REALIA


# January – June 2020 Results

*27th July 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 €47,29m vs €48,57m at 1H 2019 (-2,6%).
- Evolution of income in different business areas vs 1H 2019:

| | |
|---|---|
| Commercial Property: | €40,54m (-3,3%) |
| Land & Homebuilding: | €5,71m (+5,4%) |

Additionally, Realia Group has obtained an income from Services & Others for an amount of €1,04m (-14,0%).

Income from commercial property has gone down by 3,3%. 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 up by 1,8%.

Income from land & homebuilding has gone up by 5,4 %. 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, homes delivery has gone down by 15,6% due to the poor activity over the COVID-19 State of Alarm, lower stock of residential finished product and a reduction of the number of sales offices.

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 in 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 €2,71m (-9,7%) vs June 2019.
- EBITDA reached €25,54m vs €25,08m in 1H 2019 (+1,8%). This result is due to income evolution and to lower operating costs.

- As of 30 June, amounts provided have reached €7,32m vs €19,13m at June 2019. This variation in the provisions of June 2020 vs June 2019 is mainly due to the fact that in June 2019, €16,1m 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 1H 2020, Realia Group has made a provision of €4,7m, as a result of the Administrators' estimate of the valuation of residential business and the impact of COVID-19 on them.

  Additionally, at 1H 2020, the Group has made of provision of €2,97m, as an estimate to cover the economic impact the COVID-19 health crisis may cause on the commercial property business. In the light of the evolution of this crisis, these provisions will be adjusted. The Company is undertaking the necessary and appropriate arrangements to cope with this situation and minimize the impact on our clients and on Realia.

- Impact due to commercial property assets valuation (IAS 40) has reached €-19,08m vs €15,44m at 1H 2019. This result is due to the expected impact caused by COVID-19, in future rents and in yields.
- The net financial result reached €3,47m (+153%) vs €-6,55m at June 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 €10m has been reflected. If we do not consider this income, financial expenses would have reached €-6,53m, which is a result closed to the one obtained in June 2019.

- As of June 2020, earnings before taxes reached €1,86m vs €54,23m in 1H 2019 (-96,9%). Even though EBITDA improves slightly, this result is due to provisions made and loss of value of assets, as stated previously.
- Earnings after taxes reached €1,50m vs €32,08m in 1H 2019 (-95,3%).

**INDEBTEDNESS**

- As of June 2020, Realia Group gross financial debt reached €577,15m vs €596,29m at December 2019 (-3,2%). This debt financing is related to Realia Patrimonio.
- As of June 2020, cash and equivalents reached €63,99m 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 June 2020, Realia net financial debt reached €513,16m vs €520,40m at December 2019 (-1,4%).
- 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 of €10m. 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 net financial result reached €3,47m (derivatives included and implementation of IFRS 9 on novation of financial terms of Realia Patrimonio, S.L.U. syndicated loan). If we do not consider this income, net financial result would have reached €-6,53m, which is a result closed to the one obtained in June 2019 (€-6,55m).
- The weighted average rate on gross debt (derivatives included) reached 1,80% vs 2,12% at June 2019.

**COMMERCIAL PROPERTY**

- Gross rental income were €31,73m, 3,4% better than in 1H 2019, mainly due to updated unitary rents.
- Overall occupancy levels (As Cancelas S XXII included) reached 91,7% vs 93,6% at December 2019. This variation is due to the social rental homes development included in 1H 2020 which commercialization has started in June 2020. If we don´t consider this fact, the occupancy level rate (%) would have reached 93,7%.
- In June 2020, Realia has started the commercialization to rent 85 social homes in Tres Cantos (Madrid). Total investment of this project has reached €16m.
- Two new projects to build 195 social rental home units in Tres Cantos (Madrid) are in the pipeline. Construction of these projects is scheduled to start in 2020 with an investment of €38,3m of which there is an outstanding investment of €28,1m.

### LAND AND HOMEBUILDING

- As of 30 June 2020, Realia has delivered 30 units for an amount of €4,35m vs 36 units at June 2019 for an amount of €5,16m. This result is due to a lower stock of residential finished product and a reduction of sales offices. This stock of homes is concentrated in a lower number of residential developments.

- As of 30 June 2020, there is a stock of 497 units (homes, small retail and offices) finished non-delivered, in the pipeline or pre-sold (162 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) | 1H 2020 | 1H 2019 | Var. (%) |
|---|---|---|---|
| **Total Revenue** | **47,29** | **48,57** | **-2,6** |
| Comm. Property | 40,54 | 41,94 | -3,3 |
| Land & Homebuilding | 5,71 | 5,42 | 5,4 |
| Services & Others | 1,04 | 1,21 | -14,0 |
| **EBITDA** | **25,54** | **25,08** | **1,8** |
| **Net Result (Group share)** | **1,50** | **32,08** | **-95,3** |
| **Net Financial Debt** | **513,16** | **506,25** | **1,4** |
| **Nº Shares (mm)** | **811,09** | **818,80** | **-0,9** |
| **Earnings per Share (€)** | **0,002** | **0,039** | **-94,9** |

## 3.- OPERATIONAL HIGHLIGHTS

| | 1H 2020 | 1H 2019 | Var. (%) |
|---|---|---|---|
| **Commercial Property** | | | |
| **GLA (sqm) (1)** | **416.779** | **406.628** | **2,5** |
| **Occupancy rate (%)** | **91,7%** | **93,0%** | **-1,3** |
| **Land & Homebuilding** | | | |
| **Sales** | | | |
| Total value of contracts (€mm) | 4,35 | 5,16 | **-15,7** |
| Units | 30 | 36 | **-15,5** |
| **Nº Employees** | **90** | **90** | **0,0** |

