

Instone continues strong revenues and earnings growth – financial targets for 2021 reiterated

- *Adjusted revenues in the first half of 2021 increased significantly by +45.0 percent year-on-year to EUR 260.5 million; pending institutional deals promise accelerating revenue growth in H2*
- *Adjusted earnings after tax rose overproportionately to EUR 23.4 million (+70.8 percent)*
- *Sustained attractive adjusted gross margin of 29.4 percent reflects sound demand environment and construction cost management*
- *New project acquisitions with gross development value (GDV) of c. EUR 600 million approved year-to-date; exclusive pipeline with GDV of c. EUR 1.0 billion under negotiation*
- *2021 guidance reiterated: adjusted revenues of EUR 820 to 900 million; adjusted earnings after tax of EUR 90 to 95 million, volume of customer sales contracts in excess of 900m*

Essen, 26 August 2021: Instone Real Estate Group AG ("Instone") continued its dynamic growth in the second quarter of 2021. H1 adjusted revenues increased significantly year-on-year with overproportionate growth in adjusted earnings after tax. Demand for Instone's residential product remains strong with the retail sales ratio continuing ahead of expectations. Prices for residential properties in German metropolitan areas continue to rise. As a result, increasing material costs have been compensated by house price inflation and had no meaningful impact on overall business performance to date. Supply chain bottlenecks remain a management focus and have caused slight delays in construction progress in selected Instone projects. Overall Instone remains well on track to achieving its 2021 financial targets. In order to support its envisaged step change in growth, Instone is currently in exclusive negotiations for further land acquisitions with a total GDV of around EUR 1.0 billion. Projects with a GDV of more than EUR 600 million have already been approved year-to-date. Against the backdrop of the H1 results, the continued strong demand environment and despite some



headwinds from rising commodity prices, management fully confirms the financial targets for the current fiscal year.

Instone continues to deliver on its growth strategy

Adjusted revenues in the first half of fiscal year 2021 rose by 45 percent year-on-year to EUR 260.5 million. The German residential market continues its stable and broadbased upward trend. The Instone product continues to enjoy strong demand from both, institutional as well as private customers. The retail sales ratio remains significantly above its long-term mean as well as ahead of expectations. In addition to strong ongoing retail sales, Instone expects signing institutional deals in the coming months with a significant contribution to overall 2021 revenues and sales volumes.

The adjusted gross margin of 29.4 percent (H1-2020: 32.2 percent) remains elevated and above the internal 25 percent margin target level. Instone's margin achievement also compares favourably with typical industry margins. Instone continues to benefit from the positive demand and price trends for German residential properties in metropolitan areas. Rising material costs due to the jump in certain commodity prices have been compensated by house price inflation and have therefore not had any noticeable impact on the business performance to date. Supply chain bottlenecks for certain building products remain a management focus. While Instone's long-term partnerships with suppliers as well as a procurement strategy of awarding orders at an early stage is clearly paying off, Instone is experiencing minor delays in construction progress for selected projects and continues to focus management attention to minimise the impact. The terms for some 85 percent of the construction work expected in 2021 have already been logged-in.

The adjusted EBIT for the H1 reporting period amounted to EUR 41.1 million (H1-2020: EUR 28.2 million). This corresponds to an adjusted EBIT margin of 15.8 percent (H1-2020: 15.7 percent), despite continued investments into the platform for future growth.

Lower financial debt compared to the previous year, due to the execution of a capital increase in Q3-2020 and the strong H1-2021 cash generation as well as improved financing terms resulted in a decrease in adjusted net financial expenses (EUR -7.6 million in H1-2021 vs. EUR -8.9 million in H1-2020).



As a result, adjusted earnings after tax (EAT) increased by 70.8 percent to EUR 23.4 million (H1-2020: EUR 13.7 million) despite a slightly higher tax rate.

“With the development in the first half of the year, we see ourselves fully on track to achieving our ambitious growth targets. We expect further growth acceleration in the second half. With our highly attractive core business as well as our innovative affordable living product, we have good reasons to look to the future with optimism“, says Kruno Crepulja, CEO of Instone Real Estate Group AG.

Strong balance sheet remains important pillar for future growth

Instone's strong balance sheet offers significant financial headroom for future growth investments. Based on the strong operating cash flow of EUR 146.2 million, Instone's financial leverage ratios have further improved during the first half of 2021. The loan-to-cost ratio, i.e. the net financial debt relative to inventories (recognised at historic cost) plus contract asset stands at around 12.5 percent. Moreover, the strong financial profile is also reflected in a low net debt to EBITDA ratio of 1.3x at the end of Q2-2021 (Q4-2020: 2.8x). Cash including unused corporate credit lines amounted to more than EUR 390 million at the reporting date. Additionally, the company has unused project financing lines of approximately EUR 130 million. Instone therefore remains ideally positioned to exploit growth opportunities in the market for land acquisitions.

Progress on acquisitions; Promising deal pipeline for future growth

The value of the project portfolio (GDV) climbed to around EUR 6.3 billion as of the reporting date (Q4-2020: EUR 6.1 billion). Instone will continue to expand its project portfolio in order to drive a step change in growth over the coming years. Presently, the company is in exclusive negotiations for several acquisitions including larger size opportunities with an expected future GDV of around EUR 1.0 billion. Instone has already made good progress in this respect in the current fiscal year. Six projects in the metropolitan regions of Stuttgart, Rhine-Main and Nuremberg with a total GDV of more than EUR 600 million have already been approved, year-to-date.

"We are pleased with the growth and margins achieved over the 6 months period to June 30th and the material step up in revenues and profitability versus the prior year period. With strong



demand continuing from both retail as well as institutional customers we confirm our full-year targets and reiterate our mid-term outlook with full confidence", says Foruhar Madjlessi, CFO of Instone Real Estate Group AG.

Confirmation of earnings guidance for 2021

Management reiterates its financial targets for fiscal year 2021. Accordingly, management continues to expect adjusted revenues of between EUR 820 and 900 million and adjusted earnings after tax of between EUR 90 and 95 million. The Company expects the positive demand and pricing trends as well as the positive effects from a lower capacity situation in the construction industry to compensate for the expected rise in material costs. Finally, the company also intends to keep its dividend policy unchanged for 2021 with a payout ratio of 30.0 percent of adjusted EAT.

The definitions of the 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/glossar.html>

About Instone Real Estate (IRE)

Instone Real Estate is one of the leading residential developers in Germany and is listed on the SDAX. 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 marketed to owner-occupiers, private investors wanting to buy to let and institutional investors. We have developed more than one million square metres over the last 30 years. The company employs 437 employees at nine locations across Germany. As at 30 June 2021, the project portfolio included 52 development projects with an anticipated overall sales volume of approximately EUR 6.3 billion and 14,338 units.

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