REALIA Business, S.A. Accounts

2015

REALIA

Realia Business, S.A.

Financial Statements for the year ended 31 December 2015 and 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 FINANCIAL STATEMENTS

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

Report on the Financial Statements

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

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for preparing the accompanying financial statements so that they present fairly the equity, financial position and results of Realia Business, S.A. in accordance with the regulatory financial reporting framework applicable to the Company in Spain (identified in Note 2.1 to the accompanying financial statements) and for such internal control as the directors determine is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the 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 financial statements.

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of Realia Business, S.A. as at 31 December 2014, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

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.
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Emphasis of Matter

As indicated in Note 2.8 to the accompanying financial statements, in December 2015 the Company 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 Note 14 to the accompanying financial statements.

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 this matter.

Report on Other Legal and Regulatory Requirements

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

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

Miguel Laserna Niño
26 February 2016

REALIA BUSINESS, S.A.

Financial Statements for the year ended
31 December 2015, 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 and of 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 22). In the event of a discrepancy, the Spanish-language version prevails.

REALIA BUSINESS, S.A.

BALANCE SHEET AS AT 31 DECEMBER 2015

(Thousands of Euros)

ASSETS	**Notes**	**2015**	**2014**	**EQUITY AND LIABILITIES**	**Notes**	**2015**	**2014**
NON-CURRENT ASSETS		**712,330**	**714,147**	**EQUITY**	**Note 12**	**219,064**	**161,650**
Intangible assets	Note 5	23	32	SHAREHOLDERS'S EQUITY			
Computer software		6	32	Share capital		110,580	73,769
Other intangible assets		17	-	Share premium		318,392	266,242
Property, plant and equipment	Note 6	538	632	Reserves		322,132	322,223
Properties for own use		23	26	Legal and bylaw reserves		15,291	15,291
Plant and other items of property, plant and equipment		515	606	Other reserves		306,841	306,932
Investment property	Note 7	5,915	6,959	Treasury shares		(675)	(675)
Land		2,379	2,590	Prior years' losses		(499,909)	(458,582)
Buildings		3,172	3,794	Losses for the year		(31,456)	(41,327)
Other fixtures		364	575				
Non-current investments in Group companies and associates	Notes 9.1 and 18.2	**591,912**	**592,445**				
Equity instruments		591,192	592,445	NON-CURRENT LIABILITIES		**446,477**	**706,173**
Deferred tax assets	Note 16.4	113,882	114,013	Long-term provisions	Note 13.1	8,626	9,543
Other non-current assets		60	66	Non-current payables	Note 14	782	612,781
				Bank borrowings		-	71,070
				Other financial liabilities		782	541,711
CURRENT ASSETS		**419,815**	**427,357**	Non-current payables to Group companies and associates	Notes 14 and 18.2	437,000	83,781
Inventories	**Note 10**	**348,833**	**362,366**	**Other payables to Group companies and associates**		**437,000**	**83,781**
Land and building lots		239,438	245,878	Deferred tax liabilities	Note 16.5	69	68
Long-cycle construction work in progress		32,783	33,187				
Completed buildings		73,617	80,263				
Advances to suppliers		2,905	3,038	**CURRENT LIABILITIES**		**538,604**	**273,681**
Trade and other receivables	**Note 11**	101,786	11,550	Short-term provisions	Note 13.1	1,140	1,138
Trade receivables for sales and services		5,473	5,474	**Current payables**	Note 14	**447,466**	**256,955**
Trade receivables from Group companies and associates	Note 18.2	1,361	1,010	**Bank borrowings**		**65,754**	**44,400**
Sundry accounts receivable		2,616	2,749	**Other financial liabilities**		**381,712**	**212,555**

Employee receivables		1	1	**Current payables to Group companies and associates**	Notes 14 and 18.2	**78,453**	**1,707**
Accounts receivable from public authorities	Note 16.1	3,374	2,316	**Other payables to Group companies and associates**		**78,453**	**1,707**
Shareholders (partners) for called for disbursements		88,961	-				
Current investments in Group companies and associates	Notes 9.2 and 18.2	7,457	6,120	**Trade and other payables**	Note 15	**11,545**	**13,881**
Loans to companies		7,457	6,120	**Payable to suppliers**		**5,878**	**7,203**
Current financial assets	Note 9.2	1,172	1,574	**Payable to suppliers – Group companies and associates**	Note 18.2	**56**	**91**
Loans to companies		7	7	Sundry accounts payable		1,207	763
Other financial assets		1,165	1,567	Employee receivables		86	16
Current accruals and deferrals		9	-	Other accounts payable to public authorities	Note 16.1	561	1,820
Cash and cash equivalents	Note 9.4	32,558	45,747	Customer advances	Notes 10 and 15	3,757	3,988
TOTAL ASSETS		**1,204,145**	**1,141,504**	**TOTAL EQUITY AND LIABILITIES**		**1,240,145**	**1,141,504**

The accompanying Notes 1 to 21 are an integral part of the balance sheet as at 31 December 2015.

