Consolidated Group REALIA Accounts

2015

REALIA

Realia Business, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2015 and Consolidated Directors' Report, together with Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

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INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Realia Business, S.A. and Subsidiaries,

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Realia Business, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

Directors' Responsibility for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of Realia Business, S.A. and Subsidiaries in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's directors of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of Realia Business, S.A. and Subsidiaries as at 31 December 2015, and their consolidated results and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Emphasis of Matters

We draw attention to Note 2-h, which indicates that the Group has changed its policy for presenting investment property from the lower of acquisition cost or market value to fair value, which is determined on the basis of appraisals conducted by independent valuers based on estimates of future cash flows, expected returns and other variables. The aforementioned situation, which should be taken into account when interpreting the accompanying consolidated financial statements, made it necessary to adjust the comparative figures for 2014 which, as a consequence, differ from those included in the consolidated financial statements for 2014.

As indicated in Note 19 to the accompanying consolidated financial statements, in December 2015 the Parent completed the refinancing of the syndicated loan associated with its property development business in order to comply with the financial viability plan at short and medium term and to significantly reduce financial debt. The new refinancing conditions establish May 2016 as the maturity date for the aforementioned loan and set up a new payment schedule. Also, a debt reduction is established for the outstanding debt conditional upon compliance with certain conditions precedent and subsequent as well as on the fulfilment of all the scheduled payment milestones detailed in the aforementioned Note.

At the date of this report, the conditions precedent and all the scheduled payment milestones apart from the last, which is scheduled to mature on 31 May 2016 and has been secured, have been met.

Our opinion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2015 contains the explanations which the Parent's directors consider appropriate about the situation of Realia Business, S.A. and Subsidiaries, the evolution of their business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2015. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Realia Business, S.A. and Subsidiaries.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Miguel Laserna Niño
26 February 2016

Realia Business, S.A. and Subsidiaries Consolidated

Consolidated Financial Statements for the year ended 31 December 2015 and Consolidated Directors' Report, together with Independent Auditors' Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.

REALIA BUSINESS S.A. AND SUBSIDIARIES (REALIA GROUP)

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2015

(Thousands of Euros)

ASSETS	31/12/2015	31/12/2014 *	01/01/2014	EQUITY AND LIABILITIES	31/12/2015	31/12/2014 *	01/01/2014
NON-CURRENT ASSETS				**EQUITY (Note 16)**			
Intangible assets (Note 8)	31	47	347	Share capital	110,580	73,769	73,769
Property plant and equipment (Note 9)	5,346	6,022	8,997	Share premium	318,391	266,242	266,242
Investment property (Note 10)	1,354,436	1,320,839	2,798,820	Reserves	69,559	146,416	146,491
Investments in associates (Note 11)	47,323	44,500	41,441	Less: Treasury shares	(675)	(675)	(1,208)
Non-current financial assets (Note 14.2)	1,250	12,984	12,374	Valuation adjustments	(822)	(2,160)	(15,406)
Deferred tax assets (Note 21)	120,817	120,569	149,641	Total equity attributable to the Parent	17,205	(77,492)	-
Other non-current assets (Note 15.3)	8,800	9,038	8,723	**Total equity attributable to the Parent**	**514,238**	**406,100**	**469,888**
				Non-controlling interests (Note 17)	**227,948**	**224,601**	**469,888**
Total non-current assets	**1,538,083**	**1,513,999**	**3,020,343**	**Total Equity**	**742,186**	**630,701**	**1,110,233**
				NON-CURRENT LIABILITIES			
				Long-term provisions (Note 18)	6,867	7,598	8,313
				Non-current financial liabilities:			
				Bank borrowings (Note 19)	665,448	855,493	1,524,236
				Other financial liabilities (Note 19)	96,215	600,752	437,484
				Deferred tax liabilities (Note 21)	135,562	126,385	153,398
				Other non-current liabilities (Note 20.a)	16,008	16,017	20,258
				Total non-current liabilities	**920,100**	**1,606,245**	**2,143,689**
CURRENT ASSETS				**CURRENT LIABILITIES**			
Non-current assets classified as held for sale	-	-	2,500	Short-term provisions (Note 18)	1,462	1,538	3,500

Inventories (Note 13)	376,345	402,876	450,087	Current financial liabilities:			
Trade and other receivables (Note 14.1)							
Trade receivables for sales and services	11,945	12,384	44,581	Bank borrowings (Note 19)	104,359	97,020	144,778
Other receivables	93,060	3,673	3,289	Other financial liabilities (Note 19)	454,206	219,986	204,559
Current tax assets (Note 14.2)	3,381	2,326	898	Trade and other payables (Note 20.b)			
Other current financial assets (Note 14.2)	34,407	25,249	24,950	Payable to suppliers	6,810	8,272	12,093
Other current assets (Note 14.3)	3,618	3,343	4,290	Other payables	13,850	16,085	35,876
Cash and cash equivalents (Note 15)	183,870	617,545	120,946	Current tax liabilities (Note 21)	1,267	1,046	122
				Other current liabilities (Note 20.c)	469	502	17,034
Total current assets	**706,626**	**1,067,396**	**651,541**	**Total current liabilities**	**582,423**	**344,449**	**417,962**
TOTAL ASSETS	**2,244,709**	**2,581,395**	**3,671,884**	**TOTAL EQUITY AND LIABILITIES**	**2,244,709**	**2,581,395**	**3,671,884**

(*) Restated non-audited figures according to change in criterion for the application of NIC at reasonable value, see Notes 2.g and 2.h.

Notes 1 to 30 described on the Annual Report and Appendices are an integral part of the consolidated balance sheet as at December 31 2015.

REALIA BUSINESS, S.A. AND SUBSIDIARIES (REALIA GROUP)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR 2015

(Thousands of Euros)

	2015	**2014(*)**
Revenues (Note 23.a)	75,983	97,631
Other operating income (Note 23.b)	18,831	17,716
Changes in inventories of finished goods and work in progress (Note 13)	(14,177)	(36,394)
Procurements (Note 23.c)	(792)	(7,980)
Staff costs (Note 23-d)	(8,971)	(9,118)
Other operating expenses (Note 23-c)	(30,522)	(30,927)
Changes in write-downs, impairment losses and provisions (Note 23-i)	(11,596)	5,244
Gains or losses on sale of investment property (Notes 4.v and 10)	115	39
Provision for amortization (Notes 8 and 9)	(444)	(454)
Gains or losses on disposals of fixed assets (Notes 8 and 9)	(9)	-
Other losses	(7)	(61)
PROFIT (LOSS) FROM OPERATIONS	**28,411**	**35,696**
PROFT (LOSS) FROM VARIATION OF PROPERTY INVESTMENT (Notes 2.h, 2.i and 10)	**26,757**	**(521)**
Finance income (Note 23-f)	5,306	5,054
Finance costs (Note 23-f)	(24,778)	(43,583)
Impairment and gains or losses on disposals of financial instruments (Notes 23-f and 23-h)	36	(1,137)
FINANCIAL PROFIT/LOSS	**(19,436)**	**(39,666)**
Result of companies accounted for using the equity method (Notes 11 and 23-e)	3,289	2,643
Net impairment of non-current assets (Notes 9 and 10)	(2)	
EARNING BEFORE TAXES	**39,019**	**(1,848)**
Income tax (Note 21)	(12,972)	(2,424)
PROFIT/LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**26,047**	**(4,272)**
PROFIT FROM DISCONTINUED OPERATIONS (Note 2.f, 2.i)	**-**	**(107,606)**
CONSOLIDATED EARNINGS FOR THE YEAR	**26,047**	**(111,878)**
Attributable to:		
Shareholders of the Parent	17,205	(77,492)
Non-controlling interests (Note 17)	8,842	(34,386)
Earnings per share:		
From continuing operations (€/share)		
Basic	0.056	(0.253)

Diluted	0.056	(0.253)

(*) Restated, non-audited figures according to the change in criterion for the application of IAS 40 at a reasonable value; see Notes 2.g and 2.h.

The accompanying Notes 1 to 30 described in the Annual Report and Appendices are an integral part of the consolidated statement of profit or loss for 2015.

REALIA BUSINESS, S.A. AND SUBSIDIARIES (REALIA GROUP)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2015

A) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Thousands of Euros)

	(Debit)/ Credit	
	2015	2014(*)
CONSOLIDATED RESULT FOR THE YEAR (from profit and loss account)	**26,047**	**(111,878)**
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		
Arising from cash flow hedges	-	594
Translation differences	18	102
Tax effect	-	(120)
	18	**576**
TRANSFERS TO PROFIT OR LOSS		
Arising from cash flow hedges (Notes 23.f)	-	19,198
Tax effect	-	(3,884)
		15,314
TOTAL RECOGNISED INCOME AND EXPENSES	**26,065**	**(95,988)**
A) Attributable to the Parent	17,223	(64,246)
B) Attributable to non-controlling interests	8,842	(31,742)

(*) Restated, non-audited figures according to the change in criterion for the application of NIC40 at a reasonable value; see Notes 2.g and 2.h.

The accompanying Notes 1 to 30 described in the Annual Report and Appendices are an integral part of the consolidated statement of profit or loss for 2015.

REALIA BUSINESS, S.A. AND SUBSIDIARIES (REALIA GROUP)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2015

B) CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY (Thousands of Euros)

	Thousand Euros										
	Share capital	Share Premium	Reserves of the Parent	Treasury Shares	Consolidation Reserves	Hedges	Translation Differences	Result for the year	Equity attributable to shareholders of the Parent	Non-controlling Interests	Total Equity
Balances at 31 December 2014	**73,769**	**266,242**	**(72,313)**	**(1,208)**	**254,157**	**(13,144)**	**(2,262)**	**(35,353)**	**469,888**	**640,345**	**1,100,233**
Income and expenses recognized in the year	**-**	**-**	**-**	**-**	**-**	**13,144**	**102**	**(77,492)**	**(64,246)**	**(31,742)**	**(95,988)**
Allocation of 2013 result:											
To reserves	-	-	(64,160)	-	28,807	-	-	35,353	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	(13,367)	(13,367)
Interim dividends	-	-	-	-	-	-	-	-	-	(965)	(965)
Treasury share transactions (Note 16)	-	-	113	533	-	-	-	-	646	-	646
Changes in the scope of consolidation(Note 2.f)	-	-	-	-	(188)	-	-	-	(188)	(369,670)	(369,858)
Balances at 31 December 2014 (*)	**73,769**	**266,242**	**(136,360)**	**(675)**	**282,776**	**-**	**(2,160)**	**(77,492)**	**406,100**	**224,601**	**630,701**
Income and expense recognized in the year	**-**	**-**	**-**	**-**	**-**	**-**	**18**	**17,205**	**17,223**	**8,842**	**26,065**
Allocation of 2014 result:											
To reserves	-	-	(41,327)	-	(36,165)	-	-	77,492	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	(3,111)	(3,111)
Interim dividends	-	-	-	-	-	-	-	-	-	(2,131)	(2,131)
Capital increases and reductions (Note 16)	36,811	52,149	(90)	-	-	-	-	-	88,870	-	88,870
Changes in scope of consolidation (Note 2.f)	-	-	-	-	(1,391)	-	1,320	-	(71)	(252)	(323)
Others	-	-	-	-	2,116	-	-	-	2,116	(1)	2,115
Balances at 31 December 2015	**110,580**	**318,391**	**(177,777)**	**(675)**	**247,336**	**-**	**(822)**	**17,205**	**514,238**	**227,948**	**742,186**

(*) Restated, non-audited figures according to the change in criterion for the application of NIC40 at a reasonable value; see Notes 2.g and 2.h.

The accompanying Notes 1 to 30 described in the Annual Report and Appendices are an integral part of the consolidated statement of profit or loss for 2015.

REALIA BUSINESS, S.A. AND SUBSIDIARIES (REALIA GROUP)
CONSOLIDATED STATEMENT OF CASH-FLOWS FOR 2015
(Thousands of Euros)

	2015	2014(*)
1. Profit/loss before tax	**39,019**	**(1,848)**
2. Adjustments for:	**1,536**	**34,382**
a) Depreciation and amortization charge (Notes 8 and 9)	444	454
b) Other adjustments to profit or loss	1,092	33,928
3. Changes in working capital:	**9,875**	**38,073**
a) Inventories, trade and other receivables and other current assets (Notes 13 and 14.1)	13,823	47,122
b) Trade and other payables and other current liabilities (Note 20)	(3,948)	(9,049)
4. Other cash flows from operating activities:	**(4,690)**	**8,735**
a) Dividends received	467	14,480
b) Income tax recovered/paid	(4,886)	(5,192)
c) Other amounts received/paid relating to operating activities	(271)	(553)
5. Net cash flows from operating activities of discontinued operations	**-**	**3,572**
A CASH FLOWS FROM OPERATING ACTIVITIES	**45,740**	**82,914**
1. Payments due to investment:	**(5,664)**	**(35,543)**
a) Property, plant and equipment, intangible assets and investment property (Notes 8, 9 and 10)	(5,455)	(34,766)
b) Other financial assets	(209)	(777)
2. Proceeds from disposals:	**783**	**541,325**
b) Property, plant and equipment, intangible assets and investment property (Notes 8, 9 and 10)	378	38
c) Other assets (Note 2.f)	405	745
d) Other financial assets	-	540,542
3. Other cash flows from investing activities:	**7,354**	**3,969**
a) Interests received	5,290	5,505
b) Other proceeds/payments relating to investing activities	2,064	(1,536)
4. Net cash flows from investing activities of discontinued operations	**-**	**(9,144)**
B CASH FLOWS FROM INVESTING ACTIVITIES	**2,473**	**500,607**
1. Proceeds and payments relating to equity instruments:	**2,027**	**649**
a) Issue	(91)	-
b) Amortization	(2)	-
c) Purchase	2,120	(1,059)
d) Disposal	-	1,708

2. Proceeds and payments relating to financial liability instruments:	**(466,530)**	**(26,963)**
a) Issue	13,302	6,031
b) Repayment and redemption	(478,832)	(32,994)
3. Dividends and returns on other equity instruments paid	**(4,076)**	**(4,247)**
4. Other cash flows from financing activities	**(13,304)**	**(28,801)**
a) Interest paid	(12,562)	(30,479)
b) Other proceeds/payments relating to financial activities	(742)	1,678
5. Net cash flows from financing activities of discontinued operations	**-**	**(27,548)**
C CASH FLOWS FROM FINANCING ACTIVITIES	**(481,883)**	**(86,910)**
D EFFECT OF FOREIGN EXCHANGE RATE CHANGES AND OTHERS	**(5)**	**(12)**
E NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**(433,675)**	**496,599**
F CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**617,545**	**120,946**
G CASH AND CASH EQUIVALENTS AT END OF YEAR	**183,870**	**617,545**

(*) Restated, non-audited figures according to the change in criterion for the application of NIC40 at a reasonable value; see Notes 2.g and 2.h.

The accompanying Notes 1 to 30 described in the Annual Report and Appendices are an integral part of the consolidated statement of profit or loss for 2015.

Consolidated financial statements for the year ended 31 December 2015

1. Activities of the Realia Group

The Group companies listed in Appendices I and II engage mainly in the development and operation of real estate business. At 2015 year-end, these activities are carried out in Spain, Portugal, Poland and Romania.

The Parent was incorporated on August 14 1997 as a result of the spin-off of Proyectos y Desarrollos Urbanísticos, S.A. (PRODUSA) into Produsa Este, S.L. and Produsa Oeste, S.L. Its registered office is currently located at Paseo de la Castellana 216, Puerta de Europa, Madrid. On April 13 2000, the Parent became a public limited liability company. On May 5 2000, the shareholders at the Annual General Meeting of Produsa Este, S.A. approved the contribution of equity resulting from the spin-off of FCC Inmobiliaria, S.A. and of the equity investments corresponding to Activos Inmobiliarios Caja Madrid, S.L., Centro Inmobiliario Caja Madrid, S.A., Técnicas de Administración y Mantenimiento Inmobiliario, S.L.U. and Planigesa, S.A. (some non-controlling interests). On March 14 2001, the plan was approved for the merger by absorption of Realia Business, S.A. (the acquiring company) and the companies wholly owned directly or indirectly by it, Centro Inmobiliario Caja Madrid, S.L. (Sole Shareholder company), Diagonal Sarriá, S.A. Unipersonal and Activos Inmobiliarios Caja Madrid, S.L. (Sole Shareholder company) (the acquired companies). This merger plan was filed at the Madrid Mercantile Registry on March 28 2001, and was approved by the shareholders of these companies at their respective General Meetings held on April 5 2001. On June 8 2005, the plan was approved for the merger by absorption of Realia Business, S.A. and Sempreda, S.L. a company wholly owned directly by it. This merger plan was filed at the Mercantile Registry on September 26 2005. The legally required disclosures relating to these mergers were included in the separate financial statements of Realia Business S.A. for the related years. On February 5 2007, the shareholders at the Annual General Meeting of Realia Business, S.A. resolved to restructure the Group through the incorporation of a new company known as Realia Patrimonio, S.L.U. (wholly owned by Realia Business, S.A.), to which the property management business of the Realia Group was contributed.

The object and main business of the Parent since its incorporation have been the performance of all activities aimed at the acquisition, disposal, encumbrance, lease, development, construction, urban development, subdivision and operation, by any lawful means, of all manner of rural or urban property assets and rights.

2. Basis of presentation of the consolidated financial statements

a) Basis of presentation

The consolidated financial statements for 2015 of the Realia Business Group (hereinafter, “the Realia Group”), which were prepared from the accounting records kept by the Parent and by the other Realia Group companies (listed in Appendices I and II), were authorized for issue by the directors of the Parent at the Board Meeting held on February 26, 2016.

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs), taking into account all the mandatory accounting principles and rules and measurement bases, so that they present fairly the

Realia Business Group's consolidated equity and financial position as of 31 December 2015 and the results of its operations, the changes in the consolidated equity and the consolidated cash flows in the year then ended.

However, since the accounting policies and measurements bases used in preparing the Group's consolidated financial statements for 2015 may differ from those used by certain companies of the Group, the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with International Financial Reporting Standards as adopted by the European Union.

In order to uniformly present the various items composing the consolidated financial statements, the accounting policies and measurement bases used by the Parent were applied to all the consolidate companies.

The Group's consolidated financial statements for 2014, prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union, were approved by the shareholders at the Annual General Meeting of the Parent held on 22 June 2015. The consolidated financial statements of the Group and the financial statements of the Group entities for 2015 have not yet been approved by their shareholders at their respective Annual General Meetings. However, the Parent's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

b) Measurement currency

These financial statements are presented in euros since this is the currency of the primary economic environment in which the Group operates. Foreign operations are recognized in accordance with the policies established in Note 4.s.

c) Responsibility for the information and use of estimates

The information in these consolidated financial statements is the responsibility of the directors of the Group's Parent.

In the Group's consolidated financial statements for 2015 the senior executives of the Group and the consolidated companies, later ratified by the directors, in order to quantify certain of the assets, liabilities, income, expenses and obligations reported therein, occasionally made estimates. The estimates refer to the following:

- The useful life of the intangible assets, property, plant and equipment and investment property (Notes 4.a and 4.b)
- The fair value of certain unquoted assets (Notes 4.d and 4.f)
- The fair value of some financial instruments (Notes 4.i and 4.j)
- The amount of certain provisions (Notes 4.l and 4.m)
- The recoverability of deferred tax assets (Note 4.ñ)

The market value on the Group's property assets was calculated based on appraisals conducted by independent valuation experts (Notes 4.c, 4.f and 10).

Although these estimates were made on the basis of the best information available at 31 December 2015 on the events analyzed, future events might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS8, recognizing the effects of the change on the related consolidated statements of profit or loss.

d) Basis of consolidation

Subsidiaries

The subsidiaries listed in Appendix I, the financial and operating policies of which are controlled by Realia Business S.A., either directly or through other companies controlled by it, were fully consolidated.

The interest of non-controlling shareholders in the equity and profit or loss of the consolidated companies is presented within equity under “Non-controlling interests” in the accompanying consolidated balance sheet and under “Profit (Loss) for the Year – Attributable to Non-Controlling Interests” in the accompanying consolidated statement of profit or loss, respectively.

Joint ventures

In 2015, the Group carried on jointly-managed business activities through interests in joint property entities. These entities were included in the accompanying consolidated financial statements on the basis of the percentage share of the assets, liabilities, income and expenses arising from their operations, and any reciprocal receivables and payables and any income, expenses, gains and losses not realized vis-á-vis third parties were eliminated (see Appendix III).

Associates

The companies listed in Appendix II, over which Realia Business, S.A. does not exercise control but rather has a significant influence, are included under “Investment in Associates” in the accompanying consolidated balance sheet at the underlying carrying amount of the ownership interest. The share in after-tax profit or loss for the year of these companies is recognized under “Result of Companies Accounted for Using the Equity Method” in the accompanying consolidated statement of profit or loss.

Transactions between Group companies

Gains or losses on intra-Group transactions between consolidated companies are eliminated and are deferred until they are realized vis-à-vis third parties. The capitalized expenses of the Group work on non-current assets are recognized at production cost, and any intra-Group results are eliminated.

Receivables and payables between consolidated Group companies and any intra-Group income and expenses were eliminated.

e) First-time consolidation difference

Since 1 January 2004, the date of the Group's transition to EU-IFRSs, on acquisition, the assets and contingent liabilities of a subsidiary have been measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. If a deficiency of the acquisition cost below the fair values of the identifiable net assets acquired (i.e. a discount on acquisition) is disclosed, the measurements of the net assets are reviewed and, where appropriate, the deficiency is credited to profit or loss in the period in which the acquisition is made.

f) Changes in the scope of consolidation

The changes in the scope of consolidation of the Realia Group (comprising Realia Business, S.A. and its subsidiaries) in 2015 and 2014 were as follows:

Inclusions in the scope of consolidation
There were no additions to the scope of consolidation of the Realia Group in 2015 and 2014.

Exclusions from the scope of consolidation

- 2015:
  In April 2015, the company Wilanow Realia SP, ZOO, 100% owned by the Group, was liquidated. This operation generated a profit of 36 M Euros, registered under the heading "Impairment and result of disposals of financial instruments" in the attached consolidated profit and loss account. Additionally, it generated a decrease of EUR 71 Million in equity.

  In July 2015, the company Sociedad Fomento Inmobiliario Levantino, 51% of whose share capital was owned by the Realia Group, S.L., was liquidated. This transaction produced no profit or loss. Additionally, this variation represented a reduction of EUR 252 thousand in the amount controlled by external partners.

- 2014:
  On 5 February 2014, the dissolution and liquidation of Mindaza, S.L.U. was executed in a public deed, Realia Business S.A. being the sole liquidator.
  In May 2014, the shareholders at the Annual General Meeting of Realia Zarea SRL unanimously resolved the dissolution and liquidation of the company – which is fully owned by the Group – giving rise to a reduction in consolidated reserves of EUR 209,000.

In May 2014, the Company reached an agreement for the sale of its entire ownership interest in the SIIC de Paris Group, which represented 58.98% at the time of signature. The agreement provided for a price of EUR 22 per share (EUR 558.9 million in total) less the dividends paid by SIIC dee Paris Group at the transaction closing date (EUR 14.5 million). The costs associated to the aforementioned sale amounted to EUR 4.4 million.

On July 18 2014, final approval was received from the French National Competition Commission to permit the completion of the sale transaction, which became effective on 23 July 2014. This transaction gave rise to a loss attributable to the Parent of EUR 67.9 Million, which is recognized under “Profit or Loss from Discontinued Operations” in the accompanying consolidated statements of profit or loss. This loss reflects the change in criterion due to the application of IAS 40 at Fair Value, see Note 2.1; this classification, pursuant to IFRS 5, responds to the discontinuation of the business activities of the Realia Business Group in the French market. Irrespective of the restatement at a reasonable value of the investment properties, this transaction gave rise to a gain attributable to the Parent of EUR 4.2 Million, as indicated in the 2014 annual accounts.

In November 2014, the sale was completed on the entire ownership interest in Setecampos, which represented 50% of the share capital. At 2013 year-end, the value of this ownership interest was adjusted to its net selling price, as there was a firm sales commitment. In 2014, additional losses for transaction costs amounting to EUR 95 thousand were recognized.

Other changes in the scope of consolidation

- 2015:

  On 26 May 2015, Guillena Golf, S.A. increased its share capital by EUR 30 million, with a share premium of EUR 270 million, with the purpose of restoring its equity position. On the same date, a reduction in the share capital was agreed for an amount of EUR 398 Million, resulting in a final share capital of EUR 4 Million, and creating a restrictive voluntary reserve.

  In December 2015, Desarrollo Urbanístico Sevilla Este, S.L. (DUSE) made a capital decrease against share Premium and results from previous years with the goal of restoring its equity position.