*(1) Over 1H 2020 a new residential asset has benn included (9.997 sqm). Its commercialization has started in June 2020.*

| Number of Employees | 1H 2020 | 1H 2019 | Var. (%) |
|---|---|---|---|
| **Total** (1) | **90** | **90** | **1,1** |
| Realia Business | 39 | 41 | **-4,9** |
| 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 BALANCE SHEET

| (€mm) | 1H 2020 | 1H 2019 | Var. (%) |
|---|---|---|---|
| **Total Revenue** | **47,29** | **48,57** | **-2,6** |
| Rents | 31,73 | 30,70 | 3,4 |
| Expenses provision | 8,79 | 8,73 | 0,7 |
| Disposal of tangible fixed assets | - | 2,12 | -100,0 |
| Homebuilding | 4,35 | 5,16 | -15,7 |
| Land sales | 1,06 | -0,13 | 915,4 |
| Services | 1,04 | 1,21 | -14,0 |
| Other | 0,32 | 0,78 | -59,0 |
| **Total Gross Margin** | **28,25** | **28,08** | **0,6** |
| Rents | 29,06 | 29,68 | -2,1 |
| Homebuilding | -1,00 | -1,93 | 48,2 |
| Services | 0,19 | 0,33 | -42,4 |
| Overheads | -2,63 | -2,93 | 10,2 |
| Other costs | -0,08 | -0,07 | -14,3 |
| **EBITDA** | **25,54** | **25,08** | **1,8** |
| Amortization | -0,15 | -0,17 | 11,8 |
| Depreciation | -7,32 | 19,13 | -138,3 |
| **EBIT** | **18,07** | **44,04** | **-59,0** |
| Fair value appraisal result | -19,08 | 15,44 | -223,6 |
| Financial result | 3,47 | -6,55 | 153,0 |
| Equity method | -0,60 | 1,30 | -146,2 |
| **Earnings before taxes** | **1,86** | **54,23** | **-96,6** |
| Taxes | -0,59 | -13,50 | 95,6 |
| **Results after taxes** | **1,27** | **40,73** | **-96,9** |
| Minority Interests | -0,23 | 8,65 | -102,7 |
| **Net Results (Group share)** | **1,50** | **32,08** | **-95,3** |

- 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 €3,47m (+153,0%) vs €-6,55m at June 2019. It is mainly due to the current valuation by refinancing the existing debt in Realia Patrimonio which has generated financial income of €10m (IFRS 9), and said financial income must be reversed in successive monthly periods, until the new debt maturiy in April 2025. If we do not consider this income (€10m), financial expenses at June 2020 would have reached €-6,53m, which is a result closed to the one obtained in June 2019.
- Provisions for €-7,32m (€+19,13m in 1H 2019) have been reversed with the following breakdown:

| Breakdown provisions (€mm) | 1H 2020 | 1H 2019 |
|---|---|---|
| Excess provisions | - | - |
| Residential finished product | 0,68 | 2,12 |
| Land bank and developments in the pipeline | -4,91 | 16,07 |
| COVID-19 | -2,97 | - |
| Others (clients, proceedings, …) | -0,13 | 0,94 |
| **Total** | **-7,32** | **19,13** |

- Provisions increase is mainly due to the allocation of €2,97m made for the commercial property business. It is an estimate to cover the economic impact the COVID-19 health crisis might cause on this business area. In the light of the evolution of the crisis, these provisions will be adjusted. The company is undertaking the necessary and appropriate arrangements to cope with this situation and minimize the impact on our clients and on Realia.

  In addition, the Group has made a provision of residential finished product, land and residential developments in the pipeline for €4,7m, following the Board of Directors estimate of the valuation of residential assets and COVID-19 impact on them. In 1H 2019, €16,07m was reversed due to change from ECO method to RICS method to value the portfolio of residential business assets.
- Earnings before taxes reached €1,27m vs €40,73m at June 2019 (-96,9%).
- Earnings after taxes reached €1,50m vs €32,08m at June 2019 (-95,3%).

## 5.- CONSOLIDATED BALANCE SHEET

| (€mm) ASSETS | 1H 2020 | Dec. 19 | LIABILITIES | 1H 2020 | Dec. 19 |
|---|---|---|---|---|---|
| Tangible fixed assets | 2,34 | 2,47 | Equity | 1.034,65 | 1.037,22 |
| Investment property | 1.466,78 | 1.483,55 | Minority shareholders | 240,65 | 243,13 |
| Inventories | 345,66 | 342,96 | Financial debt | 577,15 | 596,29 |
| Accounts receivable | 15,65 | 15,58 | Current creditors | 36,48 | 34,78 |
| Treasury and equivalents | 63,99 | 75,89 | Other liabilities | 205,31 | 208,58 |
| Other assets | 199,82 | 199,55 | | | |
| **Total Assets** | **2.094,24** | **2.120,00** | **Total Liabilities** | **2.094,24** | **2.120,00** |

## 6.- FINANCIAL STRUCTURE

| (€mm) | Commercial Property business | Land & Homebuilding business | 1H 2020 | 1H 2019 | Var. (%) | Dec. 19 | Var. (%) 1H_2020 s/Dec. 19 |
|---|---|---|---|---|---|---|---|
| Syndicated loans | 536,54 | - | 536,54 | 554,04 | -3,2 | 546,09 | -1,7 |
| Other loans | 51,03 | - | 51,03 | 50,68 | 0,7 | 49,10 | 3,9 |
| Valuation of derivatives | 8,59 | - | 8,59 | 10,20 | -15,8 | 9,45 | -9,1 |
| Interests | 1,37 | - | 1,37 | 1,72 | -20,3 | 1,74 | -21,3 |
| Debt formalisation expenses - IFRS 9 valuation adjustment | -20,38 | - | -20,38 | -11,25 | -81,2 | -10,09 | -102,0 |
| **Total Gross Financial Debt** | **577,15** | **-** | **577,15** | **605,39** | **-4,7** | **596,29** | **-3,2** |
| Cash and equivalents | 32,31 | 31,68 | 63,99 | 99,14 | -35,5 | 75,89 | -15,7 |
| **Total Net Financial Debt** | **544,84** | **-31,68** | **513,16** | **506,25** | **1,4** | **520,40** | **-1,4** |

- As of 30 June 2020, Realia Group gross financial debt reached €577,15m vs €596,29m at December 2019 (-3,2%). All financial debt is bound to the commercial property portfolio.

- Cash and equivalents reached €63,99m and the net financial debt reached €513,16m vs €520,40m at December 2019 (1,4% 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.

- 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).

