INSTONE REAL ESTATE

21 Q3

Q3 QUARTERLY STATEMENT

INSTONE REAL ESTATE GROUP

30 SEPTEMBER 2021

Key performance indicator overview

TABLE 001

In millions of euros

		9m 2021	9m 2020
Performance indicators			
Volume of sales contracts		378.4	218.4
Volume of new approvals [1]		1,333.4	296.2
Revenue adjusted		405.6	291.3
Key earnings figures			
Gross profit adjusted		121.0	94.1
Gross profit margin adjusted	In %	29.8	32.3
EBIT adjusted		65.3	50.0
EBIT margin adjusted	In %	16.1	17.2
EBT adjusted		55.2	34.4
EBT margin adjusted	In %	13.6	11.8
EAT adjusted		40.3	24.9
EAT margin adjusted	In %	9.9	8.5
Key liquidity figures			
Cash flow from operations		112.0	26.4
Cash flow from operations without new investments		185.1	98.6
Free cash flow		178.2	– 84.6
Cash and cash equivalents and term deposits [2]		231.5	241.5

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

[2] Term deposits are comprised of cash investments of more than three months.

Key performance indicator overview

TABLE 001

In millions of euros

		30/09/2021	31/12/2020
Performance indicators			
Project portfolio		7,154.9	6,053.6
Key balance sheet figures			
Total assets		1,407.3	1,283.1
Equity		539.1	521.0
Net financial debt [1]		168.9	249.7
Leverage [2]		1.6	2.8
Loan-to-cost [3]	In %	15.6	25.7
ROCE [4] adjusted	In %	14.3	10.3
Employees			
Number		441	413
FTE [5]		364.7	342.5

[1] Net financial debt = financial liabilities less cash and cash equivalents and term deposits.

[2] Debt-to-equity ratio = net financial debt / 12-month adjusted EBITDA

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

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

[5] Full Time Employees.

OVERVIEW Q3 2021

VOLUME OF SALES CONTRACTS (9M)
increased to

€378.4 MILLION

Previous year: €218.4 million

ADJUSTED REVENUE (9M)
increased to

€405.6 MILLION

Previous year: €291.3 million

PROJECT PORTFOLIO
of

€7.2 BILLION

31/12/2020: €6.1 billion

ADJUSTED EAT (9M)
significantly increased to

€40.3 MILLION

Previous year: €24.9 million

ADJUSTED GROSS PROFIT MARGIN (9M)
of

29.8%

Previous year: 32.3%

LEVERAGE
was at

1.6

31/12/2020: 2.8

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REPORT ON THE GROUP’S POSITION

Business model and organisational structure

Instone Real Estate is one of Germany's leading residential real estate developers. Its shares are listed on the SDAX on the Frankfurt Stock Exchange. In line with a resolution passed by the shareholders at this year's Annual General Meeting, the conversion of Instone Real Estate into a European Stock Corporation (Societas Europaea - SE) took place in September 2021. The Instone Group 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 marketed to owner-occupiers, retail buy-to-let investors and institutional investors. Over the past 30 years, Instone has handled more than one million square metres of real estate. The Company employs 441 employees across nine locations in Germany. As at 30 September 2021, the project portfolio of Instone Real Estate included 53 development projects with an anticipated gross development value of approximately €7.2 billion and 15,913 units.

As at 30 September 2021, approximately 86% of our portfolio (based on anticipated revenue volume after completion of development) was located in the most important conurbations and metropolitan areas in Germany (Berlin, Bonn, Dusseldorf, Frankfurt am Main, Hamburg, Cologne, Leipzig, Munich, Nuremberg and Stuttgart) and approximately 14% in other prosperous medium-sized cities. Well-connected suburbs and medium-sized cities in the metropolitan regions are becoming increasingly attractive and can thus help to meet the generally high demand for residential space.

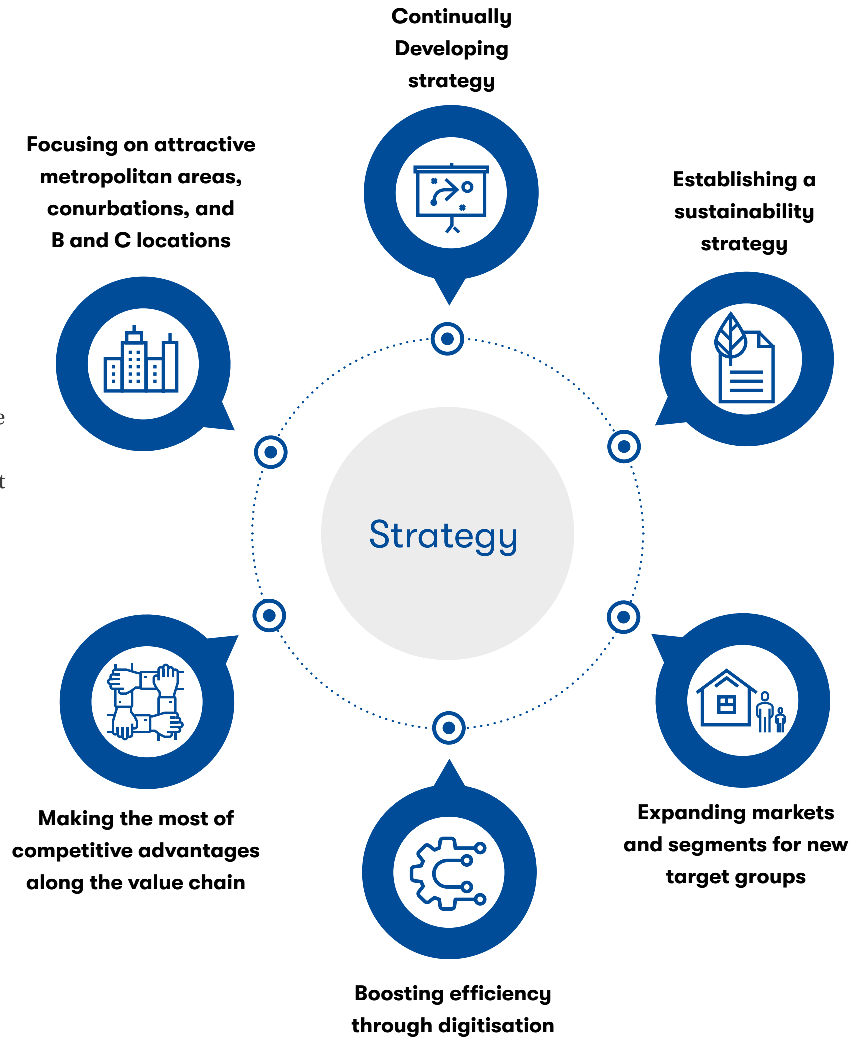
Coverage of the entire value chain

Instone Real Estate is the only listed developer in Germany that exclusively focuses on residential real estate and also covers the entire value chain. The Instone Group offers a fully integrated platform across Germany which covers land acquisition, land development, concept planning and construction management through to marketing and sales.

Strategy

As one of the leading developers of residential real estate in Germany, Instone Real Estate consistently pursues a strategy of profitable growth. This strategy takes advantage of the highly attractive opportunities in the German market while creating added value for all stakeholders. This particularly includes our customers, employees, shareholders, local authorities and the social environment in which we operate. The strategy comprises the following key elements:

- → Continued focus on the most attractive metropolitan regions and conurbations in Germany
- → Growth through expansion of our innovative "Affordable housing" product
- → Taking advantage of short-term market opportunities, particularly in terms of land acquisitions
- → Using competitive advantages based on comprehensive expertise at all stages of the value chain
- → Exploiting efficiency gains through digitisation
- → Implementing a sustainability strategy and sustainability management



Governance key performance indicators

Financial and real estate business key performance indicators

Important governance key performance indicators

For governance of our sustainable economic success, we use the profit-based key performance indicators (KPIs) of adjusted revenue, adjusted gross profit margin and adjusted earnings after tax (EAT) as financial performance indicators and the real estate business key performance indicator of volume of sales contracts as a non-financial performance indicator.

Other key performance indicators

In addition, the management of Instone Real Estate uses the following KPIs for analysis and reporting: current sales supply, project portfolio, volume of new approvals, project gross profit or loss and project gross profit margin.

Further information on corporate governance key performance indicators, in particular regarding their calculation, can be found on ↗ pages 93–94 in the 2020 Annual Report.

Results of operations, net assets and financial position

Cumulative financial key performance indicators TABLE 002

In millions of euros

	9m 2021	9m 2020	Change
Revenue adjusted[1]	405.6	291.3	39.2%
Gross profit adjusted	121.0	94.1	28.6%
Gross profit margin adjusted[1]	29.8%	32.3%	
EBIT adjusted	65.3	50.0	30.6%
EBT adjusted	55.2	34.4	60.5%
EAT adjusted[1]	40.3	24.9	61.8%

[1] Financial performance indicators.