- 2014:

  On 24 September 2014, Realia Business Portugal Unipessoal Lda. approved the payment of supplementary contributions by the sole shareholder amounting to EUR 750,000 in order to meet possible cash deficits, which was fully subscribed and paid by the Parent of the Group.

  In October 2014, Guillena Golf S.A. increased share capital by EUR 30,000, with a share premium of EUR 270,000, in order to restore its equity position, which was fully subscribed and paid by the Parent of the Group.

In June 2014, Wilanow Realia SP increased share capital by EUR 1,886 thousand, which was paid by Realia Business through the partial conversion into capital of the loan held by the latter. Consequently, the ownership interest in the company rose from 38.47% to 51.65%, thereby reducing the ownership interest of the other shareholder, Realia Polska Inwestycje S.P. ZOO, from 61.53% to 48.35%.

g) Comparative information

The information contained relating to 2014 contained in the consolidated financial statements is presented solely for comparison purposes with similar information relating to the year ended 31 December 2015.

In 2015, the Realia Group decided to change the accounting standard for its property investments, from cost to market value, pursuant to IAS 40. The information relating to 2014 contained in the accompanying consolidated financial statements includes the non-audited restatement required by the change in the standard and therefore, differs from that contained in the consolidated financial statements for 2014.

h) Changes in accounting policies

During 2015, the Group decided to change the accounting policy for its property investments, from cost to market value, pursuant to the provisions of IAS40. This change in policy was made in order to facilitate the comparison with the rest of European listed real estate companies, which mainly use the market value, since this method is a more accurate reflection of the Group's equity.

Furthermore, according to the aforementioned accounting standard, the balance sheet includes a third column corresponding to the beginning of 2014, which is included for the purposes of comparison.

The market value of property investments has been obtained from the valuations by independent experts (see Note 10). The effect of the change in standard entailed the restatement of the 2014 accounts, and the annual variation in value of the property investments is recognized under "Variations in value of property investments" in the consolidated profit and loss account, and under "Profit or loss in the year from discontinued operations", the latter reflecting the variation resulting from the Group SIIC de Paris. The impacts of this change resulted in the accounting of a negative result of EUR 75,494 thousand in 2014. Additionally, the change of standard generated an effect in its net reserves of its tax effect of EUR 404,625 thousand, with a total effect on the Net Worth as of 31 December 2014 of EUR 329,131 thousand. The effects of this change are detailed in the following Note 2.i.

i) Conciliation of balances as of 31 December 2014 (application of IAS 40)

The detailed consolidated balance sheet as of 31 December 2014, restated due to the change in the accounting standard from cost to market value, is the following:

	Thousand Euros				
	31.12.2014 (*) at cost	Effect 31/12/2013	Effect 31/12/2014	31.12.2014 At market value	Reference
Property investments	885,679	535,068	(99,908)	1,320,839	(a)
Investments in associates	40,262	1,201	3,037	44,500	(b)
Rest of non-current assets	148,660	-	-	148,660	
Total non-current assets	**1,074,601**	**536,269**	**(96,871)**	**1,513,999**	
Total current assets	**1,067,396**	**-**	**-**	**1,067,396**	
Total assets	**2,141,997**	**536,269**	**(96,871)**	**2,581,395**	
Reserves in consolidated companies	4,017	278,780	(21)	282,776	(c)
Result for the year attributable to the Parent	(39,614)	-	(37,878)	(77,492)	(e)
Rest of net equity attributable to the Parent	200,816	-	-	200,816	
Non-controlling interests	136,351	125,845	(37,595)	224,601	(d)
Total net equity	**301,570**	**404,625**	**(75,494)**	**630,701**	
Liabilities by deferred tax	16,118	131,644	(21,377)	**126,385**	(f)
Rest of non-current liabilities	1,479,860	-	-	**1,479,860**	
Total non-current liabilities	**1,495,978**	**131,644**	**(21,377)**	**1,606,245**	
Total current liabilities	**344,449**	**-**	**-**	**344,449**	
Total liabilities	**2,141,997**	**536,269**	**(96,871)**	**2,581,395**	

(*) Taken from the 2014 consolidated financial statements, prepared pursuant to the accounting standards and rules applicable on that date.

The details of the main adjustments made as a result of the change in standard are the following:

(a) Effect on property investments (IAS 40). Includes the reversion of amortizations and provisions.
(b) Effect of the equity method on share value
(c) Effect on reserves, net from tax effect
(d) Effect on non-controlling interests
(e) Effect on the result attributed to the Parent in 2014
(f) Fiscal impact of the change in standard

The change in criterion, from cost to reasonable value on the profit and loss account in 2014 produced the following result:

	31.12.2014(*) at cost	Effect of change in standard 31.12.2014	31.12.2014 at market value	Reference
Net revenues	97,631	-	97,631	
Other operating revenues	17,716	-	17,716	
Changes in inventories of finished goods and work in progress	(36,394)	-	(36,394)	
Procurements	(7,980)	-	(7,980)	
Staff costs	(9,118)	-	(9,118)	
Other external expenses	(30,927)	-	(30,927)	
Variation in operating provisions	5,244	-	5,244	
Proceeds from the sale of property	39	-	39	
Provision for amortization	(15,527)	15,073	454	(a)
Other results	(61)	-	(61)	
Operating profit	**20,623**	**15,073**	**35,696**	
Variation in fair value of property investments	**-**	(521)	**(521)**	(b)
Financial result	**(39,666)**	**-**	**(39,666)**	
Result of entities by equity method	**(395)**	3,038	**2,643**	(c)
Net results due to depreciation of fixed assets	**5,049**	**(5,049)**	**-**	(d)
Profit/loss before taxes	**(14,389)**	**12,541**	**(1,848)**	
Gains tax	(23,800)	21,376	(2,424)	(e)
Results for the year of continued activities	**(38,189)**	**33,917**	**(4,272)**	
Result from discontinued activities	1,805	**(109,411)**	**(107,606)**	(f)

Profit/loss for the year	**(36,384)**	**(75,494)**	**(111,878)**	
Attributable to Parent	**(39,614)**	**(37,878)**	**(77,492)**	
Non-controlling interests	**3,230**	**(37,616)**	**(34,386)**	(g)

(*) Taken from the 2014 consolidated financial statements, prepared pursuant to the accounting standards and rules applicable on that date.

These are the main adjustments made as a result of the change in standard:

(a) Reversion of the amortization of 2014 for property investments.
(b) Impact of the variation in value of property investments on the result.
(c) Impact of the companies valued by the equity method on the results.
(d) Recalculation of the net losses due to impairment.
(e) Fiscal impact of the change in standard.
(f) Impact of the variation in value of the property investments of the Group SIIC de Paris.
(g) Impact of non-controlling interests on the results.

j) Correction of errors

No errors have been detected in the preparation of the accompanying consolidated financial statements that led to the restatement of the amounts included on the consolidated financial statements of 2014.

3. Allocation of profit or loss of the Parent

The proposal for application of the 2015 loss formulated by the Directors of the Parent and pending approval by the General Meeting of Shareholders is the following:

	Thousands of Euros
Negative results from previous years	(31,456)
	(31,456)

During 2015, the Parent has not paid out any interim dividends.

4. Valuation rules

The following accounting policies, standards, and valuation criteria were applied in the preparation of the consolidated financial statements of 2015:

a) Intangible assets

These identifiable non-monetary assets that result from a legal transaction or have been conducted by the consolidated entities. These assets are only recognized in the accounts when their cost can be reasonably estimated objectively and from which the consolidated entities expect to make profits in the future.

Intangible assets are initially recognized by their acquisition or production cost and subsequently, are valued at their cost minus, where appropriate, their corresponding accumulated amortization and possible impairment losses.

b) Property, plant and equipment

Property, plant and equipment are valued at their acquisition price or production cost. Some of these assets reflect the effect of the restatement made pursuant to Royal Decree 7/1996, of June 7.

The costs of extensions, upgrades or improvements that represent an increase in productivity, capacity or efficiency, or an extension of the useful life of the assets, are capitalized as a higher cost of these assets.

Maintenance and repair costs that do not represent an extension of the useful life are allocated to the consolidated profit and loss account of the year where they were made.

For the assets that need more than one year to be ready for use, capitalized costs include financial expenses accrued before they are ready for use and which have been allocated by the supplier or correspond to loans or other form of borrowing, specific or generic, directly attributable to their acquisition or production.

Depreciation is calculated applying the straight-line method on the cost of acquisition of the assets minus their residual value; the land on which the buildings and other constructions stand are considered to have an indefinite life and are therefore not subject to depreciation.

Annual provisions for the amortization of property, plant and equipment are made against the consolidated profit and loss account according to the years elapsed of the estimated useful life, on average, of their different elements, as follows:

	Depreciation coefficients
Buildings (rented and for internal use) and other constructions	1% - 4%
Other installations, tooling and fixtures	4% - 25%
Other property, plant and equipment	5% - 25%

The assets in construction meant for production or other purposes to be determined, are recognized at their cost, minus their recognized impairment losses. The cost include professional fees. The depreciation of these assets, just like that of other property assets, starts when the assets are ready to be used as designed.

c) Property investments

Property investments are recognized at their fair value at the year-end, and are not subject to annual depreciation. They refer to the land, buildings and other construction that are maintained to operate them for rent, or to generate a capital gain on their sale as a consequence of the increases of their respective market prices that may occur in the future.

The profit or loss resulting from the variations in the fair value of the property investments are included in the results for the period in which they occur, and recognized under “Variation in the fair value of property investments” of the consolidated profit and loss account. These results are not included in the operating result, since value variations are not directly related to their management.

The transfer of ongoing property investments to property investments takes place when the assets are ready to start operating.

According to IAS 40, the Group determines periodically the fair value of the property investments so that, at year-end, the reasonable value reflects the market conditions of the elements of the property investments on that date. Such fair value is determined annually, taking as reference values the valuations from independent experts.

The market value of the property investments of the Group as of 31 December 2015, calculated based on valuations from independent experts not related to the Group, amounts to 1,354,436 thousand Euros (see Note 10).

d) Impairment of property, plant and equipment, investment property and intangible assets

At each balance sheet date, the Realia Group reviews the carrying amounts of its property, plant and equipment, intangible assets and investment property to determine whether there is any indication that those assets might have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When the asset itself does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When a loss due to value impairment is subsequently reversed, the carrying amount of the asset (or of the cash-generating unit) is increased in the revised estimate of its recoverable amount, but in such a way that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the cash-generating unit) in prior years.

e) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, which usually has the option to purchase the asset at the end of the lease term, on the conditions agreed upon in the lease.

When the consolidated companies act as the lessor of an asset, the aggregate present values of the lease payments receivable from the lessee plus the price of exercising the purchase option are classified as financing provided to third parties for the Group's net investment in the leases.

When the consolidated companies act as the lessee, they present the cost of the leased asset in the consolidated balance sheet and, simultaneously, recognize a liability for the same amount (which will be the lower of the fair value of the leased asset and the aggregate present value of the amounts payable to the lessor plus, where applicable, the price of exercising the purchase option). The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned.

In both cases, the finance income and charges arising under finance lease agreements are credited and charged, respectively, to the consolidated statement of profit or loss to reflect a constant periodic rate of return over the term of the agreements.

Operating leases

In operating leases, the ownership of the leased asset and substantially all the risks and rewards related to the leased asset remain with the lessor.

When the consolidated companies act as the lessor, they present the acquisition cost of the leased asset under “Investment Property”. These assets are depreciated using a policy consistent with the lessor’s normal depreciation policy for similar items and leased income is recognized in the consolidated statement of profit or loss on a straight-line basis.

When the consolidated companies act as the lessee, lease costs, including any incentives granted by the lessor, are recognized as an expense on a straight-line basis.

Asset exchange transactions
“Asset exchange” means the acquisition of property, plant and equipment or intangible assets in exchange for the delivery of other non-monetary assets or of a combination of monetary and non-monetary assets.

As a rule, the asset received in an asset exchange transaction with commercial substance is recognized as the fair value of the asset given up, plus, where appropriate, any monetary consideration paid. The valuation differences that arise on derecognition of the asset given up in the exchange are recognized in the statement of profit or loss.

An exchange transaction has commercial substance if the configuration (risk, timing and amount) of the cash flows of the asset received differs from the configuration of the cash flows of the assets transferred or if the present value of the after-tax cash flows of the portion of the Company’s operations affected by the transaction changes as a result of the exchange.

Assets received in an exchange that lacks commercial substance are recognized at the carrying amount of the asset given up plus, where appropriate, any monetary consideration paid, up to the limit of the fair value of the asset received if this is lower.

f) Inventories
“Inventories” in the consolidated balance sheet includes assets that the consolidated companies:
1. Hold for sale in the ordinary course of business
2. Have in the process of production, construction or development for such sale; or
3. Expect to consume in the production process or in the provision of services.

The Group considers that its inventories do not meet the requirements of IAS 40 to be considered as property investments. Consequently, land and other property held for sale or for inclusion in a property development are treated as inventories.

Land and building lots are recognized at acquisition cost, plus any urban development costs, if any, and the costs incurred in connection with the purchase (property transfer tax, registration expenses, etc.) and the financial expenses derived from their financing during the execution of works, or their realizable value, is this is lower. At the start of the development works, the accumulated cost of the land is transferred to “Developments in Progress”, and development starts.

“Ongoing works” include the costs incurred in homebuilding developments, or part of them, whose construction has not been completed at the end of the year. These costs include the cost of the plot, urban development and construction, financial costs, and other direct and indirect costs that can be charged to them.

The Group companies transfer the accumulated costs of developments that are expected to be completed within twelve months from “Long-Cycle Developments in Progress” to “Short-Cycle Developments in Progress”. In addition, the accumulated costs of finished developments (or finished parts of developments) are transferred from “Short-Cycle Developments in Progress” to “Completed Developments”.

The cost of land and lots and developments in progress are adjusted to their net realizable value and creating, where appropriate, the corresponding provision for depreciation. In addition, property developments are registered at cost, subtracting where appropriate, the necessary provision to reduce them to their estimated realizable value.

The carrying amount of the Group’s inventories was adjusted by recognizing the corresponding impairment loss, in order to bring it in line with the market value determined by an independent valuation expert in an appraisal conducted on 31 December 2015, when the fair value was lower than the carrying amount.

Thus, the valuations by independent experts have been conducted pursuant to Order ECO 805/2003 of March 27, amended by order EHA 3011/2007 of October 4, and by Order EHA 564/2008 of February 28, that establishes the valuation rules of fixed assets and certain rights for certain financial purposes (which allows for appraisals through different methods, according to the urban development and they type of asset) (see Note 13).

g) Trade receivables

Trade receivables do not earn interest and are recognized at their nominal value net, where appropriate of the allowances for estimated unrecoverable amounts.

h) Customer advances

Customer advances received before recognition of the sale on delivery of the property are recognized under “Trade and other payables – Customer advances” on the liability side of the consolidated balance sheet at year-end.

i) Financial assets

Financial assets and liabilities are recognized in the Group’s consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are initially recognized at acquisition cost, including transaction costs.

The financial assets held by the Group companies are classified as:

- Held-for-trading financial assets: assets acquired by the companies with the intention of generating a profit from short-term fluctuations in their prices or from differences between their purchase and sale prices.
- Held-to-maturity investments: financial assets with fixed or determinable payments and fixed maturity. The Group has the positive intention and ability to hold them from the date of purchase to the date of maturity. They do not include loans and receivables originated by the company.
- Originated loans and receivables: financial assets originated by the company in exchange for supplying cash, goods or services directly to a debtor.
- Available-for-sale financial assets: these include securities acquired that are not held for trading purposes and are not classified as held-to-maturity investments or financial assets at fair value through profit or loss, and equity instruments issued by entities other than subsidiaries, associates or jointly controlled entities, provided that they are not classified as “ fair value through profit or loss”.

Held-to-maturity investments and loans and receivables are valued at amortized cost. Held-for-trading financial assets and available-for-sale financial assets are measured at fair value at subsequent valuation dates. In the case of marketable securities, gains and losses from changes at fair value are recognized in the net profit or loss for the year. In the case of available-for-sale investments, the gains and losses from changes in fair value are recognized directly in equity until the asset is disposed of or it is determined that it has become impaired, at which time the cumulative gains or losses previously recognized in equity are recognized in the net profit or loss for the year.

j) Financial liabilities and equity

Financial liabilities and equity instruments are classified in accordance with the content of the contractual arrangements. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The main financial liabilities held by the Group companies are held-to-maturity financial liabilities, which are measured at amortized cost.

Conversion differences

In general, the financial statements of foreign operations denominated in currencies other than the euro were translated to euros at the year-end exchange rates, except:

- Capital and reserves, which were translated at the historical exchange rates for the year:
- All other assets and liability items were translated at the year-end exchange rates.

The conversion differences of the foreign companies included in the scope of consolidation, which applied the closing rate method, are recognized net of tax, under "Equity – Valuation adjustments" in the attached consolidated balance sheet. These conversion differences are not material.

Equity instruments

Equity instruments issued by the Parent are recognized in equity at the proceeds received, minus direct issue costs.

Bank loans

Interest-bearing bank loans and overdrafts are recognized at the proceeds received, net of direct issue costs. Borrowing costs, including premiums payable on settlement or redemption and direct issue costs, are recognized in the consolidated statement of profit or loss on an actual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are not interest bearing and are recognized at their nominal value.

k) Shares of the Parent

All the shares of the Parent are deducted from equity. At 31 December 2015, the Parent held 610,000 treasury shares, the acquisition cost of which amounted to EUR 675 thousand (EUR 1.11/share). No treasury shares were traded during 2015; in 2014, the sale of these shares in the market gave rise to a gain of EUR 113 thousand.

The transactions involving treasury shares in 2015 are summarized in Note 16.

l) Provisions

The Group's consolidated financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognized in the consolidated financial statements, but rather are disclosed, as required by IAS 37.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to cater for the specific obligations for which they were originally recognized. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

Provisions for warranty costs, particularly after-sales expenses, other costs and the ten-year guarantee required under Spanish regulations governing real estate companies, are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's liability.

m) Termination benefits

Under current legislation, companies are required to pay termination benefits to employees terminated without just cause, under certain conditions, Therefore, termination benefits that can be reasonably quantified are recognized as an expense in the year in which the decision to terminate the employment relationship is taken. The attached consolidated financial statements do not include any provision in this connection since no situations of this nature had arisen at 31 December 2015.

n) Pension plans and similar obligations

For employees with at least two years' service, the Parent has externalized a defined contribution pension plan to provide benefits in the form of a lump sum. The annual contribution consists of 7% of the employees' annual fixed remuneration plus 3% of their annual variable remuneration, excluding incentives and commissions. The total accumulated contribution at 31 December 2015 amounted to EUR 6,522,000 (EUR 6,278,000 in 2014). The annual contribution is recognized under "Staff costs" in the consolidated statement of profit or loss (see Note 23.d). The Parent also has an insurance policy to cover the amounts which, in application of the established percentages, exceed the maximum legal contribution to employee pension funds.

ñ) Income Tax

The income tax expense is recognized in the consolidated statement of profit or loss, except when it results from a transaction recognized directly in equity, in which case the income tax is also recognized in equity.

The income tax expense represents the sum of the current tax expense and the deferred tax assets and liabilities.

The current income tax is calculated based on the taxable profit (tax loss) for the year. The taxable profit differs from the net profit reported in the consolidated statement of profit or loss because it excludes income and expense items that are taxable or deductible in other years and excludes items that will never be taxable or deductible. The Group's current tax liability is calculated using the tax rates that have been approved or substantially approved at the balance sheet date.

Deferred tax assets and liabilities are taxes expected to be recovered or payable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the calculation of taxable profit. Deferred tax assets and liabilities are accounted for using the balance sheet liability method and are measures by applying to the related temporary difference or tax asset the tax rate that is expected to apply in the period when the asset is realized or the liability is settled.

Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax liability is recognized for taxable temporary differences arising from investments in subsidiaries and associates and from interests in joint ventures, except when the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the near future.

Notwithstanding the above:

1. Deferred tax assets are only recognized to the extent that it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax assets can be used.
2. No deferred tax liabilities are recognized for goodwill arising on an acquisition.

The deferred tax assets and liabilities are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made based on the findings of the analyses performed.

In addition, at consolidated level, any differences between the consolidated carrying amount of an investment in an investee and the related tax base are also taken into account. In general, such differences arise from the undistributed profits generated since the date of acquisition of the investee, from tax credits associated with the investment and, in the case of investees with a functional currency other than the euro, from conversion differences. The deferred tax assets and deferred tax liabilities arising from these differences are recognized, unless, in the case of taxable temporary differences, the investor is able to control the timing of the reversal of the temporary difference and, in the case of deductible temporary differences, it is probable that the temporary difference will reverse in the near future and it is probable that the Group will have sufficient future taxable profits.

Tax system in Spain

The Group has filed consolidated returns since 2007. The tax group is made up of the Parent and all the subsidiaries, both public and private limited liability companies, that are resident in Spain and in which the Parent, directly or indirectly, has an ownership interest of at least 75% (see Appendix I). The tax group number is 135/07.

o) Revenue and expense recognition

Revenue and expenses are recognized on an accrual basis. Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

The Group companies recognize property development sales and the related cost when the properties are handed over and title thereto have been transferred.

Revenue from the sale of land and building lots is recognized when the risks and rewards are transferred to the purchaser, which normally coincides with the date of execution of the related public deeds and the transfer of ownership.

Rent revenue is recognized on an accrued basis and incentive-related income and the initial costs of lease agreements are allocated to income on a straight-line basis.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's carrying amount.

Dividend income from investments is recognized when the shareholder's rights to receive payment have been established.

p) Borrowing costs

Borrowing costs directly attributable to the construction of the Group's investment property and inventories, which are assets that necessarily take a substantial time to get ready for their intended use or sale, are added to the cost of those assets, until the assets are substantially ready for their intended use or sale. In 2014 and 2015, no borrowing costs were capitalized in this connection.

All other borrowing costs are recognized in the consolidated statement of profit or loss in the year in which they are incurred, on an accrual basis and by application of the effective cost method.

q) Profit (loss) from operations

The profit or loss from operations is recognized before the share of results of associates, investment income and finance costs.

r) Consolidated cash-flow statement

The following terms are used in the consolidated cash flow statements (prepared using the indirect method) with the meaning specified:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk or changes in value.
- Operating activities: the principal revenue-producing activities of the consolidated Group companies and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group companies that are not operating activities.

s) Foreign currency transactions and balances

The Group's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed "foreign currency transactions" and are recognized by applying the exchange rates prevailing at the date of the transaction.

At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are converted to euros at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are converted to euros at the exchange rates prevailing at the date when the fair value was determined. Any conversion gains or losses on monetary assets and liabilities are included in net profit or loss for the year; however, in the case of exchange differences arising on non-monetary assets and liabilities, changes in the fair value are recognized directly in equity.

The equivalent euro value of the total foreign currency assets and liabilities held by the Group at 31 December 2015, which were not material, related in full to the Group companies Realia Polska Inwesctycje, Z.O.O. and Realia Contesti, S.R.L.

t) Current assets and liabilities

The Group has opted to present current assets and liabilities on the basis of the ordinary course of its business. The current assets and liabilities with an estimated maturity of more than twelve months are as follows:

	Thousands of Euros	
	2015	2014
Inventories (Note 13)	294,407	313,244
Total current assets	**294,407**	**313,244**
Bank borrowings	3,611	45,234
Other financial liabilities	1,991	210,834
Trade and other payables	3,544	3,706
Total current liabilities	**9,146**	**259,774**

At 31 December 2015, the balance of “Bank Borrowings” in the table above related to mortgage loans. In addition, the amounts recognized under “Other financial liabilities” relate to financial debts from mortgage loans transferred to the SAREB (see Note 19).

u) Costs passed on to tenants

The Group treats as income the costs passed on to the lessees of its investment property. The amounts billed in this connection, which in 2015 and 2014 totaled EUR 15,789 thousand and EUR 16,672 thousand respectively, are recognized under “Other operating income” in the attached consolidated statement of profit or loss (see Note 23.b).

v) Sales of investment property

The Group recognizes the net income obtained from the sale of investment property under “Gains or Losses on Sales of Investment Property” in the attached consolidated statement of profit or loss. In 2015 and 2014, this income relates to price adjustments, arising on sales transactions in previous years, amounting to EUR 115 thousand and 39 thousand, respectively.

w) Profit from discontinued operations

A discontinued operation is any component of the Group that has been sold or disposed of in any other way or has been classified as held for sale and, among other conditions, represents a line of business or significant area that can be distinguished from the rest.

For operations of this nature, the Group includes in the consolidated statement of profit or loss under a single heading entitled “Profit/Loss for the Year from Discontinued Operations”, both the profit or loss after tax of discontinued operations and the profit or loss after tax from the disposal of the items constituting the discontinued operation.

In addition, when operations are classified as discontinued, the Group presents under the aforementioned heading the amount for the preceding year relating to the operations that have been discontinued at the end of the reporting period to which the consolidated financial statements refer.