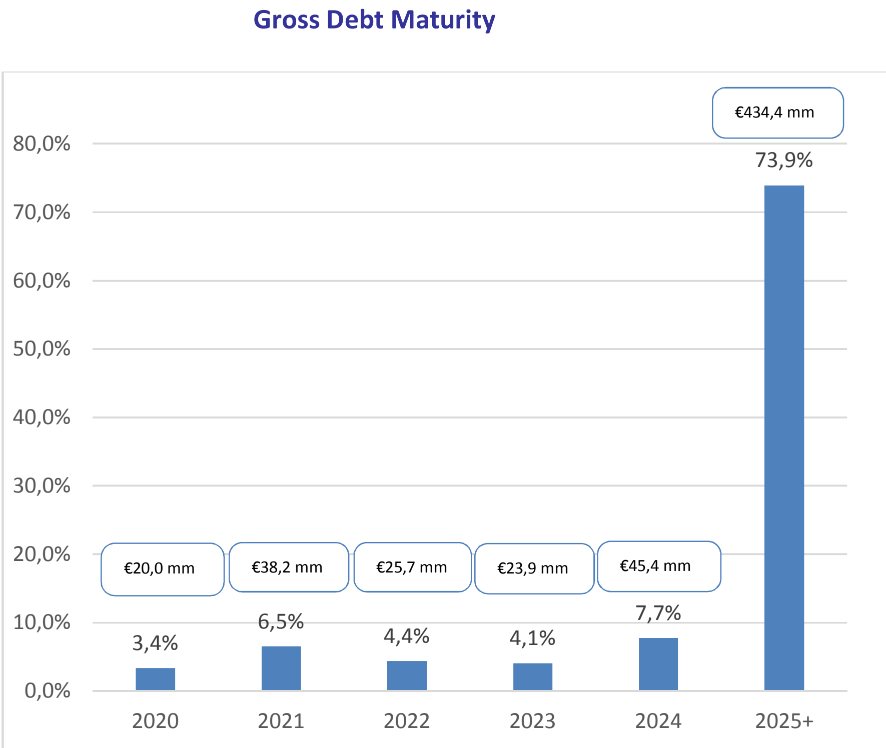
  As a consequence of this novation and implementation of IFRS 9, the Group has reflected an adjustment in the valuation of its syndicated loan which has meant a financial income for €10m. Therefore, the gross financial debt has gone down by applying this IFRS 9 on this amount by adjusting the financial 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 debt (derivatives included) reached 1,80% vs 2,12% at June 2019.

- Loan to value (LTV) reached 26,7%.

- The Group holds interest rate hedging contracts with 5 of the 6 entities that make up the Realia Patrimonio Syndicated Loan. The total amount covered reaches 70% of the outstanding balance of the loan. The expiry date is 27th April 2024 (7 years). The type of hedging instrument is an IRS plus a 0% Euribor floor option. At 1H 2020, this hedging valued at the market has had a positive impact of €0,57m in profit and loss and a negative equity of €0,22m in the year. With the signing of the novation of the syndicated loan, Realia is committed to extend the current coverage until 27th April 2025, before the expiry of the previously described coverage.

- As of June 2020, the breakdown of the Group gross debt maturity is the following


Gross Debt Maturity
€434,4 mm
80,0%
73,9%
70,0%
60,0%
50,0%
40,0%
30,0%
20,0%
€20,0 mm
€38,2 mm
€25,7 mm
€23,9 mm
€45,4 mm
10,0%
6,5%
7,7%
3,4%
4,4%
4,1%
0,0%
2020
2021
2022
2023
2024
2025+

## 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 21st March 2019.
- Nevertherless, the Board of Directors have agreed to estimate, at fair value, the land portfolio, due to COVID-19 market uncertainty and because transactions which can show the impact of this pandemic haven't been made yet.

| (€mm) | 1H 2020 Valuation/ Method | €mm | Dec. 2019 Valuation/ Method | €mm | % var. 1H 2020 s/ Dec. 19 |
|---|---|---|---|---|---|
| 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% |
| **TOTAL RENTAL ASSETS [1]** | | **1.522,5** | | **1.540,8** | **-1,2%** |
| Land bank [2] [3] | Board Dtrs - estimate | 279,8 | Tinsa/RICS | 274,0 | 2,1% |
| Residential developments in the pipeline [3] | Board Dtrs - estimate | 74,5 | Tinsa/RICS | 72,7 | 2,4% |
| Residential finished product [4] | Board Dtrs - estimate | 30,3 | Tinsa/RICS | 34,2 | -11,4% |
| Residential land & others [5] in Property companies | CBRE/RICS | 12,8 | CBRE/RICS | 13,2 | -3,1% |
| **TOTAL RESIDENTIAL ASSETS** | | **397,3** | | **394,1** | **0,8%** |
| **TOTAL ASSETS** | | **1.919,8** | | **1.934,9** | **-0,8%** |

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

(2) It includes €18,2m, in both periods, value of the land bank of the Company IRU, consolidated by the equity method. In 1H 2020 investments for €1,62m have been made.

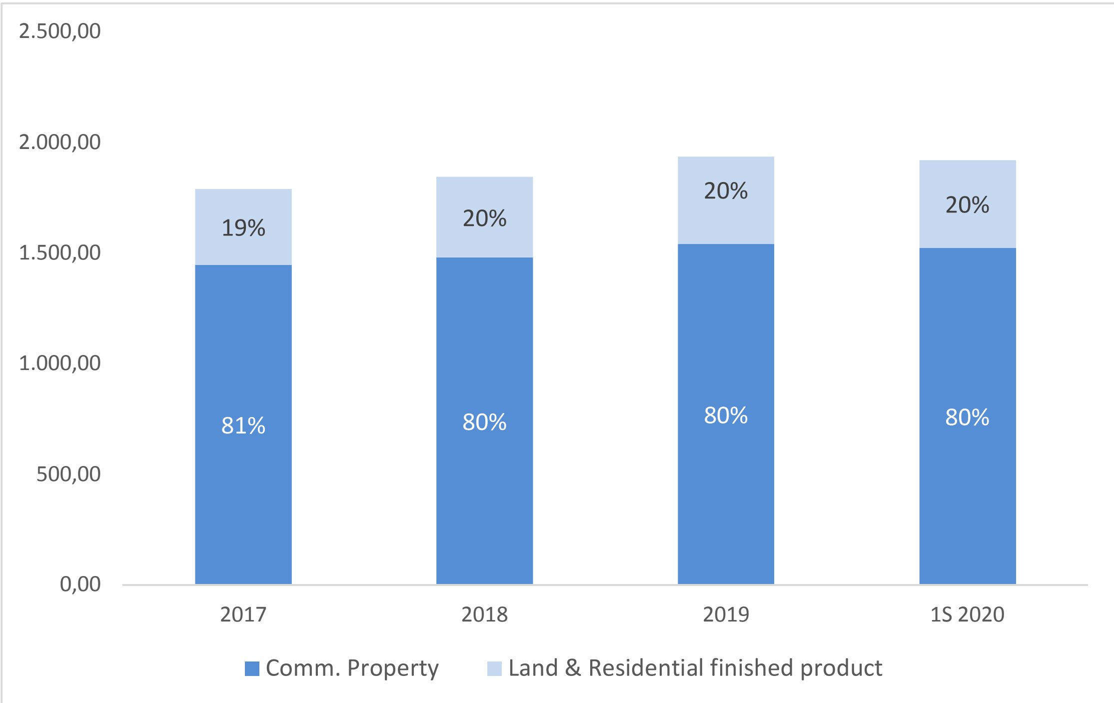
(3) As of June 2020, Glories BCN has been transferred from residential development in the pipeline to land bank for an amount of €9,17m, as this residential project has been paralyzed. In 1H 2020, investments for €10,9m have been made.

