Grupo Insur

9M 2019 Results Presentation

31st October 2019

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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. (IPA), fully owned by Insur, as well as by other companies which are also fully owned by IPA.

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 stablished in the IFRS 11. Accordingly, the 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 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.

For all that, **the Board considers that the faithful image of the financial and patrimonial situation, the results and especially the real dimension of its activities and the dimensioning of the financial and human resources are better reflected by consolidating these companies through the proportionate method.**

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

Executive Summary. 9M 2019 Highlights

Results by proportionate method

REVENUES
62.6 M€ -11.6%

OPERATING PROFIT
8.4 M€ -23.8%

ADJUSTED EBITDA
8.3 M€ -25.4%

NET PROFIT without the effect of IFRS9
3.2 M€ -38.4%

REAL ESTATE DEVELOPMENT	20,3 M€ -53.9%
RENTAL	9.7M€ +8.6%
CONSTRUCTION	29.2M€ +90.0%
PROJECT MANAGEMENT	3.4M€ +37.1%
NET FINANCIAL DEBT	219.9 M€ +18.9% vs Dec 18

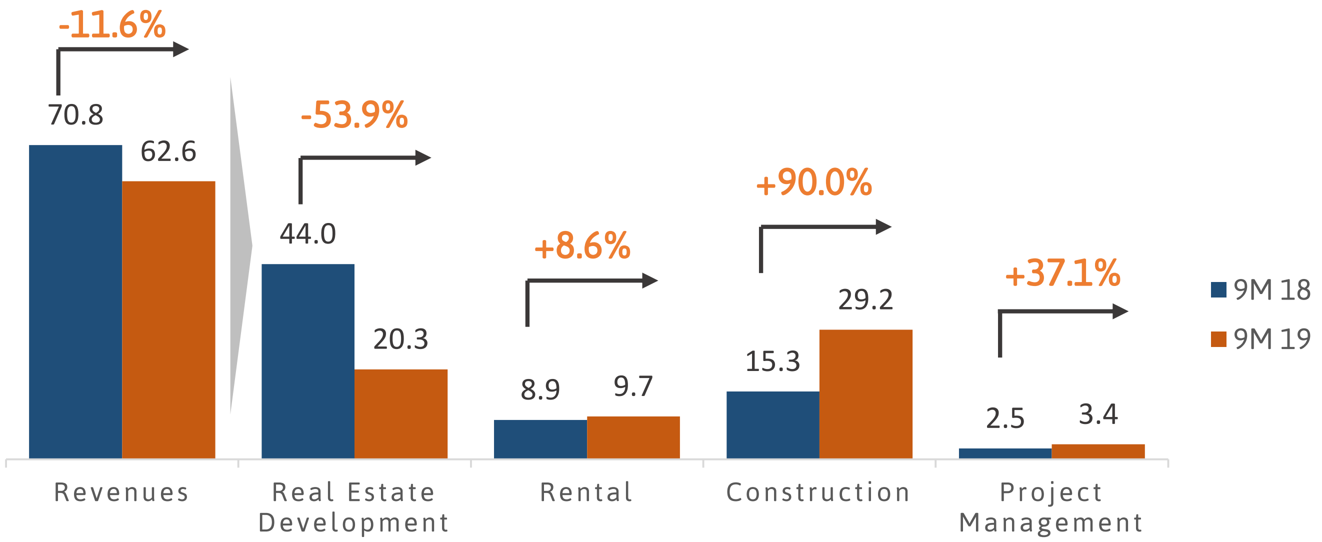
- In July 2019, a **syndicated loan** was signed, amounting 110 M€ and with maturity of 10 years. This loan will strengthen the rental activity and will also reduce its costs.
- The execution of that loan has had a **merely accounting effect** in the Net Profit due to IFRS 9 resulting in a negative result of 1.2 M€
- All the **business activities are expanding** according to the Strategic Plan
- Real Estate Development revenues are affected by the **concentration of the deliveries within the last quarter of the year**. This situation will be reverted at the end of the year
- Despite this, the expansion is clear, as the **13.7% increase in presales shows**
- **Controlled debt.** The increase in the net financial debt is also generated by the concentration of the deliveries in the Q4