5. Adoption of standards and interpretations issued in force as of 1 January 2015

In 2015, the following new standards, amendments and interpretations came into force and, where applicable, were used by the Group in the preparation of the summarized interim consolidated financial statements:

Standards, amendments and interpretations	Description	Obligatory Application in Annual Reporting Periods Beginning On or After:
Amendment to IAS 19, Employee contributions to defined benefit plans (published in November 2013)	Amendments to clarify the requirements relating to how employee or third party contributions relating to the service or service periods should be allocated	Annual reporting periods beginning on or after 1 February 2015
Improvements to IFRSs, 2010-2012 Cycle (published in November 2013)	Minor amendments to a series of standards	Annual reporting periods beginning on or after 1 February 2015

These rules and amendments had no material impact on the 2015 consolidated annual statements.

There is no accounting principle or valuation standard that, having a material impact on the summarized interim financial statements, has ceased to be applied.

5.1 Standards not in force in 2015

The following standards were not in force in 2015, either because they came into force after the date of the consolidated financial statements, or because the European Union has not adopted them yet.

Standards, Amendments and Interpretations of Standards	Description	Obligatory Application in Annual Reporting Periods Beginning On or After:
IFRS 19 Financial instruments: Classification and valuation (published in November 2009 and October 2010) and subsequent amendment of IFRS9 and IFRS7 on effective dates and transition breakdowns (published in November 2011) and accounting for coverages and other amendments (published in November 2013).	Supersedes the requirements for classification, financial asset and liability valuation and derecognition of IAS 39.	Annual reporting periods beginning on or after 1 January 2018 (1)
IFRS 10 and IAS 28: Sale or provision of assets between an investor or its associate or joint venture	Amendments on the sale or provision of assets between an investor and its associate or joint venture	Date to be confirmed (1)
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment companies	Classification on the exception to consolidation of investment companies	Annual reporting periods beginning on or after 1 January 2016
IFRS 11 Accounting for acquisition of interests in joint operations	This amendment specifies the way of accounting for the acquisition of interests in joint business operations	Annual reporting periods beginning on or after 1 January 2016
IFRS 16 Leases (published in January 2016)	New standard on leases that supersedes IAS 17. Lessees will include all leases in the balance sheet, as if they were financed purchases	Annual reporting periods beginning on or after 1 January 2019 (1)
IAS 15 Revenue from customer contracts (published in May 2014)	New standard for the recognition of revenue. It supersedes IFRS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and IAS 31. The new IFRS 15 model is much more restrictive and rule based, and its	Annual reporting periods beginning on or after 1 January 2018 (1)

	approach to contracts is very different; thus, the application of the new standards may give rise to changes in the revenue profile.	
IAS 16 and IAS 38 Acceptable methods of depreciation and amortization (published in May 2014)	Clarification on the acceptable methods of depreciation and amortization	Annual reporting periods beginning on or after 1 January 2016 (1), prospectively
IAS 27 Amendments for the consideration of the application of the equity method in separate financial statements	Amendments for the consideration of the application of the equity method in separate financial statements	Annual reporting periods beginning on or after 1 January 2016 (1)

(1) Pending adoption by the European Union.

The Group is currently evaluating the impact of the future application of these standards on the financial statements, once they come into force. In principle, the Group considers that the application of these standards will not have a material impact.

6. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the net profit or loss attributable to the Group (after tax and non-controlling interests) by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held in the year.

Accordingly:

	2015	2014
Net loss for the year attributable to the Parent (thousands of euros)	17,205	(77,492)
Weighted average number of shares outstanding	307,181,152	306,760,932
Basic earnings per share (euros)	0.056	(0.2526)

As of 31 December 2015, the diluted earnings per share were the same as the basic earnings per share, since there were no debentures or shares that could potentially be converted into ordinary shares.

7. Segment reporting

a) Basis of segmentation

Segment report is structured on a primary basis by a business segment and on a secondary basis, by geographical segment.

Primary segments – business segments

The business lines described below were established based on the Realia Business Group's organizational structure at the end of 2015 and 2014, taking into account, on the one hand, the nature of the goods and services offered and, on the other, the customer segments at which they are targeted.

In 2015, the Realia Group engaged mainly in the following major lines of business, which provides the bases on which the Group present the information on its primary segments:

1. Sale of property developments and land
2. Property rentals

Secondary segments – geographical segments

In addition, the Realia Business Group's operations are located mainly in Spain and until July 2014, in France, although it also carries on business activities in other countries (Poland, Romania and Portugal).

b) Basis and methodology for segment reporting

The segment reporting below is based on monthly reports prepared by the Parent's management, which are generated through a computer application used to obtain all of the Group's accounting data.

Segment revenue is the revenue directly attributable to the segment plus the relevant proportion of the Group's general income that can be allocated thereto using reasonable allocation bases. Segment revenue excludes interest income and dividends but includes the proceeds from the sale of non-current assets. It also includes the relevant proportion of the revenue of proportionately consolidated joint ventures.

Segment assets and liabilities are those directly related to each segment's operations, plus the assets and liabilities that can be directly attributed thereto using the aforementioned allocation system, and include the proportional part of the assets and liabilities of joint ventures.

The assets and liabilities of each segment are those directly related to their operation, and those that can be directly attributed to it, according to the aforementioned distribution criteria, and include the proportional part corresponding to joint businesses.

Primary segment information

	Thousands of euros							
	Sale of property developments and land		Property rentals		Consolidation adjustments		Total Group	
	2015	2014(*)	2015	2014(*)	2015	2014 (*)	2015	2014 (*)
Revenue:								
External sales (1)	14,945	35,973	79,984	79,413	-	-	94,429	115,386
Inter-segment sales	1,896	1,918	409	456	(2,305)	(2,374)	-	-
Total revenue	**16,841**	**37,891**	**80,393**	**79,869**	**(2,305)**	**(2,374)**	**94,929**	**115,386**
Result:								

Profit (loss) from operations	(12,658)	(14,646)	41,069	50,342	-	-	28,411	35,696
Variation in property investments	17	806	26,740	(1,327)			26,757	(521)
Financial profit (loss)	(16,699)	(19,388)	(2,437)	(20,278)	-	-	(19,436)	(39,666)
Share of result of associates	(36)	(914)	3,325	3,557	-	-	3,298	2,643
Net impairment	(2)	-	-	-	-	-	(2)	-
Profit (loss) before tax	(29,678)	(34,412)	68,697	32,294	-	-	39,019	(1,848)
Income tax	3,824	(18,504)	(16,796)	16,080	-	-	(12,972)	(2,424)
Discontinued operations	-	-	-	(107,606)	-	-	-	(107,606)
Non-controlling interests	6	33	8,836	(34,419)	-	-	8,842	(34,386)
Segment result	(25,860)	(52,679)	43,065	(24,813)	-	-	17,205	(77,492)

(*) Restated figures (see Note 2.h)

(1) The revenue of the “Property rentals” segment includes the sales of investment property (see Note 4-v) and the billings of costs passed on to tenants (see Note 4-u) and others, since the Group uses this presentation for internal management purposes. Note 23-a contains a breakdown of revenue by geographical area. Inter-segment transactions are performed on an arm's length basis.

	Thousands of Euros							
	Sale of Property Development and Land		Property Rentals		Consolidation Adjustments		Total Group	
	2015	2014(*)	2015	2014(*)	2015	2014 (*)	2015	2014 (*)
Other information: Additions to fixed assets	45	28	6,564	38,849	-	-	6.609	39,877
Depreciation and amortization charge:	(154)	(190)	(290)	(264)	-	-	(444)	(454)
Net impairment recognized In profit or loss	(2,074)	3,251	(10,866)	-	-	-	(12,940)	3,251
Investment property	-	-	-	-	-	-	-	-
Inventories and other assets	(2,074)	3,251	(10,866)	-	-	-	(12,940)	3,251
Balance sheet: Assets								
Segment assets	629,859	568,911	2,012,537	2,041,537	(445,253)	(74,553)	2,197,386	2,535,895
Equity investments in associate companies	16,855	16,890	30,468	28,610	-	-	47,323	45,500
Total consolidated assets	**646,714**	**585,801**	**2,043,248**	**2,070,147**	**(445,253)**	**(74,553)**	**2,244,709**	**2,581,395**
Liabilities Segment liabilities	646,714	585,801	2,043,248	2,070,147	(445,253)	(74,553)	2,244,709	2,581,395
Total consolidated liabilities	**646,714**	**585,801**	**2,043,248**	**2,070,147**	**(445,253)**	**(74,553)**	**2,244,709**	**2,581,395**

(*) Restated figures (see Note 2.h)

Secondary segment information

The detail of certain of the Group's consolidated balances based on the geographical location of the companies that gave rise to them is as follows:

	Thousands of Euros							
	Income		Non-current assets		Total Assets		Additions to Property Investments, Property Plant and Equipment and Intangible Assets	
	2015	2014	2015	2014	2015	2014	2015	2014
Spain	94,705	105,949	1,537,998	1,513,916	2,237,703	2,572,709	6,609	32,739
France	-	-	-	-	-	-	-	7,138
Portugal	-	1,470	85	82	3,429	3,595	-	-
Other	224	7,967	-	1	3,577	5,091	-	-
	94,929	**115,386**	**1,538,083**	**1,513,999**	**2,444,709**	**2,581,395**	**6,609**	**39,877**

8. Intangible assets

The changes in the various intangible asset items in 2015 and 2014 were as follows:

	Thousands of Euros
	Other Intangible Assets
Cost: Balances as at 31 December 2013 Additions Disposals Changes in the scope of consolidation (Note 2.f)	 3,863 32 (57) (1,502)
Balances as at 31 December 2014	**2,336**
Additions	24
Disposals	(1,577)
Balances as at 31 December 2015	**783**
Accumulated amortization: Balances as at 31 December 2013 Provisions Disposals Changes in scope of consolidations (Notes 2.f)	 (3,516) (158) 57 1,328
Balances as at 31 December 2014	**(2,289)**
Amounts used Disposals	(39) 1,576
Balances as at 31 December 2015	**(752)**
Intangible assets, net:	
Balances as at 31 December 2014	47
Balances as at 31 December 2015	31

The balances as at 31 December 2015 and 2014 relate mainly to computer software.

During 2015 and 2014, the Group recognized an amortization charge for intangible assets of EUR 39 thousand and EUR 158 thousand respectively, under "Depreciation and amortization charge" in the attached state of profit or loss.

Fully amortized intangible assets still in use amounted to EUR 727 thousand and 2,217 thousand, respectively.

9 Property, plant and equipment

The changes in "Property, Plant and Equipment" in the consolidated balance sheet in 2015 and 2014 were as follows:

	Thousands of Euros		
	Buildings, Plant and Equipment	Other items of Property, Plant and Equipment	Total
Cost:			
Balances as at 31 December 2013	**7,786**	**6,886**	**14,672**
Additions	28	354	382
Disposals	.	(20)	(20)
Transfers (Note 10)	205	(183)	22

Changes in scope of consolidation	(2,639)	(1,340)	(3,979)
Foreign exchange rate changes	-	(1)	(1)
Balances as at 31 December 2014	**5,380**	**5,696**	**11,076**
Additions	6	145	151
Disposals	-	(504)	(504)
Transfers (Note 10)	(544)	-	(544)
Balances as at 31 December 2015	**4,842**	**5,337**	**10,179**
Accumulated depreciation:			
Balances as at 31 December 2013	**(1,507)**	**(4,038)**	**(5,545)**
Amounts used	(114)	(319)	(433)
Disposals	-	20	20
Changes in the scope of consolidations(Notes 2.f)	403	630	1,033
Foreign exchange rate changes	-	1	1
Transfers	(1)	1	-
Balances as at 31 December 2014	**(1,219)**	**(3,705)**	**(4,924)**
Amounts used	(115)	(290)	(405)
Disposals	-	503	503
Transfers	39	(1)	(38)
Balances as at 31 December 2015	**(1,295)**	**(3,493)**	**(4,788)**
Impairment losses: Balances as at 31 December 2013	**(130)**	**-**	**(130)**
Amounts used	(3)	-	(3)
Transfers	88	-	88
Balances as at 31 December 2015	**(45)**	**-**	**(45)**
Property, plant and equipment, net:			
Balances as at 31 December 2014	**4,031**	**1,991**	**6,022**
Balances as at 31 December 2015	**3,502**	**1,844**	**5,346**

“Buildings, Plant and Equipment” includes mainly the offices used by the Group in Spain, owned by Realia Patrimonio and Hermanos Revilla, with a carrying amount of EUR 3,167 thousand and EUR 3,653 thousand, as at 31 December 2015 and 2014, respectively.

At 31 December 2015 and 2014, the cost of the building lots included under “Buildings, Plant and Equipment” amounted to EUR 865 thousand and EUR 1,083 thousand, respectively.

The fair value of the Group’s assets or “Net Asset Value”, included under “Buildings, Plant and Equipment” at 31 December 2015, calculated on the basis of appraisals conducted by independent experts not related to the Group, as described in Note 4-d, amounted to EUR 12,849 thousand (EUE 12,542 thousand at 31 December 2014).

In 2014 and 2015, the Group recognized a depreciation charge for property, plant and equipment of EUR 405 thousand and EUR 433 thousand, respectively, of which EUR 405 thousand and EUR 389 thousand were recognized under “Depreciation and Amortization charge” and EUR 44 thousand under “Profit from Discontinued Operations” in the attached consolidated statement of profit or loss.

Fully depreciated items of property, plant and equipment amounted to EUR 2,519 thousand at 31 December 2015, and EUR 2,672 thousand at 31 December 2014.

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At the end of 2015, the property, plant and equipment were fully insured against this risk.

10. Investment property

The changes in “Investment Property” in the consolidated balance sheet in 2015 and 2014 were as follows:

	Thousands of Euros		
	Rental buildings	**Under construction and advances**	**Total**
Balance as at 31 December 2013	**2,628,871**	**169,949**	**2,789,820**
Additions	29,423	10,040	39,463
Disposals	(11)	-	(11)
Transfers	(259)	(22)	(281)
Transfers to earmarked for sale	(13,434)	-	(13,434)
Transfers in progress	156,979	(156,979)	-
Change in fair value	(130,597)	(48)	(130,645)
Changes in scope of consolidation (*)	(1,351,096)	(21,977)	(1,373,073)
Balance as at 31 December 2014	**1,319,876**	**963**	**1,320,839**
Additions	1,524	4,912	6,436

Disposals	(13)	-	(13)
Transfers	3,729	(3,312)	417
Change in fair value	26,757	-	26,757
Balance as at 31 December 2015	**1,351,873**	**2,563**	**1,354,436**
Property investments:			
Balances as at 31 December 2014	1,319,876	963	1,320,839
Balances as at 31 December 2015	1,351,873	2,563	1,354,436

(*) SIIC de Paris leaves the scope of consolidation

Property investment is recognized at fair value. The amount recognized in the profit and loss account for the fair value valuation of property investments at year end amount to a revenue of EUR 26,757 thousand, recognized under "Variation in value of property investments" in 2015, and to an expense of EUR 521 thousand in 2014, recognized under "Variation in value of property investments", and to an expenditure of EUR 130,124 thousand under "Profit (loss) from discontinued operations" in the attached consolidated financial statement.

Buildings for Rental

The most significant additions in 2015 were the following:

- The subsidiary Hermanos Revilla, S.A. capitalized EUR 1,299 thousand in connection with the refurbishment of owned properties.
- The subsidiary Realia Patrimonio S.L.U. capitalized EUR 224 thousand in connection with the refurbishment of owned properties.

The most significant additions in 2014 were the following:

- In 2014, the subsidiary Hermanos Revilla, S.A. acquired a property located at calle Goya 29 (Madrid) and capitalized EUR 27,915 thousand in connection with the amount paid for the property, plus the associated transaction costs. In addition, EUR 741 thousand were capitalized in connection with the refurbishment of various owned properties.

The most significant net transfers in 2014 were as follows:

- The transfer due to the completion of the building work on several buildings owned by the subsidiary Hermanos Revilla, S.A., mainly on the buildings located on calle Goya 29; Goya 6 and 8; and on Príncipe de Vergara, 132.

No significant disposals took place in 2015.

The most significant net transfers in 2014 were the following:

- The transfer due to the completion of the building work on the tour Les Miroirs – Quai d'Alsace building owned by the SIIC de Paris subgroup, amounting to EUR 143,425 thousand, following completion of the improvement work and fixtures in January 2014.
- In France, the sale of the Grande Armée 43-47 (Paris) and Rouquier (Paris) buildings – with carrying amounts of EUR 8,565 thousand and EUR 6,000 thousand respectively, giving rise to net gains of EUR 642 thousand and EUR 517 thousand (including the costs to sell), which are recognized under "Profit from Discontinued Operations" in the accompanying consolidated statement of profit or loss.
- The other transfers relate mainly to work completed at the buildings owned by the SIIC Group and Hermanos Revilla at which refurbishment work was being carried out.

Investment property under construction and advances

The main additions to and transfers to/from "Investment Property under Construction" in 2015 related mainly to the following items:

- Realia Patrimonio S.L. has allocated EUR 739 thousand for renovation works in its buildings.
- The subsidiary Hermanos Revilla S.A. has capitalized EUR 4,005 thousand for the improvement work to the several buildings; once these works are completed, part of these costs were transferred to "Buildings for Rental"

The main additions to and transfers to/from "Investment Property under Construction" in 2014 related mainly to the following items:

- Costs incurred by the subgroup SIIC de Paris amounting to EUR 2,822 thousand for the improvement work to the property and fixtures of the Tour Les Miroirs – Quai d'Alsace building and subsequent transfer to investment property in use for a total of EUR 143,425 thousand.
- Various buildings were refurbished in France. EUR 3,946 thousand were capitalized during the year.
- Various buildings are being refurbished in Spain. EUR 3,272 thousand were capitalized during the year.

Pursuant to the revised IAS 23, the Group capitalizes the borrowing costs associated with investment property under construction that takes a period of over twelve months to get ready for its intended use or sale. The Group did not capitalize any interests for this concept, whereas in 2014 it capitalized to "Profit from Discontinued Operations" EUR 101 thousand in the attached consolidated statement of profit or loss.

Measurement of fair value and sensitivity

All the investment properties leased or intended for lease under the regime of operational lease (business segment: rental property) and two of the assets of the development segment of the Group are classified as investment properties.

According to IAS 40, the Group determines from time to time the fair value of the property investment elements so that, at the end of the reporting period, the fair value reflects the market conditions of the investment property elements at that date. Such fair value is determined annually, taking as a reference the valuations conducted by independent experts.

The determination of the market value of property investments as at 31 December 2015 and 2014, calculated on the basis of appraisals conducted by independent experts not related to the Group, amounts to EUR 1,354,436 thousand and EUR 1,320,839 thousand, respectively.

In the case of property investments owned by the property companies of the Group, the methodology used by the independent expert to determine the fair value of the property investments of the Group followed the RICS principles which basically use the cash-flow discount as valuation method, which consists in capitalizing the net income of each property and updating future flows, applying discount market rates throughout a period of 10 years, and a residual value calculated through the capitalization of the estimated income at the end of the period at a certain expected yield. Buildings are valued individually, considering all the lease contracts in force at the end of the reporting period and their duration. Buildings with non-leased surface areas have been valued on the basis of future estimated rents, minus their sales period. The valuation criteria applied were identical to those used in previous years.

The key variables of said method are the determination of net income, the duration of lease contracts, the time during which they are discounted, the value estimation conducted at the end of each period, and the internal rate of return used to discount the cash flows.

For property investments owned by companies of the development segment of the Group (just two assets), their value was appraised by independent experts according to their fair value determined on the basis of appraisals conducted by independent experts, according to the standards and methodology of Order ECO/805/2003 of 27 March, amended by Order EHA/3011/2007 of 4 October, and by Order EHA/564/2008 of 28 February, which establishes the valuation rules for real estate property and some rights for some financial purposes (according to which appraisals can be made using different methods, according to the urban development and the type of asset).

The main hypotheses used in the calculation of the fair value of property investments were the following:

	Net Initial Yield	Average discount rate
Offices	4.7%	8.3%
Shopping centers	4.5%	10.2%
Other assets	5.8%	8.5%

The effect of a variation of one quarter of a point on the targeted yield rates, calculated as income over the market value of the assets, in terms of “Net Asset Value”, in the consolidated assets and the consolidated profit and loss account, with respect to the property investments, would be as follows:

	Thousands of Euros	
	Assets	Consolidated net profit (loss)
Increase of the yield rate by one quarter of a point	(37,773)	(28,330)
Decrease of the yield rate by one quarter of a point	46,995	35,216

The breakdown of "Variation in value of property investments" in the consolidated financial statements is the following:

Type of Asset	Thousands of Euros	
	2015	2014
Offices	18,211	(1,398)
Shopping centers	7,240	(3,926)
Other assets	1,306	4,803
	26,757	**(521)**

Breakdown of fair value of property investments

The valuation of the fair value of assets is broken down into three levels, according to the hierarchy established by IFRS 13:

- Level 1: Inputs are based on quoted prices in active markets
- Level 2: Inputs are derived on quoted prices in active markets (not included in level 1), quoted prices in non-active markets and valuation model-based techniques in which inputs are observable in the market, or are corroborated by observable market data.
- Level 3: Inputs are not observable, and are derived from market assumption estimates for the determination of the asset price; non-observable data used in valuation methods are material for the fair asset prices.

All the assets of the Realia Group are included in the level 3 hierarchy. Fair asset value of the assets of the Realia Group, in thousands of Euros, classified by use, is as follows:

	2015
Recurrent fair value valuations	Level 3
Property investments	
Offices	1,000,932
Shopping centers	238,622
Other assets	114,882

Total assets valued at fair price	**1,354,436**

	2014
Recurrent fair value valuations	Level 3
Property investments	
Offices	977,967
Shopping centers	229,656
Other assets	113,216
Total assets valued at fair value	**1,320,839**

No assets have been transferred between the different levels during 2015.

Location, occupancy rates and use

The detail, by geographical area, of the location and occupancy rates of rental property is as follows:

	Square meters for rental		Occupancy rate	
	2015	2014	2015	2014
Madrid	249,292	267,592	93.09	90.93
Barcelona	32,321	32,321	84.23	91.98
Logroño	36,332	36,332	100.00	100.00
Seville (1)	8,735	8,735	88.14	82.13
Guadalajara	31,997	31,997	88.10	85.65
Rest	16,707	16,707	62.51	63.05
	375,384	**393,684**	**91.10**	**90.04**

(1) Does not include the Guillena Golf Course

The surface area of the properties, by use, is as follows:

	Square meters for rental		Use (%)	
	2015	2014	2015	2014
Offices	226,191	244,853	60.26	62.20
Commercial	110,149	103,503	29.34	26.29
Other (1)	39,044	45,328	10.40	11.51

	375,384	**393,684**	**100.00**	**100.00**

(1) Does not include the Guillena Golf Course

As at 31 December 2015, the "Los Cubos" building in Madrid, owned by Realia Patrimonio S.L.U., in undergoing refurbishment of its installations to prepare it to be leased during 2016.

Rental income, including income arising from passed-on expenses, from investment property owned by the consolidated companies amounted to EUR 79,876 thousand and EUR 79,381 thousand in 2015 and 2014, respectively (see Notes 23.a and 23.b), and the related operating expenses, excluding impairment, amounted to approximately EUR 26,495 thousand and EUR 28,376 thousand, respectively.

The only items of investment property with mortgage charges are:

	Thousands of Euros			
	Fair value		Mortgage loan drawn down	
	2015	2014	2015	2014
Building at c/ Salvador de Madariaga	85,000	85,000	14,233	17,792
Edificio Albasanz, 16	56,000	56,000	23,119	24,493
Total investments with mortgage charge	**141,000**	**141,000**	**37,352**	**42,285**

Insurance has been taken out for all the properties, including insurance against loss of rent due to damage.

At 31 December 2015 and 2014, there were no investment properties to which the title was restricted.

11. <u>Investment in associates</u>

The detail, by company, of "Investments in Associates" at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
As Cancelas Siglo XXI, S.L.	30,468	27,610
Inversiones Inmobiliarias, Rústicas y Urbanas	16,641	16,666
Studio Residence Iberia Investment Inmobilir, S.A.	85	81
Desarrollo urbanístico Sevilla Este, S.L.	-	-
Ronda Norte Denia, S.L.	129	143
	47,323	**44,500**

The market value of the Group's investment in the associate Desarrollo Urbanístico Sevilla Este, S.L. is considered as zero on the basis of the directors' estimates based on the company's viability in view of the current situation of the property and credit markets.

Pursuant to IAS 40, the Group determines periodically the fair value of the elements of the property investments of the Group's companies by the equity method so that, at the end of the reporting period, the fair value reflects the market conditions of the property investment elements on that date. Such fair value is determined annually taking as a reference the valuations made by the independent expert (see Note 10). As at 31 December 2015 and 2014, the valuation of the property investments of the Group's companies through the equity method amounted to EUR 49,000 thousand and EUR 47,000 thousand respectively. This value has been increased in the Group's ownership interest.