REALIA BUSINESS S.A.

INCOME STATEMENT FOR 2015

(Thousands of Euros)

	Notes	2015	2014
CONTINUING OPERATIONS			
Revenue	**Note 17.1**	**14,294**	**24,117**
Sales		11,986	21,715
Services		2,308	2,402
Other operating income		**1,053**	**296**
Non-core and other current operating income		1,053	296
Procurements	**Note 17.2**	**(7,642)**	**(2,103)**
Land and building lots used		(307)	2,415
Work performed by other companies		(260)	641
Write-down of land and building lots	Note 10	(7,075)	(5,159)
Changes in inventories of finished goods and work in progress	**Note 10**	**(6,972)**	**(26,608)**
Changes in inventories of finished goods and work in progress		(14,025)	(30,474)
Write-down of inventories of finished goods and work in progress		7,053	3,866
Staff costs		**(6,485)**	**(6,369)**
Wages, salaries and similar expenses		(5,446)	(5,225)
Employee benefit costs	Note 17.4	(1,039)	(1,144)
Other operating expenses		**(5,106)**	**(4,469)**
Outside services		(5,266)	(4,842)
Taxes other than income tax		(413)	(414)
Losses on impairment and changes in allowances for trade receivables	Notes 11 and 13.1	573	787
Property depreciation	Notes 5, 6 and 7	(453)	(490)
Excessive provisions	Note 13.1	304	1,177
Impairment and gains or losses on disposals of non-current assets		(732)	(32)
Impairment and other losses	Notes 6 and 7	(732)	(32)
Other gains or losses		(1)	-
LOSS FROM OPERATIONS		**(11,740)**	**(14,481)**
Finance income	Note 17.5	699	19,847
From investments in equity instruments	Note 9.1	59	18,233
- Group companies and associates	Note 18.1	59	18,233
From marketable securities and other financial instruments		640	1,614
- Group companies and associates	Note 18.1	58	221
- Third parties		582	1,393
Finance costs	Note 17.5	(17,895)	(20,022)
On debts to Group companies and associates	Note 18.1	(2,455)	(955)
On debts to third parties		(15,440)	(19,067)
Impairment and gains or losses on disposals of financial instruments	**Note 17.5**	**(530)**	**(5,202)**
Impairment and other losses		(527)	(5,202)
Gains or losses on disposals and others		(3)	-
FINANCIAL LOSS		**(17,726)**	**(5,377)**
LOSS BEFORE TAX		**(29,466)**	**(19,858)**
Income tax	Note 16.3	(1,990)	(21,469)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(31,456)**	**(41,327)**
LOSS FOR THE YEAR		**(31,456)**	**(41,327)**

The accompanying Notes 1 to 21 are an integral part of the balance sheet as at 31 December 2015.

REALIA BUSINESS, S.A.

STATEMENT OF CHANGES IN EQUITY FOR 2015

A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE

(Thousands of Euros)

	Notes	2015	2014
LOSS PER INCOME STATEMENT (I)	Note 3	(31,456)	(41,327)
TOTAL INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY (II)		-	-
TOTAL TRANSFERS TO PROFIT OR LOSS (III)		-	-
TOTAL RECOGNIZED INCOME AND EXPENSE (I+II+III)		(31,456)	(41,327)

The accompanying Notes 1 to 21 are an integral part of the balance sheet as at 31 December 2015.

REALIA BUSINESS, S.A.