Results of operations

To present the results of operations, some items in the income statement are combined into new items:

→ Cost of materials and changes in inventories form project costs.

→ The gross profit item is the balance of revenue and project costs.

→ Other operating income, staff costs as well as other operating expenses and depreciation and amortisation are summarised under the heading Platform costs.

→ The consolidated earnings from operating activities and share of results of joint ventures form earnings before interest and tax (EBIT).

From the results of operations, the following adjustments are made to the adjusted results of operations, which are relevant from the point of view of the Management of the Instone Group:

As part of the adjusted results of operations of the Instone Group, revenue recognition will continue to reflect share deals and asset deals in the same way and similarly in accordance with IFRS 15, irrespective of a decision by the IFRS IC to exempt share deals from revenue recognition over time under IFRS 15.

Adjusted earnings after tax are intended to reflect the sustained profitability and are thus adjusted for non-recurring effects relating to other periods. In particular, the following significant expenses are adjusted for disposal losses from sales of tangible or financial assets or securities, unscheduled depreciation and amortisation of tangible and financial assets, costs for acquisitions, merger losses, contractual penalties, demands for additional taxes from previous years (e.g. based on audits), severance payments to the Management Board, and personnel reductions and restructuring to a greater extent, if these do not meet the strict criteria set out in IAS 37. The adjustment of material income includes, in particular, income from capital gains arising from sales of non-current assets, compensation for damages, write-ups on non-current assets, refunds of taxes from previous years based on audits, reversals of provisions for extraordinary events and merger gains.

The ongoing effects from purchase price allocations following the expansion of the scope of consolidation in previous years have also been eliminated in the adjusted income figures.

The calculation of the individual adjusted items results from the following items in the income statement and the above-mentioned consolidated items:

→ Adjusted revenue is revenue adjusted for the effects from purchase price allocations and including effects from share deal agreements.

→ The adjusted project costs include the project costs adjusted for the material cost-induced other operating income (income opposed by a directly attributable item in cost of materials), indirect selling expenses and capitalised interest. It thus reflects the external costs allocated to the project developments.

→ Adjusted gross profit is the result of adjusted revenue less adjusted project costs.

→ Adjusted platform costs are the platform costs less other operating income after subtracting the cost of materials and indirect sales expenses allocated to project costs and adjusted for non-recurring effects.

→ Earnings of associates are the pro rata earnings contributions of subsidiaries included in the consolidated financial statements using the equity method.

→ Adjusted earnings before interest and tax are the adjusted gross profit reduced by the adjusted platform costs, plus the earnings of companies consolidated at equity.

→ Adjusted investment and financial result is the total of other income from investments, finance income, finance costs, and depreciation and amortisation on securities classified as financial assets less capitalised interest.

Adjusted results of operations TABLE 003

In millions of euros

	9m 2021	9m 2020	Change
Revenue adjusted	405.6	291.3	39.2%
Project costs adjusted	– 284.6	– 197.2	44.3%
Gross profit adjusted	**121.0**	**94.1**	**28.6%**
Gross profit margin adjusted	**29.8%**	**32.3%**	
Platform costs adjusted	– 58.3	– 44.8	30.1%
Share of results of joint ventures adjusted	2.6	0.7	n/a
Earnings before interest and tax (EBIT) adjusted	**65.3**	**50.0**	**30.6%**
EBIT margin adjusted	**16.1%**	**17.2%**	
Income from investments adjusted	0.1	– 1.2	n/a
Financial result adjusted	– 10.2	– 14.3	– 28.7%
Earnings before tax (EBT) adjusted	**55.2**	**34.4**	**60.5%**
EBT margin adjusted	**13.6%**	**11.8%**	
Income taxes adjusted	– 14.9	– 9.6	– 55.2%
Earnings after tax (EAT) adjusted	**40.3**	**24.9**	**61.8%**
EAT margin adjusted	**9.9%**	**8.5%**	

→ Adjusted earnings before tax results from adjusted earnings before interest and tax less the adjusted investment and financial result.

→ Adjusted income taxes correspond to income taxes adjusted for the tax effects of purchase price allocations, share deal agreements and non-recurring effects.

→ Adjusted earnings after tax are the adjusted earnings before tax less the adjusted income taxes.

Revenue

In the first nine months of the 2021 financial year, adjusted revenue rose by around 40% to €405.6 million (previous-year period: €291.3 million). This increase in revenue is due to the successful marketing and construction progress of the ongoing project developments. It also reflects the continued strong demand for residential real estate in contrast to the significant Covid-19-related slump in sales in the same period of the previous year.

Effects from purchase price allocations had an impact of €0.5 million on reported revenue (previous-year period: €0.7 million). The separate valuation of share deals ("Westville" project) increased the adjusted revenue by €32.7 million (previous-year period: €14.8 million).

Revenue TABLE 004

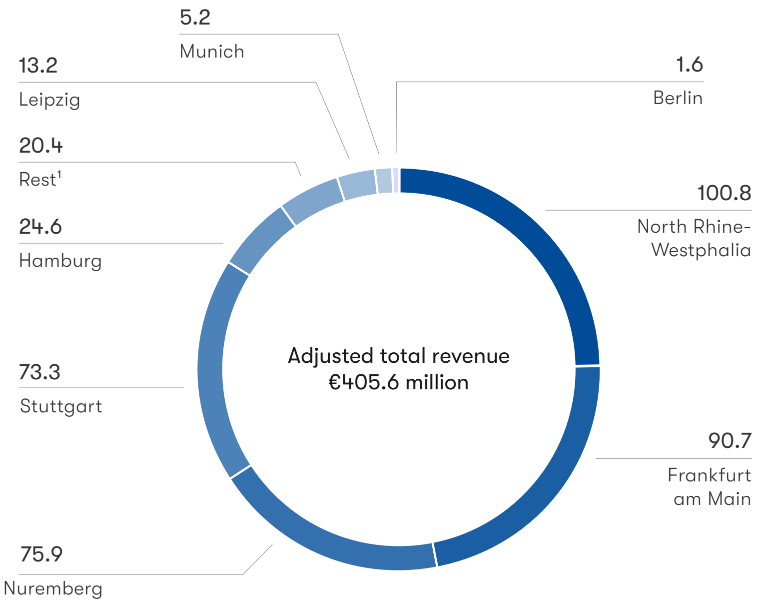
In millions of euros

	9m 2021	9m 2020	Change
Revenue	**372.4**	**275.9**	**35.0%**
+ effects from purchase price allocations	0.5	0.7	– 28.6%
+ effects from share deal agreements	32.7	14.8	120.9%
Revenue adjusted	**405.6**	**291.3**	**39.2%**

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 Potsdam, among others (€15.8 million) and Wiesbaden (€4.3 million).

Project costs

The adjusted project costs, significantly influenced by the cost of materials and changes in inventories, rose to €284.6 million in the first nine months of 2021 (previous-year period: €197.2 million).

The expenses from the purchase of land, which was slightly above the level in the same period of the previous year, amounted to €67.3 million (previous-year period: €60.8 million) and the increased construction work in comparison with the same period in the previous year led to an increase in the cost of materials to €323.1 million (previous-year period: €251.4 million). Changes in inventories fell to €62.0 million (previous-year period: €73.3 million) mainly due to higher inventory reductions from the sales of project developments.

Indirect sales expenses allocated to the project costs amounted to €2.0 million as at 30 September 2021 (previous-year period: €1.8 million). The adjustment of the capitalised interest in the changes in inventories of €2.1 million (previous-year period: €3.7 million) added to the project costs. The elimination of effects from purchase price allocations reduced the adjusted project costs by €– 6.9 million (previous-year period: €– 0.3 million). Due to the separate valuation of the share deals, project costs increased by €26.3 million (previous-year period: €13.9 million).

Project costs TABLE 005

In millions of euros

	9m 2021	9m 2020	Change
Project costs	**261,1**	**178,1**	**46,6%**
+ effects from purchase price allocations	– 6,9	– 0,3	k.A.
+ effects from reclassifications	4,1	5,6	– 26,8%
+ effects from share deal agreements	26,3	13,9	89,2%
Project costs adjusted	**284,6**	**197,2**	**44,3%**

Gross profit

The adjusted gross profit improved by around 29% compared with the previous-year figure, reaching 121.0 million (previous-year period: 94.1 million) due to the increase in revenue in the first nine months of the year.

Gross profit TABLE 006

In millions of euros

	9m 2021	9m 2020	Change
Gross profit	**111.3**	**97.8**	**13.8%**
+ effects from purchase price allocations	7.3	1.0	k.A.
+ effects from reclassifications	– 4.1	– 5.6	– 26.8%
+ effects from share deal agreements	6.4	0.9	k.A.
Gross profit adjusted	**121.0**	**94.1**	**28.6%**
Gross profit margin adjusted	**29.8%**	**32.3%**	

The adjusted gross profit margin – calculated from the adjusted gross profit relating to the adjusted revenue – amounted to 29.8% (previous-year period: 32.3%). As expected, the adjusted gross profit margin fell in the nine months of 2021 compared to the same period in the previous year.

