



# 1H22 Results Presentation

July 28<sup>th</sup>, 2022

Terrazas de Santa Rosa II (Córdoba)

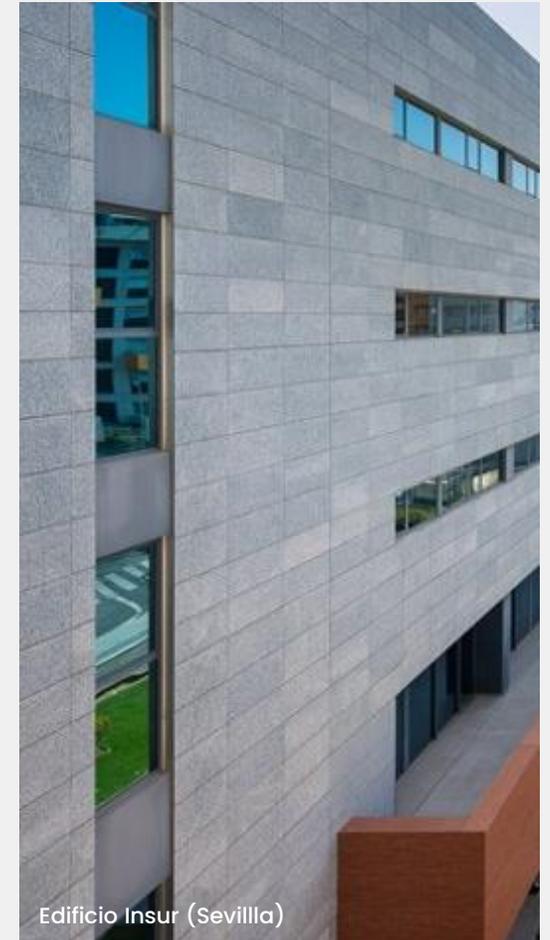
Jardines del Olivar (Valdemoro-Madrid)

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Edificio Insur (Sevilla)

# RATIONALE BEHIND THE USE OF THE PROPORTIONATE METHOD

Grupo INSUR (Insur), whose parent company is Inmobiliaria del Sur, S.A., develops two main activities, housing development and rental.

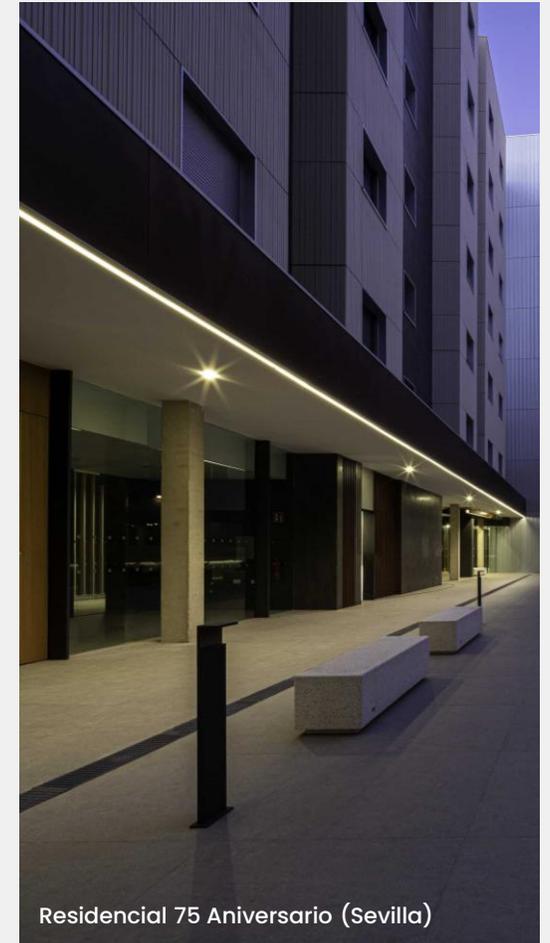
The rental activity is carried out by Insur Patrimonial, S.L.U. (IPAT), fully owned by Insur, as well as by other companies which are also fully owned by IPA (except for IDS Madrid Manzanares, S.A. where Insur has a 90% stake)

The housing development activity is conducted through a company fully owned by Insur, Insur Promoción Integral, S.L.U., (IPI), which in turn holds shares in different companies. In order to increase the activity and also to diversify the risks, a significant part of this business is carried out through joint ventures in companies where Grupo Insur has a significant stake (usually 50%). With a view of increasing the quality of the houses, obtaining better customization options and a stricter control on the works, the Group develops the construction activity both for its fully owned developments and for the JV's. This instrumental activity is carried out by IDS Construcción y Desarrollos, S.A.U., which is fully owned by IPI.

