19

Q1

Q1 Quarterly statement

Instone Real Estate Group AG

31 March 2019

OVERVIEW OF KEY FIGURES

AS OF: 31/03/2019

in millions of euros

		Q1 2019	Q1 2018
Performance indicators			
Volume of revenue contracts		62.8	30.0
Volume of new permits		0.0	0.0
Project portfolio		4,790.2	3,408.5
Sales revenues adjusted		84.2	52.7
Key earnings figures			
Gross profit or loss adjusted		27.1	19.0
Gross profit or loss margin adjusted	as a %	32.2	36.1
EBIT adjusted		15.7	8.1
EBIT margin adjusted	as a %	18.6	15.4
EBT adjusted		14.7	5.1
EBT margin adjusted	as a %	17.5	9.7
Consolidated earnings adjusted		8.8	– 6.7
Key liquidity figures			
Cash flow from operations		– 24.9	– 75.8
Free cash flow		– 25.1	– 75.4
Cash and cash equivalents		69.1	140.2

		31/03/2019	31/12/2018
Key balance sheet figures			
Total assets		705.0	686.6
Equity		255.3	246.9
Net financial debt		201.5	177.5
Debt-equity ratio		3.4	3.5
ROCE[1] adjusted	as a %	13.8	12.7
Employees			
Number (as at 31/03/2019)		338	311
FTE[2] (as at 31/03/2019)		281.3	258.7

[1] Return on capital employed = EBIT / (2-year average equity + net debt)
[2] Full-time equivalent employees.

OVERVIEW Q1 2019

Instone Real Estate has started the first quarter of 2019 with momentum and is also maintaining a top position in the rankings of German residential developers this year – with attractive projects, convincing figures and brilliant prospects.

Performance on schedule at the start of the year with a significant increase in revenues and earnings

Forecast for financial year 2019 confirmed

ADJUSTED EBIT
IMPROVES TO

€ 15.7 MILLION

Previous year: €8.1 million

ADJUSTED REVENUES
increased by more than 50% to €84.2 million

Previous year: €52.7 million

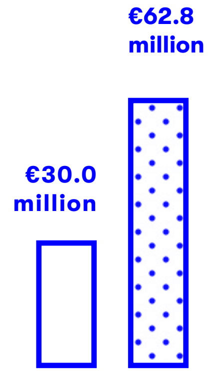
PROJECT PORTFOLIO
with an overall revenue volume of

€ 4.8 BILLION

is a strong foundation for medium-term revenue planning

ADJUSTED GROSS PROFIT MARGIN
of 32.2% in line with our forecast for 2019 of around 28%

Instone Real Estate starts financial year 2019 with success



VOLUME OF REVENUE CONTRACTS
rises significantly to €62.8 million

Previous year: €30.0 million

~77%

of the project volume marketed has already been sold

BUSINESS MODEL

Instone Real Estate is one of Germany's leading residential developers and is listed on the Prime Standard of the Frankfurt Stock Exchange. Instone Real Estate develops attractive residential and apartment buildings and publicly subsidised residential construction, designs modern city districts and refurbishes listed buildings. These are mainly marketed to owner-occupiers, private investors with the intention to lease and institutional investors. Over the course of 28 years, we have consequently realised more than one million square metres. We have 338 employees at eight locations across Germany. As at 31 March 2019, the project portfolio of Instone Real Estate included 45 development projects with an anticipated overall sales volume of approximately €4.8 billion and more than 11,000 units.

As at 31 March 2019, approximately 90% of our portfolio (based on anticipated sales volume after completion of development) was located in the most important conurbations in Germany (Berlin, Bonn, Cologne, Düsseldorf, Frankfurt am Main, Halle, Hamburg, Leipzig, Munich and Stuttgart) and 10% in other prosperous medium-sized cities.

COVERAGE OF THE ENTIRE VALUE CHAIN

Instone Real Estate is one of the few purely residential real estate developers in Germany covering the entire value chain and is therefore involved in more than pure construction activities. Instone Real Estate offers a fully integrated platform across Germany which covers land acquisition, land development, concept planning, construction management, marketing and sales.

Instone Real Estate's activities are supported by the continued high demand for housing.

CORPORATE STRATEGY AND MANAGEMENT

INSTONE GROUP STRATEGY

Instone Real Estate's strategy is based on the development and sale of profitable residential property projects in regions with sustainable population growth and an associated high demand for housing. The company has an attractive project portfolio and plans to expand it in the future. At the same time, Instone Real Estate is well positioned regionally and nationwide to exploit the growth potential in the most important German metropolitan regions.

Due to its high value-added depth and extensive experience in the development of areas and the conversion of areas with previously different uses, Instone Real Estate is in a position to become involved in projects at an early stage of development and successfully develop projects as an ideal partner for real estate sellers. The high value-added depth also enables the Company to manage important cost and time factors efficiently. Moreover, Instone Real Estate has an excellent network of service providers and contractors, thus ensuring access to the necessary resources. All of these factors are key competitive advantages for the Company.

Maintaining and expanding the competitive position in the German residential real estate development sector with a continuous focus on the most important conurbations in Germany

In regional terms, Instone Real Estate has the attractive growth markets in Germany (North Rhine-Westphalia and Rhine-Main area, Baden-Württemberg and Bavaria, Saxony and northern Germany) in its sights. Instone Real Estate plans to maintain its focus and further strengthen its presence at these locations. These metropolitan areas and prosperous, medium-sized cities are showing strong demographic growth which is being further intensified by the urbanisation trend, the sustainable composition of households and the regionally diversified economic structure.