The value of the inventories of the companies accounted for using the equity method in proportion to the ownership interest therein at 31 December 2015 and 2014, calculated on the basis of appraisals conducted by independent experts not related to the Group, as described in Note 4.f, amounted to EUR 22,734 thousand in both years, excluding the inventories of Desarrollo Urbanístico Sevilla Este, S.L. as value of the ownership interest was considered to be zero.

The changes to this item of the attached consolidated balance sheet are the following:

	Thousands of Euros					
	As Cancelas Siglo XXI, S.L. (50%)	Inversiones Inmob. Rústicas y Urbanas 2000, S.L. (33.36%)	Studio Residence Iberia Investiment. Inmobilir. S.A. (50.00%)	Desarrollo Urbanístico Sevilla Este, S.L. (30.52%)	Ronda Norte Denia, S.L. (32.63%)	Total
Balances as at 1 January 2014 (*)	**24,053**	**17,149**	**96**	**-**	**143**	**41,441**
Profit (loss) for the year (Note 23.e)	3,557	(899)	(15)	-	-	2,643
Other changes	-	416	-	-	-	416
Balances as at 31 December 2014 (*)	**27,610**	**16,666**	**81**	**-**	**143**	**44,500**
Dividends	(466)	-	-	-	-	(466)
Profit (loss) for the year (Note 23.e)	3,325	(25)	3	-	(14)	3,289
Balances as at 31 December 2015	**30,469**	**16,641**	**84**	**-**	**129**	**47,323**

(*) Restated figures according to the change in standard to IAS 40 Fair Value

No changes in the ownership percentages have taken place in 2015. Additionally, the Parent has not recognized investment impairments.

In 2015, the company Sociedad As Cancelas Siglo XXI, S.A. paid out dividends to its Parent Realia Patrimonio, S.A.U, for an amount of EUR 466 thousand.

The impact of the change in valuation standard of the property investments to IAS 40 Fair Value is included in the profit (loss) figures for the reporting period (see Note 23.e).

The detail of the assets, liabilities and the main figures in the statement of profit or loss of associates at 31 December 2015 and 2014, according to its ownership interest, is as follows:

31 December 2015:

	Thousands of Euros					
	As Cancelas Siglo XXI, S.L. (50%)	Inversiones Inmob. Rústicas y Urbanas 2000, S.L. (33.36%)	Studio Residence Iberia Investiment. Inmobilir. S.A. (50.00%)	Desarrollo Urbanístico Sevilla Este, S.L. (30.52%)	Ronda Norte Denia, S.L. (32.63%)	Total
Balance sheet:						
Non-current assets	40,932	272	-	7,687	-	48,891
Current assets	1,873	17,033	118	68,590	637	88,251
Total assets	**42,805**	**17,305**	**118**	**76,277**	**637**	**137,142**
Equity	23,881	10,549	85	(14,425)	129	20,219
Non-current liabilities	994	2,084	-	-	-	3,078
Current liabilities	17,930	4,672	33	90,702	508	113,845
Total equity and liabilities	**42,805**	**17,305**	**118**	**76,277**	**637**	**137,142**
Statement of profit or loss:						
Income	4,282	-	-	-	431	4,713
Profit (loss) from operations	1,916	(14)	(7)	(150)	(6)	1,739

Profit (loss) before tax	1,343	(34)	(7)	(3,380)	(14)	(2.092)
Profit (loss) for the year	977	(25)	(7)	(2,535)	(14)	(1,604)
31 December 2014						
	Thousands of Euros					
	As Cancelas Siglo XXI, S.L. (50%)	Inversiones Inmob. Rústicas y Urbanas 2000, S.L. (33.36%)	Studio Residence Iberia Investiment. Inmobilir. S.A. (50.00%)	Desarrollo Urbanístico Sevilla Este, S.L. (30.52%)	Ronda Norte Denia, S.L. (32.63%)	Total
Balance sheet: Non-current assets	42,073	264	-	6,502	-	48,839
Current assets	1,801	18,082	121	72,981	510	93,495
Total assets	**43,874**	**18,082**	**121**	**74,483**	**510**	**142,334**
Equity	23,372	11,611	81	(8,079)	143	27,128
Non-current liabilities	958	2,084	-	-	-	3,042
Current liabilities	19,544	4,651	40	87,562	367	112,164
Total equity and liabilities	**43,874**	**18,346**	**121**	**79,483**	**510**	**142,334**
Statement of profit or loss: Income	5,557	-	-	-	18	5,575
Profit (loss) from operations	1,668	(13)	(15)	(98)	8	1,550
Profit (loss) before tax	761	(42)	(15)	(3,845)	-	(3,141)
Profit (loss) for the year	519	(82)	(15)	(3,156)	-	(2,734)

12. Joint ventures

Part of the Group's business operations are performed through joint ventures over which the Realia Group exercises joint control together with other non-Group partners. These joint ventures were proportionately consolidated as indicated in Note 2-d. Joint control over these ventures is established through interests in entities with various legal forms: unincorporated temporary joint ventures ("UTEs") and joint-property entities ("CBs").

The required uniformity adjustments, reconciliations and reclassifications were made and the reciprocal asset and liability balances and income and expenses were eliminated appropriately.

The main aggregates at 31 December 2015 and 2014 of the UTEs and the joint property entities (included in Appendix III) included in the consolidated financial statements of Realia Business are as follows:

	Thousands of Euros	
	UTEs and Joint Property Entities	
	2015	**2014**
Revenue	618	1,492
Profit (loss) from operations	72	389
Non-current assets	6,906	7,354
Non-current liabilities	24	24
Current liabilities	148	307

At 31 December 2015 and 2014, the Group companies did not have any commitments to purchase property, plant and equipment to be contributed to the joint ventures. Similarly, no commitments, to purchase property, plant and equipment had been assumed directly by the joint ventures in those years.

In addition, in the businesses managed through unincorporated temporary joint ventures and joint property entities the venture partners are jointly and severally liable for the business activity carried on. However, for interests in companies formed under the Spanish commercial code such as public and private limited liability companies, the shareholders' liability is limited to their share of capital of such jointly controlled entities.

13. Inventories

The detail of "Inventories" at 31 December 2015 and 2014, which relate mainly to property for residential use, is as follows:

	Thousands of Euros					
	2015			2014		
	Cost	Write-downs	Net	Cost	Write-downs	Net
Land and building lots	672,873	(411,339)	261,534	672,265	(392,988)	279,277
Sundry materials	6	-	6	6	-	6
Long-cycle construction work in progress	49,045	(16,172)	32,873	49,047	(15,080)	33,967
Completed buildings	96,799	(17,772)	79,027	110,968	(24,380)	86,588
Advances to suppliers	2,905	-	2,905	3,038	-	3,038
	821,628	**(445,283)**	**376,345**	**835,324**	**(432,448)**	**402,876**

The market value of the Group's inventories at 31 December 2015 and 2014, calculated based on the appraisals conducted in 2015 and 2014 by independent experts not related to the Group, amounted to EUR 420,599 thousand and EUR 447,979 thousand, respectively. As a result, due to the eliminations due to sales and to write-downs and reversals recognized for these inventories in line with their market value, the Group recognized a net reversal of write-downs amounting to EUR 12,940 thousand in 2014 (2014: impairment loss of EUR 3,251 thousand) (Note 23.i).

The inventories owned by companies in the property development line of business were appraised by independent experts in accordance with the principles and methodology provided in Ministry of Finance Order ECO/805/2003, of 27 March, amended by Ministry of Economy and Finance Order EHA/3011/2007, of 4 October, and by Ministry of Economy and Finance Order EHA/564/2008, of 28 February, which establishes the measurement bases for property and certain rights for certain financial purposes (whereby appraisals may be conducted using various methods, according to the urban development and the type of assets involved). Market value was calculated using the comparative and dynamic residual methods. Using the comparative method, the value of the land being appraised is obtained by analyzing comparables in the property market based on specific information on recent actual transactions and firm offers involving land that is comparable and uniform with the land that is the subject of analysis and measurement. In the indicated selection, any prices deemed unusual were compared in advance in order to identify and eliminate prices arising from transactions and offers that fail to meet the terms and conditions required in the definition of the market value of the related assets, and those that could include speculative items. Using the dynamic residual method, the current value of land is calculated by taking into account the future cash flows associated with it, including both collections and payments, based on assumptions relating to prices and development, construction and marketing periods.

In the case of the inventories owned by companies in the Group's property management line of business, in 2015 and 2014 the methodology used in the valuations to determine the fair value of the Group's inventories is determined in accordance with the Appraisal and Valuation Standards issued by the Royal Institute of Chartered Surveyors (RICS) and the International Valuation Standards (IVS), issued by the International Valuation Standards Committee (IVSC), organizations which group together, respectively, the international and European valuation institutions.

To calculate the fair value, the comparison valuation method (for completed developments) and static and dynamic residual methods (for land and building lots and property developments in progress) were used. By means of the dynamic residual method, the residual value of the property under valuation is obtained by discounting the established cash flows based on an estimate of future expenses and income, taking into consideration the period that must elapse until the aforementioned cash flows are realized, at the established discount rate. The total cash income already considered to have been realized prior to the date of valuation is added to the result of the calculation to give the total value. The discount rate used is that which represents the project annual average yield, without taking into account external financing, which an average developer would obtain from a development with the same characteristics as that analyzed.

In any case, the current situation of the residential market may give rise to differences between the fair value of the Group's inventories and the effective realizable value thereof.

The changes in "Inventories" in the years ended 31 December 2015 and 2014, disregarding the impairment losses, were as follows:

	Thousands of Euros					
	Land and building lots	Short-cycle developments in progress	Long-cycle developments in progress	Completed buildings	Embodiment items	Total
Balance as at 31 December 2013	**685,992**	**-**	**50,565**	**146,172**	**68**	**882,797**
Exchange rate changes	(358)	-	(10)	(32)	-	(400)
Additions	2,369	-	30	(2,619)	2	(218)
Disposals	(16,983)	-	(293)	(32,553)	(64)	(49,893)
Transfers	1,245	-	(1,245)	-	-	-
Balance as at 31 December 2014	**672,265**	**-**	**49,047**	**110,968**	**6**	**832,286**
Exchange rate changes	(112)	-	(7)	-	-	(119)
Additions	843	-	47	(95)	1	796
Disposals	(165)	-	-	(14,074)	(1)	(14,240)
Transfers	42	-	(42)	-	-	-
Balance as at 31 December 2015	**672,873**	**-**	**49,045**	**96,799**	**6**	**818,723**

Land and building lots

No significant changes to the item "Land and building lots" have taken place in 2015.

In prior years, the Company acquired land in Valdemoro (R7) for which it paid EUR 3,790 thousand, payment of the remaining balance being subject to the fulfilment of a condition precedent by the seller. Due to the breach of contractual obligations by the seller, the Company filed a claim for the legal termination of the agreement, to which the Supreme Court handed down a final ruling establishing the ineffectiveness of the purchase agreement and obliging the seller to pay the claimant the price paid under the aforementioned agreement as well as the costs and interest.

On 11 February 2014, the Madrid Court of First Instance issued an order awarding the R8 land in Valdemoro, amounting to EUR 1,500 thousand, to the Parent, which was appealed by the other party and dismissed by the court, until 13 November 2014 when the award certificate enabling its registration in the Property Registry was issued. This award, amounting to EUR 1,500 thousand, together with the other asset seizures imposed amounting to EUR 130 thousand, led to the recognition of a balance receivable at year-end of EUR 2,160 thousand. Furthermore, the ruling of the Spanish Supreme Court recognized an amount of EUR 1,137 thousand for the interest and costs of the proceedings (see Note 23.h), for which impairment losses covering the full amount had been recognized at year-end due to doubts as to their recovery. During 2015, a request was made, and accepted by the court, to seize additional properties.

Furthermore, at the end of 2015, the fair value of the future delivery obligation of the asset called Teatinos has not suffered any changes in value; accordingly, the Group has not recognized valuation corrections for this concept, and the fair value of the asset has remained at EUR 0.6 Million.

In 2014, the subsidiary Wilanow Realia SP. Z.O.O. (currently liquidated, see Note 2-f) sold its land in Warsaw (Poland) for a total of EUR 7,648 thousand, the carrying amount of which was EUR 7,423 thousand (cost of EUR 12,041 thousand and impairment of EUR 4,618 thousand), giving rise to a gain of EUR 225 thousand.

Property development and land sale commitments entered into with customers at 31 December 2015 and 2014 (arranged as earnest money and other agreements) amounted to EUR 6,706 thousand and EUR 7,164 thousand respectively, of which EUR 3,764 thousand and EUR 4,001 thousand are recognized under "Trade Payables – Customer Advances" in the attached consolidated balance sheet (see Note 20.b). EUR 219 thousand and EUR 321 thousand, respectively, were collected. The remainder related to commitments arising from asset exchange transactions.

The Parent's policy regarding guarantees backing advances received from customers is that all advances received from customers must be secured pursuant to Law 57/1968.

Advances to suppliers

The detail of "Advances to Suppliers" at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Realia Business, S.A.:		
Valdebebas	2,887	3,020
El Molar	18	18
Total land purchases	**2,905**	**3,038**

These advances relate mainly to amounts paid on account in respect of land to be acquired, title to which had not been transferred to Realia Business Group at 31 December 2015 and 2014.

No losses are expected to arise in relation to the value of the land purchase commitments associated with these advances.

In accordance with the revised IAS 23, the Group capitalizes the borrowing costs associated with investment property under construction, which takes a period of over twelve months to get ready for its intended use. In 2015 and 2014, no borrowing costs were capitalized in this connection.

Builder's all risk insurance has been taken out for all the property developments in progress and completed, and the appropriate community association insurance has been taken out for completed developments.

At 31 December 2015 and 2014, certain assets were recognized under inventories, with an aggregate carrying amount of EUR 261,117 thousand and EUR 274,835 thousand respectively, which serve as mortgage security for the syndicated loan arranged in 2009, as well as the bilateral loans with Kutxa Bank and Grupo Santander, arranged by the Parent Realia Business S.A. and the subsidiaries Realia Business Portugal Lda and Retingle, S.L. At the date of preparation of these financial statements, the mortgage securities of the syndicated loan arranged by the Parent have been suspended, since the suspension conditions agreed in the Syndicated Loan agreement have been fulfilled (see Note 19).

Inventory write-downs

The changes with an impact on inventory write-downs in 2015 and 2014 were as follows:

	Thousands of Euros	
	2015	2014
Initial balance	(432,448)	**(435,768)**
Amounts used – land sales	-	4,618
Net impairment losses – land (Note 23.i)	(18,445)	(5,323)
Net amounts used/reversed – property developments in progress and completed (Note 23.1)	5,504	3,956
Effect of exchange rate changes	106	69
Final balance	**(445,283)**	**(432,448)**

In accordance with the applicable accounting rules, the Group recognizes write-downs for all the losses on its inventories and does not recognize increases in value until they have been effectively realized, through sale (see Notes 4-f and 4-o).

14. Other assets

14.1 Trade and other receivables

The breakdown of "Trade and other receivables" is as follows:

	Thousands of Euros	
	2015	2014
Trade and other receivables	6,734	7,667
Unpaid trade receivables and notes	13,715	13,719
Doubtful trade receivables	1,085	13,791
Impairments - customers	(9,589)	(10,083)
Sundry accounts receivable	4,574	4,404
Impairments - receivables	(711)	(828)
Other accounts receivable from public authorities (Note 21)	237	97
Current tax assets (Note 21)	3,381	2,326
Shareholders (partners) for requested payments (Note 16)	88,960	-
Total trade and other receivables	**108,386**	**18,383**

"Trade and other Receivables" at 2015 year-end relates mainly to invoices yet to be issued by the property management companies due to the straight-line recognition of amounts in rent-free periods ad rent rebates, of EUR 5,823 thousand (EUR 6,092 thousand in 2014), in accordance with the accounting treatment provided for under International Accounting Standards (IAS 17).

The balance recognized under "Shareholders (partners) for called-for payments" recognized the share underwritten and not disbursed by the partners of the nominal amount of the increased share capital, for an amount of EUR 36,8111 thousand, plus the share premium, for a total of EUR 52,149 thousand (see Note 16). This payment took place in January 2016.

The directors consider that the carrying amount of the accounts receivable approximates their fair value.

14.2 Current and non-current financial assets

The detail of “Non-Current Financial Assets” and “Other Current Financial Assets” at 31 December 2015 and 2014 is as follows:

	Thousands of Euros			
	2015		2014	
	Non-current	Current	Non-current	Current
Credit facilities	-	32,975	11,734	23,033
Other	1,250	1,432	1,250	2,216
Total other financial assets	**1,250**	**34,407**	**12,984**	**25,249**

At 31 December 2015, financial assets recognize the following credit facilities:

- Credit facility granted by Retingle, S.L. to Inmosineris, S.L. (its other partner) for an amount of EUR 11,649 thousand, maturing in January 2016. At the date of preparation of these financial statements, this credit has been extended until 17 April 2017.

- Credit facility maturing in 2016 and interests payable amounting to EUR 16,501 thousand, which Portfolio Grandes Áreas Comerciales, S.L. has granted to As Cancelas, S.L.

- Credit facility and interest payable that the Parent has granted to Inversiones Inmob. Rústicas y Urbanas 2000, S.L. and Ronda Norte Denia, S.L., amounting to EUR 4,438 thousand and EUR 387 thousand, respectively.

- At 31 December 2014, current financial assets were broken down into: the credit facility maturing in 2015 and interests payable amounting to EUR 18,002 thousand that the company Portfolio Grandes Áreas Comerciales, S.L. granted to As Cancelas, S.L.

- Credit facilities and interests payable that the Parent has granted to Inversiones Inmob. Rústicas y Urbanas 2000, S.L. and Ronda Norte Denia, S.L., amounting to EUR 4,417 thousand and EUR 370 thousand, respectively; and the credit facility and interests payable, amounting to EUR 245 thousand, that Fomento Inmobiliario Levantino, S.L. granted to Estudios de Investigación, Servicio, S.L. (its other partner).

All the credit facilities granted earn interest at a market rate.

14.3 Other current and non-current assets

"Other current and non-current assets" recognizes as current assets anticipated payments amounting to EUR 3,618 thousand and EUR 3,344 thousand in 2015 and 2014, respectively. Non-current assets relates to the long-term guarantees and deposits provided to the Public Authority bodies, which amounted to EUR 8,880 thousand and EUR 9,038 thousand in 2015 and 2014, respectively.

15. Cash and cash equivalents

"Cash and cash equivalents" includes the Group's cash and unrestricted short-term bank deposits. The detail of the carrying amount of these assets, which approximates their fair value, is as follows:

	Thousands of Euros	
	2015	2014
Short-term deposits held at associate banks (Note 24)	-	306,709
Short-term deposits held at non-Group banks	180,154	173,895
Cash – non-Group banks	3,716	5,060
Cash – associated banks (Note 24)	-	131,881
Total cash and cash equivalents	**183,870**	**617,545**

At 2015 year-end, certain Group companies held short-term highly liquid deposits at associated and non-Group banks for an aggregate amount of EUR 180,154 thousand. These amounts are unrestricted, except for EUR 164 thousand.

16. Equity

The consolidated state of changes in equity for the years ended 31 December 2015 and 2014 show the changes in those years in the equity attributable to shareholders of the Parent and to non-controlling interests. At the end of 2015, the share capital of the Parent is composed by:

- 307,370,932 fully subscribed and paid bearer shares of a value of EUR 0.24.
- 153,380,466 shares of a value of EUR 0.24 each, committed to subscription but pending registration at year-end. After their registration in the Mercantile Register, they will enjoy the same political and economic rights, and are admitted for trading since 20 January 2016.

At 31 December 2015, 152,950,101 shares are committed to subscription, representing 99.72% of the total shares offered on the capital increase agreed at the Board of Directors of 3 December 2015. The rest of the shares, 430,365, were subscribed during the first days of 2016, and the full subscription of unsubscribed shares is guaranteed during the preferential subscription period from the first moment by shareholder Inversora Carso, S.A.

With this capital increase, the share capital of the Parent is extended by a nominal amount of EUR 36,811 thousand, through the issue and circulation of 153,380,466 new ordinary shares, with a unit nominal value of EUR 0.24. Issue premium amounts to 0.34 Euros per share, which represents a global premium of EUR 52,149 thousand. Payment and registration at the Mercantile Register of the new capital increase took place in January 2016.

At 31 December 2015, share capital is represented by 460,751,398 shares, as follows:

	31.12.2015					
	Thousands of Euros					
	% of ownership	Paid up capital	% pending registration	Capital to be paid	Total Capital	Total % after capital increase
Inversora Carso, S.A. de C.V.	26.00%	19,181	4.31%	14,332	33,513	30.31%
Fomento de Construcciones y Contratas, S.A.	34.31%	25,309	-	12,654	37,963	34.33%
Asesoría Financiera y de Gestión (FCC Group)	2.22%	1,635	-	818	2,453	2.22%
Per Gestora Inmobiliaria S.L. (FCC Group)	0.36%	267	-	133	400	0.36%
Other (free float)	37.11%	27,377	-	8,874	36,251	32.78%
	100%	**73,769**	**4.31%**	**36,811**	**110,580**	**100%**

At 31 December 2015 and 2014, the shares of the Parent are listed in the Madrid and Barcelona Stock Exchange Markets. The price of the share of the Parent at 31 December 2015 and the average share price in the last quarter amounted to EUR 0.76 and EUR 0.72 per share, respectively.

Share capital

On 17 December 2014, a prospectus of a takeover bid by Hispania Real Socimi, S.A.U. over Realia Business was submitted for approval by the CNMV, and was approved by the regulator on 11 March 2015.

On 20 March 2015, Inmobiliaria Carso, S.A. de C.V. submitted for authorization by the CNMV a competitive takeover bid, which was admitted, thus interrupting the acceptance period of the previously submitted takeover bid. This bid was authorized on 23 June 2015 by the Spanish National Securities Market Commission (CNMV).

On 23 July 2015, Hispania Real Socimi, S.A.U. notified its decision not to go ahead with the takeover bid launched over Realia Business, S.A. On the same date, Inmobiliaria Carso S.A. notified the CNMV its endorsement of all the terms of the takeover bid launched over Realia Business, S.A.

The period of acceptance of the takeover bid launched by Inmobiliaria Carso, S.A. concluded on 24 July 2015, and was accepted by 451,940 shares, accounting for 0.15% of the shares the bid was addressed to and the share capital of Realia Business, S.A., according to the relevant event communication by the CNMV dated 28 July 2015.

Additionally, on 3 June 2015, the transfer of the whole ownership share that Corporación Industrial Bankia, S.A.U., held in Realia Business, S.A. (24.95%), to Inmobiliaria Carso, S.A. de C.V.

On 22 December 2015, Inversora Carso, S.A de C.V announced that it subrogates in the position that the Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria (Sareb) had in the syndicated loan entered into with Realia Business S.A. (Note 19).

On 15 February 2015, the Parent of the Realia Group and Sociedad Inversora Carso, S.A. de C.V. decided to establish 3 May 2016 as the new date for the opening of the capitalization window of said loan. In case of opting for the voluntary capitalization, Inversora Carso, S.A. de C.V. must notify it at least five days before said date.

On 27 January 2016, Inversora Carso, S.A. de C.V. announced its intention to launch a takeover bid over 100% of the shares of the share capital of the Parent. This bid was announced at a price of 0.80 euros per share, according to the provision of article 9 of Royal Decree 1066/2007.

Reserves of the Parent

Legal reserve

Under the Spanish Limited Liability Companies Law, the Parent must transfer 10% of the net profit for each year to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital, provided that the remaining reserve balance does not fall below of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided sufficient other reserves are not available for this purpose.

At the end of 2015 and 2014, the balance of this reserve amounted to EUR 15,291 thousand. This reserve had reached the legally required minimum in 2014, but this situation changed in 2015 due to the capital increase that took place in the year.

Other reserves

At 31 December 2015, "Other Reserves" included special and voluntary reserves amounting to EUR 43,877 thousand and EUR 262,964 thousand, respectively.

Restricted reserves amounted to EUR 43,877 thousand. Of this amount, EUR 43,764 thousand were appropriated on 15 June 2000 due to a transfer of capital to reserves as a result of a capital reduction at Produsa Este, S.A., currently Realia Business, S.A., and EUR 113 thousand were appropriated to these reserves as a result of Spain joining the euro in 2002.

"Retained Losses" amounted to EUR 499,909 thousand.

Treasury shares

In 2010, the Parent entered into an agreement to manage its treasury shares with a specialized company. The placement of these shares on the market did not generate any gain in 2015; in 2014, it gave rise to a gain of EUR 113 thousand, which was recognized under “reserves” in the attached consolidated balance sheet.

