

# REALIA



**January - September 2020 Results**

*3rd November 2020*

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<sup>(\*)</sup> This report includes a set of Alternative Performance Measures (APMs) defined in the herewith included Appendix, as recommended by ESMA (European Securities and Markets Authority)

## 1.- EXECUTIVE SUMMARY

### REVENUE AND RESULTS

- Total revenue was €69,34m vs €71,10m at September 2019 (-2,5%).
- Evolution of income in different business areas:

Commercial Property: €58,56m (-5,6%)

Land and Homebuilding: €9,19m (+25,0%)

Additionally, Realia Group has obtained an income from Services & Others for an amount of €1,59m (-5,9%).

Income from Commercial Property has gone down by 5,6%. A refund, in 2019, of a “municipal added value tax” for an amount of €2,12m has been included in the commercial property business income. This tax is due to the sale of an asset in previous years. If we do not consider this income, income from commercial property business would have gone down by 2,3%. It includes the impact registered in the financial statements amounting €2,76m of the commercial measures adopted by the Realia Group in support to tenants affected by COVID 19. Without considering this support, income from Commercial Property would have gone up by 2,3%.

Income from Land and Homebuilding has gone up by 25,0%. This result includes an amount of €1,06m corresponding to the sale of land for commercial use. This sale has been performed by *Management Board of Valdebebas* and Realia held a certain percentage of this property. If we do not consider the sale of this land, recurring income from this business area has gone up by 8,4% vs the previous year. It is mainly due to the increase in the number of deliveries of finished product in stock and the increase in their average price.

Income from homes in the pipeline has not been included. Accounting rules state that this information should be included once the homes have been delivered to clients, which is planned for the end of 2020 and 2021.

Income from Services has gone down, mainly due to expiry of commercial agreements, technical management and administrative and fiscal management related to residential developments and/or third-party companies different from Realia Group.

- Overhead costs reached €3,80m (-15,7%) vs September 2019.
- EBITDA reached €36,40m vs €36,71m at September 2019 (-0,8%). This result is due to lower operating costs and improvement in the operating margin of the residential area that has almost offset the reduction in the operating margin produced in the commercial property area due to COVID 19.
- As of 30 September, amounts provided have reached €11,20m vs €19,64m at September 2019. This variation in the provisions is mainly due to the fact that in June 2019, €15,95m of land and residential developments in the pipeline were reversed as a result of implementing the RICS method to value the portfolio of residential assets. In 3Q 2020 Realia Group has made a provision of €11,48m, as a result of the Administrators’ estimate of the valuation of residential business (mainly land) considering the foreseeable impact of COVID 19 on this business area.
- According to valuation performed by independent appraisers at 30 June 2020, impact due to commercial property assets valuation, (IAS 40) has reached €-19,08m vs €17,72m at 3Q 2019. This result is due to the impact caused by COVID 19 on rents and yields.

- The net financial result reached €-1,00m (+90%) vs €-10,04m at September 2019. This result is due to a lower indebtedness of the Group and mainly due to implementation of IFRS 9 for novation of financial terms of Realia Patrimonio, S.L.U. syndicated loan. An income for €9,49m has been reflected. If we do not consider this income, financial expenses would have been 3,1% better than the previous year, €10,36m vs €10,69m, due to lower financial debt and lower spreads supported.
- As of September 2020, earnings before taxes reached €4,65m vs €65,73m in 3Q 2019 (-92,9%). Even though EBITDA stays steady, this result is mainly due to the variation in provisioning €-30.8m (€-11,20m at 3Q 2020 vs €19.64m at 3Q 2019), variation in the valuation of real estate investments at value €-36,8m (€-19,08m at 3Q 2020 vs €17,72m at 3Q 2019) derived from the impact of COVID 19 and the better financial result (€9,49m) as mentioned in the previous point.
- As of September 2020, earnings after taxes reached €2,02m vs €38,66m the previous year (-94,8%).

### INDEBTEDNESS

- As of September 2020, Realia Group gross financial debt reached €573,05m vs €596,29m at December 2019 (-3,9%). This debt financing is related to Realia Patrimonio.
- As of September 2020, cash and equivalents reached €66,30m vs €75,89m at December 2019. This budget will be allocated to pay back banking debt at its maturity, to complete residential developments in the pipeline, to develop the Build to Rent (BTR) business, to invest in capex for the current assets and acquiring new ones.
- As a consequence, as of 30 September 2020, Realia net financial debt reached €506,75m vs €520,40m at December 2019 (-2,6%).
- As of 27 April 2020, Realia Group signed a novation contract of Realia Patrimonio, S.L.U. syndicated loan with the following modifications:
  - “Margin” - Applying 135 basis points when  $LTV \geq 50\%$  and 120 basis points when  $LTV < 40\%$ .
  - Extension of the expiry date until 27 April 2025 (final expiry date).
- As a consequence of this novation and implementation of IFRS 9, the Group has reflected an adjustment in the valuation of its syndicated loan which has meant a financial income of €9,49m. Therefore, the gross financial debt has gone down on this amount by adjusting the financial liability to reflect an amount equal to the sum of the new modified flows discounted with the original IRR against the income statement.
- The net financial result reached €-1,00m (+90%) vs €-10,04m at September 2019. It is mainly due to the lower indebtedness of the Group and mainly to the application of IFRS 9 due to the novation of the financial conditions of the syndicated loan of Realia Patrimonio, S.L.U. which has meant reflecting a positive financial result of €9,49m. If we consider, exclusively, the financial result derived from the remuneration of the Group's financial indebtedness as of 30 September, it would have improved by 3,1%, reaching the amount of €10,36m vs €10,69m at 3Q 2019, due to lower financial indebtedness and lower spreads supported.
- The weighted average rate on gross debt (derivatives included) reached 1,80% vs 2,13% at September 2019.