When marketing residential properties, Instone Real Estate relies on a diversified asset management strategy, including all relevant investor classes. Sales to private owner-occupiers in individual sales forms the core of our strategy.

Focus on land and real estate without approved land use or development plans at the time of acquisition for development as residential real estate

Instone Real Estate's acquisition strategy is to generate attractive margins from project developments without taking disproportionate risks. To this end, Instone Real Estate focuses primarily on the acquisition of land or real estate without land-use plans or planning permission for residential development purposes. Instone Real Estate only acquires land or real estate if the company believes it is likely that the required planning approvals will be granted within a reasonable period of time. Instone Real Estate will therefore not invest in a property unless the company believes that the development plan and planning permissions will be granted within the appropriate time frame (no land speculation).

Instone Real Estate plans to continuously identify opportunities for the acquisition of land or real estate in key German metropolitan areas in accordance with its acquisition criteria and will remain close to local markets through its eight branches established for this purpose. The focus is on real estate markets in the major German cities, including other major and liquid markets that may be of interest to retail and institutional investors.

In addition to using the gross profit or loss margin as a financial criterion and the certainty of obtaining construction rights in a timely manner, the acquisition criteria may differ depending on the region and the individual project. The strategies may differ correspondingly. In general, Instone Real Estate focuses on more complex projects where the Company can leverage its network of regional offices, combined with the industry expertise of its employees, and its vertical integration.

FINANCIAL AND REAL ESTATE KEY PERFORMANCE INDICATORS

Important management key performance indicators

To manage our sustainable economic success, we use revenue-based key performance indicators (KPIs), adjusted sales, adjusted gross profit or loss margin, adjusted earnings before interest and tax (EBIT) as financial performance indicators. The KPI in real estate of the volume of revenue contracts serves as a non-financial performance indicator.

Other important KPIs

The management of Instone Real Estate also uses the following KPIs for analysis and reporting: current offers for sale, project portfolio, volume of new permits, gross project profit or loss, gross project profit margin and debt-to-equity ratio.

Further information on the key control indicators, in particular regarding their calculation, can be found on pages 39 – 40 in the 2018 annual report.

RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION

FINANCIAL KEY FIGURES

In millions of euros

	Q1 2019	Q4 2018	Q3 2018[1]	Q2 2018[1]	Q1 2018[1]
Sales revenues adjusted	84.2	372.8	222.5	139.4	52.7
Gross profit or loss adjusted	27.1	106.4	59.7	36.4	19.0
Gross profit or loss margin adjusted	32.2%	28.5%	26.8%	26.1%	36.1%
EBIT adjusted	16.7	49.6	20.6	11.9	8.1

[1] Previous year's figure adjusted

First-time application of IFRS 16 "Leases"

In the current financial year 2019, the Instone Group applied the International Financial Reporting Standard 16 (IFRS 16) "Leases" for the first time. The effects of the first-time application arise for Instone real estate as a lessee in lease agreements.

In accordance with the principles of IFRS 16, a lessee must recognise an asset from the right of use in the amount of the lease obligation upon conclusion of a lease agreement. As a counter-position, the lessee records a lease liability equal to the cash value of the lease obligation. In the course of the first-time application, the lessee must value and record all existing lease agreements with the residual value of the lease obligation as an asset and as a lease liability. Prior to the first-time application of IFRS 16, these lease obligations were managed outside the balance sheet of the lessee.

Consequently, the subsequent evaluations of the lease agreements also result in a change in the income statement. The lessee's income statement shows the depreciation of the right of use of the leased asset and the expenses arising from the compounding of the lease obligation. Prior to the first-time application of IFRS 16, these ongoing payments of the lease obligations were recognised as other operating expenses.

RESULTS OF OPERATIONS

As in previous years, the interim consolidated financial statements of Instone Real Estate Group AG for Q1 2019 include one-off effects from sales price allocations due to an extension of the scope of consolidation in previous years. The ongoing amortisation of sales price allocations is adjusted in the income figures.

ADJUSTED RESULTS OF OPERATIONS

In millions of euros

	Q1 2019	Q1 2018[1]	Change in
Sales revenues	84.2	52.7	59.8%
Project costs	– 57.1	– 33.7	69.4%
Gross profit or loss	**27.1**	**19.0**	**42.6%**
Gross profit margin	**32.2%**	**36.1%**	
Platform costs	– 11.3	– 10.9	3.7%
Earnings before interest and tax (EBIT)	**15.7**	**8.1**	**93.8%**
EBIT margin	**18.6%**	**15.4%**	
Investment and other income	0.0	0.0	0.0%
Net financial income	– 1.1	– 3.0	– 63.3%
Earnings before tax (EBT)	**14.7**	**5.1**	**> 100%**
EBT margin	**17.5%**	**9.7%**	
Income taxes	– 5.8	– 11.8	50.8%
Earnings after tax (EAT)	**8.8**	**– 6.7**	**> 100%**
EAT margin	10.5%	**12.7%**	

[1] Previous year's figure adjusted

Sales revenues

In the first quarter of 2019, the Instone Group increased its adjusted revenues significantly compared to the same period in the previous year. Adjusted revenues in the quarter under review amounted to €84.2 million (previous year: €52.7 million). Significantly increased sales ratios and the significant increase in construction progress in Q1 2019 increased revenues by €31.5 million. The amortisation of the effects from purchase price allocations placed a burden of €1.5 million (previous year: €1.5 million) on the reported sales revenues.

