INSTONE REAL ESTATE

# 19 Q2

Group Interim Report

Instone Real Estate Group AG

30 June 2019

## OVERVIEW OF KEY FIGURES

In millions of euros

AS AT: 30/06/2019

| | | Q2 2019 | Q2 2018 |
|---|---|---|---|
| **Performance indicators** | | | |
| Volume of sales contracts | | 131.8 | 150.0 |
| Volume of new permits | | 270.6 | 173.2 |
| Project portfolio | | 5,091.7 | 3,589.1 |
| Revenues adjusted | | 174.2 | 139.4 |
| | | | |
| **Key earnings figures** | | | |
| Gross profit adjusted | | 58.5 | 36.4 |
| Gross profit margin adjusted | In % | 33.6 | 26.1 |
| EBIT adjusted | | 32.3 | 11.9 |
| EBIT margin adjusted | In % | 18.6 | 8.5 |
| EBT adjusted | | 28.4 | 7.3 |
| EBT margin adjusted | In % | 16.3 | 5.2 |
| Consolidated earnings adjusted | | 27.0 | – 2.0 |
| | | | |
| **Key liquidity figures** | | | |
| Cash flow from operations | | 1.5 | – 26.6 |
| Free cash flow | | 1.5 | – 25.7 |
| Cash and cash equivalents | | 102.0 | 127.4 |

| | | 30/06/2019 | 31/12/2018 |
|---|---|---|---|
| **Key balance sheet figures** | | | |
| Total assets | | 727.7 | 686.6 |
| Equity | | 272.2 | 246.9 |
| Net financial debt | | 180.1 | 177.5 |
| Debt-to-equity ratio | | 2.5 | 3.5 |
| ROCE[1] adjusted | In % | 16.3 | 11.9 |
| | | | |
| **Employees** | | | |
| Quantity | | 335 | 311 |
| FTE[2] | | 267.3 | 258.7 |

[1] Return on Capital Employed = EBIT (last 12 months)/(2-year average equity + net debt).
[2] Full-time equivalent employees.

# OVERVIEW H1 2019

Instone Real Estate continued its positive business development in the first half of 2019

**ADJUSTED REVENUE**
increased by 25% to

**€174.2 MILLION**

Previous year: €139.4 million

**ADJUSTED EBIT**
increased significantly to

**€32.3 MILLION**

previous year: €11.9 million

**PROJECT PORTFOLIO**
grew

**5.1 BILLION**

Overall volume of revenue due to new permits

**ADJUSTED GROSS PROFIT MARGIN**
of

**33.6%**

previous year: 26.1%

**FORECAST**
for the 2019 financial year confirmed

# TABLE OF CONTENTS

# SHARE

## Positive price development in the still difficult capital market environment

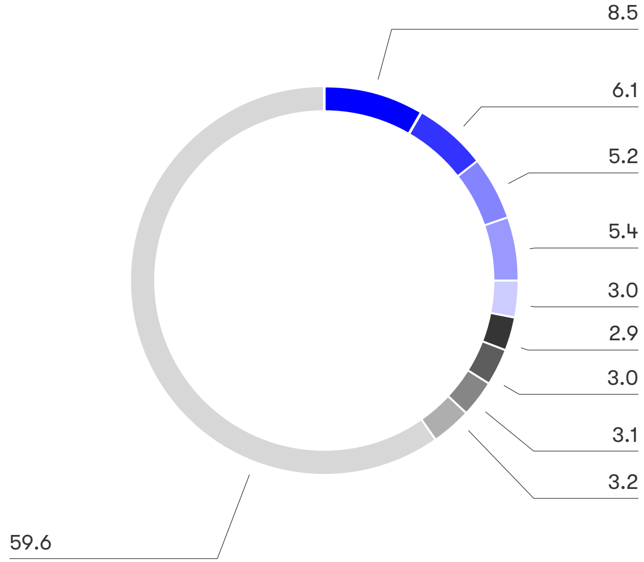
The weak global economy and various political developments and tensions also affected the global equity markets in the first half of 2019. Despite this difficult environment, the price of our shares developed positively and increased significantly, also due to our successful business development in 2018 and the positive outlook. On 16 May 2019, our shares reached their highest price in the period under review at €22.40. This corresponded to an increase of 34.9% compared with the closing price as at the 2018 year end. The Berlin Senate's plan, announced in June, to introduce a rent cap then led to great uncertainty in the capital market. And although Berlin's share in our project portfolio is very low and the new construction – and therefore our business – is excluded from the planned rent cap, our share price trend was also strongly influenced by these political discussions. In the end, the price of Instone shares rose significantly in the first six months of the current year, by 19.04% to €19.76 compared with the closing price at the end of 2018, thus developing on par with the SDAX (+19.65%).

## Annual general meeting confirmed agenda items

The annual general meeting of Instone Real Estate Group AG took place on 13 June 2019 in Essen, Germany. The shareholders present at the meeting represented 67.30% of the share capital. All agenda items were accepted with a large majority. Among other things, Thomas Hegel and Dietmar P. Binkowska were elected to the Supervisory Board. They replace two members of the Supervisory Board who, after the departure of our former shareholder ActivumSG last year, had left the Supervisory Board as ActivumSG's representatives as at 31 December 2018. In Messrs Hegel and Binkowska, we were able to acquire two personalities for the Supervisory Board who, with their great experience, will make an important contribution to the continued successful development of our company.

### MAJOR SHAREHOLDERS

Percentage in %




(Source: Voting rights announcements according to the German Securities Trading Act (Wertpapierhandelsgesetz))

■ Fidelity ■ T. Rowe Price Group ■ Janus Henderson Group plc ■ The Capital Group Companies ■ AFFM S.A. ■ DWS Investment GmbH ■ Amudi Asset Management S.A. ■ Moore Capital Management, LP ■ Cohen & Steers ■ Others

## Regular exchange with capital market participants

We cultivate a regular, transparent and consistent exchange of information with our shareholders and analysts in addition to all other interested capital market participants. In the first half of 2019, our Management Board held seven roadshows in Europe and North America and participated in six investor conferences. We have also organised tours and presented our projects and regional branches to analysts and investors. Telephone conferences with financial analysts and investors also took place as part of our regular financial reporting.

In late March, we also invited financial analysts and investors to our first Capital Markets day in London. The event provided the approximately 30 participants with an insight into our business development and strategic orientation, as well as an overview of the development of our projects in the Rhine-Main region and Berlin.

We will continue to hold further roadshows in Europe and the USA in the second half of the year and participate in investor conferences. When publishing our quarterly results, we will inform the capital market at regular intervals about the current business development and prospects as part of telephone conferences. Our goal is to develop contact with private investors. For this purpose, we will be strengthening the presentation of our company in 2019 within the context of investor forums.

## Basic information about the shares

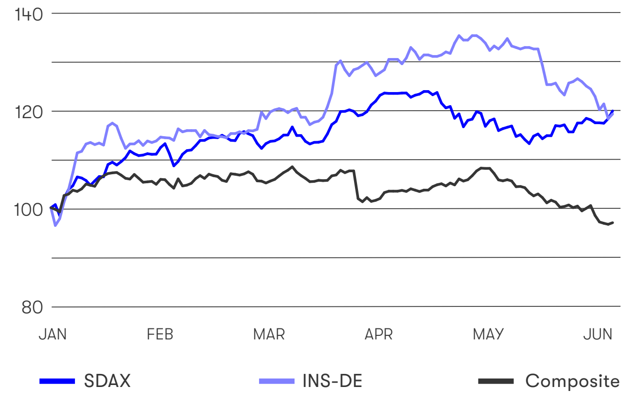
| | |
|---|---|
| Initial listing | 15/02/2018 |
| Issue price | €21.50 |
| Total number of shares | 36,988,336 |
| Registered capital | €36,988,336 |
| Free float | 100% |
| ISIN | DE000A2NBX80 |
| WKN | A2NBX8 |
| Ticker symbol | INS |
| Share type | No-par value bearer shares |
| Stock market | Frankfurt Stock Exchange |
| Market segment | Regulated market (Prime Standard) |

We will be happy to give you information in person.
Contact us:

**Thomas Eisenlohr**
Head of Investor Relations
Telephone: +49 201 45355-365
Fax: +49 201 45355-904
E-Mail: investorrelations@instone.de

**DEVELOPMENT OF THE SHARE PRICE 01/01/2019 – 30/06/2019**

Percentage in %




(Source: FACTSET)
Composite comparison figures for Instone Real Estate Group AG, AEDAS Homes S. A. U., Neinor Homes S. A., Metrovacesa S. A., Glenveagh Properties PLC

# INTERIM GROUP MANAGEMENT REPORT

# 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 meters. We have 335 employees at eight locations across Germany. As at 30 June 2019, the project portfolio of Instone Real Estate included 47 development projects with an anticipated overall sales volume of approximately €5.1 billion and more than 11,500 units.

As at 30 June 2019, approximately 85% 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, Cologne, Leipzig, Munich and Stuttgart) and around 15% 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 nationally to exploit the growth potential in the most important German metropolitan regions.

Due to its high level of value-added 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 level of value-added 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 and is characterized by a risk-averse approach. 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 high level of value-added.

## 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 revenue, adjusted gross profit or loss margin, and 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 key figures

The management of Instone Real Estate also uses the following key figures for analysis and reporting: current offers for sale, project portfolios, volume of new permits, gross project profit or loss and gross project profit margin.

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

# ECONOMIC CONDITIONS

## GOOD GENERAL CONDITIONS FOR OUR BUSINESS GROWTH

The economic environment continues to remain positive for Instone Real Estate.

## SOCIO-DEMOGRAPHIC TRENDS IN INSTONE TARGET CITIES

According to the current figures from the Federal Statistical Office, the State statistical offices and municipal offices for statistics, the population in Germany rose by 226,849 people in 2018 to some 83 million inhabitants (+0.3%)[1]. At the close of 2018, a good 10.7 million people lived in the eight core cities[2] for Instone Real Estate (top 7 plus Leipzig), which is almost 13% of the German population. With growth of 0.8% compared with 2017, the number of inhabitants in the core cities has increased more than twice as much as in the Federal Republic as a whole. In the long-term view, the difference is even more striking. Since 2008, according to the current statistics, the population in Germany has increased by 1.2%; in the core cities, the figure is 9.3%. The frontrunner is Leipzig with a rate of increase of just under 19%[3].According to the latest population pre-calculation from the Federal Statistical Office, sustained population growth is expected to last at least up to 2024, although no more than up to 2040, in the Federal territory[4]. Population forecasts from bulwiengesa AG assume a population increase of some 475,000 people by 2035 for the core cities. Alongside the population growth are social developments (such as the trend towards single households, longer life expectancy), which means that the actual relevant size for housing demand, i.e. the number of households, is increasing even more than the population. As a result, rising demand in the core cities is still assumed[1].