**COMMERCIAL PROPERTY**

- Gross rental income were €45,14m, 2,5% lower than in 3Q 2019, mainly due to lower rents in shopping centres, due to the commercial measures taken by the Group to give support to its tenants that have been included in the financial statements for a value of €2,76m. If we do not consider these measures, rents would have gone up by 3,5%.
- Overall occupancy levels of operational tertiary use assets (As Cancelas S XXII included) reached 93,7% vs 93,6% at December 2019.
- At July 2020, the operation of a residential development intended to Build to Rent (BTR) in Tres Cantos (Madrid) started. As of 30 September, 47,2% of the total units available were occupied and, additionally, 4,7% are in process of being reserved.
- Two new projects intended to Build to Rent (BTR) for 195 social rental homes in Tres Cantos (Madrid) are in the pipeline. Construction of these projects is scheduled for the coming months with an investment of €39,9m of which there is an outstanding investment of €29,3m.

**LAND AND HOMEBUILDING**

- As of 30 September 2020, Realia has delivered 53 units for an amount of €7,54m vs 51 units at September 2019 for an amount of €6,96m. At 3Q 2020, there have not been deliveries of the residential developments in the pipeline.
- As of 30 September 2020, there is a stock of 474 units (homes, small retail and offices) finished or in the pipeline non-delivered, (161 pre-sold). There are also 41 land plots for single-family housing.
- Realia has a gross land bank, in different urbanistic stages, of 5.753.724 sqm and an estimated buildable area of 1.624.579 sqm.

**2.- FINANCIAL HIGHLIGHTS**

(€mm)	3Q 2020	3Q 2019	Var. (%)
<b>Total Revenue</b>	<b>69,34</b>	<b>71,10</b>	<b>-2,5</b>
Comm. Property	58,56	62,06	-5,6
Land & Homebuilding	9,19	7,35	25,0
Services & Others	1,59	1,69	-5,9
<b>EBITDA</b>	<b>36,40</b>	<b>36,71</b>	<b>-0,8</b>
<b>Net Result (Group share)</b>	<b>2,02</b>	<b>38,66</b>	<b>-94,8</b>
<b>Net Financial Debt</b>	<b>506,75</b>	<b>500,81</b>	<b>1,2</b>
<b>Nº Shares (mm), treasury shares not included</b>	<b>811,09</b>	<b>818,80</b>	<b>-0,9</b>
<b>Earnings per Share (€)</b>	<b>0,002</b>	<b>0,047</b>	<b>-95,7</b>

**3.- OPERATIONAL HIGHLIGHTS**

	3Q 2020	3Q 2019	Var. (%)
<b>Commercial Property</b>			
<b>GLA (sqm)</b>	<b>416.777</b>	<b>406.781</b>	<b>2,5</b>
Tertiary use (offices, retail & leisure, others)	406.804	406.781	
Residential Build to Rent (BTR)	9.973		
<b>Occupancy rate (%)</b>	<b>92,60%</b>	<b>93,30%</b>	<b>-0,7</b>
Tertiary use (offices, retail & leisure, others)	93,70%	93,30%	
Residential Build to Rent (BTR) <sup>(1)</sup>	47,20%		
<b>Land &amp; Homebuilding</b>			
<b>Sales</b>			
Total value of contracts (€mm)	7,54	6,96	<b>8,3</b>
Units	53	51	<b>4,0</b>
<b>Nº Employees</b>	<b>91</b>	<b>90</b>	<b>1,1</b>

(1) Operational since 2020, Build to Rent (BTR)

Number of Employees	3Q 2020	3Q 2019	Var. (%)
<b>Total <sup>(1)</sup></b>	<b>91</b>	<b>90</b>	<b>1,1</b>
Realia Business	40	41	<b>-2,4</b>
Realia Patrimonio	5	4	<b>25,0</b>
Hermanos Revilla <sup>(1)</sup>	46	45	<b>2,2</b>

(1) It includes 32 people working at reception and concierge services in buildings over 2020 and 2019 respectively.