The changes in “Treasury Shares” in 2015 were as follows:

	Number of shares	Thousands of Euros
Balances at 31 December 2014	**610,000**	**675**
Acquisitions	-	-
Disposals	-	-
Balances at 31 December 2015	**610,000**	**675**

The average of treasury shares at 2015 year-end is 1.11 €/share, the same as in 2014.

Reserves of consolidated companies

The detail of the reserves of consolidated companies is as follows:

	Thousands of Euros	
	2015	2014
Realia Business, S.A. and consolidation adjustments	(18,195)	(2,863)
Planigesa subgroup	122,175	115,129
Wilanow Realia	-	(947)
Portfolio Grandes Áreas Comerciales, S.A.U.	6,204	(1,110)
Realia Business Portugal – Unipessoal, Lda.	(4)	(685)
Inversiones Inmobiliarias Rústicas y Urbanas 2000, S.L.	1,880	2,175
Realia Polska SP ZOO	(1,080)	(1,222)
Studio Residence Iberia	56	71
As Cancelas Siglo XXI, S.L.	4,967	1,877
Realia Contesti, S:R.L.	1,243	1,422
Realia Zarea, S.R.L.	-	(686)
Guillena Golf, S.L.U.	(2)	-
Servicios Índice, S.A.	(1,079)	(1,040)
Realia Patrimonio, S.L.U.	130,541	170,024
Valaise, S.L.U.	8	15
Retingle, S.L.	622	616
Total	**247,336**	**282,776**

17. Non-controlling interests

The changes in “non-controlling interests” and in the profit or loss attributable to non-controlling interests were as follows:

	Thousands of Euros
Balance as at 31 December 2013	**640,345**
Changes in the scope of consolidation	(369,670)
Valuation adjustments	2,644
Dividends paid	(14,332)
Profit (loss) for 2014	(34,386)
Balance as at 31 December 2014	**224,601**
Changes in the scope of consolidation (Note 2.f)	(253)
Dividends paid	(5,242)
Profit (loss) for 2015	8,842

Balance as at 31 December 2015	**227,948**

The detail, by company, of "Non-controlling Interests" at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Planigesa subgroup	211,311	207,659
Servicios Índice, S.A.	5,271	5,312
Retingle, S.A.	11,366	11,398
Fomento Inmobiliario Levantino, S.L.	-	232
Balance as at 31 December 2015	**227,948**	**224,601**

The companies holding ownership interests of more than 10% in a Group Company included under "Non-Controlling Interests" are as follows:

		Percentage of Ownership	
	Company	2015	2014
Nozar, S.A.	Servicios Índice, S.A.	39.92%	39.92%
Ecohabitalia S.L.U.	Planigesa, S.A.	23.48%	-
Gestión de Inmuebles y Solares, S.L.	Planigesa, S.A.	-	23.48%
Inmosirenis, S.L.U.	Retingle, S.L.	49.90%	49.90%

18. Provisions

Long-term provisions

The changes in "Long-term provisions" in 2015 and 2014 were as follows:

	Thousands of Euros		
	Warranty Provision	Other Provisions	Total
Balance as at 31 December 2013	**5,928**	**2,385**	**8,313**
Charge for the year	88	1,508	1,596
Transfers from short-term	477	-	477
Amounts used/reversed	(1,046)	(250)	(1,296)
Changes in scope of consolidation (Note 2)	-	(1,492)	(1,492)
Balance as at 31 December 2014	**5,447**	**2,151**	**7,598**
Charge for the year	189	134	323
Transfers from short term	(483)	-	(483)
Amounts used/reversed	-	(571)	(571)
Balance as at 31 December 2015	**5,153**	**1,714**	**6,867**

"Warranty Provision" reflects the Group's estimate of the amount required to cover at any given time any liability arising as a result of defects in quality, latent defects or extraordinary repairs or other contingencies relating to the properties delivered, completed or pending sale, that might arise during the developer's maximum liability period (ten years).

In 2015, EUR 189 thousand were provisioned for face the liability in the housing stock covered by provisions. This charge is recognized under "Changes in Write-Downs, Impairment Losses and Provisions" in the attached consolidated profit or loss account (Note 23.i).

The amount recognized under "Other Provisions" relates in part to the estimates made by the Parent to cover possible liability from lawsuits arising from claims filed by third parties. In 2015 and 2014, the Group recognized provisions for EUR 132 thousand and EUR 571 thousand, respectively; (of these reversed amounts, EUR 267 thousand were used for that purpose and EUR 304 thousand from "Reversed Provisions", recognizing it under "Changes in Write-Downs, Impairment Losses and Provisions" in the attached consolidated profit or loss account (Note 23.i).

During 2014, the Group appropriated provisions of this nature for an amount of EUR 1,508 thousand, recognized under "Changes in Write-Downs, Impairment Losses and Provisions" in the attached consolidated profit or loss account.

Short-term provisions

In 2015, the Group reversed a provision of EUR 559 thousand, of which EUR 472 thousand correspond to warranty provisions, since it was considered that the provision created was sufficient to cover the related liability due to the diminishing activity levels, which led to the gradual decrease in the housing stock covered by provisions; and EUR 78 thousand correspond to the reversion resulting from the dissolution and liquidation of the company Fomento Inmobiliario Levantino S.L., and they are recognized under "Changes in Write-Downs, Impairment Losses and Provisions" in the attached consolidated profit or loss account.

In 2014, the Group reversed a provision of EUR 1,325 thousand due to excessive provisions (Note 23-i), recognized under "Changes in Write-Downs, Impairment Losses and Provisions" in the accompanying consolidated profit or loss account.

19. Bank borrowings and other financial liabilities

The detail of the Group's "Bank Borrowings and Other Financial Liabilities" as at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Non-current:		
Loans and other bank borrowings	666,993	602,953
Loans and other associate-bank borrowings (Note 25)	-	255,651
Loans and other payables to third parties	96,406	600,957
(Loan arrangement costs)	(1,736)	(3,316)
Total bank borrowings and other non-current financial liabilities	**761,663**	**1,456,245**
Current:		
Loans and other bank borrowings	104,653	85,517
Loans and other associate-bank borrowings (Note 24)	-	11,086
Loans and other payables to third parties	388,360	214,950

Syndicated loan associate company	61,291	
Payable to non-current asset suppliers	2,211	1,057
Notes payable	-	1,210
(Loan arrangement costs)	(482)	(202)
Interest	532	3,339
Other	2,000	49
Total bank borrowings and other current financial liabilities	**558,565**	**317,006**
Total	**1,320,228**	**1,773,251**

The detail, by security provided, of the bank borrowings and payables to third parties as at 31 December 2015 and 2014 is as follows:

	Thousands of Euros			
Current and non-current Loans and Credit Facilities	2015		2014	
	Limit	Drawn Down	Limit	Drawn Down
Personal and other guarantees	31,000	18,055	33,000	19,955
Mortgage guarantee	51,446	50,354	62,367	61,275
Syndicated non-recourse guarantees – Property	750,544	750,544	838,268	838,268
Syndicated with-recourse guarantees – Development	437,459	437,459	791,617	791,617
Loan arrangement costs		(2,218)		(3,518)
Interest on current bank borrowings		528		3,335
Gross financial bank borrowings		1,254,722		1,710,932
Participating loan		61,291		59,999
Interest of participating loans		4		4
	1,270,449	**1,316,017**	**1,725,252**	**1,770,935**

The detail, by type, of the bank borrowings as at 31 December 2015 and 2014 is as follows:

Current and non-current Loans and Credit Facilities	Thousands of Euros	
	2015	2014
Transferable mortgage loan	13,002	18,991
Borrowings without recourse to the shareholders	805,951	900,507
Syndicated development loan	437,459	719,617
Participating loan	61,291	59,999
Loan arrangement costs	(2,218)	(3,518)
Interest	532	3,339
Total	**1,316,017**	**1,770,935**

The maturity of the loans and bank borrowings is as follows:

	Thousands of Euros	
	2015	2014
2015	-	58,824

2016	549,233	906,360
2017	720,757	771,078
2018	24,599	12,674
2019	5,510	5,585
2020 and subsequent years	18,136	19,932
Loan arrangement costs	(2,218)	(3,518)
	1,316,017	**1,770,935**

The figures in the previous tables do not include the deduction of EUR 72,418 thousand of the remission granted by financial creditors to the company, the application of which is pending fulfilment with the precedent or subsequent conditions agreed upon in the finance agreement of 10 December 2015.

As of December 2015, the Group does not hold a balance under “Loans and bank borrowings”, since Corporación Industrial Bankia, S.A.U. ceased to be a shareholder of the Group on 3 June 2015 (see Note 16). The total amount drawn down at 31 December 2015 with the aforementioned bank amounted to EUR 238,823 thousand (EUR 265,821 thousand in 2014, see Note 24).

At 31 December 2015, the loan arrangement costs amounted to EUR 2,218 thousand (EUR 3,518 thousand in 2014) and have been deducted from “Bank Borrowings and other Financial Liabilities” in the attached consolidated balance sheet.

Syndicated loans – Rental property

In April 2007, Realia Patrimonio S.L.U. restructured the bank borrowings by arranging a limited recourse syndicated credit facility with 2 banks, which subsequently transferred a portion of their position to 14 other banks, thereby reaching a total of 16 banks, for an initial limit of EUR 1,087,000 thousand. At the end of 2015, after various repayments, the limit was reduced to a maximum of EUR 750,544 thousand, which does not include the loan arrangement costs of EUR 1,700 thousand at 2015 year-end. The applicable interest rate varies on the basis of the loan to value (LTV) ratio (amount of the facility with respect to the gross market value of the assets). At 2015 year-end, the credit facility was arranged in a single tranche, with final maturity in 2017.

On 31 December 2015, Realia Patrimonio S.L.U. repaid early an amount of EUR 54,078 thousand of the syndicated loan.

In June 2013, pursuant to the requirements established in Additional Previsions Eight and Nine of Law 9/2012, of 14 November, and Article 48 of Royal Decree-Law 1559/2012, of 15 November, Caixa Catalunya S.A. assigned all the syndicated borrowings of Realia Patrimonio S.L.U. to Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (SAREB – Bank Restructuring Asset Management Company). Consequently, the Group reclassified these borrowings to “Other Current Financial Liabilities”, for an overall amount of EUR 10,405 thousand.

In addition, in 2014 the transfer of the debt relating to transactions performed by banks and similar institutions was also recognized. Specifically, in July 2004, Banco de Sabadell, S.A. assigned all the syndicated borrowings of Realia Patrimonio, S.A.U., amounting to EU 10,303 thousand, to Goldman Sachs International Bank.

In addition, in February 2014 Liberbank, S.A. assigned all the syndicated borrowings of Realia Patrimonio, S.A.U., amounting to EUR 7,804 thousand, to Citibank International Limited. Lastly, in October 2014, Hypothekenbank Frankfurt AG assigned all the syndicated borrowings of Realia Patrimonio to the financial institutions AXA France IARD, AXA Insurance UK and MML Dublin Mortgage Loans, amounting to EUR 16,597 thousand, EUR 7,972 thousand and EUR 26.943 thousand, respectively. Consequently, the Group reclassified its debt to “Other Current Financial Liabilities”, which then amounted to EUR 59,316 thousand.

In addition, in accordance with the covenants of this syndicated loan, on 30 June 2014, EUR 7,286 thousand were repaid early with a charge to 50% of the free cash-flow ratio and EUR 1,078 thousand from funds to be reinvested obtained from the sale of certain properties to the subgroup SIIC de Paris.

In February 2015, Westdeutsche InmobilienBank AG assigned its share of the credit facility, EUR 51,513 thousand, to Erste Abwicklungsanstalt. Consequently, the Group reclassified that debt to “Other Current Financial Liabilities”.

The amount drawn down on that item the end of 2015 was EUR 750,544 thousand, broken down as follows: 12.3% from banks, 1.2% from SAREB, and the rest from top tier financial institutions. The reference interest rate is Euribor plus 60 basis points.

During the life of the syndicated loan of Realia Patrimonio, certain ratios related to financial hedging and net borrowing levels must be fulfilled in relation to the GAV of the property, referenced to Realia Patrimonio. By the end of 2015, these ratios had been met.

Syndicated loan – Development

On 27 September 2013, having met the conditions precedent, the Parent formalized an agreement entered into on 26 July, relating to the extension and restructuring of its residential business with the banks forming the bank syndicate, the holder of the borrowings, amounting to EUR 846,341 thousand. This agreement was favorably and unreservedly reported by the independent expert appointed for that purpose by the Mercantile Registry. Additionally, pursuant to the duties established in the restructuring agreement, the Group engaged the services of a prestigious international investment to take care of the structured fundraising process required by the finance agreement.

The Parent pledged all of its ownership interest in its subsidiary Realia Patrimonio, S.L.U., to secure this syndicated loan, with a limit of 95% of the dividend rights, and gave a security interest in collection rights to loans to Group companies and set up a first-ranking mortgage on land owned by the Parent. The aforementioned loan provides for certain cases in which early repayment will be required, including most notable the case in which, in the event of a capital increase in the Parent does not lead to a change in control, the monetary contributions must be used in full to repay the financing early, except the amounts necessary to cover any envisaged cash variances with respect to the business plan. Additionally, 60% of the net income from sales of unmortgaged assets and dividends received from investees must be used for the early repayment of the syndicated loan, except dividends received from Realia Patrimonio, S.L.U., which may be used to meet the business plan.

As part of the negotiations with the financial creditors of the Parent, Realia Business, S.A., an agreement was reached on 10 December 2015, according to which the total of the syndicated loan debt, EUR 802.7 Million, would be reduced by 9% if the conditions set for the repayment of the debt were fulfilled. Payment milestones are broken down into four; 50% of the debt in December 2015; 12.15% payable on 29 January 2016; 12.85% payable on 29 February 2016, and the remaining 25% on 30 May 2016.

On 10 December 2015, the Parent entered into a novation agreement of the syndicated loan with the financial creditors for the amount of the debt with these entities, which at the date of the agreement, amounted to EUR 802,759 thousand, with the goal of complying with the short and medium term feasibility plan and reduce significantly the financial debt.

This agreement establishes the maturity of the loan by 30 May 2016, according to the following payment schedule:

	Amount of debt and PIK interest	Amount of the debt with a 9% discount
11 December 2015	401,339	365,218
29 January 2016	97,759	88,961
29 February 2016	103,453	94,143
30 May 2016	202,094	183,905
	804,645	**732,227**

Additionally, a 9% reduction on the existing debt is agreed, to be applied to payment milestones payable by the Parent, amounting to a total of EUR 72,418 thousand, applicable provided that maturity condition is not fulfilled and the conditions precedent and subsequent required to repay every installment are fulfilled, and is up to date on payments. On 11 December 2015, the Parent made the first scheduled payment for an amount of EUR 365,218 thousand.

The conditions precedent provided for in the agreement are the following:

- Condition precedent 1: Inversora Carso, S.A. de C.V. formalizes and submits financial entities the following Corporate Guarantees:

  Corporate guarantee for refund, that assess the potential risks of a possible refund (regulated by article 71 of Bankruptcy Law) in the event of insolvency proceedings at the Parent.

  Corporate guarantee for payment, to ensure the payment obligations of the financee.

  Both guarantees have met complied at the date of signature of the refinance agreement.
- Condition precedent 2: No later than 31 January 2016, the Financee must deliver a Bank Surety for an amount not inferior to EUR 202,904 thousand. This Bank Surety will be returned upon repayment of the Fourth Installment.

On 29 January 2016, the Parent paid the second and third milestones of the new repayment schedule, for an amount of EUR 183,104 thousand, and thus only the fourth and final payment milestone is pending payment, for an amount of EUR 183,905 thousand. Both amounts have been deducted by 9%, according to the reduction agreed with the financial creditors. On the same date, the Parent presented a guarantee covering the remaining amount, which after the application of the haircut agreed, amounts to EUR 183,905 thousand, maturing on 30 May 2016. Consequently, at the time of preparation of these financial statements, the covenants agreed in the Syndicated Financing agreement of 30 September 2009 have been cancelled, once the conditions precedent have been met, and all the guarantees related thereto have been cancelled.

The syndicated loan bears an interest rate referenced to the 1-month Euribor rate plus 0.5%, payable upon the end of every interest period. Additionally, the syndicated loan bears a capitalizable rate of interest amounting to 1.5% annually over the average balance of the amount pending amortization during every interest period. In 2015, PIK interests have been capitalized accrued for an amount of EUR 14,458 thousand as the main item in the principal.

Participating loan

The signing of the refinancing agreement entered into by the Parent and described in the paragraph above, represented the renewal of the participating loan that the major shareholders at the time (Fomento de Construcciones y Contratas and Corporación Financiera Caja Madrid), had granted to the Parent, extending its maturity until 1 July 2016; interests will accrue at a fixed rate plus 0.5%, plus a maximum floating rate of 2%.

On 22 December 2015, Inversora Carso, S.A. de C.V. subrogated in the position that the Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria (Sareb) had in this participating loan.

Thus, on 31 December 2015, the amount drawn down from the loan the Parent holds with Inversora Carso, S.A. de C.V. after the purchase by the shareholder from the former loan holder, Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria (Sareb), amounts to EUR 61,291 thousand. On 15 February 2016, the Parent of the Realia Group and Sociedad Inversora Carso, S.A. de C.V. decided to establish 3 May 2016 as the new date for the opening of the capitalization period of the freely convertible tranche of that loan.

According to the provisions of the contract, the remainder of the loan can be subject to capitalized or reduced, in accordance with the terms and conditions of the contract.

Mortgages and other loans

As a result of the agreement for the refinancing of the syndicated credit facility, the Parent negotiated with one of the banks to convert its borrowings amounting to EUR 16,238 thousand at that date into a bilateral agreement, with maturity on 27 September 2016 and accrual of interest tied to Euribor plus 200 basis points. The Parent must pay a spread of 50 basis points over the life of the loan and the remaining 150 basis point will be capitalized every year and payable on maturity of the loan in 2016. At the end of 2015, the outstanding balance of the mortgage loan amounted to EUR 4,636 thousand.

In addition, at 31 December 2015, the Parent had another mortgage loan against which a total of EUR 4,792 thousand had been drawn down.

At 31 December 2015, Hermanos Revilla S.A. had loans with mortgage guarantees up to a limit of EUR 38,000 thousand, of which EUR 37,352 thousand had been drawn down (31 December 2014: EUR 42,284 thousand).

Also, at 31 December 2015, Hermanos Revilla S.A. had been granted credit facilities with a limit of EUR 31,000 thousand, against which a total of EUR 55 thousand had been drawn down (31 December 2014: EUR 19,995 thousand).

In addition, at 31 December 2015 Realia Business Portugal and Retingle had two mortgage loans against which a total of EUR 3,574 had been drawn down (31 December 2014: EUR 4,686 thousand).

During 2015, the Parent entered into an agreement with the Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria (Sareb) on the mortgage loan for EUR 526 thousand, in order to proceed to its total early amortization, with a reduction of 52%.

The average interest rate prevailing at 31 December 2015 applicable to the Group's total bank and similar borrowings (bank debt assigned to SAREB and financial institutions) was 0.98%. The average weighted interest of the current financial liabilities and non-current financial liabilities in 2014, taking into account the total finance costs (see Note 23.f), amounted to 1.88%.

20. Other liabilities

a) Other non-current liabilities

The detail of "Other non-Current Liabilities" as at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Other non-current liabilities	2,404	2,404
Long-term guarantees and deposits received	13,604	13,613
	16,008	**16,017**

b) Trade and other payables

The detail of "Trade and Other Payables" as at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Payable to suppliers – Group companies and associates	918	1,006
Payable to suppliers for purchase of land: Excluding payment instruments	3,120	3,120
Payable to suppliers	2,772	4,146
Customer advances (Notes 13 and 4-h)	3,764	4,001
Accounts payable	6,360	6,846
Tax payables (Note 21)	3,726	5,238
Current tax liabilities (Note 21)	1,267	1,046
	21,927	**25,403**

"Trade and Other Payables" includes mainly the amounts payable for construction projects and related costs, purchases of land, the advances received from customers prior tor recognition of the sale of properties and balances payable to public authorities.

The directors consider that the carrying amount of trades payable approximates their fair value.

c) Average payment period to suppliers

Set forth below are the disclosures required by Additional Provision Three of Law 15/2010 of 5 July (amended through Second Final Provision of Law 31/2014, of 3 December), prepared in accordance with ICAC's (Institute of Account Audits) Decision of 20 January 2016, relating to the information to be included in the financial statements of the year regarding the average payment period to suppliers in commercial operations.

According to the requirements of the single Additional Provision of the aforementioned Decision, no comparative information is presented, since this is the first year of its application.

	2015
	Days
Average payment period to suppliers	55.1
Paid transactions ratio	55.2
Pending transactions ratio	54.6
	Thousands of Euros
Total payments made	30,649

Total pending payments	6,257

According to the Decision from ICAC, commercial transactions corresponding to delivery of goods or provision of services accrued since the coming into force of Law 31/2014, of 3 December, have been taken into account in the calculation of the average payment period to suppliers.

For the exclusive purposes of the information required by this Decision, "Suppliers" are the commercial creditors for debts with suppliers of goods or services, included under "Suppliers" and "Creditors" in the liability side of the balance sheet.

"Average payment period to suppliers" is the period between the delivery of goods or provision of service by the supplier and the payment of the transaction.

The ratio of paid transactions is calculated as the ratio between the sum of the products corresponding to the amount paid times the number of days of payment (difference between the calendar days since the date of start of the payment period until the payment of the transaction) in the numerator, and the total amount of payments made in the denominator.

Similarly, the ratio of transactions pending payment corresponds to a ratio where the numerator is the sum of the product corresponding to the amounts pending payment, times the number of days of payment (difference between the calendar days elapsed since the date of start of the payment period until the payment of the transaction), and the denominator is the total amount of payments made.

The maximum payment period applicable to the Group in 2015 under Law 3/2004, pf 29 December, on combating late payment in commercial transactions, and pursuant to the transitory provisions of Law 15/2010, of 5 July, was 60 days, given that all the conditions provided in Law 11/2013 of 26 July, are fulfilled.

d) Other current liabilities

"Other Current Liabilities" include mainly the rental payments received for rent billed in advance, which are taken to profit or loss on an accrual basis.

21. Tax matters

Since 2007, the Group has filed consolidated tax returns as a tax group headed by the Parent. A consolidated tax group. As regulated in Title VI, Chapter VII of Law 27/2014, of 27 November, is made up of a parent and all the subsidiaries, whether public or private limited liability companies, that are resident in Spain, and in which the Parent has a direct or indirect ownership of at least 75% (see Appendix I).

On 2 February 2007, the Parent was assigned tax group number 135/07 by the Spanish tax authorities.

Therefore, since 2007, the Realia Group has filed consolidated tax returns and, accordingly, "Income Tax" on the accompanying consolidated statement reflects the sum of the amounts reported in the individual tax returns of the Group companies and the effects arising on consolidation and conversion to IFRSs.

The detail of the main tax receivables and payables is as follows:

	Thousands of Euros							
	Tax Assets				Tax Liabilities			
	Current		Deferred		Current		Deferred	
	2015	2014	2015	2014	2015	2014	2015	2014
Deferred tax assets	-	-	31,168	31,454	-	-	-	-
Tax loss carryforward	-	-	70,274	70,092	-	-	-	-
Tax credit carryforwards	-	-	19,375	19,023	-	-	-	-
VAT/Canary Islands general indirect tax	237	97		-	591	1,544	-	-
Tax refunds	3,381	2,326		-	-	-	-	-
Income tax payable	-	-		-	1,267	1,046	-	-
Personal income tax withholdings payable	-	-		-	399	259	-	-
Accrued social security taxes payable	-	-		-	99	100	-	-
Other entities	-	-		-	2,637	3,335	-	-
Deferred tax liabilities	-	-		-	-	-	135,562	126,385
	3,618	**2,423**	**120,817**	**120,569**	**4,993**	**6,284**	**135,562**	**126,385**

The deferred tax assets and liabilities recognized are reassessed at each reporting date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

Deferred tax assets are recognized to the extent that it is considered probable that the Company or tax group will have taxable profits in the future against which the deferred tax assets can be utilized.

