

INSTONE REAL ESTATE GROUP SE

QUARTERLY STATEMENT

Q1 2023

31 MARCH 2023

► Key figures at a glance

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TABLE 001

In millions of euros

	3M 2023	3M 2022
Key performance indicators		
Volume of sales contracts	52.7	87.6
Volume of new approvals ¹	0.0	99.8
Revenue adjusted	123.5	118.5
Key earnings figures		
Gross profit adjusted	33.8	35.2
Gross profit margin adjusted	In % 27.4	29.7
EBIT adjusted	15.8	17.0
EBIT margin adjusted	In % 12.8	14.3
EBT adjusted	12.4	13.4
EBT margin adjusted	In % 10.0	11.3
EAT adjusted	8.5	9.3
EAT margin adjusted	In % 6.9	7.8
Key liquidity figures		
Cash flow from operations	-74.7	-12.7
Cash flow from operations excluding new investments	-69.1	25.4
Free cash flow	-73.8	-81.6

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

Key figures at a glance

TABLE 001

In millions of euros

	31/03/2023	31/12/2022
Key performance indicators		
Project portfolio	7,600.4	7,668.8
Key balance sheet figures		
Total assets	1,745.2	1,780.3
Equity	574.9	573.0
Cash and cash equivalents and term deposits ¹	160.2	255.6
Net financial debt ²	351.3	265.1
Leverage ³	3.8	2.8
Loan-to-cost ⁴	In % 25.6	20.8
ROCE ⁵ adjusted	In % 9.9	10.2
Employees⁶		
Number	485	488
FTE ⁷	406.3	409.4

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

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

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

⁶ Employees including trainees, interns and student trainees.

⁷ Full-time employees.



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Results of operations

The following presentation of the adjusted results of operations reflects the business of the Instone Group, which was largely influenced by project developments. The amendments to the adjusted results of operations in relation to the income statement are described in the segment report on [page 26](#).

Adjusted results of operations

TABLE 002

In millions of euros

	3M 2023	3M 2022	Change
Revenue adjusted	123.5	118.5	4.2%
Project costs adjusted	-89.7	-83.3	7.7%
Gross profit adjusted	33.8	35.2	-4.0%
Gross profit margin adjusted	27.4%	29.7%	
Platform costs adjusted	-19.3	-18.7	3.2%
Share of results of joint ventures adjusted	1.3	0.6	116.7%
Earnings before interest and tax (EBIT) adjusted	15.8	17.0	-7.1%
EBIT margin adjusted	12.8%	14.3%	
Income from investments adjusted	0.0	0.0	0.0%
Financial result adjusted	-3.4	-3.7	-8.1%
Earnings before tax (EBT) adjusted	12.4	13.4	-7.5%
EBT margin adjusted	10.0%	11.3%	
Income taxes adjusted	-3.9	-4.1	-4.9%
Earnings after tax (EAT) adjusted	8.5	9.3	-8.6%
EAT margin adjusted	6.9%	7.8%	



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Revenue

Adjusted revenue rose by around 4% to €123.5 million in the first quarter of 2023 (previous-year period: €118.5 million). The increase in revenue is mainly due to the increased construction activity in the case of ongoing project developments sold.

The adjustment of effects from purchase price allocations slightly increased the adjusted revenue by €0.7 million (previous-year period: €-2.6 million). The separate valuation of share deals ("Westville" project) increased the adjusted revenue by €16.1 million (previous-year period: €7.0 million).

Revenue TABLE 003

In millions of euros

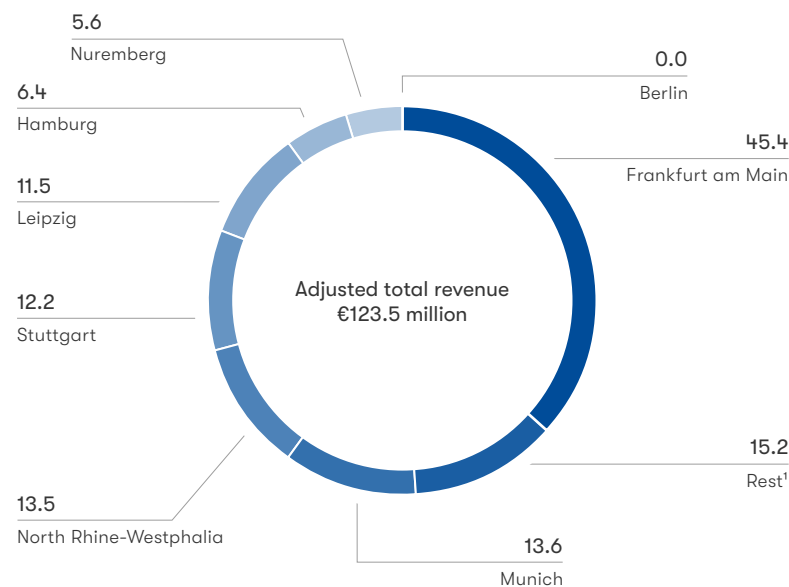
	3M 2023	3M 2022	Change
Revenue	106.7	114.1	- 6.5%
+ effects from purchase price allocations	0.7	-2.6	n/a
+ effects from share deal agreements	16.1	7.0	130.0%
Revenue adjusted	123.5	118.5	4.2%

The increase in the revenue contribution of the "Westville" project was due in particular to the progress in construction on schedule.

The adjusted revenue of the Instone Group was almost exclusively generated in Germany and broken down across the following regions as follows:

Sales (adjusted) by region

In millions of euros



¹ Includes, among others, Wiesbaden (€7.0 million), Bamberg (€6.4 million) and Potsdam (€1.8 million).



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Project costs

The adjusted project costs, mainly consisting of the cost of materials and changes in inventories, rose to €- 89.7 million in the first quarter of 2023 (previous-year period: €- 83.3 million). Purchases of secured and paid-up land and the continuation of construction activities in previous years led to an increase in the cost of materials to €- 138.2 million (previous-year period: €- 115.6 million). The increase in inventories to €62.7 million (previous-year period: €33.7 million) also reflects the increase in costs from land acquisitions and the increasing progress of construction in projects that are not sold or that are sold in the form of a share deal.

Indirect sales expenses in the amount of €0.5 million (previous-year period: €- 0.2 million) and material cost-related other operating income of €2.8 million (previous-year period: €0.9 million) were allocated to adjusted project costs in the first quarter of 2023. The adjustment of the capitalised interest in the changes in inventories of €- 2.6 million (previous-year period: €- 0.3 million) added to the adjusted project costs. Effects from the amortisation of purchase price allocations reduced adjusted project costs by €0.3 million (previous-year period: €4.3 million). Due to the separate valuation of share deals, adjusted project costs again increased by €- 15.2 million (previous-year period: €- 6.1 million).