**4.- CONSOLIDATED INCOME STATEMENT**

(€mm)	3Q 2020	3Q 2019	Var. (%)
<b>Total Revenue</b>	<b>69,34</b>	<b>71,10</b>	<b>-2,5</b>
Rents	45,14	46,29	-2,5
Expenses provision	13,33	13,11	1,7
Disposal of tangible fixed assets	-	2,12	-100,0
Homebuilding	7,54	6,96	8,3
Land sales	1,06	-0,13	915,4
Services	1,59	1,69	-5,9
Other (Homebuilding & Comm. Property)	0,68	1,06	-35,8
<b>Total Gross Margin</b>	<b>40,20</b>	<b>41,22</b>	<b>-2,5</b>
Rents	40,90	43,53	-6,0
Homebuilding	-0,93	-2,75	66,2
Services	0,23	0,44	-47,7
Overheads	-3,72	-4,44	16,2
Other costs	-0,08	-0,07	-14,3
<b>EBITDA</b>	<b>36,40</b>	<b>36,71</b>	<b>-0,8</b>
Amortization	-0,22	-0,25	12,0
Depreciation	-11,20	19,64	-157,0
<b>EBIT</b>	<b>24,98</b>	<b>56,10</b>	<b>-55,5</b>
Fair value appraisal result	-19,08	17,72	-207,7
Financial result	-1,00	-10,04	90,0
Equity method	-0,25	1,95	-112,8
<b>Earnings before taxes</b>	<b>4,65</b>	<b>65,73</b>	<b>-92,9</b>
Taxes	-0,89	-16,22	94,5
<b>Results after taxes</b>	<b>3,76</b>	<b>49,51</b>	<b>-92,4</b>
Minority Interests	1,74	10,85	-84,0
<b>Net Results (Group share)</b>	<b>2,02</b>	<b>38,66</b>	<b>-94,8</b>

- Income from land & homebuilding includes an amount of €1,06m corresponding to the sale of land for commercial use. This sale has been performed by *Management Board of Valdebebas*, Realia held a certain percentage of this property.

- The net financial result reached €-1,00m (+90,0%) vs €-10,04m at September 2019. It is mainly due to the current valuation by refinancing the existing debt in Realia Patrimonio, S.L.U. which has generated financial income of €9,49m (IFRS 9), and said financial income must be reversed in successive monthly periods, until the new debt maturity in April 2025. If we consider, exclusively, the financial result derived from the remuneration of the Group's financial indebtedness, it would have improved by 3,1% reaching the amount of €10,36m vs €10,69m the previous year due to lower indebtedness and better margins and lower spreads supported.
- Provisions for €-11,20m (€+19,64m in 3Q 2019) have been reversed with the following breakdown:

Breakdown provisions (€mm)	3Q 2020	3Q 2019
Excess provisions	0,12	-
Residential finished product	1,23	2,71
Land bank	-11,48	15,95
Others (clients, proceedings, ...)	-1,07	0,98
<b>Total</b>	<b>-11,20</b>	<b>19,64</b>

- As of 30 September provisions increase have reached €11,20m vs €19,64m at September 2019. In June 2019, €15,95m of provisions for land and residential in the pipeline were reversed as a result of a change to RICS method in the valuation of residential assets, while in 3Q 2020 the Group has made a provision for €11,48m, as a result of the Administrators' estimate of residential assets valuation and the impact of the financial situation generated by COVID 19 on them.
- Earnings before taxes reached €4,65m vs €65,73m at September 2019 (-96,9) Even though EBITDA stays steady, this result is mainly due to the variation in provisioning €-30.8m (€-11,20m at 3Q 2020 vs €19.64m at 3Q 2019), variation in the valuation of real estate investments at fair value €-36,8m (€-19,08m at 3Q 2020 vs €17,72m at 3Q 2019) derived from the impact of COVID 19 and the better financial result (€9,49m) as mentioned in the previous points.
- Earnings after taxes reached €2,02m vs €38,66m at September 2019 (-94,8%).

## 5.- CONSOLIDATED BALANCE SHEET

(€mm)	ASSETS		LIABILITIES			
	3Q 2020	Dec. 2019		3Q 2020	Dec. 2019	
Tangible fixed assets	2,33	2,47	Equity	1.035,37	1.037,22	
Investment property	1.468,44	1.483,55	Minority shareholders	242,63	243,13	
Inventories	345,05	342,96	Financial debt	573,05	596,29	
Accounts receivable	16,43	15,58	Current creditors	41,59	34,78	
Treasury and equivalents	66,30	75,89	Other liabilities	206,54	208,58	
Other assets	200,63	199,55				
<b>Total Assets</b>	<b>2.099,18</b>	<b>2.120,00</b>	<b>Total Liabilities</b>	<b>2.099,18</b>	<b>2.120,00</b>	