STATEMENT OF CHANGES IN EQUITY FOR 2015

B) STATEMENT OF CHANGES IN TOTAL EQUITY

(Thousands of Euros)

	Share capital	Share premium	Reserves	Treasury shares	Prior Years' Losses	Loss for the year	TOTAL
2013 FINAL BALANCE	**73,769**	**266,242**	**322,110**	**(1,208)**	**(394,422)**	**(64,160)**	**202,331**
Total recognized income and expense	-	-	-	-	-	(41,327)	(41,327)
Transactions with shareholders:							
Allocation of loss 2103	-	-	-	-	(64,160)	64,160	-
Treasury shares transactions (Note 12.2)	-	-	113	533	-	-	646
2014 FINAL BALANCE	**73,769**	**266,242**	**322,223**	**(675)**	**(458,582)**	**(41,327)**	**161,650**
Total recognized income and expense	-	-	-	-	-	(31,456)	(31,456)
Transactions with shareholders:							
Allocation of 2014 loss	-	-	-	-	(41,327)	41,327	-
Capital increases and decreases (Note 12)	36,811	52,150	(91)	-	-	-	88,870
2015 FINAL BALANCE	**110,580**	**318,392**	**322,132**	**(675)**	**(499,909)**	**(31,456)**	**219,064**

The accompanying Notes 1 to 21 are an integral part of the balance sheet as at 31 December 2015.

REALIA BUSINESS, S.A.
STATEMENT OF CASH FLOWS FOR 2015
(Thousands of Euros)

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**(6,991)**	**37,904**
Loss for the year before tax		**(29,466)**	**(19,858)**
Adjustments:		**18,456**	**6,558**
Depreciation and amortization charge	Notes 5, 6 and 7	453	490
Impairment losses	Notes 6, 7, 9.1, 9.2 and 10	1,177	6,639
Changes in provisions	Note 13.1	(648)	(746)
Gains/losses on de-recognition and disposal of non-current assets	Note 6	2	-
Finance income		(423)	(19,847)
Finance costs		17,895	20,022
Changes in working capital:		**10,799**	**26,223**
Inventories	Note 10	13,513	31,626
Trade and other receivables	Note 11	(118)	1,529
Other current assets		(8)	-
Trade and other payables	Note 15	(2,564)	(7,614)
Other current liabilities		(24)	682
Other cash flows from operating activities		**(6,780)**	**24,981**
Interest paid		(6,943)	(6,436)
Dividends received	Note 9.1	-	18,233
Interest received		625	1,987
Income tax recovered (paid)		(196)	11,600
Other amounts received (paid) relating to operating activities		(266)	(403)
CASH FLOWS FROM INVESTING ACTIVITIES (II)		**86**	**5,151**
Payments due to investment		**(376)**	**(3,139)**
Group companies and associates		(332)	(1,063)
Intangible assets	Note 5	(23)	(5)
Property, plant and equipment	Note 6	(21)	(10)
Investment property	Note 7	-	(10)
Other financial assets		-	(2,051)
Proceeds from disposal		**462**	**8,290**
Group companies and associates		57	8,267
Property, plant and equipment	Note 6	2	1
Other financial assets		403	22
CASH FLOWS FROM FINANCING ACTIVITIES (III)		**(6,284)**	**(13,052)**
Proceeds and payments relating to equity instruments		**(91)**	**646**
Proceeds from issue of equity instruments		372	-
Depreciation of equity instruments		(463)	-
Purchase of equity shares	Note 12.2	-	(1,060)
Disposal of treasury shares	Note 12.2	-	1,706
Proceeds and payments relating to financial liability instruments		**(6,193)**	**(13,698)**
Proceeds from issue of borrowings from Group companies and associates	Note14	365,000	81
Proceeds from issue of other borrowings		283	4
Repayment of bank borrowings	Note 14	(51,002)	(7,583)
Repayment of borrowings from Group companies and associates	Note 14	(66)	(540)
Repayment of other borrowings		(320,408)	(5,660)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES (IV)		**-**	**-**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		**(13,189)**	**30,003**
Cash and cash equivalents at beginning of year		**45,747**	**15,744**
Cash and cash equivalents at end of year		**32,558**	**45,747**

The accompanying Notes 1 to 21 are an integral part of the balance sheet as at 31 December 2015.

Realia Business, S.A.

Notes to the Financial Statements

for the year ended 31 December 2015

1. Company activities

The Company was incorporated on 14 August 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 13 April 2000, the Company became a public limited liability company. On May 5 2000, the shareholders at the Annual General Meeting of Produsa Este, S.A. approved the contributions 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 Mantenimiento Integral, S.L. and Planigesa, S.A. On 14 March 2001, the plan was approved for the merger by absorption of Realia Business S.A. (the absorbing company) and the companies wholly owned directly or indirectly by it, Centro Inmobiliario Caja Madrid, S.L. (Sole-Shareholder Company), Diagonal Sarriá, S.A. (Sole-Shareholder Company) and Activos Inmobiliarios Caja Madrid, S.L. (Sole-Shareholder Company) (the absorbed companies). This merger plan was filed at the Madrid Mercantile Registry on 28 March 2001, and was approved by the shareholders of these companies at their respective Universal General Meetings held on 5 April 2001. The legally required disclosures relating to this merger were included in the 2001 financial statements. On 8 June 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 26 September 2005. The legally required disclosures relating to this merger were included in the 2005 financial statements.

