

2020 results: A resilient business model

ADVERO PROPERTIES SOCIMI CLOSED 2020 WITH THE COMPLETION OF A NEW ROUND OF FINANCING, OUTSTANDING PERFORMANCE OF ITS ASSETS UNDER OPERATION, GEOGRAPHICAL DIVERSIFICATION WITH 3 NEW ASSETS IN MADRID AND 9.5% SHARE APPRECIATION.

- ADVERO completed a capital increase of 6.8 M€ in June and obtained authorization from its shareholders to complement the share issue with a second tranche amounting to 385,000 additional new shares in the near future, to continue boosting the growth strategy.
- The company complemented its 5-building portfolio around Barcelona with the incorporation of 3 new assets, in Madrid, signifying the achievement of its 2020 goal of geographical diversification.
- ADVERO's strategic positioning in affordable quality rental housing in middle-income areas enabled the company to navigate the challenges from the global health pandemic without significant effects to its turnover.
- The company currently totals an investment of 15.8 M€ in 8 properties consisting of 126 homes in Madrid and the belt of Barcelona, valued at 22.8 M€ (+44 %), with a net financial debt of 0.9 M€. The operation of these assets in a full year should place the company's turnover around 1 M€ compared to 0.61 M€ at end of 2020.
- The shares of the company closed the year with a revaluation of 9.5% and they accumulated a revaluation of 35% since the public listing in early November 2019.

Barcelona, 29th April 2021. - ADVERO Properties Socimi, SA , a Spanish real estate investment trust founded in August 2017 to facilitate the supply of affordable rental housing in middle income areas in Spain, closed the 2020 year with relevant achievements, despite the challenging year due to Covid-19.

ADVERO completed in June 2020 the first tranche of its fourth capital increase for 6.8 million euros at a price per share of 6.5 euros, to finance the acquisition of additional assets and further its geographical diversification. The General Shareholders' Meeting also approved a second tranche of 385,000 new shares to be executed in the near future.

With 5 residential buildings in operation in the outskirts of Barcelona at the end of 2019, the company acquired its first finished property in Madrid in mid-June 2020, located on Teresa Maroto street in the Puente de Vallecas neighbourhood. The property includes 16 apartments and 11 parking spaces. Following this, in October 2020 ADVERO purchased a new asset in the same neighbourhood in Madrid, on Puerto de Tarancon street, comprised of 17 apartments and 15 parking units.

Throughout 2020, ADVERO also completed the refurbishment works on an asset in Madrid, acquired in December 2019: a building on Platano street, with 17 homes. Works on the Platano building, which were required as a result of vandalization following its construction in 2009, concluded at the end of September. However, the lockdown in certain neighbourhoods of Madrid at the end of the year restricted the connection of water and electricity supply to the building, which were finally completed in the first quarter of 2021, enabling the marketing of this property since early April 2021.

These three incorporations to the portfolio signify the achievement of ADVERO's 2020 goal of geographical diversification.

With these new assets, ADVERO currently has eight properties in its portfolio, five of which are located in the Barcelona belt (Rubi, Sabadell and Terrassa) and three in Madrid (Tetuan and Vallecas neighbourhoods). These assets make up a total of 126 homes, 91 parking bays and 52 storage units. Total investment to date amounts to 15,8 million euros for a portfolio valued at 22.8 million euros when in full operation, according to an independent appraisal (revaluation of 44%).

The operation of these assets in a full year should set the company's turnover at around 1 million euros, compared to 0.61 million euros at the end of 2020.

The net financial debt of the company at the date of this writing stands at 0.9 million euros, 3% of the portfolio's value, well below the 30% limit set by the company's board of directors. ADVERO's current debt has an average interest rate of 1.9% and average maturity of 13 years.

Effect of Covid-19 on the business

In a year especially marked by the Covid-19 pandemic, ADVERO's strategic focus on affordable rents for the middle-income class granted the company with a strong position to face this crisis, resulting in limited impact to its turnover in its assets in operation, and a year of notable achievement for its portfolio and shareholders.

Between the months of April to June of 2020, ADVERO handled a limited number of requests from residents for a temporary postponement of part of the rent. None of its residents stopped paying 100% of the rent or requested a renegotiation of the rent, and there were only partial deferrals, 95% of which had been already recovered before the end of the year.

ADVERO's assets in the Barcelona belt showed sustained demand throughout the peak of the pandemic in 2020, with 97% occupancy and a 7% increase in rents, highlighting the resilience of this sector to the pandemic.