M€ = Million €

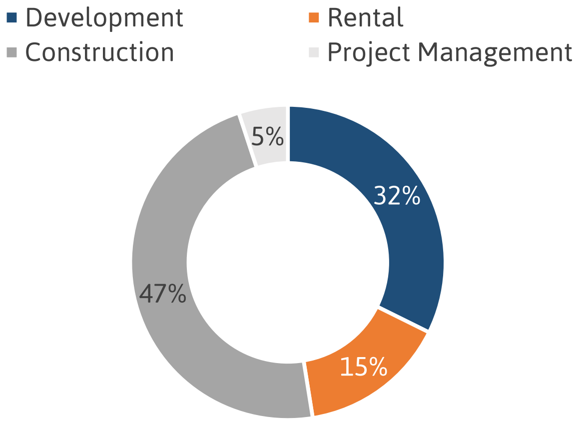
Executive Summary. 9M 2019 Results

M€

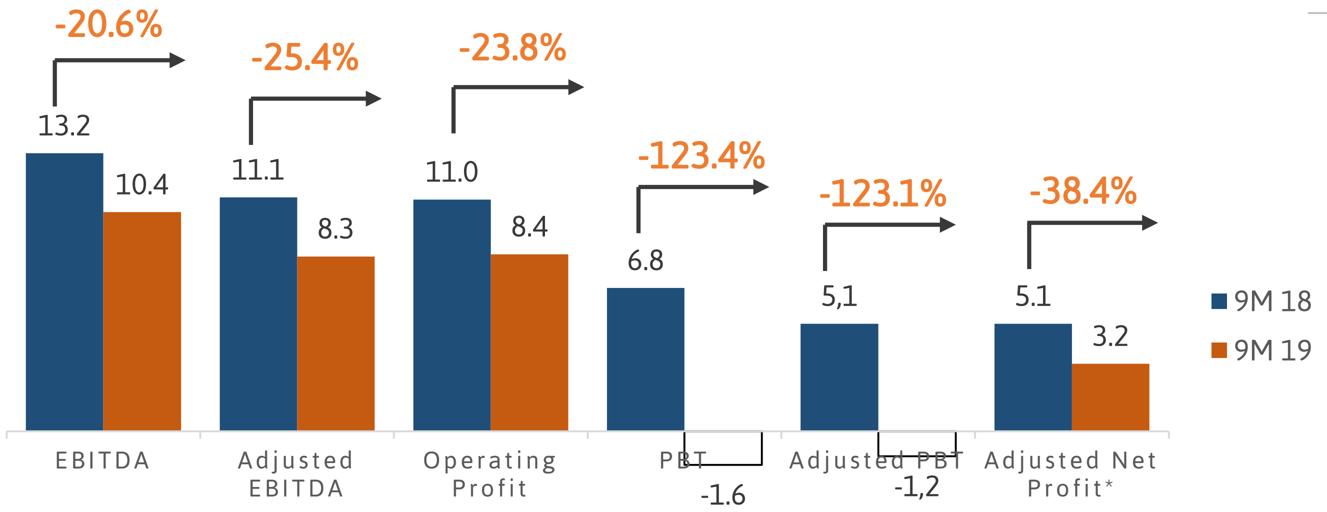
Results by proportionate method



REVENUE BREAKDOWN



M€



PRESALES

100% Owned and JVs in their participation %

M€

130.6	148.5
9M 2018	9M 2019

+13.7%

OCCUPANCY RATE

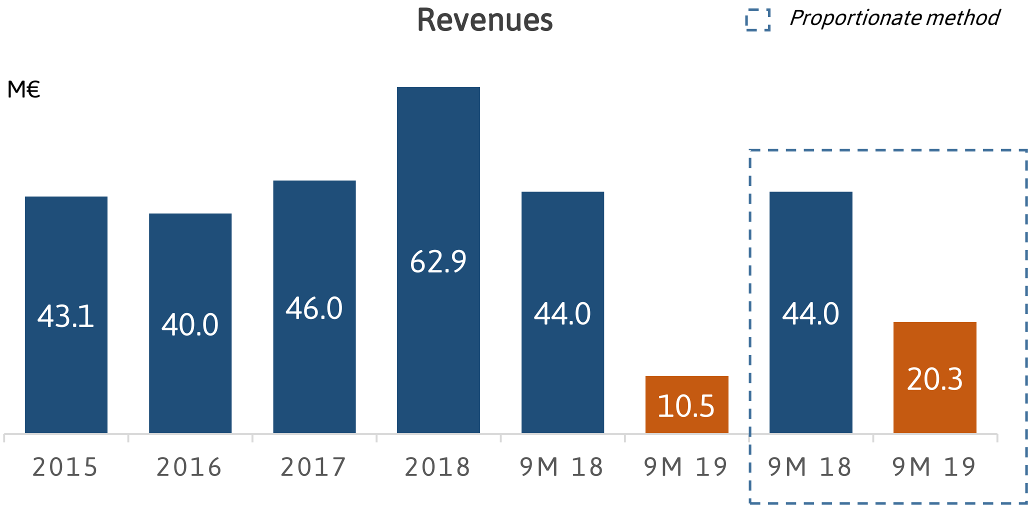
81.9%	84.5%
9M 2018	9M 2019

+2.6 p.p.