Project costs

TABLE 004

In millions of euros

	3M 2023	3M 2022	Change
Project costs	-75.5	-81.9	- 7.8%
+ effects from purchase price allocations	0.3	4.3	- 93.0%
+ effects from reclassifications	0.7	0.4	75.0%
+ effects from share deal agreements	-15.2	- 6.1	149.2%
Project costs adjusted	-89.7	-83.3	7.7%

Gross profit

Due to the sharper rise in project costs, the adjusted gross profit fell to €33.8 million (previous-year period: €35.2 million) compared with the previous year.

Gross profit

TABLE 005

In millions of euros

	3M 2023	3M 2022	Change
Gross profit	31.2	32.2	- 3.1%
+ effects from purchase price allocations	1.0	1.7	- 41.2%
+ effects from reclassifications	0.7	0.4	75.0%
+ effects from share deal agreements	0.9	0.9	0.0%
Gross profit adjusted	33.8	35.2	- 4.0%

The adjusted gross profit margin – calculated from the adjusted gross profit relating to the adjusted revenue – amounted to 27.4% (previous-year period: 29.7%). The adjusted gross profit margin declined in the first quarter of 2023 – mainly due to the changed project mix and the projected cost increases in the project valuation.

Platform costs

The adjusted platform costs increased to €- 19.3 million (previous-year period: €- 18.7 million). In the first quarter of 2023, indirect sales costs of €- 0.5 million and material cost-related other operating income in the amount of €- 2.8 million were reclassified as project costs and other non-recurring effects were adjusted in the amount of €0.6 million.

Platform costs

TABLE 006

In millions of euros

	3M 2023	3M 2022	Change
Platform costs	-16.7	-18.0	- 7.2%
+ effects from reclassifications	-3.2	- 0.7	357.1%
+ non-recurring effects	0.6	0.0	n/a
Platform costs adjusted	-19.3	-18.7	3.2%

At €- 13.6 million, staff costs fell in the first quarter of 2023 compared with the previous year's level (previous-year period: €- 14.2 million) – a year-on-year decrease of around 4%. This was mainly due to the reduced expenses for performance-related remuneration. Other operating income increased to €3.7 million, mainly due to the reversal of provisions and released liabilities,



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as well as the use of grants (previous-year period: €2.3 million), €2.8 million of which was reclassified as project costs. [GRI 2-7; 2-8](#)

Other operating expenses increased to €-5.6 million in the period under review (previous-year period: €-5.0 million), mainly due to increased consulting expenses. Other operating expenses mainly include consulting expenses, sales costs, IT costs and court costs, attorneys' and notaries' fees.

Depreciation and amortisation was €-1.3 million (previous-year period: €-1.2 million), a slight increase compared with the previous year.

Share of results of joint ventures

The adjusted results from joint ventures of €1.3 million (previous-year period: €0.6 million) in the first quarter of 2023 was almost entirely attributable to construction activities and sales of the Berlin joint venture Friedenauer Höhe.

Earnings before interest and tax (EBIT)

Adjusted earnings before interest and tax declined to €15.8 million due to the lower gross profit from projects (previous-year period: €17.0 million).

EBIT		TABLE 007		
In millions of euros				
	3M 2023	3M 2022	Change	
EBIT	15.9	14.7	8.2%	
+ effects from purchase price allocations	1.0	1.7	- 41.2%	
+ effects from reclassifications	- 2.5	- 0.3	733.3%	
+ non-recurring effects	0.6	0.0	n/a	
+ effects from share deal agreements	0.9	0.9	0.0%	
EBIT adjusted	15.8	17.0	- 7.1%	
EBIT margin adjusted	12.8%	14.3%		

Investment and financial result

As in the same period of the previous year, there was no materially adjusted income from investments in the first quarter of 2023.

The reported financial result deteriorated in the first quarter to €-5.9 million (previous-year period: €-4.0 million). The increase in interest expenses was mainly attributable to the higher project-related new debt in the previous year and increased interest rates.

The adjusted financial result improved to €-3.4 million (previous-year period: €-3.7 million) due to reclassifications of capitalised interest from project financing before the start of sales in the amount of €2.5 million (previous-year period: €0.3 million) to the adjusted project costs.

Earnings before tax (EBT) [GRI 207-1](#)

Adjusted earnings before tax decreased to €12.4 million due to the lower gross profit margin (previous-year period: €13.4 million) compared with the reference period.

EBT		TABLE 008		
In millions of euros				
	3M 2023	3M 2022	Change	
EBT	10.0	10.8	- 7.4%	
+ effects from purchase price allocations	1.0	1.7	- 41.2%	
+ non-recurring effects	0.6	0.0	n/a	
+ effects from share deal agreements	0.9	0.9	0.0%	
EBT adjusted	12.4	13.4	- 7.5%	
EBT margin adjusted	10.0%	11.3%		



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Income taxes

The tax rate in the adjusted results of operations in the first quarter of 2023 was 31.3% (previous-year period: 30.6%). Tax effects from other periods essentially led to a moderate increase in the tax rate.

Due to the effects mentioned above, income taxes in the reported earnings amounted to an expense of €-3.5 million (previous year: €-3.4 million).

Earnings after tax (EAT)

As a result of the effects mentioned above, the adjusted earnings after tax of the Instone Group totalled €8.5 million (previous-year period: €9.3 million). Before adjustment for effects from purchase price allocations, effects from share deals and non-recurring effects, reported earnings after tax were €6.5 million (previous-year period: €7.4 million).

EAT		TABLE 009		
In millions of euros				
	3M 2023	3M 2022	Change	
EAT	6.5	7.4	- 12.2%	
+ effects from purchase price allocations	0.7	1.2	- 41.7%	
+ non-recurring effects	0.6	0.0	n/a	
+ effects from share deal agreements	0.7	0.7	0.0%	
EAT adjusted	8.5	9.3	- 8.6%	
EAT margin adjusted	6.9%	7.8%		

Earnings after tax and after minority interests

Non-controlling interests in the adjusted earnings and reported earnings after tax amounted to €-0.1 million (previous-year period: €-0.1 million).

Earnings after tax and after minority interests		TABLE 010		
In millions of euros				
	3M 2023	3M 2022	Change	
EAT after minority interests	6.6	7.5	- 12.0%	
+ effects from purchase price allocations	0.7	1.2	- 41.7%	
+ non-recurring effects	0.6	0.0	n/a	
+ effects from share deal agreements	0.7	0.7	0.0%	
EAT adjusted after minority interests	8.7	9.4	- 7.4%	

Earnings per share

Adjusted earnings per share in the first quarter of 2023 were €0.20 (previous-year period: €0.20) - the same as the value in the same period of the previous year.