(4) Over 1H 2020, finished product for an amount of €3,89m has been delivered.

(5) It includes €2,5m, in both periods, 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 home rental has been included in 2020 for an amount of €16m. Commercialization of this new asset started in June 2020. At 2019, this asset together with another two assets intended to home rental 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 €397,3m at June 2020 vs €394,1m (+0,8%) at December 2019. Fair value increase by 0,8% in 1H 2020 is mainly due to investment on projects in the pipeline which have reached €12,52m. If these investments wouldn't have been done, fair value of residential assets would have gone down by 2,4%.
- 80% of total GAV relates to Commercial Property business and 20% to the Residential business.

**Gross Asset Value Evolution (GAV) (€mm)**

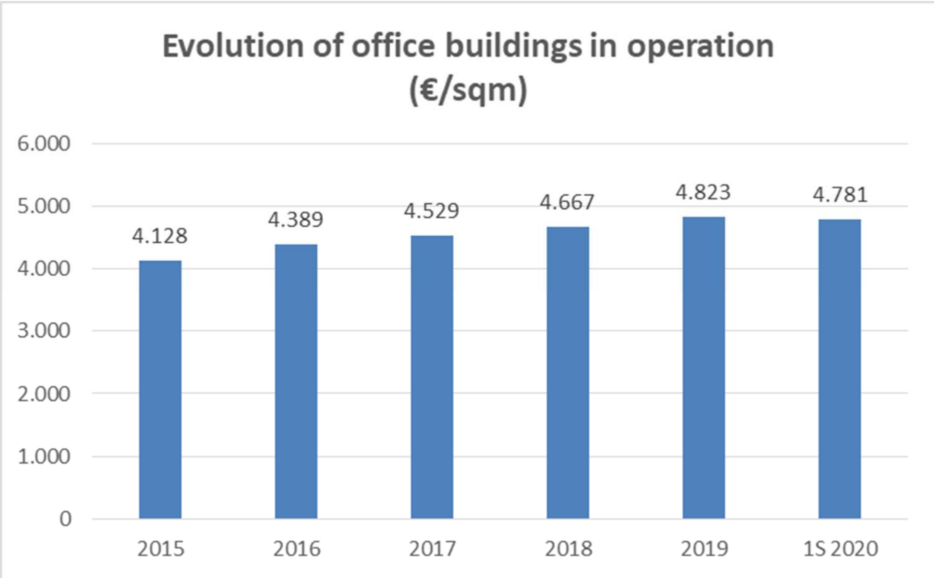


## Commercial Property valuation

| | N. Building | sqm | GAV 1H 2020 [1] | GAV Dec. 2019 [1] | Var. (%) | Value €/sqm | Yield 1H 2020 (%)[2] | Yield Dec. 2019 (%)[2] |
|---|---|---|---|---|---|---|---|---|
| **Offices** | **27** | **226.858** | **1.084,7** | **1.094,2** | **-0,9** | **4.781,4** | **4,6%** | **4,3%** |
| CBD [3] | 13 | 84.550 | 601,1 | 605,7 | -0,8 | 7.109,4 | 4,1% | 3,9% |
| BD [4] | 3 | 42.653 | 174,7 | 177,4 | -1,5 | 4.095,8 | 5,1% | 5,0% |
| Periphery/Others | 11 | 99.655 | 308,9 | 311,1 | -0,7 | 3.099,8 | 5,2% | 4,8% |
| **Retail & Leisure** | **7** | **136.691** | **320,3** | **327,4** | **-2,2** | **2.343,0** | **6,4%** | **5,9%** |
| **Other assets [5]** | **7** | **53.230** | **46,1** | **30,7** | **50,0** | **865,3** | **5,6%** | **7,0%** |
| **Total Operational** | **41** | **416.779** | **1.451,0** | **1.452,3** | **-0,1** | **3.481,5** | **5,1%** | **4,8%** |
| **Developable land [6]** | **2** | **24.578** | **10,3** | **25,5** | | **419,1** | | |
| **Land in the pipeline [7]** | | **127.291** | **61,2** | **63,0** | **-2,9** | **480,4** | | |
| **Total** | **43** | **568.647** | **1.522,5** | **1.540,8** | **-1,2** | **2.677,4** | | |

1. *GAV in €mm*
2. *Yield: gross annual passing rents divided by the assets GAV*
3. *Central Business District.*
4. *Business District, excluding Central Business District*
5. *Home rental development, warehouse in Logroño and other assets such as commercial premises, parking spaces, ...yield has gone down due to the project "Build to rent."*
6. *Land in the pipeline to develop residential development intended to home rental.*
7. *Land bank in Aguacate St., La Noria, ParK Central (22@) and Leganés*

- As of June 2020, the market value of the Commercial property business reached €1.522,5m, -1,2% lower than at December 2019.
- As of 30 June 2020, the Yield of the commercial property in operation reached 5,1% (annual passing rents divided by assets value, according to (CBRE) vs 4,8% at December 2019.