↗ [1] Federal Statistical Office
https://www.destatis.de/DE/Themen/Gesellschaft-Umwelt/Bevoelkerung/Bevoelkerungsstand/Tabellen/zensus-geschlecht-staatsangehoerigkeit-2018.html

↗ [2] Berlin, Düsseldorf, Frankfurt a. M., Hamburg, Cologne, Leipzig, Munich, Stuttgart.

↗ [3] Regional and municipal offices for statistics of the respective cities; Federal Statistical Office:
https://www.statistik-berlin-brandenburg.de/statistiken/langereihen/dateien/Einwohner.xlsx
https://www.statistik-berlin-brandenburg.de/pms/2019/19-06-17.pdf (PDF, page 1)
https://www.duesseldorf.de/fileadmin/Amt12/statistik/stadtforschung/download/05_bevoelkerung/SD_2018_Kap_5.pdf (PDF, page 6)
https://www.duesseldorf.de/fileadmin/Amt12/statistik/stadtforschung/download/stadtbezirke/Duesseldorf_kompakt.pdf (PDF, page 1)
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https://www.stadt-koeln.de/mediaasset/content/pdf15/statistik-einwohner-und-haushalte/einwohnerentwicklung_2018_k%C3%B6lns_wachstum_setzt_sich_fort_ew_pk_4_2019.pdf (PDF, page 4)
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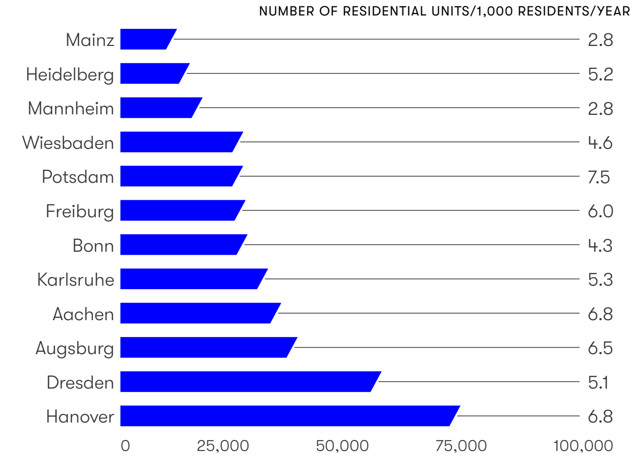
https://statistik.leipzig.de/statdist/table.aspx?cat=2&rub=1
https://www.muenchen.de/rathaus/dam/jcr:5064e81f-1c45-4a4a-bd6a-6db944792669/Gesamtjahr%202018.pdf (PDF, page 22)
https://www.muenchen.de/rathaus/Stadtinfos/Statistik/Bev-lkerung/Monatlicher-Bestand.html
https://www.stuttgart.de/item/show/55064
https://www.destatis.de/DE/Themen/Gesellschaft-Umwelt/Bevoelkerung/Bevoelkerungsstand/Tabellen/zensus-geschlecht-staatsangehoerigkeit-2018.html

↗ [4] Federal Statistical office “Population in flux” https://www.destatis.de/DE/Presse/Pressekonferenzen/2019/Bevoelkerung/pressebroschuere-bevoelkerung.pdf?__blob=publicationFile&v=5

### HOUSING DEMAND FORECAST UP TO 2035 IN THE 12 TARGET CITIES




Housing demand forecast further target cities considered (source: bulwiengesa AG)

## SOCIO-ECONOMIC DEVELOPMENTS IN INSTONE TARGET CITIES

The German economy is already developing positively for the tenth year in a row, but growth in 2019 is less pronounced than in previous years. After a weak last quarter of 2018 (+/–0.0% from the previous quarter), German GDP increased in the first quarter of 2019 by 0.4%[5]. According to the forecast, economic growth of 0.8% is forecast for 2019 as a whole. However, the size of the working population and wage dynamics are expected to remain high. In particular, positive growth contributions from building investments are assumed in 2019.[6]

The German labour market is also developing positively. The number of employees who had to pay social insurance in Germany has grown by 20.0% since 2008. Growth at the Instone Real Estate locations was even higher with an average of 26.8%. The frontrunner is the German capital Berlin with an increase of 39.1%[7].

Since June 2016, the unemployment rate in Germany has decreased by a further 1.0 percentage points. In May/June 2019, at 4.9%[8], it was far below the EU average of 6.6%[9] (May 2019). Unemployment rates are also declining at the Instone Real Estate locations. Munich has the lowest rate here at 3.4%[8]; the average for all eight cities, at 5.9%[8], is slightly above the average for Germany as a whole.

The continued low inflation rate of 1.6%[10] and low interest rates – contrary to all the forecasts, the interest rate fell to a historic low of 1.72%[11] in April 2019 – ensure that residential real estate investments will continue to be attractive in the coming months.

↗ 5 Federal Statistical Office: https://www.destatis.de/DE/Presse/Pressemitteilungen/2019/05/PD19_196_811.html;jsessionid=843C5928F6B15C589865A222A3425C2A.internet741

↗ 6 Advisory board for the assessment of overall economic development: https://www.sachverstaendigenrat-wirtschaft.de/fileadmin/dateiablage/Konjunkturprognosen/2019/KonUpdate_2019_03_19.pdf (PDF, page 1)

↗ 7 Federal Employment Agency; employees subject to social insurance at the workplace, each as at 31.12: Https://statistik.arbeitsagentur.de/Statistikdaten/Detail/201812/iiia6/beschaeftigung-sozbe-svb-kreise-merkmale/svb-kreise-merkmale-d-0-201812-xlsx.xlsx (values for 2018)
Https://statistik.arbeitsagentur.de/nn_4236/SiteGlobals/Forms/Themenauswahl/themenauswahl-Form.html?view=processForm&resourceId=210342&input_=&pageLocale=de&regionInd=d&year_month=201812&topicId=746702& TopicId. Group = 1 & search = Search (values for the preceding years)

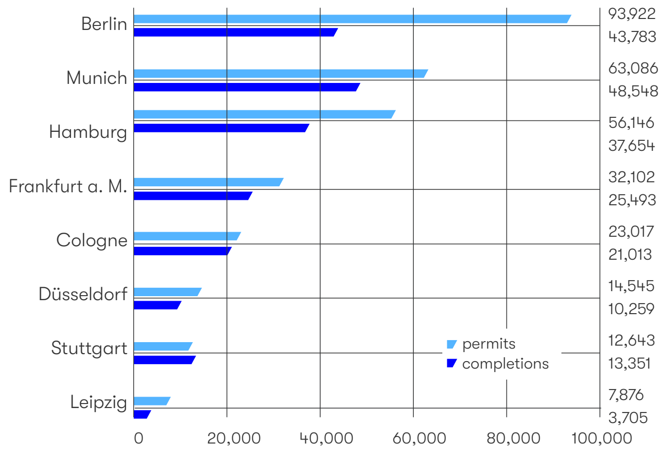
↗ 8 Federal Employment Agency: https://statistik.arbeitsagentur.de/Navigation/Statistik/Statistik-nach-Regionen/Politische-Gebietsstruktur-Nav.html

↗ 9 https://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics

↗ 10 Federal Statistical Office (as at June 2019, compared with the same month of the previous year):
https://www.destatis.de/DE/Presse/Pressemitteilungen/2019/06/PD19_245_611.htm
German Bundesbank (housing credit to private households with an initial fixed-interest period of over 10 years)

↗ 11 German Bundesbank (housing credit to private households with an initial fixed-interest period of over 10 years): https://www.bundesbank.de/dynamic/action/de/statistiken/zeitreihen-datenbanken/zeitreihen-datenbank/723452/723452?tsId=BBK01.SUD119

### BUILDING PERMITS AND COMPLETIONS OF APARTMENTS IN APARTMENT BUILDINGS 2008 – 2017 (10 YEARS)




Source: State statistical offices

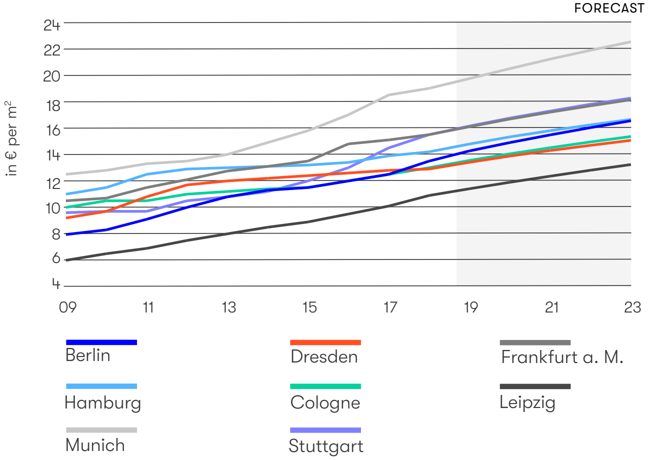
## DEVELOPMENT OF THE HOUSING MARKET

From January to April 2019, authorities in Germany approved the construction of a total of 105,800 apartments (concerning new buildings and work on existing buildings) according to the current analysis of the Federal Statistical Office. This was 1.3% fewer building permits than in the same period of the previous year. In new residential buildings, around 92,000 apartments were approved between January and April 2019 and therefore 1.4% and 1,300 apartments fewer than in the same period of the previous year [12].

In 2018, 285,900 apartments were completed in the whole of Germany, which is 0.4% and 1,100 more completed apartments than 2017 [13]. This very low increase in supply throughout Germany is offset by a more dynamic trend in the top 7 German cities (Berlin, Düsseldorf, Frankfurt am Main, Hamburg, Cologne, Munich and Stuttgart). In Munich, for example, construction works increased by 11% in 2018, and in Hamburg by as much as 34% [14].

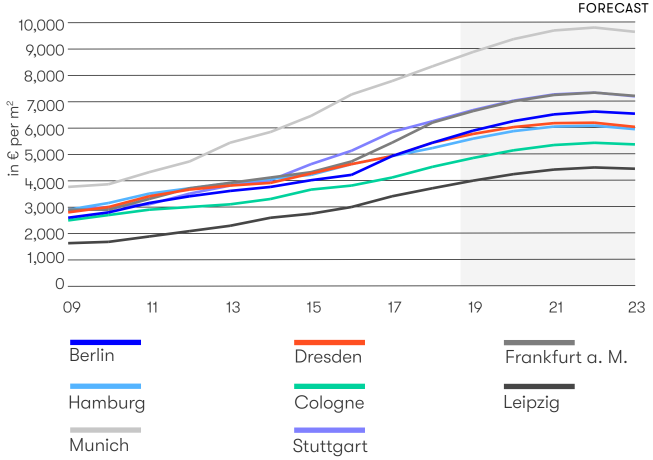
The increase in the surplus of approved apartments that have not yet been completed, which has been ongoing since 2008, continues throughout Germany. In the core cities, Berlin is the absolute front-runner in terms of this permit surplus with more than twice as many building permits as the completion of apartments and apartment buildings in the last ten years [15].