Earnings per share		TABLE 011		
In millions of euros				
	3M 2023	3M 2022	Change	
Shares (in thousands of units) ¹	43,432.2	46,988.3	- 7.6%	
Owners of the Company	6.6	7.5	- 12.0%	
Earnings per share (in euros)	0.15	0.16	- 6.3%	
Owners of the Company adjusted	8.7	9.4	- 7.4%	
Earnings per share adjusted (in euros)	0.20	0.20	0.0%	

¹ Average weighted number of shares as at 31/03/2023.



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Net assets

Condensed statement of financial position¹ TABLE 012

In millions of euros

	31/03/2023	31/12/2022	Change
Non-current assets	83.5	82.8	0.8%
Inventories	1,030.0	967.3	6.5%
Contract assets	361.6	333.6	8.4%
Other current assets	109.8	141.1	- 22.2%
Cash and cash equivalents and term deposits	160.2	255.6	- 37.3%
Assets	1,745.2	1,780.3	- 2.0%
Equity	574.9	573.0	0.3%
Liabilities from corporate finance	173.2	179.7	- 3.6%
Liabilities from project financing	338.3	341.0	- 0.8%
Provisions and other liabilities	658.8	686.7	- 4.1%
Equity and liabilities	1,745.2	1,780.3	- 2.0%

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

As at 31 March 2023, Instone Group's total assets increased to €1,745.2 million (31 December 2022: €1,780.3 million). This was mainly attributable to the increase in inventories.

As at 31 March 2023, inventories rose to €1,030.0 million (31 December 2022: €967.3 million). This increase in inventories was mainly the result of the purchase of new land for future residential project developments. As at 31 March 2023, acquisition costs and incidental acquisition costs for land amounting to €721.6 million (31 December 2022: €690.4 million) were included in inventories.

Receivables from customers for work-in-progress (gross contract assets) already sold and valued at the current completion level of development rose to €923.3 million as at 31 March 2023 (31 December 2022: €847.9 million) due to the continuation of construction activities of residential real estate sold. Payments received from customers amounted to €565.9 million as at 31 March 2023 (31 December 2022: €519.6 million). The increase reflects the progress made in construction in the first quarter of 2023 linked to advance payments from customers.

Contract assets

TABLE 013

In millions of euros

	31/03/2023	31/12/2022	Change
Contract assets (gross)	923.3	847.9	8.9%
Payments received	- 565.9	- 519.6	8.9%
	357.4	328.3	8.9%
Capitalised costs to obtain a contract	4.3	5.3	- 18.9%
Contract assets (net)	361.6	333.6	8.4%

The shares accounted for using the equity method, which also include investments in project companies, rose in the first quarter of 2023 from €43.8 million to €44.8 million due to the construction progress of project developments in joint ventures.

The non-current financial receivables amounting to €19.3 million (31 December 2022: €19.0 million) include loans to joint ventures and increased slightly in the financial year as a result of new loans for financing contributions.

Other current receivables and other assets decreased from €133.9 million to €103.7 million in the first quarter of 2023. The main reason for this was the advance payments for land from previous years used in the first quarter of 2023. Receivables from public-sector grants amounting to €84.9 million (€86.7 million as at 31 December, 2022) are included in other assets as at 31 March 2023. The grants are related to projects that meet the special energy requirements of the KfW 55 or KfW 40 standards.

Cash and cash equivalents and term deposits of €160.2 million (31 December 2022: €255.6 million) was mainly due to the continuous payments to suppliers and contractors for the construction activities of ongoing project developments.



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Non-current financial liabilities increased to €293.0 million as at 31 March 2023 (31 December 2022: €292.0 million). During the same period, current financial liabilities fell to €218.5 million (31 December 2022: €228.6 million). The reduction in financial liabilities resulted in particular from the partial repayment of a promissory note loan.

Trade payables fell during the first quarter of 2023 to €126.9 million (31 December 2022: €150.4 million) and mainly included the services provided by contractors. The reduction corresponded to the advance payments made to contractors during construction work.

The increase in other current liabilities to €394.3 million (31 December 2022: €393.6 million) resulted mainly from advance payments received for the "Westville" project in the amount of €303.0 million (31 December 2022: €302.5 million) and liabilities to employees in the amount of €12.9 million (31 December 2022: €7.6 million). Liabilities from government grants fell to €75.5 million in the first quarter (31 December 2022: €79.8 million) due to the pro rata use according to construction progress.

The equity ratio as at 31 March 2023 was 32.9% (31 December 2022: 32.2%).

The share buyback programme announced on 10 February 2022 was terminated on 24 October 2022 with a total volume of €25.4 million. On 25 October 2022, Instone Real Estate announced its intention to build on this with a new five-month share buyback programme of up to €25 million. As at 31 March 2023, we have now acquired additional shares with a value of €11.4 million. As at 31 March 2023, the holding of the company's treasury shares was 3,665,761 shares. This corresponds to a share of 7.8% of the equity. As at 31 March 2023, the number of shares adjusted for the Company's treasury shares was therefore 43,322,575 shares.

Net financial debt and leverage ratio

TABLE 01⁴

In millions of euros

	31/03/2023	31/12/2022	Change
Non-current financial liabilities	293.0	292.0	0.3%
Current financial liabilities	218.5	228.6	- 4.4%
Financial liabilities	511.5	520.6	- 1.7%
- Cash and cash equivalents and term deposits	- 160.2	- 255.6	- 37.3%
Net financial debt (NFD)	351.3	265.1	32.5%
Inventories and contract assets/liabilities	1,372.6	1,275.0	7.7%
Loan-to-cost¹	25.6%	20.8%	
EBIT adjusted (LTM ²)	87.3	88.6	- 1.5%
Depreciation and amortisation (LTM ²)	4.9	4.8	2.1%
EBITDA adjusted (LTM²)	92.2	93.4	- 1.3%
Leverage (NFD/EBITDA adjusted [LTM ²])	3.8	2.8	

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

² LTM = last twelve months.

Leverage increased slightly compared with 31 December 2022, but remained at a moderate level in the opinion of the Management. The increased net debt due to new financing and the lower result increased the leverage slightly to 3.8 times the adjusted EBITDA. At the same time, the ratio of net debt to balance sheet inventories, contract assets and contract liabilities deteriorated to 25.6% (31 December 2022: 20.8%).



