements	–905	729
(–) Interest paid	–1,658	–1,556
= Cash flow from financing activities	30,954	–84,743
Cash and cash equivalents at the beginning of the period	130,969	87,044
(+/-) Cash change in cash and cash equivalents	–50,647	82,373
= Cash and cash equivalents at the end of the period	80,322	169,417

¹ Net working capital is made up of inventories, contract assets and trade receivables less contract liabilities and trade payables.

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Reconciliation of adjusted results of operations 01/01–31/03/2022

TABLE 024

In thousands of euros

	Adjusted results of operations	Share deal effects	Non-recurring effects	Reclassifications	Effects from PPA	Reported results of operations
Revenue	118,517	- 6,984	0	0	2,577	114,110
Project costs	- 83,330	6,122	0	- 409	- 4,301	- 81,919
Cost of materials	- 114,844	0	0	- 727	0	- 115,571
Changes in inventories	31,514	6,122	0	317	- 4,301	33,652
Gross profit	35,186	- 861	0	- 409	- 1,724	32,192
Platform costs	- 18,739	0	0	727	0	- 18,012
Staff costs	- 14,198	0	0	0	0	- 14,198
Other operating income	1,371	0	0	948	0	2,319
Other operating expenses	- 4,733	0	0	- 222	0	- 4,955
Depreciation and amortisation	- 1,179	0	0	0	0	- 1,179
Share of results of joint ventures	568	0	0	0	0	568
EBIT	17,016	- 861	0	317	- 1,724	14,748
Other results from investments	12	0	0	0	0	12
Financial result	- 3,655	0	0	- 317	0	- 3,972
EBT	13,373	- 861	0	0	- 1,724	10,788
Tax	- 4,098	202	0	0	490	- 3,406
EAT	9,275	- 660	0	0	- 1,234	7,382



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Reconciliation of adjusted results of operations 01/01–31/03/2021

TABLE 025

In thousands of euros

	Adjusted results of operations	Share deal effects	Non-recurring effects	Reclassifications	Effects from PPA	Reported results of operations
Revenue	128,114	- 8,554	0	0	304	119,864
Project costs	- 87,583	7,570	0	447	- 1,960	- 81,526
Cost of materials	- 74,402	0	0	175	0	- 74,228
Changes in inventories	- 13,181	7,570	0	272	- 1,960	- 7,299
Gross profit	40,531	- 984	0	447	- 1,656	38,338
Platform costs	- 16,335	0	0	- 175	0	- 16,510
Staff costs	- 11,919	0	0	0	0	- 11,919
Other operating income	618	0	0	0	0	618
Other operating expenses	- 3,895	0	0	- 175	0	- 4,070
Depreciation and amortisation	- 1,139	0	0	0	0	- 1,139
Share of results of joint ventures	2,534	0	0	0	0	2,534
EBIT	26,730	- 984		272	- 1,656	24,362
Other results from investments	- 6	0	0	0	0	- 6
Financial result	- 4,129	0	0	- 272	0	- 4,401
EBT	22,595	- 984		0	- 1,656	19,955
Tax	- 6,534	16		0	486	- 6,032
EAT	16,061	- 969		0	- 1,170	13,922



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Basis of the interim consolidated financial statements

For the interim consolidated financial statements as at 31 March 2022, the accounting policies applied when preparing the consolidated financial statements as at 31 December 2021 were generally adopted without change.

The consolidated financial statements for Instone Real Estate as at 31 December 2021 were prepared on the reporting date on the basis of Section 315e(1) HGB in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the related Interpretations (IFRIC) of the IFRS Interpretations Committee (IFRS IC) as they apply in accordance with Regulation No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standards in the European Union.

The interim consolidated financial statements are prepared in euros, which is the functional currency and the reporting currency of the Group. All amounts are expressed in thousands of euros (€thousand) unless stated otherwise. Commercial rounding may lead to immaterial rounding differences in the totals.

Events after the balance sheet date

There were no events of particular significance to report after the balance sheet date on 31 March 2022.



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In millions of euros		Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Real estate business key performance indicators						
Volume of sales contracts		87.6	761.7	170.7	89.1	118.6
Volume of sales contracts	In units	191	1,906	468	169	372
Project portfolio (existing projects)		7,567.7	7,500.0	7,154.9	6,268.1	6,054.2
of which already sold		3,070.1	3,038.9	2,308.7	2,444.0	2,360.5
Project portfolio (existing projects)	In units	16,607	16,418	15,913	14,338	13,678
of which already sold	In units	7,404	7,215	5,401	5,679	5,510
Volume of new approvals ¹		99.8	254.0	1,097.6	165.9	69.8
Volume of new approvals	In units	174	517	2,292	275	161
Adjusted results of operations						
Revenue adjusted		118.5	378.0	145.1	132.4	128.1
Project costs adjusted		-83.3	-277.5	-100.8	-96.2	-87.6
Gross profit adjusted		35.2	100.5	44.3	36.2	40.5
Gross profit margin adjusted		29.7%	26.6%	30.5%	27.3%	31.6%
Platform costs adjusted		-18.7	-22.2	-20.2	-21.8	-16.3
Share of results of joint ventures adjusted		0.6	12.0	0.1	0.0	2.5
Earnings before interest and tax (EBIT) adjusted		17.0	90.4	24.2	14.4	26.7
EBIT margin adjusted		14.3%	23.9%	16.7%	10.9%	20.8%
Income from investments adjusted		0.0	0.0	0.0	0.1	0.0
Financial result adjusted		-3.7	-9.1	-2.6	-3.5	-4.1
Earnings before tax (EBT) adjusted		13.4	81.3	21.7	10.9	22.6
EBT margin adjusted		11.3%	21.5%	15.0%	8.2%	17.6%
Income taxes adjusted		-4.1	-24.7	-4.8	-3.3	-6.8
Earnings after tax (EAT) adjusted		9.3	56.6	16.9	7.6	15.8
EAT margin adjusted		7.8%	15.0%	11.6%	5.7%	12.3%
Earnings per share (adjusted)	In euros	0.20	1.19	0.36	0.21	0.34

¹Excluding volume of approvals from joint ventures consolidated at equity.