As the Group does not have the control over the JVs, in the sense that it cannot decide unilaterally the financial and activity policies, but it shares these decisions with the rest of the partners, these JVs are consolidated by the equity method as established in the IFRS 11. Accordingly, the IFRS consolidated financial statements do not include the proportional part of the Group in the assets, liabilities, incomes and expenditures of such JVs. The Group is fully involved in the management of these JVs which consolidate by the **equity method**, not just because it holds at least the 50% of the equity, but because it carries the operating management based on the management, construction and marketing contracts undersigned, as these JVs lack from human and material resources.

Therefore, since the activities of these companies are monitored internally on a proportional basis, based on the percentage of ownership in each one, the Parent's directors consider that for a better understanding and analysis of its consolidated business and, above all, of the true magnitude of its activities, the volume of assets managed and the size of its financial and human resources, it is more appropriate to present this information using the **proportional consolidation method**.

At the end of this presentation can be found a **conciliation between the financial statements consolidated by both methods**.



Residencial 75 Aniversario (Sevilla)

# EXECUTIVE SUMMARY 1H 2022.

## MAIN HIGHLIGHTS (1/2)



▶ **Group turnover and Ebitda** reflect the impact of lower housing deliveries in 1H22 vs 1H21, which will be corrected in the second half of the year, given that scheduled deliveries in 2H22 amount to €58.8m.



▶ **Excellent commercial performance for another quarter.** The global amount of pre-sales formalized in 2Q22 amounts to €46.6m (€27.4m adjusted by the percentage of the Group's participation) vs €38.3m in 1Q22. Accumulated pre-sales amounted to €223.7m (€187.8m proportionally) , 27.8% higher than at the end of 2021.



▶ **Remarkable achievement of the investment objective in tertiary office development in prime areas of Madrid and Malaga** with two important projects already announced in 1Q22 in Malaga capital (20,400 sqm) and another two recently announced in Madrid with 45,500 sqm.



▶ **Solid behavior of the patrimonial activity.** The turnover has increased by 19.9% compared to the same period of the previous year and the occupancy rate has stood at 88.2%, +0.5 p.p vs. the end of 2021.



▶ **Investment of €46.3m in 1H22: €32.6m** (proportionally) allocated to the purchase of plots in the semester and **€13.7m** in the framework of the **takeover of Desarrollos Metropolitanos del Sur** (net of 50% of the company's cash).



▶ **Net profit** stood at €11.5m, 276.7% higher vs 1S21 for the result of the takeover of DMS.

# EXECUTIVE SUMMARY 1H 2022.

## MAIN HIGHLIGHTS (2/2)

Figures by proportionate method

€m= million Euros

Var % y-o-y

REVENUES	➤	€41.8m	-26.4%
EBITDA	➤	€8.0m	-12.7%
ADJUSTED EBITDA*	➤	€6.8m	-26.4%
EBIT**	➤	€17.9m	+151.9%
NET PROFIT**	➤	€11.5m	+276.7%
NET FINANCIAL DEBT	➤	€259.0m	(+30.8% vs December 2021)
TOTAL INVESTMENT	➤	€47.1m	(Plots €32.6m + Capex €0.8m + net investment in DMS €13.7m)



HOMEBUILDING



€21.7m -35.7%



RENTAL



€8.8m +19.9%



CONSTRUCTION



€9.5m -31.3%



SERVICES



€1.7m -1.6%

\*Does not have into account assets turnover, excluding stock impairments

\*\* Includes the result from the takeover of DMS (€12.5m before taxes)

# ACQUISITION OF 50% OF DESARROLLOS METROPOLITANOS DEL SUR, S.L.

- On June 16, 2022, it was acquired to Anida Operaciones Singulares, S.A.U. (BBVA Group) the 50% it held on Desarrollos Metropolitanos del Sur, S.L. (hereinafter DMS), with Grupo INSUR reaching a 100% stake and taking control of DMS.