### DEVELOPMENT AND FORECAST OF AVERAGE RENTAL PRICES IN NEW BUILDS 2009 – 2030




Source: State statistical offices

### DEVELOPMENT AND FORECAST OF AVERAGE NEW BUILD PURCHASE PRICE PRICES 2009 – 2030




Source: State statistical offices

According to the house price index of the Federal Statistical Office, prices for residential real estate in the first quarter of 2019 were 5% higher than in Q1 2018. The price increase in Germany's top 7 cities was +8.6% for residential units and +6.9% for single and two-family houses [16]. vdpResearch is forecasting a slight slowdown in price growth, partly due to the expansion of its offerings. With regard to residential units, vdpResearch expects a decrease in the inflation rate to some 4% for 2020, for a forecast period of five years it expects an average price growth of around 3% p.a. [17] The real estate index of bulwiengesa led to a moderate increase in the rental prices for apartments in 2018 in Germany, both in new builds (+4.9%) and existing buildings (+3.5%) [18]. By 2035, bulwiengesa forecasts an annual housing requirement of around 65,000 units for the core cities and demand for around 19,400 apartments per year for the other Instone target cities [19].

↗ [12] Statistical Office
https://www.destatis.de/DE/Presse/Pressemitteilungen/2019/06/PD19_232_31111.html
↗ [13] Federal Statistical Office
https://www.destatis.de/DE/Presse/Pressemitteilungen/2019/05/PD19_201_31121.html
↗ [14] vdpResearch Real Estate Market Forecast
https://www.vdpresearch.de/immobilienmarktprognose-abschwaechung-des-wachstums-ohne-crash/
↗ [15] bulwiengesa, State Statistical Offices
↗ [16] Federal Statistical Office
https://www.destatis.de/DE/Presse/Pressemitteilungen/2019/06/PD19_241_61262.html
↗ [17] vdpResearch Real Estate Market Forecast
https://www.vdpresearch.de/immobilienmarktprognose-abschwaechung-des-wachstums-ohne-crash/
↗ [18] bulwiengesa – Immobilienindex (Real Estate Index) 2018, p. 2
↗ [19] bulwiengesa – Potenzialanalyse Deutscher Wohnungsmarkt (Potential analysis of the German housing market), p. 29

# RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION

### CUMULATIVE FINANCIAL KEY FIGURES

In millions of euros

| | Q2 2019 | Q1 2019 | Q4 2018 | Q3 2018[2] | Q2 2018[2] | Q1 2018[2] |
|---|---|---|---|---|---|---|
| Revenues adjusted[1] | 174.2 | 84.2 | 372.8 | 222.5 | 139.4 | 52.7 |
| Gross profit adjusted[1] | 58.5 | 27.1 | 106.4 | 59.7 | 36.4 | 19.0 |
| Gross profit margin adjusted[1] | 33.6% | 32.2% | 28.5% | 26.8% | 26.1% | 36.1% |
| EBIT adjusted[1] | 32.3 | 15.7 | 49.6 | 20.6 | 11.9 | 8.1 |
| EBT adjusted | 28.4 | 14.7 | 41.5 | 13.8 | 7.3 | 5.1 |

[1] Financial performance indicators
[2] Previous year's figures adjusted (more details, see page 33)

## RESULTS OF OPERATIONS

As in previous years, the interim consolidated financial statements of Instone Real Estate Group AG for Q2 2019 include one-off effects from purchase price allocations due to an extension of the scope of consolidation in previous years. The ongoing amortisation of purchase price allocations is adjusted in the income figures.

This statement of the results of operations reflects the business impacted materially by Instone Group project developments.

The calculation of the individual adjusted items results from the following items in the income statement:

→ Adjusted revenues are revenues adjusted for the effects of purchase price allocations.

→ The project costs item includes the cost of materials reduced by changes in inventories, indirect sales expenses and capitalised interest and thus reflects the external costs allocated to the project developments.

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

→ Adjusted platform costs are the total of staff costs, other operating income, other operating expenses and depreciation and amortisation less indirect sales expenses allocated to project costs.

→ Adjusted earnings before interest and tax is adjusted gross profit reduced by the adjusted platform costs.

→ Adjusted investment and financial result is the total of the earnings from associated affiliates, other income from investments, financial income, financial expenditure and write-downs on securities classified as financial assets less capitalised interest.

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

→ Adjusted income taxes correspond to the income taxes adjusted by tax effects from purchase price allocations.

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

### ADJUSTED RESULTS OF OPERATIONS

In millions of euros

| | Q2 2019 | Q2 2018[1] | Change |
|---|---|---|---|
| Sales revenue | 174.2 | 139.4 | 25.0% |
| Project costs | –115.7 | –103.0 | 12.3% |
| **Gross profit** | **58.5** | **36.4** | **60.7%** |
| **Gross profit margin** | **33.6%** | **26.1%** | |
| Platform costs | –26.2 | –24.5 | 6.9% |
| **Earnings before interest and tax (EBIT)** | **32.3** | **11.9** | **>100%** |
| **EBIT margin** | **18.5%** | **8.5%** | |
| Investment and other results | –0.8 | –0.1 | <–100% |
| Financial result | –3.1 | –4.5 | 31.1% |
| **Earnings before tax (EBT)** | **28.4** | **7.3** | **>100%** |
| **EBT margin** | **16.3%** | **5.2%** | |
| Income taxes | –1.4 | –9.3 | –84.9% |
| **Earnings after tax (EAT)** | **27.0** | **–2.0** | **>100%** |
| **EAT margin** | **15.5%** | **–1.4%** | |

[1] Previous year's figures adjusted (more details, see page 33)

## Revenue

In the first half of 2019, the Instone Group increased its adjusted revenues significantly by one quarter compared with the same period from the previous year. The adjusted revenues in the half-year under review amounted to €174.2 million (previous year: €139.4 million). Significantly increased sales ratios and the significant increase in construction progress in the first half-year of 2019 increased revenue by €34.8 million. The amortisation of the effects from purchase price allocations placed a burden of €3.2 million (previous year: €7.9 million) on the reported sales revenues.

### SALES REVENUE

In millions of euros

| | Q2 2019 | Q2 2018 | Change |
|---|---|---|---|
| **Sales revenue** | **171.0** | **131.5** | **30.0%** |
| + effects from purchase price allocations | 3.2 | 7.9 | – 59.5% |
| **Revenues adjusted** | **174.2** | **139.4** | **25.0%** |

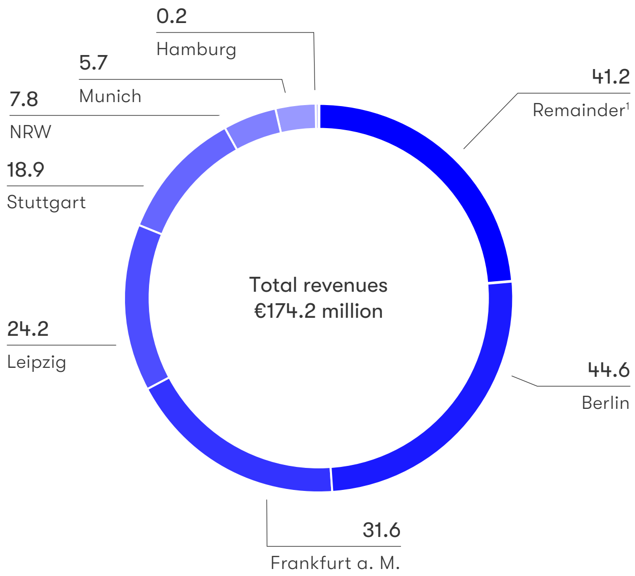
The increase in revenues in the first half of the year corresponds to our forecast for the 2019 financial year. Revenues in the first quarter of 2019 were significantly higher than in the previous year and in the second quarter of 2019, were slightly above the previous year's level, as expected.

For the second half of 2019, we expect a significant increase in revenues from the disproportionate increase in sales services through scheduled global sales and further successes in individual sales, as well as a further increase in fulfilment thanks to expected starts of construction.

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

### REVENUE BY REGION

In millions of euros




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

## Project costs

In the half-year under review, project costs increased to €115.7 million (previous year: €103.0 million). The increase in the cost of materials to €160.5 million (previous year: €116.6 million) is based on the increase in construction activities for project development and on the purchase of land. Expenses for real estate payments were made in the amount of €30.7 million in the first quarter and €11.5 million in the second quarter.

In the first half-year of 2019, the changes in inventories were significantly higher at €48.4 million (previous year: €15.0 million). The cost of materials in the half-year under review was significantly more focused on marketed projects and not on unsold inventories.

Indirect sales expenses in the half-year under review amounted to €1.3 million (previous year: €0.8 million) and were allocated to project costs. The adjustment of the capitalised interest in the changes in inventories of €–2.2 million (previous year: €–0.6 million) increased the project costs.

### PROJECT COSTS

In millions of euros

| | Q2 2019 | Q2 2018 | Change |
|---|---|---|---|
| **Project costs** | **115.6** | **103.0** | **12.2%** |
| + effects from purchase price allocations | 0.1 | 0.0 | 0.0% |
| **Project expenses adjusted** | **115.7** | **103.0** | **12.3%** |

## Gross profit

Due to the increase in construction activities and the increase in sales revenues, the adjusted gross profit rose to €58.5 million (previous year: €36.5 million).

### GROSS PROFIT

In millions of euros

| | Q2 2019 | Q2 2018 | Change |
|---|---|---|---|
| **Gross profit** | **55.3** | **28.5** | **94.0%** |
| + effects from purchase price allocations | 3.2 | 7.9 | – 59.5% |
| **Gross profit adjusted** | **58.5** | **36.4** | **60.7%** |
| **Gross profit margin adjusted** | **33.6%** | **26.1%** | |

The adjusted gross profit margin – calculated from the adjusted gross profit or loss for the adjusted revenues – amounts to 33.6% (previous year: 26.1%). This is attributable to the progressive increase in the level of fulfilment in the case of high-margin projects in the first half of the year.

## Platform costs

Staff costs in the half-year under review were €16.5 million (previous year: €14.4 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 335 (previous year: 307) and the corresponding increase in the FTE figure of 267.3 (previous year: 247.5). Other operating income increased significantly to €2.6 million due to the reversal of provisions recognised in profit or loss (previous year: €0.7 million). Other operating expenses in the first half of the year at €12.0 million (previous year: €11.4 million) remained roughly at the level of the previous year which was, however, burdened by one-off effects – mainly from the IPO. Depreciation and amortisation, on the other hand, increased to €2.0 million (previous year: €0.2 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 and interest expenses. The effect of this depreciation in the half-year under review amounted to €1.6 million; interest expenses amounted to €128,000 thousand.

