

REALIA



January-March 2020 Results

27 April 2020

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^(*) 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 €25,04m vs €23,40m at March 2019 (+7,0%).

- Evolution of income in different business areas:

Commercial Property: €20,50m (+5,4%)

Land and Homebuilding: €4,10m (+23,1%)

Additionally, Realia Group has obtained an income from Services & Others for an amount of €0,44m (-29,0%).

Income from Land and Homebuilding business 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. If we do not consider the effect of the sale of this land, homes delivery has increased by 1,8% vs 1Q 2019. Homes from residential developments in the pipeline have not been delivered by the end of 1Q 2020.

Income from Services has gone down. It is mainly due to expiration of commercialization agreements, as well as, technical management and administrative-fiscal management related to residential developments and/or third party companies different from Realia Group.

- Overhead costs reached €1,35m vs -9,4% at March 2019.
- EBITDA reached €12,54m vs €11,53m at March 2019 (+8,8%) due to evolution explained in *Revenue and Results* and to lower operating costs.
- As of 31 March, amounts provided have reached €1,87m vs €0,74m in March 2019. This increase is mainly due to the provision of €1,82m made for the Group, as a preliminary estimate, to cover the potential economic impact the COVID-19 health crisis might cause on the Group. In the light of the evolution of this crisis, these provisions will be adjusted in the following quarters of the year. The company is undertaking the necessary and appropriate arrangements to cope with this situation and minimize the impact on our clients and on Realia.
- The net financial result reached €-3,01m (-17,3%) vs €-3,64m at March 2019 due to lower indebtedness of the Group and to higher interest rate derivative (€+0,59m).
- As of 31 March 2020, earnings before taxes reached €8,25m vs €9,19m in March 2019 (-10,2%). This result is due to provisions made for the COVID-19 health crisis.
- As of 31 March 2020, earnings after taxes reached €3,92m vs €5,02m in March 2019 (-21,9%). This result is due to provisions made for the COVID-19 health crisis.

INDEBTEDNESS

- As of 31 March 2020, Realia Group gross financial debt reached €601,50m vs €596,29m at December 2019 (+0,9%). This debt financing is related to Realia Patrimonio.
- As of 31 March 2020, cash and equivalents reached €83,23m 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 with good returns.
- As a consequence, as of 31 March 2020, Realia net financial debt reached €518,27m vs €520,40m at December 2019 (-0,4%).
- The net financial result reached €-3,01m (derivatives included) vs €-3,64m at March 2019 due to lower indebtedness of the Group and to higher interest rate derivative (€+0,59m).

The weighted average rate on gross debt (derivatives included) reached 2,11% vs 2,14 at March 2019.

COMMERCIAL PROPERTY

- Gross rental income reached €15,93m (63,6% on the total income), 5,7% better than the previous year, mainly due to updated rents and slight better occupancy levels.
- As of 31 March 2020, overall occupancy levels reached 93,7% vs 93,1% at March 2019.
- In March 2020, Realia Group obtained the first occupation license to rent 85 social homes in Tres Cantos (Madrid), starting this way a new business line. Commercialization of these homes has already begun and, once the health crisis will be over, its operation will start. Total investment on this project has reached €16,1m.
- It is also important to remark that Realia has two projects in Tres Cantos to develop 195 new social rental home units. Construction of these projects is scheduled to start in 2020.

LAND AND HOMEBUILDING

- Realia has delivered 20 units for an amount of €2,89m vs 18 units delivered at March 2019 for an amount of €2,84m.
- As of 31 March 2020, there is a stock of 555 units (homes, small retail and offices) finished or in the pipeline non-delivered (151 pre-sold). There are also 41 land plots for single-family housing.
- Realia has a gross land bank, in different urbanistic stages, of 5.752.433 sqm and an estimated buildable area of 1.619.033 sqm.