Platform costs

The adjusted platform costs increased to €58.3 million (previous-year period: €44.8 million). In the first half of 2021, indirect sales costs of €2.0 million (previous-year period: €1.8 million) were reclassified in project costs.

Platform costs TABLE 007

In millions of euros

	9m 2021	9m 2020	Change
Platform costs	**60.3**	**46.6**	**29.4%**
+ effects from reclassifications	– 2.0	– 1.8	11.1%
Platform costs adjusted	**58.3**	**44.8**	**30.1%**

In the first nine months of the 2021 financial year, staff costs rose to €38.1 million compared to the previous year (previous-year period: €30.8 million). This is mainly due to the higher number of employees as at the reporting date of 441 (30 September 2020: 408) and the corresponding increase in the FTE figure of 364.7 (30 September 2020: 333.7). Other operating income dropped to €2.6 million mainly due to lower income from settlements connected with legal disputes (previous-year period: €5.6 million). Other operating expenses decreased to 21.3 million in the period under review (previous-year period: €18.4 million). Depreciation and amortisation was €3.5 million (previous-year period: €3.0 million), a slight increase compared to the previous year.

Share of results of joint ventures

The adjusted share of results from joint ventures amounting to €2.6 million (previous-year period: €0.7 million) was mainly generated from a joint venture's successfully marketed project development.

Earnings before interest and tax (EBIT)

Adjusted earnings before interest and tax rose significantly by around 30.6% to €65.3 million in the first half of 2021, mainly due to the higher revenue volume and the improved gross profit (previous-year period: €50.0 million).

EBIT TABLE 008

In millions of euros

	9m 2021	9m 2020	Change
EBIT	**53.6**	**51.8**	**3.5%**
+ effects from purchase price allocations	7.3	1.0	n/a
+ effects from reclassifications	– 2.1	– 3.8	– 44.7%
+ effects from share deal agreements	6.4	0.9	n/a
EBIT adjusted	**65.3**	**50.0**	**30.6%**
EBIT margin adjusted	**16.1%**	**17.2%**	

Investment and financial result

The adjusted result from investments amounted to €0.1 million in the first nine months of 2021 (previous-year period: €– 1.2 million) and thus had no material impact on the results of operations.

The financial result decreased in the first nine months of 2021 to €– 12.3 million (previous-year period: €– 18.1 million). The scheduled reduction in interest expenses is mainly due to the refinancing to better conditions successfully carried out in 2020 and the lower utilisation of project financing in the current period under review compared to the previous-year period.

The financial result, adjusted for the interest from project financing capitalised in the changes in inventories before the start of sales in the amount of €2.1 million (previous-year period: €3.8 million), improved to €– 10.2 million (previous-year period: €– 14.3 million).

Earnings before tax (EBT)

Adjusted earnings before tax rose significantly by around 61% to €55.2 million (previous-year period: €34.4 million) mainly due to the increase in revenue, the improved gross profit and the reduced interest expenses.

EBT TABLE 009

In millions of euros

	9m 2021	9m 2020	Change
EBT	**41.4**	**32.5**	**27.4%**
+ effects from purchase price allocations	7.3	1.0	n/a
+ effects from share deal agreements	6.4	0.9	n/a
EBT adjusted	**55.2**	**34.4**	**60.5%**
EBT margin adjusted	**13.6%**	**11.8%**	

Income taxes

Adjusted income taxes amounted to €14.9 million in the first nine months of the year (previous-year period: €9.6 million). The tax rate in the adjusted results of operations was around 27% in the reporting period (previous-year period: around 28%).

Income taxes in the reported earnings amounted to an expense of €12.6 million (previous-year period: €9.3 million).

Earnings after tax (EAT)

As a result of the effects mentioned above, the adjusted earnings after tax of the Instone Group totalled €40.3 million (previous-year period: €24.9 million). Before adjustment for effects from purchase price allocations as well as effects from share deal contracts, reported earnings after tax were €28.8 million (previous-year period: €23.3 million).

EAT TABLE 010

In millions of euros

	9m 2021	9m 2020	Change
EAT	**28.8**	**23.3**	**23.6%**
+ effects from purchase price allocations	5.1	0.7	n/a
+ effects from share deal agreements	6.3	0.9	n/a
EAT adjusted	**40.3**	**24.9**	**61.8%**
EAT margin adjusted	**9.9%**	**8.5%**	

Earnings after tax and after minority interests

The non-controlling interests in reported and adjusted earnings after tax amounted to €–2.5 million (previous-year period: €0.0 million).

Earnings after tax and after minority interests TABLE 011

In millions of euros

	9m 2021	9m 2020	Change
EAT after minority interests	**31.3**	**23.3**	**34.3%**
+ effects from purchase price allocations	5.1	0.7	n/a
+ effects from share deal agreements	6.3	0.9	n/a
EAT adjusted after minority interests	**42.8**	**24.9**	**71.9%**

Earnings per share

Adjusted earnings per share after minority interests were significantly higher in the first nine months of 2021 at €0.91 (previous-year period: €0.63). In the second half of 2020, 10 million new shares were issued as part of a capital increase.

Earnings per share TABLE 012

In millions of euros

	9m 2021	9m 2020	Change
Shares (in thousands of units) [1]	46,988.3	39,726.7	18.3%
Owners of the Company	31.3	23.3	34.3%
Earnings per share (in euros)	0.67	0.59	13.6%
Owners of the Company adjusted	42.8	24.9	71.9%
Earnings per share adjusted (in euros)	0.91	0.63	45.3%

[1] Average weighted number of shares as at 30 September 2020 adjusted due to the issue of bonus shares

Net assets

Condensed statement of financial position [1] TABLE 013

In millions of euros

	30/09/2021	31/12/2020	Change
Non-current assets	57.9	52.9	9.5%
Inventories	839.8	777.8	8.0%
Contract assets	245.3	194.2	26.3%
Other receivables and assets	32.9	26.3	25.1%
Cash and cash equivalents and term deposits	231.5	232.0	– 0.2%
Assets	**1,407.4**	**1,283.1**	**9.7%**
Equity	539.1	521.0	3.5%
Liabilities from corporate finance	197.4	207.2	– 4.7%
Liabilities from project-related financing	203.0	274.5	– 26.0%
Provisions and other liabilities	467.9	280.4	66.9%
Equity and liabilities	**1,407.4**	**1,283.1**	**9.7%**

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

The total assets of the Instone Group increased to €1,407.4 million as at 30 September 2021 (31 December 2020: €1,283.1 million). This was mainly attributable to the increase in inventories and contract assets.

As at 30 September 2021, inventories had risen to €839.8 million (31 December 2020: €777.8 million). On the one hand, this increase in inventories results from the additions from the purchase of new land for future residential project developments and capitalised construction services and, on the other, from disposals in connection with concluded sales agreements. As at 30 September 2021, acquisition costs and incidental acquisition costs for land amounting to €618.0 million (31 December 2020: €583.7 million) were included in inventories.

Receivables from customers for work-in-progress already sold (contract assets, gross) and valued at the current fulfilment of development had increased to €703.9 million as at 30 September 2021 (31 December 2020: €573.1 million) due to increased completions and sales. Payments received from customers amounted to €463.1 million as at 30 September 2021 (31 December 2020: €383.5 million). Capitalised direct distribution costs increased to €4.5 million (31 December 2020: €4.6 million), the same level as last year. The balance of these items resulted in an increase in the contract assets recognised in the balance sheet to €245.3 million (31 December 2020: €194.2 million).

Contract assets TABLE 014

In millions of euros

	30/09/2021	31/12/2020	Change
Contract assets (gross)	703.9	573.1	22.8%
Payments received	– 463.1	– 383.5	20.8%
	240.8	**189.6**	**27.0%**
Capitalised costs to obtain a contract	4.5	4.6	– 2.2%
Contract assets (net)	**245.3**	**194.2**	**26.3%**

Due to the first-time consolidation of Instone Real Estate Development GmbH in 2014 and Instone Real Estate Leipzig GmbH in 2015 as well as the business activities of S&P Stadtbau GmbH in the 2019 financial year, as at 30 September 2021 inventories and contract assets still included write-ups of €35.7 million (31 December 2020: €43.0 million) from purchase price allocations. Based on current estimates, the Instone Group expects these effects to expire in 2024.

The shares accounted for using the equity method, which also included investments in project companies, rose in the first half of 2021 to €13.4 million (31 December 2020: €10.9 million) due to project developments in joint ventures starting to be realised.

The non-current financial receivables without term deposits amounting to €24.2 million (31 December 2020: €21.5 million) included loans to joint ventures accounted for using the equity method and grew in the first nine months of the financial year due to further payments to joint ventures.