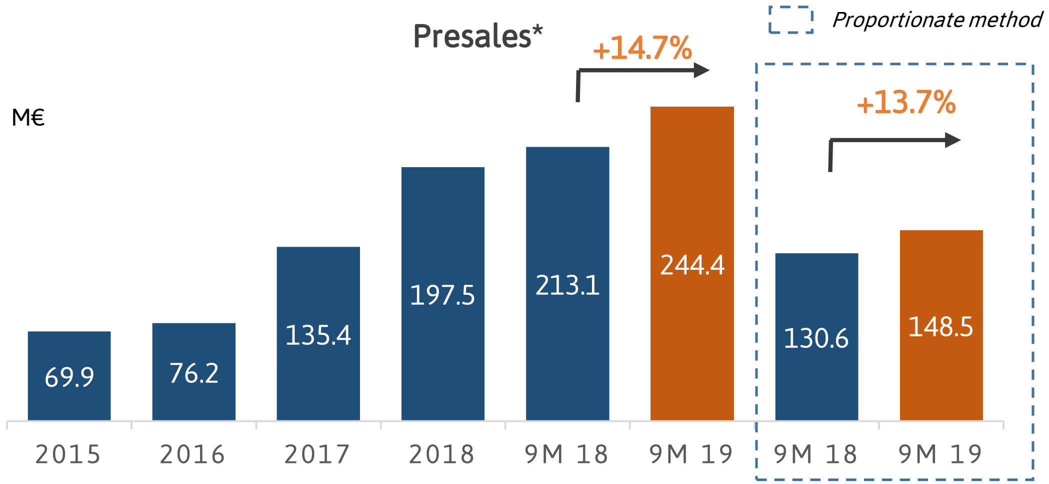
** Without the effect of IFRS 9*

Real Estate Development

Revenues



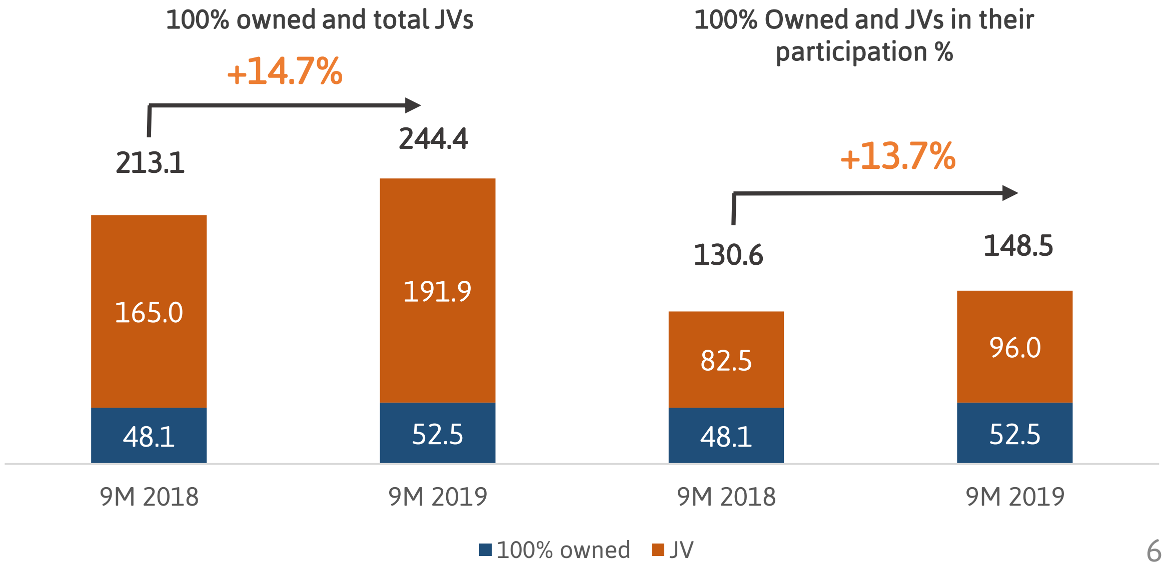
Presales*



* Includes 100% presales of the JV as these companies are managed by the Group

- The Group currently has **2,014** houses under development of which 731 are under construction, 632 are already sold and 397 completed
- **121 houses have been delivered** in the 9M 19 vs 223 of the 9M 18
- From the 244.4 M€ total presales figure, **98.7 M€ will be delivered before the end of 2019**. Applying the proportionate method this figure amounts to 62.3 M€

Presales breakdown



Ongoing developments and land portfolio

Ongoing Developments

2,014 ongoing units

- **397** housing units completed of which **295** are pending to be delivered and **102** pending to be sold.
- **27 ongoing developments** (13 in West Andalucía, 7 in Málaga and Costa del Sol, 5 in Madrid, 1 in Cáceres and 1 in Granada) totaling **1,617** units:
- **177** housing units underway **directly by Insur** with a development potential of 23,433 sqm.
- **1,440** housing units underway through **JVs** (with Insur holding a 50% share), with a development potential of 191,093 sqm.
- Development of **Río 55 Business Park** in Madrid covering 28,000 sqm above ground level (2 office buildings each covering approximately 14,000 sqm).

Land Portfolio

2,590 units

- 100,000 sqm of buildable plots for residential use, 920 units
- 30,000 sqm of buildable plots for hotel use.
- 8,238 sqm of buildable plots for tertiary use.
- Long-term purchase options on 10 plots with a building potential of 191,140 sqm (1,670 housing units).