2.- FINANCIAL HIGHLIGHTS

(€mm)	1Q 2020	1Q 2019	Var. (%)
Total Revenue	25,04	23,40	7,0
Comm. Property	20,50	19,45	5,4
Land & Homebuilding	4,10	3,33	23,1
Services & Othres	0,44	0,62	-29,0
EBITDA	12,54	11,53	8,8
Net Result (Group share)	3,92	5,02	-21,9
Net Financial Debt	518,27	523,14	-0,9
Nº Shares (mm) treasury shares not included	815,70	818,80	-0,4
Earnings per Share (€)	0,005	0,006	-16,7

3.- OPERATIONAL HIGHLIGHTS

	1Q 2020	1Q 2019	Var. (%)
Commercial Property			
GLA (sqm)	406.782	406.628	0,0
Occupancy rate (%)	93,7%	93,1%	0,6
Land & Homebuilding			
Sales			
Total value of contracts (€mm)	2,89	2,84	1,8
Units	20	18	11,1
Nº Employees	91	91	0,0

Number of Employees	1Q 2020	1Q 2019	Var. (%)
Total ⁽¹⁾	91	91	0,0
Realia Business	40	42	-4,8
Realia Patrimonio	5	4	25,0
Hermanos Revilla ⁽¹⁾	46	45	2,2

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

4.- CONSOLIDATED INCOME STATEMENT

(€mm)	1Q 2020	1Q 2019	Var. (%)
Total Revenue	25,04	23,40	7,0
Rents	15,93	15,07	5,7
Expenses provision	4,56	4,29	6,3
Homebuilding	2,89	2,84	1,8
Land sales	1,06	-	-
Services	0,44	0,62	-29,0
Other (Homebuilding & Comm. Property)	0,16	0,58	-72,4
Total Gross Margin	13,89	13,02	6,7
Rents	14,42	13,39	7,7
Homebuilding	-0,65	-0,54	-20,4
Services	0,12	0,17	-29,4
Overheads	-1,35	-1,49	9,4
EBITDA	12,54	11,53	8,8
Amortization	-0,07	-0,08	12,5
Depreciation	-1,87	0,74	-352,7
EBIT	10,60	12,19	-13,0
Fair value appraisal result	-	-	-
Financial result	-3,01	-3,64	17,3
Equity method	0,66	0,64	3,1
Earnings before taxes	8,25	9,19	-10,2
Taxes	-2,09	-2,15	2,8
Results after taxes	6,16	7,04	-12,5
Minority Interests	2,24	2,02	10,9
Net Results (Group share)	3,92	5,02	-21,9

- Income from Land and Homebuilding business 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.

- Provisions for €-1,87m (€+0,74m at March 2019) have been reversed:

Breakdown provisions (€mm)	1Q 2020	1Q 2019
Residential finished product	0,82	0,76
Land bank and developments in the pipeline	-0,09	-0,09
COVID-19	-1,82	-
Others (clients, proceedings, ...)	-0,78	0,07
Total	-1,87	0,74

- Provisions increase is mainly due to the allocation of €1,82m made for the commercial property business. It is a preliminary estimate, to cover the potential economic impact the COVID-19 health crisis might cause on the Group. In the light of the evolution of this crisis, these provisions will be adjusted in the following quarters of the year. The company is undertaking the necessary and appropriate arrangements to cope with this situation and minimize the impact on our clients and on Realia.
- The net financial result reached €-3,01m (+17,3%) vs €-3,64m at 1Q 2019. This result is due to a lower indebtedness of the Group and to higher interest rate derivative (€+0,59m).
- Earnings before taxes reached €8,25m vs €9,19m at 1Q 2019 (-10,2%), This result is due to provisions made for the COVID-19 health crisis.
- Earnings after taxes attributable to the Parent Company reached €3,92m vs €5,02m at March 2019 (-21,9%). This result is due to provisions made for the COVID-19 health crisis.