Cash and cash equivalents as well as long-term and short-term term deposits of €231.5 million (31 December 2020: €232.0 million) changed only slightly, as the positive operating inflow of funds was offset by project financing repayments. As at the reporting date, the term deposits amounted to a total of €75.0 million (31 December 2020: €145.0 million) and had a maturity of more than three months. For more information, please refer to the Group's consolidated statement of cash flows. Page 31 et seq.

Non-current financial liabilities decreased to €205.5 million as at 30 September 2021 (31 December 2020: €313.7 million). In the same period, current financial liabilities decreased to €194.9 million (31 December 2020: €168.0 million).

Liabilities from net assets attributable to non-controlling interests amounting to €0.0 million (31 December 2020: €10.3 million) related to shares of the non-controlling interests of "Projekt Wilhelmstraße Wiesbaden GmbH & Co. KG". This reduction resulted from the scheduled withdrawal of the shareholders from the company's assets.

Trade payables increased during the first nine months of 2021 to €103.1 million (31 December 2020: €68.9 million) and mainly comprise the services provided by contractors that had not yet been settled as at the reporting date.

Other short-term liabilities of €253.2 million (31 December 2020: €88.7 million) mainly included advance payments received for work-in-progress.

Net financial debt and debt-to-equity ratio TABLE 015

In millions of euros

	30/09/2021	31/12/2020	Change
Non-current financial liabilities	205.5	313.7	–34.5%
Current financial liabilities	194.9	168.0	16.0%
Financial liabilities	**400.4**	**481.7**	**–16.9%**
– Cash and cash equivalents and term deposits	–231.5	–232.0	–0.2%
Net financial debt (NFD)	**168.9**	**249.7**	**–32.4%**
Inventories and contract assets	1,085.1	971.9	11.6%
Loan-to-cost [1]	**15.6%**	**25.7%**	
EBIT adjusted (LTM [2])	99.1	83.8	18.3%
Depreciation and amortisation (LTM [2])	4.5	4.1	9.8%
EBITDA adjusted (LTM [2])	**103.6**	**87.9**	**17.9%**
Leverage (NFD/EBITDA adjusted [LTM [2]])	1.6	2.8	

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

[2] LTM = last twelve months.

The equity ratio as at 30 September 2021 was 38.3% (31 December 2020: 40.6%).

Leverage has decreased compared to the corresponding value of the previous year. The disproportionately reduced net debt of €168.9 million (31 December 2020: €249.7 million) resulting from the positive operating cash inflow has reduced the leverage to 1.6 times (31 December 2020: 2.8 times) adjusted EBITDA. At the same time, the ratio of net debt to balance sheet inventories and contract assets improved to 15.6% (31 December 2020: 25.7%).

Financial position

Utilisation of lines of corporate finance amounted to €197.5 million (31 December 2020: €206.0 million). Utilisation of lines of project financing decreased to €186.4 million (31 December 2020: €275.9 million). The total funding available, now amounting to €626.2 million (31 December 2020: €798.7 million), decreased during the period under review as more project financing came to an end than was newly agreed. As at 30 September 2021, there were unused credit lines available to Instone Real Estate amounting to €113.8 million (31 December 2020: €163.7 million) from project financing and €119.0 million (31 December 2020: €119.0 million) from corporate finance.

In the first nine months of 2021, recognised liabilities from corporate finance increased to €197.4 million (31 December 2020: €206.9 million). Recognised liabilities from project-related financing decreased to €185.9 million (31 December 2020: €274.5 million). Loans received from minority shareholders amounted to €17.1 million (31 December 2020: €0 million). Recognised total liabilities from financing operations thus fell to €400.4 million on the reporting date (31 December 2020: €481.5 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 TABLE 016

In millions of euros

	Due by	Credit line	Utilisation as at 30/09/2021
Corporate finance			
Promissory note loan	31/08/2022	69.5	69.5
Promissory note loan	31/08/2024	28.0	28.0
Promissory note loan	31/08/2025	100.0	100.0
Syndicated loan	31/12/2023	94.0	0.0
Current account loans < 1 year	30/09/2022	5.0	0.0
Current account loans > 1 and < 2 years	30/09/2023	20.0	0.0
		316.5	**197.5**
Project financing			
Term < 1 year	30/09/2022	136.1	124.3
Term > 1 and < 2 years	30/09/2023	19.5	12.6
Term > 2 and < 3 years	30/09/2024	155.3	51.3
Term > 3 years	30/09/2024	14.9	14.4
		325.8	**202.5**

Condensed statement of cash flows TABLE 017

In millions of euros

	9m 2021	9m 2020	Change
Cash flow from operations	112.0	26.4	n/a
Cash flow from investing activities	66.3	– 111.0	n/a
Free cash flow	**178.2**	**– 84.6**	**n/a**
Cash flow from financing activities	– 108.7	109.0	n/a
Cash change in cash and cash equivalents	**69.5**	**24.4**	**n/a**
Cash and cash equivalents at the beginning of the period	87.0	117.1	– 25.7%
Cash and cash equivalents at the end of the period	**156.5**	**141.5**	**10.6%**

The cash flow from operations of the Instone Group of €112.0 million in the first nine months of 2021 (previous-year period: €26.4 million) was essentially due to the increased payment flows from customer payments for current projects with simultaneous purchase price payments and land acquisition taxes for land plots totalling €73.1 million (previous-year period: €72.2 million).

In the first nine months of the 2021 financial year, the Instone Group was able to achieve a positive overall cash flow from operations and thus strengthen its position in terms of cash and cash equivalents. The operating cash flow, adjusted for payments for land, in the period under review was distinctly positive at €185.1 million (previous-year period: €98.6 million). This underpins the sustained positive return flows of liquidity to the Instone Group from the current residential property developments, in spite of the ongoing restrictions due to the coronavirus crisis.

Cash flow from operations TABLE 018

In millions of euros

	9m 2021	9m 2020	Change
EBITDA adjusted	68.7	53.0	29.6%
Other non-cash items	– 11.5	– 5.5	109.1%
Taxes paid	– 8.0	– 13.3	– 39.8%
Change in working capital	62.8	– 7.8	k.A.
Cash flow from operations	**112.0**	**26.4**	**– 324.2%**
Payments for land	73.1	72.2	1.2%
Cash flow from operations without new investments	**185.1**	**98.6**	**87.8%**

Cash flow from investing activities amounted to €66.3 million in the period under review (previous-year period: €– 111.0 million). This was mainly influenced by the change in long-term and short-term financial assets in terms of free liquidity in the amount of €70.0 million and the granting of loans to joint ventures in the amount of €1.7 million.

The cash flow from financing activities as at 30 September 2021 stood at €– 108.7 million (previous-year period: €109.0 million). This was mainly due to the repayment of loans in the amount of €141.8 million, cash inflows from new loans of €35.7 million, the paid dividend of €12.2 million, a payment of €16.6 million from a minority shareholder as a loan and €0.2 million in equity.

As at 30 September 2021, financial resources had increased to €156.5 million (31 December 2020: €87.0 million). This includes committed funds amounting to €13.4 million (31 December 2020: €8.3 million) to secure ongoing project financing.

As at 30 September 2021, the guarantee facilities of the credit insurers had been further increased to €385.0 million (31 December 2020: €272.4 million).

Project business at a glance

Real estate business key performance indicators TABLE 019

In millions of euros

		9m 2021	9m 2020
Volume of sales contracts		378.4	218.4
Volume of sales contracts	In units	1,009	584

		30/09/2021	31/12/2020
Project portfolio (existing projects)		7,154.9	5,937.5
of which already sold		2,308.7	2,108.6
Project portfolio (existing projects)	In units	15,913	13,374
of which already sold	In units	5,401	4,770

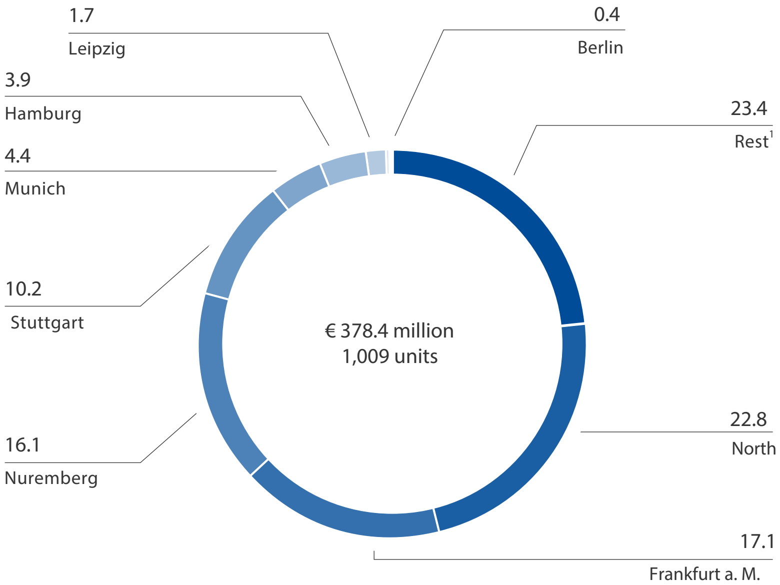
The high demand for residential real estate on the market was reflected in the continued positive sales development in our segment over the course of 2021. In the first nine months, we achieved marketing success totalling €378.4 million and 1,009 units. This was mainly due to the good sales in the unit sales projects on the market. In the reporting period, 413 residential units with a volume of volume of sales contracts of €233.6 million were sold in this kind of sales. In the third quarter, we achieved the full commercialisation of the residential units in two Baden-Württemberg branch projects. In addition, planned package and property sales supplemented the sales success in 2021 by a further €144.8 million. This included the sale of the "Düsseldorfer Landstraße" project in Duisburg to a Danish pension fund in the third quarter of 2021. Approximately 80 residential units will be realised there, divided into a broad mix of housing ranging from 1.5 room apartments to 5-room duplex apartments under our "nyoo" brand of affordable housing for a broad target group. In addition, 13 apartment buildings with around 250 residential units and a children's daycare nursery in the new 5.75 hectare "Lange Seegewann" residential area in Wiesbaden were sold, ready for occupancy, to the Nassauische Heimstätte Group.