On 5 February 2007, in view of the Company's desire to be floated on the stock market in 2007, the shareholders at the Company's Annual General Meeting approved the restructuring of the Realia Group through the incorporation of a new company, REALIA PATRIMONIO, S.L. (Sole-Shareholder Company), whose sole shareholder is Realia Business, S.A., and to which the property management activity of the Realia Group was contributed. The legally required disclosures relating to this transaction were included in the 2007 financial statements.

On 19 February 2009, the shareholders at the Extraordinary General Meeting resolved to wind up RB Business Holding, S.L. without liquidation, through a merger with Realia Business, S.A. On 9 June 2009, the shareholders at the Annual General Meetings of the absorbing and absorbed companies approved the downstream merger plan, which was executed in a public deed on 10 September 2009 and filed at the Mercantile registry on 25 September 2009. The legally required disclosures relating to this transaction were included in the 2009 financial statements.

The object and main business activity of the Company 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 financial statements

2.1 Fair presentation

The regulatory financial reporting framework applicable to the Company consists of:

a. The Spanish Commercial Code and all other Spanish corporate law.
b. The Spanish National Chart of Accounts and its industry adaptations.

c. The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation.
d. All other applicable Spanish accounting legislation.

The accompanying financial statements, which were obtained from the Company's accounting records, are presented in accordance with Royal Decree 1514/2007, approving the Spanish National Chart of Accounts, and with the amendments thereto introduced by Royal Decree 1159/2010. Accordingly, they present fairly the Company's equity, financial position, results of operations and cash flows for 2015.

These financial statements, which were formally prepared by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes.

The Company is the head of a group of subsidiaries and is obliged under current legislation to prepare consolidated financial statements separately, in accordance with International Reporting Standards as adopted by the European Union. The Realia Group's consolidated financial statements for 2015 were formally prepared by the Company's directors on 26 February 2016. The separate and consolidated financial statements for 2014 were approved by the shareholders at the Annual General Meeting of Realia Business, S.A. on 22 June 2015, and were filed at the Madrid Mercantile Registry.

2.2 Accounting principles

The directors formally prepared these financial statements taking into account all the obligatory accounting principles and standards with a significant effect hereon. All obligatory accounting principles were applied.

2.3 Key issues in relation to the measurement and estimation of uncertainty

In preparing the accompanying financial statements estimates were made by the Company's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

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

Impairment losses were calculated on the basis of the basis of measurements undertaken by independent valuation experts (see Notes 4.b, 4.c and 4.g).

Although these estimates were made on the basis of the best information available at 2015 year-end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

2.4 Grouping of items

Certain items in the balance sheet, income statement, statement of changes in equity and statement of cash flows are grouped together to facilitate their understanding. However, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

2.5 Correction of errors

In preparing the accompanying financial statements no significant errors were detected that would have made it necessary to restate the amounts included in the financial statements for 2014.

2.6 Changes in accounting policies

In 2015, there were no significant changes in accounting policies with respect to those applied in 2014.

2.7 Comparative information

The financial statements present, for comparison purposes, in addition to the figures for 2015 for each item in the balance sheet, income statement, statement of changes in equity, statement of cash flows and notes to the financial statements, the figures for 2014.

2.8 Going concern

As mentioned in Note 14 of these financial statements, the Company concluded in September 2013 the process of refinancing of the syndicated loan related to its property development business, and the maturity for the loan was set on 30 June 2016. Additionally, in accordance with the obligations of the restructuring agreement, the Group hired in November 2013 a prestigious international investment bank to carry out the structured fund-raising process required by the financing contract.

Finally, in December 2015, the Company signed a refinancing agreement with Puffin Real Estate Lda, CF Aneto and Goldman Sachs International, for the existing debt with these entities, which amounted to EUR 802,759 thousand at the date of signing of the contract, in order to fulfil the short and medium term financial feasibility plan and reduce significantly the financial debt. The contract establishes the loan will mature on 31 May 2016, and a new payment schedule is established, breaking down repayment of the existing debt on that date into four payment milestones (see Note 14). Furthermore, a reduction of 9% of the existing debt is agreed, provided that a number of conditions precedent and subsequent are fulfilled, to be applied to the payment milestones to be paid by the Company, and amounts to a total of EUR 72,418 thousand. On 11 December 2015, the Company made the first payment established in the schedule for an amount of EUR 365,218 thousand.