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In the first quarter of 2023, corporate financing fell to €170.5 million due to repayments of €7.5 million as part of the maturity of the promissory note loans (31 December 2022: €178.0 million); as in the previous year, syndicated loans were not drawn down. Utilisation of lines of project financing decreased slightly to €339.0 million (31 December 2022: €340.2 million), due to the increase in the utilisation of existing project financing with a concurrent repayment of terminated project financing. The total funding available, then amounting to €1,024.4 million (31 December 2022: €1,001.3 million) increased in the first quarter of 2023 due to the conclusion of new classic project financing. As at 31 March 2023, cash and cash equivalents totalling €683.9 million (31 December 2022: €653.3 million) were available from project financing and €340.5 million (31 December 2022: €348.0 million) from corporate finance. These corporate finance agreements contain financial key performance indicators that are described in the "Other disclosures" section of the notes to the consolidated financial statements in the 2022 annual report [page 170](#).

In the balance sheet as at 31 March 2023, the liabilities from corporate finance amounted to €173.2 million (31 December 2022: €179.7 million) and liabilities from project financing of €338.3 million (31 December 2022: €341.0 million) as at the reporting date. Recognised total liabilities from financing operations thus fell to €511.5 million on the reporting date (31 December 2022: €520.6 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 015

In millions of euros

Corporate finance (promissory notes)

		Credit amount
Promissory note loan	2023	5.0
Promissory note loan	2024	15.5
Promissory note loan	2025	100.0
Promissory note loan	2027	50.0
		170.5

Corporate finance (loans)

Utilisation

		Credit line	31/03/2023
Syndicated loan	2023	10.0	0.0
Syndicated loan	2024	110.0	0.0
Syndicated loan	2024	50.0	0.0
		170.0	0.0

Project financing

Utilisation

		Credit line	31/03/2023
Term <1 year	2023/2024	237.1	203.4
Term >1 and <2 years	2024/2025	72.4	63.1
Term >2 and <3 years	2025/2026	117.8	14.9
Term >3 years	> 2026	256.6	57.6
		683.9	339.0



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Condensed statement of cash flows

TABLE 016

In millions of euros

	3M 2023	3M 2022	Change
Cash flow from operations	-74.7	-12.7	n/a
Cash flow from investing activities	0.9	-68.9	n/a
Free cash flow	-73.8	-81.6	-9.6%
Cash flow from financing activities	-21.6	31.0	n/a
Cash change in cash and cash equivalents	-95.4	-50.6	88.5%
Cash and cash equivalents at the beginning of the period	255.6	131.0	95.1%
Cash and cash equivalents at the end of the period	160.2	80.5	99.0%

The cash flow from ongoing Instone Group operations of €-74.7 million in the first quarter of 2023 (previous-year period: €-12.7 million) was essentially due to the payment flows from the reduction of liabilities to contractors for ongoing projects with simultaneous purchase price payments and land acquisition taxes for land totalling €5.6 million (previous-year period: €38.1 million).

The operating cash flow, adjusted for payments for land, in the period under review was, as expected, still significantly negative at €-69.1 million (previous-year period: €25.4 million) for seasonal reasons.

Cash flow from investing activities in the first quarter of 2023 amounted to €0.9 million (previous-year period: €-68.9 million). This resulted mainly from interest received for short-term term deposits.

The cash flow from financing activities as at 31 March 2023 stood at €-21.6 million (previous-year period: €31.0 million). This was mainly due to the net

Cash flow from operations

TABLE 017

In millions of euros

	3M 2023	3M 2022	Change
EBITDA adjusted	17.0	18.2	-6.4%
Other non-cash items	-1.3	-6.4	-79.2%
Taxes paid	-1.3	-0.4	225.0%
Change in net working capital ¹	-89.1	-24.1	269.7%
Cash flow from operations	-74.7	-12.7	-488.2%
Payments for land	5.6	38.1	-85.3%
Cash flow from operations excluding new investments	-69.1	25.4	n/a

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

repayment of finance facilities due in the amount of €-12.9 million (previous-year period: net take-up of finance facilities of €35.0 million), consisting of payments received from new finance facilities taken up in the amount of €5.4 million, and repayments for terminated finance facilities in the amount of €-18.3 million. In the financial year, payments for interest amounting to €-3.1 million (previous-year period: €-1.7 million) and payments for the purchase of treasury shares of €-4.6 million (previous-year period: €-1.4 million) were included in the cash flow from financing activities.

As at 31 March 2023, cash and cash equivalents fell to €160.2 million (31 December 2022: €255.6 million).



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Real estate business key performance indicators

TABLE 018

In millions of euros

		3M 2023	3M 2022
Volume of sales contracts		52.7	87.6
Volume of sales contracts	In units	110	191
		31/03/2023	31/03/2022
Project portfolio (existing projects)		7,600.4	7,567.7
of which, already sold		2,958.7	3,070.1
Project portfolio (existing projects)	In units	16,107	16,607
of which, already sold	In units	7,198	7,404

The reluctance on the demand side, which was influenced by interest rate increases and a drop in purchasing power, continues to have an impact on our sales activities. This is expressed in particular in the speed of sales of our individual sales projects. With an offer for sale of 325 units at the beginning of the year and an increase in supply of 16 units, 11 units were sold in the first three months of the 2023 financial year.

With a volume of sales contracts of €46.5 million and 99 sales units, the greater share of sales successes in the reporting period was attributable to our institutional projects. The focus was on the successful sale of the “Bamberg Lagarde Haus 1 and 3” project. The construction of six new residential buildings in accordance with the KfW 55 RE standard with around 250 residential units and, in some cases, commercial space on the ground floor of the buildings was planned for the entire neighbourhood. In addition, purchase price increases in existing purchase agreements driven by the indexation of building costs increased the volume of sales contracts for the projects in question.

The sales volume of €52.7 million achieved in the first quarter of 2023 of 110 sales units was below the volume of sales contracts of €87.6 million during the same period in the previous year, due to the macroeconomic conditions described in the introduction. This development was in line with expectations which were reflected in the forecast for 2023 communicated on 16 March 2023. In particular, the deliberate decision to place new phases of sales in an extremely selective manner continues to have a dampening effect on the sales volume. In the current market environment, the possibilities of further developing products that are ready for sale in the direction of new market trends and of adjusting the start of sales in line with the assessment of the development of demand are still being left open in order to optimise value generation.

The realised volume of sales contracts as at 31 March 2023 focuses for the most part on prosperous medium-sized cities due to institutional sales. These account for around 80% of sales, while around 20% is attributable to Germany's major metropolitan regions.