Covid-19 did impact ADVERO's recent business in Madrid, as the lockdown in Vallecas and Tetuan districts, plus the offer of tourist apartments for long-lease rents in the city, slowed down the commercialization of ADVERO's new assets in the second half of the year. Following the easing of restrictions and mobility in these neighborhoods, ADVERO has actively begun marketing these assets since the start of 2021 and has already achieved a 67% occupancy rate to date.

Evolution of the profit and loss account for full financial year 2020 and 2019
Table 1. Profit and Loss Account 2019- 2020

(in euros)	2019	2020
Rental Income	412,174	609,375
Other income	77,021	1,047
Total Income	489,195	610,422
Operating expenses	- 206,378 -	195,049
% of turnover	42%	32%
Net Operating Income (NOI)	282,817	415,373
Corporate expenses	-192,061	-352,412
% of turnover	39%	58%
Other income	87,378	14,036
EBITDA	178,134	76,997
Amortization	-90,032	-124,011
EBIT	88,102	-47,014
Financial Result	- 23,378 -	62,306
Net Profit	64,724	-109,191

The company's results in 2020 mainly show:

- a) +25% increased turnover from 0.49 million euros in 2019 to 0.61 million euros in 2020. This increase is a result of the running of all 5 assets in Barcelona for the full financial year, a 7% increase in rental achieved through contract rotations, and a minor amount from two of the new properties in Madrid, due to the entry into operation in late 2020. Not taking into account extraordinary income in 2019, organic income growth in 2020 would be +4,8%
- b) Optimization of operating expenses related to assets, which went from 42% of turnover in 2019 to 32% of turnover in 2020. Without considering extraordinary income in 2019, the ratio would have evolved from 50% over income in 2019 to 32% in 2020.
- c) After the start of trading in the stock exchange in November 2019, the results for 2020 show a significant increase in structure costs, linked to obligations as a listed company (audit, stock exchange fees and related advisers), which represented 58% of turnover in 2020. The weight of these corporate expenses on the turnover, mostly of a fixed nature, should be diluted with the increase in income from the operation of the 8 assets in the portfolio and thereafter.
- d) A positive EBITDA result of 0.77 million euros at the end of 2020.
- e) Increase in amortization in 2020 due to the incorporation of new assets in operation.
- f) Increase in financial expenses, following the full utilization of the credit lines in 2020.

Despite the positive operating performance of the business, ADVERO could not couple increased expenses and amortizations with higher income, because of the delayed running of the 3 new assets in Madrid. This led the company to conclude the year with a negative net result of 0.11 million euros. However, proforma figures for the 8 assets currently in the portfolio operating on a 12-month basis, set the turnover at 1 million euros and net profit at 0.150 million euros, without considering the deployment of available financial resources, either in new investments or in the amortization of the financial debt.

As an individual company, ADVERO prepares its financial statements according to Generally Accepted Accounting Principles in Spain (GAAP). At the end of this results note, the company's balance sheet and profit and loss account are presented according also to International Financial Reporting Standards (IFRS). Following international accounting regulations, ADVERO's net result at the end of 2020 would have been +0.82 million euros, mainly due to the effect of the revaluation of assets in the portfolio. The conversion of GAAP's financial statements to IRFS has not been audited and is presented for comparative purposes only.

Balance sheet

Table 2. Balance sheet as of 31 December, 2020

Assets	31/12/2019	31/12/2020
Non-Current Assets	10,342,433	15,515,976
Intangible assets	1,112	533
Fixed assets	37,132	59,329
Property investments	10,302,981	15,455,329
Long-term financial investments	1,208	785
Current assets	2,581,008	3,747,767
Prepaid Expenses	0	2,420
Accounts receivable	22,928	19,332
Short-term financial investments	59,119	433,944
Current provisions	5,769	7,313
Cash and cash equivalents	2,493,192	3,284,758
TOTAL ASSETS	12,923,441	19,263,743
Equity and Liabilities	31/12/2019	31/12/2020
Shareholders' equity	8,596,212	15,207,196
Share capital	8,146,155	12,131,865
Share premium	853,847	3,643,844
Reserves	-284,473	-338,684
Treasury shares	-195,483	-138,550
Retained earnings	-43,001	-36,530
Contributed capital	29,443	29,443
Annual result	64,724	-109,191
Other equity instruments	25,000	25,000
Non-current liabilities	3,868,848	3,602,691
Long-term debt	3,868,848	3,602,691
Current liabilities	458,381	453,855
Short-term debt	352,622	366,545
Accounts payable	105,759	87,311
TOTAL EQUITY AND LIABILITIES	12,923,441	19,263,743

The balance sheet as of December 31, 2020 mainly includes:

- a) The increase in real estate investments due to the acquisitions on Teresa Maroto street and Puerto de Tarancon street in Madrid, formalized in June and October respectively, as well as the investment for the refurbishment of the asset on Platano street in Madrid.
- b) The increase in short-term financial investments, mainly coming from the investment in Merlin Properties Socimi, S.A., (with a 5% revaluation at the end of 2020).
- c) The remaining cash position of 3.3 million euros following the capital increase in June 2020 and acquisitions completed in the year.
- d) The increase in shareholders' equity as a result of said capital increase.