In this context, on 31 December 2015, the Company recognized a negative working capital of EUR 46,790 thousand, after reclassifying to the current liabilities the amount pending payment of the syndicated loan, which amounted to EUR 437,459 thousand, maturing on 30 May 2016. Had the reduction mentioned in the paragraph above been recognized, working capital would be positive for EUR 25,628 thousand.

On 29 January 2016, the Company made the payments corresponding to the second and third payment milestones in the new schedule, amounting, after deducting the reduction agreement, to EUR 183,103 thousand; thus, only the third and fourth milestones are due, for an amount of EUR 183,905 thousand, after deducting the reduction agreed. Additionally, the Company presented on that date a bank collateral for that remaining amount, maturing on 31 May 2016. Consequently, at the date of these financial statements, the financial covenants agreed in the Syndicated Loan contract of 30 September 2009 have been rendered void, and all the guarantees related thereto have been cancelled.

On the other hand, the signing of the refinancing agreement entered into by the Company in September 2013 and described in detail in the previous paragraphs, represented the extension of the participating loan that the main shareholders had granted to the Company, and its maturity was extended to 1 July 2016 (see Note 14). The amount drawn down as of 31 December 2015 is the property of Inversora Carso, S.A. de C.V. (IC), after its purchase from its former owner, Sociedad de Gestión de Activos

Procedentes de la Reestructuración Bancaria, S.A. (SAREB), on 22 December 2015 under the same terms and conditions. On 15 February 2016, Realia Business, S.A. and Inversora Carso, S.A. de C.V. decided to set a new date for the opening of the capitalization window of the freely convertible tranche of the loan for 3 May 2016 (see Note 12).

The directors of the Company have evaluated the financial obligations for the next 12 months according to the treasury budget, and concluded that the Company has sufficient capacity to face its current obligations.

2.9 Current assets and liabilities

The Company has decided to report current assets and liabilities according to the normal operating conditions of the company. The current assets and liabilities with an estimated maturity higher than twelve months are the following:

	Thousands of Euros	
	2015	2014
Inventories (Note 14)	272,311	279,065
Total current assets	**272,311**	**279,065**
Bank borrowings	3,612	43,742
Other financial liabilities	-	207,756
Trade and other payables	3,544	3,706
Total current liabilities	**7,156**	**255,204**

3 Allocation of loss

The proposed allocation of loss for the year that the Company's directors will submit for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of Euros
To prior years' losses	(31,456)
Total	**(31,456)**

4 Accounting policies

The principal accounting policies used by the Company in preparing its financial statements for 2015, in accordance with the Spanish National Chart of Accounts, were as follows:

a) Intangible assets

As a rule, intangible assets are recognized initially at acquisition or production cost. They are subsequently measured at cost less any accumulated amortization and any accumulated impairment losses. These assets are amortized over their years of useful life.

The Company recognizes under "Intangible Assets" the costs incurred in the acquisition and development of computer programs, including website development costs. Computer software maintenance costs are recognized with a charge to the income statement for the year in which they are incurred. Computer software is amortized on a straight-line basis over three years.

Impairment of intangible assets and property, plant and equipment

At the end of each reporting period (for goodwill and intangible assets with indefinite useful lives) or whenever there are indications of impairment (for other assets), the Company tests the tangible and intangible assets for impairment to determine whether the recoverable amount of the assets has been reduced to below their carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use.

Company management performs impairment tests as follows:

The recoverable amounts are calculated for each cash-generating unit, although in the case of property, plant and equipment, wherever possible, the impairment tests are performed individually for each asset.

Where an impairment loss subsequently reverses (not permitted in the specific case of goodwill), the carrying amount of the assets or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized as income.

b) *Property, plant and equipment*

Property, plant and equipment are initially recognized at acquisition or production cost and are subsequently reduced by the related accumulated depreciation and by any impairment losses recognized, as indicated in Note 4-a.

The surpluses or net increases in value resulting from revaluations are depreciated over the tax periods in the remaining useful lives of the revalued assets.

Property, plant and equipment upkeep and maintenance expenses are recognized in the income statement for the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalized.

For non-current assets that necessarily take a period of more than twelve months to get ready for their intended use, the capitalized costs include such borrowing costs as might have incurred before the assets are ready for their intended use and which have been charged by the supplier or relate to loans or other funds borrowed specifically or generally directly attributable to the acquisition or production of the assets.