Due to these effects, the platform costs increased slightly to €26.2 million (previous year: €24.5 million).

## Earnings before interest and tax (EBIT)

Adjusted earnings before interest and tax rose by €20.4 million to €32.3 million due to the positive business performance (previous year: €11.9 million).

**EBIT**

In millions of euros

| | Q2 2019 | Q2 2018 | Change |
|---|---|---|---|
| **EBIT** | **29.1** | **4.0** | **>100%** |
| + effects from purchase price allocations | 3.2 | 7.9 | –59.5% |
| **EBIT adjusted** | **32.3** | **11.9** | **>100%** |
| **EBIT margin adjusted** | **18.5%** | **8.5%** | |

## Investment and financial income

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

The net financial income in the half-year under review was €–5.3 million (previous year: €–5.1 million) – the same as the previous year's level – despite higher gross financial debt. The improvement in the financing structure in the Instone Group carried out in the previous year contributed significantly to this.

The financial result adjusted for the capitalised interest on changes in inventories of €2.2 million (previous year: €0.6 million) improved to €–3.1 million (previous year: €–4.5 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 €28.4 million (previous year: €7.3 million). At €13.7 million, the result for the second quarter of 2019 was around the same level as in the first quarter of 2019.

**EBT**

In millions of euros

| | Q2 2019 | Q2 2018 | Change |
|---|---|---|---|
| **EBT** | **25.2** | **–0.6** | **>100%** |
| + effects from purchase price allocations | 3.2 | 7.9 | –59.5% |
| **EBT adjusted** | **28.4** | **7.3** | **>100%** |
| **EBT margin adjusted** | **16.3%** | **5.2%** | |

## Income taxes

The tax rate for the first six months of the current year amounted to around 5% (previous year: > 100%). The positive development is mainly due to the approach to tax loss carryforwards from the parent company from previous years, which on the basis of the positive decision of the annual general meeting in June 2019 could be used to conclude a control and profit transfer agreement with a subsidiary. The conclusion of this control and profit transfer agreement is planned for the second half of the year and is expected to have retrospective effect from 1 January 2019.

## Earnings after tax (EAT)

The adjusted earnings after tax of the Instone Group totalled €27.0 million (previous year: €4.3 million). The significant increase in the second quarter of the current financial year by €18.2 million compared with the first quarter (€8.8 million) is attributable to the improved tax situation.

**EAT**

In millions of euros

| | Q2 2019 | Q2 2018 | Change |
|---|---|---|---|
| **EAT** | **24.9** | **–9.9** | **>100%** |
| + effects from purchase price allocations | 2.1 | 7.9 | –73.4% |
| **EAT adjusted** | **27.0** | **–2.0** | **>100%** |
| **EAT margin adjusted** | **15.5%** | **–1.4%** | |

## Minority interests

Non-controlling interests in the half-year under review amounted to €2.1 million (previous year: €1.8 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

| | Q2 2019 | Q2 2018 | Change |
|---|---|---|---|
| Group interests | 25.0 | –3.8 | >100% |
| Non-controlling interests | 2.1 | 1.8 | 16.7% |
| **EAT adjusted** | **27.0** | **–2.0** | **>100%** |

## Earnings per share

Earnings per share improved significantly in the first six months of 2019 to €0.67 (previous year: €–0.1). In the previous year, earnings per share were still burdened by high negative one-off effects.

### EARNINGS PER SHARE

In millions of euros

| | Q2 2019 | Q2 2018 | Change |
|---|---|---|---|
| Group interests | 25.0 | –3.8 | >100% |
| Shares | 36,989 | 36,989 | 0.0% |
| **Earnings per share** | **0.7** | **–0.1** | **>100%** |

## NET ASSETS

### CONDENSED STATEMENT OF FINANCIAL POSITION

In millions of euros

| | 30/06/2019 | 31/12/2018 | Change |
|---|---|---|---|
| Fixed assets | 13.7 | 2.8 | >100% |
| Inventories | 453.0 | 404.4 | 12.0% |
| Contract assets | 134.2 | 158.5 | –15.3% |
| Other receivables and assets | 24.8 | 32.9 | –24.6% |
| Cash and cash equivalents | 102.0 | 88.0 | 15.9% |
| **Assets** | **727.7** | **686.6** | **6.0%** |
| Equity | 272.2 | 246.9 | 10.2% |
| Liabilities from corporate finance | 67.0 | 66.1 | 1.4% |
| Liabilities from project-related financing | 215.1 | 199.5 | 7.8% |
| Provisions and other liabilities | 173.4 | 174.1 | –0.4% |
| **Equity and liabilities** | **727.7** | **686.6** | **6.0%** |

Instone Group total assets rose to €727.7 million as at 30 June 2019 (31/12/2018: €686.6 million). This was mainly attributable to the increase in inventories. The increase was also owing 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".

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 as at the semi-annual reporting date and amounted to €9.7 million (31/12/2018: €0.0 million). In future, these assets will be depreciated over the useful life anticipated from the lease agreement.

As at 30 June 2019, inventories stood at €453.0 million (31/12/2018: €404.4 million). This inventory increase resulted from the increased completion of unsold work-in-progress in the half-year under review.

### CONTRACT ASSETS

In millions of euros

| | 30/06/2019 | 31/12/2018 | Change |
|---|---|---|---|
| Contract assets | 453.9 | 466.9 | –2.8% |
| Payments received | –327.8 | –318.1 | 3.0% |
| | **126.1** | **148.8** | **–15.3%** |
| Receivables from contract start-up costs | 8.1 | 9.7 | –16.5% |
| | **134.2** | **158.5** | **–15.3%** |

The receivables from customers for work-in-progress already sold and valued at the current fulfilment of development fell in the half-year under review to €453.9 million (31/12/2018: €466.9 million) due to increased handovers. The advance payments received from customers amounted to €327.8 million on 30 June 2019 (31/12/2018: €318.1 million). Capitalised direct sales costs fell slightly to €8.1 million (31/12/2018: €9.7 million). The balance of these items resulted in a moderate reduction in contract assets to €134.2 million (31/12/2018: €158.5 million).

Cash and cash equivalents of €102.0 million (31/12/2018: €88.0 million) increased mainly as a result of the inflow of financing in the half-year under review.

Non-current financial liabilities increased to €189.4 million as at 30 June 2019 (31/12/2018: €177.7 million). In the same period, current financial liabilities increased to €92.7 million (31/12/2018: €87.8 million). The increase in financial liabilities by a total of €16.5 million resulted from the financing of the increased fulfilment of project developments.

Trade payables decreased to €70.7 million (31/12/2018: €78.3 million).

The recognition of leasing liabilities in the amount of €9.7 million (31/12/2018: €0.0 million) is attributable to the first-time application of IFRS 16.

As at 30 June 2019, the equity ratio increased to 37.4% (31/12/2018: 36.0%).

### NET FINANCIAL DEBT AND DEBT-TO-EQUITY RATIO

In millions of euros

| | 30/06/2019 | 31/12/2018 | Change |
|---|---|---|---|
| Non-current financial liabilities | 189.4 | 177.7 | 6.6% |
| Current financial liabilities | 92.7 | 87.8 | 5.6% |
| **Financial liabilities** | **282.1** | **265.5** | **6.3%** |
| – Cash and cash equivalents | – 102.0 | – 88.0 | 15.9% |
| **Net financial debt (NFD)** | **180.1** | **177.5** | **1.5%** |
| | | | |
| EBIT adjusted (LTM [1]) | 70.0 | 49.6 | 41.1% |
| Depreciation and amortisation (LTM [1]) | 2.3 | 0.6 | > 100% |
| **EBITDA adjusted (LTM [1])** | **72.3** | **50.2** | **44.0%** |
| Debt-to-equity ratio (NFS / EBITDA) | 2.5 | 3.5 | – |

[1] LTM = Last twelve months

As at 30 March 2019, the Instone Group was able to further improve its debt-to-equity ratio compared with 31 December 2018. Despite the higher net debt, the degree of debt is only 2.5 times the EBITDA of the last twelve months due to the increased profit and therefore represents solid debt sustainability for the Instone Group.

## FINANCIAL POSITION

As a result of the expansion of our project volume, the liabilities from associated financing increased in the first six months of 2019 to €214.3 million (31/12/2018: €199.2 million). The overall financing framework of €922.3 million now (31/12/2018: €582.0 million) was expanded in the first half of 2019 not only by the conclusion of traditional project-related financing, but major corporate financing was successfully acquired at the same time. Also, an increase in the tranches is not only planned in connection with a rescheduling of our current promissory note loan, but has already been implemented for the second half of 2019. Together with the existing but unutilised additional current account loans, we now have a great deal of flexibility available for planned growth.

Total financial liabilities to banks increased to 282.1 million (31/12/2018: €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 Q2 2019 | Interest rate conditions |
|---|---|---|---|---|
| **Corporate finance** | | | | |
| Promissory note loans | 31/03/2021 | 47.0 | 47.0 | 2.5% to 4.24% |
| Promissory note loans | 31/03/2023 | 19.9 | 19.9 | 3.0% to 3.33% |
| Term loans | 21/05/2021 | 200.0 | 0.0 | 5.0% |
| 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% |
| | | **299.4** | **66.9** | |
| | | | | |
| **Project-related financing** | | | | |
| Term < 1 year | 30/06/2020 | 217.1 | 91.6 | 1.5% to 4.0% |
| Term > 1 and < 2 years | 30/06/2021 | 158.2 | 32.2 | 1.75% to 4.5% |
| Term > 2 and < 3 years | 30/06/2022 | 235.1 | 94.4 | 1.75% to 4.15% |
| Term > 3 years | > 30/06/2022 | 12.5 | 0.0 | 1.6% |
| | | **622.9** | **218.1** | |

### CONDENSED STATEMENT OF CASH FLOWS

In millions of euros

| | Q2 2019 | Q2 2018[1] | Change |
|---|---|---|---|
| Cash flow from operations | 1.5 | –26.6 | <–100% |
| Cash flow from investing activities | 0.0 | 0.8 | –100.0% |
| **Free cash flow** | **1.5** | **–25.7** | **<–100%** |
| Cash flow from financing activities | 12.5 | 79.6 | –84.3% |
| **Cash change in cash and cash equivalents** | **14.0** | **53.8** | **–74.0%** |
| Cash and cash equivalents at the beginning of the period | 88.0 | 73.6 | 19.6% |
| **Cash and cash equivalents at the end of the period** | **102.0** | **127.4** | **–19.9%** |

[1] Previous year's figures adjusted (more details, see page 33)

At €12.5 million, cash flow from financing activities was significantly lower than the previous year's figure of €79.6 million in the half-year under review. This includes incoming payments from new loans of €131.7 million and repayments for project-related loans of €117.3 million.