## INVESTMENT:

Purchase price of the shares:	€18,2m
Assignment of certain loans:	€5.6m
- 50% DMS treasury at the time of takeover:	(€10.1m)
<b>Net cash investment:</b>	<b>€13.7m</b>

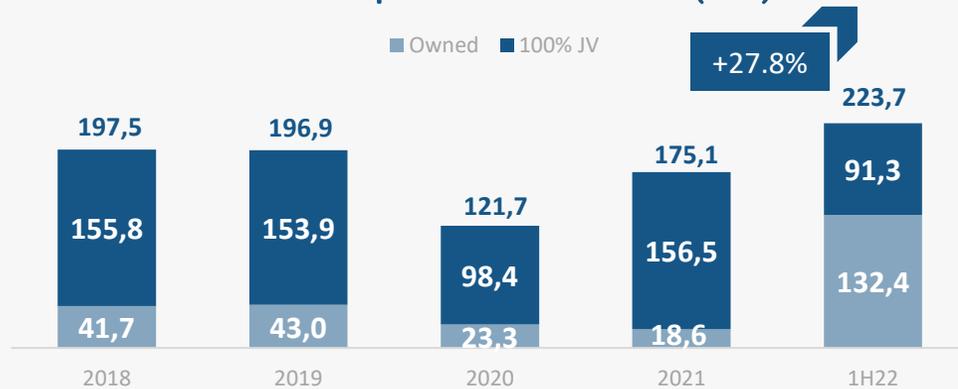
- GAV of DMS at the date of taking control amounts to €85.8m.
- IFRS 3 on business combinations (taking control in stages) is applicable to the purchase of the company shares.
- The application of IFRS 3 implies recording the assets and liabilities of DMS in the financial statements of Grupo INSUR at fair value (FV), recording the difference between the assets and liabilities and the cost of the business combination (price paid for the purchase of the shares plus the consolidated value of the stake in DMS prior to taking control) as a profit/loss in the income statement.

Assets - liabilities of DMS at fair value:	€44.7m
Cost of the business combination:	(€32.2m)
Takeover result:	€12.5m
Corporate tax of the takeover:	(€3.1m)
<b>Net result of takeover:</b>	<b>€9.4m</b>

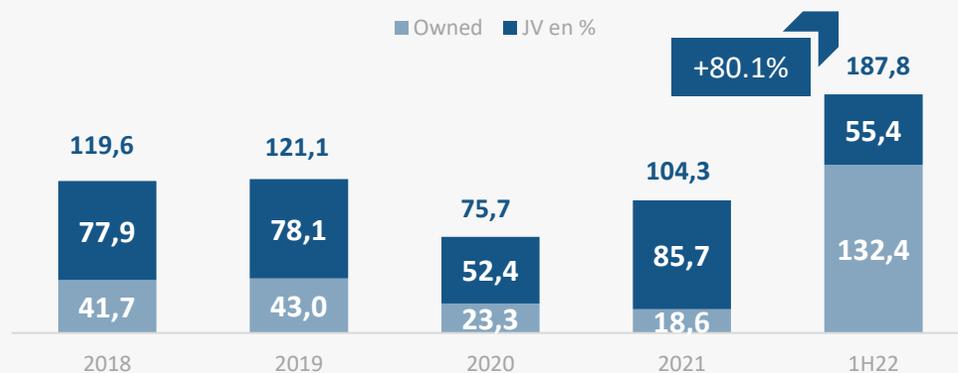
- Internal benefits eliminated prior to takeover: **€3.9m**
- Difference between fair value and cost of assets: **€8.7m**
- Difference between the 50% equity of DMS on the date of takeover and the price paid: **(€0.07m)**

# HOMEBUILDING

## Pre-sales portfolio 06.30.22 (€m)



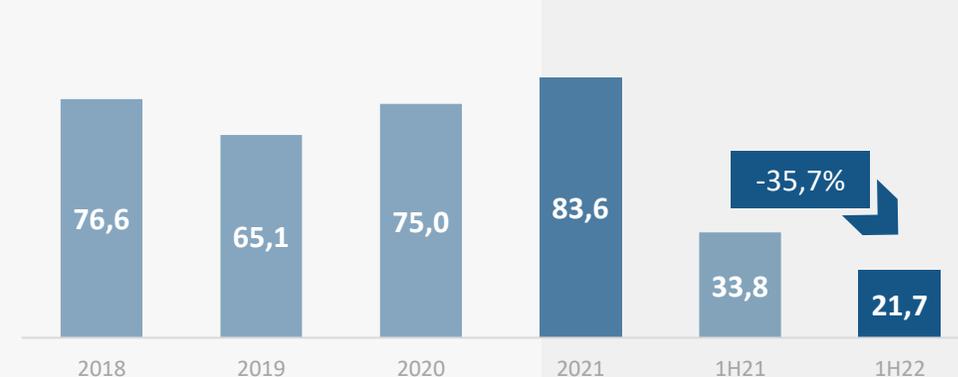
## Pre-sales portfolio (€m proportionate) 06.30.22