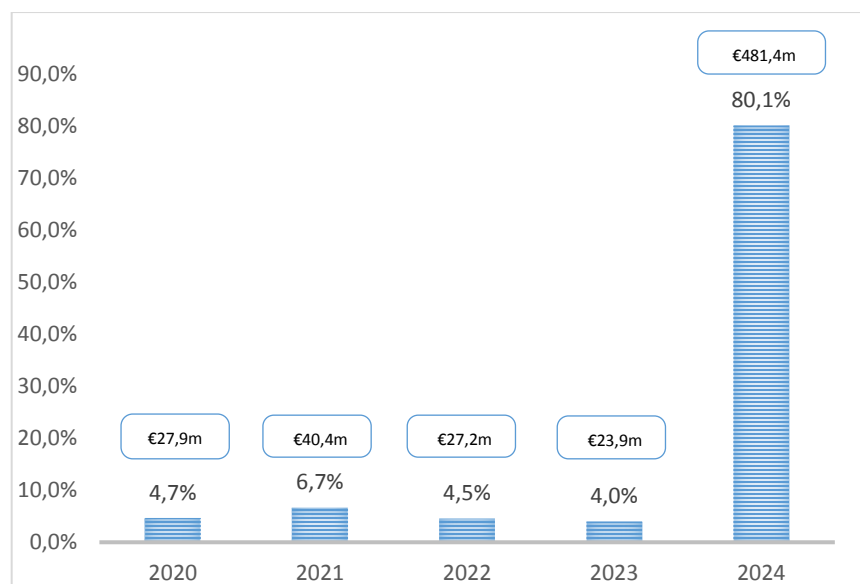
5.- CONSOLIDATED BALANCE SHEET

(M.€)	ASSETS	1Q 2020	Dec. 2019	LIABILITIES	1Q 2020	Dec. 2019
	Tangible fixed assets	2,41	2,47	Equity	1.040,31	1.037,22
	Investment property	1.485,12	1.483,55	Minority shareholders	243,13	243,13
	Inventories	344,15	342,96	Financial debt	601,50	596,29
	Accounts receivable	13,99	15,58	Current creditors	35,32	34,78
	Treasury and equivalents	83,23	75,89	Other liabilities	209,68	208,58
	Other assets	201,04	199,55			
	Total Assets	2.129,94	2.120,00	Total Liabilities	2.129,94	2.120,00

6.- FINANCIAL STRUCTURE

(€mm)	REALIA Patrimonio	REALIA Business	1Q 2020	1Q 2019	Var. (%)	Dec. 19	Var. (%) 1Q 2020 s/ Dec. 2019
	Commercial Property	Land & Homebuilding					
Syndicated loans	546,09	-	546,09	562,35	-2,9	546,09	0,0
Other loans	54,73	-	54,73	54,05	1,3	49,10	11,5
Valuation of derivatives	8,45	-	8,45	9,38	-9,9	9,45	-10,6
Interests	1,73	-	1,73	1,78	-2,8	1,74	-0,6
Debt formalisation expenses	-9,50	-	-9,50	-11,96	20,6	-10,09	5,8
Total Gross Financial Debt	601,50	-	601,50	615,60	-2,3	596,29	0,9
Cash and equivalents	41,70	41,53	83,23	92,46	-10,0	75,89	9,7
Total Net Financial Debt	559,80	-41,53	518,27	523,14	-0,9	520,40	-0,4

- As of 31 March 2020, Realia Group has a gross financial debt for an amount of €601,50m vs €596,29m at December 2019 (+0,9%). All financial debt is bound to the Commercial Property portfolio.
- At March 2020, cash and equivalents reached €83,23m and the net financial debt reached €518,27m vs €520,40m at December 2019 (0,4% 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 with good returns.
- As of 31 March 2020, the weighted average interest rate of the gross debt was 2,11% (derivatives included) following the new loan agreement for the commercial property business) vs 2,14% at March 2019.
- As of March 2020, the breakdown of the Group gross debt maturity is the following:

Gross debt maturity


7.- ASSETS VALUATION

- The latest assets valuation was performed by two independent appraisers at December 2019:
 - At December 2019 and December 2018, CBRE (CB Richard Ellis) valued, at fair value, the portfolio of Realia Patrimonio, subsidiaries, as well as small residential assets belonging to property companies, implementing the RICS valuation.
 - At December 2019, TINSA has valued, at fair value, the portfolio of residential business assets implementing the RICS method, following the Board of Directors agreement to change de valuation method from ECO to RICS (relevant fact dated 21st March 2019). At December 2018, these assets were valued according to Ministerial Order ECO 805/2003, 27th March, modified by EHA3011/2007, EHA 564/2008 and Royal Decree 1060/2015, to calculate their fair value.