Cash flow from investment activities in the first half of 2019 was not significant at €0.0 million (previous year: €0.8 million).

Cash flow from Instone Group operations amounting to €1.5 million in the half-year under review (previous year: €–26.5 million) was mainly attributable to the increase in cash outflows and the positive contribution to earnings. The cash outflows are based on purchase price payments for properties already secured in previous years – mainly for the "City Prag", Stuttgart, "Rote Kaserne", Potsdam, "Gartenstadt", Dortmund, and the "Wiesbaden-Delkenheim" projects in the first quarter as well as for the "Friedberger Landstraße" and "Idsteiner Straße" projects, both in Frankfurt am Main, in the second quarter – and the increase in completion of ongoing project developments.

As at 30 June 2019, financial resources increased to €102.0 million (31/12/2018: €88.0 million). This includes free funds amounting to €83.5 million (31/12/2018: €81.7 million) which are not used to secure existing project-related financing.

In addition to the cash loans from banks, as at 30 June 2019, we were also able to expand credit guarantee facilities to €213.3 million instead (31/12/2018: €185.2 million).

# PROJECT BUSINESS AT A GLANCE

## Volume of sales contracts

In line with our expectations, in the first six months of 2019, we sold 290 residential units with a volume of sales contracts of €131.8 million. This means that we are below the level of the same period of the previous year (€150.0 million). This was mainly attributable to the fact that in the first half of 2018, two global sales were made with a volume of around €67 million.

There were no cancelled transactions in the second quarter of 2019. Of the seven customer purchase agreements which were cancelled in the first quarter by mutual agreement, five have already been resold or reserved. For the two other apartments, we also expect a timely sale on the same terms.

At about 85%, the volume of sales contracts realised in the first half of the year is mainly focused on the most important metropolitan regions in Germany. Around 15 % is attributable to the other prosperous, medium-sized cities (see the diagram on the right "Q2 2019 marketing by region").

### REAL ESTATE BUSINESS KEY PERFORMANCE INDICATORS

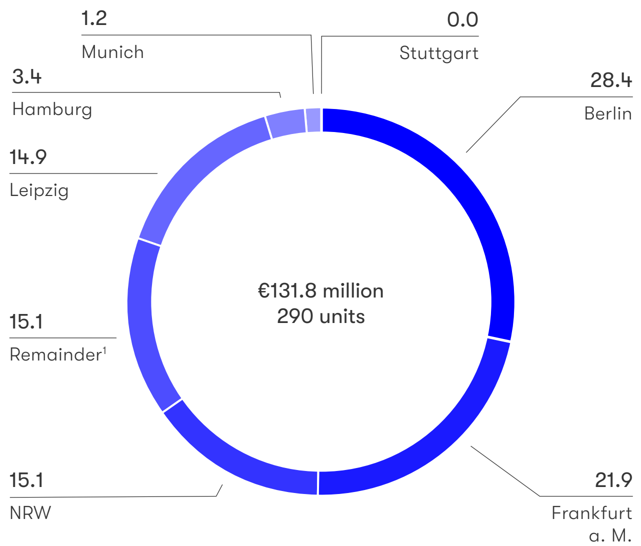
In millions of euros

| | | Q2 2019 | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 |
|---|---|---|---|---|---|---|---|
| Volume of sales contracts | | 131.8 | 62.8 | 460.8 | 254.2 | 150.0 | 30.0 |
| Volume of sales contracts | In units | 290 | 170 | 1,033 | 574 | 329 | 56 |
| Project portfolio (existing projects) | | 5,091.7 | 4,790.2 | 4,763.2 | 3,620.3 | 3,589.1 | 3,408.5 |
| of which already sold | | 1,128.7 | 1,061.1 | 998.2 | 971.9 | 867.8 | 779.9 |
| Project portfolio (existing projects) | In units | 11,628 | 11,041 | 11,041 | 8,924 | 8,863 | 8,355 |
| of which already sold | In units | 2,684 | 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 Q2 2019 BY REGION

In %




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

The following projects essentially contributed to successful marketing in the first half of 2019:

### REAL ESTATE BUSINESS KEY FIGURES – VOLUME OF REVENUE CONTRACTS

In millions of euros

| | | Volume | Units |
|---|---|---|---|
| Quartier Stallschreiberstraße – Luisenpark | Berlin | 37.0 | 70 |
| St. Marienkrankenhaus | Frankfurt a. M. | 28.4 | 29 |
| Grundstück Bonn, Schumanns Höhe | Bonn | 19.9 | 45 |
| Theaterfabrik | Leipzig | 14.5 | 49 |
| Wiesbaden – Wohnen am Kurpark | Wiesbaden | 14.0 | 22 |
| Schulterblatt "Amanda" (student flats) | Hamburg | 4.3 | 52 |
| MA Franklin | Mannheim | 3.9 | 12 |

Due to the good sales, the sales portfolio of projects already being marketed has declined. By contrast, the supply base was topped up by the start of marketing for the project "An der Schwarzwaldstraße, Herrenberg" with 117 units and an expected volume of €48 million. In total, as at 30 June 2019, there is a current portfolio of 439 units (31/12/2018: 557 units) with a volume of €299.8 million (31/12/2018: €369.4 million).

For the first time, the project portfolio of Instone Real Estate has exceeded the threshold value of €5 billion and forms a solid foundation beyond the medium-term revenue planning. With the successful acquisition of the three new permits in Q2 2019 with an expected revenue volume of €271 million (see table "2019 new permits" below) and an increase in revenues of around €59 million from revaluations of existing projects, the project portfolio as at 30 June 2019 comprised 47 projects with an expected overall volume of revenue of €5.1 billion (including the already reported major project, the implementation of which is still subject to a condition precedent). One project was removed from the portfolio due to its completion (€–1.1 million). (See "Development of the project portfolio in Q2 2019".)

### NEW PERMITS Q2 2019

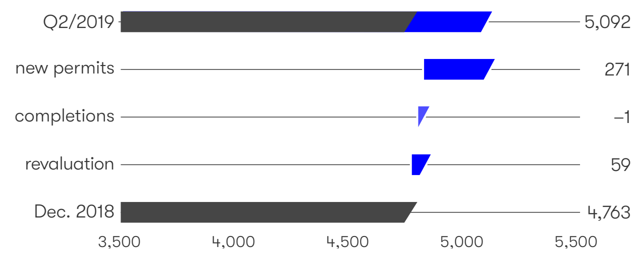
In millions of euros

| | | Volumen | Units |
|---|---|---|---|
| Herrenberg III, Schäferlinde | Herrenberg | 55.5 | 141 |
| Behringstraße, HH-Othmarschen | Hamburg | 33.5 | 70 |
| Rothenburgsort | Hamburg | 181.6 | 716 |

### DEVELOPMENT OF THE PROJECT PORTFOLIO IN Q2 2019

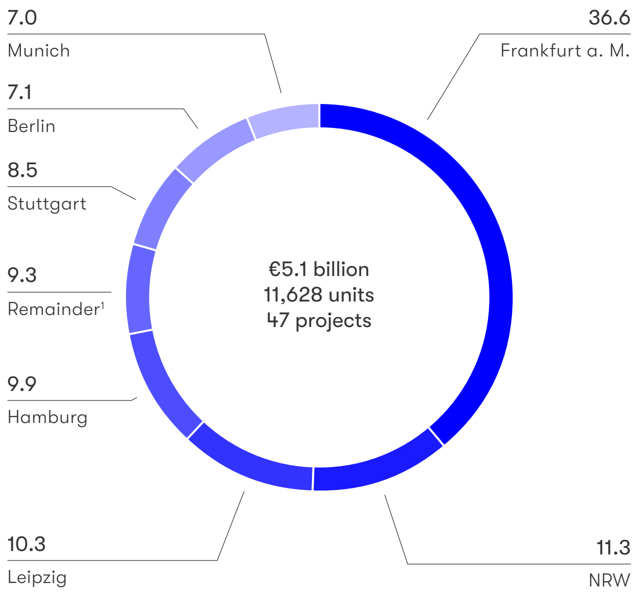
As at: July 2019

In millions of euros




### PROJECT PORTFOLIO BY REGION

In %




1 Includes Wiesbaden, Ulm, Mannheim, Hanover and Potsdam.

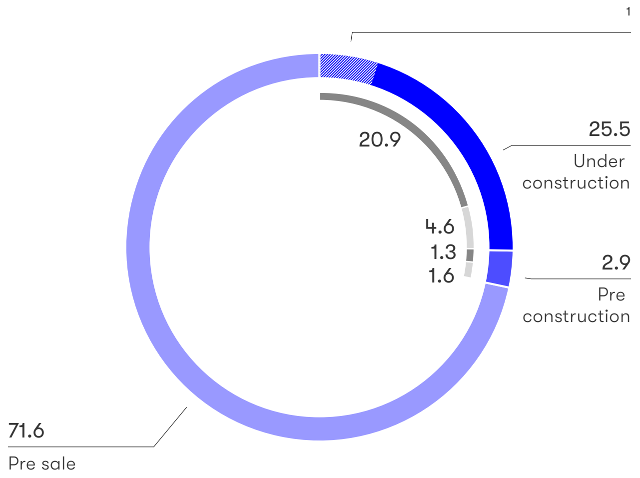
On the basis of an assumed price development for projects not yet in distribution – of 1.5% per annum on the revenue side and 3.5% per annum on the construction cost side – this results in an anticipated project gross profit margin on the profit portfolio of more than 25% as at the reporting date.

The majority – approximately 91% – of anticipated overall volume of revenue from the project portfolio as at 30 June 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 9% 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.

**PROJECT PORTFOLIO BY GROUPS; BASIS: SALE PROCEEDS**

In %




[1] 5.0% of the project portfolio has already been transferred.

sold unsold

The diagram shows that in Q2 2019, we have already sold more than 22% of the anticipated overall revenue volume in the project portfolio. In terms of the expected revenue volume, 78% of the "under construction" and "pre-construction" projects were sold as at 30 June 2019.