- In 1H22 a total of **104 homes were delivered (44 homes in 2Q22)** with an ASP<sup>(1)</sup> of €344,000, (9 owned and 95 through JV), compared to 133 homes delivered in 1H21 (49 homes in 2Q21), (47 owned and 86 through JV) with an ASP<sup>(1)</sup> of €332,000. **(Scheduled deliveries in 2H22 amounting to €58.8m).**
- **281 sold units in 1H22 (161 in 2Q22)** amounting to €84.9m (€53.0m proportionally), -1.9% compared to 1H21 but which continue to reflect the good trend of the last quarters.
- At the end of 1H22, Grupo Insur had a **pre-sales portfolio of 807 units** for an amount of €223.7m (€187.8m proportionally).
- **Revenues** stood at €21.7m compared to €33.8m in 1H21 due to lower home deliveries in the semester and a lower proportion of own home deliveries compared to JVs.
- Ability to pass on cost increases to ongoing promotions.
- **€10.4m (proportionally) of investment in work executions** in 1H22.
- **Successful commercial launch** of new promotions.

(1) Average sale price

## Homebuilding revenues



# ACTIVE RESIDENTIAL DEVELOPMENTS AND LAND PORTFOLIO



## 4,083 UNITS

### UNDER CONSTRUCTION

10 projects  
709 units  
(559 owned; 150 JVs)

Construction of  
518 units  
through JVs  
expected to start  
in 2H22

### UNDER DEVELOPMENT

14 projects  
1,283 units  
(539 owned; 744 JVs)

### LAND PORTFOLIO

2,091 units  
(1.327 owned; 764 JVs)

1,542 units in  
commercialización\*

(52% sold)

