Instone Group: Strong operating cash flow in H1; geopolitical uncertainties dampen the recovery in demand

- *Adjusted revenues of EUR 184.2 million in the first half of 2026 (H1 2025: EUR 231.0 million) still impacted by slower sales growth and lower construction output; catch-up effects expected in H2 2026*
- *Adjusted gross margin remained at an industry-leading level of 27.9 percent (H1 2025: 25.3 percent), once again highlighting the quality of the project portfolio and Instone Group's cost leadership*
- *Sales volume of EUR 114.8 million (H1 2025: EUR 96.3 million) significantly increased despite noticeable restraint due to geopolitical uncertainty; several institutional transactions are in advanced negotiations*
- *Earnings after taxes of EUR 1.3 million (H1 2025: EUR 17.2 million); significant earnings growth expected in H2 2026 driven by higher revenues*
- *Financial flexibility further enhanced by strong operating cash flow of EUR 42.7 million in H1 2026*
- *With a very strong balance sheet (loan-to-cost: 16.9 percent), the company is well positioned for accelerated future growth*
- *Confirmation of lower end of the forecast range for 2026: revenues of EUR 550 million to EUR 600 million, adjusted earnings after taxes of EUR 35 million to EUR 40 million, and sales of EUR 650 million to EUR 750 million*
- *Signing of a joint venture agreement with financial investor Ginkgo (Edmond de Rothschild) for the joint development of the Düsseldorf-Benrath project underlines growing investment appetite among international investors*

Essen, Germany, 6 August 2026: Instone Real Estate Group SE ("Instone Group") delivered an overall solid business performance in the first half of 2026 despite an environment heavily influenced by geopolitical challenges. Despite a significant increase in interest from both private and institutional investors and a significant rise in sales in the first half of the year, uncertainty continued to dampen an even stronger recovery in demand, particularly among private investors. Demand in the institutional business is showing an overall positive trend, which is attributable to Instone Group's attractive product offering with a high share of subsidised units. Several institutional transactions with a combined volume of approximately EUR 150 million are already in advanced negotiations. Assuming a stabilisation of the geopolitical situation, the company expects a significant acceleration in growth and a strong increase in sales over the coming months. Key drivers are expected to include planned institutional transactions, stronger seasonality and additional momentum from further sales launches in the private customer segment.

Based on current business assumptions, the lower end of the forecast range for the 2026 financial year can be confirmed overall.

Instone Group maintains industry-leading profitability

Adjusted revenues amounted to EUR 184.2 million in the first half of 2026 and were below the prior-year level (H1 2025: EUR 231.0 million). This was due to lower revenue contribution from projects already sold, as well as weather-related effects on construction output. Nevertheless, the expected closing of institutional transactions and stronger momentum in retail sales are expected to drive a significant increase in adjusted revenues during the second half of the year.

At 27.9 percent, the adjusted gross margin remained at a very high, industry-leading level in the first half of 2026 (H1 2025: 25.3 percent), slightly exceeding internal expectations. This leading profitability underscores the quality of the project portfolio and is also attributable to structural competitive advantages such as purchasing scale effects and a high degree of vertical integration. Based on the positive development during the first six months, the Management Board continues to expect an adjusted gross margin of more than 24 percent for the full year 2026, despite accelerated price increases for certain building materials.

Due to the temporary decline in revenue and a moderate increase in platform costs, adjusted operating profit (adjusted EBIT) decreased to EUR 15.5 million (H1 2025: EUR 28.9 million). Adjusted earnings after taxes (EAT) of EUR 1.3 million were also significantly below the prior-year level (H1 2025: EUR 17.2 million), with a net financial result that was, as expected, also more negative, due to the scheduled release of capitalised interest. Nevertheless, the

Management Board expects significantly stronger earnings in the coming quarters as sales and construction output accelerate while margins are expected to remain at a high level.

Geopolitical uncertainty is weighing on stronger sales growth; positive development in institutional business with several transactions in advanced negotiations

In the first half of the year, which included the seasonally weaker first quarter, Instone Group sold properties with a total value of EUR 114.8 million. Despite geopolitical uncertainties and heightened interest rate volatility, sales were already noticeably above the prior-year level (H1 2025: EUR 96.3 million). Single-unit sales increased by 26 percent year-on-year to EUR 114.2 million. Following the outbreak of the Middle East conflict in the first quarter, investor sentiment improved slightly during the second quarter, resulting in a 41 percent increase in retail sales compared with the same quarter of the previous year.

In the private customer segment, comprising buy-to-let investors and owner-occupiers, customer interest, as measured by key demand indicators such as reservations, remains well above the prior-year level. However, the conflict in the Middle East and the resulting macroeconomic uncertainty have curbed a sharper rise in customers' willingness to make purchasing decisions. Increased uncertainty has also led to longer bank approval processes, which has negatively impacted the pace of sales. Assuming a stabilisation of the geopolitical environment, the company expects the current high level of customer interest to result in catch-up effects in single-unit sales over the coming months. Several sales launches planned for the second half of the year are also expected to provide a significant growth impulse.

The projects being brought to market are specifically designed to benefit from the attractive incentives available under the Growth Opportunities Act for private investors. These products benefit from an increased degressive depreciation rate of 5.0 percent p.a. as well as an additional linear special depreciation of a further 5 percent p.a. over four years for energy-efficient residential properties, thereby enabling highly attractive post-tax returns.

In the institutional business, demand has developed positively overall during the year to date. Transactions with a combined sales volume of approximately EUR 150 million are currently at an advanced stage. In addition, there are also demand indications for a number of further institutional transactions. Instone Group benefits from a product offering with a high share of subsidised residential units and attractive incentive schemes. As a result, sales volumes in this customer segment are expected to increase noticeably year-on-year and compensate for a somewhat softer increase in private customer sales. Seasonal fluctuations continue to characterise sales activities, and the fourth quarter is expected to be the strongest quarter of the year for both institutional and private customer sales. Consequently, the Management Board continues to regard the 2026 sales target of EUR 650 million to EUR 750 million as achievable, while currently expecting a result towards the lower end of the range.