Ongoing developments + Land portfolio

TOTAL OF 4.604 UNITS

100% owned developments

Figures as of September 2019

** On marketing stage*

PROJECTS UNDER CONSTRUCTION

Development	Location	Building potential	N° of units	Sales volumen (M€)	Planned delivery	Units sold
Plaza del Teatro Block I*	Málaga	4,441	36	22.6	2020	29
Residencial 75 Aniversario*	Sevilla	7,352	48	33.6	2020	16
Mirador del Olivar*	Valdemoro (Madrid)	7,440	53	13.7	2021	17
		19,233	**137**	**69.9**		**62 (45.3%)**

PROJECTS UNDER DEVELOPMENT

Development	Location	Building potential	N° of units	Sales volumen (M€)	Planned delivery
Calle Juglar	Sevilla	4,200	40	17.4	NA
		4,200	**40**	**17.4**	

TOTAL		**23,433**	**177**	**87.3**		**62 (35.0%)**

¥ Additionally there are 90 houses sold which correspond to developments already finished, so the total amount of houses sold is 152

JV Developments

Figures as of September 2019 ** On marketing stage*

PROJECTS UNDER CONSTRUCTION

Development	Location	Building Potential	N° of units	Sales volume (M€)	Planned delivery	Units sold
Pineda Parque I Block 3*	Sevilla	5,219	36	13.1	2020	24
Boadilla Essences I*	Boadilla del Monte (Madrid)	6,480	32	19.1	2020	24
Elements I*	Marbella (Málaga)	6,656	53	18.2	2020	26
Selecta Conil*	Conil de la Frontera (Cádiz)	8,131	73	17.9	2020	66
Selecta Hermes*	Dos Hermanas (Sevilla)	13,761	116	22.5	2020/2021	55
QuintEssence I	Marbella (Málaga)	10,282	46	17.1	2021	2
Pineda Parque II*	Sevilla	8,249	80	28.0	2021/2022	5
Selecta Ares*	Dos Hermanas (Sevilla)	10,102	76	17.8	2021	24
Selecta Cáceres*	Cáceres	9,489	82	19.2	2021/2022	35
		78,369	**594**	**172.9**		**261 (43.9%)**

JV PROJECTS STARTING CONSTRUCTION IN 2020

Development	Location	Building Potential	N° of units	Sales volume (M€)	Planned delivery	Units sold
Elements II	Marbella (Málaga)	8,118	66	21.1	2021	
Selecta Salobreña*	Granada	15,831	107	20.3	2021	14
Boadilla Essences II	Boadilla del Monte (Madrid)	3,240	16	8.9	2021	
Selecta Apolo	Dos Hermanas (Sevilla)	10,499	106	16.5	2022/23	
Selecta Mykonos	Dos Hermanas (Sevilla)	4,430	24	9.0	2022	
Monte de la Villa Unique	Villaviciosa de Odón (Madrid)	7,200	36	18.8	2022/2023	
Monte de la Villa Exclusive	Villaviciosa de Odón (Madrid)	5,790	32	15.6	2022/2023	
Terrazas de Santa Rosa I	Córdoba	10,833	92	23.1	2022/2023	
		65,941	**479**	**133.3**		**14 (2.9%)**

JV PROJECTS UNDER DEVELOPMENT

Development	Location	Building Potential	N° of units	Sales volumen (M€)	Planned delivery
BA-2	Dos Hermanas (Sevilla)	12,032	108	19.7	-
Elements III	Marbella (Málaga)	4,324	34	9.4	2022
QuintEssence II	Marbella (Málaga)	6,460	39	15.1	2022
QuintEssence III	Marbella (Málaga)	7,414	47	15.5	2023
Terrazas de Santa Rosa II	Córdoba	11,045	95	21.5	2023/2024
Selecta Avda. Jerez	Sevilla	5,508	44	15.5	2023/2024
		46,783	**367**	**96.7**	

	Building Potential	N° of units	Sales volume (M€)	Units sold
TOTAL JV PROJECTS	191,093	1,440	402.9	275 (19.1%)

¥ Additionally there are 205 houses sold which correspond to developments already finished, so the total amount of houses sold is 480

Projects to be delivered in 2019

FULLY OWNED PROJECTS

Development	Plaza del Teatro I
Location	Málaga
Sales volume	29.6 M€
Units sold	21/21
Delivery planned	Q4 2019

Development	Jardines Santa Ana III
Location	Dos Hermanas
Sales volume	8,2M€
Units sold	34/35
Units delivered	25/35. Remainder Q419

Development	Conde de Zamora
Location	Córdoba
Sales volume	20,3M€
Units sold	51/81
Delivery planned	Q4 2019

JV PROJECTS

Development	Pineda Parque I
Location	Sevilla
Sales volume	37.6 M€
Units sold	86/102
Delivery planned	Q4 2019

Development	Selecta Atenas
Location	Dos Hermanas
Sales volume	15.3M€
Units sold	49/61
Delivery planned	Q4 2019

Development	Selecta Olimpia
Location	Dos Hermanas
Sales volume	8.6M€
Units sold	14/20
Delivery planned	Q4 2019