\*Includes units pending to be delivered from finished projects

## MADRID

58 units under construction

121 units under development

## ANDALUCÍA

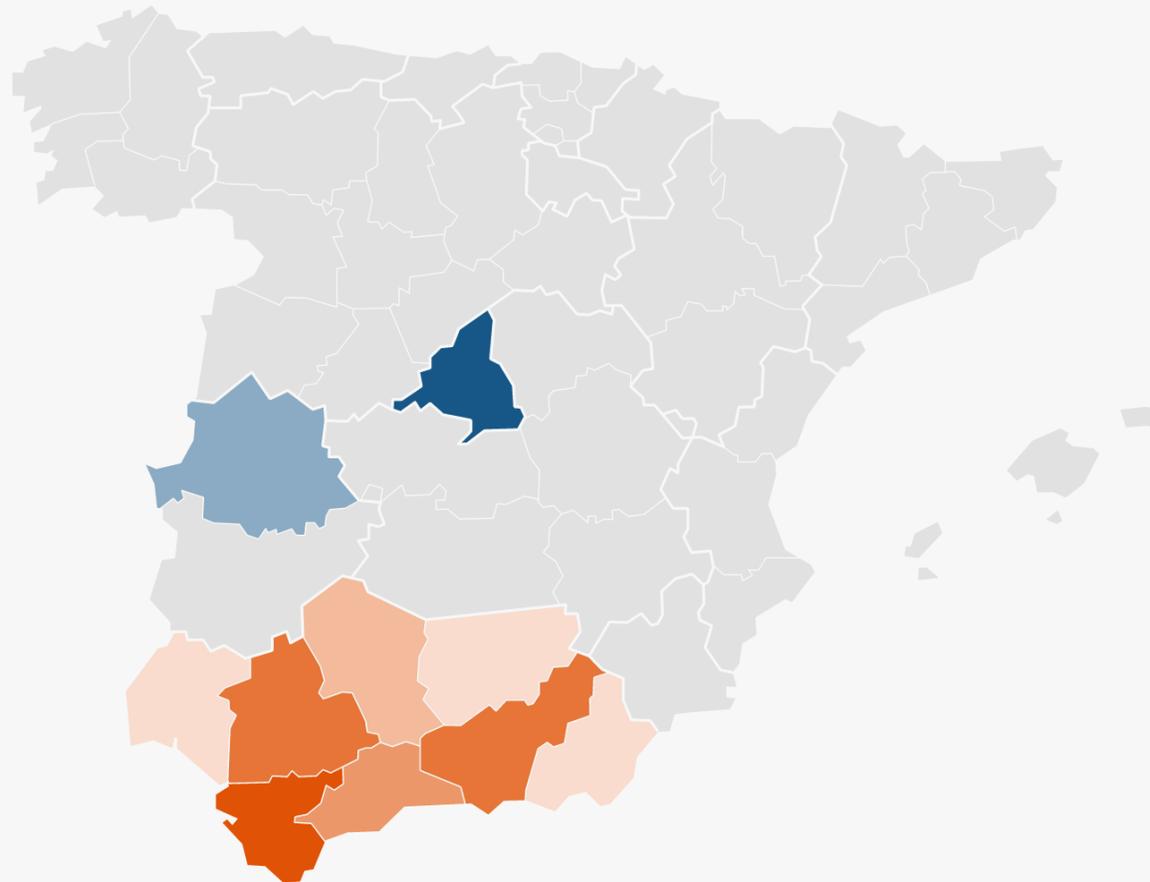
571 units under construction

1,162 units under development

2,091 in land portfolio

## CÁCERES

80 units under construction



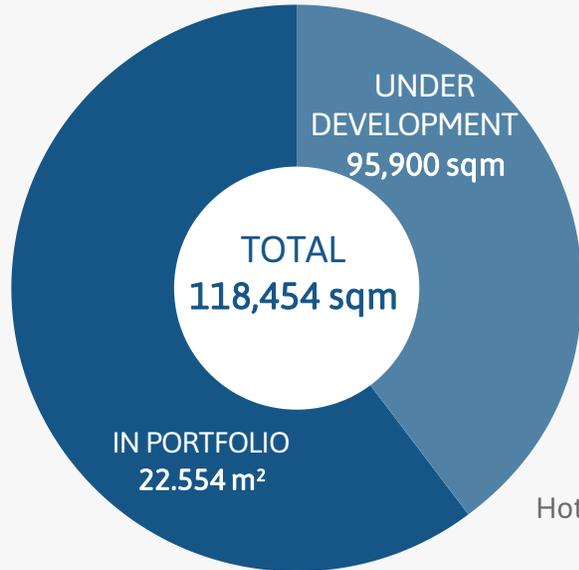
# P&L: HOMEBUILDING

€m (proportionate)	30.06.2022	30.06.2021	Var %
Homebuilding revenues	21,7	33,8	-35,7%
Cost of sales*	(16,9)	(26,2)	-35,6%
Gross Margin	4,9	7,6	-36,1%
% Gross Margin	22,4%	22,5%	-0,1 p.p.
Net Margin	2,4	5,6	-57,2%
% Net Margin	11,0%	16,5%	-5,5 p.p.
Ebitda*	1,6	5,7	-72,4%
% Ebitda Margin	7,3%	16,9%	-9,7 p.p.
Takeover result*	9,1	-	n.s.
Profit before tax	10,2	5,3	90,2%
Net Profit	7,6	4,0	90,2%

\* In order to reflect a true picture of the profitability of the development business, the result of the takeover has been adjusted by €0.4m for the difference between the fair value and the cost in DMS of the homes delivered by this company from the date of taking control (06.16.22) until 06.30.22, amount that is presented as lower cost of sales and higher EBITDA.

- ▶ Gross margin: 22.4% in 1H22.
- ▶ Net margin of 11.0% and Ebitda margin of 7.3% in 1H22 affected by the volumen of deliveries for the period.
- ▶ Profit includes the takeover result from DMS.

# TERCIARY PROMOTION



Ágora project – Malaga capital  
 9.500 sqm of offices  
 Planned investment €31m



Martiricos project – Malaga capital  
 10,900 sqm of offices  
 Planned investment €31m



Hotel Project in Atlanterra – Tarifa (Cadiz)  
 30,000 sqm buildable  
 Planned investment €66m