**6.- FINANCIAL STRUCTURE**

(€mm)	REALIA	REALIA Business	3Q 2020	3Q 2019	Var. (%)	Dec. 2019	Var. (%) 3Q_2020 s/ Dec.2019
	Patrimonio	Land & Homebuilding					
	Commercial Property						
Syndicated loans	536,54	-	536,54	554,04	-3,2	546,09	-1,7
Other loans	46,15	-	46,15	46,00	0,3	49,10	-6,0
Valuation of derivatives	8,30	-	8,30	10,55	-21,3	9,45	-12,2
Interests	1,39	-	1,39	1,73	-19,7	1,74	-20,1
Debt formalisation expenses and IFRS 9 refinancing valuation adjustments	-19,33	-	-19,33	-10,67	-81,2	-10,09	-91,6
<b>Total Gross Financial Debt</b>	<b>573,05</b>	<b>-</b>	<b>573,05</b>	<b>601,65</b>	<b>-4,8</b>	<b>596,29</b>	<b>-3,9</b>
Cash and equivalents	36,92	29,38	66,30	100,84	-34,3	75,89	-12,6
<b>Total Net Financial Debt</b>	<b>536,13</b>	<b>-29,38</b>	<b>506,75</b>	<b>500,81</b>	<b>1,2</b>	<b>520,40</b>	<b>-2,6</b>

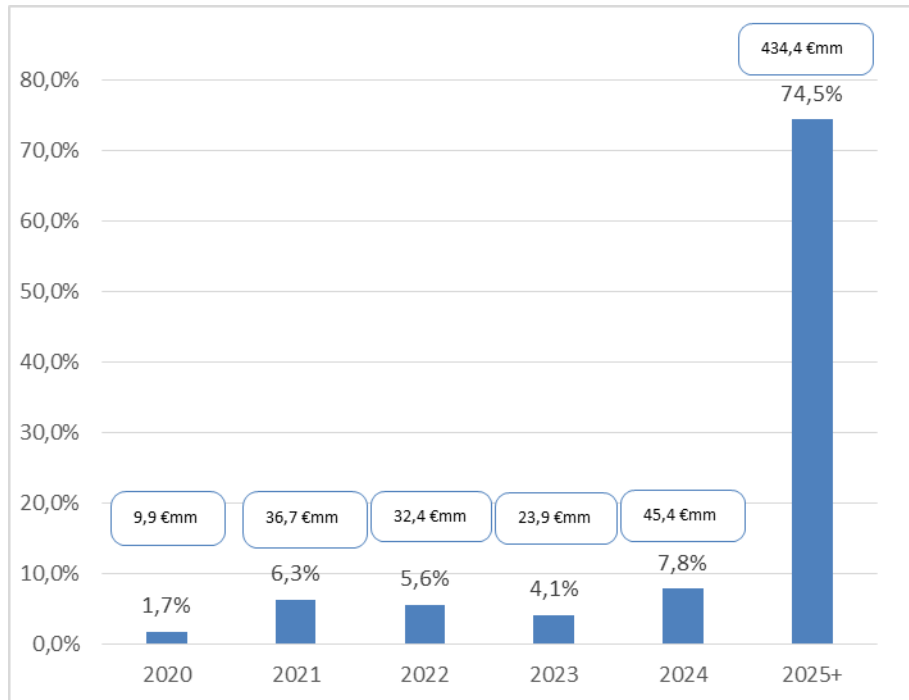
- As of 30 September 2020, Realia Group gross financial debt reached €573,05m vs €596,29m at December 2019 (-3,2%). All financial debt is bound to the commercial property portfolio.
- Cash and Equivalents reached €66,30m, and the net financial debt reached €506,75m vs €520,40m at December 2019 (2,6% lower). This budget will be allocated to pay back banking debt at its maturity, to complete residential developments in the pipeline, to develop the Build to Rent (BTR) business, to invest in capex for the current assets and acquiring new ones.
- As of 27 April 2020, Realia Group has signed a novation contract of Realia Patrimonio, S.L.U. syndicated loan with the following modifications:
  - “Margin” – applying 135 basis points when LTV 50% ≥ LTV > 40% and 120 basis points when LTV < 40%.
  - Extension of the expiry date until 27 April 2025 (final expiry date).

As a consequence of this novation and implementation of IFRS 9, the Group has reflected an adjustment in the valuation of its syndicated loan which has meant a financial income for €9,49m. Therefore, the gross financial debt has gone down by applying this IFRS 9 on this amount by adjusting the financial liability to reflect an amount equal to the sum of the new modified flows discounted with the original IRR against the income statement.