SALES REVENUES

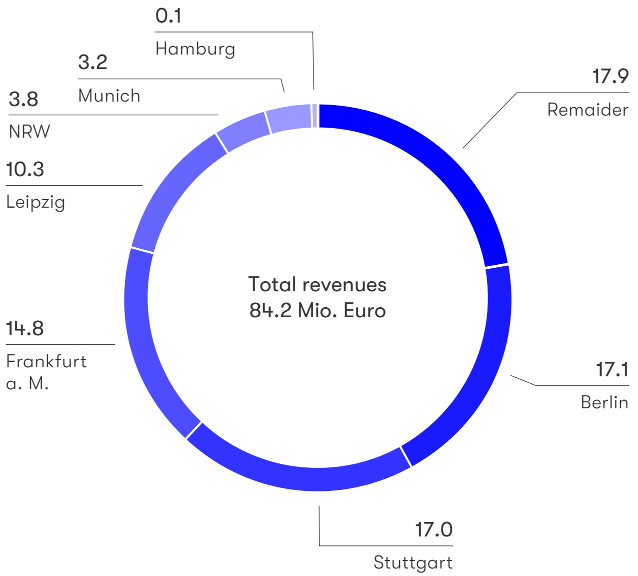
In millions of euros

	Q1 2019	Q1 2018	Change in
Sales revenues	**82.7**	**51.2**	**61.5%**
+ Effects from sales price allocations	1.5	1.5	0%
Sales revenues adjusted	**84.2**	**52.7**	**59.8%**

The sales revenues of the Instone Group are mainly generated in Germany and are spread across the following regions:

REVENUE BY REGION

In millions of euros



Project costs

In the quarter under review, project expenses also increased significantly to €57.1 million (previous year: €33.7 million). The two main influencing factors are the increase in the cost of materials and the reduction of changes in inventories.

The increase in the cost of materials to €79.3 million (previous year: €50.2 million) is based on the increase in construction activities for project development and on the purchase of land.

In the first quarter of 2019, the changes in inventories were significantly higher at €23.6 million (previous year: €17.1 million). The cost of materials in the quarter under review was significantly more focused on marketed projects and not on unsold inventories.

Indirect sales expenses in the quarter under review in the amount of €0.5 million (previous year: €0.5 million) were allocated to project costs. The adjustment of the capitalised interest in the changes in inventories of €0.9 million (previous year: €-0.1 million) increased the project costs.

PROJECT COSTS

In millions of euros

	Q1 2019	Q1 2018	Change in
Project costs	**57.1**	**33.7**	**69.4%**
+ Effects from sales price allocations	0.0	0.0	0.0%
Project expenses adjusted	**57.1**	**33.7**	**69.4%**

Gross profit or loss

Due to the increase in construction activities and the increase in sales revenues, the adjusted gross profit also rose to €27.1 million (previous year: €19.0 million).

GROSS PROFIT OR LOSS

In millions of euros

	Q1 2019	Q1 2018	Change in
Gross profit or loss	**25.6**	**17.5**	**46.3%**
+ Effects from sales price allocations	1.5	1.5	0.0%
Gross profit or loss adjusted	**27.1**	**19.0**	**42.6%**
Gross profit or loss margin adjusted	**32.2%**	**36.1%**	

The adjusted gross profit or loss margin – calculated from the adjusted gross profit or loss for the adjusted sales revenues – amounts to 32.2% (previous year: 36.1%).

Platform costs

Staff costs in the quarter under review were €7.7 million (previous year: €7.2 million) – a slight increase compared with the previous year's level. This is mainly due to the higher number of employees, which currently stands at 338 (previous year: 300) and the corresponding increase in the FTE figure of 281.3 (previous year: 246.6). Other operating income increased to €3.2 million (previous year: €2.7 million). Other operating expenses fell to €6.4 million in the same period (previous year: €6.7 million). Depreciation and amortisation, on the other hand, increased to €1.0 million (previous year: €0.1 million). The first-time application of IFRS 16 "Leases" resulted in a change in the recognition of other operating expenses for ongoing lease payments to depreciation of assets from rights of use. The effect of this depreciation in the quarter under review amounted to €0.8 million.

Due to these effects, the platform costs increased slightly to €11.3 million (previous year: €10.9 million).

Earnings before interest and tax (EBIT)

Adjusted earnings before interest and tax rose to €15.7 million due to the positive business performance (previous year: €8.1 million).

EBIT

In millions of euros

	Q1 2019	Q1 2018	Change in
EBIT	14.2	6.6	>100%
+ Effects from sales price allocations	1.5	1.5	0.0%
EBIT adjusted	**15.7**	**8.1**	**93.8%**
EBIT margin adjusted	**18.6%**	**15.4%**	

Investment and financial result

In the quarter under review, as in the same period of the previous year, no significant income was produced from investments in the Instone Group.

The financial result improved in the quarter under review to €-2.0 million (previous year: €-3.1 million). The improvement in the financing structure in the Instone Group carried out in the previous year contributed significantly to this.

The financial result adjusted by the capitalised interest on changes in inventories of €0.9 million (previous year: €0.1 million) improved to €-1.1 million (previous year: €-3.0 million).