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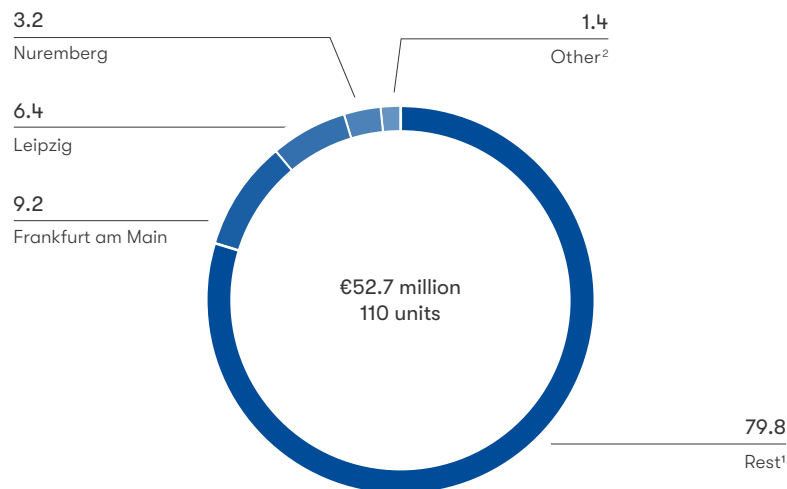
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Marketing by region, 3M 2023

In %



¹ Mainly includes Bamberg, Potsdam and Wiesbaden.

² Includes Berlin, Hamburg, Munich, NRW and Stuttgart.

The following projects mainly contributed to successful marketing in the reporting period:

Volume of sales contracts 3M 2023

TABLE 019

In millions of euros

		Volume	Units
Bamberg, Lagarde	Bamberg	n/a	99
Wiesbaden-Delkenheim, Lange Seegewann ¹	Wiesbaden	4.0	0
Parkresidenz	Leipzig	3.4	7
Steinbacher Hohl ¹	Frankfurt am Main	2.2	0
Rote Kaserne West – “Fontane Gärten”	Potsdam	1.8	3
“Fuchsgarten” – Boxdorf, Nuremberg	Nuremberg	1.3	2
Westville ¹	Frankfurt am Main	1.1	0

¹ Volume of sales contracts results from supplementary items to the purchase agreement

The offer for sale of our individual sales projects on the market as at 31 March 2023 includes 329 units with an expected revenue volume of €224 million. Given the current supply base, we are at a similar level to 31 December 2022 (325 units and €221 million).

The successful start of sales for a sub-project of the park residence with a total of 16 units contributed to the increase in the offer for sale of the individual sales properties in the first quarter of 2023, while the realised sales in individual sales of a total of 11 units resulted in a corresponding reduction in the offer for sale.



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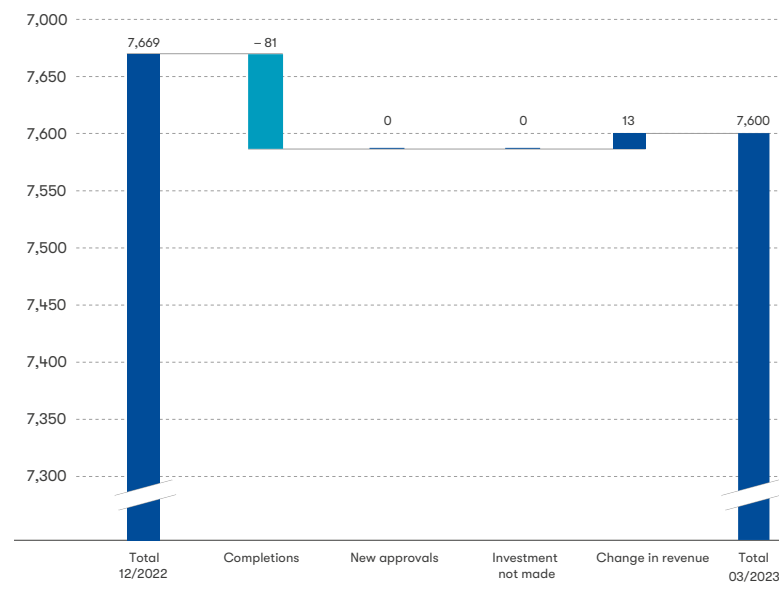
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Development of the project portfolio, 31/03/2023

In millions of euros



With regard to the volume of new approvals, this confirms the strategic approach of extremely selective investment activity, which was deliberately chosen in 2022. We also expect attractive acquisition opportunities for projects of competitors with weaker financial resources in the changed interest rate and financing environment.

Of the current project portfolio, €1,944.7 million has already been realised in adjusted revenue.

As at 31 March 2023, Instone Real Estate's project portfolio comprised 51 projects, from which we currently anticipate a total volume of sales contracts of €7,600.4 million, representing a slight decrease from that of 31 December 2022 (€7,668.8 million). The main driver of the decline is the completion of the "Niederkasseler Lohweg" project in Dusseldorf, which was removed from the portfolio calculation in the first quarter of 2023 after it was handed over to the investor in late-2022. The realised and expected revenue increases in the project portfolio amounting to €13.0 million had the opposite effect. The increase in revenue was mainly triggered by sales price increases within the framework of the contractually agreed indexation of costs. There were no new approvals or non-executed investments during the reporting period.



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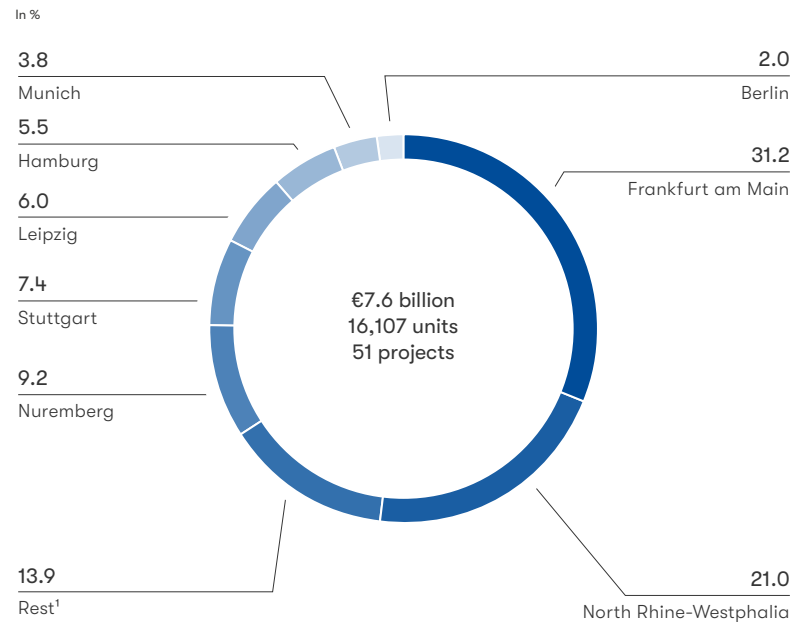
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The project valuation reflects the significant cost increases since the beginning of 2022 and expected cost increases in the coming years. Based on these assumptions, as at 31 December 2022, there is an unchanged forecast of a gross profit margin on the project portfolio, excluding the "Westville" project in Frankfurt am Main, of around 22.5%.¹⁾

¹⁾ If the large "Westville" project were taken into consideration, the expected gross profit margin for the project portfolio as at 31 December 2022 would also remain unchanged at approximately 21.9%.

