# Instone Group: Challenging market conditions weigh on the recovery in demand

- *Adjusted revenues of EUR 288.1 million in the first nine months of 2026 (9M 2025: EUR 347.5 million) impacted by lower sales volumes*
- *Adjusted gross margin remained at a very high, industry-leading level of 29.4 percent (9M 2025: 23.3 percent), supported by prudent cost assumptions and handover of projects, and continues to be a key quality indicator*
- *Sales volume of EUR 173.3 million (9M 2025: EUR 229.0 million); single-unit sales remained at prior-year level but were noticeably affected by macroeconomic factors in the third quarter; first institutional sale signed in the fourth quarter and additional institutional transactions close to signing*
- *Earnings after taxes of EUR 12.2 million (9M 2025: EUR 21.4 million), also impacted by lower revenues, a significantly more negative financial result and lower income from investments*
- *Low leverage (loan-to-cost: 19.4 percent) and high liquidity (EUR 239.1 million) reflect the company's strong financial profile*
- *Revised guidance for 2026: revenues of approximately EUR 450 million, adjusted earnings after taxes of EUR 25 million to EUR 30 million, and sales of EUR 500 million to EUR 600 million*

**Essen, Germany, 5 November 2026:** Instone Real Estate Group SE ("Instone Group") clearly felt the effects of macroeconomic and geopolitical uncertainty, including a stronger increase in interest rates, on demand during the third quarter of 2026. This led in particular to a decline in sales to private investors during the quarter. Among institutional customers, significantly longer decision-making processes were also observed as a result of heightened uncertainty, which contributed in part to the postponement of transactions. However, projects in the subsidised housing segment continue to attract strong interest from institutional investors. Following the completion of a first institutional transaction in November, several further institutional sales are expected to be signed during the final quarter of the year. Thanks to its strength in the

affordable housing segment, Instone Group is particularly well positioned for the development of subsidised residential properties.

Despite lowering its guidance for the 2026 financial year, Instone Group continues to demonstrate solid profitability in a challenging market environment and, through investments in new land acquisitions and its strong position in affordable housing, is laying the foundation for a return to its growth trajectory.

**Instone Group maintains industry-leading profitability**

Adjusted revenues amounted to EUR 288.1 million in the first nine months of 2026 and were below the prior-year level (9M 2025: EUR 347.5 million), primarily due to weaker performance in the private customer sales business and lower construction output. Nevertheless, the company expects the completion of institutional transactions and stronger seasonality in retail sales to drive a significant increase in adjusted revenues in the final quarter of the year.

At 29.4 percent, the adjusted gross margin remained at a very high, industry-leading level during the first nine months of 2026 (9M 2025: 23.3 percent), exceeding internal expectations.

The leading level of profitability highlights the quality of the project portfolio and is also attributable to the high degree of vertical integration and prudent cost assumptions. These cost assumptions meant that, particularly upon the settlement of final accounts, positive earnings effects from the release of cost reserves could be realised, which made an exceptionally high contribution. In addition, profitability benefited from a higher share of in-house planning services provided by the subsidiary nyoo, which helped reduce overall project costs.

Despite lower revenues, the substantial improvement in the gross margin resulted in only a slight year-on-year decline in adjusted operating profit (adjusted EBIT) to EUR 33.0 million (9M 2025: EUR 35.2 million). Adjusted earnings after taxes (EAT) amounted to EUR 12.2 million and as expected, were also below the prior-year level (9M 2025: EUR 21.4 million), mainly due to a significantly more negative net financial result related to the scheduled release of capitalised interest.

**Macroeconomic uncertainty and interest rate volatility weigh on demand; several institutional transactions expected in the final quarter**

Instone Group sold properties with a total value of EUR 173.3 million during the first nine months of 2026, which was below the prior-year level due to weaker performance in the third quarter (9M 2025: EUR 229.0 million). The previous year had already benefited from institutional transactions, whereas institutional sales in 2026 are concentrated in the final quarter. In a market environment characterised by geopolitical and macroeconomic uncertainty, rising interest rates during the third quarter represented a significant burden, particularly for the private customer segment. While single-unit sales of EUR 167.3 million in the first nine months of 2026 remained broadly in line with the prior year (9M 2025: EUR 166.5 million), a noticeable decline was recorded in the third quarter compared to the same period last year. Decision-making processes among purchasers and credit approval procedures at banks are taking longer, while cancellation rates for previously reserved apartments have remained significantly above the long-term average year to date. Based on current trends, the company no longer expects to reach the prior year's sales volume for single-unit sales.