(€mm)	Dec. 2019		Dec. 2018		% var. Dec 19 - Dec. 18
	Valuation/ Method	€mm	Valuation/ Method	€mm	
Rental assets	CBRE/RICS	1.452,3	CBRE/RICS	1.420,0	2,3%
Assets in the pipeline	CBRE/RICS	25,5			
Land in the pipeline	CBRE/RICS	63,0	CBRE/RICS	59,1	6,6%
TOTAL RENTAL ASSETS ⁽¹⁾		1.540,8		1.479,1	4,2%
Land bank ⁽²⁾	Tinsa/RICS	274,0	Tinsa/ECO	286,5	-4,4%
Residential developments in the pipeline	Tinsa/RICS	72,7	Tinsa/ECO	21,7	235,1%
Residential finished product	Tinsa/RICS	34,2	Tinsa/ECO	43,8	-22,0%
Residential land & others ⁽³⁾ in Property companies	CBRE/RICS	13,2	CBRE/RICS	13,2	0,0%
TOTAL RESIDENTIAL ASSETS		394,1		365,2	7,9%
TOTAL ASSETS		1.934,8		1.844,3	4,9%

(1) It includes €54m, 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.

(3) 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 €1.540,8m vs €1.479,1m at December 2018 (+4,2%). Three new assets in the pipeline intended to home rental for an amount of €25,5m were included in 2019. Assets valuation has been performed by CBRE (CB Richard Ellis) implementing the RICS method, at December 2019 and December 218.

▪ Fair value of homebuilding assets (land bank, developments in the pipeline and residential finished product) reached €394,1m at December 2019 vs €365,2m (+7,9%) at December 2018.

▪ At December 2019, TINSA valued this portfolio implementing the RICS method, following the Board of Directors agreement to change the valuation method from ECO to RICS (relevant fact dated 21st March 2019). At December 2018, this portfolio was valued implementing the ECO method. Both valuations reached the same fair value.

8.- COMMERCIAL PROPERTY
Rents – Consolidated data

(€mm)	1Q 2020	1Q2019	Var. (%)
Rental income	15,93	15,07	5,7%
Expenses provision	4,56	4,29	6,3%
Other income	0,01	0,09	-88,9%
Total Revenue	20,50	19,45	5,4%
Building common charges	-5,20	-5,23	0,6%
Other charges	-0,88	-0,83	-6,0%
Gross Margin	14,42	13,39	7,7%
Margin (%)	90,5%	88,9%	1,8%

- Total rental income (expenses charged to tenants not included) reached €15,93m, (77,7% of the total income). It has increased by 5,7% vs March 2019, due to better unitary rents and reduction of discounts and contract incentives. Occupancy level has gone up slightly (+0,6%) vs the previous year.
- Commercial property gross margin reached 90,5%, 1,8% better than in 2019.
- Evolution of the commercial property business over 2020 will be subject to the scale of the COVID-19 health crisis.

Rents – Operational data ⁽¹⁾

(€mm)	1Q 2020	1Q 2019	Var. (%)
Rental income	17,14	16,22	5,7%
Expenses provision	4,92	4,69	4,9%
Other income	0,01	0,09	-88,9%
Total Revenue	22,07	21,00	5,1%
Building common charges	-5,58	-5,62	0,7%
Other charges	-1,11	-1,05	-5,7%
Gross margin	15,38	14,33	7,3%
Margin (%)	89,7%	88,3%	1,6%

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

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Rental income
Breakdown of rents by sector (Lfl)

(€mm)	1Q 2020	1Q 2019	Var. (%)	GLA (sqm)	Occup. 1Q 2020 (%)	Occup. 1Q 2019 (%)
Offices	11,86	11,42	3,9%	226.859	94,4%	94,2%
CBD	6,00	5,71	5,1%	84.550	98,9%	97,6%
BD	2,07	2,05	1,0%	42.652	100,0%	100,0%
Periphery	3,79	3,66	3,6%	99.657	88,3%	88,9%
Retail & Leisure	4,74	4,28	10,7%	136.666	90,4%	89,2%
Other	0,54	0,52	3,8%	43.257	100,0%	99,8%
Total Revenue	17,14	16,22	5,7%	406.782	93,7%	93,1%