A comparison with the same period in the previous year (€218.4 million and 584 units) showed a clear increase in the volume of sales contracts (€378.4 million and 1,009 units). Due to the pandemic, 2020 was characterised by a varying sales trend with a temporary reluctance to purchase and a subsequent surge in sales with the associated catch-up effects. On the other hand, the high velocity of sales remained constant throughout 2021 due to the expansion of the company's offerings and continued high attractiveness of its products and the ongoing digitisation of its sales process, which assisted both interested parties and customer support under difficult conditions. Neither recent lockdown measures nor other Covid-19 influences have led to any impairment of the sales process nor any reluctance to express an interest.

The volume of sales contracts realised as at 30 September 2021 was concentrated almost exclusively in the most important metropolitan regions in Germany, accounting for approximately 77% of the total. Around 23% is located in other prosperous medium-class cities. Diagram

Marketing in 9m 2021 by region

In %



[1] Mainly includes Potsdam and Wiesbaden

The following projects mainly contributed to successful marketing in the 2021 period under review:

Real estate business key performance indicators – Volume of sales contracts 9m 2021 TABLE 020

In millions of euros

		Volume	Units
Wiesbaden-Delkenheim, Lange Seegewann	Wiesbaden	n/a	251
"Wohnen im Hochfeld" Unterbach	Dusseldorf	58.8	98
St. Marienkrankenhaus	Frankfurt a. M.	32.2	24
"Neckar.Au Viertel"	Rottenburg	31.9	92
Seetor "City Campus"	Nuremberg	31.1	63
Düsseldorfer Landstraße	Duisburg-Buchholz	n/a	78
Rote Kaserne West - "Fontane Gärten"	Potsdam	23.0	38
"Schönhof-Viertel"[1]	Frankfurt a. M.	21.6	201
"Carlina Park", Schopenhauerstraße	Nuremberg	20.2	29
"Lokhöfe", Bahnhofsareal Nord	Rosenheim	15.4	91

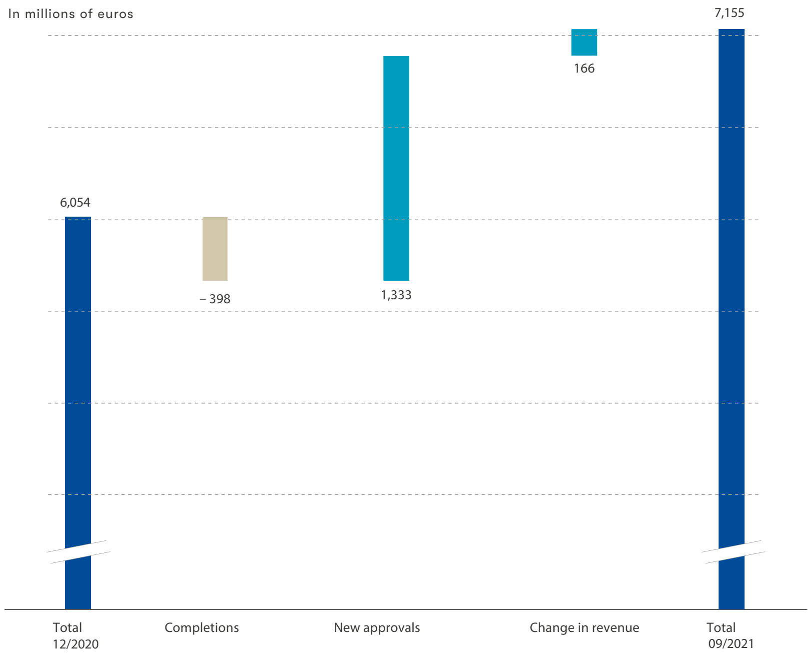
[1] Including an increase in the number of units in the course of consolidating planning.

As at 30 September 2021, the number of properties was significantly higher in comparison with the value for the first six months of 2021 (334 units). In total, 556 residential units were offered on the market with an expected revenue volume of around €305 million from our twelve unit sales projects. This was due in particular to the start of sales for four projects with a total of 359 residential units and an expected volume of sales contracts of around €200 million. The sales process for the first construction fields in the "Parkresidenz" project in Leipzig began for 168 units with an expected revenue volume of around €65 million. In addition, the planned start of sales for the last sub-project with 59 units in the "Wohnen im Hochfeld" project in Dusseldorf and the "Schönhof-Viertel" district in Frankfurt was carried out for a construction site with 132 residential units. At the same time, the portfolio on offer was reduced by the high rate of sales in the projects in the sales phase. Almost complete commercialisation of all units was achieved for the sub-project in the "Wohnen im Hochfeld" district in Dusseldorf, sales of which had already started in the first quarter of 2021. In addition, of the four projects that saw the marketing phase launched in the third quarter, almost 10% of the units had already been sold in that quarter.

The comparison between the sales supply in the third quarter of 2020 at 259 units (€202 million) and the current supply base (556 units) showed a significant increase of more than double the number of residential units. The number of projects starting the sales phase contributed to this in particular. The postponement of remarketing in certain phases of the sales in 2020 due to the Covid-19 pandemic led to eight projects with 626 residential units already being marketed in 2021. In 2020, sales started for three projects with 229 units in the first nine months of the year.

For the last quarter of 2021, the very broad supply base, the continued high sales velocity as well as the further planned start of sales and the high level of expressions of interest among institutional investors provided a good basis for achieving the marketing objectives in the 2021 financial year.

Development of project portfolio as at 30/09/2021



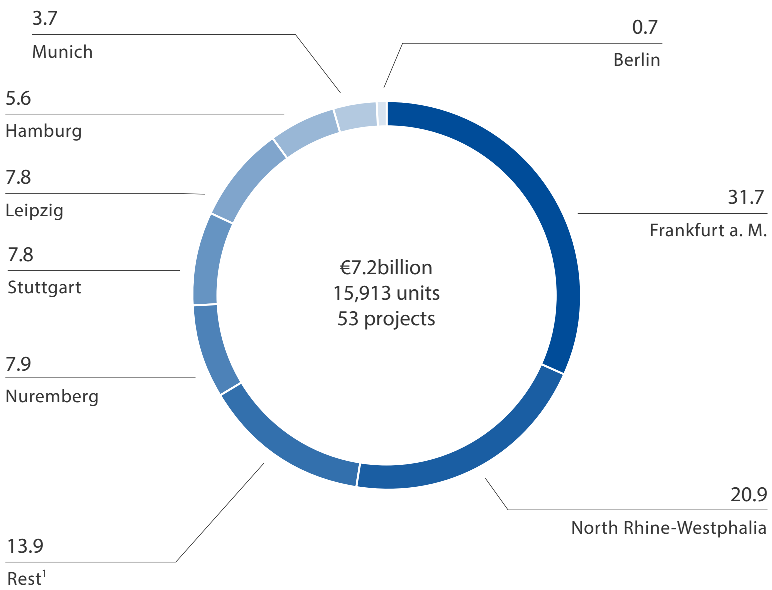
As at 30 September 2021, the project portfolio of Instone Real Estate included 53 projects with a currently anticipated overall revenue volume of €7,154.9 million and therefore increased significantly in comparison with 30 June 2021 (€6,268.1million). The increase was due in particular to the successful acquisition and approval of four projects in the third quarter with an expected revenue volume of €1,098 million. This increased the volume of new approvals in 2021 to €1,333 million and 2,728 units. At the same time, the "Schumanns Höhe" project in Bonn and "Quartier Stallschreiberstraße" in Berlin were removed from the portfolio due to the successful completion and handover of all residential units to the purchasers (approx. €306 million). In total, portfolio sales for the period under review were €398 million. Further firming up of planning and changes in sales concepts in the portfolio projects led to realised and expected revenue increases of around €166 million.

