



QUARTERLY GROUP STATEMENT

INSTONE REAL ESTATE GROUP N.V.
31 MARCH 2018

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Note:

The values listed in the Financial Statements are shown rounded. Since the calculations are made with a larger number accuracy, small rounding differences may arise.

LETTER FROM THE MANAGEMENT BOARD

Dear Shareholders, dear Madam, dear Sir,

in the first quarter 2018 we started a new chapter in the corporate history of **Instone Real Estate** and we are very pleased to have you join us on our path to success. From now on, we will be informing you regularly through quarterly reports on relevant performance indicators, highlights from our business activities, and acquisitions with which we endeavour to grow our project pipeline.

The beginning of the year was mainly defined by our going public on the regulated market (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) in February 2018. Instone Real Estate placed a total of 19,900,000 shares with institutional investors, consisting of 7,000,000 new shares from a capital increase and 12,900,000 existing shares from the holdings of the former sole shareholders, which were funds established by ActivumSG Capital Management Limited and included additional shares from an over-allotment option. The placement price per share was €21.50. This successful placement and the inherent issue of 7,000,000 fresh shares allowed us to improve our equity. The net proceeds from the issue of new shares form a vital component in Instone Real Estate's growth strategy.

Four of our identified acquisition projects are already at an advanced acquisition stage. These new projects represent over 1,000 residential units which are expected to create a sales volume of roughly €470 million.

The findings from the *Project Developer Survey 2018* conducted by bulwiengesa further substantiated our successful growth strategy. Once again, Instone Real Estate occupied the second place among Germany's residential home developers. In the overall rating across all asset classes, Instone came in fourth again. With our project development volume reaching a total 478,890 square meters of space Germany-wide, we moved much closer to the third position compared to last year's 2,100 square meters' figure.

Our aim is to further expand this position and to enlarge our attractive project portfolio, currently worth €3.4 billion. With our 27 years of experience and your confidence, we are headed into the next quarter with a positive outlook and would like to thank you for your trust.

Your Management Board of Instone Real Estate Group N.V.

KEY FIGURES

in € million	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18
Volume of sales contracts	90.8	211.2	299.7	358.1	30.0
Volume of new permits	0.0	174.2	378.0	506.1	0.0
Handovers	17.9	43.7	126.1	201.8	30.3
Project portfolio (existing projects)	n/a	3,039.8	3,374.8	3,410.0	3,408.5
in units	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18
Volume of sales contracts	193	527	716	826	56
Volume of new permits	0	555	1,013	1,371	0
Handovers	10	62	270	460	75
Project portfolio (existing projects)	n/a	7,675	8,042	8,390	8,355
in € million	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18
Operating performance	39.6	91.5	154.2	319.9	69.3
Consolidated earnings before interest and tax (EBIT)	-3.3	-9.6	3.9	-10.8	9.1
Consolidated earnings before tax (EBT)	-8.5	-20.1	-11.0	-31.2	6.0
Consolidated earnings after tax (EAT)	-8.2	-18.6	-13.0	-31.0	-7.0
Earnings per share (in €)	-0.23	-0.51	-0.36	-0.84	-0.17

Unless otherwise stated, the key figures are the cumulative status of the reporting year as at the reporting date.

HIGHLIGHTS

The first quarter in the real estate calendar tends to be defined by early real estate fairs, studies on the development of property companies in the previous year, and project business. Our Instone highlights will portray a selection of events during the first quarter 2018 that are relevant to Instone Real Estate.

ROOFING CEREMONY OF INSTONE REAL ESTATE FOR FURTHER 111 APARTMENTS IN HAMBURG-ALTONA

17.01.2018, HAMBURG







KEY PERFORMANCE INDICATORS

The strategy of Instone Real Estate is to create additional value for its project portfolio and to keep and further strengthen the Company's competitive position in the German residential real estate development market. To achieve this, the Company will leverage its strong platform and deep market knowledge and expand its competitive position in the German residential development sector. Also, Instone Real Estate aims to fuel further growth through the realisation of growth opportunities, among others in Germany's key metropolitan regions, for which Instone Real Estate expects further growth potential.

The business success of Instone Real Estate depends to a large extent on the Company's revenue growth and German market leadership. Results-based key financial performance indicators (KPIs) used in managing the Group include gross profit and EBIT.

