REALIA

January-September 2019 Results

30st October 2019

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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.- SUMMARY

REVENUE AND RESULTS

- Total revenue was €71,10m vs €70,09m in 3Q 2018 (+1,4%).
- Evolution of income in different business areas:

Commercial Property:	€62,06m (+5,8%)
Land & Homebuilding:	€7,35m (-26,9%)

Additionally, Realia Group has obtained an income from Services & Others for an amount of €1,69m (+21,6%).

A refund 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.

Income from the Land & Homebuilding business has gone down by 26,9 % (€-2,7m). This result is due to a 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.

- Income from Services has gone up, mainly due to commercialization agreements, technical management and administrative and fiscal management related to residential developments and/or third party companies different from the Group Realia.
- Overhead costs reached €4,51m vs (-15,5%) in 3Q 2018.
- EBITDA reached €36,71m vs €33,26m at September 2018 (+10,4%). It is due to income evolution and to lower operating costs.
- The net financial result reached €-10,04m vs €-11,48m at September 2018 (-12,5%) due to lower indebtedness of the Group Realia.
- As of September 2019, earnings before taxes reached €65,73m vs €45,44m in 3Q 2018 (+44,8%).

This evolution is mainly due to the positive impact for reversal of provisions for an amount of €19,64m vs €6,49m at September 2018.

- Earnings after taxes reached €38,66m vs €23,99m in 3Q 2018 (+61,2%).

INDEBTEDNESS

- As of 30 September 2019, Realia Group gross financial debt reached €601,65m vs €615,96m at December 2018 (-2,3%). This debt financing is related to Realia Patrimonio.
- As of September 2019, cash and equivalents reached €100,84m vs €87,50m at December 2018. This budget will be allocated to complete residential developments in the pipeline, financing the new home rental business and acquiring new assets.

- As a consequence, as of 30 September 2019, Realia net financial debt reached €500,81m vs €528,46m at December 2018 (-5,2%).
- The net financial result reached €-10,04m (derivatives included) vs €-11,48m in 3Q 2018. This result is due to lower indebtedness of the Group.
- The weighted average rate on gross debt (derivatives included) reached 2,13% vs 1,91% in 3Q 2018.

ASSETS VALUATION

- As of June 2019, assets valuation reached €1.900,8m (+3,1) vs December 2018.

Fair value of Commercial Property assets reached €1.510,4m vs €1.479,1m at December 2018 (+2,1%). An asset in the pipeline intended to home rental for an amount of €13,1m was included in June 2019. Assets valuation has been performed by CBRE (CB Richard Ellis) implementing the RICS method (June 2019 and December 2018).

Fair value of homebuilding assets (land bank, residential developments in the pipeline and residential finished product) reached €390,4m at June 2019 vs €365,2m at December 2018 (+6,9%). At June 2019, TINSA valued this portfolio implementing the RICS Method. At December 2018, this valuation was performed implementing the ECO method. Both valuations have reached the same fair value.

COMMERCIAL PROPERTY

- As of September 2019, gross rental income reached €46,29m (65,1% on the total income of Group Realia). It has been 1,2% better than in 3Q 2018.
- Overall occupancy levels reached 93,3% in 3Q 2019 vs 93,2% in 3Q 2018. Compared to December 2018, occupancy has gone up by 1,5% reaching 91,8%.
- A refund 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.
- In January 2019, Realia Group acquired a residential development in the pipeline to develop 85 social rental homes in Tres Cantos (Madrid). This residential development is scheduled to be completed before the end of the year and these homes will be ready for rent in 1Q 2020. Further investments on this new business line, home rental, are planned

LAND AND HOMEBUILDING

- Realia has delivered 51 units for an amount of €6,96m. This amount has gone down by 35% (€-3,75m) vs 3Q 2018. This result is due to a lower stock of residential finished product and a reduction of the number of sales offices. This stock of homes is concentrated in a lower number of residential developments.
- As of 30 September 2019, there is a stock of 558 units (homes, small retail and offices) finished or in the pipeline non-delivered (121 pre-sold). There are also 41 land plots for single-family housing.
- Realia has a gross land bank, in different urbanistic stages, of 5.793.616 sqm and an estimated buildable area of 1.649.246 sqm.