In-house work on non-current assets is measured at accumulated cost (external costs plus in-house costs, determined based on in-house materials consumption, direct labor and general manufacturing costs calculated using absorption rates similar to those used for the measurement of inventories).

The Company depreciates its property, plant and equipment by the straight-line method at annual rates based on the years of estimated useful life of the assets, the detail being as follows:

	Depreciation rate
Buildings	1% - 4%
Plant	2% - 12%
Furniture and computer hardware	10% - 25%

c) *Investment property*

“Investment Property” in the balance sheet reflects the values of the land, buildings and other structures held either to earn rentals or for capital appreciation as a result of future increases in market prices.

Investment property is measured as described in Note 4.b on property, plant and equipment.

The Company estimates the impairment losses on its investment property based on the fair value obtained from an appraisal performed by an independent expert.

d) Leases

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

Operating leases

Lease income and expenses from operating leases are recognized in income on an accrual basis.

Additionally, the acquisition cost of the leased asset is presented in the balance sheet according to the nature of the asset, increased by the costs directly attributable to the lease, which are recognized as an expense over the lease term, applying the same method as that used to recognize lase income.

Financial leases

The Company did not perform any finance lease transactions as lessor or lessee.

e) Asset exchange transactions

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

As a rule, the asset received in an asset exchange transaction with commercial substance is recognized at the fair value of the asset given, 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 income statement.

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) Financial instruments

f.1) Financial assets

Financial assets are classified in the following categories:

a. Loans and receivables: financial assets arising from the sale of goods on the rendering of services in the ordinary course of the Company’s business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.
b. Held-to maturity investments: debt securities with fixed maturity and determinable payments that are traded in an active market and which the Company has the positive intention and ability to hold to the date of maturity.

c. Held-for-trading financial assets: assets acquired with the intention of selling them in the near term and assets that form part of a portfolio for which there is evidence of a recent actual pattern of short-term profit taking. This category also includes financial derivatives that are not financial guarantees and that have not been designated as hedging instruments.

d. Other financial assets at fair value through profit or loss: this category includes the financial assets designated by the Company upon initial recognition, because either their designation as such eliminates or significantly reduces accounting mismatches or those assets form part of a group whose performance is evaluated by Company management on a fair value basis, in accordance with an established and documented strategy.

e. Equity investments in Group companies, associates and jointly controlled entities: Group companies are deemed those related to the Company as a result of a relationship of control and associates are companies over which the Company exercises influence. Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other partners.

f. Available-for-sale financial assets: these include debt securities and equity instruments of other companies that are not classified in any of the aforementioned categories.

g. Guarantees provided: these relate mainly to the amounts paid to the owners of leased premises, suppliers, municipal councils or other urban-development entities to guarantee the fulfilment of specific obligations. They are recognized at the amounts paid, which do not reasonably differ from fair value.

Initial recognition

Financial assets are initially recognized at the fair value of the consideration given, plus any direct attributable transaction costs.

In the case of equity investments in Group companies affording control over the subsidiary, since 1 January 2010 the fees paid to legal advisers and other professionals relating to the acquisition of the investment have been recognized directly in profit or loss.

Subsequent measurement

Loans, receivables and held-to-maturity investments are measured at amortized cost.

Held-for-trading financial assets and those classified as at fair value through profit or loss are measured at fair value and the gains and losses arising from changes in fair value are recognized in the net profit or loss for the year.

Investments in Group companies and associates and interests in jointly controlled entities are measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity of the investee, adjusted by the amount of the unrealized gains existing at the date of measurement (including any goodwill), net of the related tax effect.

Impairment losses and, where applicable, their reversal, are recognized as an expense or income, respectively, in the income statement. Impairment losses may be reversed up to the limit of the original carrying amount of the investment.

Group companies are considered those in which the Company holds an ownership interest of more than 50% in their share capital or when the bylaws or other agreements afford Realia Business, S.A. control over the company. Associates are companies in which the Company holds an ownership interest of more than 20% and has significant influence over their management.

The Company is the head of a group of companies, in which it holds direct interests, which are detailed in Note 9.1. The detail of the main aggregates in the financial statements of the Realia Group for 2015, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, is as follows:

	Thousands of Euros	
	2015	2014 (*)
Total assets	**2,244,709**	**2,581,395**
Equity:		
Of the Parent	514,238	406,100
Attributable to non-controlling interests	227,948	224,601
Revenue	75,983	97,631
Profit/loss for the year:		
Of the Parent	17,205	(77,492)
Attributable to non-controlling interests	8,842	(34,387)

(*) Figures restated in accordance with IAS 40 at Fair Value.