## Revenue

Adjusted revenues in the first half of 2019 were €174.2 million. The following projects carried out contributed in particular to the adjusted revenues in the period under review:

**MATERIAL PROJECT REVENUE REALISATION (ADJUSTED) Q2 2019**

In millions of euros

| | | Revenue volume (adjusted) |
|---|---|---|
| Quartier Stallschreiberstraße – Luisenpark | Berlin | 44.1 |
| Wiesbaden – Wohnen am Kurpark | Wiesbaden | 24.1 |
| St. Marienkrankenhaus | Frankfurt a. M. | 21.1 |
| City Prag – Wohnen im Theaterviertel | Stuttgart | 18.9 |
| Heeresbäckerei | Leipzig | 18.8 |
| MA Franklin | Mannheim | 12.0 |
| Rebstock BF 1.2 | Frankfurt a. M. | 10.5 |
| Property Bonn, Schumanns Höhe | Bonn | 6.4 |
| west.side | Bonn | 6.1 |
| Theresienstraße | Munich | 4.4 |

Not only the development of the project portfolio due to the new permits is reflected in the growth rate of Instone Real Estate – the projects already in the portfolio are also developing successfully. In the second quarter, construction started in four projects. The "City Prag – Wohnen im Theaterviertel" project, which is already 100% sold, has been launched with the approximately 250 residential units under construction with a volume of €109 million. In addition, construction has begun for the following three almost completely sold projects in Leipzig: "Friedrich-Ebert-Straße", "Fregestraße" and "Theaterfabrik". A total of approximately 95 units with an anticipated volume of €33 million are under construction there.

After the topping-out ceremony for the Wiesbaden project – "Wohnen am Kurpark" took place in the first quarter, the topping-out ceremony for the "Franklin" project in Mannheim and "Rebstock BF 1.2" ("Da-Vinci-Garten") project in Frankfurt am Main was also celebrated in the course of the year. In the "Franklin" quarter, with an expected sales volume of around €34 million, 90% of the apartments have already been sold as at the completion of shell construction. In the "Rebstock BF 1.2" project, the 121 apartments and a day-care centre are already 100% sold. The construction of the "Schumans Höhe" district development is also successfully underway, meaning that the laying of the foundation stone was celebrated after the start of construction in the first quarter.

At completion, Instone Real Estate projects have reported a 100% sales ratio in almost all cases. Our portfolio does not contain any more than 1% of unsold units without a sales agreement in the case of fully completed projects.

# RISK AND OPPORTUNITIES REPORT

## Estimates of opportunities and risks remain essentially unchanged

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 and the risk and opportunities situation, please refer to the 2018 annual report, page 65 – 74, “Risk and opportunities report”.

There was no material change in the risk and opportunities 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

With effect from 1 August 2019, Instone Real Estate Group AG was able to conclude a new promissory note loan agreement in the amount of €98.5 million, thereby replacing the previous promissory note loan for €66.9 million prematurely. The contracts were negotiated on the same terms as the previous promissory note.

On 15 August 2019, Instone Real Estate Group AG concluded a contract for the acquisition of all S&P Stadtbau activities in the residential real estate development division of the Sontowski & Partner Group. By acquiring S&P Stadtbau, the Instone Group is expanding its platform to include another strategically important location in the attractive growth region covering Nuremberg and Northern Bavaria, Germany. The transaction also includes existing project developments with a projected total of around 1,000 residential units and an anticipated overall sales volume of around €300 million in the next few years. Integration into the Instone Group is planned for the third quarter of 2019.

There were no other material reportable events after the 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 2019 financial year:

→ 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

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

# CONSOLIDATED INCOME STATEMENT

## CONSOLIDATED INCOME STATEMENT

In thousands of euros

| | 01/01 – 30/06/2019 | 01/01 – 30/06/2018[1] |
|---|---|---|
| Revenue | 170,965 | 131,505 |
| Changes in inventories | 48,358 | 15,011 |
| | **219,323** | **146,517** |
| | | |
| Other operating income | 2,614 | 661 |
| Cost of materials | – 160,503 | – 116,590 |
| Staff costs | – 16,543 | – 14,433 |
| Other operating expenses | – 11,999 | – 11,370 |
| Depreciation and amortisation | – 1,989 | – 231 |
| **Consolidated earnings from operating activities** | **30,902** | **4,554** |
| Income from investments recognised at equity | – 380 | – 118 |
| Other income from investments | 16 | – 14 |
| Financial income | 670 | 826 |
| Financial expenditure | – 6,198 | – 5,786 |
| Changes in securities classified as financial assets | 235 | – 96 |
| **Consolidated earnings before tax (EBT)** | **25,245** | **– 634** |
| Income taxes | – 373 | – 6,795 |
| **Consolidated earnings after tax (EAT)** | **24,871** | **– 7,430** |
| | | |
| **Attributable to:** | | |
| Group interests | 22,935 | – 8,134 |
| Non-controlling interests | 1,936 | 704 |
| | **24,871** | **– 7,430** |

[1] Previous year's figures adjusted (more details, see page 33)

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros

| | 01/01–30/06/2019 | 01/01–30/06/2018[1] |
|---|---|---|
| **Consolidated earnings after tax** | **24,871** | **–7,430** |
| | | |
| **Items which are not reclassified into the consolidated earnings in future periods** | | |
| Actuarial profits and losses | –1,974 | – |
| Income tax effects | 644 | – |
| | | |
| **Income and expenses after tax recognised directly in equity** | **–1,330** | **–** |
| | | |
| **Total comprehensive income for the financial year after tax** | **23,541** | **–7,430** |
| | | |
| **Attributable to:** | | |
| Group interests | 21,605 | –8,134 |
| Non-controlling interests | 1,936 | 704 |
| | **23,541** | **–7,430** |

[1] Previous year's figures adjusted (more details, see page 33)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## ASSETS

In thousands of euros

| | 30/06/2019 | 31/12/2018 |
|---|---|---|
| **Non-current assets** | | |
| Intangible assets | 133 | 155 |
| Leased assets | 9,683 | – |
| Property, plant and equipment | 2,156 | 1,995 |
| Investments recognised at equity | 307 | 237 |
| Other investments | 983 | 421 |
| Financial receivables | 450 | – |
| | **13,712** | **2,808** |
| **Current assets** | | |
| Inventories | 452,959 | 404,400 |
| Financial receivables | – | 65 |
| Contract assets | 134,196 | 158,489 |
| Trade receivables | 5,905 | 13,127 |
| Other receivables and other assets | 16,391 | 18,766 |
| Income tax assets | 2,572 | 997 |
| Cash and cash equivalents | 102,000 | 87,965 |
| | **714,022** | **683,809** |
| **Total assets** | **727,735** | **686,617** |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## LIABILITIES

In thousands of euros

| | 30/06/2019 | 31/12/2018 |
|---|---|---|
| **Equity** | | |
| Share capital | 36,988 | 36,988 |
| Capital reserves | 198,899 | 198,899 |
| Group retained earnings/loss carryforwards | 30,283 | 6,825 |
| Statement of changes in equity recognised in other comprehensive income | – 2,381 | – 1,050 |
| **Equity attributable to shareholders** | **263,789** | **241,662** |
| Non-controlling interests | 8,406 | 5,206 |
| **Total equity** | **272,196** | **246,868** |
| | | |
| **Non-current debts** | | |
| Provisions for pensions and similar obligations | 5,404 | 3,967 |
| Other provisions | 5,428 | 4,548 |
| Financial liabilities | 189,401 | 177,744 |
| Leasing liabilities | 7,081 | – |
| Deferred tax liabilities | 29,606 | 32,184 |
| | **236,920** | **218,443** |
| **Current debts** | | |
| Other provisions | 14,225 | 17,726 |
| Financial liabilities | 92,713 | 87,822 |
| Leasing liabilities | 2,576 | – |
| Contract liabilities | 12,804 | 6,633 |
| Trade payables | 70,728 | 78,342 |
| Other liabilities | 9,129 | 12,689 |
| Income tax liabilities | 16,445 | 18,094 |
| | **218,620** | **221,306** |
| **Total equity and liabilities** | **727,735** | **686,617** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

## CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of euros

| | 01/01–30/06/2019 | 01/01–30/06/2018[1] |
|---|---|---|
| **Consolidated earnings after tax** | **24,872** | **–7,430** |
| ± Depreciation and amortization / Write-downs of fixed assets | 402 | 231 |
| ± Increase / decrease of provisions | –1,183 | –32,470 |
| ± Increase / decrease in deferred tax liabilities | –2,578 | 24,478 |
| ± Decrease / increase of equity carrying amounts | –70 | 118 |
| ± Interest expenses / income | 5,407 | 4,959 |
| ± Income tax expenses / income | 2,981 | 3,883 |
| ± Other non-cash income and expenses | –328 | 774 |
| ± Change in leased assets / leasing liabilities | –26 | – |
| ± Decrease / increase in inventories, contract assets, trade receivables and other assets not attributable to investing or financing activities | –16,694 | 146,168 |
| ± Increase / decrease in contract liabilities, trade payables and other liabilities not attributable to investing or financing activities | –5,002 | –162,783 |
| ± Income tax payments | –6,310 | –4,499 |
| **= Cash flow from operations (operating cash flow)** | **1,470** | **–26,571** |
| | | |
| + Proceeds from disposals of property, plant and equipment | 2 | – |
| - Outflows for investments in property, plant and equipment | –538 | –114 |
| - Purchase of intangible assets | –3 | –8 |
| + Proceeds from the disposal of non-current financial assets | 560 | 331 |
| - Outflows for investments in financial assets | – | – |
| + Receipts from the disposal of subsidiaries | – | 25 |
| + interest received | 0 | 589 |
| **= Cash flow from investing activities (investing cash flow)** | **21** | **823** |

[1] Previous year's figures adjusted (more details, see page 33)

# CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

## CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of euros

| | 01/01 – 30/06/2019 | 01/01 – 30/06/2018[1] |
|---|---|---|
| + Inflows from increases in issued capital | – | 150,500 |
| ± Increase / decrease from non-cash equity injections and other neutral changes in equity | – | – 9,104 |
| ± Proceeds from issuing shareholder loans / outflows from repaying shareholder loans | – | – 28,297 |
| + Proceeds from issuing bonds and obtaining (financial) loans | 131,654 | 58,847 |
| - Payments from the repayment of bonds and (financial) loans | – 117,297 | – 86,900 |
| - interest paid | – 1,813 | – 5,477 |
| **= Cash flow from financing activities (finance cash flow)** | **12,544** | **79,568** |
| | | |
| Cash change in cash and cash equivalents | 14,035 | 53,820 |
| + Cash and cash equivalents at the beginning of the period | 87,965 | 73,624 |
| **= Cash and cash equivalents at the end of the period** | **102,000** | **127,444** |

[1] Previous year's figures adjusted (more details, see page 33)