Development	Boadilla Garden
Location	Dos Hermanas
Sales volume	36.9M€
Units sold	67/74
Delivery planned	Q4 2019

Figures at September 19

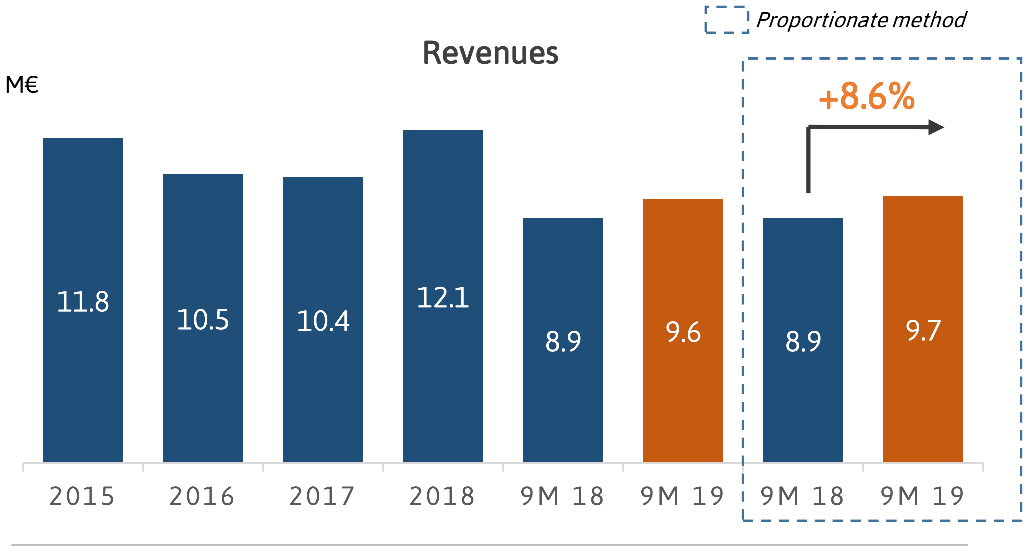
Rental

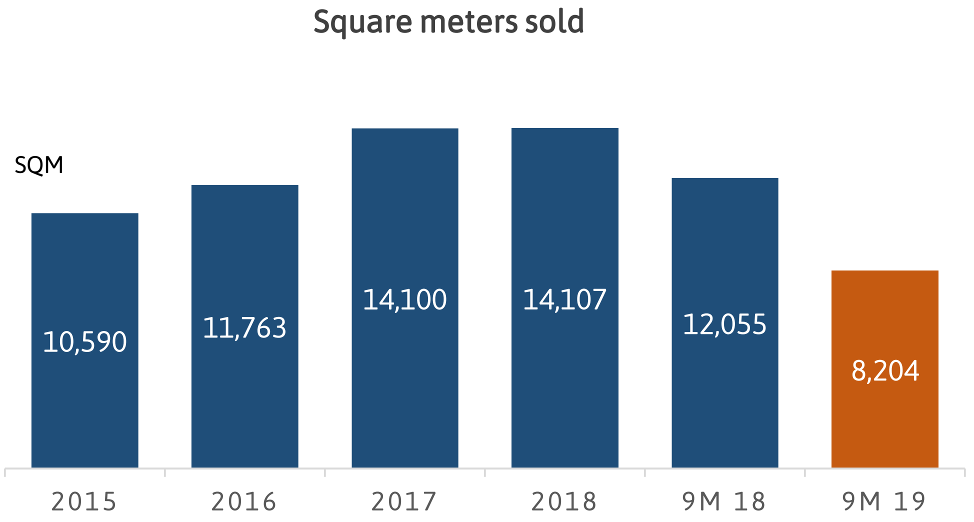
- As of the 9M of the year the surface sold amounts to **8,204 sqm.** There have been terminations totaling 4,980 sqm. Additionally, 7,600 sqm of offices have been acquired, of which 5,373 have already been rented
- **Occupancy rate** rises to **84.5%** in line with the strategic plan which foresees a 90% occupancy rate at the end of 2020
- The **annualized rental income** of the contracts in force at 30th September 2019 (including incomes derived from the parking activity, the contract of the hotel at Av. Rep Argentina and the 90% of the rental of the North Building at Rio 55) amounts to **17.2 M€**

GAV of the assets aimed both at rental and own use amounts to **294.1 M€**
(valuation at 30/09/19 estimated from CBRE valuation at 31/12/18 and revised with additions at cost value)

122,781 sqm office and commercial premises portfolio and more than 2,600 parking spots

- IDS Manzanares has rented out the whole north building of Río 55 to Cetelem (BNP Paribas)
- Grupo Insur has entered into an agreement to acquire an additional 40% stake in IDS Manzanares in order to hold the 90% of the shares. The intention is to allocate this building to the rental activity