Projects currently being launched 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 and an additional linear special depreciation allowance of a further 5.0 percent over four years for energy-efficient residential properties, enabling highly attractive after-tax returns. This helps Instone Group continue to sell residential units to private investors even in the current challenging market environment, as after-tax returns remain attractive despite the prevailing interest rate level.

In contrast, the institutional customer segment has shown a more positive development in customer demand over the course of the year. This is primarily attributable to Instone Group's product offering, which includes a high proportion of subsidised housing projects. In November, the first institutional transaction with a volume of EUR 45 million was signed. Despite increased uncertainty, which has already resulted in some transactions being postponed into the first quarter of 2027, the company expects several institutional transactions to be signed during the fourth quarter. Transactions with a volume of approximately EUR 150 million are currently being prepared for notarisation, while additional transactions with a

volume of EUR 200 million are in advanced negotiations. Given the current market environment, uncertainty remains regarding how much of this transaction volume can still be realised during the current financial year. Nevertheless, the Management Board expects institutional sales to increase compared with the previous year, thereby partially offsetting the current weakness in single-unit sales. Under an optimal outcome of the ongoing negotiations, the original sales target of at least EUR 650 million would still be achievable.

**Low leverage and high liquidity secure a strong financial profile**

The strength of Instone Group's balance sheet continues to represent an important competitive advantage and has already proven beneficial in pursuing attractive growth opportunities.

The ratio of net debt to project assets (loan-to-cost, LTC) remained at a low level of 19.4 percent as of the reporting date despite substantial investments in future growth (31 December 2025: 11.3 percent). Net debt relative to adjusted EBITDA generated over the last twelve months amounted to 4.7x (31 December 2025: 2.8x) and remains at a comfortable level despite slightly higher debt and temporarily lower profitability.

As of 30 September 2026, freely available cash amounted to approximately EUR 240 million. In addition, the company has substantial undrawn credit facilities of EUR 110 million as well as part of the term loan facility (EUR 23.5 million), which will only be drawn down in the fourth quarter. Furthermore, Instone Group successfully extended its corporate credit facility and term loan until 2029.

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

**Attractive project portfolio secures future revenue potential; acquisitions strengthen the basis for additional growth**

As of the reporting date, the expected sales value of Instone Group's project portfolio (gross development value, GDV) amounted to approximately EUR 7.7 billion (31 December 2025: EUR 7.1 billion). In addition, the company holds projects in non-consolidated 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 approximately EUR 3.0 billion of the portfolio, of which around 89 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 company's growth profile, the market for land acquisitions has evolved positively on the supply side. Instone Group has taken advantage of attractive market opportunities and completed acquisitions with a GDV of more than EUR 1.1 billion during the current financial year, following acquisitions with a GDV of EUR 1.2 billion in 2025. As a result, Instone Group has acquired projects with a combined GDV of approximately EUR 2.3 billion across the two financial years 2025 and 2026, thereby already exceeding its acquisition target of more than EUR 2.0 billion. These projects offer above-average profitability and further strengthen the foundation for growth in the coming years. A portion of the acquired volume is intended to be realised together with strong financial investors in order to diversify project risks and enhance returns.

"The impact of macroeconomic uncertainty continues to represent a noticeable burden on demand. With our clear strategic focus on affordable housing, our strong balance sheet and our substantial investments in attractive new projects, we have all the prerequisites to return to growth even under challenging market conditions," says Kruno Crepulja, CEO of Instone Real Estate Group SE.

**Guidance revised to reflect challenging market conditions**

Due to the adverse effects of geopolitical and macroeconomic uncertainty, including higher interest rates, on expected sales volumes, the Management Board has revised its targets for the 2026 financial year. Management now expects adjusted revenues of approximately EUR 450 million, a further improved adjusted gross margin of more than 28 percent and adjusted earnings after taxes of EUR 25 million to EUR 30 million. Given the elevated level of uncertainty, expected sales are now projected to be in the range of EUR 500 million to EUR 600 million. The Management Board also confirms its intention to distribute a minimum dividend of EUR 0.43 per share for the current financial year.

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 437 employees at nine locations across Germany. As at 30 September 2026, the project portfolio included 54 development projects with an anticipated overall sales volume of approximately EUR 7.7 billion and around 15,700 residential units. www.instone-group.de/en

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