Project portfolio by region, 31/03/2023



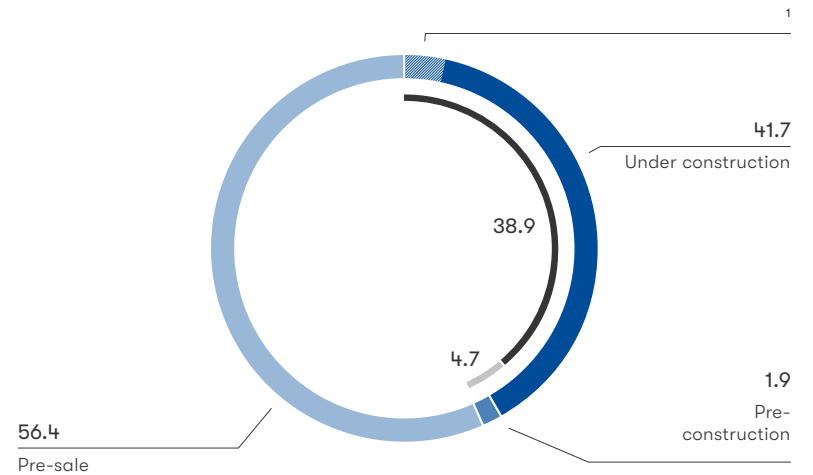
¹⁾ Included Wiesbaden, Hanover, Potsdam and Bamberg.

The majority – approximately 86% – of the anticipated overall volume of revenue from the project portfolio as at 31 March 2023 was 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.

Project portfolio by group, 31/03/2023

Basis: Sale proceeds

In %



¹⁾ 7.0% of the project portfolio has already been handed over.

Based on the continuous growth of our project portfolio in recent years and the extremely selective decision-making process in relation to sales launches, the majority of our ongoing projects were in the "pre-sale" stage of development.



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As at 31 December 2022, 41.3% of the project portfolios were “under construction”, 2.2% were in the “pre-construction” phase and 56.4% were in the “pre-sale” phase. This shows a slight increase in the “under construction” category by approx. 0.4 percentage points to 41.7% as at 31 March 2023, which is mainly attributable to the start of construction of the “Fuchsgärten” project in Boxdorf, Nuremberg. Accordingly, the “pre-construction” category decreased from 2.2% as at 31 December 2022 to approximately 1.9% as at 31 March 2023.

Compared with 31 December 2022, the “pre-sales” category remains unchanged at 56.4%.

In addition, the preceding diagram shows that, as at 31 March 2023, approximately 39% of the anticipated overall revenue volume of the project portfolio had already been sold. In terms of the anticipated revenue volume from “under construction” and “pre-construction” projects, approximately 89% of projects had been sold as at 31 March 2023.

In addition to the 51 projects, Instone Real Estate's project portfolio will be supplemented by three further projects that will be realised in joint ventures. Overall, a total volume of sales of over €1 billion (Instone share approx. €500 million) and the development of approximately 1,800 residential units was expected for these projects.

With an offer for sale of 95 units at the beginning of the year, it was possible to implement the sale of five units in unit sales in the “Friedenauer Höhe” project during the reporting period.

Adjusted revenue

In the first quarter of 2023, we achieved adjusted revenue of €123.5 million (previous-year period: €118.5 million). The following projects contributed significantly to the adjusted revenue in the period under review:

Key projects revenue realisation (adjusted) 3M 2023

TABLE 020

In millions of euros

		Revenue volume (adjusted)
“Schönhof-Viertel”	Frankfurt am Main	26.6
Westville	Frankfurt am Main	16.1
Beethovenpark (“Augusta and Luca”)	Augsburg	11.6
Parkresidenz	Leipzig	11.5
Wiesbaden-Delkenheim	Wiesbaden	7.0
Bamberg, Lagarde	Bamberg	6.4
Rothenburgsort	Hamburg	6.3
“Wohnen im Hochfeld” Unterbach	Dusseldorf	5.8
“Neckar.Au Viertel”	Rottenburg	5.2
S'LEDERER	Schorndorf	4.4

The general building blocks of success when it comes to realising the adjusted revenue were steady marketing progress and a further development process in the structural implementation of the projects. In the first quarter, progress in the projects under construction contributed in particular to revenue realisation.



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In the reporting period, one project, the “Fuchsgärten” project in Boxdorf, Nuremberg, has entered the construction phase:

Construction starts, 3M 2023

TABLE 021

“Fuchsgarten” – Boxdorf, Nuremberg	Nuremberg	around 110 residential units
------------------------------------	-----------	------------------------------

With its 110 residential units, the “Fuchsgärten” units offer suitable housing concepts aimed at different target groups. All apartments are constructed to the BEG efficiency standard 55 EE and are equipped with modern wood pellet heating systems. Only renewable energies are used for heating, meaning the units are heated independently of fossil fuels.

Around 6,000 units are currently in the construction phase at the same time. Materials and supply bottlenecks are not currently triggering any significant disruptions during the construction process. All developments in what is a challenging market environment and in our projects were monitored closely and compensated for as far as possible by making the appropriate adjustments to the relevant processes.

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



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Risk and opportunities report

At Instone Real Estate, risk and opportunities management is an integral part of the Group-wide system of corporate governance. For a detailed overview of our risk and opportunities management processes as well as the risk and opportunities situation, please refer to the “Risk and opportunities report” shown in the combined management report on [pages 150–167](#) of the 2022 Annual Report.

There was no material change in the risk and opportunities situation in comparison to our presentation in the 2022 Annual Report.

The risk and opportunities situation is continuously monitored, assessed and, if necessary, incorporated into the ongoing forecast. From the current perspective, there were no identifiable risks that risked jeopardising the continued existence of the Instone Group.



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Our forecast for business development for 2023, which we announced with the publication of the 2022 annual report in March 2023, is confirmed.

The Management Board now expects the financial and operating performance indicators to develop as follows:

Forecast		TABLE 022
<i>In millions of euros</i>		
	2023	
Adjusted revenue	600-700	
Adjusted gross profit margin	~ 25%	
Adjusted earnings after tax	40-50	
Volume of sales contracts	> 150	

The forecast is based, among other things, on a historically lower speed of sales of our unit sales projects and a sustained reluctance on the part of institutional investors as a result of the significant rise in interest rates.