**Fulfilling the objective established for 2021-2025**

To grow in terms of tertiary offices developments in Madrid and Málaga

# TERCIARY PROMOTION. NEW INVESTMENTS IN 2Q22 (1/2)



**PROYECT IN LAS TABLAS MADRID NUEVO NORTE - MADRID**  
9,000 sqm of offices      Estimated investment €39m

# TERCIARY PROMOTION. NEW INVESTMENTS IN 2Q22 (2/2)

## BUSINESS CAMPUS IN VALDEBEBAS – MADRID

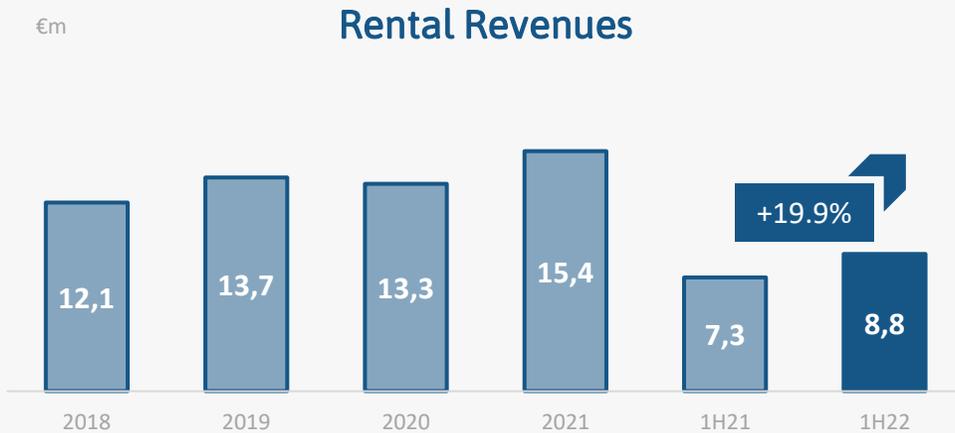
36,500 sqm of offices

Estimated investment €100m

- ✓ Energy efficient complex
- ✓ Good communication by both private and public transport
- ✓ Prime office area with the future City of Justice of Madrid and its "Fintech District"
- ✓ Located next to the future luxury shopping center Valdebebas Shopping
- ✓ Proximity to Madrid Barajas Adolfo Suárez Airport



# RENTALS



- In 1H22, **new areas were sold** for a total of 3,286.0 sqm (797.7 sqm in 2Q22) and there have been contract terminations of 2,522.93 sqm (989,39 sqm in 2Q22).
- **Occupancy rate** stood at 88.2%, +0.5 p.p. vs the rate in 2021 year end and stable vs 1Q22.
- **The annualized rental income** of the contracts in force on 30th June 2022 stood at €17.9m vs €17.3m in 1Q22 and €17.6m in 4Q21, increase due to the improvement in occupancy and the increase in rental prices.
- **Investment** in 1H22 of **€0.8m** allocated to the reform and remodeling of buildings.
- **130,568.48 sqm** of offices, hotels and commercial premises portfolio and **more than 3,000 parking spots**.



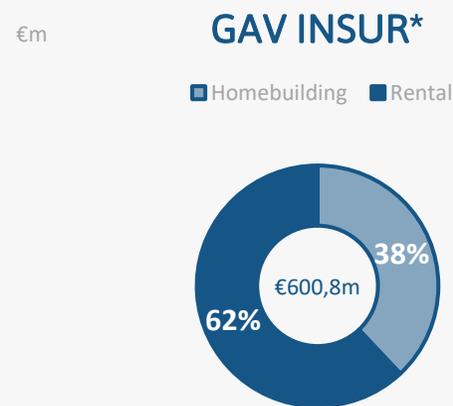
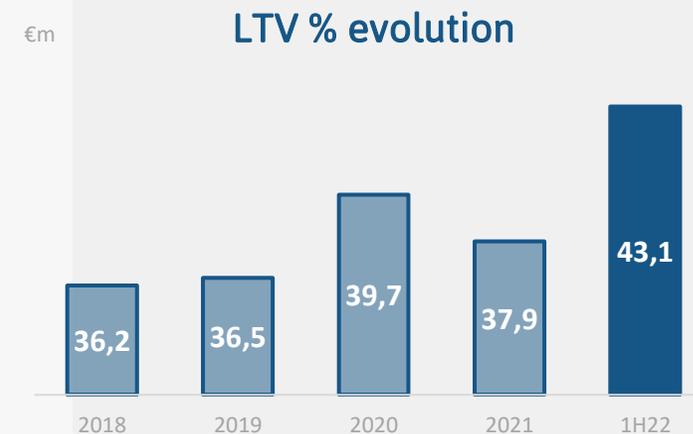
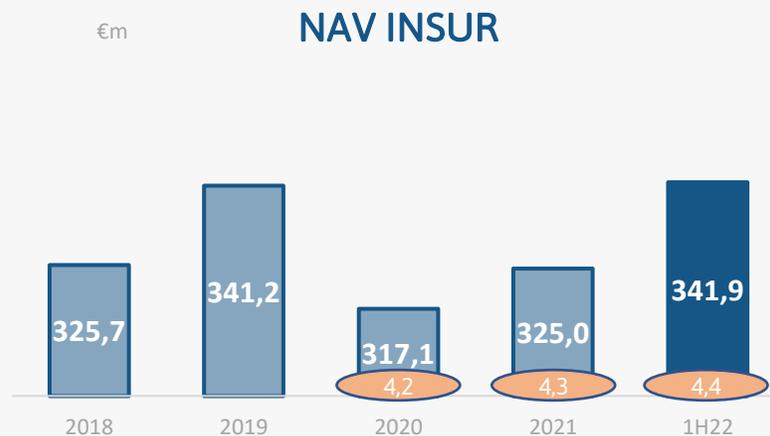
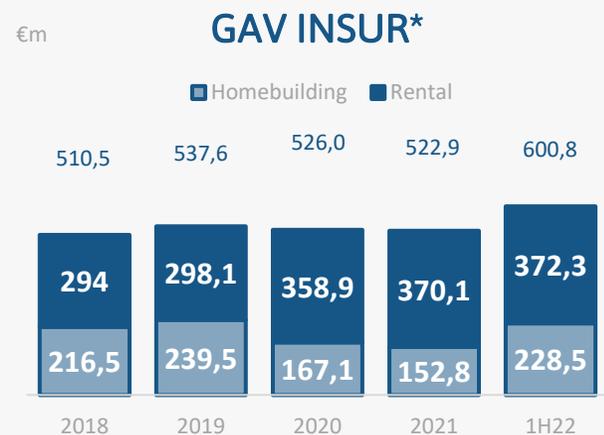
# P&L: RENTALS