## Main assets for asset value (GAV)

| Assets | Location | Use | GLA |
|---|---|---|---|
| Torre REALIA | Madrid | Offices | 28.424 |
| Torre REALIA BCN | Barcelona | Offices | 31.964 |
| Plaza Nueva Parque Comercial | Leganés | Retail | 52.675 |
| Salvador de Madariaga 1 | Madrid | Offices | 25.398 |
| Shopping Centre Ferial Plaza | Guadalajara | Retail | 32.507 |
| María de Molina 40 | Madrid | Offices | 9.684 |
| Albasanz 16 | Madrid | Offices | 19.550 |
| Príncipe de Vergara 132 | Madrid | Offices | 8.821 |
| C.N. Méndez Álvaro | Madrid | Offices | 13.247 |

## Land and homebuilding valuation

| (€mm) | GAV 1H 2020 | GAV Dec. 2019 | Var. (%) 1H 2020 s/ Dec. 2019 |
|---|---|---|---|
| Land bank (1) | 279,8 | 274,0 | 2,1% |
| Residential in the pipeline (1) | 74,5 | 72,7 | 2,4% |
| Residential finished product (2) | 30,3 | 34,2 | -11,4% |
| Land bank (3) and others in property companies | 12,8 | 13,2 | -3,1% |
| Residential assets total value | 397,3 | 394,1 | 0,8% |

(1) Over 2020, Glories BCN has been transferred from development in the pipeline to land bank portfolio, for an amount of €9,17m, as the works have been delayed.

(2) Over 1H 2020, finished product for an amount of €3,89m has been delivered

(3) The valuation strictly of land bank portfolio reaches €10,3m in 1H 2020 and €10,7m in December 2019

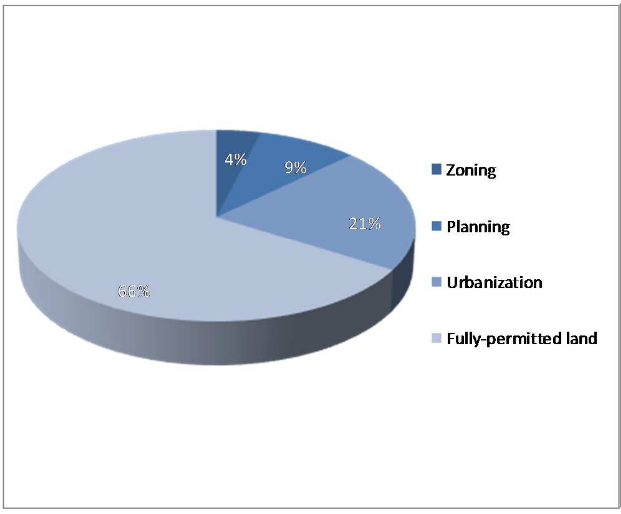
## Land bank valuation

| | Gross land sqm - 1H 2020 | Building land sqm - 1H 2020 | Building land sqm - Dec. 2019 | GAV 1H 2020 €mm | GAV Dec. 2019 €mm | Var. GAV (%) 1H 2020 s/ Dec.2019 |
|---|---|---|---|---|---|---|
| Zoning (1) | 3.563.718 | 387.598 | 387.598 | 11,4 | 11,8 | -3,3% |
| Planning | 1.218.687 | 488.962 | 488.962 | 25,8 | 25,9 | -0,6% |
| Urbanization | 489.148 | 253.161 | 253.161 | 61,3 | 62,6 | -2,1% |
| Fully-permitted land (2) | 482.172 | 494.858 | 489.312 | 191,6 | 184,4 | 3,9% |
| **Total** | **5.753.724** | **1.624.579** | **1.619.033** | **290,1** | **284,7** | **1,9%** |

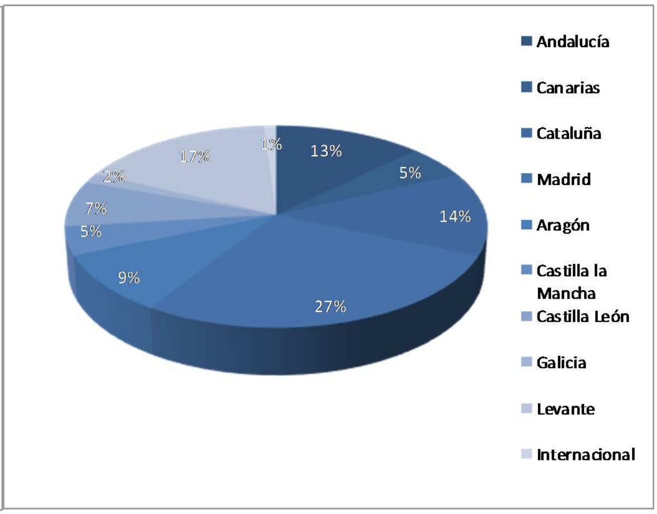
(1) It includes land bank for an amount of €279,8m and €274,0m, in the residential business value table plus the land bank portfolio of equity companies amounting €10,3m and €10,7m, reflected in 1H 2020 and December 2019, respectively.
(2) Glorias BCN has been transferred from residential in the pipeline to land bank, as this Project has been paralysed. In consequence, there has been an Increse of fully-permitted land buildability by 5.546 sqm.