Following international accounting regulations, ADVERO's asset at the end of 2020 would have been 26.10 million euros (compared to 19.26 million euros in GAAP) and equity would have stood at 21.89 million euros (compared to 15.21 million euros in GAAP). The conversion of GAAP's financial statements to IFRS has not been audited and is done for comparative purposes only.

Shareholders' profitability and inflation hedging

In the three years since the start of activity, ADVERO has consolidated a value generating business model, which in 2020 showed a significant resilience in the face of the Covid-19 crisis.

ADVERO has achieved an annual internal rate of return on investments in real estate assets (total ROA) of 30%, based on a 5% net yield capital invested and a 44% accumulated revaluation of the portfolio.

At the end of 2020, ADVERO's net asset value (NAV) stood at 22.5 million euros, which translated into a NAV/share of €8.62. The NAV per share should be adjusted upwards following the deployment of the financial resources currently available in the company.

The company began trading on the BME MTF Equity (previously MAB) on November 8, 2019 at a value of 6.50 euros per share. At the closing of 2020, the company's shares traded at 8.75 euros, having achieved a revaluation of 35% since listing and a 9.5% over the 2020 year. This has been driven by the value generation that the company has been achieving with the incorporation of new assets to its portfolio and their improved management, which placed its market capitalization at 21.23 million euros at 2020 year end.

Additionally, ADVERO defines itself as an interesting hedging tool against expected increasing inflation in the coming years, due the direct connection between inflation, salaries and house rents in the company's core niche: affordable rental housing for the middle-income class population.

About ADVERO Properties SOCIMI, S.A.

ADVERO Properties SOCIMI, S.A. is a Spanish publicly traded real estate investment trust established in August 2017 with the aim of facilitating the supply of quality affordable rental housing in middle income areas in Spain. The company concentrates its investments exclusively in residential assets, located on the outskirts of large cities or middle-income neighbourhoods, with full ownership of the property to facilitate the creation of cohesive tenant communities.

About ADVERO shares

Shares outstanding: 2.426.373 shares

Market capitalisation on 31/3/2021: 21,5 M€

Trading exchange: BME MTF Equity (Spain)

Trading ticker: YADV

ISIN: ES0105448007

More information is available in the “Investors” section in www.adveroproperties.com

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Appendix 1: Financial statements

Balance Sheet as of 31 December 2020 (according to Spanish GAAP)

Audited balance sheet as of 31 December 2019 and 2020.

Prepared according to the Generally Accepted Accounting Principles in Spain (GAAP)

Assets	31/12/2019	31/12/2020
Non-Current Assets	10,342,433	15,515,976
Intangible assets	1,112	533
Fixed assets	37,132	59,329
Property investments	10,302,981	15,455,329
Long-term financial investments	1,208	785
Current assets	2,581,008	3,747,767
Prepaid Expenses	0	2,420
Accounts receivable	22,928	19,332
Short-term financial investments	59,119	433,944
Current provisions	5,769	7,313
Cash and cash equivalents	2,493,192	3,284,758
TOTAL ASSETS	12,923,441	19,263,743
Equity and Liabilities	31/12/2019	31/12/2020
Shareholders' equity	8,596,212	15,207,196
Share capital	8,146,155	12,131,865
Share premium	853,847	3,643,844
Reserves	-284,473	-338,684
Treasury shares	-195,483	-138,550
Retained earnings	-43,001	-36,530
Contributed capital	29,443	29,443
Annual result	64,724	-109,191
Other equity instruments	25,000	25,000
Non-current liabilities	3,868,848	3,602,691
Long-term debt	3,868,848	3,602,691
Current liabilities	458,381	453,855
Short-term debt	352,622	366,545
Accounts payable	105,759	87,311
TOTAL EQUITY AND LIABILITIES	12,923,441	19,263,743

Profit & Loss Account (according to GAAP)

Audited profit and loss account of 2019 and 2020.