Construction and Project Management

29.2 M€ CONSTRUCTION REVENUES
90.0% INCREASE

3.4 M€ MANAGEMENT REVENUES
37.1% INCREASE

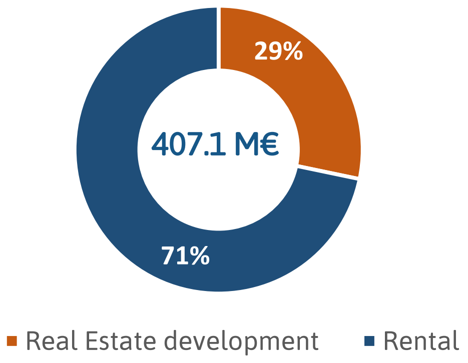
Main projects currently managed:		
IDS MADRID MANZANARES, S.A.	▪ Río 55 Madrid Business Park 28,000 sqm divided between 2 buildings)	UNDER CONSTRUCTION. SOUTH BUILDING SOLD. NORTH BUILDING LEASED
DESARROLLOS METROPOLITANOS DEL SUR, S.L.	▪ Selecta Entrenúcleos (Sevilla), 2.337 units ▪ Alminar II (Marbella), 44 units ▪ Selecta Conil (Conil de la Frontera), 73 units ▪ Selecta Salobreña (Granada), 107 units ▪ Selecta Cáceres (Cáceres), 82 units ▪ Selecta Avenida Jerez (Sevilla): 44 units	CCC (295 units): ▪ Alminar II: 44 units ▪ Selecta Rodas: 54 units ▪ Selecta Arquímedes: 116 units ▪ Selecta Atenas: 61 units ▪ Selecta Olimpia: 20 units UNDER CONSTRUCTION (347 units): ▪ Selecta Conil: 73 units ▪ Selecta Hermes: 116 units ▪ Selecta Ares: 76 units ▪ Selecta Cáceres: 82 units
IDS RESIDENCIAL LOS MONTEROS, S.A.	▪ Los Monteros (Marbella) ▪ 285 units	UNDER CONSTRUCTION (99 units) : ▪ Elements I: 53 units ▪ Quintessence I: 46 units
IDS PALMERA RESIDENCIAL, S.A.	▪ Pineda Parque (Sevilla) ▪ 182 units	CCC (66 units): ▪ Phase I: block 1 and 2 UNDER CONSTRUCTION (116 units) : ▪ Phase I: Block 3 ▪ Phase II: Block 4 and 5
IDS BOADILLA GARDEN RESIDENCIAL, S.A.	▪ Boadilla Garden (Boadilla del Monte, Madrid), 74 units ▪ Boadilla Essences (Boadilla del Monte, Madrid), 48 units	CCC (74 units): • Boadilla Garden: 74 units UNDER CONSTRUCTION (32 units): ▪ Boadilla Essences I: 32 units
IDS MEDINA AZAHARA RESIDENCIAL, S.A.	▪ Terrazas de Santa Rosa (Córdoba), 187 units	UNDER DEVELOPMENT
IDS MONTEVILLA RESIDENCIAL, S.A.	▪ Monte de la Villa (Villaviciosa de Odón, Madrid), 68 units	UNDER DEVELOPMENT

CCC: Construction Completion Certificate

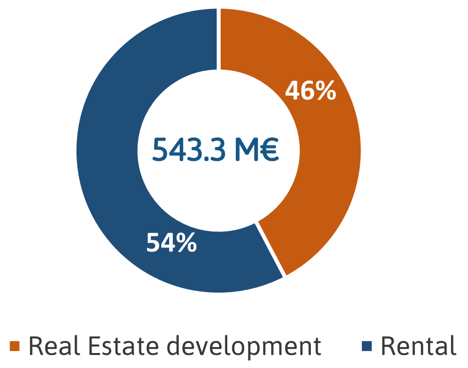
NAV, GAV, LTV & debt

* valuation at 30/09/19 estimated from CBRE valuation at 31/12/18 and revised with additions at cost value and disposals due to deliveries