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Consolidated income statement

TABLE 023

In thousands of euros

	01/01/–31/03/2023	01/01/–31/03/2022
Revenue	106,711	114,110
Changes in inventories	62,746	33,652
	169,457	147,762
Other operating income	3,732	2,319
Cost of materials	–138,209	–115,571
Staff costs	–13,567	–14,198
Other operating expenses	–5,561	–4,955
Depreciation and amortisation	–1,265	–1,179
Consolidated earnings from operating activities	14,588	14,180
Share of results of joint ventures	1,279	568
Other results from investments	0	12
Finance income	951	81
Finance costs	–6,858	–4,049
Other financial result	0	–4
Consolidated earnings before tax (EBT)	9,959	10,788
Income taxes	–3,463	–3,406
Consolidated earnings after tax (EAT)	6,496	7,382
Attributable to:		
Group interests	6,639	7,480
Non-controlling interests	–143	–98
Weighted average number of shares (in units)	43,432,153	46,983,811
Basic and diluted earnings per share (in €)	0.15	0.16



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TABLE 024

In thousands of euros

	31/03/2023	31/12/2022
ASSETS		
Non-current assets		
Goodwill	6,056	6,056
Intangible assets	758	940
Right-of-use assets	7,673	7,580
Property, plant and equipment	1,547	1,721
Interests in joint ventures	44,779	43,754
Other investments	340	340
Financial receivables	19,296	18,993
Other receivables	0	311
Deferred tax	3,078	3,078
	83,528	82,774
Current assets		
Inventories	1,029,999	967,253
Right-of-use assets	3,031	3,031
Financial receivables	650	663
Contract assets	361,645	333,585
Trade receivables	1,998	2,778
Other receivables and other assets	103,741	133,949
Income tax assets	403	710
Cash and cash equivalents	160,230	255,592
	1,661,697	1,697,561
TOTAL ASSETS	1,745,225	1,780,335



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TABLE 024

In thousands of euros

	31/03/2023	31/12/2022
EQUITY AND LIABILITIES		
Equity		
Share capital	46,988	46,988
Capital reserves	358,983	358,983
Group retained earnings/loss carryforwards	204,762	198,123
Accumulated reserves recognised in other comprehensive income	1,797	1,755
Treasury shares at acquisition cost	- 36,697	- 32,139
Equity attributable to shareholders	575,832	573,710
Non-controlling interests	- 897	- 753
	574,936	572,957
Non-current liabilities		
Provisions for pensions and similar obligations	82	128
Other provisions	3,459	3,342
Financial liabilities	293,000	292,025
Liabilities from net assets attributable to non-controlling interests	18	18
Leasing liabilities	7,550	7,359
Deferred tax	49,569	50,314
	353,679	353,185
Current liabilities		
Other provisions	21,687	21,929
Financial liabilities	218,509	228,622
Leasing liabilities	3,470	3,581
Contract liabilities	19,008	25,878
Trade payables	126,872	150,450
Other liabilities	394,296	393,559
Income tax liabilities	32,768	30,175
	816,611	854,193
TOTAL EQUITY AND LIABILITIES	1,745,225	1,780,335



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TABLE 025

In thousands of euros

	01/01–31/03/2023	01/01–31/03/2022
Consolidated earnings after tax	6,496	7,382
(+) Depreciation and amortisation/(-) Write-ups of non-current assets	1,265	1,179
(+) Profit/(-) loss on disposals of property, plant and equipment	1	4
(+) Increase/(-) decrease in provisions	-77	-3,677
(+) Current income tax income/(-) current income tax expense	4,227	1,576
(+) Deferred income tax income/(-) deferred income tax expense	-764	2,049
(+) Income/(-) expenses from equity carrying amounts	-1,279	-568
(+) Expense/(-) income from the results of investments in minority interests	0	-12
(+) Interest expense/(-) interest income	5,907	3,972
(+/-) Change in net working capital ¹	-89,121	-24,114
(+) Income tax reimbursements/(-) income tax payments	-1,327	-441
= Cash flow from operations	-74,671	-12,652
(-) Outflows for investments in intangible assets	0	-9
(+) Proceeds from disposals of property, plant and equipment	0	18
(-) Outflows for investments in property, plant and equipment	-20	-108
(+) Proceeds from disposals of investments	233	0
(-) Outflows for investments in financial assets	0	-8,849
(-) Outflows for investments within the scope of short-term financial planning	0	-60,000
(+) Interest received	663	0
= Cash flow from investing activities	876	-68,949



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TABLE 025

In thousands of euros

	01/01–31/03/2023	01/01–31/03/2022
(–) Acquisition of treasury shares	– 4,558	– 1,370
(–) Payments to minority shareholders	0	– 99
(+) Proceeds from loans and borrowings	5,407	42,639
(–) Repayments of loans and borrowings	– 18,342	– 7,654
(–) Payments from lessees to repay liabilities from lease agreements	– 981	– 905
(–) Interest paid	– 3,092	– 1,658
= Cash flow from financing activities	– 21,568	30,954
Cash and cash equivalents at the beginning of the period	255,592	130,969
(+/-) Change in cash and cash equivalents	– 95,363	– 50,647
= Cash and cash equivalents at the end of the period	160,230	80,322

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



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Reconciliation of adjusted results of operations 01/01–31/03/2023

TABLE 026

In thousands of euros

	Adjusted results of operations	Share deal effects	Non-recurring effects	Reclassifications	Effects from PPA	Reported results of operations
Revenue	123,500	-16,073	0	0	-716	106,711
Project costs	-89,669	15,213	0	-710	-299	-75,463
Cost of materials	-134,960	0	0	-3,249	0	-138,209
Changes in inventories	45,291	15,213	0	2,540	-299	62,746
Gross profit	33,832	-860	0	-710	-1,015	31,248
Platform costs	-19,341	0	-568	3,249	0	-16,660
Staff costs	-13,567	0	0	0	0	-13,567
Other operating income	961	0	0	2,772	0	3,732
Other operating expenses	-5,470	0	-568	478	0	-5,561
Depreciation and amortisation	-1,265	0	0	0	0	-1,265
Share of results of joint ventures	1,279	0	0	0	0	1,279
EBIT	15,769	-860	-568	2,540	-1,015	15,866
Other results from investments	0	0	0	0	0	0
Financial result	-3,367	0	0	-2,540	0	-5,907
EBT	12,402	-860	-568	0	-1,015	9,959
Tax	-3,885					-3,463
EAT	8,517					6,496



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

TABLE 027

In thousands of euros

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



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Basis of the interim consolidated financial statements

For the interim consolidated financial statements as at 31 March 2023, the accounting policies applied when preparing the consolidated financial statements as at 31 December 2022 were generally adopted without change.