Earnings before tax (EBT)

Due to the positive business performance and the improvement in the financing structure, adjusted earnings before tax increased significantly to €14.7 million (previous year: €-6.8 million).

EBT

In millions of euros

	Q1 2019	Q1 2018	Change in
EBT	**13.2**	**3.6**	**> 100%**
+ Effects from sales price allocations	1.5	1.5	0.0%
EBT adjusted	**14.7**	**5.1**	**> 100%**
EBT margin adjusted	**17.5%**	**9.7%**	

Income taxes

The tax rate for the first three months of the current year amounted to around 40% (previous year: > 100%). This positive trend is mainly due to the elimination of the one-off tax effects from previous years. In the quarter under review, tax losses incurred in a group company were unable to be offset against the tax income, otherwise the tax rate would have been even lower.

Earnings after tax (EAT)

The adjusted earnings after tax of the Instone Group totalled €8.8 million (previous year: €- 6.7 million). Prior to adjustment from the effects of purchase price allocations, earnings after tax amounted to €7.9 million (previous year: €-8.2 million).

EAT

In millions of euros

	Q1 2019	Q1 2018	Change in
EAT	7.9	**– 8.2**	**> 100%**
+ Effects from sales price allocations	1.0	1.5	0.0%
EAT adjusted	8.8	**– 6.7**	**> 100%**
EAT margin adjusted	10.5%	**– 12.7%**	

Minority interests

Non-controlling interests in the quarter under review amounted to €0.7 million (previous year: €0.6 million) and were mainly attributable to the subsidiary "Projekt Wilhelmstraße Wiesbaden GmbH & Co. KG". The Instone Group holds a 70% stake in this company, while 30% of the shares are owned by third parties.

MINORITY INTERESTS

In millions of euros

	Q1 2019	Q1 2018	Change in
Group interests	8.1	– 6.1	> 100%
Non-controlling interests	0.7	– 0.6	> 100%
EAT adjusted	**8.8**	**– 6.7**	**> 100%**

Earnings per share

Earnings per share improved significantly in the first quarter of 2019 to €0.22 (previous year: €–0.25). In the previous year, earnings per share were still burdened by high negative one-off effects.

EARNINGS PER SHARE

In millions of euros

	Q1 2019	Q1 2018	Change in
Group interests	8.1	– 6.1	> 100%
Shares	36,989	36,989	0.0%
Earnings per share	**0.22**	**– 0.16**	**> 100%**

NET ASSETS

CONDENSED STATEMENT OF FINANCIAL POSITION

In millions of euros

	31/03/2019	31/12/2018	Change in
fixed assets	13.8	2.8	> 100%
Inventories	447.2	404.4	10.6%
Contract assets	149.1	158.5	– 5.9%
Other receivables and assets	25.8	32.9	– 21.6%
Cash and cash equivalents	69.1	88.0	– 21.5%
Assets	**705.0**	**686.6**	**2.7%**
Equity	255.3	246.9	3.4%
Liabilities from corporate finance	66.4	66.1	0.5%
Liabilities from project-related financing	204.2	199.5	2.4%
Provisions and other liabilities	179.1	174.1	2.9%
Equity and liabilities	**705.0**	**686.6**	**2.7%**

Instone Group's Total assets rose to €705.0 million as at 31 March 2019 (previous year: €686.6 million). This was mainly attributable to the increase in inventories. The increase was also down to the first-time application of IFRS 16 due on 1 January 2019, on the basis of which leases are recognised as "assets from granted rights of use".

As at 31 March 2019 (quarterly reporting date), on the basis of the first-time application of IFRS 16 on 1 January 2019, assets from granted rights of use were recognised on the balance sheet in the non-current assets for the first time and amounted to €10.1 million (previous year: €0.0 million). In future, these assets will be depreciated over the useful life anticipated from the lease agreement.

As at 31 March 2019, inventories rose to €447.2 million (previous year: €404.4 million). This increase results from the increased completion of work-in-progress in the quarter under review.

CONTRACT ASSETS

In millions of euros

	31/03/2019	31/12/2018	Change in
Contract assets	496.0	466.9	6.2%
Advance payments received	– 356.2	– 318.1	12.0%
	139.8	**148.8**	**– 6.0%**
Receivables from contract start-up costs	9.3	9.7	– 4.1%
	149.1	**158.5**	**– 5.9%**

The receivables from customers for work-in-progress already sold and valued at the current completion level of development rose in the quarter under review to €496.0 million (previous year: €466.9 million), also due to the increased completion. Advance payments received from customers amounted to €356.2 million as at 31 March 2019 (previous year: €318.1 million). Capitalised direct sales costs fell slightly to €9.3 million (previous year: €9.7 million). The balance of these items resulted in a moderate reduction in contract assets to €149.1 million (previous year: €158.5 million).

Cash and cash equivalents of €69.2 million (previous year: €88.0 million) decreased mainly due to the use of the company's own funds for purchase price payments for land already secured in previous years and for completion in inventories and contract assets.

Non-current financial liabilities increased to €194.9 million as at 31 March 2019 (previous year: €177.7 million). In the same period, current financial liabilities decreased to €75.7 million (previous year: €87.8 million). The increase in financial liabilities by a total of €24.0 million resulted from the financing of the increased completion of project developments.