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of euros

| | Share capital | Capital reserves | Accumulated profit / loss carried forward | Other components of equity | Group interests | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|
| **As at: 31 December 2017** | **8** | **85,379** | **– 34,329** | **– 348** | **50,710** | **1,510** | **52,220** |
| | | | | | | | |
| Effect of first-time application of IFRS 15 as at 01/01/2018 | – | – | 43,884 | – | 43,884 | 1,162 | 45,046 |
| | | | | | | | |
| **As at: 01 January 2018** | **8** | **85,379** | **9,554** | **– 348** | **94,593** | **2,673** | **97,266** |
| | | | | | | | |
| Consolidated earnings after tax | – | – | – 8,134 | – | – 8,134 | 704 | – 7,430 |
| **Total comprehensive income** | **–** | **–** | **– 8,134** | **–** | **– 8,134** | **704** | **– 7,430** |
| | | | | | | | |
| Issue of shares | 36,980 | 113,520 | – | – | 150,500 | – | 150,500 |
| Changes to the scope of consolidation | – | – | 24 | – | 24 | – | 24 |
| Other neutral changes | – | – | – 9,104 | – | – 9,104 | – | – 9,104 |
| | **36,980** | **113,520** | **– 9,081** | **–** | **141,419** | **–** | **141,419** |
| **As at: 30 June 2018** [1] | **36,988** | **198,899** | **– 7,660** | **– 348** | **227,879** | **3,377** | **231,256** |

[1] Previous year's figures adjusted (more details, see page 33)

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of euros

| | Share capital | Capital reserves | Accumulated profit / loss carried forward | Other components of equity | Group interests | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|
| **As at: 31 December 2018** | **36,988** | **198,899** | **6,825** | **–1,050** | **241,662** | **5,206** | **246,868** |
| Effect of first-time application of IFRS 16 as at 01/01/2019 | – | – | 75 | – | 75 | – | 75 |
| **As at: 01 January 2019** | **36,988** | **198,899** | **6,900** | **–1,050** | **241,737** | **5,206** | **246,943** |
| Consolidated earnings after tax | – | – | 22,935 | – | 22,935 | 1,936 | 24,871 |
| Changes in actuarial profits and losses | – | – | – | –1,331 | –1,331 | – | –1,331 |
| **Total comprehensive income** | **–** | **–** | **22,935** | **–1,331** | **21,604** | **1,936** | **23,540** |
| Changes to the scope of consolidation | – | – | – | – | – | 912 | 912 |
| Other neutral changes | – | 0 | 447 | 1 | 447 | 352 | 799 |
| | **–** | **0** | **447** | **1** | **447** | **1,264** | **1,712** |
| **As at: 30 June 2019** | **36,988** | **198,899** | **30,282** | **–2,381** | **263,788** | **8,406** | **272,195** |

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## BASIS OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### Basis for preparing the interim consolidated financial statements

The interim consolidated financial statements for Instone Real Estate as at 30 June 2019 were prepared in compliance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB) and the related Interpretations (IFRIC) of the IFRS Interpretations Committee (IFRS IC) as they applied on the balance sheet date 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.

Apart from this, the accounting and valuation methods applied in the preparation of the interim report correspond to those of the consolidated financial statements as at 31 December 2018, taking into account the International Accounting Standard (IAS) 34 “Interim reporting” and the German Accounting Standard (DRS) 16 “Semi-annual financial reporting”.

The preparation of the interim report requires management to make a series of assumptions and estimates. This may lead to discrepancies between the values shown in the interim report and the actual values.

Various items of the consolidated statement of financial position and the consolidated income statement are combined into one item for a better overview. The consolidated income statement is prepared according to the nature of expense method.

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

### First-time application of accounting standards in the current financial year

In recent years, the International Accounting Standards Board (IASB) has made various changes to existing IFRSs and published new IFRSs as well as Interpretations of the IFRS Interpretations Committee (IFRS IC). In addition, the IASB has published amendments to existing standards as part of the Annual Improvement Project (AIP). The primary aim of the collective standards is to clarify inconsistencies and formulations.

The following is an explanation of the accounting rules to be applied from the 2019 financial year onwards which are significant for Instone Real Estate as these had a material impact on these interim consolidated financial statements.

### IFRS 16 “Leases”

The IASB published the new IFRS 16 “Leases” standard in January 2016. IFRS 16 replaces the previous IAS 17 standard for lease accounting as well as the IFRIC 4, SIC 15 and SIC 27 interpretations. The application of the standard is mandatory from 1 January 2019. The main changes introduced by IFRS 16 relate to accounting for lessees.

The distinction between an operating lease and a finance lease is no longer applicable to the lessee. For example, the lessee is required to recognise the balance sheet approach for assets acquired for rights of use (right-of-use approach) and for liabilities for the payment obligations entered into in the case of all leases.

Ease of use is granted for low value leased assets (low value leases) and short-term leases with a term of up to one year. For low value leased assets, this simplification applies even if they are to be generally classified as significant. The adoption simplifications include the option to apply the recognition and presentation requirements of IFRS 16.

The accounting rules for lessors have only been changed slightly and largely correspond to the previous regulations of IAS 17. The accounting changes for leases where the Instone Group is the lessee affected the interim consolidated financial statements. In particular, rights of use for rented vehicles or real estate were capitalised. In addition, the nature of expenses associated with these leases changed as IFRS 16 replaced the straight line operating lease expenses with right of use assets and interest expenses for debts from leases.

The switch to IFRS 16 in the Instone Group was carried out in accordance with the modified retrospective approach; the previous year’s figures were not adjusted. The ease of use was used for low value leased objects and for short-term leases (less than twelve months).

Contracts that were concluded before 1 January 2019 and were still valid at the time of conversion were not reassessed as to whether they constitute a leasing relationship in accordance with the criteria in IFRS 16. In the course of the first-time accounting of the leases, €8,469 thousand was capitalised in the leased assets item and leasing liabilities in the amount of €8,394 thousand were recognised. As at 30 June 2019, the right of use amounted to €9,683 thousand, the leasing liabilities as a whole amount to €9,657 thousand. This means that the right of use and leasing liabilities correspond to approximately 1.5% of total assets.

## Scope of consolidation

As at 30 June 2019, a total of 16 (31 December 2018: 10) domestic and two (previous year: two) European foreign subsidiaries in addition to Instone Real Estate Group AG, have been included and fully consolidated in the current interim consolidated financial statements.

On 3 January 2019, Instone Real Estate Development GmbH acquired 85% of the shares in KORE GmbH with its registered office in Dortmund, which was fully consolidated with effect from 1 January 2019.

On 13 December 2018, 100% of the shares were acquired in Westville 1 GmbH with registered office in Essen, Germany, which in turn holds 100% of the shares in four other companies (Westville 2 GmbH – Westville 5 GmbH, each with its registered office in Essen), which was first included and fully consolidated in the consolidated financial statements on 1 January 2019.

No business operations within the meaning of IFRS 3 were acquired with the acquisition of the aforementioned companies.

In addition, as at 31 December 2018, two associates were assessed using the equity method.

In total, four investments (31 December 2018: four) had a low business volume or no business operation and were not consolidated for reasons of materiality. They are reported under other financial assets.

## Segment reporting

Segment reporting in accordance with IFRS 8 is based on the management approach and thus corresponds to the management and reporting system that Instone Real Estate uses for its segments. Instone Real Estate operates in only one business segment and one geographical segment and generates its revenue and holds its assets mainly in Germany. For this reason, Instone Real Estate does not conduct any segment reporting. Internal reporting is also based on the figures taken from IFRS accounting.

## Adjustments to the previous year's comparison

The values for the reference period from 1 January to 30 June of the previous year were adjusted on the basis of the calculation of revenues recognised over time in accordance with IFRS 15, which was applied as at 31 December 2018. The adjustment was mainly based on the new findings for determining the level of fulfilment of the contracts with customers as at the reporting date. In addition, a correction was made to the tax expense based on the increased tax rate at the end of the 2018 financial year. This tax expense could be reasserted in the current financial year due to the now possible use of loss carryforwards.

# DISCLOSURES ABOUT THE CONSOLIDATED INCOME STATEMENT

## Revenue

Revenues are spread across the following regions:

**REVENUE**

In thousands of euros

| | 01/01/ – 30/06/2019 | 01/01/ – 30/06/2018 |
|---|---|---|
| Germany | 170,950 | 146,431 |
| Rest of Europe | 14 | 86 |
| | **170,965** | **146,517** |

The composition of revenues by type of revenue is shown in the following table:

**REVENUES BY REVENUE TYPE**

In thousands of euros

| | 01/01/ – 30/06/2019 | 01/01/ – 30/06/2018 |
|---|---|---|
| Revenue from building contracts | | |
| Period-based revenue recognition | 1,299 | 2,100 |
| Period-based revenue recognition | 165,095 | 126,132 |
| | **168,617** | **128,232** |
| Other services | 2,347 | 3,273 |
| | **170,965** | **131,505** |

The total amount of unfulfilled or partly unfulfilled performance obligations as at the balance sheet date is €351,230 thousand (previous year: €321,440 thousand).

### Depreciation and impairment

There was no impairment of leased assets, property, plant and equipment or intangible assets.

**DEPRECIATION AND AMORTISATION**

In thousands of euros

| | 01/01/ – 30/06/2019 | 01/01/ – 30/06/2018 |
|---|---|---|
| Leased assets | –1,587 | – |
| Property, plant and equipment | –377 | –230 |
| Intangible assets | –25 | –1 |
| | **–1,989** | **–231** |

### Income taxes

**INCOME TAXES**

In thousands of euros

| | 01/01/ – 30/06/2019 | 01/01/ – 30/06/2018 |
|---|---|---|
| Corporation tax | –1,341 | –1,905 |
| German trade tax | –1,640 | –1,978 |
| **Current income tax liabilities** | **–2,981** | **–3,883** |
| Deferred tax liabilities | 2,607 | –2,912 |
| | **–373** | **–6,795** |

The significant decline in the tax rate mainly resulted from the use of losses not previously carried forward at Instone Real Estate Group AG which became usable after the outstanding conclusion of the control and profit transfer agreement with Instone Real Estate Development GmbH and were completely recoverable.

## DISCLOSURES ABOUT THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### Inventories

**INVENTORIES**

In thousands of euros

| | 30/06/2019 | 31/12/2018 |
|---|---|---|
| Work-in-progress | 452,903 | 392,074 |
| Finished goods | 56 | 12,326 |
| | **452,959** | **404,400** |

Work-in-progress is subject to disposal restrictions due to project financing by banks amounting to €443,171 thousand (previous year: €339,462 thousand).

Borrowing costs in the amount of €2,392 thousand (previous year: €3,494 thousand) were capitalised as part of production costs recognised for inventories attributable to project-related financing based on individual agreements with external lenders.

As in the same period of the previous year, inventories were not subject to impairment. As in the same period of the previous year, reversals of impairment were not made in the period under review.

### Contract assets

The structure of contract assets is composed as follows:

**CONTRACT ASSETS**

In thousands of euros

| | 30/06/2019 | 31/12/2018 |
|---|---|---|
| Contract assets | 453,958 | 466,858 |
| Payments received | –327,831 | –318,081 |
| | **126,127** | **148,777** |
| Receivables from contract start-up costs | 8,069 | 9,712 |
| | **134,196** | **158,489** |

The change in contract assets is due to the increase in fulfilment of the underlying contracts with customers and the parallel increase in advance payments.