2.- FINANCIAL HIGHLIGHTS

(€mm)	3H 2019	3H 2018	Var. (%)
Total Revenue	**71,10**	**70,09**	**1,4**
Comm. Property	62,06	58,65	5,8
Land & Homebuilding	7,35	10,05	-26,9
Services & Others	1,69	1,39	21,6
EBITDA	**36,71**	**33,26**	**10,4**
Net Result (Group share)	**38,66**	**23,99**	**61,2**
Net Financial Debt	**500,81**	**672,69**	**-25,6**
Nº Shares (mm) treasury shares not included	**818,80**	**643,37**	**27,3**
Earnings per Share (€)	**0,047**	**0,037**	**27,0**

3.- OPERATIONAL HIGHLIGHTS

	3H 2019	3H 2018	Var. (%)
Commercial Property			
GLA (sqm)	**406.781**	**405.809**	**0,2**
Occupancy rate (%)	**93,3%**	**93,2%**	**0,1**
Land & Homebuilding			
Sales			
Total value of contracts (€mm)	6,96	10,71	**-35,0**
Units	51	68	**-25,0**
Nº Employees	**89**	**90**	**-1,1**

Number of Employees	3H 2019	3H 2018	Var. (%)
Total (1)	**89**	**90**	**-1,1**
Realia Business	41	40	**2,5**
Realia Patrimonio	4	4	**0,0**
Hermanos Revilla (1)	44	45	**-2,2**
Realia Polska	0	1	**-100,0**

(1) It includes 32 and 33 people working at reception and concierge services in buildings over 2019 and 2018 respectively.

4.- CONSOLIDATED INCOME STATEMENT

(€mm)	3H 2019	3H 2018	Var. (%)
Total Revenue	**71,10**	**70,09**	**1,4**
Rents	46,29	45,75	1,2
Expenses provision	13,11	12,72	3,1
Disposal of tangible fixed assets	2,12	-	-
Homebuilding	6,96	10,71	-35,0
Land sales	-0,13	-1,04	87,5
Services	1,69	1,39	21,6
Other (Homebuilding & Comm. Property)	1,06	0,56	89,3
Total Gross Margin	**41,22**	**38,60**	**6,8**
Rents	43,53	40,99	6,2
Homebuilding	-2,75	-2,76	0,4
Services	0,44	0,37	18,9
Overheads	-4,44	-5,26	15,6
Other costs	-0,07	-0,08	12,5
EBITDA	**36,71**	**33,26**	**10,4**
Amortization	-0,25	-0,27	7,4
Depreciation	19,64	6,49	202,6
EBIT	**56,10**	**39,48**	**42,1**
Fair value appraisal result	17,72	15,52	14,2
Financial result	-10,04	-11,48	12,5
Equity method	1,95	1,92	1,6
Earnings before taxes	**65,73**	**45,44**	**44,7**
Taxes	-16,22	-11,20	-44,8
Results after taxes	**49,51**	**34,24**	**44,6**
Minority Interests	10,85	10,25	5,9
Net Results (Group share)	**38,66**	**23,99**	**61,2**

- The valuation criteria, at fair value, of real estate investments (rental assets) performed with RICS method has reached €17,72m vs €15,52m in 3Q 2018. Reversal of provisions (€2,28m) for capital gains from the sale of the office Building “Los Cubos” in October 2017 have been included.
- Provisions for €19,64m (€6,49m in 3Q 2018) have been reversed:

Breakdown provisions (€mm)	3H 2019	3H 2018
Excess provisions	-	0,12
Residential finished product	2,71	2,25
Land bank and developments in the pipeline	15,95	-0,29
Others (clients, proceedings, ...)	0,98	4,41
Total	**19,64**	**6,49**

