

Instone Real Estate performs as planned in Q3 2020; forecast for 2020 and 2021 reiterated

- *Adjusted revenues for the nine months 2020 down slightly on the previous year (-3.7%) at EUR 291.3 million despite the negative effects of COVID-19*
- *High gross margin of 32.3% underscores quality of project portfolio and first-class execution*
- *Adjusted EBIT fell to EUR 50.0 million (-11.8%) and adjusted EBT to EUR 34.4 million (-25.4%) due to negative operating leverage as well as investments in future growth*
- *Approved five new project acquisitions with Gross Development Value (GDV) of around EUR 600 million¹ since end of June*
- *Strong balance sheet leaves Instone ideally positioned to exploit further attractive growth opportunities*
- *Earnings forecasts for 2020 and 2021 confirmed: adjusted earnings after tax for 2020: EUR 30–35 million; 2021: at least EUR 90 million*
- *Intention to distribute inaugural dividend for 2020 financial year confirmed (target distribution ratio: 30% of adjusted earnings after tax)*

Essen, 26 November 2020: Following a strong start to the financial year, Instone Real Estate Group AG ("Instone") Q2 results had been affected by the slowdown in economic activity that was triggered by the COVID-19 pandemic. The temporary drop in client demand and in particular the postponed sales launches of new projects have affected performance across 2020 as a whole. However, by the end of Q2 sales ratios indicated a normalisation of sales activities among private clients, which also continued in the further course of the year. Furthermore, Instone is also observing noticeable recovery among institutional investors, with interest comparable to that before the outbreak of the COVID-19 pandemic. As such, the company expects to sign further sales with institutional investors in the final quarter.

¹ Including relevant share of at-equity consolidated Joint Ventures



Market data for Instone's core markets confirms sustained high demand for residential properties as well as ongoing positive price trends. The asset class is widely recognised as offering superior resilience and stability as demonstrated throughout the pandemic.

"Demand for our products remains high. With the launch of our innovative affordable living product, we are tapping into a new market that offers immense growth potential. With our acquisitions and the continued expansion of our project portfolio we have further strengthened our basis to exploit this potential", says Kruno Crepulja, Chairman of the Management Board/CEO of Instone Real Estate Group AG.

Earnings reflect pandemic-driven decline in sales

Despite reduced demand in the wake of the COVID-19 pandemic and the effects of postponed sales launches, adjusted revenue for the first three quarters of 2020 was down only slightly on the previous year, by 3.7% to EUR 291.3 million (previous year: EUR 302.4 million). The gross margin of 32.3% (previous year: 32.7%) remains high, clearly demonstrating the quality of the Instone project pipeline focused on attractive city-centre locations and metropolitan regions in and around A cities as well as Instone's execution expertise.

Adjusted operating result (EBIT) fell by 11.8% to EUR 50.0 million (previous year: EUR 56.7 million). The adjusted EBIT margin for the first nine months was 17.2% (previous year: 18.8%), reflecting negative operating leverage and investments made in the Instone platform to enable the planned future growth.

Adjusted earnings after tax (EAT) in the first three quarters fell by 42.6% to EUR 24.9 million (previous year: EUR 43.4 million). Key drivers here were the decline in adjusted EBIT as well as increased interest expenses in relation to financing the expansion of Instone's project pipeline in 2019. Furthermore, 2019 comparable figures benefited from a first time recognition of tax loss carry forwards and an unusually low corresponding tax rate.

Strong balance sheet following successful capital increase provides basis for future growth

In Q3 2020, Instone successfully implemented a capital increase with subscription rights, with net proceeds of around EUR 175 million. As of September 30th total corporate funds including cash and unused corporate credit lines, amounted to around EUR 350 million. In addition, the company has unused project financing lines in the amount of more than EUR 120 million. Instone is therefore ideally positioned to push forward with further growth and capitalise on the current opportunities in the real estate market.

Increased growth potential via further acquisitions

The purchase of five properties with an expected future sales volume (Gross Development Volume) of around EUR 600 million² have already been approved since the beginning of July. The total GDV of the current project portfolio has therefore risen to around EUR 6.0 billion (Q4 2019: EUR 5.85 billion).

"The COVID-19 pandemic has underpinned the resilience and stability of our business model. Given our financial and operational strengths, we now find ourselves in a position to quickly resume our ambitious growth path as previously communicated", says Dr. Foruhar Madjlessi, CFO of Instone Real Estate Group AG.

Confirmation of earnings forecasts for 2020 and 2021

For 2020 as a whole, which will be strongly affected by the impact of the COVID-19 pandemic, the Management Board confirms the previous outlook with adjusted revenues of EUR 470–500 million and adjusted earnings after tax of EUR 30–35 million. Against the background of the generally stabilising macroeconomic environment, the Management Board also reiterates its 2021 financial year targets with adjusted revenues of between EUR 900 million and EUR 1.0 billion and adjusted earnings after tax of at least EUR 90 million.

In 2021, for the first time, the Management Board also intends to distribute approximately 30% of adjusted earnings after tax to shareholders as a dividend for the 2020 financial year.

² Including relevant share of at-equity consolidated Joint Ventures



Moreover, the Management Board intends to convert Instone Real Estate Group AG into a European stock corporation (Societas Europaea - SE) in the next fiscal year and to obtain the necessary shareholders' consent at the annual general meeting 2021.

The Q3 2020 quarterly statement is available for download on the company's website at: <https://ir.de.instone.de/websites/instonereal/English/3200/financial-reports.html>

The definitions of the alternative 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

Instone Real Estate is one of Germany's leading residential developers and is listed in the SDAX. The company develops attractive multi-family and residential buildings as well as publicly subsidized housing, designs modern urban quarters and refurbishes listed buildings for residential use. Buyers are mainly owner-occupiers, private investors intending to buy and let, and institutional investors. Over the past 29 years, Instone Real Estate successfully developed more than one million square metres. Its more than 400 employees work out of nine different locations nationwide. As of 30 September 2020, the company's project portfolio comprised 53 development projects with an expected total sales volume of c. 5.9 billion euros and 13,374 units.

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