The changes in deferred tax assets and liabilities in 2015 and 2014 were as follows:

	Thousands of Euros	
	Deferred tax assets	Deferred tax liabilities
Balance as at 31/12/2013	**149,641**	**21,755**
Derivatives	(4,004)	-
Period tax loss and tax credit carryforwards	(23,867)	-
Provisions for expenses	(127)	-
Provisions for equity investments	-	(985)
Consolidation adjustments	(2,997)	(3,167)
Accelerated depreciation and amortization	-	(39)
Goodwill	-	(1,121)
Non-deductible finance costs	981	-
Non-deductible depreciation and amortization expenses	965	-
Adjustment IAS to Fair Value (Note 2.i)	-	110,267
Other	(23)	(324)
Balance as at 31 December 2014	**120,569**	**126,385**
Period tax loss and tax credit carryforwards	534	-
Provisions for expenses	1,981	-
Consolidation adjustments	(336)	(30)
Accelerated depreciation and amortization	-	786
Non-deductible finance costs	(1,661)	-
Non-deductible depreciation and amortization expenses	(269)	-
Adjustment IAS 40 to Fair Value (Note 2.i)	-	8,466
Other	(1)	(45)

Balance as at 31 December 2015	**120,817**	**135,562**

The detail of the deferred tax assets and liabilities at 2015 and 2014 year-end is as follows:

	Thousands of Euros			
	Deferred Tax Assets		Deferred Tax Liabilities	
	2015	2014	2015	2014
Tax loss carryforwards	70,274	70,092	-	-
Tax credit carryforwards	19,375	19,024	-	-
Provisions for expenses	2,830	849	-	-
Intragroup eliminations	229	565	-	-
Non-deductible finance costs	25,851	27,512	-	-
Non-deductible depreciation and amortization expenses	2,144	2,413	-	-
Other	114	114	-	-
Investment securities	-	-	69	69
Gains	-	-	5,604	5,604
Consolidation adjustments	-	-	4,798	4,827
Adjustment IAS to Fair Value (Note 2.i)	-	-	118,733	110,267
Accelerated depreciation and amortization	-	-	5,008	4,222
Other	-	-	1,350	1,396
Total	**120,817**	**120,569**	**135,562**	**126,385**

The reconciliation of the accounting profit (loss) before tax to the taxable profit of the income tax for 2015 is as follows:

	Thousands of Euros		
	Increase	Decrease	Total
Profit (loss) before tax			39,019
Permanent differences:			**(21,916)**
Surcharges and penalties	270	-	
Other consolidation adjustments	-	(36,124)	
Reassignment of values	174	-	
Unrecognized temporary differences	18,471	(4,949)	
Other adjustments	242		
Temporary differences arising in the year:			**5,149**
Accelerated depreciation and amortization	-	(3,623)	
Provision for charges	8,898	-	
Other	-	(126)	
Temporary differences arising in prior years:			**(12,078)**
Accelerated depreciation and amortization	612	-	
Non-deductible finance costs	-	(9,297)	
Non-deductible depreciation and amortization expenses	-	(953)	
Offset of recognized tax losses	-	(897)	
Provision for charges	-	(378)	
Investment securities	-	(1,083)	
Other		(81)	
Offset of prior year’s unrecognized tax losses	-	(40)	(40)

Taxable profit			**10,134**

The income tax expense included in the accompanying consolidated income statement is calculated on the basis of consolidated profit or loss before tax, increased or decreased, as appropriate, by the permanent differences between taxable profit (tax loss) and accounting profit (loss). Based on the legislation applicable to each company, the corresponding tax rate is applied to this adjusted accounting profit (loss). Any tax relief and tax credits earned in the year are then deducted and any positive or negative differences between the tax charge estimated to the previous year's accounting close and the amount of tax subsequently paid are added to or deducted from respectively, the resulting tax charge.

The income tax expense for 2015 amounted to EUR 12,972 thousand (2014: EUR 2,424 thousand), as shown in the accompanying consolidated income statement. The reconciliation of the expense to the tax charge payable is as follows:

	Thousands of Euros	
	2015	2014
Taxable accounting income	39,019	(1,850)
Result of companies accounted for using the equity method	(3,280)	(3,460)
Permanent differences	686	1,052
Consolidation adjustments	(32,843)	(8,721)
Offset of unrecognized tax losses	(40)	(11)
Unrecognized tax losses (*)	2,017	44,800
Unrecognized temporary differences	11,504	(27,593)
Adjusted accounting profit	**17,063**	**4,217**
Tax charge	4,778	1,265
Tax credits	(15)	-
Accrued Income Tax expense	4,763	1,265
Adjustments to the tax charge	8,209	1,158
Income tax expense (benefit)	**12,972**	**2,424**
Tax loss and tax credit carryforwards	1,218	1,175
Deferred tax assets and liabilities in the year	(1,882)	2,254
Adjustments to prior year's income tax	(8,209)	(1,159)
Tax refunds receivable	1,465	1,918
Tax withholdings and prepayments	(4,270)	(5,544)
Tax payable	(1,294)	(1,068)

(*) In 2015 and 2014, the Group recognized tax credit and tax loss carryforwards up to the limit of the recoverable amount on the basis of the best estimate of the Parent's directors (Note 4-ñ).

The breakdown of the income tax expense for 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Current tax	(2,823)	(3,266)
Deferred tax	(10,149)	842

Total income tax expense	**(12,972)**	**(2,424)**

The most significant changes introduced by Spanish Income Tax Law 27/2014, which was approved in 2014, were the following:

- Tax losses may be offset over an unlimited period, compared to 18 years under the previous legislation. The limit for the offset of tax losses in 2015 is based on revenue: 60% of the tax base for 2016 and 70% of the tax base for subsequent years.
- The tax rate was reduced from its current rate of 30% to 28% for 2015 and to 25% for subsequent years.

The detail of the Group's companies tax loss carryforwards as at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
Year Earned	2015	2014
1998	61	61
1999	393	393
2000	177	177
2001	830	830
2002	185	185
2003	547	547
2004	-	-
2005	586	586
2006	500	653
2007	527	1,668
2008	65,294	66,576
2009	29,933	30,235
2010	64,514	64,514
2011	67,064	67,806
2012	249,164	250,669
2013	32,638	36,519
2014	33,642	37,037
2015	6,574	-
	552,629	**558,456**

The Parent only recognizes deferred tax assets associated with tax losses that the directors expect to be recovered (see Note 4.ñ). The tax losses recognized by the Group as at 31 December 2015 amounted to EUR 271,534 thousand.

The detail of the Group's tax credit carryforwards is as follows:

	Thousands of Euros			
	Tax Credit Carryforwards			
Year Earned	2015	2014	Recognized in 2015	Recognized in 2014

2008	2,288	2,288	2,288	2,288
2009	6,217	6,217	6,217	6,217
2010	325	325	325	325
2011	5,675	5,675	5,675	5,675
2012	3,000	3,000	3,000	3,000
2013	1,283	1,283	1,218	1,218
2014	1,825	1,313	309	301
2015	342	-	343	-
	20,955	**20,101**	**19,375**	**19,024**

Under current legislation, taxes cannot be considered to be definitively settled until the tax authorities have reviewed the tax returns filed or the four-year statute of limitation period has elapsed. As at 31 December 2015, the Parent has all years from 2012 to 2015 open for review for all state taxes except for income tax, for which it also has 2011 open. The remaining subsidiaries composing the Group have the last four years open for review for all state taxes applicable to them and the last five for income tax.

Additionally, Law 34/2015, of 21 September, partially amended by Law 58/2003, of 17 December, establishes that the right of the Administration to start the review of tax bases or charges paid or pending payment or tax credit carryforwards, will have a statute of limitation of ten years since the day after the deadline for the submission of the tax return or reverse charge corresponding to the taxable period in which the right to carry forward those taxable amounts or charges or to apply such carryforwards was generated.

No material tax contingencies are expected to arise as a result of the approach that the tax authorities might adopt in relation to the years open for review.

22. Guarantee commitments to third parties and other contingent liabilities

At 31 December 2015 and 2014, the Group had provided the following guarantees to third parties:

	Thousands of Euros	
	2015	2014
Guarantees to customers (Law 57/1968)	-	33
Guarantees relating to purchases of land, urban development charges, litigation and other	2,941	3,763
	2,941	**3,796**

“Other” relates mainly to bid bonds provided in public tenders, urban development guarantees and guarantees relating to claims filed with public agencies and authorities. The directors of the Group companies do not expect any material liabilities to arise in relation to the guarantees provided or unresolved litigation and claims.

23. Income and expenses

a) Revenue

The detail, by region, of the Group's revenue from the sale of property developments and building lots and property rentals is as follows:

2015

	Thousands of Euros			
	Sale of Property, Developments, Building Lots and Other	Leases	Total	%
Madrid	5,554	51,108	56,662	74.57%
Catalonia	1,504	4,212	5,716	7.52%
Valencia	1,075	-	1,075	1.41%
Andalusia	3,485	816	4,301	5.66%
Balearic Islands	1,164	-	1,164	1.54%
Castilla y León	964	87	1,051	1.38%
Castilla-La Mancha	2	3,729	3,731	4.91%
Murcia	-	930	930	1.22%
Other Communities	-	1,163	1,163	1.54%
Abroad	190	-	190	0.25%
TOTAL	**13,938**	**62,045**	**75,983**	**100%**

2014

	Thousands of Euros			
	Sale of Property, Developments, Building Lots and Other	Leases	Total	%
Madrid	11,589	50,636	62,225	63.74%
Catalonia	4,990	4,278	9,268	9.49%
Valencia	484	-	484	0.50%
Andalusia	3,322	805	4,127	4.23%
Canary Islands	648	-	648	0.66%
Balearic Islands	3,942	-	3,942	4.04%
Castilla y León	1,326	114	1,440	1.47%
Castilla-La Mancha	4	3,637	3,641	3.73%
Murcia	-	1,258	1,258	1.29%
La Rioja	-	1,174	1,174	1.20%
Abroad	9,424	-	9,424	9.65%
TOTAL	**35,729**	**61,902**	**97,631**	**100%**

At the end of 2015, the Group's property development, building lot and other sales recognized in the consolidated statement of profit or loss amounted to EUR 13,938 thousand (2014: EUR 35,729 thousand).

In 2015 and 2014, net income from property rental and other services amounted to EUR 62,045 thousand and EUR 61,902 thousand, respectively.

At 31 December 2015 and 2014, the Group has contracted with tenants for the following minimum lease payments, based on the leases currently in force, without taking into account the charging of common expenses, future increases in the CPI for 2014 and subsequent years of future contractual lease payment revisions:

	Thousands of Euros	
	2015	2014
Within one year	61,384	63,429
Between two and five years	122,054	124,171
After five years	79,594	85,291
	263,032	**272,891**

b) Other operating income

The detail of the amounts recognized in the accompanying consolidated statement of profit or loss is as follows:

	Thousands of Euros	
	2015	2014
Expenses passed on in connection with property rentals and other (Note 4.u)	15,789	16,672
From rentals	2,042	807
From developments	1,000	237
Total other income	**18,831**	**17,716**

c) Procurements and other external expenses

The detail of "Procurements" in the Group's consolidated statement of profit or loss for 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Purchases of land and building lots	(1.050)	(5,237)
Changes in inventories	730	13,948
Construction work and services rendered by third parties	(472)	(731)
Total procurements	**(792)**	**7,980**

The items consumed relate mainly to residential buildings and structures annexed thereto, such as garages and business premises.

The expense recognized under this heading relates mainly to transactions performed in Spain.

The detail of the Group's other external expenses in 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Rent and royalties	57	92
Repair and upkeep expenses	7,961	8,450
Independent professional services	391	66
Insurance	489	497
Banking and similar services	43	81
Advertising, publicity and public relations	705	677

Utilities	3,458	3,301
After-sales service and other services provided by third parties	10,244	10,522
Taxes other than income tax	7,116	7,230
Other current operating expenses	58	11
Total other external expenses	**30,522**	**30,927**

d) Staff costs and average headcount

The detail of "Staff costs" is as follows:

	Thousands of Euros	
	2015	2014
Wages, salaries and similar expenses	7,497	7,527
Employee benefit costs	993	1,028
Pension contributions and provisions (1)	244	287
Other employee benefit costs	237	276
Total staff costs	**8,971**	**9,118**

(1) The contributions to pension plans have been externalized (Note 4.n).

The average number of employees at the various Group companies in 2015 and 2014 was 99 and 100, respectively. The detail of the headcount at 2015 and 2014 year-end, by professional category, is as follows:

	Average number of employees				
	2015				
	Total	Men	Women	Spain	Abroad
Executives and university graduates	37	24	13	37	-
Other line personnel and further education	9	9	-	9	-
Clerical and similar staff	20	5	15	19	1
Other salaried employees	33	33	-	33	-
	99	**71**	**28**	**99**	**1**

	Average number of employees				
	2014				
	Total	Men	Women	Spain	Abroad
Executives and university graduates	39	26	13	39	-
Other line personnel and further education	9	9	-	9	-
Clerical and similar staff	20	5	15	19	1
Other salaried employees	32	32	-	32	-
	100	**72**	**28**	**99**	**1**

The number of employees at the various Group companies at 31 December 2015 and 2014 was 98 and 99, respectively.

e) Result of companies accounted for using the equity method

The detail of "Result of Companies Accounted for using the Equity Method" in the consolidated statement of profit or loss is as follows:

	Thousands of Euros	
	2015	2014

Associates		
Ronda Norte Denia, S.L.	(14)	-
AS Cancelas Siglo XXI, S.L.	3,325	3,557
Studio Residence Iberia Investiment. Inmobilir. S.A.	3	(15)
Inversiones Inmob. Rústicas y Urbanas 2000, S.L.	(25)	(899)
Total	**3,289**	**2,643**

f) Finance income and finance costs

The detail of "Finance Income" and "Finance Costs" in the consolidated statement of profit or loss is as follows:

	Thousands of Euros	
	2015	2014
Finance Income:		
Interest on financial assets	3,763	2,579
Other finance income	1,543	2,475
	5,306	5,054
Finance costs		
Interests on loans	(24,692)	(30,520)
Net expenses associated with derivatives	-	(12,948)
Capitalized borrowing costs (Note 4.p)	-	-
Other	(86)	(115)
	(24,778)	(43,583)
Impairment and gains or losses on disposals of financial instruments (Note 23.h)	36	(1,137)
Financial loss	**(19,436)**	**(39,666)**

The Group did not capitalize any borrowing costs to its property, plant and equipment in 2015 in accordance with IAS 23.

g) Contribution to consolidated profit (or loss)

The contribution of each company included in the scope of consolidation to the result for the year was as follows:

	Thousands of Euros					
	2015			2014		
	Profit (Loss) Attributable to the Parent	Profit (Loss) Attributable to Non-Controlling Interests	Total	Profit (Loss) Attributable to the Parent	Profit (Loss) Attributable to Non-Controlling Interests	Total
Fully consolidated:						
Realia Business S.A.	(30,679)	-	(30,679)	(51,011)	-	(51,011)
Valaise	(4)	-	(4)	(7)	-	(7)
Realia Business Portugal-Unipessoal, Lda.						

	(157)	-	(157)	(410)	-	(410)
Servicios Índice, S.A.	(41)	(40)	(81)	(38)	(38)	(76)
Planigesa subgroup	4,263	8,835	13,098	12,327	12,826	25,153
Fomento Inmobiliario Levantino, S.L.	20	20	40	5	5	10
Portfolio Grandes Áreas Comerciales S.A.U.	12,146	-	12,146	8,092	-	8,092
Retingle, S.L.	27	27	54	66	65	131
Realia Polska Inerstycje, ZOO	(19)	-	(19)	(94)	-	(94)
Wilanow Realia SP ZOO	(5)	-	(5)	(236)	-	(236)
SIIC de Paris Group	-	-	-	(67,878)	(47,244)	(115,122)
Realia Patrimonio, S.L.U.	30,109	-	30,109	19,746	-	19,746
Realia Contesti	(1,306)	-	(1,306)	(199)	-	(199)
Realia Zarea	-	-	-	(27)	-	(27)
Guillena Golf	(438)	-	(438)	(471)	-	(471)
Accounted for using the equity method:						
As Cancelas Siglo XXI, S.L.	3,325	-	3,325	3,557	-	3,557
Studio Residence Iberia Investiment, Inmobilir.SA	3	-	3	(15)	-	(15)
Inversiones Inmob. Rústicas y Urbanas 2000, SL	(25)	-	(25)	(899)	-	(899)
Ronda Norte Denia, S.L.	(14)	-	(14)	-	-	-
	17,205	**8,842**	**26,047**	**(77,492)**	**(34,386)**	**(111,878)**

h) Impairment and gains or losses on disposals of financial instruments

The detail of “Impairment and Gains or Losses on Disposals of Financial Instruments” in the consolidated statement of profit or loss is as follows:

	Thousands of Euros	
	2015	2014
Impairment and other losses (Note 13)	-	(1,137)
Gains or losses on disposals and changes in the scope of consolidation (Note 2.f)	36	-
	36	**(1,137)**

i) Changes in write-downs, impairment losses and provisions

The detail of “Changes in Write-Downs, Impairment Losses and Provisions” in the consolidated statement of profit or loss is as follows:

	Thousands of Euros	
	2015	2014
Net write-down of work in progress and finished goods (Note 13)	5,505	(705)
Net impairment losses of land and building lots (Note 13)	(18,445)	3,956
Excessive provisions (Note 18)	308	1,325
Net write-downs, impairment losses and provisions	1,036	668
	(11,596)	**5,244**

24. Balances and transactions with related companies

The Group had the following balances with related companies at 2015 year-end:

	Thousands of Euros								
	Assets			Financial Liabilities			Other Liabilities		
	Non-Current	Current	Total	Non-Current	Current	Total	Non-Current	Current	Total
FCC Construcción	-	-	-	-	49	49	-	-	-
FCC Indust. E Infraest. Energ, S.A.U.	-	37	37	-	-	-	-	460	460
Fedemes, S.L.	-	-	-	-	-	-	192	-	192
Fomento Constr. Y Contratas	-	-	-	-	-	-	27	-	27
CB Turó del Mar	-	1	1	-	-	-	-	-	-
International Tecair	-	-	-	-	128	128	-	-	-
Inversora Carso	-	-	-	-	61,295	61,295	-	-	-
Ser. Especials de Limpieza, S.A.	-	-	-	-	-	-	-	403	403
Acciona (UTE LA Minilla)	-	-	-	-	53	53	-	-	-
Studio Residence	25	-	25	-	23	23	-	-	-
Ronda Norte Denia, S.L.	143	388	531	-	-	-	-	-	-
Inmob. Rúst. y Urbana	14,786	4,847	19,633	-	-	-	-	-	-
As Cancelas Siglo XXI	22,699	16,552	39,251	-	-	-	-	-	-
	37,653	**21,825**	**59,478**	**-**	**61,548**	**61,548**	**219**	**863**	**1,082**

The Group had the following balances with related companies at 2014 year-end:

	Thousands of Euros								
	Assets			Financial Liabilities			Other Liabilities		
	Non-Current	Current	Total	Non-Current	Current	Total	Non-Current	Current	Total
Bankia (Notes 15, 19 and 20)	-	438,486	438,586	254,767	11,054	265,821	-	1	1
FCC Construcción	-	-	-	-	49	49	-	-	-
FCC Indust. e Infraest. Energ, S.A.U.	-	-	-	-	158	158	-	549	549
Fedemes, S.L.	-	-	-	-	-	-	260	-	260
Fomento Constr. y Contratas	-	1	1	-	-	-	27	-	27
Ser. Especiales de Limpieza, S.A.	-	-	-	-	-	-	-	403	403
Sist. Vehículos de Alta Tecnología	-	-	-	-	-	-	1	-	1
Studio Residence	81	-	81	-	29	29	-	-	-
Ronda Norte Denia, S.L.	143	371	514	-	-	-	-	-	-
Inmob. Rúst. y Urbana	16,666	4,827	21,493	-	-	-	-	-	-
As Cancelas Siglo XXI	23,727	18,062	41,789	-	-	-	-	-	-
	40,617	**461,847**	**502,464**	**254,767**	**11,290**	**266,057**	**288**	**953**	**1,241**

The purchases, sales, services rendered and other transactions with Group companies and associates, and the related interest charged and paid, were as follows:

	Thousands of Euros
	Associates

	2015	2014
Purchases associated with land	29	74
Rental income	3,487	3,060
Services rendered	281	305
Other income	454	704
Services received	(1,526)	(1,842)
Interest charged	(2,410)	(9,439)
Interest paid	727	2,586

In 2015 and 2014 no significant transactions were carried out with related companies other than those disclosed herein.

25. Situations of conflict of interest involving the directors

The members of the Board of Directors have reported that in 2015 they were not involved in any situations of conflict of interest that had to be communicated, according to the provisions of art. 229 of the Consolidated Text pf the Law on Corporations. However, they did report the following:

- Mediación y Diagnósticos, S.A., Participaciones y Cartera de Inversión, S.L. and Inmogestión y Patrimonios, S.A. refrained from voting the agreement relating to the approval of the Board of Directors Report referred to in Title 24 of the Royal Decree 1.066/2007, regarding the takeover bid launched by Hispania Real, Socimi, S.A.U.

- D. Gerardo Kuri Kaufmann refrained from attending and voting the article relating to the approval of the Board of Directors Report referred to in Title 24 of Royal Decree 1.066/2007, regarding the takeover bid launched by Inversora Carso, S.A. de C.V., because he considered to find himself in a conflict of interests.

26. Remuneration and other benefits of directors and senior executives

The detail of the remuneration received in 2015 and 2014 by the members of the Board of Directors and senior executives of Realia Business, S.A. is as follows:

2015

	Thousands of Euros						
	No. of people	Salaries	Variable remuneration	Bylaw-stipulated Directors' Emoluments	Pension Plans	Insurance Premiums	Other
Directors	8.3	1,978	-	467	16	34	2
Senior Executives	5.3	1,077	-	-	41	5	4
	13.6	**3,055**	**-**	**467**	**57**	**39**	**6**

2014

	Thousands of Euros						
	No. of people	Salaries	Variable remuneration	Bylaw-stipulated Directors' Emoluments	Pension Plans	Insurance Premiums	Other
Directors	10.0	1,094	223	656	25	40	4

Senior Executives	5.0	1,042	475	-	54	5	5
	15.0	**2,136**	**698**	**656**	**79**	**45**	**9**

Details of each of the directors' remuneration are provided in the Parent's annual remuneration report for 2015. The increase in remuneration of the members of the Board of Directors in 2015 is due to the termination and settlement of the contracts of two executive directors.

27. Fees paid to auditors

In 2015 and 2014, the fees for financial audit and other services provided by the auditor of the Group's consolidated financial statements, Deloitte, S.L. and by companies belonging to the Deloitte network, and the fees for services billed by the auditors of the separate financial statements of the consolidated companies and by companies related thereto through control, common ownership or management, were as follows:

2015

	Services provided by the Auditor Deloitte and by Related Firms	Other Auditors
Audit services	167	-
Other attest services	21	-
Total audit and related services	**188**	**-**
Tax consulting services	-	96
Other services	172	-
Total professional services	**360**	**96**

2014

	Services provided by the Auditor Deloitte and by Related Firms	Other Auditors
Audit services	168	-
Other attest services	27	-
Total audit and related services	**195**	**-**
Tax consulting services	-	-
Other services	160	141
Total professional services	**355**	**141**

28. Information on the environment

The Group companies pay particular attention to the environmental impact of the projects carried out and the investments made by them in the normal course of their property development activities. However, it was not necessary to incorporate any environmental protection and improvement systems, equipment or installations into its property, plant and equipment.

In 2015, the Group incurred environmental expenses amounting to EUR 115 thousand.

The Group companies consider that they do not have any environmental risks, contingencies or liability and, accordingly, no provision was made in this connection.

In addition, no environmental grants were received and no material income was obtained from environmental activities.

29. Risk management

The Realia Group is exposed to certain risks that it manages by applying risk identification, measurement, concentration limitation and oversight systems. For this purpose, the Parent has a risk map in which the procedures that may give rise to these risks within its organization are analyzed and quantified, and measures are taken to prevent them.

Capital management

The Group manages its capital to ensure that the Group companies are able to continue to operate as profitable businesses while maximizing the return for shareholders through an optimum debt-to-equity balance. The Group reviews the cost of capital and the risks associated with each class of capital when assessing whether to approve or reject the investments proposed by the Business Areas.

The Financial Area is responsible for the management of financial risks and reviews the capital structure every six months, in addition to the net debt/GAV ratio.

The main principles defined by the Realia Business Group when establishing its policy for the management of the main risks are as follows:

1. – Compliance with all the Group's rules.
2. – Establishment by the Business and Corporate Areas, for each market in which they operate, of the level of risk that they are prepared to assume, o a basis consistent with the strategy defined.
3. – Establishment by the Businesses and Corporate Areas of the risk management controls required to ensure that the transactions performed in the markets comply with the Group's policies, rules and procedures.

The main risks worth noting are:

Financial risks

The concept of financial risk refers to the changes in the financial instruments arranged by the Group as a result of market and other factors and the repercussion thereof on the consolidated financial statements.

The Realia Business Group's risk management philosophy is consistent with its business strategy and seeks to achieve maximum efficiency and solvency at all times. To this end, strict financial risk management and control criteria have been established, consisting of identifying, measuring, analyzing and controlling the risks incurred in the Group's operations, and the risk policy has been integrated into the Group organization in the appropriate manner.