- The weighted average rate on gross rent (derivatives included) reached 1,80% vs 2,13% at September 2019 (including derivatives contracted following the new financing of the commercial property business)

- At 3Q 2020, the breakdown of the Group gross debt maturity is the following:

**Gross debt maturity**



**7.- ASSETS VALUATION**

- Assets valuation has been performed by two independent appraisers:
  - At June 2020 and at December 2019, CBRE (CB Richard Ellis) has valued, at fair value, the portfolio of commercial property business and subsidiaries, as well as, small residential assets belonging to property companies, implementing the RICS Method.
  - At December 2019, Tinsa has valued, at fair value, the portfolio of residential business assets, implementing the RICS method.
- Independent appraisers value the portfolio of residential business assets every December (excepting in 2019, valuation was made in June 2019, as valuation changed from ECO method to RICS method), as it was informed in the relevant fact dated 21<sup>st</sup> March 2019.
- Nevertheless, Administrators have agreed to estimate, at fair value, the land portfolio, due to COVID-19 market uncertainty.

(€mm)	3Q 2020		Dec. 2019		% var. 3Q 2020 s/ Dec,19
	Valuation/Method	€mm	Valuation/Method	€mm	
Rental assets	CBRE/RICS	1.451,0	CBRE/RICS	1.452,3	-0,1%
Assets in the pipeline	CBRE/RICS	10,3	CBRE/RICS	25,5	-59,6%
Land in the pipeline	CBRE/RICS	61,2	CBRE/RICS	63,0	-2,9%
<b>TOTAL RENTAL ASSETS <sup>(1)</sup></b>		<b>1.522,5</b>		<b>1.540,8</b>	<b>-1,2%</b>
Land bank <sup>(2) (3)</sup>	Administrators' - estimate	273,5	Tinsa/RICS	274,0	-0,2%
Residential developments in the pipeline <sup>(3)</sup>	Administrators' - estimate	83,5	Tinsa/RICS	72,7	14,8%
Residential finished product <sup>(4)</sup>	Administrators' - estimate	27,4	Tinsa/RICS	34,2	-19,9%
Residential land & others <sup>(5)</sup> in property companies	CBRE/RICS	12,8	CBRE/RICS	13,2	-3,1%
<b>TOTAL ACTIVOS RESIDENCIAL</b>		<b>397,2</b>		<b>394,1</b>	<b>0,8%</b>
<b>TOTAL ACTIVOS</b>		<b>1.919,7</b>		<b>1.934,9</b>	<b>-0,8%</b>

(1) It includes €52,5m in 3Q 2020 and €54m in December 2019. Value of As Cancelas asset, consolidated by the equity method.

(2) It includes €18,2m, value of the land bank of the Company IRU, consolidated by the equity method. Additionally, investments on land bank for €1,78m have been made.

(3) As of June 2020, Glories BCN has been transferred from residential development in the pipeline to land bank for an amount of €9,17m, as this residential project has been paralyzed. In 3Q 2020, investments for €19,93m have been made.

(4) Finished product for an amount of €6,76m has been delivered.

(5) It includes €2,5m, value of Hato Verde golf course included in the residential business together with other residential developments being developed at Guillena (Sevilla).

- Fair value of commercial property assets reached €1.522,5m vs €1.540,8m at December 2019 (-1,2%). A new asset intended to Build to Rent (BTR) has been included in 2020 for an amount of €16m. Operation of this new asset has started in July 2020. At 2019, this asset together with another two assets intended to Build to Rent (BTR) were in the pipeline and were valued in €10,30m. CBRE (CB Richard Ellis) performed the valuation of all commercial property assets implementing the RICS method (at June 2020 and at December 2019).
- Fair value of homebuilding assets (land bank, developments in the pipeline and residential finished product) reached €397,2m at September 2020 vs €394,1m (+0,8%) at December 2019. Fair value increase by 0,8% in 3Q 2020 is mainly due to investment on projects in the pipeline which have reached €19,93m. If these investments wouldn't have been done, fair value of residential assets would have gone down by 2,5%.

## 8.- COMMERCIAL PROPERTY

### Rents – Consolidated data

(€mm)	3Q 2020	3Q 2019	Var. (%)
Rental income (1)	45,14	46,29	-2,5%
Expenses provision	13,33	13,11	1,7%
Disposal of tangible fixed assets	-	2,12	-100,0%
Other income	0,09	0,54	-83,3%
<b>Total Revenue</b>	<b>58,56</b>	<b>62,06</b>	<b>-5,6%</b>
Building common charges (1)	-15,12	-15,56	2,8%
Other charges	-2,54	-2,97	14,5%
<b>Gross Margin</b>	<b>40,90</b>	<b>43,53</b>	<b>-6,0%</b>
<b>Margin (%)</b>	<b>90,6%</b>	<b>94,0%</b>	<b>-3,6%</b>

(1) It includes rental income and expenses provision from the Build to Rent (BTR) business for an amount of €0,05m and €0,03m respectively.