The management of Instone Real Estate also uses the following key performance indicators to lead the Group:

VOLUME OF SALES CONTRACTS

The volume of sales contracts covers all sales-related transactions such as notarised sales contracts and individual orders from customers, supplemented by rental income.

VOLUME OF NEW INTERNAL ACQUISITION PERMITS

The volume of new internal acquisition permits for Instone Real Estate is seen as an indicator for the trend of the future business volume – expressed in revenue.

HANDOVERS

Transfer of title, use and encumbrances to the buyers of the properties that are for sale.

PROJECT PORTFOLIO/PROJECT STATUS

Instone divides its project portfolio into three different stages, depending on the development status of the respective project. A *pre-sale* status defines projects where land has either been bought or secured but where marketing has not yet been released for launch and therefore has not yet commenced. Once marketing has been released and launched, a *pre-construction* status applies. Once a project's construction is underway, and until its complete handover, its status is *under construction*.

BUSINESS DEVELOPMENT

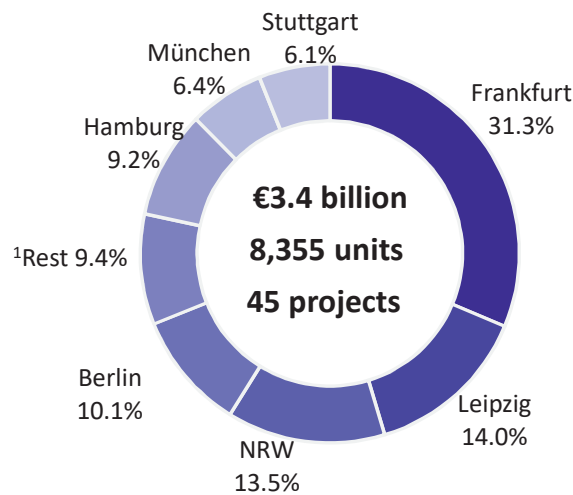
For the period under review, the recorded volume of sales contracts totaled €30.0 million, which includes 56 residential units. The period value is therefore clearly below that of the same period last year, which totaled €90.8 million. The reason for this is that 2018's principal marketing launches will presumably take place in the second half of the year. No contracts of sales from customers were cancelled during the period under review.

No new projects were approved in Q1 2018.

The 75 residential units that were handed over in Q1 2018 equate a total value of €30.3 million. As these handovers are from projects in the process of being transferred or partially transferred, they continue to be included in the project portfolio.

The project portfolio on the quarterly closing date comprises 45 projects and currently points to an anticipated overall volume of revenue of €3,408.5 million, which reflects stability in relation to 31 December 2017.

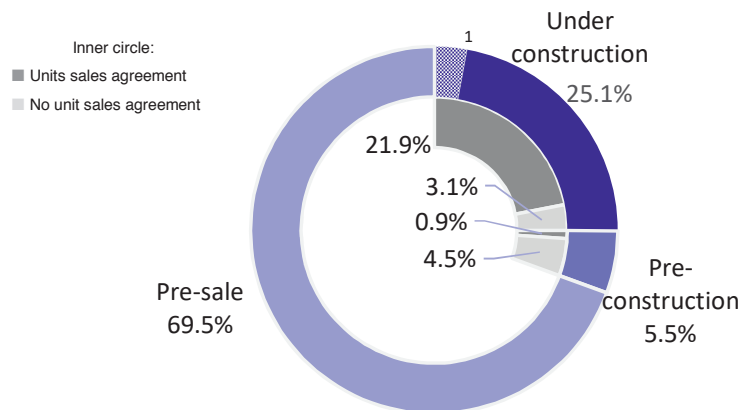
PROJECT PORTFOLIO BY REGION; BASED ON SALES VOLUME



1) includes Wiesbaden, Ulm, Freiburg, Mannheim

The main share in the expected overall sales volume of the project portfolio as at 31 March 2018, approximately 91%, is situated in the key metropolitan regions (Berlin, Bonn, Cologne, Dusseldorf, Frankfurt am Main, Hamburg, Leipzig, Munich and Stuttgart) and 9% in other prospering medium-sized cities (cf. Project portfolio by region).

PROJECT PORTFOLIO BY STATUS; BASED ON SALES VOLUME



1) 2.9% of the project portfolio were already handed over

As shown in the *Project portfolio by status* diagram, around 23% of the project portfolio's expected overall sales volume were already sold by the quarterly closing date.