Prepared according to the Generally Accepted Accounting Principles in Spain (GAAP)

Profit & Loss Account	2019	2020
A) CONTINUING OPERATIONS		
1. Total Income	412,173	609,504
a) Rendering of Services	412,173	609,504
2. Other operating income	77,021	1,047
a) Non-core and other current operating revenues	8,740	1,047
b) Income from other grants, donations and bequests	68,281	-
3. Other expenses	-398,438	-547,461
a) External services	-369,346	-509,297
b) Taxes	-29,093	-38,104
c) Other operating losses	-	-60
4. Amortization of Property, Plant & Equipment	- 90,032	-124,011
5. Other results	87,379	14,036
A.1) EARNINGS BEFORE INTEREST AND TAX	88,102	-46,885
6. Financial income	39	7,045
a) Gains on investments and debt securities	-	6,781
a1) From third parties	-	6,781
b) Other finance income	39	264
b1) From third parties	39	264
7. Financial expenses	- 23,410	-95,065
a) Interest on debt with financial institutions	- 23,410	-82,978
8. Variation on fair value measurement of financial instruments	-	25,714
a) Gains on trading portfolio	-	25,714
9. Exchange rate differences	-7	-
A.2) FINANCIAL RESULT	-23,378	62,306
A.3) EARNINGS BEFORE TAXES	64,724	-109,191
10. Income tax	-	-
A.4) NET RESULT	64,724	-109,191

Balance Sheet as of 31 December 2020 (according to IFRS)

Balance sheet as of 31 December 2019 and 2020.

Proforma statement prepared in-house according to International Financial Reporting Standards (IFRS) for comparative purposes only. Unaudited conversion from PGC to IFRS. The transition from IAS 1 of first adoption of IFRS has not been followed.

Assets	31/12/2019	31/12/2020
Non-Current Assets	16,187,410	22,354,647
Intangible assets	1,112	533
Fixed assets	37,132	59,329
Property investments	16,147,959	22,294,000
Long-term financial investments	1,208	785
Current Assets	2,581,007	3,747,767
Accounts receivable	22,927	21,752
Short-term financial investments	59,119	433,944
Current provisions	5,769	7,313
Cash and cash equivalents	2,493,192	3,284,758
TOTAL ASSETS	18,768,418	26,102,414
Equity and Liabilities	31/12/2019	31/12/2020
Shareholders' equity	14,363,225	21,888,698
Share capital	8,146,155	12,131,865
Share premium	853,847	3,643,844
Retained earnings	-287,747	4,298,018
Treasury shares	-195,483	-138,550
Other equity instruments	1,128,303	1,661,732
Retained earnings	5,821,452	825,219
Adjustments for change in value	-1,103,303	-533,428
Non-current liabilities	3,946,812	3,759,861
Long-term debt	3,946,812	3,759,861
Current liabilities	458,381	453,855
Short-term debt	352,622	366,545
Accounts payable	105,759	87,311
TOTAL EQUITY AND LIABILITIES	18,768,418	26,102,414

Profit & Loss Account (according to IFRS)

Profit and loss account of 2019 and 2020.

Proforma statement prepared in-house according to International Financial Reporting Standards (IFRS) for comparative purposes only. Unaudited conversion from PGC to IFRS. The transition from IAS 1 of first adoption of IFRS has not been followed.

PROFIT & LOSS ACCOUNT (IFRS)	2019	2020
A) CONTINUING OPERATIONS		
1. Total Income	412,173	609,504
a) Rendering of Services	412,173	609,504
2. Other operating income	77,021	1,047
a) Non-core and other current operating revenues	8,740	1,047
b) Income from other grants, donations and bequests	68,281	-
Other expenses	-398,438	-547,461
a) External services	-369,346	-509,297
b) Taxes	-29,093	-38,104
c) Other operating losses	-	-60
4. Variation in the fair value of real estate investments	5,747,641	875,132
5. Amortization of Property, Plant & Equipment	-2,980	-5,449
6. Other results	87,379	14,036
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A.1) EARNINGS BEFORE INTEREST AND TAX	5,922,795	946,809
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7. Financial income	39	7,044
a) Gains on investments and debt securities	-	6,781
a1) From third parties	-	6,781
b) Other finance income	39	263
b1) From third parties	39	263
8. Financial expenses	-23,410	-82,978
a) Interest on debt with financial institutions	-23,410	-82,978
9. Variation on fair value measurement of financial instruments	-77,964	-45,656
a) Losses on financial instruments designated by the company	-77,964	-71,370
b) Gains on trading portfolio	-	25,714
10. Exchange rate differences	-7	-
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A.2) FINANCIAL RESULT	-101,343	-121,590
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A.3) EARNINGS BEFORE TAXES	5,821,452	825,219
10. Income tax	-	-
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A.4) NET RESULT	5,821,452	825,219

The net result for 2019 includes the accumulated revaluation of the assets in the portfolio at the end of that year, as that was the first closing after the listing on the stock exchange and the first year for which an independent asset appraisal is available.