## GAV Land Bank breakdown (€mm)

**By urbanistic stage**




**By geographical area**



## 8.- NET ASSET VALUE (NNAV)

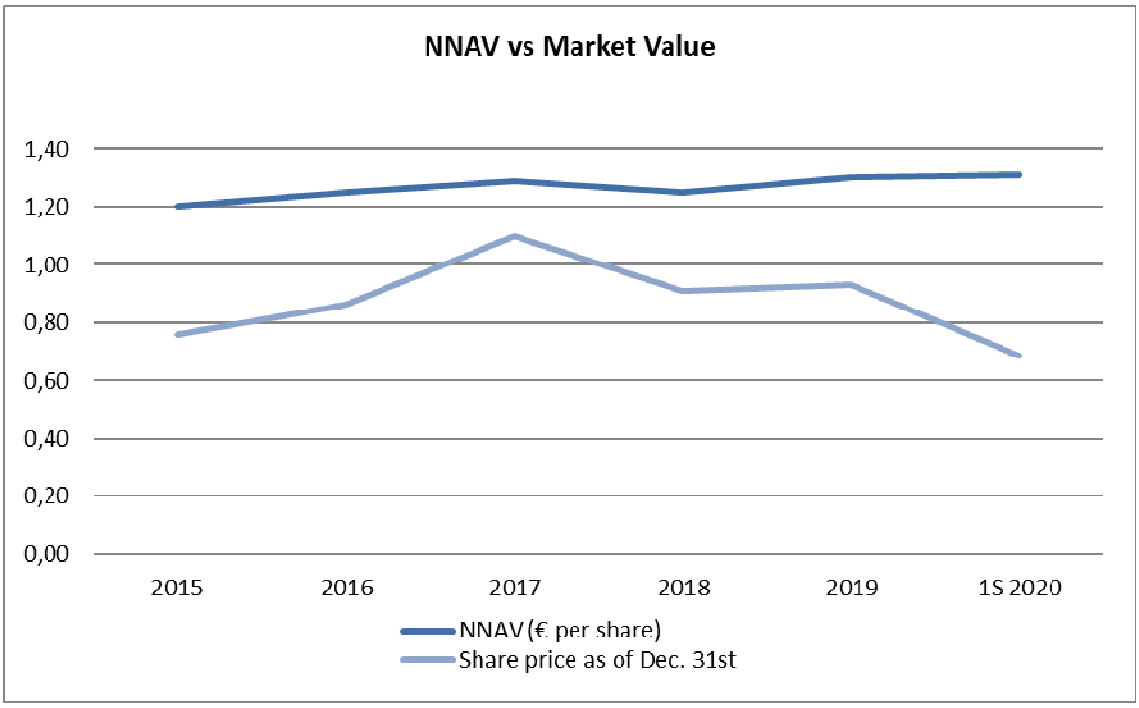
| (€mm) | COMMERCIAL PROPERTY 1H 2020 | COMMERCIAL PROPERTY 2019 | LAND & HOMEBUILDING 1H 2020 | LAND & HOMEBUILDING 2019 | TOTAL 1H 2020 | TOTAL 2019 | TOTAL Var. % |
|---|---|---|---|---|---|---|---|
| **Total (GAV)** | **1.522** | **1.541** | **397** | **394** | **1.919** | **1.935** | **-0,8** |
| To be deducted | | | | | | | |
| Minorities | -310 | -316 | -2 | -2 | -312 | -318 | 1,9 |
| **GAV Realia (1)** | **1.212** | **1.225** | **395** | **392** | **1.607** | **1.617** | **-0,6** |
| | | | | | | | |
| **Book value of assets (2)** | **707** | **713** | **362** | **359** | **1.069** | **1.072** | **-0,3** |
| Latent capital gains (1)-(2) | 505 | 512 | 33 | 33 | 538 | 545 | -1,3 |
| To be deducted | | | | | | | |
| Tax | -126 | -128 | -8 | -8 | -134 | -136 | 1,5 |
| Latent capital gains after tax | 379 | 384 | 25 | 25 | 404 | 409 | -1,2 |
| Adjustments IAS 40 | | | | | -376 | -382 | |
| Equity | | | | | 1.035 | 1.037 | -0,2 |
| NNAV (after tax) | | | | | **1.061** | **1.064** | **-0,3** |
| Number of shares (mm) treasury shares not included | | | | | 811 | 817 | -0,7 |
| NNAV (after tax) per share (€) | | | | | **1,31** | **1,30** | **0,8** |

- As of 30 June 2020, the Net Asset Value (NNAV) reached 1,31 Euro per share, 0,8% better than at December 2019.
- NNAV per share considering the net equity of the consolidated financial statement is the following:

| | €mm |
|---|---|
| **CONSOLIDATED NET EQUITY ATTRIBUTABLE TO THE PARENT COMPANY** | **1.035** |
| Adjustments: | |
| + Capital gains tangible fixed assets (own use) | 2 |
| + Capital gains stock | 25 |
| **ADJUSTED NET EQUITY ATTRIBUTABLE TO THE PARENT COMPANY** | **1.061** |
| Number of shares (treasury shares not included) | 811.089.229 |
| **NNAV PER SHARE** | **1,31** |

## Net Asset Value Evolution (NNAV)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 1S 2020 |
|---|---|---|---|---|---|---|
| NNAV (€mm) | 552 | 805 | 833 | 1.022 | 1.064 | 1.061 |
| NNAV (€ per share) | 1,20 | 1,25 | 1,29 | 1,25 | 1,30 | 1,31 |
| Share price as of Dec. 31st | 0,76 | 0,86 | 1,10 | 0,91 | 0,93 | 0,68 |
| Discount NNAV | -37% | -31% | -15% | -27% | -28% | -48% |



## 9.- COMMERCIAL PROPERTY

### Rents – Consolidated data

| (€mm) | 1H 2020 | 1H 2019 | Var. (%) |
|---|---|---|---|
| Rental income | 31,73 | 30,70 | 3,4% |
| Expenses provision | 8,79 | 8,73 | 0,7% |
| Disposal of tangible fixed assets | - | 2,12 | -100,0% |
| Other income | 0,02 | 0,39 | -94,9% |
| **Total Revenue** | **40,54** | **41,94** | **-3,3%** |
| Building common charges | -9,81 | -10,35 | 5,2% |
| Other charges | -1,67 | -1,91 | 12,6% |
| **Gross margin** | **29,06** | **29,68** | **-2,1%** |
| ***Margin (%)*** | ***91,6%*** | ***96,7%*** | ***-5,3%*** |

- Total rental income (expenses charged to tenants not included) reached €31,73m (78,3% of commercial property income and 3,4% better than in June 2019). It is mainly due to better unitary rents in offices.
- Gross margin on rents reached 91,6%, 5,3% lower than in 1H 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.
- Evolution of commercial property business over 2020 will be subject to the scale of the COVID-19. Despite the difficulty to determine the depth of this health crisis, the Group is aware that it must contribute to the relaunch of economic activity and, above all, in the commercial activity that has been most affected by this crisis and that said contribution will have a negative impact on its accounts in 2020. The Company expects that in the coming years the impact will be less important.