€m (proportionate)	30.06.2022	30.06.2021	Var %
<b>Rental revenues</b>	8,8	7,3	19,9%
Operating expenses	(1,7)	(1,4)	16,1%
Result on the sale of investment property	1,1	-	n.s.
<b>Ebitda</b>	7,9	5,2	51,2%
<b>Adjusted Ebitda</b>	6,7	5,2	29,5%
% Adjusted Ebitda margin	76,5%	73,2%	3,3 p.p.
Takeover result	3,1	-	n.s.
<b>Profit before tax</b>	8,0	1,6	400,3%
<b>Net Profit</b>	5,9	1,2	412,0%

- ▶ Solid rental income growth: +19.9%.
- ▶ Ebitda margin improved by 3.3 p.p. as a result of higher rental prices and greater repercussion of expenses to the lessee.
- ▶ Improvement in profit before taxes due to the improvement in EBITDA, the result on the sale of investment property and the result from the takeover of DMS.
- ▶ Investment of €0.8m in maintenance and remodeling of our assets in 1H22.

# GAV, NAV, LTV and debt

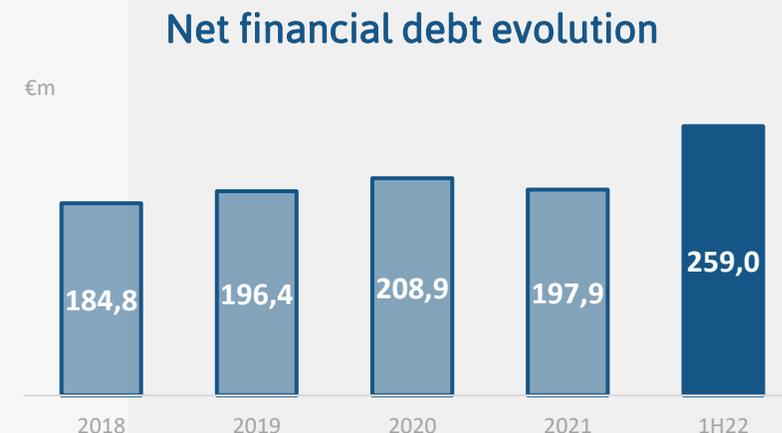
All figures in proportionate



\* CBRE valuation at 06/30/22

€m of NAV corresponding to minority interests

**1H22 NFD has increase by 30.8% compared to the closing figure for 2021, mainly due to the large investments made in the period in the purchase of plots (€32.6m), the net investment in DMS (€13.7m) and 50% of the gross financial debt of DMS at the date of takeover (€9.7m). NFD will be significantly reduced at the end of 2022 with the deliveries of scheduled promotions.**