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In millions of euros

	3M 2022	2021	2020	2019	2018	
Key liquidity figures						
Cash flow from operations	-12.7	43.9	119.9	-205.1	-40.4	
Cash flow from operations without new investments	25.4	256.3	225.0	115.0	32.1	
Free cash flow	-81.6	167.4	-64.2	-237.5	-39.9	
Cash and cash equivalents and term deposits ¹	160.3	151.0	232.0	117.1	88.0	
Key balance sheet figures						
Total assets	1,608.8	1,520.8	1,283.1	1,123.4	686.6	
Inventories	877.4	843.7	777.8	732.1	404.4	
Contract assets	375.0	358.0	194.2	219.0	158.5	
Equity	596.5	590.9	521.0	310.2	246.9	
Financial liabilities	427.7	390.5	481.7	595.5	265.6	
Of which, from corporate finance	200.3	199.1	207.2	180.8	66.1	
Of which, from project financing	227.5	191.4	274.5	414.7	199.5	
Net financial debt ²	267.4	239.5	249.7	478.4	177.5	
Leverage	1.8	1.5	2.8	3.6	3.5	
Loan-to-cost ³	In %	21.8	20.1	25.7	50.3	n/a
ROCE ⁴ adjusted	In %	19.1	22.0	10.3	22.8	11.9
Employees						
Number	483	457	413	375	311	
FTE ⁵	403.8	387.6	342.5	307.7	258.7	

¹Term deposits are comprised of cash investments of more than three months.²Net financial debt = financial liabilities less cash and cash equivalents and term deposits.³Loan-to-cost = net financial debt/(inventories + contract assets).⁴Return on capital employed = LTM EBIT adjusted/(four-quarter average equity + net financial debt).⁵Full-time employees.⁶Excluding volume of approvals from joint ventures consolidated at equity.⁷Current financial year: proposed dividend/proposed distribution for current number of entitled shares (46,988,336 shares)

TABLE 027

In millions of euros

	3M 2022	2021	2020	2019	2018	
Real estate business key performance indicators						
Volume of sales contracts	87.6	1,140.1	464.4	1,403.1	460.8	
Volume of sales contracts	In units	191	2,915	1,292	2,733	1,033
Project portfolio (existing projects)	7,567.7	7,500.0	6,053.6	5,845.7	4,763.2	
of which already sold	3,070.1	3,038.9	2,328.8	2,174.0	998.2	
Project portfolio (existing projects)	In units	16,607	16,418	13,561	13,715	11,041
of which already sold	In units	7,404	7,215	5,381	4,814	2,395
Volume of new approvals ⁶	99.8	1,587.4	489.9	1,284.2	1,298.0	
Volume of new approvals	In units	174	3,245	1,171	3,857	3,314
Adjusted results of operations						
Revenue adjusted	118.5	783.6	480.1	736.7	372.8	
Project costs adjusted	-83.3	-562.1	-333.5	-548.8	-266.3	
Gross profit adjusted	35.2	221.5	146.6	187.8	106.4	
Gross profit margin adjusted	29.7%	28.3%	30.5%	25.5%	28.5%	
Platform costs adjusted	-18.7	-80.5	-65.5	-59.0	-56.9	
Share of results of joint ventures adjusted	0.6	14.6	2.7	0.7	0.0	
Earnings before interest and tax (EBIT) adjusted	17.0	155.7	83.8	129.6	49.6	
EBIT margin adjusted	14.3%	19.9%	17.5%	17.6%	13.7%	
Income from investments adjusted	0.0	0.1	-1.2	-5.7	-0.4	
Financial result adjusted	-3.7	-19.3	-23.2	-16.1	-7.7	
Earnings before tax (EBT) adjusted	13.4	136.5	59.4	107.8	41.5	
EBT margin adjusted	11.3%	17.4%	12.4%	14.6%	11.5%	
Income taxes adjusted	-4.1	-39.6	-18.3	-2.2	-22.4	
Earnings after tax (EAT) adjusted	9.3	96.9	41.1	105.6	19.1	
EAT margin adjusted	7.8%	12.4%	8.6%	14.3%	5.1%	
Earnings per share (adjusted)	In euros	0.20	2.10	0.99	2.69	0.44
Dividend per share ⁷	In euros		0.62	0.26		
Dividends paid ⁷			29.1	12.2		



Key figures at a glance

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Quarterly comparison

Multi-year overview

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Contact

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Management Board

Kruno Crepulja
(Chair of the Management Board/CEO),
Dr Foruhar Madjlessi,
Andreas Gräf

Chairman of the Supervisory Board

Stefan Brendgen

Commercial Register

Registered in the Commercial Register
of the Essen District Court under
HRB 29362

Sales tax ID number
DE 300512686

Concept, design and implementation

MPM Corporate Communication Solutions,
Mainz
www.mpm.de

Financial calendar

12/05/2022	Publication of quarterly report as at 31 March 2022
09/06/2022	Annual General Meeting
11/08/2022	Publication of the semi-annual report as at 30 June 2022
10/11/2022	Publication of the quarterly statement as at 30 September 2022



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