## Rents – Operational data [1]

| (€mm) | 1H 2020 | 1H 2019 | Var. (%) |
|---|---|---|---|
| Rental income | 33,94 | 33,03 | 2,8% |
| Expenses provision | 9,42 | 9,51 | -0,9% |
| Disposal of tangible fixed assets | - | 2,12 | -100,0% |
| Other income | 0,02 | 0,39 | -94,9% |
| **Total Revenue** | **43,38** | **45,05** | **-3,7%** |
| Building common charges | -10,50 | -11,13 | 5,7% |
| Other charges | -2,10 | -2,36 | 11,0% |
| **Gross margin** | **30,78** | **31,56** | **-2,5%** |
| ***Margin (%)*** | ***90,7%*** | ***95,5%*** | ***-5,0%*** |

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

## Operating rental income

### Breakdown of rents by sector Lfl)

| (€mm) | 1H 2020 | 1H 2019 | Var. (%) | GLA (sqm) | Occup. 1H 2020 (%) | Occup. 1H 2019 (%) |
|---|---|---|---|---|---|---|
| **Offices** | **23,40** | **22,98** | **1,8%** | **226.858** | **94,7%** | **94,6%** |
| CBD | 11,66 | 11,41 | 2,2% | 84.550 | 98,9% | 98,2% |
| BD | 4,15 | 4,10 | 1,2% | 42.653 | 99,7% | 100,0% |
| Periphery | 7,59 | 7,47 | 1,5% | 99.655 | 88,9% | 89,1% |
| **Retail & Leisure** | **9,45** | **9,00** | **5,0%** | **136.691** | **90,3%** | **88,2%** |
| **Other** | **1,09** | **1,05** | **3,8%** | **53.230** | **83,9%** | **99,8%** |
| **Total Revenue** | **33,94** | **33,03** | **2,8%** | **416.779** | **91,7%** | **93,0%** |

- Occupancy reached 91,7% at 1H 2020 vs 93,0% at 1H 2019. This variation is mainly due to the inclusion of the concept “Others” (rental home development) which commercialization started in June 2020.
- Rental income at 1H 2020 reached €33,94m, 2,8% better than at 1H 2019.
- Offices occupancy has gone up by 0,1%, mainly due to new lease contracts in CBD area buildings (Torre Realia - The Icon). Rental income has gone up by 1,8%, mainly due to an increase of unitary rents and occupancy of the CBD offices.

- Retail & Leisure occupancy has gone up by 2,1% vs 1H 2019. This increase is mainly due to commercialization of medium-sized surfaces.

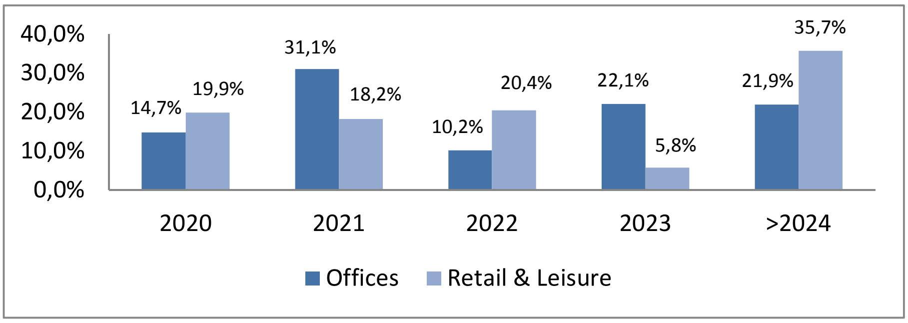
- Levels of occupancy and income over 2020 may suffer an impact caused by COVID-19 health crisis, mainly in shopping centers. Realia has communicated its tenants its willingness to give support when required to guarantee the continuity of their business, according to the evolution of this exceptional situation. 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) | 1H 2020 | 1H 2019 | Var. (%) | GLA (sqm) | Occup. 1H 2020 (%) | Occup. 1H 2019 (%) |
|---|---|---|---|---|---|---|
| **Madrid** | **24,04** | **23,32** | **3,1%** | **260.687** | **90,8%** | **94,0%** |
| CBD | 12,22 | 11,57 | 5,6% | 80.452 | 99,3% | 98,4% |
| BD | 4,91 | 4,88 | 0,6% | 49.895 | 99,8% | 100,0% |
| Periphery | 6,91 | 6,87 | 0,6% | 130.340 | 82,2% | 88,6% |
| **Barcelona** | **3,22** | **3,12** | **3,2%** | **32.325** | **99,8%** | **98,4%** |
| **Other** | **6,68** | **6,59** | **1,4%** | **123.767** | **92,0%** | **89,5%** |
| **Total Revenue** | **33,94** | **33,03** | **2,8%** | **416.779** | **91,7%** | **93,0%** |

- According to geographical area, rents have increased in Barcelona (+3,2%) due to better rents in Torre REALIA BCN.

## Expiry of lease contracts on annual rents



## 10.- RESIDENTIAL BUSINESS (LAND & HOMEBUILDING)

| (€mm) | 1H 2020 | 1H 2019 | Var. (%) |
|---|---|---|---|
| **Revenue** | | | |
| Homebuilding sales | 4,35 | 5,16 | -15,7% |
| Land sales | 1,36 | 0,26 | 423,1% |
| **Total Revenue** | **5,71** | **5,42** | 5,4% |
| **Costs** | | | |
| Costs of sales | -5,52 | -6,21 | 11,1% |
| Other costs | -1,19 | -1,14 | -4,4% |
| **Total Costs** | **-6,71** | **-7,35** | 8,7% |
| **Homebuilding Margin** | ***-1,00*** | ***-1,93*** | 48,2% |
| ***Homebuilding Margin (%)*** | ***-17,5%*** | ***-35,6%*** | 50,8% |
| **Provisions Reversal finished product** | ***0,68*** | ***2,16*** | -68,6% |
| **Gross Margin (Provisions not included)** | ***-0,32*** | ***0,23*** | -239,5% |

### Residential portfolio

- Revenue from land & homebuilding amounted €5,71m, 5,4% better than in 1H 2019 (€5,42m). 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.

- Gross margin reached €-1,00m vs €-1,93m at 1H 2019, once deducted the reversal of provisions. Once provisions are applied, the gross margin is negative for an amount of €-0,32m vs €0,23m at 1H 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. Until 30 June the impact on current sales contracts with our clients has been very low with most of them remaining in force. Itt is not yet possible to determine what the definite impact will be in the coming months as regards to demand, since it 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. Realia has communicated its clients is willingness to give support when required to guarantee the continuity of their acquisition.