Trade payables increased to €85.2 million (previous year: €78.3 million). This was primarily attributable to the recognition of lease liabilities in the amount of €10.0 million (previous year: €0.0 million) on the basis of the first-time application of IFRS 16.

As at 31 March 2019, the equity ratio was virtually unchanged at 36.2% (previous year: 36.0%). The increase in assets was offset by increased gains in the same proportion in the quarter under review.

NET FINANCIAL DEBT AND DEBT RATIO

In millions of euros

	31/03/2019	31/12/2018	Change in
Non-current financial liabilities	194.9	177.7	9.7%
Current financial liabilities	75.7	87.8	– 13.8%
Financial liabilities	**270.6**	**265.5**	**1.9%**
– Cash and cash equivalents	– 69.1	– 88.0	– 21.5%
Net financial debt (NFD)	**201.5**	**177.5**	**13.5%**
EBIT adjusted (LTM)	57.2	49.6	9.5%
Depreciation and amortisation (LTM)	1.5	0.6	> 100%
EBITDA adjusted (LTM)	**58.7**	**50.2**	**11.2%**
Debt-to-equity ratio (NFD/EBITDA)	3.4	3.5	–

As at 31 March 2019, the Instone Group was able to improve its debt-to-equity ratio compared with 31 December 2018. Despite the higher net debt, the degree of debt is only 3.4 times the EBITDA due to the increased profit and therefore represents solid debt sustainability for the Instone Group.

FINANCIAL POSITION

Due to the expansion of our project volume, liabilities from financing increased slightly to €203.9 million in the first three months of 2019 (previous year: €199.2 million). Correspondingly, the funding framework increased to €619.3 million (previous year: €582.0 million).

Total financial liabilities to banks increased to €270.2 million (previous year: €265.2 million).

The maturities of the non-discounted repayment amounts are as follows:

FINANCIAL LIABILITIES

In millions of euros

	Due by	Credit line	Utilisation Q1 2019	Interest rate conditions
Corporate finance				
Promissory note loans > 1 and < 2 years	14/07/2020	47.0	47.0	2.5% to 2.53%
Promissory note loans > 3 years	14/07/2022	19.9	19.9	3.0% to 3.33%
Overdraft facilities < 1 year	31/03/2020	27.5	0.0	1.75% to 2.0%
Overdraft facilities > 1 year	31/03/2021	5.0	0.0	1.75%
		99.4	**66.9**	
Project-related financing				
Term < 1 year	31/03/2020	187.7	78.1	1.5% to 4.0%
Term > 1 and < 2 years	31/03/2021	103.6	38.2	1.8% to 2.15%
Term > 2 and < 3 years	31/03/2022	218.3	61.0	1.95% to 4.5%
Term > 3 years	> 31/03/2022	77.1	28.9	1.6% to 3.5%
		586.7	**206.2**	

CONDENSED STATEMENT OF CASH FLOWS

In millions of euros

	Q1 2019	Q1 2018	Change in
Cash flow from operations	– 24.9	– 75.8	67.2%
Cash flow from investing activities	0.2	0.4	> 100%
Free cash flow	**– 25.1**	**– 75.4**	**66.7%**
Cash flow from financing activities	6.3	103.1	– 93.9%
Cash change in cash and cash equivalents	**– 18.9**	**27.7**	**> 100%**
Cash and cash equivalents at the beginning of the period	88.0	112.5	– 21.8%
Cash and cash equivalents at the end of the period	**69.1**	**140.2**	**– 50.7%**

Cash flow from financing activities in the quarter under review was below the level of the same period of the previous year at €6.3 million (previous year: €103.1 million). This includes incoming payments from new loans of €55.2 million and repayments for project-related loans of €47.9 million.

Cash flow from investment activities in the first quarter of 2019 was insignificant at €–0.2 million (previous year: €0.4 million).

Cash flow from operations of the Instone Group amounting to €–24.9 million in the quarter under review (previous year: €–75.8 million) was mainly marked by the increase in payment outflows. This is due to purchase price payments for land already secured in previous years – mainly for the projects “City Prague”, Stuttgart, “Rote Kaserne”, Potsdam, “Garden City”, Dortmund and “Wiesbaden-Delkenheim” – and the increase in completion of project developments.

As at 31 March 2019, financial resources decreased to €69.1 million (previous year: €88.0 million). This includes free funds amounting to €59.3 million (previous year: €81.7 million) which are not used to secure existing project-related financing.

As at 31 March 2019, credit guarantee facilities were increased to €195.2 million (previous year:€185.2 million).

OVERVIEW OF BUSINESS PERFORMANCE

Volume of revenue contracts

In line with our expectations, in the first quarter of 2019, we sold 170 residential units with a volume of revenue contracts of €62.8 million. This shows that we have started the year with a higher sales volume in comparison with the same period of the previous year (€30.0 million). This is mainly attributable to a wider marketing portfolio. In the period under review, seven customer purchase agreements were cancelled by mutual agreement. We assume that we will re-sell the residential units under the same terms and conditions on the market in a timely manner.

At about 90%, the volume of revenue contracts realised in the first quarter is mainly focused on the most important metropolitan regions in Germany. Around 10% is attributable to the other prosperous, medium-sized cities (see the diagram on the right "Q1 2019 marketing by region").