In line with this risk policy, the Realia Business Group arranges hedges initially solely to hedge the underlying transaction and not for speculative purposes.

In view of the Group's activities and the transactions through which it carries on its business, it is currently exposed to the following financial risks:

Credit risk

The Group engages mainly in property development, the sale of land and the lease of property assets. Property development does not entail any credit risk since payment is automatically received on delivery of the assets. With regard to the sale of land, it is normal practice to allow customers certain payment deferrals. Unsecured commercial loans for land sales currently amount to EUR 14.0 million, which the company wrote down due to the related risk, estimated at EUR 8.3 million. Lastly, there is no material risk with regard to the lease of property assets, and it is maintained at levels similar to those of 2014. Company management has recognized provisions for all these contingencies based on the late payment period or doubtful debts.

Interest rate risk

Realis Business does not use hedges to manage its exposure to interest rate fluctuations.

The purpose of interest rate risk management is to achieve a balanced debt structure that makes it possible to minimize borrowing costs over a multi-year time horizon with reduced volatility in the statement of profit or loss. Based on a comparative analysis of the finance costs included in the business plan and yield curve trends, the Company opted not to hedge the interest rate risk to minimize borrowing costs over the aforementioned period.

Company management closely monitors the trends in interest rate curves for the coming years and does not rule out using interest rate hedges in the future.

Liquidity risk

The residential property market has deteriorated steadily since mid-2007. The decline in demand for housing together with excess supply and, above all, the international financial crisis, led to restrictions on borrowing and stricter conditions of access to it. This in turn has given rise to financial difficulties for the majority of companies in the sector.

During 2014, there were signs of improvement in the industry, although largely concentrated on increased demand for very well located products and the prime segment, as well as more fluid financing, above all to individual buyers or self-build development projects. This trend was confirmed in 2015, and the strong liquidity of the financial system, together with low interest rates, have brought about new finance possibilities, including the property sector, but under very restrictive and selective criteria for borrowers.

During the negotiations with Realia's financial lenders, on 10 December an agreement was reached to reduce by 9% the total amount of the syndicated loan on that date, which amounted to EUR 802,759 thousand, provided that the conditions agreed for the repayment of the debt are fulfilled. Payment schedule has been broken down into four payment milestones: 50% of the debt was repaid in December 2015; 12.15% payable on 29 January 2016; 12.85% payable on 29 February 2016; and the remaining 25%, on 30 Mayo 2016.

At the date of preparation of these statements, the payments scheduled for 29 January 2016 and 29 February 2016 have been made, and the last payment has been duly guaranteed, and therefore the current financial creditors have suspended all the legal guarantees and collaterals provided for in the refinancing agreement, and the last payment is dependent upon compliance with conditions subsequent and the confirmation that the reduction agreed is real and comes into effect during 2016.

The Parent, Realia, has prepared a financial feasibility plan, which recognizes the lack of liquidity to face its payments committed.

The main figures in the treasury forecasts for 2016 of the consolidated group, prepared on the basis of recurrent business, dividends, capital increases and other collections from services rendered to other companies in the group, excluding extraordinary land or asset sale or transactions, result in a collection forecast of EUR 255.7 million which, together with a payment forecast of EUR 169.0 million, generate a positive cash-flow of EUR 86.7 million, which will be dedicated, together with the current cash position, to debt repayment.

Exchange rate risk

A consequence of the Realia Business Group's positioning in the international markets is the exposure resulting from net positions in foreign currencies with respect to the euro or in one foreign currency with respect to another when the investment and financing of an activity cannot be arranged in the same currency.

In view of the Group's scant international activity in markets outside the Eurozone, its exposure to foreign currency risk is insignificant.

Solvency risk

As at 31 December 2015, the Realia Business Group's net borrowings amounted to EUR 1,132 Million, as shown in the following table:

Millions of Euros	2015
Gross bank borrowings	
Non-recourse bank borrowings	803.7
With-recourse bank borrowings	450.4
Participating loan (principal + interest)	61.3
Cash and cash equivalents	(183.8)
Interest	0.5
Net bank borrowings	**1,132.1**

The net bank borrowings recognized include the amount of EUR 72.4 million of the reduction granted by bank lenders to the Parent, whose application was pending fulfilment of the conditions precedent and subsequent agreed upon in the financing agreement of 10 December.

The most relevant ratios for the purposes of measuring solvency are as follows:

	Consolidated
Debt ratio Net bank borrowings (1)/Asset Market Value (LTV)	56.4
Coverage ratio EBIDTA/ Financial profit (loss) (2)	1.12

(1) Includes financial bank borrowings granted to funds and excludes participating loans.
(2) Financial profit (loss) adjusted by PIK interests.

At 2015 year-end, the Group had positive working capital of EUR 124.2 Million.

Concentration risk

This risk arises from the concentration of financing activities with common features such as:

- Sources of financing: the Realia Business Group obtains financing from 17 Spanish, foreign banks, and 7 similar institutions, which mainly finance two syndicated loans.

- Markets/ geographical area (Spanish, foreign): the Realia Business Group operates in Spain and international markets, and all of its debt is concentrated in euros.

- Products: the Realia Business Group has arranged a spectrum of financial products, including, inter alia, loans, credit facilities and syndicated transactions.

- Currency: the Realia Business Group manages its statements of profit or loss in a variety of currencies. Investments tend to be financed in the local currency whenever this is possible in the country of origin.

Market risks

The passing of time in the profound property and financial sector crisis is showing some signs of recovery in the market; for some geographic areas, there is an excess demand over supply. However, there is still a lot of residual product in the market which must be absorbed with time, and in these cases, price adjustments is still present, with the corresponding impact on product margins. Realia thinks the market will recover, although slowly and selectively.

Regarding the rental market, there is a slight recovery of the demand for rental space, rent prices are stabilized and incentives to rent, demanded by tenants, are diminishing. On the other hand, 2015 was a record year in terms of investment activity in the residential property segment.

In these circumstances, Realia estimates that it must make every possible effort to generate value in the property management area, where its exceptional portfolio gives it an outstanding position; all without neglecting the potential to generate value which the residential property area can provide if activity and margins recover, as the ongoing depreciation of residential property and land make them very attractive investments.

Legal and tax risk

The Group's activities are subject to legal and fiscal rules, and urban development requirements. Local, regional, national and EU administrations may impose sanctions for non-compliance with these rules and requirements. A change in this legal and fiscal environment may affect the overall planning of the Group's activities. The Group monitors, analyses and, where appropriate, takes the corresponding measures in this regard, through the appropriate internal departments.

Economic risks

The Group attempts to control these risks during acquisitions by carefully analyzing the transactions, examining and anticipating problems that could arise in the future, and proposing possible solutions in this connections. In disposals, the main risk is failing to collect the prices agreed upon in the agreements as a result of default. In disposals, the main risk is failing to collect the prices agreed upon in the agreements as a result of default by the purchasers. The Group attempts to control these risks by arranging guarantees of all types which allow, should the need arise, collection of the full price or the recovery of the property being sold.

Money laundering and financial crime risk

These risks are controlled through a prevention and control system by the Group in accordance with the applicable legislation, together with the related manual, which includes the internal rules related to these matters and a Control, Communication, and Information body that maintains relations with the Group's employees and the prevention services.

Personal data protection risk

These risks are controlled by special and standardized clauses included in agreements in different situations that, in accordance with the legislation governing this area, allow the Group to limit and even eliminate any type of liability for Realia Business, S.A. In addition, the Realia Group has databases registered with the Spanish Data Protection Agency, which have the necessary security mechanisms, and has a person in charge of this area.

Consumer and user protection risks

The Group fulfils the requirements of various state and autonomous community regulations regarding consumers and users. It has specific model contracts for autonomous communities that contain specific legislation in this connection. In addition, the Group's policy is to respond to all claims that it might receive from public consumer organizations with a conciliatory and constructive stance.

In addition, Realia Business, S.A: is equipped with a set of tools to ensure ethical behavior. The most notable, in addition to the above-mentioned money laundering prevention tools, are as follows:

Realia's Board of Directors approved the internal code of conduct for matters relating to the security markets in April 2007. The internal code of conduct defines the rules for conduct and actions which must be followed in relation to transactions and the treatment, use and dissemination of relevant information in order to promote transparency in the performance of business activities and the provision of adequate information and protection for investors, the code applies at the very least to the directors and executives of the Realia Group, external advisors, and the employees in the Stock Market and Investor Relations Departments.

The PRINEX system is a global business solution that combines the characteristics of universal business management software with the advantages of an ERP designed specifically for companies that operate in the property sector. It is intended to ensure ethical behavior as it allows the commercial department to identify customers who have performed fraudulent transactions in the past and therefore to avoid transactions with them.

Despite the current market climate, it is strategic for Realia to continue pursuing the urban management of land in various areas that will create value for the land and for Realia itself, which will have an impact on the consolidated statement of profit or loss once normal market conditions are restored.

30. Events after the reporting period

In 2015, until the day of preparation of these financial statements, no additional relevant facts have occurred, besides those already mentioned in the notes to this report.

31. Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 2.1). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

REALIA BUSINESS, S.A. CONSOLIDATED DIRECTORS' REPORT 2015

THE GROUP OF COMPANIES: ORGANIZATIONAL STRUCTURE AND OPERATIONS:

Realia Business, S.A: is the head of a corporate group that carries on its activities directly or through shareholdings in various companies.

Business activity relate mainly to two lines of business:

a) PROPERTY MANAGEMENT: this activity is carried on through ownership interests in companies, normally subsidiaries of Realia Patrimonio, S.L. (wholly owned by Realia Business).

   The property management business is carried on in Spain, primarily with assets located in Madrid, Barcelona and Seville.

b) PROPERTY DEVELOPMENT AND LAND MANAGEMENT: this lines of business is carried on either directly by Realia Business, S.A: or through companies with ownership interests through which control is exercised or with significant ownership interests.

   The property development business is carried out in Spain, Portugal, Poland and Romania. In Spain, activities are focused in the following geographical areas:

   1) Madrid, Castilla-La Mancha and Castilla y León.
   2) Catalonia
   3) Valencia, Murcia and the Balearic Islands
   4) Andalusia

Activities abroad are carried on by wholly owned subsidiaries (direct and indirect control) of Realia Business, S.A.

The Parent Realia Business, S.A. is a company listed on the continuous market of Madrid, the most significant shareholders of which include the FCC Group, with an ownership interest of 36.91%, and Inversora Carso, S.A., a variable capital Mexican company, with 30.31%.

Its organizational structure can be summarized as follows:

BOARD OF DIRECTORS: this is composed by seven directors and is advised by the Audit Committee and the Appointment and Remuneration Committee.

NON-EXECUTIVE CHAIRMAN: Chairs the Board of Directors

CHAIRMAN OF THE BOARD: this reports directly to the Board of Directors of which it is also a member.

MANAGEMENT COMMITTEE: this reports to the General Manager and is composed of Business, Planning, Investor Relations and Financial Management.

The Development and Land Management business is managed daily on a joint basis by the head office in Madrid and by a territorial sales office in each geographical region where the Parent is present.

The control over the investments in the property management companies is managed through representation on, and involvement in, their decision-making bodies (Boards of Directors and Management Committees), and through control by the various central department of Realia Business and Realia Patrimonio.

CHANGES IN THE EQUITY INVESTMENT PORTFOLIO:

The changes in “Non-Current Financial Assets” in 2015 were as follows:

Additions:

None

Disposals:

In April 2015, the company Wilanow Realia SP ZOO, of which Realia owned 100%, directly and indirectly, which was in liquidation, was dissolved.

In July 2015, Fomento Inmobiliario Levantino, 51% of which was owned by Realia, was formally dissolved.

Variations:

In May 2015, capital was increased in the subsidiary Guillena Golf S.L.U. to restore its equity balance. This increase was fully subscribed by the single partner, Realia Business, and consequently did not represent any change in the consolidation method and percentage. In June 2015, capital was decreased in Guillena Golf S.A.U. and a restricted voluntary reserve was created for the same amount.

Finally, in December 2015, the company DUSE, of which Realia owns 30.52%, reduced its capital against share issue premium and results from previous years. This operation did not bring about any change in the percentage of ownership and integration in the Realia Group.

CHANGE IN ACCOUNTING STANDARD

Special mention must be made of the change in accounting policy for the recognition of property investments. In 2015, the standard IAS 40 was applied, with the result of the group recognizing its property investments at “fair value”, whereas in prior years, it was recognized at production cost.

Fair value is calculated and established on the basis of an appraisal made by an independent expert with professional qualifications.

According to IAS 8, paragraph 19, this change in accounting policy brought about its retroactive application of the financial statements in this report; namely, December 2014 and December 2015.

AVERAGE PAYMENT PERIOD

According to the information required by Additional Provision Three of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December) prepared in accordance with ICAC Decision of 29 January 2016, on the information to be included in the summary of annual financial statements relating to the average payment period to suppliers in commercial transactions.

According to the provisions of the Single Additional Provision of the aforementioned Resolution, no comparative information is presented, since this is the first year of its application.

	2015
	Days
Average payment period to suppliers	55.1
Paid transactions ratio	55.2
Pending payment transaction ratio	54.6
	Thousands of Euros
Total payments made	30,649
Total pending payments	6,257

According to the Resolution from the ICAC, commercial transactions corresponding to the delivery of goods or provision of services accrued until the date of coming into force of Law 31/2014, of 3 December, have been taken into account for the calculation of the average payment period to suppliers.

For the exclusive purposes of providing the information required by this Decision, “Suppliers” will be commercial creditors for debts with suppliers of goods or services, included under “Suppliers”, “Suppliers, Group companies and associate companies” and “Sundry creditors” in the current liabilities section of the balance sheet.

“Average payment period to suppliers” is the time elapse from the delivery of goods or services by the supplier and the payment of the transaction.

The paid transactions ratio is calculated as the ratio between the sum of all products corresponding to the amounts paid, times the number of payment days (difference between calendar days elapsed from the end of the payment deadline until the actual payment of the transaction), divided by the total amount of payments made.

Similarly, the pending payment ratio corresponds to the ratio between the sum of the products corresponding to the amounts pending payment, times the number of days pending payment (difference between calendar days elapsed from the end of the payment deadline until the day of closure of the summarized annual accounts), divided by the total amount of pending payments.

The deadline for payment applicable to the Company in 2015, according to Law 3/2004, of 29 December, that provides the measures to fight against delinquency in commercial transactions, and according to the transitional provisions provided for in Law 15/2010, of 5 July, is of 60 days, since the conditions provided for in Law 11/2013 of 26 July are fulfilled.

BUSINESS EVOLUTION AND RESULTS – SIGNIFICANT AGGREGATES

All the significant aggregates of the different businesses of the Realia Group have been influenced by a number of market factors, such as:

1) The moderate fall in land prices, although there is still a lack of significant transactions.
2) Housing demand has picked up, especially in some location and within very specific segments and areas.
3) There has been a great investment activity in Spain in all property management segments (offices shopping centers, logistics, and hotels) which has increased prices and consequently, the price of assets.

4) Rentals of the different products is evolving toward a normal contracting situation, and even though final prices do not reflect these expectation, there is a visible relaxation in the demand regarding the requirements that customers demanded for rental contracts (rent-free periods, allowances…).

After adjustments and the retroactive application of IAS 40 in 2014, the main aggregates and the changes therein at consolidated level were as follows (in millions of euros):

FINANCIAL AND ECONOMIC AGGREGATES

	Millions of Euros		
	2015	**2014**	**% Variation**
INCOME	**94.9**	**115.4**	**-17.8%**
Rent	77.8	78.6	-1.0%
Sale of assets (gain or loss)	0.1	0.0	200.0%
Property developments	13.1	27.4	-52.2%
Land	0.1	7.7	-98.3%
Other – Property management	2.1	0.8	154%
Other – Property development	1.7	0.9	85.5%
GROSS PROFIT	**52.2**	**42.1**	**24.0%**
Rent	55.7	54.7	1.9%
Sale of assets (gain or loss) and other	0.2	0.2	-26.1%
Property developments	-3.7	-8.1	54.2%
Land	0.0	-4.8	-100.0%
OVERHEAD	**-11.7**	**-11.2**	**-4.7%**
Property management area	-4.1	-4.4	6.0%
Property development area	-7.6	-6.8	-11.5%
EBIDTA	**40.5**	**30.9**	**31.0%**
Property management area	51.8	50.5	2.4%
Property development area	-11.3	-19.6	42.5%
DEPRECIATION AND AMORTIZATION CHARGE, WRITEO-DOWNS, PROVISIONS AND OTHER	**-12.1**	**4.8**	**351.7%**
Property management area	-10.8	-0.1	-9818.1%
Property development area	-1.3	4.9	126.1%
NET PROFIT FROM OPERATIONS	**28.4**	**35.7**	**-20.4%**
Property management area	41.0	50.4	-18.7%
Property development area	-12.6	-14.7	14.7%
RESULT FROM THE VALUATION OF FIEX ASSETS AT FAIR VALUE	**26.8**	**-0.5**	**-5235.4%**
Property management area	26.8	-1.3	-2116.2%
Property development area	0.0	0.8	0.0%
NET FINANCIAL LOSS	**-19.4**	**-39.7**	**51.0%**
Property management area	-2.4	-20.3	88.0%
Property development area	-17.0	-19.4	-12.3%
IMPAIRMENT OF INVESTMENT PROPERTY	**0.0**	**0.0**	**100.0%**
Property management area	0.0	0.0	0.0%
Property development area	0.0	0.0	0.0%
RESULT OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	**3.3**	**2.6**	**24.3%**
Property management area	3.3	3.6	6.7%
Property development area	0.0	-0.9	96.2%

PROFIT (LOSS) BEFORE TAX	**39.0**	**-1.8**	**2221.8%**
Property management area	68.6	32.4	-111.9
Property development area	-29.6	-34.2	13.5%
INCOME TAX	**-13.0**	**-2.5**	**-429.5%**
Property management area	-16.8	16.1	-204.7%
Property development area	3.8	-18.5	120.7%
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**26.1**	**-4.3**	**707.4%**
Property management area	51.8	48.4	-7.0%
Property development area	-25.8	-52.7	51.1%
PROFIT (LOSS FROM DISCONTINUED OPERATIONS)	**0.0**	**-107.6**	**-100.0%**
Property management area	0.0	-107.6	-100.0%
Property development area	0.0	0.0	0.0%
PROFIT (LOSS) FOR THE YEAR	**26.1**	**-111.9**	**123.3%**
Property management area	51.8	-59.2	-187.6%
Property development area	-25.8	-52.7	51.1%
PROFIT (LOSS) AFTER TAX ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**8.8**	**-34.4**	**125.7%**
Property management area	8.8	-34.4	125.7%
Property development area	0.0	0.0	0.0%
PROFIT (LOSS) AFTER TAX ATTRIBUTABLE TO THE PARENT	**17.2**	**-77.5**	**122.2%**
Property management area	43.0	-24.8	273.5%
Property development area	-25.8	-52.7	51.1%

Following is an analysis of the main components of the foregoing table:

Income

Income decreased by 17.8% with respect to 2014, due to:

a) A fall of 62.3% in the revenues from sales of housing development and land for development, since the Realia Group has maintained the policy of disposing of these assets in hope of price recovery and the expected consolidation of the sale activity shortly, so the products that have some margin for growth in terms of price and margin have been applied a more restrictive sales policy. Additionally, no land for development was sold in the year, contrary to 2014.

b) Rent income were reduced only by 1.0%, as a consequence of two different trends: a 0.1% increase in rents, and a fall of 5.3% in revenues from passing on building expenses to tenants, as a result of the maintenance cost optimization policy in the buildings, and the implementation of energy saving policies.

Gross Profit:

Gross profit amounted to EUR 52.2 Million, up from EUR 42.1 Million in 2014, a 24% increase, as a result of the following:

a) Rents have improved around 1.9%, due to the cost containment policy implemented in building maintenance.

b) The profit on deliveries of property units in the property development area has improved by 54.2% due to units being delivered at better selling prices compared to previous years. The reversion of provisions for these sold assets are not part of the gross profits; the provision is recognized in the analytical accounts under positive provision variations.

Overhead

The policy of non-operation expense containment and elimination implemented by the Group over several years has been maintained. As a result of this, recurrent overhead have decreased by 3.5% compared to 2014, from EUR 10.9 million to EUR 20.5 Million. However, and number of non-recurrent extraordinary expenses have been made in 2015, due to the external reports on takeover bids and anti-takeover bids launched against Realia, and other fees from external professionals due to the restructuring agreement of the debt of the Parent, which amounted to EUR 1.2 million, against EUR 0.3 million in 2014, and as a result, the total overhead paid in the year (recurrent and extraordinary) has increased by 4.7% over 2014.

Ebidta:

EBIDTA amounted to EUR 40.5 Million, a 31, 0% increase over EUR 30.9 million in 2014. This increase is due to all the improvements in margins in the property development and management areas, thanks to the aforementioned factors.

Depreciation and amortization charge, write-downs and provisions:

The amortization and depreciation charge recognized in the consolidated profit or loss statement corresponds to assets to which IAS 40 is not applicable, such as property, plant and equipment and furniture, office equipment and computers, and property for own use.

On the other hand, provisions for impairment of inventories, fixed assets and other commercial transactions (litigations, insolvency…) had an impact of EUR 11.6 Million in 2015, broken down as follows:

a) Provisions for impairment of inventories, amounting to EUR 12.9 million, as a result of the new ECO valuations made by independent expert in December 2015, which brought about an approximate average reduction of 3.5%. Realia recognizes all its inventory assets at historic values, which have not been revalued as a result of mergers or restatements to market value, and through the valuation made, it seeks to adjust those values to more restrictive asset valuation criteria.

b) On the other hand, in 2015 the company reversed provisions for litigation, allowance for doubtful debts and provisions for other risks of a commercial nature, with a positive impact on the consolidated profit or loss statement of EUR 1.0 Million. The adjustment was basically due to the detailed analysis of the risks the company to which the company may be exposed resulting from all the “after-sale service” lawsuits or lawsuits brought by local authorities in relation to the payment of fees and local taxes. It also reversed “excess provisions” for an amount of EUR 0.3 million.

c) As a consequence of the application of IAS 40, provisions for impairment of property inventories did not undergo any variation in 2015.

Net profit/loss from operations

The net profit from operations of EUR 28.4 Million, decreased by 20.4% compared to the EUR 35.7 Million in 2014 (adjusted by the application of IAS 40). This decrease is due to the provisions made in 2015 for impairment on property inventories, mainly in the land of Valdeapa (Guadalajara), where it was considered that in view of the lack of a general urban development plan in the municipality. Its urban development expectations were drastically reduced by EUR -10.9 million, which were directly recognized against the net profit for the group.

Net financial profit (loss)

The Group's net bank borrowings and similar borrowings (bank borrowings assigned to Investment Funds) have been reduced by EUR 22.5 million in 2015, and amount to EUR 1,078.8 Million. This drop is mainly justified by the net cash-flow generation and its application to debt servicing.

As part of the negotiations with Realia's Parent financial creditors, an agreement was reached according to which the total syndicated loan debt, amounting to EUR 802.7 Million, would be reduced by 9% if the conditions set for repayment of the debt were fulfilled. The payment schedule has been broken down into four milestones: 50% of the debt was repaid in December 2015; 12.15% payable on 29 January 2016; 12.85% payable on 29 February 2016; and the remaining 25% payable on 30 May 2016.

At the date of preparation of this report, the payments due on 29 January 2016 and 29 February 2016 have been made, and the last payment has been duly guaranteed, and therefore the current financial creditors have released all the guarantees and pledges they had on Realia's assets and Realia Patrimonio shares. Therefore, all the conditions precedent provided for in the refinancing agreement have been met, and when the last payment is made, the conditions subsequent will have been made, and the reduction agreed will come into force during 2016.

The Group's net financial loss was EUR -19.4 million compared to the EUR -39.7 million of 2014 (adjusted). This significant difference was due to two reasons:

1) The decrease in debt and maintenance of lower interest rates. In addition to the expiry on 30 June 2014 of all the interest rate hedges arranged by the Group which had a considerable detrimental effect on finance costs in 2014.

2) The EUR 0.25 million reduction obtained by the purchase from SAREB of a mortgage loan on two houses in Camporeal (Madrid) in 2015.

As to the origin, distribution, characteristics and amounts of the full financial debt, refer to the "Financial structure" section.

Regarding the participating loan that the company had with Corporación Financiera Caja Madrid since 2009, and which was assigned to Sareb, for an amount of EUR 60.0 million as of 31 December 2014, this has been sold by Sareb to Inversora Carso (shareholder of the Parent) in December 2015, and the latter has taken over all the rights and obligations granted in the loan agreement. One of the rights that loan grants to the lender is the possibility of capitalizing it through several windows, or request for its refund applying a sizable reduction.