- By geographical area, the breakdown of units delivered at June 2020 and June 2019 is the following:

| | 1H 2020 | | 1H 2019 | |
|---|---|---|---|---|
| Delegations | Nº Units | Revenue (€mm) | Nº Units | Revenue (€mm) |
| Madrid/Centre | 8 | 1,03 | 4 | 0,52 |
| Levante | 10 | 1,89 | 4 | 0,83 |
| Catalonia | 2 | 0,24 | 6 | 0,94 |
| Andalucía | 9 | 0,93 | 22 | 2,87 |
| Portugal | 1 | 0,25 | - | - |
| **Total** | **30** | **4,35** | **36** | **5,16** |

- As of June 2020, there is a stock of 497 units (homes, small retail and offices) finished or in the pipeline non-delivered (162 pre-sold). There are also 41 land plots for single family-housing.

| Home stock evolution | 1H 2020 | 1H 2019 | Var. (%) |
|---|---|---|---|
| **Pre-sales** | | | |
| Number of units | 70 | 86 | -18,1% |
| Total value of contracts | 18,42 | 22,35 | -17,6% |
| **Deliveries** | | | |
| Number of units | 30 | 36 | -15,5% |
| Total value of contracts | 4,35 | 5,16 | -15,7% |
| **Reservas/Ventas pendientes entrega** | | | |
| Number of units | 162 | 86 | 88,9% |
| Total value of contracts | 56,73 | 29,25 | 94,0% |
| **Stock at End-of-Period** | | | |
| **Projects finished** | | | |
| Number of units | 210 | 291 | -27,7% |
| **Projects in the pipeline** | | | |
| Number of units | 166 | 238 | 100,0% |

## Land bank

- As of June 2020, Realia has a gross land bank, in different urbanistic stages, of 5.753.724 sqm and a buildable area of 1.624.579 sqm. 30,46% of this land bank is fully-permitted land and is located in Madrid:

### Land bank breakdown (buildability by sqm)

| | Buildability (sqm) |
|---|---|
| Zoning | 387.598 |
| Planning | 488.962 |
| Urbanization | 253.161 |
| Fiully-permitted land | 494.858 |
| **Total** | **1.624.579** |

| | Buildability (sqm) |
|---|---|
| Andalucía | 460.851 |
| Canary islands | 18.541 |
| Catalonia | 81.931 |
| Madrid | 474.546 |
| Aragón | 154.508 |
| Castilla la Mancha | 222.886 |
| Castilla León | 64.451 |
| Galicia | 6.184 |
| Levante | 129.768 |
| International | 10.912 |
| **Total** | **1.624.579** |

## 11.- RISKS ARISING FROM COVID-19

- Preliminary estimates for 2020 have been altered due to COVID-19. The impact of this health crisis will not only impact 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 will be 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 … may cause it goes down.

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 335 homes and premises, of which 169 units are finished and 166 in the pipeline. Therefore, it should not create financial or commercial tensions for the Group.

- At the closing date of the financial statements of 1H 2020, it is not yet possible to determine the impact on income from the activity of rental of premises and shopping centers, both for the alarm period and for the more immediate future. Realia is aware that must contribute to the relaunching of economic activity in said premises and shopping centers and that this support will have a negative impact on the 2020 account results. Income from the commercial property area is expected to reduce by 5,7% as a consequence of the support to all our clients. We expect that in the coming years the impact will be less significant.

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 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 behavior in terms of income and occupation should be good, as it was seen in the previous crisis of 2007.

In any case, Realia has provided in its financial statements the appropriate provisions (€3,0m) for the impact that COVID-19 may have on the current contracts. The Company also includes in its financial statements the impact of the decrease in the value of assets (€19,1m), mainly due to the possible fall or evolution of rents due to the application of the revision index (CPI).

- Regarding the land & homebuilding business, over 1H 2020, 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 of new units. Once the state of alarm finished in 21st June, the market has shown signs of recovery.

As the different phases of COVID-19 de-escalate, demand and visits to different residential developments have recovered in the different Autonomous Communities. However, it is still too early to assess the final impact of COVID-19 pandemic. Nevertherless, given the suspension of the construction activity over a period of time, lack of materials and workers, and the implementation of Safety and Hygiene measures have contributed to the lengthy execution and delivery times of the new residential developments. In the case of Realia, these circumstances affect 301 homes in the pipeline that are expected to delay their delivery to customers by 2021.

At present, the impact of COVID-19 on current sales contracts has been very low and most of them remain in effect. It is not yet possible to determine what the final impact will be in the coming months in terms of demand, as it depends on the evolution of the economy of Spain and its different Autonomous Communities.

Realia continues working on its projects in the pipeline, with the aim of delivering them in 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. Nevertherless, because of incertainty due to COVID-19, Administrators have decided to have decided to value, at fair value, the land portfolio. As a result, a provision of €4,7m has been included in its financial statements to cover possible contingencies arising from the pandemic.

## 12.- STOCK DATA

- The closing stock price (€ per share) has been 0,68 Euro. It has gone down by 26% vs 2019.

| | 30 June 2020 |
|---|---|
| Closing Stock Price (€ per share) | 0,68 |
| Market cap. End-of-Period (€) | 561.061.737 |
| High of the period (€ per share) | 0,97 |
| Low of the period (€ per share) | 0,63 |
| Average of the period (€ per share) | 0,77 |
| Daily Trading Volume (€) | 119 |
| Daily Trading Volume (shares) | 154 |

## Contact details

**Tel: +34 91 353 44 00**

**E-mail:** inversores@realia.es / accionistas@realia.es

## 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.

**Net Net Asset Value (NNAV):**

It is calculated on the basis of the net equity attributed to the parent company, adjusted for the implicit capital gains of the assets of working capital and for own usage valued at the market and deducting the taxes that would accrue on such implicit capital gains, taking into account the tax regulations at the time of calculation.

**Net Net Asset Value (NNAV) per share:**

It is calculated by dividing the total NNAV of the Company by the number of shares outstanding, treasury shares not included.

**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.

**GAV (Valor de Liquidación):**

Valor de mercado de los Activos determinado por expertos independientes (Tinsa y CBRE).

**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.

**Yield:**

Annualized rents, considering 100% occupancy divided by GAV of assets in operation (percentage rate), according to valuation performed by CBRE

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