The consolidated financial statements for Instone Real Estate as at 31 December 2022 were prepared on the reporting date on the basis of Section 315e(1) HGB in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the related Interpretations (IFRIC) of the IFRS Interpretations Committee (IFRS IC) as they apply in accordance with Regulation No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards in the European Union.

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

Events after the balance sheet date

There were no events of particular significance to report after the balance sheet date of 31 March 2023.



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In millions of euros		Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Real estate business key performance indicators						
Volume of sales contracts		52.7	41.9	104.6	58.0	87.6
Volume of sales contracts	In units	110	44	199	96	191
Project portfolio (existing projects)		7,600.4	7,668.8	7,827.4	7,727.4	7,567.7
Of which, already sold		2,958.7	2,980.5	2,945.4	2,891.4	3,070.1
Project portfolio (existing projects)	In units	16,107	16,209	16,580	16,644	16,607
Of which, already sold	In units	7,198	7,309	7,265	7,179	7,404
Volume of new approvals ¹		0.0	0.0	51.4	185.5	99.8
Volume of new approvals	In units	0	0	114	461	174
Adjusted results of operations						
Revenue adjusted		123.5	179.1	173.9	149.5	118.5
Project costs adjusted		-89.7	-135.6	-129.0	-115.9	-83.3
Gross profit adjusted		33.8	43.4	45.0	33.6	35.2
Gross profit margin adjusted		27.4%	24.2%	25.9%	22.5%	29.7%
Platform costs adjusted		-19.3	-17.4	-20.7	-15.7	-18.7
Share of results of joint ventures adjusted		1.3	1.7	0.7	0.9	0.6
Earnings before interest and tax (EBIT) adjusted		15.8	27.7	25.0	18.9	17.0
EBIT margin adjusted		12.8%	15.5%	14.4%	12.6%	14.3%
Income from investments adjusted		0.0	0.0	0.0	0.0	0.0
Financial result adjusted		-3.4	-4.3	-4.1	-3.8	-3.7
Earnings before tax (EBT) adjusted		12.4	23.4	20.8	15.1	13.4
EBT margin adjusted		10.0%	13.1%	12.0%	10.1%	11.3%
Income taxes adjusted		-3.9	-7.3	-6.4	-4.8	-4.1
Earnings after tax (EAT) adjusted		8.5	16.0	14.4	10.3	9.3
EAT margin adjusted		6.9%	8.9%	8.3%	6.9%	7.8%
Earnings per share (adjusted)	In euros	0.20	0.35	0.32	0.24	0.20

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

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	3M 2023	2022	2021	2020	2019
Key liquidity figures					
Cash flow from operations	-74.7	70.2	43.9	119.9	-205.1
Cash flow from operations excluding new investments	-69.1	187.2	256.3	225.0	115.0
Free cash flow	-73.8	79.6	167.4	-64.2	-237.5
Cash and cash equivalents and term deposits ¹	160.2	255.6	151.0	232.0	117.1
Key balance sheet figures					
Total assets	1,745.2	1,780.3	1,520.8	1,283.1	1,123.4
Inventories	1,030.0	967.3	843.7	777.8	732.1
Contract assets	361.6	333.6	358.0	194.2	219
Equity	574.9	573.0	590.9	521	310.2
Financial liabilities	511.5	520.6	390.5	481.7	595.5
Of which, from corporate finance	173.2	179.7	199.1	207.2	180.8
Of which, from project financing	338.3	341.0	191.4	274.5	414.7
Net financial debt ²	351.3	265.1	239.5	249.7	478.4
Leverage	3.8	2.8	1.5	2.841	3.6
Loan-to-cost ³	In % 25.6	20.8	20.1	25.7	50.3
ROCE ⁴ adjusted	In % 9.9	10.2	22.0	10.257	22.8
Employees					
Number	485	488	457	413	375
FTE ⁵	406.3	409.4	387.6	342.5	307.7

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 for current number of entitled shares (43,322,575 shares).

TABLE 029

In millions of euros

	3M 2023	2022	2021	2020	2019
Real estate business key performance indicators					
Volume of sales contracts	52.7	292.1	1,140.1	464.4	1,403.1
Volume of sales contracts In units	110	530	2,915	1,292	2,733
Project portfolio (existing projects)	7,600.4	7,668.8	7,500.0	6,053.6	5,845.7
Of which, already sold	2,958.7	2,980.5	3,038.9	2,328.8	2,174.0
Project portfolio (existing projects) In units	16,107	16,209	16,418	13,561	13,715
Of which, already sold In units	7,198	7,309	7,215	5,381	4,814
Volume of new approvals ⁶	0.0	336.7	1,587.4	489.9	1,284.2
Volume of new approvals In units	0	749	3,245	1,171	3,857
Adjusted results of operations					
Revenue adjusted	123.5	621.0	783.6	480.1	515.9
Project costs adjusted	-89.7	-463.8	-562.1	-333.5	-355.1
Gross profit adjusted	33.8	157.2	221.5	146.6	160.7
Gross profit margin adjusted	27.4%	25.3%	28.3%	30.5%	31.1%
Platform costs adjusted	-19.3	-72.5	-80.5	-65.5	-59.0
Share of results of joint ventures adjusted	1.3	3.9	14.6	2.7	0.7
Earnings before interest and tax (EBIT) adjusted	15.8	88.6	155.7	83.8	102.5
EBIT margin adjusted	12.8%	14.3%	19.9%	17.5%	19.9%
Income from investments adjusted	0.0	0.0	0.1	-1.2	-5.7
Financial result adjusted	-3.4	-15.9	-19.3	-23.2	-16.1
Earnings before tax (EBT) adjusted	12.4	72.7	136.5	59.4	80.7
EBT margin adjusted	10.0%	11.7%	17.4%	12.4%	15.6%
Income taxes adjusted	-3.9	-22.6	-39.6	-18.3	2.1
Earnings after tax (EAT) adjusted	8.5	50.0	96.9	41.1	82.8
EAT margin adjusted	6.9%	8.1%	12.4%	8.6%	16.0%
Earnings per share (adjusted) In euros	0.20	1.11	2.10	0.99	2.69
Dividend per share ⁷ In euros		0.35	0.62	0.26	
Dividends paid ⁷		15.2	28.7	12.2	



Key figures at a glance

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Contact

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About us

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Management Board

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

Chairman of the Supervisory Board

Stefan Brendgen

Commercial Register

Registered in the Commercial Register
of the Essen District Court under HRB 32658

Sales tax ID number
DE 300512686

Concept, design and implementation

MPM – Part of RYZE Digital,
55122 Mainz
www.mpm.de

Financial calendar

11/05/2023	Publication of the quarterly statement as at 31 March 2023
10/08/2023	Publication of the semi-annual report as at 30 June 2023
09/11/2023	Publication of the quarterly statement as at 30 September 2023



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