Attributable net profit/loss

After the tax effect, the Group reported an attributable net profit of EUR 17.2 Million, compared with the EUR 77.5 million loss in 2014 (adjusted by the application of IAS 40). This improvement in results, irrespective of the impact described above, was mainly due to several factors:

1) The increase in value of property investments at fair value (IAS 40) which generated a net profit, excluding taxes, of EUR 20.1 million in 2015.

2) The existence in 2014 of two factors which had a negative impact and which did not occur in 2015, namely: a) the adjustment of the negative impact resulting from the reduction of the tax rate from 30% to 25%, and b) the retroactive application of IAS 40 to the financial statements of 2014, which generated a negative result of EUR 107.6 Million (before taxes) due to the sale of SIIC de Paris, which offset the positive impact of the Group's equity of the retroactive application of IAS 40.

Since 2012, Realia's tax group, continuing with its position of prudency, has unrecognized tax loans, tax charges and deductions for an amount of EUR 65.5 Million, despite the long period of recoverability of these loans that will surface as the implicit gains of the assets consolidate these loans against future value increases.

Asset and portfolio information

The changes in value of assets and of the pre-sales portfolio relating to property development activities are as follows:

Property management area	2015	2014
Buildings in operation (sq. m.)	400,574	418,856
Buildings in the course of construction (sq. m.)	18,324	-
Total buildings in operation and in the course of construction (sq. m.)	**418,898**	**418,856**
% occupancy, buildings in operation	**91.5%**	**90.5%**
Land reserve (sq. m.)	**127,997**	**123,744**

The operating surface has been reduced by 4.4%, for the Edificio Los Cubos (Madrid) has gone from active asset to asset undergoing refurbishment, after the exit at the end of the year of the only tenant who occupied the whole building.

Property development area

Period pre-sales	2015	2014	% Variation
In millions of Euros	12.8	29.4	-56.5%
In units	69	133	-48.1%

The rate of pre-sakes in units decreased by 48.3% due to the sales policy the group has established for its property development assets described above (see "Sales figures").

The property unit pre-sales portfolio at 2015 year-end amounted to EUR 3.2 Million, corresponding to 14 property units. The land reserve amounts to 1.9 million buildable sq. m.

Financial position:

The net bank borrowings and similar borrowings (bank borrowings assigned to Investment Funds), including the related accrued interest at 205 year-end, is as follows (in thousands of euros):

	2015	2014	
Syndicated loan – Property development area	437,889	794,733	Maturity May 2016
Syndicated loan - Realia Patrimonio	748,851	835,388	Maturity April 2017
Transferable mortgage loans	49,928	60,821	Average maturity: 2 years
Bilateral loans	18,054	19,990	Average maturity: 2 years
Cash and cash equivalents	(183,870)	(617,545)	
TOTAL NET BANK BORROWINGS	**1,070,852**	**1,093,387**	

Net bank borrowings and similar borrowings include the EUR 72.4 Million in reduction granted by the financial creditors to the company, whose application is pending fulfilment of the conditions precedent and subsequent agreed upon in the refinancing agreement of 10 December.

The reduction in net bank borrowings is mainly justified by the cash generation and its application to servicing the debt. In addition, EUR 365 million of cash have been allocated to the repayment of the syndicated loan granted to the property development area.

As part of the negotiations with the financial creditors of the Parent Realia, on 10 December an agreement was reached to reduce by 9% the total amount of the syndicated loan at that date, EUR 802.7 Million, provided the conditions established for debt repayment are fulfilled. The payment schedule has been broken down into four milestones: 50% of the debt was repaid in December 2015; 12.15% payable on 20 January 2016; 12.85% payable on 29 February 2016, and the remaining 25% on 30 May 2016.

At the date of preparation of this report, the payments due on 20 January 2016 and 29 February 2016 had been made, and the last payment has been duly guaranteed, and therefore the current financial creditors have suspended all the legal guarantees and collaterals provided for in the refinancing agreement, and the last payment is dependent upon fulfilment of the conditions subsequent and the confirmation that the reduction agreed is real and comes into effect during 2016.

These net bank borrowings and similar borrowings (debt transferred to Investment Funds) do not include the participating loan amount of EUR 61.3 Million, granted by Corporación Financiera Caja Madrid, transferred to Sareb and currently held by Inversora Carso (see "Net financial profit/loss" section).

Regarding the hedging of its gross debt, the Realia Group has not hedged any interest rate risk using hedging instruments, since they expired in June 2014.

Valuation of assets:

The assets allocated to land and housing development attributed to Realia Business, S.A. were appraised by independent experts in accordance with Ministry of Economy Order ECO/805/2003 and amended by Orders EHA/3011/2007 and EHA/564/2008. Independent experts also conducted the valuation of assets allocated to the property management area (rental of offices, shopping centers and other assets), in accordance with the standards issued by the RICS. This is the summary of these valuations:

	2015		2014	
	GROSS	**NET**	**GROSS**	**NET**
Millions of Euros				
Valuation of Property assets	1,455.2	1,415.8	1,418.8	1,380.0
Valuation Property Development and Land assets	443.3	442.9	470.7	469.9
GROSS ASSET VALUE	**1,898.5**	**1,858.6**	**1,889.5**	**1,849.9**

(1) The Gross Asset Value does not include deduction of the acquisitions costs by a potential purchaser.

The decrease in the value of property development and land assets was due mainly to three reasons:

a) Sales of completed construction work and land
b) A decrease in valuations (ECO methodology) of land arising from the market situation and which, in like for like terms, involved a decrease of approximately 3.5%.

There was a strong demand for the assets earmarked for lease in Spain due to the positive current of investment that was evident in major purchase and sale transactions. These transactions had a positive influence as a reference for the value of the other assets. The Realia Group's portfolio, considering the gross asset value, has increased its value by EUR 36.4 Million, or 2.6%.

Based on these gross asset values and the Realia Group's net bank borrowings, the LTV ratio was low at around 56.4%, although if we refer solely to the LTV ratio of the property management area, it stands at 53.6%.

Equity:

The application of IAS 40, with net asset valuation, has represented a major change in the equity attributed to the Parent, since consolidation reserves have increased by EUR 240.9 Million as a result of net gains (after deferred taxes), valued at "fair value".

At year-end, there was an ongoing capital increase for 153,380,466 shares, which represented a 50% increase in the current share capital, for an amount of EUR 88.9 Million, with a premium of EUR 0.34 per share. The capital increased is guaranteed by Inversora Carso.

At the conclusion of the capital increase, and as a relevant fact after the financial statements of 2015, the capital increase has been fully covered, and Inversora Carso has awarded itself 430,365 shares pending subscription. After the capital increase, FCC now holds 36.911% of the shares, Inversora Carso, 30.306%, and the remaining 32.783% is free float.

The equity attributable to the Parent of the Realia Group at 2015 year-end amounted to EUR 514.2 Million, up EUR 108.1 Million from 2014 (adjusted with application of IAS 40). The changes in 2015 were as follows:

Equity of the Parent at 31/12/14 (adjusted by IAS 40)	**406,100 M€**
2015 result	17,205 M€
Capital increase + share premium	88,870 M€
Other adjustments	2,063 M€

Equity of the Parent at 31/12/2015	**514,238 M€**

In triple net terms, the NAV of assets at 31 December 2015 amounts to EUR 1,858.6 Million, which when matched against their book value, reflects net capital gains attributable to the Parent of EUR 302.1 Million, which when added to Realia's equity, results in a NNAV after taxes of EUR 551.9 Million, which generates a NNAV (after taxes) per share of 1.2€ per share (excluding treasury shares).

Human Resources

Of the various Group companies, only the Parent Realia Business and Realia Patrimonio, Hermanos Revilla and Realia Polska have employees, the total headcount being 99. At 31 December, the detail of employees was as follows:

	Headcount	**Temporary employees**
Realia Business	44	1
Realia Patrimonio	4	
Hermanos Revilla (1)	48	
Realia Polska	1	
TOTAL	**97**	**1**

(1) Includes 36 employees assigned to building caretaker services.

In 2015, the total headcount of the Group has remained stable with respect to 2014.

Stock market data:

The stock market parameters in 2015 and the changes therein were as follows:

Share price at 2014 year-end (€/share)	0.51
Share price at 2015 year-end (€/share)	0.76
Change in share price (%)	49.0%
Market capitalization at 2015 year-end (Millions of Euros)	233,601,908
Highest share price in 2015	0.87
Lowest share price in 2015	0.46
Average effective daily volume of trading (Millions of Euros)	452,928
Average daily volume of trading (shares)	637,521

t 2015 year-end, Realia held 610,000 treasury shares, representing 0.128% of total share capital with an average value of 1.106 € per share.

At year-end, there was an ongoing capital increase for 153,380,466 shares, which represented a 50% increase in the current share capital, for an amount of EUR 88.9 Million, with a premium of EUR 0.34 per share. The capital increased is guaranteed by Inversora Carso.

At the conclusion of the capital increase, and as a relevant fact after the financial statements of 2015, the capital increase had been fully covered, and Inversora Carso has awarded itself

430,365 shares pending subscription. After the capital increase, FCC now holds 36.911% of the shares, Inversora Carso, 30.306%, and the remaining 32.783% is free float.

Financial risk management objectives and policies:

The main principles defined by the Realia Business Group when establishing its policy for the management of the principal risks are as follows:

- Compliance with all the Group's rules
- Establishment by the business and corporate areas, for each market in which they operate, of the level of risk they are prepared to assume, on a basis consistent with the strategy defined.
- Establishment by the business and corporate areas of the risk management controls required to ensure that the transactions performed in the markets comply with the Group's policies, rules and procedures. The following should be noted in connection with credit, interest rate, liquidity and foreign currency risk:

The Company has a risk map in which the procedures that may give rise to these risks within the organization are analyzed and quantified, and measures are taken to prevent them.

The most significant financial risks are:

Credit risk

The Group engages mainly in property development, the sale of land and the lease of property assets. Property development does not entail any risk since payment is automatically received on delivery of the asset. With regard to the sale of land, it is normal practice to allow customers certain payment deferrals. Unsecured commercial loans for land sales currently amount to EUR 14.0 Million, which the Parent wrote down due to the related risk, estimated at EUR 8.3 Million. Lastly, there is no material risk with regard to the lease of property assets, and it is maintained at levels similar to those of 2014. Company management has recognized provisions for all these contingencies based on the late payment period or doubtful debts.

Interest rate risk

Realia Business does not used hedges to manage its exposure to interest rate fluctuations.

The purpose of interest rate risk management is to achieve a balanced debt structure that makes it possible to minimize borrowing costs over a multi-year time horizon with reduced volatility in the statement of profit or loss. Based on a comparative analysis of the finance cost included in the Business Plan and yield curve trends, the Company opted not to hedge the interest rate risk in order to minimize the borrowing costs over the aforementioned period.

Company management closely monitors the yield curve trends for the coming years and does not rule out arranging interest rate hedges in the future.

Liquidity risk

The residential property market has deteriorated steadily since mid-2007. The decline in demand for housing together with excess supply and, above all, the international financial crisis, led to restrictions on borrowing and stricter conditions of access to it. This in turn has given rise to financial difficulties for the majority of companies in the sector.

During 2014, there were signs of improvement in the industry, although largely concentrated on increased demand for very well located products and the prime segment, as well as more fluid financing, above all to buyers or self-build development projects, with a continuation of restricted direct financing to property development companies. This trend continued in 2015 and the strong liquidity of the financial system, together with low interest rates, have brought about new financing possibilities, also in the property sector, but under very restrictive and selective criteria for borrowers.

As part of the negotiations with Realia's Parent financial creditors, an agreement was reached according to which the total syndicated loan debt, amounting to EUR 802.7 Million, would be reduced by 9% provided that the conditions set for repayment of the debt are fulfilled. The payment schedule has been broken down into four milestones: 50% of the debt was repaid in December 2015; 12.15% payable on 29 January 2016; 12.85% payable on 29 February 2016; and the remaining 25% payable on 30 May 2016.

At the date of preparation of these statements, the payments scheduled for 29 January 2016 and 29 February 2016 have been made, and the last payment has been duly guaranteed, and therefore the current financial creditors have suspended all the legal guarantees and collaterals provided for in the refinancing agreement, and the last payment is dependent upon compliance with conditions subsequent and the confirmation that the reduction agreed is real and comes into effect during 2016.

The Parent Realia has prepared a financial feasibility plan, which reveals the existence of liquidity to face its payment commitments.

The main aggregates of the cash projections of the consolidated Group for 2916, based on a minimum basis of recurring business, dividends, capital increases and other payments received from services rendered to Group companies, excluding any extraordinary land- or asset-sale transactions, led to estimated collections of EUR 255.7 Million which, together with estimated payments of EUR 169.0 Million, gave rise to a positive net cash flow of EUR 86.7 Million that will be used to repay debt, together with the current cash position.

Solvency risk

At 31 December 2015, the Realia Business Group's net borrowings amounted to EUR 1,132.1 Million, as shown in the following table:

Millions of Euros	**2015**
Gross bank borrowings	
Non-recourse bank borrowings	803.7
With-recourse bank borrowings	450.5
Participating loan (principal + interest)	61.3
Cash and cash equivalents	(183.9)
Interest	0.5
Net bank borrowings (*)	**1,123.1**

"Net bank borrowings" includes EUR 72.4 Million of the debt release granted by financial creditors to the Parent, whose application was pending fulfilment of the conditions precedent and subsequent agreed in the financing agreement of 10 of December.

The most relevant ratios for measuring solvency are:

	Consolidated

Debt ratio Net bank borrowings (1)/ Asset market value (LTV)	56.4
Coverage ratio EBIDTA/Financial loss (2)	3.97

(1) Includes net borrowings transferred to Investment Funds and excludes participating loans
(2) Financial loss adjusted by PIK interest.

At 2015 year-end, the Group had positive working capital of EUR 124.2 Million.

Foreign currency risk

A consequence of the Realia Business Group's positioning in the international markets is the exposure resulting from net positions in foreign currencies with respect to the euro or in one foreign currency with respect to another when the investment and financing cannot be arranged in the same currency.

In view of the Group's scant international activity in markets outside the Eurozone, its exposure to foreign currency risk is not significant.

Other risks:

Market risk: the passing of time in this profound property and financial crisis in the sector has brought some signs of recovery to the market and for some areas and geographies, has placed supply under demand; however, there is still a lot residual products in the market which must be absorbed with time, and in these cases price adjustment continues to predominate, with its corresponding impact on product margins. Realia believes the sector will recover, albeit slowly and selectively, as explained in the "Revenues" section.

Regarding the rental market, demand for space is picking up slightly; rent prices are stable, and incentives to settlement requested by customers have gone down. On the other hand, investments in the property management segment hit a record figure in 2015.

For these reasons, Realia estimates that it must make every possible effort to generate value in the property management area, where its exceptional portfolio gives it an outstanding position; all without neglecting the potential to generate value which the residential area can provide if activity and margins recover, as the ongoing depreciation of residential property and land make them very attractive investments.

Research and Development:

The production activities of the Realia Business Group are carried out in areas in which investment in research and development is very limited and the Company did not make any investment in these areas.

Outlook for 2016s

The main areas of action of the Realia Group for 2016 must focus on:

a) Optimization and rationalization of all the Group's expenses and costs.
b) Improvement and enhancement of revenues.
c) Improvement in the profitability of all its assets (property management and development)

d) Completion of the company's financial structure, based upon 3 pillars:
   - Fulfilment of the agreement reached with the current creditors of the Parent Realia Business
   - Improvement of equity, through capital increases and the capitalization of the Group.
   - Renegotiation of a new financing contract for the property area, since the current one expires in April 2017.

Property development area:

In 2016, all those products, which due to their type and location make a price recovery possible, will be actively managed. Additionally, the possibility of tackling up to three projects of new developments in areas where there is an effective product demand will be analyzed.

As mentioned in this report, the continued depreciation of land assets, have made land prices very attractive in terms of value creation for the company. So, despite the market situation, it is of strategic importance for Realia to continue with the management of urban land in different areas, for this will have a positive impact on its profit or loss account when the market returns to a normal situation in terms of transactions, and therefore the company will remain alert for new land asset sale opportunities.

Property management area:

Realia Business carried on its property management activities through the Realia Patrimonio subgroup (wholly owned by Realia Business). Its leasable surface amounts to 400,574 sq. m., with 91.5% occupancy. Additionally to this, the subgroup Realia Patrimonio hold 18,324 sq. m. undergoing renovation and 127,977 sq. m. in buildable land for future developments.

For 2016, the main objectives of the Group are the analysis and start of the possible actions necessary for the optimization of income and revenue of every one of its rental assets.

Another objective is the start and conclusion of the process of refinancing of the current financial structure of Realia Patrimonio, S.L.U., maturing in April 2017, which would provide new financial stability to the company in the long term, taking advantage of the current favorable circumstances of financial markets, which are expected to continue in 2016.

2015 saw a boom in the investment market and asset turnover, with highly attractive yields that have reactivated the market, and it is expected to continue in 2016. An analysis of the assets owned by the Realia Group, where most of the office assets are located in prime areas, and its shopping centers, located in the city center concludes that the Realia Group, just like in prior years, will continue to have high occupancy rates, increasing its profitability and create shareholder value.

Lastly, despite the competitiveness existing in investment markets, and the corresponding increase in asset values, the Realia Group will continue to be alert for any possible investment opportunity that arises and meets the parameters of the current portfolio in terms of location, segments and profitability, in order to create shareholder value.

APPENDIX 1:

					Thousands of Euros			
COMPANY	REGISTERED OFFICE	Owner	Line of Business	Effective Percentage of Ownership	Net Cost of the Ownership Interest	Investee Data (100%)		
						EQUITY		Profit (Loss) before Tax
						Share capital	Reserves and Profit (Loss) (d)	
Fully consolidated companies:								
REALIA BUSINESS PORTUGAL UNIPESSOAL LDA.	Avda. Libertade, 249 (Lisbon)	REALIA BUSINESS S.A.	Property Development	100.00%	1,871	250	1,620	-157
REALIA POLSKA INWESTYC SP, ZOO (S.L. POLAND) (b)	Ul Pulawska, 182 (Warsaw)	REALIA BUSINESS S.A.	Property development	100.00%	321	4,463	-4,403	-19
RETINGLE, S.L.	P. Castellana, 216 (Madrid)	REALIA BUSINESS S.A.	Property development	50.10%	10,762	21,481	1,296	143
SERVICIOS ÍNDICE, S.A.	P. Castellana, 216 (Madrid)	REALIA BUSINESS S.A.	Property development	50.50%	6,498	8,000	2,649	-81
VALAISE, S.L.U.	P. Castellana, 216 (Madrid)	REALIA BUSINESS S.A.	Provision of services	100.00%	10	10	4	-4
REALIA PATRIMONIO, S.L.U.	P. Castellana, 216 (Madrid)	REALIA BUSINESS S.A.	Lease	100.00%	552,960	100,000	459,081	32,849
REALIA CONTESTI, S.R.L. (c)	Candiano Popescu, 63c (Bucharest)	REALIA BUSINESS S.A.	Property development	100.00%	3,997	3,997	-1,204	-1,306
GUILLENA GOLF, S.L.U.	P. Castellana, 216 (Madrid)	REALIA BUSINESS S.A.	Provision of services	100.00%	0	4	-12	-438
PORTFOLIO DE GRANDES ÁREAS COMERCIALES, S.A.U.(*)	P. Castellana, 216 (Madrid)	REALIA PATRIMONIO, S.L.U.	Lease	100.00%	33,592	19,100	6,888	7,513
HERMANOS REVILLA S.A. (a) (*)	P. Castellana, 41 (Madrid)	REALIA PATRIMONIO, S.L.U.	Lease	10.04%	37,940	54,881	175,893	17,846
HERMANOS REVILLA S.A. (a) (*)	P. Castellana, 41 (Madrid)	PLANIGESA, S.A.	Lease	51.00%	57,600	54,881	175,893	17,846
HERMANOS REVILLA S.A. (a) (*)	P. Castellana, 41 (Madrid)	BOANE 2003, S.A.U.	Lease	4.76%	8,414	54,881	175,893	17,846
BOANE 2003, S.A.U. (a)	P. Castellana, 41 (Madrid)	HERMANOS REVILLA, S.A.	Lease	100.00%	13,913	7,961	767	405
PLANIGESA, S.A. (a)	P. Castellana, 41 (Madrid)	REALIA PATRIMONIO, S.L.U.	Lease	76.00%	44,564	46,878	19,996	-6,811

(a) Companies belonging to the Planigesa subgroup.

(b) The share capital of Realia Polska Inwestycje S.P., ZOO amounts to PLN 19,281 thousand. The figure shown in the table is the result of the translation to euros at the exchange rate prevailing on the date of the contribution.

(c) The share capital of Realia Contesti, S.R.L. amounts to ROM 15,428 thousand. The figure shown in the table is the result of the translation to euros at the exchange rate prevailing on the date of the contribution.

(d) Including 2015 results.

(*) Company audited by Deloitte, S.L.

APPENDIX II:

					Thousands of Euros			
COMPANY	**REGISTERED OFFICE**	**OWNER**	**LINE OF BUSINESS**	**Effective Percentage of Ownership**	**Net Cost of the Ownership Interest**	**Investee Data (100%)**		
						EQUITY		PROFIT (LOSS) BEFORE TAXES
						Share Capital	Reserves and Profit (Loss)	
ASSOCIATES								
STUDIO RESIDENCE IBERIA, S.A.	R. de Meladas, 380 (Molezos – Sta. Mª de Feira – Portugal)	REALIA BUSINESS PROTUGAL UNIPESSOAL LDA.	Property development	50%	25	50	119	7
DESARROLLO URBANÍSTICO SEVILLA ESTE, S.L.	Avda. San Fco. Javier, 20 (Seville)	REALIA BUSINESS, S.A.	Property development	30.52%	0	1,392	-38,455	-11,074
RONDA NORTE DENIA.S.L.	P. Alameda, 34 (Valencia)	REALIA BUSINESS, S.A.	Property development	32.63%	129	475	-79	-43
INVERSIONES INMOBILIARIAS RUSTICAS Y URBANAS 2000, S.L.	c/ Ayala, 3 (Madrid)	REALIA BUSINESS, S.A.	Property development	33.36%	15,363	20	34,707	-101
AS CANCELAS SIGLO XXI, S.L. (*)	P. Castellana, 216 (Madrid)	PORTFOLIO DE GRANDES ÁREAS COMERCIALES, S.A.U.	Lease	50%	22,176	900	46,862	2,686

(*) Company audited by Deloitte, S.L.

APPENDIX III: Detail of joint ventures and joint property entities. 2015

Name	Thousands of Euros	Percentage of Ownership	Company in Which it is Consolidated
	Total Revenue		
Joint property entities			
Residencial Turó del Mar, C.B.	1,236	50.00%	Realia Business, S.A.

The Consolidated Financial Statements and the Management Report of REALIA BUSINESS, S.A. corresponding to the year 2015 have been drawn up by the Board of Directors of the Company on 26 February 2016, and are written in the back of eighty-eight (88) pages of stamped paper numbered sequentially from OM2576983 to AM2576896, both inclusive.

For the purposes of Royal Decree 1362/2007, of 19 October (art. 8.1.b), the undersigned Directors of REALIA BUSINESS, S.A. make the statement of liability:

That, to the best of their knowledge, the Financial Statements prepared in accordance with the applicable accounting principles, offer an accurate picture of the equity, the financial situation and the results of the company, and of all the companies included in the consolidation, and the Management Report includes the accurate picture of the evolution and the corporate results and the position of the company and all the companies included in the consolidation, together with the description of the main risks and uncertainties that they face.

The Directors, in witness whereof, have undersigned this page of stamped paper numbered OL5994497 on both sides.

MR. JUAN RODRIGUEZ TORRES

Non-Executive Chairman

Proprietary Director

Chairman of the Executive Committee

Member of the Appointment and

Remuneration Committee

Member of the Audit and Control Committee

____

MR. GERARDO KURI KAUFMANN

Chairman of the Board

Executive Director

Member of the Executive Committee

____

EAC INVERSIONES CORPORATIVAS, S.L.

Rep: MRS. ESTHER ALCOCER KOPOLOWITZ

Member of the Board

Proprietary Director

Member of the Executive Committee

Member of the Appointment and

Remuneration Committee

____

MELILOTO, S.L.

Rep: MRS. ALICIA ALCOCER KOPLOWITZ

Member of the Board

Proprietary Director

Member of the Executive Committee

Member of the Appointment and

Remuneration Committee

____

MRS. CARMEN IGLESIAS CANO

Member of the Board

Independent Director

Member of the Appointment and

Remuneration Committee

MR. CARLOS MANUEL JARQUE UBRIQUE

Member of the Board

Proprietary Director

Member of the Audit and Control Committee

_______________________________________ _______________________________________

MRS. MARÍA ANTONIA LINARES LIÉBANA

Member of the Board

Independent Director