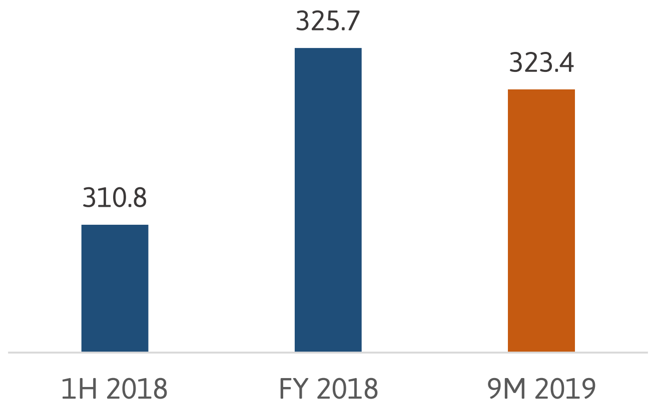
INSUR GAV *



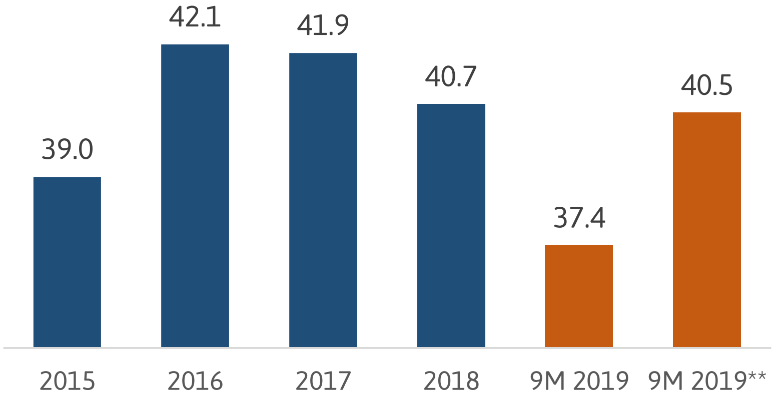
INSUR GAV**



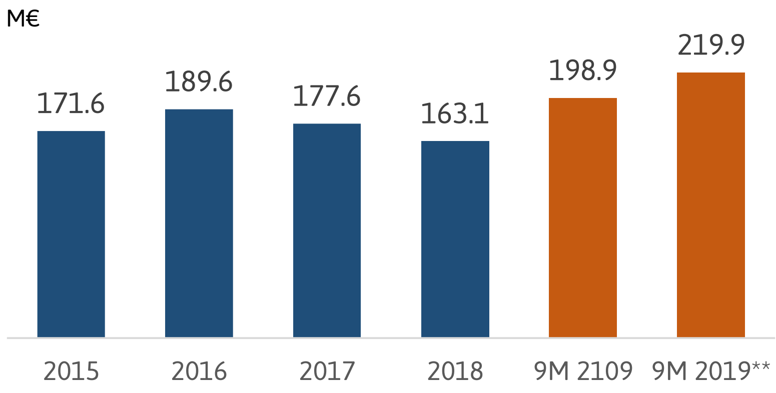
INSUR NAV **



LTV evolution %



Net financial debt evolution

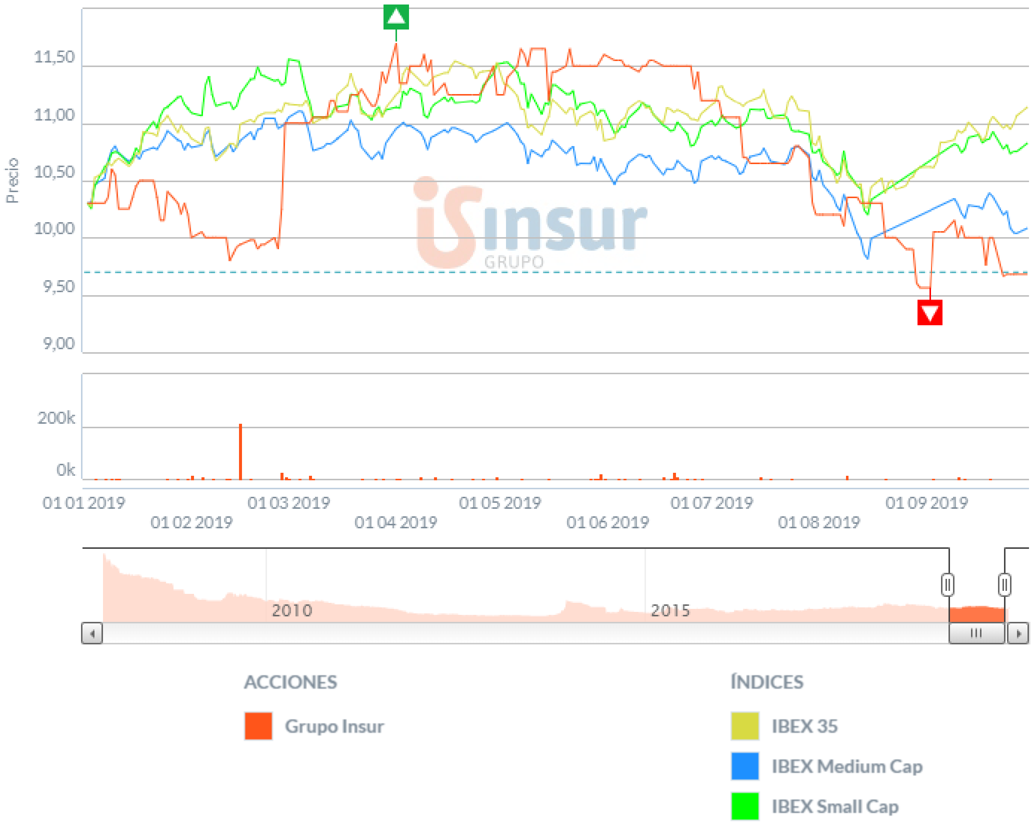


*** Proportionate method*

Share evolution

Share Price 9M 2019

In the first 9M 2019 the share Price (ISUR) dropped by 6%, behaving worse than the Ibex Small Cap, which grew by 5.1%. The share closed at 9.68€ which implies a market cap of 164.3M€ at the 30Th September 2019