5.- CONSOLIDATED BALANCE SHEET

(€mm) ASSETS	3H 2019	Dec. 2018	LIABILITIES	3H 2019	Dec. 2018
Tangible fixed assets	2,59	3,05	Equity	1.032,27	997,53
Investment property	1.455,43	1.422,33	Minority shareholders	244,96	235,98
Inventories	338,94	318,19	Financial debt	601,65	615,96
Accounts receivable	10,80	12,54	Current creditors	35,36	23,72
Treasury and equivalents	100,84	87,50	Other liabilities	193,96	191,01
Other assets	199,60	220,59			
Total Assets	**2.108,20**	**2.064,20**	**Total Liabilities**	**2.108,20**	**2.064,20**

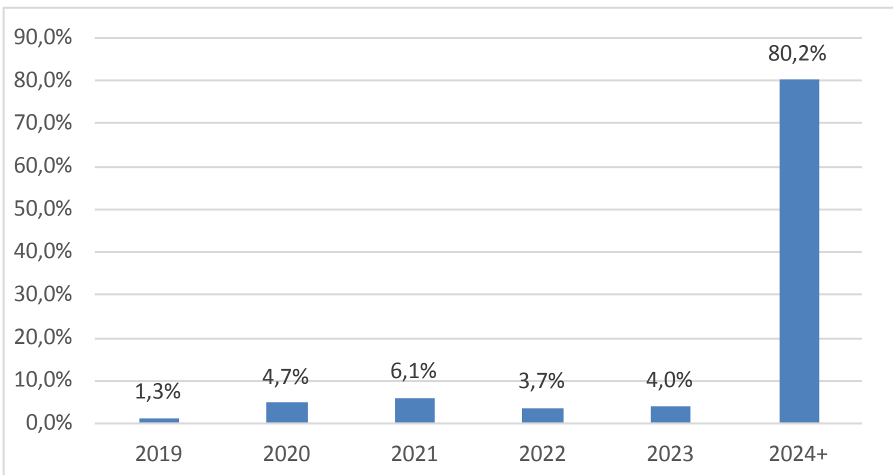
6.- FINANCIAL STRUCTURE

	REALIA Patrimonio	REALIA Business					
(€mm)	Commercial Property	Land & Homebuilding	3H 2019	3H 2018	Var. (%) 3H 2019 s/ 3H 2018	Dec. 18	Var. (%) 3H 2019 s/ Dec. 2018
Syndicated loans	554,04	-	554,04	569,16	-2,7	562,35	-1,5
Other loans	46,00	-	46,00	166,32	-72,3	58,30	-21,1
Valuation of derivatives	10,55	-	10,55	3,44	206,7	6,08	73,5
Interests	1,73	-	1,73	2,06	-16,0	1,78	-2,8
Debt formalisation expenses	-10,67	-	-10,67	-13,57	21,4	-12,55	15,0
Total Gross Financial Debt	**601,65**	**-**	**601,65**	**727,41**	**-17,3**	**615,96**	**-2,3**
Cash and equivalents	36,68	64,16	100,84	54,72	84,3	87,50	15,2
Total Net Financial Debt	**564,97**	**-64,16**	**500,81**	**672,69**	**-25,6**	**528,46**	**-5,2**

- As of 30 September 2019, Realia Group has a gross financial debt for an amount of €601,65m, €14,31m lower than in 3Q 2018. There has been a reduction of 2,3%. All financial debt is bound to the Commercial Property portfolio.
- As of December 2018, Realia Business has settled its financial debt and paid off its loan.
- As of September 2019, cash and equivalents reached €100,84m. Therefore, the net financial debt reached €500,81m vs €528,46m at December 2018 (5,2% lower). The cash flow generated by the Group together with the Company's cash have allowed the reduction of the net financial debt, investing on new residential developments; having financial resources intended to new residential developments for sale or home rental.

  As of 30 September 2019, the weighted average interest rate of the gross debt reached 2,13% (financial derivatives included) vs 1,91% in 3Q 2018.
- As of 3Q 2019, 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 2019 and at December 2018, 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 June 2019, TINSA has valued, at fair value, the portfolio of Residential business assets implementing the RICS method. 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-Law 1060/2015, to calculate their fair value.