REAL ESTATE KPIS

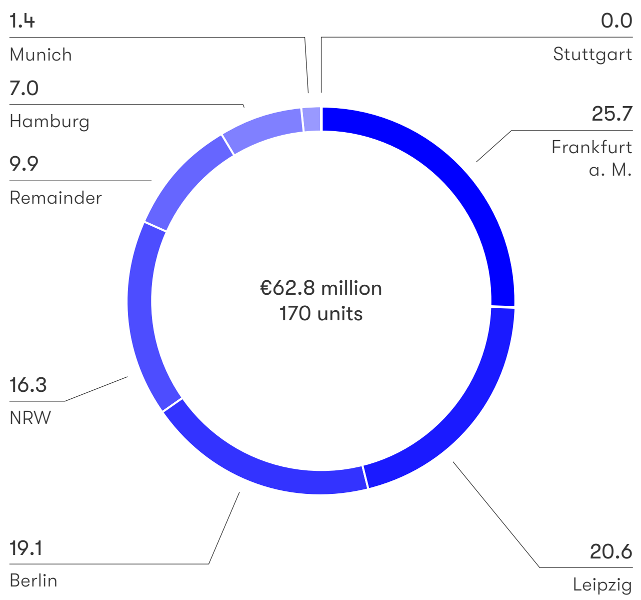
In millions of euros

		Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Volume of revenue contracts		62.8	460.8	254.2	150.0	30.0
Volume of revenue contracts	In units	170	1,033	574	329	56
Project portfolio (existing projects)		4,790.2	4,763.2	3,620.3	3,589.1	3,408.5
of which already sold		1,061.1	998.2	971.9	867.8	779.9
Project portfolio (existing projects)	In units	11,041	11,041	8,924	8,863	8,355
of which already sold	In units	2,564	2,395	2,283	2,038	1,849

Unless otherwise stated, KPIs are the cumulative values for the reporting year as at the respective reporting date.

MARKETING IN Q1 2019 BY REGION

As a %



The following projects essentially contributed to successful marketing in Q1 2019:

VOLUME OF REVENUE CONTRACTS FOR KEY PROJECTS IN Q1 2019

		Q1 2019 volume in millions of euros	Q1 2019 Units
St. Marienkrankenhaus	Frankfurt a. M.	15.9	14
Quartier Stallschreiberstraße – Luisenpark	Berlin	11.7	25
Theaterfabrik	Leipzig	11.4	38
Land Bonn, Schumanns Höhe	Bonn	10.2	24
Wiesbaden – Wohnen am Kurpark	Wiesbaden	5.1	8
Schulterblatt [street in Hamburg] "Amanda" (student flats)	Hamburg	4.3	52
Fregestraße	Leipzig	2.0	5

As a result of good sales of the marketed projects, the current portfolio was developed to 442 units with an anticipated revenue volume of approx. €316 million as at 31 March 2019. As expected, no projects started in sales in the first quarter.

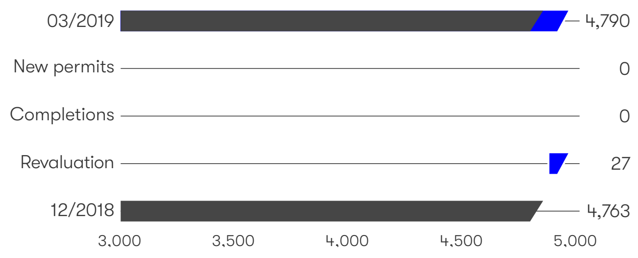
The project portfolio of Instone Real Estate as at 31 March 2019 comprises 45 projects and, with the currently anticipated overall sales volume of €4.8 billion (including the major project already communicated, the implementation of which is still subject to a condition precedent), this represents a firm foundation for our medium-term revenue planning. The value of the portfolio is at the level as at 31 December 2018, as there were no approved new permits or completions of projects in the Q1 2019. The increase of around €27 million is attributable to revaluations (see "Development of the project portfolio in Q1 2019").

On the basis of an assumed price development 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 – results in an anticipated project gross profit margin on the profit portfolio of more than 25% as at the reporting date.

DEVELOPMENT OF THE PROJECT PORTFOLIO IN Q1 2019

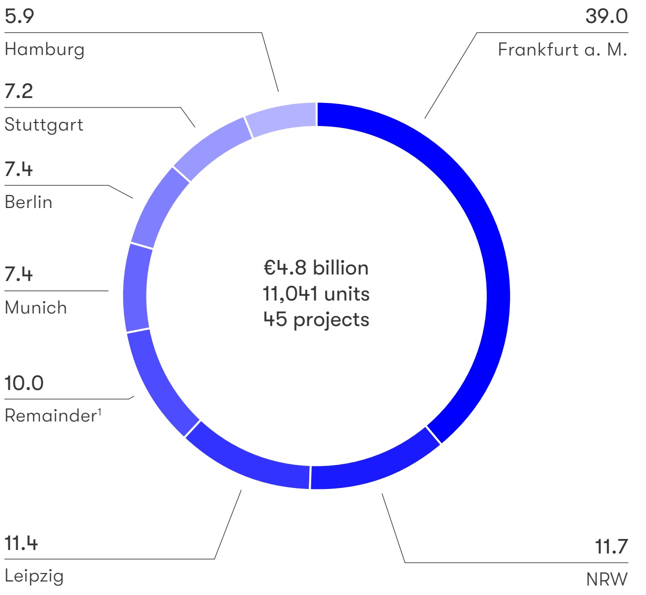
AS AT: MARCH 2019

In millions of euros



PROJECT PORTFOLIO BY REGION

As a %



[1] Includes Wiesbaden, Ulm, Mannheim, Hannover and Potsdam.