- Total rental income (expenses charged to tenants not included) reached €45,14m (77,1% of commercial property income and 2,5% lower than in September 2019). It is mainly due to lower rents in shopping centres motivated by commercial measures to support tenants which have reached €2,76m. If we do not consider these measures, rents would have increased by 3,5%.
- Gross margin on rents reached 90,6%, 3,6% lower than in 3Q 2019. It is mainly due to a refund, in June 2019, of a “municipal added value tax” for an amount of €2,12m. This tax is due to the sale of an asset in previous years, as well as for the commercial measures to support tenants mentioned previously.

- Evolution of commercial property over 2020 will be subject to the scale of the COVID-19. Despite the impossibility to determine the depth of this health crisis, the Group is aware that it must contribute to the relaunch of the economic and commercial activity of its tenants that have been more affected by this crisis. This support will have a negative impact of 3,6% on its accounts in 2020. The Company hopes that in the coming years the impact will be less important. At 3Q 2020, there has been an impact on financial statements in concept of support to tenants for an amount of €2,76m.

### Rents – Operational data <sup>(1)</sup>

(€mm)	3Q 2020	3Q 2019	Var. (%)
Rental income (2)	48,04	49,79	-3,5%
Expenses provision	14,33	14,30	0,2%
Disposal of tangible fixed assets	-	2,12	-100,0%
Other income	0,09	0,54	-83,3%
<b>Total Revenue</b>	<b>62,46</b>	<b>66,75</b>	<b>-6,4%</b>
Building common charges (2)	-16,21	-16,75	3,2%
Other charges	-3,19	-3,64	12,4%
<b>Gross margin</b>	<b>43,06</b>	<b>46,36</b>	<b>-7,1%</b>
<b>Margin (%)</b>	<b>89,6%</b>	<b>93,1%</b>	<b>-3,8%</b>

(1) The data in this chart is operational. The data from As Cancelas appear proportionally (50%).

(2) It includes rental income and expenses provision from the Build to Rent (BTR) business for an amount of €0,05m and €0,03m respectively.

### Operating rental income <sup>(1)</sup>

#### Breakdown of rents by sector (Ffl)

(€mm)	3Q 2020	3Q 2019	Var. (%)	GLA (sqm)	Occup. 3Q 2020 (%)	Occup. 3Q 2019 (%)
<b>Offices</b>	<b>35,21</b>	<b>34,45</b>	<b>2,2%</b>	<b>226.857</b>	<b>94,9%</b>	<b>93,4%</b>
CBD	17,59	17,13	2,7%	84.550	98,5%	98,2%
BD	6,26	6,17	1,4%	42.652	91,7%	100,0%
<b>Periphery</b>	<b>11,36</b>	<b>11,15</b>	<b>1,9%</b>	<b>99.655</b>	<b>93,2%</b>	<b>86,5%</b>
<b>Retail &amp; Leisure</b>	<b>11,22</b>	<b>13,76</b>	<b>-18,4%</b>	<b>136.690</b>	<b>89,9%</b>	<b>91,0%</b>
<b>Other</b>	<b>1,61</b>	<b>1,58</b>	<b>1,8%</b>	<b>53.230</b>	<b>90,1%</b>	<b>99,8%</b>
<b>Total Revenue</b>	<b>48,04</b>	<b>49,79</b>	<b>-3,5%</b>	<b>416.777</b>	<b>92,6%</b>	<b>93,3%</b>

(1) The data in this chart is operational. The data from As Cancelas appear proportionally (50%).

(2) It includes rental income from the Build to Rent (BTR) business for an amount of €0,05m and GLA for an amount of 9.973 sqm. At July 2020, 47,1% of this GLA is operational. Without considering this asset, the occupancy percentage would have been 100%.

- Occupancy reached 92,6% at 3Q 2020 vs 93,3% the previous year. This variation is mainly due the inclusion of the concept “Others”, intended to Build to Rent (BTR) which operation has started in July 2020, 47,2% of the total units available are occupied. Homogenizing surfaces, occupancy at the end of 3Q 2020 reached 93,7% vs 93,3% the previous year.
- Rental income at 3Q 2020 reached €48,04m, 3,5% lower than at 3Q 2019. It is mainly due to lower rents in shopping centres, as a consequence of the measures taken to support tenants which have reached €3,17m. (it includes As Cancelas shopping centre, for an amount of €0,41m). If we do not consider these commercial measures, operational rents would have gone up by 2,9%.
- Offices occupancy has gone up by 1,5%, mainly due to the lease of the asset “Nudo Eisenhower II” located in periphery with a surface of 5.004 sqm and countered for several lease contracts in CBD and BD. Rental income has gone up by 2,2% mainly due to an increase of unitary rents and occupancy of the CBD offices.
- Retail & Leisure occupancy has gone down by 1,1% at 30 September 2020 vs the previous year. This increase is mainly due to expiry of some lease contracts and lower demand of surfaces as a consequence of the economic impact of COVID-19.
- Levels of occupancy and income over 2020 may suffer an impact caused by COVID-19 health crisis, mainly in shopping centres. Realia has communicated its tenants its willingness to give support when required to guarantee the continuity of their business, according to the evolution of this exceptional situation. Definite measures will be considered jointly to allow all parties to overcome the crisis as soon as possible and in the most efficient way