(€mm)	1H 2019 Valuation/ Method	€mm	Dec. 2018 Valuation/ Method	€mm	% var. June 19-Dec. 18
Rental assets	CBRE/RICS	1.435,6	CBRE/RICS	1.420,0	1,1%
Assets in the pipeline	CBRE/RICS	13,1			
Land in the pipeline	CBRE/RICS	61,7	CBRE/RICS	59,1	4,4%
TOTAL RENTAL ASSETS (1)		**1.510,4**		**1.479,1**	**2,1%**
Land bank (2) (3)	Tinsa/RICS	284,0	Tinsa/ECO	286,5	-0,9%
Residential developments in the pipeline (3)	Tinsa/RICS	53,4	Tinsa/ECO	21,7	145,9%
Residential finished product (4)	Tinsa/RICS	39,7	Tinsa/ECO	43,8	-9,3%
Residential land & others (5) in property companies	CBRE/RICS	13,2	CBRE/RICS	13,2	0,0%
TOTAL RESIDENTIAL ASSETS		**390,4**		**365,2**	**6,9%**
TOTAL ASSETS		**1.900,8**		**1.844,3**	**3,1%**

(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) In 1H 2019, two land plots have been transferred from land bank to residential developments in the pipeline for an amount of €20,7m.
(4) In 1H 2019, residential finished product has been delivered for an amount of €4,5m.
(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).

- Valuation of Commercial Property assets reached €1.510,4m vs €1.479,1m at December 2018 (+2,1%). In June 2019, an asset in the pipeline intended to home rental for an amount of €13,1m was included in the valuation. Assets valuation were performed by CBRE (CB Richard Ellis) implementing the RICS method (in June 2019 and in December 2018).
- As of June 2019, fair value of residential assets (land bank, residential developments in the pipeline and residential finished product) reached €390,4m vs €365,2m at December 2018 (+6,9%). TINSA has valued all residential assets, excepting the ones belonging to property companies, implementing the RICS method at June 2019 and the ECO method at December 2018.

8.- COMMERCIAL PROPERTY

Rents – Consolidated data

(Thousands of Euros)	3H 2019	3H 2018	Var. (%)
Rental income	46,29	45,75	1,2%
Expenses provision	13,11	12,72	3,1%
Disposal of tangible fixed assets	2,12	-	-
Other income	0,54	0,18	200,0%
Total Revenue	**62,06**	**58,65**	**5,8%**
Building common charges	-15,56	-15,49	-0,5%
Other charges	-2,97	-2,17	-36,9%
Gross Margin	**43,53**	**40,99**	**6,2%**
Margin IAS (%)	***94,0%***	***89,6%***	***4,9%***

- Total rental income (expenses charged to tenants not included) reached €46,29m (74,6% of the total income and 1,2% better than in September 2018). It is mainly due to better unitary rents and reduction of discounts and contract incentives. Occupancy rate stay stable (93,3% at September 2019 vs 93,2% at September 2018).
- Commercial Property gross margin reached 94,0%, 4,9% better than in 3Q 2018. It is mainly due to the extraordinary income "disposal of tangible fixed assets", which is a refund of a municipal added value tax related to the sale of an asset in previous years.

Rents – Operational data [1]

(Thousand of Euros)	3H 2019	3H 2018	Var. (%)
Rental income	49,79	49,20	1,2%
Expenses provision	14,30	13,92	2,7%
Disposal of tangible fixed assets	2,12	-	-
Other income	0,54	0,18	200,0%
Total Revenue	**66,75**	**63,30**	**5,4%**
Building common charges	-16,75	-16,69	-0,3%
Other charges	-3,64	-2,87	-26,9%
Total Margin	**46,36**	**43,74**	**6,0%**
Margen bruto s/rentas (%)	***93,1%***	***88,9%***	***4,7%***

[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)

(Thousands of Euros)	3H 2019	3H 2018	Var. (%)	GLA (sqm)	Occup. 3H 2019 (%)	Occup. 3H 2018 (%)
Offices	**34,45**	**33,61**	**2,5%**	**226.845**	**93,4%**	**94,9%**
CBD	17,13	16,29	5,1%	84.536	98,2%	95,8%
BD	6,17	6,00	2,9%	42.653	100,0%	100,0%
Periphery	11,15	11,32	-1,5%	99.657	86,5%	91,9%
Retails & Leisure	**13,76**	**14,02**	**-1,9%**	**136.679**	**91,0%**	**88,3%**
Other	**1,58**	**1,57**	**1,1%**	**43.257**	**99,8%**	**100,0%**
Total Revenue	**49,79**	**49,20**	**1,2%**	**406.781**	**93,3%**	**93,2%**