The cycle of contract assets is – analogous to the project term – an average of three years.

The amortisation of the costs to obtain a contract in the amount of €3,105 thousand (previous year: €6,990 thousand runs contrary to the fulfilment of the underlying contracts with customers.

### Financial liabilities

**FINANCIAL LIABILITIES**

In thousands of euros

| | 30/06/2019 | 31/12/2018 |
|---|---|---|
| non-current | | |
| Liabilities to banks | 189,401 | 177,744 |
| | **189,401** | **177,744** |
| current | | |
| Liabilities to banks | 92,373 | 87,495 |
| Liabilities to third parties | 340 | 327 |
| | 92,713 | 87,822 |
| | **282,114** | **265,566** |

## FINANCIAL LIABILITIES IN 2019

In thousands of euros

| | 30/06/2019 | Cash flows from financial activities | Non-cash changes | | 01/01/2019 |
|---|---|---|---|---|---|
| | | | Capitalised interest | Amortisation measurement using the effective interest method | |
| Liabilities to banks | 281,774 | 14,357 | 1,092 | 1,085 | 265,239 |
| Liabilities to third parties | 340 | 13 | – | – | 327 |
| | **282,114** | **14,371** | **1,092** | **1,085** | **265,566** |

## FINANCIAL LIABILITIES IN 2018

In thousands of euros

| | 31/12/2018 | Cash flows from financial activities | Non-cash changes | | 01/01/2018 |
|---|---|---|---|---|---|
| | | | Capitalised interest | Amortisation measurement using the effective interest method | |
| Liabilities to banks | 265,239 | –51,477 | –1,489 | 798 | 317,407 |
| Liabilities to shareholders | – | –57,824 | – | – | 57,824 |
| Liabilities to third parties | 327 | –121 | – | – | 448 |
| | **265,566** | **–109,422** | **–1,489** | **798** | **375,679** |

Current and non-current liabilities to banks consisted of fixed and variable interest rate loans extended by various banks.

As a rule, the liabilities of the Instone Group to banks are not the subject of contractual assurances and are instead secured by land charges.

# OTHER DISCLOSURES

## Disclosures about related persons and companies

Key related persons and companies include any material entities valued at equity and members of the Management Board and Supervisory Board.

## Relationships with associates

**RELATIONSHIPS WITH ASSOCIATES**

In thousands of euros

| | 30/06/2019 | 31/12/2018 |
|---|---|---|
| **Receivables from associates** | | |
| Uferpalais Verwaltungs-gesellschaft mbH | – | 65 |
| | **–** | **65** |
| | | |
| **Liabilities to associates** | | |
| Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG | 178 | 178 |
| Wohnpark Gießener Straße GmbH & Co. KG | 150 | 150 |
| | **328** | **328** |

The financial receivables have a remaining term of less than one year.

These transactions are concluded under normal market conditions.

## Relationships with related persons

There were no material transactions between Instone Real Estate Group AG, Essen, Germany or a Group company and persons from the Management Board or related persons or companies during the reporting period. There are no conflicts of interest in terms of the participating members of the Management Board and the Supervisory Board.

## Further disclosures on financial instruments

The book values and fair values for individual classes of financial instruments and carrying amounts for each category are shown below in accordance with IFRS 7:

With the financial instruments accounted for at amortised costs, the book value largely corresponds to the fair value, due to the short remaining maturity.

**CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS IN 2019**

In thousands of euros

| | Book value 30/06/2019 | Affecting profit and loss at the fair value | At amortised costs | not within the scope of application of IFRS 9 | Fair value 30/06/2019 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Financial assets** | **259,924** | **983** | **124,745** | **134,196** | **259,924** |
| Other investments | 983 | 983 | – | – | 983 |
| **Financial receivables** | **450** | **–** | **450** | **–** | **450** |
| Non-current | 450 | – | 450 | – | 450 |
| Contract assets | 134,196 | – | – | 134,196 | 134,196 |
| Trade receivables | 5,905 | – | 5,905 | – | 5,905 |
| Other receivables | 16,391 | – | 16,391 | – | 16,391 |
| Cash and cash equivalents | 102,000 | – | 102,000 | – | 102,000 |
| **Equity and Liabilities** | | | | | |
| **Financial liabilities** | **374,775** | **–** | **361,971** | **12,804** | **374,775** |
| **Financial liabilities** | **282,114** | **–** | **282,114** | **–** | **282,114** |
| Non-current | 189,401 | – | 189,401 | – | 189,401 |
| Current | 92,713 | – | 92,713 | – | 92,713 |
| Contract liabilities | 12,804 | – | – | 12,804 | 12,804 |
| Trade payables | 70,728 | – | 70,728 | – | 70,728 |
| Other liabilities | 9,129 | – | 9,129 | – | 9,129 |

## CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS IN 2018

In thousands of euros

| | Book value 31/12/2018 | Affecting profit and loss at the fair value | At amortised costs | not within the scope of application of IFRS 9 | Fair value 31/12/2018 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Financial assets** | **267,555** | **421** | **108,645** | **158,489** | **267,555** |
| Other investments | 421 | 421 | – | – | 421 |
| **Financial receivables** | **65** | **–** | **65** | **–** | **65** |
| Current | 65 | – | 65 | – | 65 |
| Contract assets | 158,489 | – | – | 158,489 | 158,489 |
| Trade receivables | 13,127 | – | 13,127 | – | 13,127 |
| Other receivables | 7,488 | – | 7,488 | – | 7,488 |
| Cash and cash equivalents | 87,965 | – | 87,965 | – | 87,965 |
| **Equity and Liabilities** | | | | | |
| **Financial liabilities** | **363,230** | **–** | **356,597** | **6,633** | **363,230** |
| **Financial liabilities** | **265,566** | **–** | **265,566** | **–** | **265,566** |
| Non-current | 177,744 | – | 177,744 | – | 177,744 |
| Current | 87,822 | – | 87,822 | – | 87,822 |
| Contract liabilities | 6,633 | – | – | 6,633 | 6,633 |
| Trade payables | 78,342 | – | 78,342 | – | 78,342 |
| Other liabilities | 12,689 | – | 12,689 | – | 12,689 |

# EVENTS AFTER THE BALANCE SHEET DATE

With effect from 1 August 2019, Instone Real Estate Group AG was able to conclude a new promissory note loan agreement in the amount of €98.5 million, thereby prematurely replacing the previous promissory note loan in the amount of €66.9 million. The contracts were negotiated on the same terms as the previous promissory note.

On 15 August 2019, Instone Real Estate Group AG concluded a contract for the acquisition of all S&P Stadtbau activities in the residential real estate development division of the Sontowski & Partner Group. By acquiring S&P Stadtbau, the Instone Group is expanding its platform to include another strategically important location in the attractive growth region covering Nuremberg and Northern Bavaria, Germany. The transaction also includes existing project developments with a projected total of around 1,000 residential units and an anticipated overall sales volume of around €300 million in the next few years. Integration into the Instone Group is planned for the third quarter of 2019.

There were no other events of particular significance to report after the balance sheet date on 30 June 2019.

## Information on the preparation and approval

The Management Board of Instone Real Estate Group AG prepared the consolidated interim financial statements on 26 August 2019 and approved it to be passed on to the Supervisory Board.

Essen, Germany, 26 August 2019

Management Board

Kruno Crepulja　　Dr Foruhar Madjlessi

Andreas Gräf　　Torsten Kracht

# OTHER INFORMATION

# INSURANCE OF LEGAL REPRESENTATIVES

To the best of our knowledge, we give an assurance that the semi-annual reports for the interim consolidated financial statements give a true and fair view of the results of operations, net assets and financial position of the Instone Group in accordance with the applicable accounting principles and that the Company's management report together with the combined management report reflect the business performance, including the business results and financial position of the Instone Group, in such a way as to give a true and fair view as well as describes the material opportunities and risks of the probable development of the Instone Group in the remainder of the financial year.

Essen, Germany, 26 August 2019

Management Board

Kruno Crepulja Dr Foruhar Madjlessi

Andreas Gräf Torsten Kracht

# REVIEW REPORT

To the Instone Real Estate Group Aktiengesellschaft, Essen / Germany

We have reviewed the condensed interim consolidated financial statements – comprising the statement of profit or loss, the comprehensive income statement, the statement of financial positions, the statement of cashflow, the statement of changes in equity as well as selected explanatory notes to the financial statements – and the interim group management report for the period from 1 January to 30 June 2019 of the Instone Real Estate Group Aktiengesellschaft, Essen / Germany, that are part of the half-year financial report pursuant to § 115 WpHG (Wertpapierhandelsgesetz: German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the executive directors. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and of the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review such that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in all material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements of Instone Real Estate Group Aktiengesellschaft, Essen / Germany, have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Düsseldorf / Germany, 26 August 2019

**Deloitte GmbH**
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| (Rolf Künemann) | (Michael Pfeiffer) |
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| (German Public Auditor) | (German Public Auditor) |

# DISCLAIMER

## FORWARD-LOOKING STATEMENTS

This consolidated interim report includes forward-looking statements that are based on the management's current planning, targets and forecasts. However, these statements relate only to findings that are available as at the date of preparation of this consolidated interim report. The management does not guarantee that these forward-looking statements will also come true. Real future development and the results actually achieved are subject to various risks and can therefore deviate significantly from the forward-looking statements. Several of the risk factors cannot be influenced by Instone and may therefore not be conclusively assessed in advance. These include changes in the economic environment and the competitive environment, legislative amendments, interest rate or exchange rate fluctuations, legal disputes and investigative procedures and the availability of financial resources. These and other risks are listed in the 2018 consolidated report, which includes a summary of the management report, as well as in this consolidated interim report. Furthermore, the business development and the economic results may also be burdened by other factors. After the publication of this consolidated interim report, it is not intended in any way to update the forward-looking statements made or to adapt them to events and developments.

## Rounding

Some figures disclosed in this consolidated interim report have been commercially rounded. As a result, there may be minor deviations between figures in tables and their respective analyses in the body of the text of the consolidated interim report, as well as between subtotals of individual amounts in tables and the total values also specified in the text. All the key figures and percentage changes listed are based on the underlying data in the unit "thousands of euros".

# 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 (Vorsitzender/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

| | |
|---|---|
| 27/08/2019 | Publication of interim report as at 30 June 2019 |
| 26/11/2019 | Publication of quarterly report as at 30 September 2019 |

**Instone Real Estate Group AG**

Grugaplatz 2 – 4
45131 Essen,
Germany

Email: info@instone.de