#### Breakdown of rents by geographical area (Lfl)

(€mm)	3Q 2020	3Q 2019	Var. (%)	GLA (sqm)	Occup. 3Q 2020 (%)	Occup. 3Q 2019 (%)
<b>Madrid</b>	<b>34,83</b>	<b>35,16</b>	<b>-0,9%</b>	<b>260.685</b>	<b>92,3%</b>	<b>93,4%</b>
CBD	18,22	17,55	3,8%	80.452	98,9%	98,4%
BD	6,89	7,34	-6,1%	49.893	92,9%	100,0%
Periphery	9,73	10,27	-5,3%	130.340	88,1%	87,4%
<b>Barcelona</b>	<b>4,86</b>	<b>4,67</b>	<b>4,2%</b>	<b>32.325</b>	<b>99,3%</b>	<b>98,7%</b>
<b>Other</b>	<b>8,34</b>	<b>9,96</b>	<b>-16,3%</b>	<b>123.767</b>	<b>91,4%</b>	<b>91,5%</b>
<b>Total Revenue</b>	<b>48,04</b>	<b>49,79</b>	<b>-3,5%</b>	<b>416.777</b>	<b>92,6%</b>	<b>93,3%</b>

- According to geographical area, rents have increased in Madrid in the CBD area (+3,8%) and in Barcelona (+4,2%) due to better rents in Torre REALIA BCN.
- On the other hand, in Madrid, in BD (-6,1%), in periphery (-5,3%) and in other towns (-16,3%), Guadalajara, Murcia and Santiago, rents have gone down as a consequence of measures taken to support tenants in shopping centres and in small retail.

**9.- RESIDENTIAL (LAND & HOMEBUILDING)**

(€mm)	3Q 2020	3Q 2019	Var. (%)
<b>Revenue</b>			
Homebuilding sales	7,54	6,96	8,3%
Land sales	1,65	0,39	323,1%
<b>Total Revenue</b>	<b>9,19</b>	<b>7,35</b>	<b>25,0%</b>
<b>Costs</b>			
Costs of sales	-8,65	-8,37	-3,3%
Other costs	-1,47	-1,73	15,0%
<b>Total Costs</b>	<b>-10,12</b>	<b>-10,10</b>	<b>-0,2%</b>
<b>Homebuilding Gross Margin</b>	<b>-0,93</b>	<b>-2,75</b>	<b>66,2%</b>
<b>Homebuilding Gross Margin (%)</b>	<b>-10,1%</b>	<b>-37,4%</b>	<b>73,0%</b>
<b>Provisions Reversal finished product</b>	<b>1,23</b>	<b>2,71</b>	<b>-54,7%</b>
<b>Gross Margin (Provisions not included)</b>	<b>0,30</b>	<b>-0,04</b>	<b>843,5%</b>

**Residential portfolio**

- Revenue from land & homebuilding amounted €9,19m, 25,0% better than in 3Q 2019 (€7,35m). This result includes the sale of land, for an amount of €1,06m, performed by *Management Board of Valdebebas*. Realia held a certain percentage of this property.
- As of 30 September, 53 units for an amount of €7,54m have been delivered vs 51 units delivered the previous year for an amount of €6,96m. In 2020, there have not been homes deliveries of the new residential developments in the pipeline.
- Gross margin reached €-0,93m vs €-2,75m, once deducted the reversal of provisions. Once provisions are applied, the gross margin is positive for an amount of €0,30m vs €-0,04m at 3Q 2019.
- Income from delivery of homes over 2020, as well as the conclusion of residential developments in the pipeline may suffer an impact from COVID-19 health crisis. Until 30 September, resolution of sales contracts has reached 3,8%. Realia has communicated its clients its willingness to give support when required to guarantee the continuity of their acquisition. It is not yet possible to determine the definite impact at final year. Demand is very sensitive to the evolution of the main macroeconomic figures (GDP, employment, savings, ...) in the whole of Spain and in its different Autonomous Communities, as well as to the evolution of COVID 19.