Market Cap September 19	NAV September 19	Discount vs NAV
164.3 M€	323.4 M€	49%

Financing

During July 2019:

- New Promissory Notes program at **MARF** with an outstanding balance of 50 M€ and expiry date July 11th 2020

Objective: financing sources diversification

- **Syndicated loan of 110 M€**
  - First drawdown 100 M€
    - 93,8 M€ to cancel bilateral banking loans with mortgage guarantees
    - 3,2 M€ arrangement costs
    - Remainder: free cash flow
  - 10 M€ CAPEX to transform a 7,200 sqm building in Seville into a hotel

Maturity: 10 years
Balloon 65%
2 initial years of deferral period
Objective: strengthen the financial structure of the rental activity, reduce costs, raise funds for the CAPEX and release in the next 5 years 31.5 M€ cash to grow this activity

The operation has been subscribed by : Santander (Agent Bank), BBVA, Caixabank, Unicaja, Sabadell, Cajasur, Bankinter, Targobank, Novo Banco y Caja Rural de Granada

This syndicated loan involves a substantial improvement of the preexisting financing conditions in terms of cost and servicing of the debt, proceeding the Group to cancel the previous corporate financing.

Syndicated loan impact on the 2019 results

- The execution of the syndicated loan has led to having to register an additional 5.8 M€ financial expense in P&L as a consequence of the termination of specific bilateral loans which were cancelled previously to this financing.

- The 5.8 M€ figure corresponds to the difference between the book value of these bilateral loans (amortized cost) and their nominal value

5,8 M€

- 4.6 M€ as a consequence of the **application, with effect on 1/1/18, of the IFRS 9** to these liabilities. This fact reduced these liabilities in 5.8 M€, increasing on the other hand the net equity of the Group, once adjusted the effect on the corporate tax. Since at the date of the cancellation of the loans, 1.2 M€ were already charged to P&L as a higher financial expense of the abovementioned loans, the outstanding amount totalled 4.6 M€

- Additional 1.2 M€ correspond to **arrangement costs** of the loans, pending to be charged to P&L during the pending depreciation period of those loans

- The negative financial result and the Net Profit have been therefore affected by this extraordinary operation, which **does not affect nor treasury neither the EBITDA**. Without the effect of this operation, the financial result would have improved by 5.8 M€ and the Net Profit would have amounted to 3.2 M€

Conciliation between equity method and proportionate method

Consolidated P&L M€

		9M 2019			9M 2018	
	Equity method	Adjustments	Proportionate	Equity method	Adjustments	Proportionate
Revenues	80.6	(18.0)	62.6	85.0	(14.2)	70.8
a *Real Estate development*	10.5	9.8	20.3	44.0	-	44.0
Rental	9.6	0.1	9.7	8.9	0.1	8.9
b *Construction*	56.5	(27.3)	29.2	29.6	(14.3)	15.3
Project Management	4.0	(0.5)	3.4	2.5	-	2.5
EBITDA	9.6	0.9	10.4	13.3	(0.2)	13.2
Adjusted EBITDA	7.4	0.9	8.3	11.3	(0.2)	11.1
Operating profit	7.6	0.8	8.4	11.3	(0.2)	11.0
Financial result	(9.8)	(0.2)	(10.0)	(4.4)	(0.3)	(4.7)
c Results of entities valued by equity method	0.6	(0.6)	(0.0)	0.1	0.3	0.4
Profit before tax	(1.7)	0.1	(1.6)	6.9	(0.2)	6.8
Net profit	(1.2)	-	(1.2)	5.1	-	5.1

Main adjustments:

a) Real Estate development revenue: 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) Results of entities valued by equity method: the results of the JVs are contained in different sections of the proportionate financial statements (operating result, financial result, income tax expense). The results of the related companies are kept under *Results of entities valued by equity method*

Conciliation between equity method and proportionate method

Consolidated balance sheet M€

	9M 2019			Dec 18		
	Equity method	Adjustments	Proportionate	Equity method	Adjustments	Proportionate
Property, Plant and Equipment	148.0	0.3	148.2	141.3	(2.2)	139.1
a Financial investments in JVs	44.4	(42.9)	1.4	33.6	(31.4)	2.1
b Inventory	106.,1	108.7	214.8	95.0	78.9	174.0
Other assets	63.8	0.4	64.2	54.1	(1.6)	52.5
Cash and equivalents	36.6	9.9	46.5	38.2	7.3	45.5
TOTAL ASSETS	**398.9**	**78.3**	**475.2**	**362.2**	**50.9**	**413.1**
Net equity	100.1	-	100.1	103.8	-	103.8
c Amounts owed to credit institutions	216.1	50.3	266.4	201.3	29.0	230.3
Trade and other payables	13.4	17.5	30.9	9.0	15.1	24.1
d Other liabilities	69.3	8.5	77.7	48.1	6.9	55.0
TOTAL EQUITY AND LIABILITIES	**398.9**	**76.3**	**475.2**	**362.2**	**50.9**	**413.1**

Main adjustments:

a) 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.

b) 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.

c) 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

d) Other liabilities: 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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