- Offices occupancy reached 93,3% vs 93,2% at September 2018. Office rental has reached €49,79m, 1,2% better than at September 2018.
- Offices occupancy rate has gone down by 1,5%. This reduction is mainly due to the expiration of a lease contract of a whole asset located in periphery in 4Q 2018. This asset is in the commercialization process. Office rental has gone up by 2,5% mainly in CBD due to better occupancy and better unitary rents.
- Retail & Leisure occupancy has gone up by 2,7% and rental income has gone down by 1,9%. This reduction is mainly due to extraordinary rents (€0,36m) due to early resolution of a contract in 2018.

Breakdown of rents by geographical area (Lfl)

(Thousands of Euros)	3H 2019	3H 2018	Var. (%)	GLA (sqm)	Occup. 3H 2019 (%)	Occup. 3H 2018 (%)
Madrid	**35,16**	**35,04**	**0,3%**	**250.700**	**93,4%**	**94,1%**
CBD	17,55	16,65	5,4%	80.438	98,4%	95,7%
BD	7,34	7,16	2,6%	49.895	100,0%	100,0%
Periphery	10,27	11,23	-8,6%	120.367	87,4%	90,7%
Barcelona	**4,67**	**4,31**	**8,3%**	**32.325**	**98,7%**	**98,9%**
Other	**9,96**	**9,85**	**1,1%**	**123.756**	**91,5%**	**89,8%**
Total Revenue	**49,79**	**49,20**	**1,2%**	**406.781**	**93,3%**	**93,2%**

- According to geographical area, rents have increased in Barcelona (+8,3%), due to better rents in Torre REALIA BCN.

9.- RESIDENTIAL BUSINESS (LAND AND HOMEBUILDING)

(€mm)	3H 2019	3H 2018	Var. (%)
Revenue			
Homebuilding sales	6,96	10,71	-35,0%
Land sales	0,39	-0,67	158,2%
Total Revenue	**7,35**	**10,04**	-26,8%
Costs			
Costs of sales	-8,37	-10,56	20,7%
Other costs	-1,73	-2,24	22,8%
Total Costs	**-10,10**	**-12,80**	21,1%
Homebuilding Margin	***-2,75***	***-2,76***	0,4%
Homebuilding Margin (%)	***-37,4%***	***-27,5%***	-36,0%
Provisions Reversal finishded product	***2,71***	***2,25***	20,4%
Margin (Provisions not included)	***-0,04***	***-0,51***	92,2%

Residential portfolio

- Total revenue from Land & Homebuilding business amounted €7,35m, 26,8% lower than in 3Q 2018 (€10,04m). It is partially due to stock reduction of the residential finished product and a reduction of the number of sales offices. It is also due to the stock of pre-sold units which are meant to be delivered before the end of the year. As of 30 September 2019, 51 units have been delivered (homes, small retail, offices and land plots) for an amount of €6,96m.
- As of 30 September 2019, gross margin reached €-2,75m vs €-2,76€ in 3Q 2018 (once deducted the reversal of provisions). Once the provision is applied, gross margin reached €-0,04m vs €-0,51m in 3Q 2018.

10.- STOCK DATA

- The closing stock Price (€ per share) has been €0,89. It has gone down by 2,2% vs 2018.

	30 Sept. 2019
Closing Stock Price (€ per share)	0,890
Market cap. End-of-Period (€)	730.036.471
High of the period (€ per share)	0,949
Low of the period (€ per share)	0,875
Average of the period (€ per share)	0,925
Daily Trading Volume (€)	78
Daily Trading Volume (shares)	84

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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.

GAV (Liquidation Value):

Assets valuation performed by independent appraisers (Tinsa and 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.

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