Taking into account an assumed price growth for projects not yet in distribution – of 1.5% per annum on the revenue side and 3.5% per annum on the construction cost side – this results in an anticipated project gross profit margin on the project portfolio of about 25% as at the reporting date, exclusive of the large "Westville" project in Frankfurt am Main.[1]

[1] If the major "Westville" project is taken into consideration, the expected project gross profit margin for the project portfolio is about 24%.

Project portfolio by region

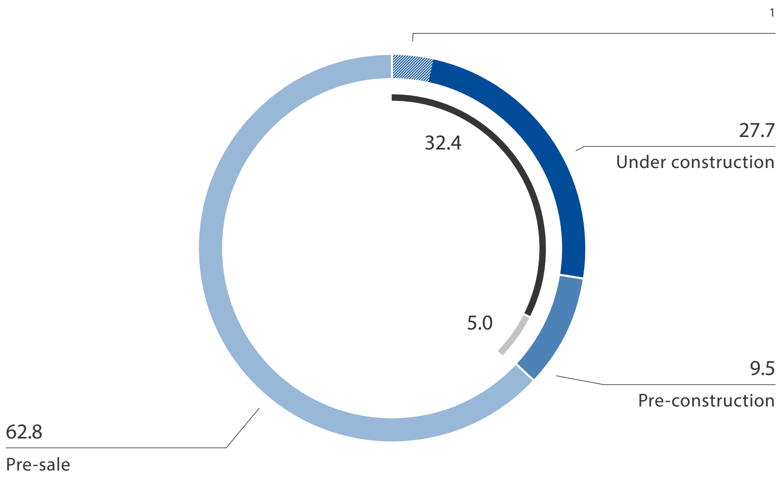
In %



[1] Includes Wiesbaden, Hanover, Potsdam, Bamberg

Project portfolio by groups; Basis: Sale proceeds

In %



Internal sector:
Sold
Unsold

[1] 3.8% of the project portfolio has already been handed over.

The majority – approximately 86% – of the anticipated overall volume of revenue from the project portfolio as at 30 September 2021 is located in the most important metropolitan regions of Germany: Berlin, Bonn, Dusseldorf, Frankfurt am Main, Hamburg, Cologne, Leipzig, Munich, Nuremberg and Stuttgart. Around 14% is attributable to other prosperous medium-sized cities.

Based on the continuous growth of our project portfolio in recent years, the majority of our ongoing projects are in the "pre-sale" stage of development. In the comparison to 30 June 2021, as at 30 September 2021, there had been a sharp increase in the volume of new approvals and the further completion of projects in the third quarter in the development of the three categories. The proportion of projects in the "pre-sale" stage of development of 62.8% (57.7%) was above the level for the first six months whereas the values for the two other categories, "pre-construction" and "under construction", were below the level at 9.5% (13.7%) and 27.7% (28.6%) respectively as at 30/09/2021.

In addition, the preceding diagram shows that, as at 30 September 2021 we had already sold approximately 32% of the anticipated overall revenue volume of the project portfolio. In terms of the anticipated revenue volume, approximately 87% of the "under construction" and "pre-construction" projects were sold as at 30 September 2021.

In addition to the 53 projects, Instone Real Estate's project portfolio will be supplemented by two further projects that will be realised in companies accounted for using the equity method. In Berlin and the Frankfurt am Main region, two neighbourhoods were under construction with an expected revenue volume of around €620 million (Instone's share approx. €310 million) and 1,416 units. The "Friedenauer Höhe" project in Berlin had already been sold in full to Quantum Immobilien KVG in the first quarter of 2021 with 537 rental apartments to be built and was under construction.

Adjusted revenue

Adjusted revenue amounted to €405.6 million as at 30 September 2021 (previous-year period: €291.3 million). The following projects carried out contributed in particular to the adjusted revenue in the period under review:

Key project revenue recognition (adjusted) 9m 2021 TABLE 021

In millions of euros

		Revenue volume (adjusted)
St. Marienkrankenhaus	Frankfurt a. M.	49.6
"Wohnen im Hochfeld" Unterbach	Dusseldorf	41.4
Westville	Frankfurt a. M.	32.7
west.side	Bonn	30.6
"Carlina Park", Schopenhauerstraße	Nuremberg	26.5
Schulterblatt "Amanda"	Hamburg	24.5
City-Prague – Wohnen im Theaterviertel	Stuttgart	21.8
S'LEDERER	Schorndorf	20.0
Stephanstraße	Nuremberg	20.0
Schwarzwaldstraße	Herrenberg	18.0

As expected, the number of projects in which construction started significantly increased at the beginning of the second half of 2021. After the first construction phase in the major "Westville" project in Frankfurt and the "Fontane Gärten" project in Berlin was started in the first half of 2021, further construction of approx. 650 residential units ("Westville") and 54 units ("Fontane Gärten") followed in the third quarter for these two projects. In addition, the construction of 136 residential units began in the "Wohnen im Hochfeld" quarter in Dusseldorf Unterbach for two further parts of the project. On a construction site there, 52 publicly subsidised and 14 privately financed residential units were being built according to the KfW55 standard and had already been sold to LEG in 2020. The 70 apartments on the second construction site had already been almost completely sold to owner-occupiers and capital investors. Construction started in the third quarter of 2021 in the case of the "Lokhöfe" project in Rosenheim, which was already approx. 60% sold. Further construction started for the sub-project sold in the first quarter of 2021 in the "Neckar.AU Viertel" quarter with 77 rental apartments and in the third quarter of 2021 the project sold in Düsseldorfer Landstraße in Duisburg with around 80 residential units.

At completion, Instone Real Estate projects have 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.

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 2020 Annual Report, ↗ pages 123–138, "Risk and opportunities report".

There was no material change in the risk and opportunities situation in comparison to our presentation in the 2020 Annual Report. From today's perspective, there are no identifiable risks that jeopardise the continued existence of the Instone Group.

Outlook

We have revised and published our initial financial year 2021 forecast on 17 November 2021. The revised forecast reflects more consistent delays in construction progress due to supply bottlenecks for building materials across our construction sites and the associated adverse impact on revenue recognition. In addition, management now expects realised and expected house price inflation to have a favourable impact on margins. Finally, strong demand and sales activity is now expected to result in an increased volume of sales contracts for the year.

The Management Board now expects the financial and operational key indicators to develop as follows:

Forecast TABLE 022

In millions of euros

	Revised forecast 2021	Initial forecast 2021
Revenues (adjusted)	780 to 800	820 to 900
Gross profit margin (adjusted)	around 28%	26 to 27%
Earnings after tax (adjusted)	93 to 96	90 to 95
Volume of sales contracts	> 1,000	> 900

In addition, the Management Board provides first time guidance for financial year 2022 below.

Guidance TABLE 023

In millions of euros

	2022
Revenues (adjusted)	900 to 1,000
Earnings after tax (adjusted)	90 to 100

2

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

CONSOLIDATED INCOME STATEMENT TABLE 024

In thousands of euros

	01/01–30/09/2021	01/01–30/09/2020
Revenue	372,389	275,897
Changes in inventories	61,996	73,265
	434,385	**349,162**
Other operating income	2,580	5,575
Cost of materials	– 323,074	– 251,386
Staff costs	– 38,109	– 30,761
Other operating expenses	– 21,280	– 18,407
Depreciation and amortisation	– 3,451	– 3,024
Consolidated earnings from operating activities	**51,052**	**51,159**
Share of results of joint ventures	2,572	678
Other results from investments	99	– 1,184
Finance income	118	46
Finance costs	– 12,326	– 18,223
Other financial result	– 83	57
Consolidated earnings before tax (EBT)	**41,431**	**32,533**
Income taxes	– 12,608	– 9,269
Consolidated earnings after tax (EAT)	**28,823**	**23,264**
Attributable to:		
Group interests	31,329	23,254
Non-controlling interests	– 2,506	10
Weighted average number of shares (in units)	46,988,336	39,299,574
Basic and diluted earnings per share (in euros)[1]	0.67	0.59

[1] The weighted average number of shares was adjusted retroactively due to the issuing of new shares with subscription rights in the 2020 financial year.

Consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME TABLE 025

In thousands of euros

	01/01–30/09/2021	01/01–30/09/2020
Consolidated earnings after tax	**28,823**	**23,264**
Items which are not reclassified into the consolidated earnings in future periods		
Actuarial gains and losses	1,778	16
Income tax effects	– 569	– 5
Income and expenses after tax recognised directly in equity	**1,209**	**11**
Total comprehensive income for the financial year after tax	**30,032**	**23,275**
Attributable to:		
Group interests	32,538	23,265
Non-controlling interests	– 2,506	10
	30,032	**23,275**

Consolidated statement of financial position

CONSOLIDATED STATEMENT OF FINANCIAL POSITION TABLE 026

In thousands of euros

	30/09/2021	31/12/2020
ASSETS		
Non-current assets		
Goodwill	6,056	6,056
Intangible assets	1,401	932
Right of use assets	9,813	10,535
Property, plant and equipment	2,217	2,273
Interests in joint ventures	13,443	10,871
Other investments	455	445
Financial receivables	44,193	21,467
Deferred tax	297	297
	77,875	**52,876**
Current assets		
Inventories	839,758	777,761
Financial receivables	55,673	155,750
Contract assets	245,312	194,158
Trade receivables	5,460	1,080
Other receivables and other assets	24,064	12,065
Income tax assets	2,660	2,359
Cash and cash equivalents	156,539	87,044
	1,329,465	**1,230,218**
TOTAL ASSETS	**1,407,340**	**1,283,093**

Consolidated statement of financial position (continued)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION TABLE 026

In thousands of euros

	30/09/2021	31/12/2020
EQUITY AND LIABILITIES		
Equity		
Share capital	46,988	46,988
Capital reserves	358,983	358,983
Group retained earnings/loss carryforwards	134,655	115,544
Accumulated reserves recognised in other comprehensive income	– 871	– 2,080
Equity attributable to shareholders	539,756	519,435
Non-controlling interests	– 669	1,598
	539,087	**521,033**
Non-current liabilities		
Provisions for pensions and similar obligations	3,863	4,718
Other provisions	6,739	4,971
Financial liabilities	205,464	313,665
Liabilities from net assets attributable to non-controlling interests	1	10,337
Leasing liabilities	6,928	7,704
Other liabilities	4,984	4,977
Deferred tax	31,559	22,941
	259,538	**369,313**
Current liabilities		
Other provisions	24,813	24,141
Financial liabilities	194,910	168,037
Leasing liabilities	3,165	3,036
Contract liabilities	18,864	25,554
Trade payables	103,100	68,895
Other liabilities	253,219	88,726
Income tax liabilities	10,643	14,359
	608,715	**392,748**
TOTAL EQUITY AND LIABILITIES	**1,407,340**	**1,283,093**

Consolidated statement of cash flows

CONSOLIDATED STATEMENT OF CASH FLOWS TABLE 027

In thousands of euros

	01/01–30/09/2021	01/01–30/09/2020
Consolidated earnings after tax	**28,823**	**23,264**
(+) Depreciation and amortisation / (–) write-ups of non-current assets	3,451	682
(+) Profit / (–) loss on disposals of property, plant and equipment	0	4
(+) Increase / (–) decrease in provisions	3,195	– 1,162
(+) Current income tax income / (–) current income tax expense	3,991	2,815
(+) Deferred income tax income / (–) deferred income tax expense	8,049	2,494
(+) Income from equity carrying amounts / (–) expenses	– 2,572	– 236
(+) Profit from the investment result of minority interests / (–) expenses	– 7	1,193
(+) Interest income / (–) interest expenses	12,291	18,083
(+) Income / (–) other non-cash expenses	0	267
(+/–) Change in right-of-use assets / leasing liabilities	0	120
(+/–) Change in net working capital[1]	62,761	– 7,791
(+) Income tax reimbursements / (–) income tax payments	– 8,007	– 13,330
= Cash flow from operations	**111,974**	**26,404**
(–) Outflows for investments in intangible assets	– 495	0
(–) Outflows for investments in property, plant and equipment	– 690	– 534
(+) Proceeds from disposals of investments	111	450
(–) Outflows for investments in financial assets	– 22,736	– 1,100
(+) Proceeds due to financial investments within the scope of current financial planning	90,000	0
(–) Disbursements due to financial investments within the scope of current financial planning	0	– 109,895
(+) Interest received	78	118
= Cash flow from investing activities	**66,267**	**– 110,961**

Consolidated statement of cash flows (continued)

CONSOLIDATED STATEMENT OF CASH FLOWS TABLE 027

In thousands of euros

	01/01–30/09/2021	01/01–30/09/2020
(+) Contributions from minority shareholders	16,849	0
(–) Payments to minority shareholders	– 363	– 390
(+) Proceeds from loans and borrowings	35,718	686,205
(–) Repayments of loans and borrowings	– 141,792	– 746,254
(–) Payments from lessees to repay liabilities from lease agreements	– 2,837	0
(–) Interest paid	– 4,104	– 5,317
(–) Dividends paid	– 12,217	0
= Cash flow from financing activities	**– 108,746**	**108,966**
Cash and cash equivalents at the beginning of the period	87,044	117,090
(+/–) Cash change in cash and cash equivalents	69,495	24,408
= Cash and cash equivalents at the end of the period	**156,539**	**141,498**

[1] Net working capital is composed of inventories, contract assets and trade receivables less contract liabilities and trade payables.

Segment reporting

Segment reporting in accordance with IFRS 8 is based on the management approach and thus corresponds to the management and reporting system that Instone Real Estate uses for its segments. Instone Real Estate operates in only one business segment and one geographical segment and generates revenue and holds assets mainly in Germany.

However, the internal reporting for the single business segment differs from the figures in IFRS accounting. In its internal reporting, Instone Real Estate focuses in particular on the development of housing projects. For this reason, Instone Real Estate conducts segment reporting for this one business segment.

Internal corporate governance for this segment is based in particular on the internal reporting system for the presentation of key developments relating to real estate and financial key performance indicators, supplemented by an examination of key project milestones and liquidity development.

Instone Real Estate manages its segment through the adjusted results of operations using key performance indicators adjusted revenue, adjusted gross profit and adjusted earnings after interest and tax.

Adjusted revenue

The performance of the business segment is reported via adjusted revenue on the basis of revenue recognition over time. Adjusted revenue is calculated by adding the revenue recognition from share deals in the same way as from asset deals, without the effects from purchase price allocations.

Adjusted gross profit

The adjusted gross profit is used to analyse the project-based company performance and is determined on the basis of the adjusted revenue less the cost of materials, changes in inventories, other operating income after subtracting the cost of materials, indirect distribution costs and capitalised interest, but excluding effects from purchase price allocations and share deals.

Adjusted earnings after tax

Adjusted earnings after tax is calculated on the basis of adjusted gross profit less platform costs, consisting of staff costs, other operating income and expenses, depreciation and amortisation, income from investments and other earnings, financial result and income taxes, but is also adjusted for the effects from purchase price allocations and share deals, as well as any non-recurring effects, where applicable. The results of joint ventures are included in adjusted earnings before interest and tax, as future earnings of project companies to be recorded under this item are to be allocated to operating earnings.

The effects of the adjusted results of operations are derived from the following:

Share deal effects

The project companies Westville 2 GmbH, Westville 3 GmbH, Westville 4 GmbH and Westville 5 GmbH are commercially conceived as asset management companies and constitute one major project in Frankfurt am Main. Instone Real Estate has already sold these project companies in the form of a share deal with the obligation to build a residential complex. In the adjusted results of operations, the overall "Westville" project is managed in the same way as the other projects in the Instone Group, with revenue recognition over time in accordance with IFRS 15. These companies are valued and included in the consolidated financial statements in accordance with IAS 2. The effects from this different valuation are reflected in the revenues of €– 32,724 thousand (previous-year period: €– 14,751 thousand), project costs of €26,301 thousand (previous-year period: €13,853 thousand) and income taxes of €103 thousand (previous-year period: €0thousand). In the period under review, an adjustment was made to determine the tax expense for share deal effects on the expected minimum taxation of the companies' sales revenues.

Effects from purchase price allocations

Due to the first-time consolidation of Instone Real Estate Development GmbH in 2014 and Instone Real Estate Leipzig GmbH in 2015 as well as the business activities of S&P Stadtbau GmbH in the 2020 financial year, as at 30 September 2021 inventories and contract assets still included write-ups of €35,686 thousand (31 December 2020: €43,013 thousand) from purchase price allocations. The ongoing amortisation of these purchase price allocations on the basis of the progressive implementation of the projects included in these initial consolidations is adjusted for internal reporting. The adjustment for the amortisation of purchase price allocations was attributable as follows: €– 470 thousand (previous-year period: €– 679 thousand) to revenue, €0 thousand (previous-year period: €222 thousand) to cost of materials, €– 6,857 thousand (previous-year period: €– 546 thousand) to changes in inventories and €2,197 thousand (previous-year period: €303 thousand) to income taxes. Based on current estimates, the Instone Group expects these effects to expire in 2024.

Reclassifications and non-recurring effects

Indirect sales expenses were €1,956 thousand as at 30 September 2021 (previous-year period: €1,799 thousand) were allocated to project costs. The adjustment of the capitalised interest in the changes in inventories of €2,100 thousand (previous-year period: €3,787 thousand) burdened the project costs.