Lastly, available-for-sale financial assets are measured at fair value and the gains and losses arising from changes in fair value are recognized in equity until the asset is disposed of or it is determined that it has become (permanently) impaired, at which time the cumulative gains or losses previously recognized in equity are recognized in the net profit or loss for the year.

At least at each reporting date, the Company tests financial assets for impairment in order to adjust them to their fair value. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower that its carrying amount. When this occurs, the impairment loss is recognized in the income statement.

The Company derecognizes a financial asset when the rights to the cash flows from the financial asset expire or have been transferred and substantially all the risks and rewards of ownership of the financial asset have also been transferred, such as in the case of firm asset sales, factoring of trade receivables in which the Company does not retain any credit or interest rate risk, sales of financial assets under an agreement to repurchase them at fair value and the securitization of financial assets in which the transferor does not retain any subordinated debt, `provide any kind of guarantee or assume any other kind of risk.

However, the Company does not derecognize financial assets, and recognizes a financial liability for an amount equal to the consideration received, in transfers of financial assets in which substantially all the risks and rewards of ownership are retained, such as in the case of note and bill discounting, recourse factoring, sales of financial assets subject to an agreement to buy them back at a fixed price or at the selling price plus a lender's return and the securitization of financial assets in which the transferor retains a subordinated interest or any other kind of guarantee that absorbs substantially all the expected losses.

f.2) Financial liabilities

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those that, not having commercial substance, cannot be classified as derivative financial instruments.

Accounts payable are initially recognized at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortized cost.

Liability derivative financial instruments are measured at fair value using the same methods as those described above for held-for-trading financial assets.

The Company derecognizes financial liabilities when the obligations giving rise to them cease to exist.

f.3) Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of a company after deducting all of its liabilities.

Equity instruments issued by the Company are recognized in equity at the proceeds received, net of issue costs.

Treasury shares acquired by the Company during the year are recognized at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognized directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognized directly in equity and in no case are they recognized in profit or loss.

g) Inventories

"Inventories" in the balance sheet includes the assets that the Company:

1. Holds for sale in the ordinary course of business;
2. Has in the process of production, construction or development for such sale; or
3. Expects to consume in the production process or in the rendering of services.

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 the lower of acquisition cost, plus any urban development costs and other costs incurred in connection with the purchase (transfer tax, registration expenses, etc.) and, since 1 January 2008, any borrowing costs incurred during the construction period, at fair value. When work on the property development commences, the capitalized cost of the land is transferred to property developments in progress, and development begins.

The costs incurred in property development (or in portions thereof) construction of which had not been completed at year-end are classified as work in progress. The cost relating to property developments for which construction was completed in the year is transferred from "Property Developments in Progress" to "Completed Properties". These costs include those relating to building lots, urban development and construction, together with the related borrowing costs.

In the year ended 31 December 2015 the Company did not capitalize any borrowing costs to inventories.

The carrying amount of the Company's inventories is adjusted by recognizing the corresponding impairment loss, in order to bring it into line with the market value determined by an independent valuation expert in an appraisal conducted at 31 December 2015, when the market value was less than the carrying amount.

h) Foreign currency transactions

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

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to Euros at the rate then prevailing. Any resulting gains or losses are recognized directly in the income statement in the year in which they arise.

i) Income tax

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Company as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measures at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are 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, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss), and except for those associated with investments in subsidiaries, associates and joint ventures in which the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity will have taxable profits in the future against which the deferred tax assets can be utilized.

Deferred tax assets recognized are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that they will be recovered through future taxable profits.

Since 2007, the Company has filed consolidated tax returns pursuant to Royal Decree Law 4/2004, of 5 March, and Realia Business, S.A. is the Parent of the tax group.

The filing of consolidated tax returns gives rise to the inclusion in the Parent (Realia Business, S.A.) of the individual income tax receivables and payables of the companies in the tax group.

j) Revenue and expense recognition

Revenue and expenses are recognized on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary flow arises. Revenue is measured at the fair value of the consideration received, net of discount and taxes.

In this regard, the expenses yet to be incurred in delivering and settling property developments are recognized as “Trade Payables – Unreceived Invoices”.

Sales of goods and revenue from services rendered are recognized net of the related taxes, less all discounts, whether or not included in the invoice, except for cash discounts, which are considered to be finance costs or income.

Revenue from sales of property units and the related costs are recognized on the date on which the keys are handed over to the customers, provided that the risks and rewards are transferred to the buyer, and the amount recognized in this connection under “Customer Advances” in the accompanying balance sheet is derecognized at that time.