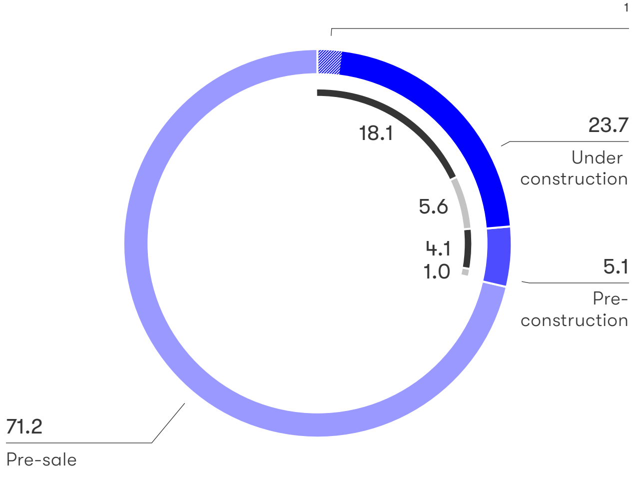
The majority – approximately 90% – of anticipated overall volume of revenue from the project portfolio as at 31 March 2019 is located in the most important metropolitan regions of Germany: Berlin, Cologne, Dusseldorf, Frankfurt am Main, Hamburg, Leipzig, Munich and Stuttgart (including Herrenberg and Rottenburg). Around 10% is located in other prosperous medium-class cities (see "Project portfolio by region").

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.

The diagram shows that in Q1 2019, we have already sold approximately 22% of the anticipated overall revenue volume in the project portfolio. In terms of the expected revenue volume, 77% of the "under construction" and "pre-construction" projects were sold as at 31 March 2019.

PROJECT PORTFOLIO BY GROUPS; BASIS: SALE PROCEEDS

As a %



Internal sector:
■ Sold
■ Unsold
[1] 3.2% of the project portfolio has already been transferred.

Sales revenues

Adjusted revenues in the first quarter of 2019 were on schedule at €84.2 million. The following projects carried out contributed in particular to the adjusted sales revenues in the reporting period:

KEY PROJECT REVENUE REALISATION (ADJUSTED) Q1 2019

In millions of euros

		Revenue volume (adjusted) Q1 2019
City Prag – Wohnen im Theaterviertel	Stuttgart	17.0
Quartier Stallschreiberstraße – Luisenpark	Berlin	16.8
St. Marienkrankenhaus	Frankfurt a. M.	9.8
Wiesbaden – Wohnen am Kurpark	Wiesbaden	9.5
Heeresbäckerei	Leipzig	9.3
MA Franklin	Mannheim	7.1
Rebstock BF 1.2	Frankfurt a. M.	4.7
Theresienstraße	Munich	2.5
Land Bonn, Schumanns Höhe	Bonn	2.2
Wohnen am Safranberg	Ulm	1.7

Instone Real Estate is continuing on its growth trajectory and the projects in its portfolio are developing successfully. In the first quarter of 2019, the first construction phase of the project "Grundstück Bonn Schumanns Höhe" began after the construction permit was obtained. 54 apartments are being built at this site, including a mix of rental flats and a multi-generation housing project, as well as a large child day-care centre. In addition, the topping-out ceremony for the Wiesbaden project "Wohnen am Kurpark" also took place.

At completion, Instone Real Estate projects have reported a 100% sales ratio in almost all cases. With respect to fully completed projects, our portfolio does not contain more than 1% of units without a sales agreement.

RISK AND OPPORTUNITIES REPORT

Estimates of opportunities and risks remain essentially unchanged

At Instone Real Estate, risk and opportunity management is an integral part of the Group-wide system of corporate governance. For a detailed overview of our risk and opportunity management processes and the risk and opportunity situation, please refer to the 2018 annual report, page 65 – 74, "Risk and opportunity report".

There was no significant change in the risk and opportunity situation in comparison to our presentation in the 2018 annual report. From today's perspective, there are no identifiable risks that jeopardize the continued existence of the Instone Group.

EVENTS AFTER THE BALANCE SHEET DATE

There were no significant reportable events after quarterly reporting date.

OUTLOOK

The annual forecast of the Instone Group remains unchanged

We presented our estimates of the expected performance of the Company in the current 2019 financial year in detail in the forecast report on page 77 of the 2018 annual report.

Our statements on our expectations contained therein have not changed overall in the reporting period and we therefore continue to expect the following performance for the financial year 2019:

→ Volume of revenue contracts: €450 million to €550 million

→ adjusted sales revenues: €500 million to €550 million

→ Adjusted gross profit margin: around 28%

→ Adjusted earnings before interest and tax: €85 million to €100 million

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT

In thousandsof euros

	Q1 2019	Q1 2018[1]
Revenue	82,741	51,152
Changes in inventories	23,594	17,109
	106,335	**68,261**
Other operating income	3,221	2,704
Cost of materials	– 79,279	– 50,244
Staff costs	– 7,730	– 7,222
Other operating expenses	– 6,318	– 6,743
Depreciation and amortisation	– 1,005	– 114
Consolidated earnings from operating activities	**15,223**	**6,643**
Income from investments recognised at equity	3	– 79
Other income from investments	0	93
Financial income	304	74
Financial expenditure	–2,463	– 3,157
Changes in securities classified as financial assets	166	– 13
Earnings before tax (EBT)	**13,232**	**3,561**
Income taxes	– 5,371	– 11,325
Earnings after tax (EAT)	**7,862**	**– 7,764**
Attributable to:		
Group interests	7,181	– 8,407
Non-controlling interests	681	642
	7,862	**– 7,764**
Earnings per share (in euros)		
Basic	0.19	– 0.23
Diluted	0.19	– 0.23