Joint Venture Agreement for major Düsseldorf-Benrath project highlights institutional demand

As planned, a joint venture agreement has been signed with the financial investor Ginkgo, a recognised European investment fund specialising in brownfield regeneration and urban renewal projects, which was founded in partnership with Edmond de Rothschild, for the joint development of the "Benrather Gärten" project in Düsseldorf. Instone Group will remain the responsible project developer. The site was acquired in 2025, and the joint project will transform a former industrial brownfield site into a new residential quarter comprising 800 to 1000 apartments. The project's gross development value (GDV) is expected to amount to approximately EUR 480 million. This structure with an experienced partner provides Instone Group with the advantage of enhanced risk diversification and the opportunity to increase returns on invested equity. The transaction, which sees the financial investor becoming involved at an early stage of development, highlights the attractiveness of the project and the growing interest of international financial investors in the asset class of energy-efficient new-build residential properties in Germany's top metropolitan areas.

Strong balance sheet provides significant potential for further growth

The strength of Instone Group's balance sheet remains an important competitive advantage in the current market environment and is increasingly paying off as attractive growth opportunities are pursued.

The ratio of net debt to key short-term assets (loan-to-cost, LTC) remained at a low level of 16.9 percent as of the reporting date (31 December 2025: 11.2 percent). Likewise, the ratio of net debt to adjusted EBITDA remained solid at 4.2x (31 December 2025: 2.8x).

As of 30 June 2026, freely available cash amounted to approximately EUR 260 million. In addition, the company has substantial undrawn credit facilities of around EUR 130 million. In a challenging environment, Instone Group successfully refinanced a promissory note ahead of maturity. The credit volume was increased from EUR 20 million to EUR 45 million while financing conditions were improved.

In the first half of the year, financial flexibility for growth investments was also further strengthened by an operating cash flow of EUR 42.7 million.

As a result of the implementation of the growth strategy, a temporary increase in leverage ratios is expected. However, maintaining a strong balance sheet remains a cornerstone of Instone Group's business model.

Attractive project portfolio secures revenue potential for the coming years; acquisitions strengthen the basis for additional growth

As of the reporting date, the expected sales value of the project portfolio (gross development value, GDV) amounted to approximately EUR 7.1 billion (31 December 2025: EUR 7.1 billion). In addition, the company holds projects in non-consolidated at-equity entities with a proportionate revenue volume of more than EUR 1.0 billion. The current pipeline already secures business potential for the coming years.

Projects currently under construction account for around EUR 2.9 billion of the portfolio, of which approximately 87 percent has already been sold. This continues to provide high visibility regarding future revenues and cash flows.

With regard to further developing the project portfolio and strengthening the growth profile, the market for land acquisitions has evolved positively on the supply side. Instone Group is taking advantage of the opportunities currently available in the market and has completed acquisitions with a GDV of almost EUR 700 million during the current financial year, following acquisitions with a GDV of EUR 1.2 billion in 2025. These projects offer above-average profitability and further strengthen the foundation for growth in the coming years. A significant share of the acquired volume is intended to be realised together with strong financial investors.

Instone Group

Instone Group continues to have an extensive acquisition pipeline and plans to acquire land with a total GDV of at least EUR 2.0 billion across the 2025 and 2026 financial years.

“The impact of geopolitical tensions continues to represent a noticeable burden on demand. However, the market is proving resilient, and the recovery in demand is continuing against the backdrop of a structural housing shortage. Based on current demand indicators, we expect accelerated growth in the second half of the year and therefore confirm our full-year targets,” says Kruno Crepulja, CEO of Instone Real Estate Group SE.

Lower end of the forecast range for 2026 confirmed despite dampening effects from geopolitical tensions

The Management Board confirms the lower end of its guidance for the 2026 financial year. Despite the adverse effects resulting from the conflict in the Middle East, the company continues to expect the recovery in demand to continue. Accordingly, management expects the sales guidance to be achieved, while currently assuming a result towards the lower end of the target range of EUR 650 million to EUR 750 million.

In line with the current sales forecast, the Management Board also expects adjusted revenues and adjusted earnings to tend towards the lower end of the forecast ranges of EUR 550 million to EUR 600 million for adjusted revenues and EUR 35 million to EUR 40 million for adjusted earnings after taxes. Business performance to date confirms management's assessment that an adjusted gross profit margin of more than 24 percent can be achieved.

The outlook assumes that a prolonged escalation of geopolitical conflicts leading to a significant deterioration in macroeconomic conditions and a decline in consumer confidence can be avoided.

The definitions of the key performance indicators mentioned in this release can be found in the glossary on the company’s website: Glossary: Instone Real Estate Group SE

About Instone Real Estate Group SE (Instone Group)

The Instone Group is one of the leading residential developers in Germany and is listed on the Prime Standard of the German stock market. Since 1991, we have been developing future-proof and sustainable urban residential quarters with apartments for sale or rent throughout Germany – to provide a long-lasting good life in the country's metropolitan areas. Our diverse expertise, combined with efficient processes and a solid financial basis, creates real added value for our stakeholders in environmental, social and economic terms. This means we are taking responsibility for one of the most pressing social issues of our time – creating needs-based and attractive living space. The company employs 442 employees at nine locations across Germany. As at 30 June 2026, the project portfolio included 50 development projects with an anticipated overall sales volume of approximately EUR 7.1 billion and more than 14,000 residential units. www.instone-group.de/en

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