NET ASSETS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NET ASSETS

The balance sheet total fell by €110.0 million to €679.1 million on the balance sheet date. This decrease is essentially the result of the first-time adoption of IFRS 15 for the reporting period starting 1 January 2018 and ending 31 March 2018, and the respective offsetting tied to this.

The equity ratio on the balance sheet date was around 31.7%. The nominal increase in equity by €162.9 million to €215.2 million is mainly the result of income generated from the issue of 7,000,000 fresh shares plus the first-time adoption of IFRS 15.

FINANCIAL CONDITION

The Group's cash and cash equivalents have increased by €66.5 million, to €140.2 million and largely stem from the influx of funds following the successful issue of new shares in the amount of €150.5 million, minus the repayment of shareholder loans in the amount of €55.6 million.

Financial liabilities have decreased to €305.4 million. The decrease by €70.3 million is essentially the result of repaying the shareholder loans.

During the period under review, no major investments were made towards the consolidated non-current assets.

RESULTS OF OPERATIONS

Instone Real Estate Group closed the first quarter in 2018 with positive earnings before taxes of €6.0 million. The first-time adoption of IFRS 15 positively impacted the operating performance during the period under review.

OUTLOOK

We confirm our outlook for the financial year 2018 as been given in the annual report for the financial year 2017.

In particular, we expect the volume of concluded sales contracts to increase to more than €500 million based on projects available for sale or ready for the start of the marketing phase.

Based on the planned handovers for 2018, we expect an operating performance of more than €500 million and an adjusted EBT between €25 million and €30 million without taking into account the first-time adoption of IFRS 15. We expect better operating results for the future as the effects of PPA will not impact future results as much compared to previous years.

NOTES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in thousands of euros	31 March 2018	31 December 2017
Assets		
Non-current assets		
Intangible assets	3	0
Property, plant and equipment	1,550	1,597
Equity-method investments	318	396
Other financial assets	308	333
Financial receivables	683	683
Other receivables	1,022	1,022
	3,885	4,032
Current assets		
Inventories	386,270	659,444
Financial receivables	6,688	32,360
Trade receivables	117,709	4,217
Other receivables and other assets	23,346	15,452
Current income tax assets	1,062	0
Cash and cash equivalents	140,173	73,624
	675,248	785,097
Total assets	679,132	789,130
Equity and liabilities		
Equity		
Share capital	36,988	8
Capital reserve	192,252	85,379
Retained earnings/loss carryforwards	-14,593	-34,329
Accumulated other comprehensive income	-348	-348
Equity attributable to shareholders	214,299	50,710
Non-controlling interests	868	1,510
Total equity	215,168	52,220
Non-current liabilities		
Provisions for pensions and similar obligations	4,334	4,181
Other provisions	1,271	1,330
Financial liabilities	183,860	241,007
Deferred tax liabilities	31,439	7,669
	220,904	254,188
Current liabilities		
Other provisions	14,974	49,159
Financial liabilities	121,549	134,672
Trade payables	77,714	275,692
Other liabilities	13,006	9,406
Income tax liabilities	15,817	13,793
	243,060	482,721
Total equity and liabilities	679,132	789,130

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

in thousands of euros	1 Jan.–31 Mar. 2018	1 Jan.–31 Mar. 2017
Revenue	34,847	26,154
Changes in inventories	34,429	13,436
	69,276	39,590
Other operating income	2,704	1,351
Cost of materials	-46,961	-30,160
Staff costs	-7,222	-6,423
Other operating expenses	-8,583	-7,606
Income from associated affiliates	-79	24
Other income from investments	93	68
Earnings before interest, tax, depreciation and amortization (EBITDA)	9,229	-3,156
Depreciation and amortization	-114	-95
Earnings before interest and tax (EBIT)	9,115	-3,251
Finance income	74	0
Finance costs	-3,157	-5,277
Write-down of long-term securities	-13	0
Finance result	-3,096	-5,277
Earnings before tax (EBT)	6,019	-8,528
Income taxes	-13,033	324
Earnings after tax (EAT)	-7,015	-8,204
Attributable to:		
Shareholders of the Group	-6,373	-8,488
Non-controlling interests	-642	283
	-7,015	-8,204

CONTACT/ FINANCIAL CALENDAR

29 June 2018

General shareholders' meeting

August 2018

Publication of half-year financial report

November 2018

Publication of quarterly statement (Q3 closing date)

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