## 10.- RISKS ARISING FROM COVID-19

- Preliminary estimates for 2020 have been altered due to COVID-19. The impact of this health crisis not only has impacted Spain and its real estate sector, but it is a global pandemic and the depth of its effects is not yet known. However, it is clear that the residential market is being altered and the demand for spaces may be affected by the measures taken to alleviate the effects of COVID-19, such as teleworking, @commerce, unemployment, savings, tax measures ... The demand for housing and its sale price will also suffer from its impact, as the evolution of employment, the confidence of investors ... it may cause demand declines or that it does not reach a level of recovery that places it in pre-COVID 19.
- Despite all this, Realia Group considers that the quality of its commercial property assets should protect it from negative trends after COVID-19. With regards to residential developments, at the date of preparation of these financial statements, it would only impact on the commercialization of 313 homes and premises, of which 152 units are finished and 161 in the pipeline. Therefore, it should not create financial or commercial tensions for the Group.
- At the close of the 2020 financial year, the impact of the aid to relaunch economic activity and support to tenants of shopping centers and premises will amount to €3,1m, of which €2,76m have already been registered in the financial statements for Q3 2020. Realia is aware that it must continue to contribute to the relaunch of economic activity in these premises and shopping centers, as the pandemic evolves, consequently, this support will have a negative impact that is currently approximately 3,6 % of income from the commercial property area and the impact is expected to be less significant in the coming years.
- Regarding the office rental, impact has not been very important and it will be necessary to see how demand evolves. Following the application of safety and hygiene regulations imposed by COVID-19, as well as the implementation and regulation of teleworking in the Spanish economy, it is estimated that the risk is more focused on the evolution of prices due to spaces being vacated. However, Realia Group is moderately optimistic since most of its office assets are prime locations and their behaviour in terms of income and occupancy should be good, as it was seen in the previous crisis of 2007.
- In any case, Realia includes in its financial statements the impact of the decrease in the value of assets as of June 2020, (€19,1m), mainly due to a likely decrease in revenue and a worse evolution of the revision index (CPI) as well as the support made to tenants which has had an impact on the result of €2,76m.
- Regarding the land & homebuilding business demand has been altered by COVID-19. Since the state of alarm, on 14th March, the volume of operation fell to minimum levels, both for delivery of homes, as well as for the pre-sale or sale of new units. Once the state of alarm finished in 21st June, the market has shown signs of recovery although somewhat unstable, what can be assured is that given the suspension of the construction activity for a period of time, the lack of materials, and of personnel, the Health and Safety measures have contributed to the execution deadlines and delivery of new residential developments have been delayed. As far as Realia is concerned, these circumstances affect 311 homes under construction that will delay their delivery to customers until the end of 2020 and 2021.



- Until 30h September, the impact on resolutions of contracts for the sale of residential product motivated by COVID 19 has been 3,8%. It is not yet possible to determine how the final impact will be at the end of the year in terms of demand, since it depends on the main macroeconomic figures (GDP, employment, savings ...) in the whole of Spain and of its different Autonomous Communities.
- Realia continues working on its projects in the pipeline, with the aim of delivering them at the end of 2020 and 2021. The Company is also working on new residential projects, but their launch will depend on how the demand evolves and therefore the impact that there may be in the sales prices and execution costs.
- Rental assets valuation is carried out in June and December. This valuation is performed by an independent expert (CB Richard Ellis). Due to market uncertainty from the impact of COVID-19, valuations, as of June 2020, have risen to €1.522.5m, vs €1.540.8m at December 2019. Considering the implementation of IAS 40, this valuation has caused a negative impact on the financial statements for an amount of €19,1m.
- Independent appraisers value the portfolio of residential business assets every December (excepting in 2019, valuation was made in June 2019, as valuation changed from ECO method to RICS method) as it was informed in the relevant fact of 21st March 2019. Nevertheless, because of uncertainty due to COVID-19, Administrators have decided to value, at fair value, the land portfolio. As a result, a provision of €11,5m has been included in its financial statements to cover possible contingencies arising from the pandemic.

## 11.- DATOS BURSATILES

- The closing stock price (€ per share) has been 0,65 Euro. It has gone down by 30% vs 2019.

	30 Sept. 2020
Closing Stock Price (€ per share)	0,65
Market cap. End-of-Period (€)	534.813.235
High of the period (€ per share)	0,97
Low of the period (€ per share)	0,62
Average of the period (€ per share)	0,74
Daily Trading Volume (€)	89
Daily Trading Volume (shares)	117

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**APPENDIX – GLOSSARY OF APMs****Gross Margin:**

Results directly attributable to the business activity. Company's total revenue (net revenue, other operating revenues and sale of assets) minus operating costs (variation of finished product or in the pipeline, provisions, operating costs (overhead costs excluded), disposal of tangible fixed assets and other results).

**EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization):**

Operating result (profit or loss) deducted from provisions for depreciation and variation in operating provisions.

**EBIT (Earnings Before Interest and Taxes):**

Operating profit plus change in the value of investment property and result for variation between assets value and impairment of assets.

**Gross Financial Debt:**

Loans with current and non-current credit institutions.

**Net Financial Debt:**

Gross financial debt minus cash and cash equivalents.

**Earnings per share:**

It is calculated by dividing the result attributable to the parent Company and the number of shares outstanding (treasury shares not included) at the end of the referred period.

**BD:**

Business District

**CBD:**

Central Business District

**Occupancy:**

Surface area occupied by the rental assets portfolio divided by the surface of the portfolio in operation.

**Build to Rent:**

Activity of rental homes

**LEGAL DISCLOSURE**

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