- Offices occupancy reached 93,7% vs 93,1% the previous year. Total rental income reached €17,14m, 5,7% better than the previous year.
- Offices occupancy has gone up by 0,2%. This increase is mainly due to new lease contracts in CBD buildings (Torre Realia - The Icon). Rental income has gone up by 3,9% mainly due to an increase of unitary rents and occupancy of the CBD offices.
- Retail & Leisure occupancy has gone up by 1,2%. This increase is mainly due to commercialization of medium-sized surfaces.
- Levels of occupancy and income over 2020 may suffer an impact caused by the COVID-19 health crisis, mainly in shopping centers. 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 and when and how activity will recover. Definite measures will be considered jointly to allow all parties to overcome this crisis as soon as possible and in the most efficient way.

Breakdown of rents by geographical area (Lfl)

(€mm)	1Q 2020	1Q 2019	Var. (%)	GLA (sqm)	Occup. 1Q 2020 (%)	Occup. 1Q 2019 (%)
Madrid	12,22	11,49	6,4%	250.713	93,9%	94,5%
CBD	6,28	5,65	11,2%	80.452	99,3%	97,8%
BD	2,46	2,44	0,8%	49.895	100,0%	100,0%
Periphery	3,48	3,40	2,4%	120.366	87,9%	90,0%
Barcelona	1,60	1,50	6,7%	32.325	97,7%	98,4%
Other	3,32	3,23	2,8%	123.744	92,0%	88,9%
Total Revenue	17,14	16,22	5,7%	406.782	93,7%	93,1%

- According to geographical area, rents have increased in Barcelona (+6,7%), due to better rents in Torre REALIA BCN.

9.- LAND AND HOMEBUILDING (RESIDENTIAL)
Residential portfolio

(€mm)	1Q 2020	1Q 2019	Var. (%)
Revenue			
Homebuilding sales	2,89	2,84	1,8%
Land sales	1,21	0,49	146,9%
Total Revenue	4,10	3,33	23,1%
Costs			
Costs of sales	-4,25	-3,15	-34,9%
Other costs	-0,50	-0,72	30,6%
Total Costs	-4,75	-3,87	-22,7%
Homebuilding Gross Margin	-0,65	-0,54	-20,4%
Homebuilding Gross Margin (%)	-15,9%	-16,2%	1,9%
Provisions Reversal finished product	0,82	0,76	7,9%
Margin (Provisions not included)	0,17	0,22	-22,7%

- Revenue from Land & Homebuilding amounted €4,10m, 23,1% better than the previous year (€3,33m). This result is due to the sale of land, for an amount of €1,06m performed by *Management Board of Valdebebas*. Realia held a certain percentage of this property. If we do not consider the effect of the sale of this land, income from homes delivery has increased by 1,8% vs 1Q 2019. In 1Q 2020, homes from residential developments in the pipeline have not been delivered.
- As of 31 March 2020, Realia has delivered 20 units (homes) for an amount of €2,89m.
- Gross margin reached €-0,65m vs €-0,54m in 1Q 2019, once deducted the reversal of provisions. Once provisions are applied, the gross margin is positive for an amount of €0,17m vs €0,22m in March 2019.
- Income from delivery of homes over 2020, as well as, the pace of conclusion of residential developments in the pipeline may suffer an impact from COVID-19 health crisis. Realia has communicated its clients its willingness to give support when required to guarantee the continuity of their business.

10.- STOCK DATA

- The closing stock price (€ per share) has been 0,75 Euro. It has gone down by 19,4% vs 2019.

	31 March 2020
Closing Stock Price (€ per share)	0,75
Market cap. End-of-Period (€)	614.379.007,80€
High of the period (€ per share)	0,97
Low of the period (€ per share)	0,64
Average of the period (€ per share)	0,85
Daily Trading Volume (€)	126
Daily Trading Volume (shares)	148

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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.

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