# CONCILIATION BETWEEN EQUITY AND PROPORTIONATE METHOD

CONSOLIDATED P&L €m	1H22			1H21		
	Equity method	Adjustments	Proportionate	Equity method	Adjustments	Proportionate
<b>Revenues</b>	<b>39,5</b>	<b>2,2</b>	<b>41,8</b>	<b>55,1</b>	<b>1,7</b>	<b>56,8</b>
Housebuilding	7,4	14,3	21,7	23,5	10,3	33,8
Rental	8,8	0,0	8,8	7,3	0,1	7,3
Construction	21,3	(11,8)	9,5	22,2	(8,3)	13,9
Asset management	2,0	(0,3)	1,7	2,1	(0,3)	1,7
<b>Result of entities valued by the equity method</b>	<b>1,1</b>	<b>(1,1)</b>	<b>(0,0)</b>	<b>0,6</b>	<b>(0,6)</b>	<b>0,0</b>
<b>EBITDA</b>	<b>7,5</b>	<b>0,5</b>	<b>8,0</b>	<b>8,8</b>	<b>0,4</b>	<b>9,2</b>
Result on the sale of investment property	1,3	-	1,3	-	-	-
Adjusted EBITDA	6,2	0,5	6,8	8,8	0,4	9,2
Operating profit	17,4	0,5	17,9	6,7	0,4	7,1
Financial result	(2,3)	(0,2)	(2,4)	(2,8)	(0,2)	(3,0)
<b>Profit before tax</b>	<b>15,2</b>	<b>0,4</b>	<b>15,5</b>	<b>3,9</b>	<b>0,2</b>	<b>4,1</b>
<b>Net profit</b>	<b>11,5</b>	<b>-</b>	<b>11,5</b>	<b>3,1</b>	<b>-</b>	<b>3,1</b>
<b>Profit attributable to parent company</b>	<b>11,5</b>	<b>-</b>	<b>11,5</b>	<b>3,0</b>	<b>-</b>	<b>3,0</b>
<b>Profit attributable to minority interest</b>	<b>0,044</b>	<b>-</b>	<b>0,044</b>	<b>0,036</b>	<b>-</b>	<b>0,036</b>

## Main adjustments:

- a) Housebuilding revenues: it increases as it adds the revenue figure of the JVs in the proportion in which Grupo Insur participates in them.
- b) Construction revenue: this figure is composed by the incomes generated by the works in the JV developments. When consolidating by the proportionate method, the incomes corresponding to the % of the participation of the Group in these companies are eliminated.
- c) EBITDA: the results of companies valued by the equity method in the EU-IFRS income statement are integrated net of income tax expense and include the financial results of joint ventures. In the consolidated P&L under the proportional method, the financial results of the joint ventures are not part of the operating result (and therefore not part of the EBITDA) and the operating result does not include the income tax expense corresponding to the results of the joint ventures.

# CONCILIATION BETWEEN EQUITY AND PROPORTIONATE METHOD

## CONSOLIDATED BALANCE SHEET €m

	30.06.22			31.12.21		
	Equity method	Adjustments	Proportionate	Equity method	Adjustments	Proportionate
Property, Plant and Equipment	217,7	0,0	217,7	216,8	(0,0)	216,8
Financial investments in JVs	30,8	(30,4)	0,4	38,9	(38,4)	0,5
Inventory	141,8	73,3	215,1	47,6	88,3	135,9
Debtors and other receivables	32,8	0,8	33,6	24,6	(6,1)	18,5
Other assets	76,9	(32,8)	44,1	86,4	(25,6)	60,8
Cash and equivalents	39,2	7,4	46,6	49,8	15,1	64,9
<b>TOTAL ASSETS</b>	<b>539,1</b>	<b>18,4</b>	<b>557,5</b>	<b>464,2</b>	<b>33,3</b>	<b>497,5</b>
Net equity	136,6	0,0	136,6	128,3	0,0	128,3
Minority interests	3,2	0,0	3,2	3,2	0,0	3,2
Amounts owed to credit institutions	263,8	13,0	276,8	227,8	18,0	245,8
Other financial liabilities	48,4	0,0	48,4	47,1	0,0	47,1
Trade and other payables	40,5	2,7	43,1	35,5	1,9	37,4
Other liabilities	46,7	2,7	49,4	22,3	13,3	35,7
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>539,1</b>	<b>18,4</b>	<b>557,5</b>	<b>464,2</b>	<b>33,3</b>	<b>497,5</b>

### Main adjustments:

- Financial investments in JVs: the cost of the financial investments in JVs on the assets of the consolidated balance according to the equity method is replaced by the assets and liabilities that these JVs incorporate in the proportionate balance sheet, in the participation held by the Group in them.
- Inventory: the proportionate method of consolidating the JVs implies the incorporation of the inventory figure in the proportion in which the Group participates in these companies.
- Amounts owed to credit institutions: the proportionate method of consolidating the JVs implies the incorporation of the debt figure in the proportion in which the Group participates in these companies.
- Trade and other payables : the integration of the JVs implies the incorporation of their accounts payable in the proportion in which the Group participates in these companies.



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