[1] Previous year's figure adjusted

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
ASSETS
In thousands of euros

	31/03/2019	31/12/2018
Non-current assets		
Intangible assets	146	155
Property, plant and equipment	12,297	1,995
Investments valued at equity	239	237
Other investments	1,121	421
	13,803	**2,808**
Current assets		
Inventories	447,220	404,400
Financial receivables	523	65
Contract assets	149,093	158,489
Trade receivables	5,616	13,127
Other receivables and other assets	18,635	18,766
Income tax assets	1,000	997
Cash and cash equivalents	69,139	87,965
	691,226	**683,809**
Total assets	**705,029**	**686,617**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
LIABILITIES
In thousands of euros

	31/03/2019	31/12/2018
Equity		
Subscribed capital	36,988	36,988
Capital reserves	198,899	198,899
Group retained earnings / loss carryforwards	17,181	6,825
Statement of changes in equity recognised in other comprehensive income	– 1,311	– 1,050
Equity attributable to shareholders	**251,758**	**241,662**
Non-controlling interests	3,580	5,206
Total equity	**255,338**	**246,868**
Non-current liabilities		
Provisions for pensions and similar obligations	4,272	3,967
Other provisions	4,510	4,548
Financial liabilities	194,895	177,744
Deferred tax liabilities	37,001	32,184
	240,678	**218,443**
Current liabilities		
Other provisions	14,312	17,726
Financial liabilities	75,668	87,822
Contract liabilities	6,833	6,633
Trade payables	85,155	78,342
Other liabilities	11,882	12,689
Income tax liabilities	15,163	18,094
	209,012	**221,306**
Total equity and liabilities	**705,029**	**686,617**

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of euros

		Q1 2019	Q1 2018[1]
	Consolidated earnings after tax	**7,181**	**– 8,407**
±	Depreciation and amortization / Write-downs of fixed assets	1,005	114
±	Increase / decrease in provisions	– 3,146	– 34,092
±	Increase / decrease in deferred tax liabilities	4,817	23,770
±	Expense / income equity carrying amounts	– 3	61
±	Interest expenses / income	2,091	– 3,084
±	Income tax expenses / income	554	– 2,157
±	Other non-cash income and expenses	– 4,085	– 4,315
±	Decrease / increase in inventories, contract assets, trade receivables and other assets not attributable to investment or financing activities	– 25,776	146,948
±	Increase / decrease in contract liabilities, trade payables and other liabilities not attributable to investing or financing activities	– 3,915	– 192,353
±	Income tax payments	– 3,643	– 2,306
=	**Cash flow from operations (operating cash flow)**	**– 24,919**	**– 75,821**
–	Outflows for investments in property, plant and equipment	– 245	– 66
+	Proceeds from disposals of intangible assets	0	– 3
+	Proceeds from the disposal of unconsolidated subsidiaries and other business units	0	25
+	interest received	0	421
=	**Cash flow from investing activities (investing cash flow)**	**– 244**	**376**

[1] Previous year's figure adjusted

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of euros

		Q1 2019	Q1 2018[1]
+	Proceeds from equity injections	0	150,500
±	Increase / decrease from non-cash equity injections and other neutral changes in equity	0	– 9,104
±	Proceeds from the taking out of shareholder loans / outflows from the repayment of shareholder loans	0	– 28,297
+	Inflows from the issuing of bonds and the taking out of (financial) loans	55,167	19,508
–	Outflows from the repayment of bonds and the repayment of (financial) loans	– 47,874	– 26,597
–	interest paid	– 956	– 2,940
=	**Cash flow from financing activities (finance cash flow)**	**6,337**	**103,070**
	Cash change in cash and cash equivalents	– 18,827	27,625
+	Cash and cash equivalents at the beginning of the period	87,966	112,548
=	**Cash and cash equivalents at the end of the period**	**69,139**	**140,173**

[1] Previous year's figure adjusted

CONTACT

Thomas Eisenlohr

Head of Investor Relations
Instone Real Estate Group AG
Grugaplatz 2 – 4, 45131 Essen, Germany

Telephone: +49 201 45355-365
Fax: +49 201 45355-904
Email: Thomas.Eisenlohr@instone.de

ABOUT US

Instone Real Estate Group AG

Grugaplatz 2 – 4
45131 Essen,
Germany

Telephone: +49 201 45355-0
Fax: +49 201 45355-934
Email: info@instone.de

Management Board

Kruno Crepulja (Chairman/CEO),
Dr. Foruhar Madjlessi,
Andreas Gräf,
Torsten Kracht

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, Düsseldorf, Germany
mpm.de

FINANCIAL CALENDAR

13/06/2019	General shareholders' meeting
27/08/2019	Publication of Quarterly Report as of 30 June 2019
26/11/2019	Publication of Quarterly Report as of 30 September 2019

Instone Real Estate Group AG

Grugaplatz 2 – 4
45131 Essen
Germany

Email: info@instone.de