In the following table, the differences arising from the valuation of the individual data are carried over from the adjusted results of operations into the consolidated reporting:

Key performance indicator overview
Report on the Group's position
Consolidated financial statements
Consolidated income statement
Consolidated statement of comprehensive income
Consolidated statement of financial position
Consolidated statement of cash flows
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RECONCILIATION OF ADJUSTED RESULTS OF OPERATIONS 01/01–30/09/2021

TABLE 028

In thousands of euros

	Adjusted results of operations	Share deal effects	Reclassifications	Effects from PPA	Reported results of operations
Revenue	**405,584**	**–32,724**	**0**	**–470**	**372,389**
Project costs	**–284,578**	**26,301**	**4,056**	**–6,857**	**–261,078**
Cost of materials	–325,030	0	1,956	0	–323,074
Changes in inventories	40,452	26,301	2,100	–6,857	61,996
Gross profit	**121,006**	**–6,423**	**4,056**	**–7,327**	**111,312**
Platform costs	**–58,304**	**0**	**–1,956**	**0**	**–60,260**
Staff costs	–38,109	0	0	0	–38,109
Other operating income	2,580	0	0	0	2,580
Other operating expenses	–19,323	0	–1,956	0	–21,280
Depreciation and amortisation	–3,451	0	0	0	–3,451
Share of results of joint ventures	2,572	0	0	0	2,572
EBIT	**65,274**	**–6,423**	**2,100**	**–7,327**	**53,624**
Other results from investments	99	0	0	0	99
Financial result	–10,191	0	–2,100	0	–12,291
EBT	**55,182**	**–6,423**	**0**	**–7,327**	**41,431**
Tax	–14,908	103	0	2,197	–12,608
EAT	**40,274**	**–6,320**	**0**	**–5,131**	**28,823**

RECONCILIATION OF ADJUSTED RESULTS OF OPERATIONS 01/01–30/09/2021

TABLE 029

In thousands of euros

	Adjusted results of operations	Share deal effects	Reclassifications	Effects from PPA	Reported results of operations
Revenue	**291,326**	**–14,751**	**0**	**–679**	**275,897**
Project costs	**–197,236**	**13,853**	**5,587**	**–324**	**–178,121**
Cost of materials	–253,407	0	1,799	222	–251,386
Changes in inventories	56,171	13,853	3,787	–546	73,265
Gross profit	**94,090**	**–898**	**5,587**	**–1,003**	**97,776**
Platform costs	**–44,818**	**0**	**–1,799**	**0**	**–46,617**
Staff costs	–30,761	0	0	0	–30,761
Other operating income	5,575	0	0	0	5,575
Other operating expenses	–16,608	0	–1,799	0	–18,407
Depreciation and amortisation	–3,024	0	0	0	–3,024
Share of results of joint ventures	678	0	0	0	678
EBIT	**49,950**	**–898**	**3,787**	**–1,003**	**51,837**
Other results from investments	–1,184	0	0	0	–1,184
Financial result	–14,332	0	–3,787	0	–18,119
EBT	**34,434**	**–898**	**0**	**–1,003**	**32,533**
Tax	–9,572	0	0	303	–9,269
EAT	**24,862**	**–898**	**0**	**–700**	**23,264**

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OTHER INFORMATION

Disclaimer

Forward-looking statements

This consolidated interim report contains forward-looking statements that are based on current management plans, goals and forecasts. However, these statements relate only to findings that are available as at the date this condensed consolidated interim report was prepared. Management does not guarantee that these forward-looking statements will necessarily materialise. Actual future development and the results actually achieved are subject to various risks and can therefore deviate significantly from the forward-looking statements. Several risk factors cannot be influenced by Instone Real Estate and therefore cannot be conclusively assessed in advance. These include changes in the economic and competitive environment, legislation, fluctuations in interest or exchange rates, legal disputes and investigative proceedings and the availability of financial resources. These and other risks are listed in the 2020 consolidated report, which includes a summary of the management report, as well as in this condensed consolidated interim report. Furthermore, business development and economic results may also be encumbered by other factors. Following publication of this consolidated interim report, there is no intention to in any way update the forward-looking statements made herein or to adjust them to events and developments.

Rounding of figures

Some figures disclosed in this condensed consolidated interim report have been commercially rounded. As a result, there may be minor deviations between figures in the Tables and their analysis in the text of the condensed consolidated interim report, as well as between individual amount totals in Tables and the total values indicated in the text. All key performance indicators and percentage changes are calculated on the basis of the underlying data and shown in the unit "thousands of euros".

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About us

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Dr. Foruhar Madjlessi,
Andreas Gräf

Chairman of the Supervisory Board

Stefan Brendgen

Commercial Register

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

Sales tax ID number
DE 300512686

Concept, design and implementation

MPM Corporate Communication Solutions,
Mainz
Germany
www.mpm.de

Financial calendar

10/03/2022	Publication of the financial report for the year ended 31 December 2021
12/05/2022	Publication of the quarterly report as at 31 March 2022
11/08/2022	Publication of the semi-annual report as at 30 June 2022
10/11/2022	Publication of quarterly report as at 30 September 2022

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Multi-year overview

MULTI-YEAR OVERVIEW

In millions of euros

		9m 2021	2020	2019	2018
Key liquidity figures					
Cash flow from operations		112.0	119.9	– 205.1	-40.4
Cash flow from operations without new investments		185.1	225.0	115.0	32.1
Free cash flow		178.2	– 64.2	– 237.5	-39.9
Cash and cash equivalents and term deposits[1]		– 231.5	232.0	117.1	88
Key balance sheet figures					
Total assets		1,407.4	1,283.1	1,123.4	686.6
Inventories		839.8	777.8	732.1	404.4
Contract assets		245.3	194.2	219.0	158.5
Equity		539.1	521.0	310.2	246.9
Financial liabilities		400.4	481.7	595.5	265.6
Of which, from corporate finance		203.0	207.2	180.8	66.1
Of which, from project financing		197.4	274.5	414.7	199.5
Net financial debt[2]		168.9	249.7	478.4	177.5
Leverage		1.6	2.8	3.6	3.5
Loan-to-cost[3]	In %	15.6	25.7	50.3	k.A.
ROCE[4] adjusted	In %	14.3	10.3	22.8	11.9
Employees					
Number		441	413	375	311
FTE[5]		364.7	342.5	307.7	258.7

MULTI-YEAR OVERVIEW / QUARTERLY COMPARISON

In millions of euros

		9m 2021	2020	2019	2018	Q3 2021	Q3 2020
Real estate business key performance indicators							
Volume of sales contracts		378.4	464.4	1,403.1	460.8	170.7	10.7
Volume of sales contracts	In units	1,009	1,292	2,733	1,033	468	43
Project portfolio (existing projects)		7,154.9	6,053.6	5,845.7	4,763.2	886.8	– 330.6
of which already sold		2,308.7	2,328.8	2,174.0	998.2	– 135.3	– 335.4
Project portfolio (existing projects)	In units	15,913	13,561	13,715	11,041	1,575	– 964
of which already sold	In units	5,401	5,381	4,814	2,395	– 278	– 909
Volume of new approvals[6]		1,333.4	489.9	1,284.2	1,298.0	1,097.6	60.4
Volume of new approvals	In units	2,728	1,171	3,857	3,314	2,292	253
Adjusted results of operations							
Revenue adjusted		405.6	480.1	736.7	372.8	145.1	111.7
Project costs adjusted		– 284.6	– 333.5	– 548.8	– 266.3	– 100.8	– 75.4
Gross profit adjusted		**121.0**	**146.6**	**187.8**	**106.4**	**44.3**	**36.3**
Gross profit margin adjusted		**29.8%**	**30.5%**	**25.5%**	**28.5%**	**30.5%**	**32.5%**
Platform costs adjusted		– 58.3	– 65.5	– 59.0	– 56.9	– 20.2	– 14.9
Share of results of joint ventures adjusted		2.6	2.7	0.7	0.0	0.1	0.4
Earnings before interest and tax (EBIT) adjusted		**65.3**	**83.8**	**129.6**	**49.6**	**24.2**	**21.8**
EBIT margin adjusted		**16.1%**	**17.5%**	**17.6%**	**13.7%**	**16.7%**	**19.5%**
Income from investments adjusted		0.1	– 1.2	– 5.7	– 0.4	0.0	– 0.6
Financial result adjusted		– 10.2	– 23.2	– 16.1	– 7.7	– 2.6	– 5.4
Earnings before tax (EBT) adjusted		**55.2**	**59.4**	**107.8**	**41.5**	**21.7**	**15.7**
EBT margin adjusted		**13.6%**	**12.4%**	**14.6%**	**11.5%**	**15.0%**	**14.1%**
Income taxes adjusted		– 14.9	– 18.3	– 2.2	– 22.4	– 4.8	– 4.7
Earnings after tax (EAT) adjusted		**40.3**	**41.1**	**105.6**	**19.1**	**16.9**	**11.2**
EAT margin adjusted		**9.9%**	**8.6%**	**14.3%**	**5.1%**	**11.6%**	**10.0%**
Earnings per share (adjusted)	In euros	0.91	0.99	2.69	0.44	0.36	0.28
Dividend per share[7]	In euros		0.3				
Dividends paid[7]			12.2				

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

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