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.

Interest income from financial assets is recognized using the effective interest method and dividend income is recognized when the shareholder’s right to receive payment has been established. Interest and dividends from financial assets accrued after the date of acquisition are recognized as income.

k) Provisions and contingencies

When preparing the financial statements the Company's directors made a distinction between:

a. Provisions: credit balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources embodying economic benefits that is uncertain as to its amount and/or timing will be required to settle the obligations.

b. Contingency liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Company's control.

The financial statements include all the 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 financial statements, but rather are disclosed, unless the possibility of an outflow in settlement is considered to be remote.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences. Where discounting is used, adjustments made to provisions are recognized at interest cost on an accrual basis.

The Company recognizes provisions for the expenses expected to be incurred from the completion of a property development to the definitive settlement thereof and of the period in which it is liable for quality flaws, latent defects, extraordinary repairs, after-sales services and other contingencies relating to delivered, completed or unsold properties.

The compensation to be received from a third party on settlement of the obligation is recognized as an asset, provided that there are no doubts that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalized as a result of which the Company is not liable; in this situation, the compensation will be taken into account for the purpose of estimating the amount of the related provision that should be recognized.

l) Termination benefits

Under current legislation, the Company is required to pay termination benefits to employees terminated 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 accompanying financial statements do not include any provision in this connection since no situations of this nature have arisen at 31 December 2015.

m) Pension obligations

For employees with at least two years' service, the Company has externalized a defined contribution pension plan to provide benefits in the form of a lump sum. The Plan is included in the Bankia Pensiones IX pension fund, the manager and custodian of which are Bankia Pensiones S.A.U., E.G.F.P. and Bankia, S.A., respectively. 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 amounts to EUR 6,204 thousand (EUR 5,984 thousand in 2014), and the expense for 2015 to EUR 220 thousand (EUR 253 thousand in 2014) (see Note 17.4). The aforementioned pension obligations are covered by an insurance policy for contributions exceeding the limits established by Law 35/2006. There are no other pension plans or additional obligations.

n) Joint ventures

For each item in the balance sheet and income statement, the Company includes the proportional part of the related balance sheets and income statements of the unincorporated temporary joint ventures (UTEs) and joint property entities in which it has ownership interests.

The UTEs and the joint property entities were included by making the required uniformity adjustments, reconciliations and reclassifications and by eliminating reciprocal asset and liability balances and income and expenses.

The main aggregates at 31 December 2015 of the UTEs and the joint property entities included in the financial statements of Realia Business, S.A. are as follows:

	Thousands of Euros
	UTEs and Joint Property Entities
Revenue	618
Profit from operations	72
Assets	6,907
Liabilities	172

None of the UTEs and joint property entities included in the Company's balance sheet and income statement at 31 December 2015 are subject to statutory audit.

o) Related party transactions

The Company performs all its transactions with related parties on an arm's length basis. Additionally, the transfer prices are adequately supported and, therefore, the Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future. The main balances and transactions with related parties are detailed in Note 18.

5. <u>Intangible assets</u>

The changes in 2015 and 2014 in "Intangible Assets" in the balance sheet and the most significant information affecting this item were as follows:

Thousands of Euros	Computer Software	Other intangible assets	Total
Cost			
Balances as at 31 December 2013	**2,105**	**-**	**2,105**
Additions	5	-	5
Balances as at 31 December 2014	**2,110**	**-**	**2,110**
Additions	5	17	22
Disposals	(1,571)	-	(1,571)
Balances as at 31 December 2015	**544**	**17**	**561**
Accumulated amortization			
Balances as at 31 December 2013	**(2,019)**	**-**	**(2,019)**

Disposals	(59)	-	(59)
Balances as at 31 December 2014	**(2,078)**	**-**	**(2,708)**
Charges for the year	(31)	-	(31)
Disposals	1,571	-	1,571
Balances as at 31 December 2015	**(538)**	**-**	**(538)**
Intangible assets, net			
Balances as at 31 December 2014	**32**	**-**	**32**
Balances as at 31 December 2015	**6**	**17**	**23**

At the end of 2015, the Company had fully amortized intangible assets still in a condition to be used amounting to EUR 532 thousand and EUR 2,018 thousand, respectively.

6. Property, plant and equipment

The changes in 2015 and 2014 in "Intangible Assets" in the balance sheet and the most significant information affecting this heading were as follows:

	Thousands of Euros		
	Properties for Own Use	Plant and other items of Property, Plant and Equipment	Total
Cost			
Balances as at 31 December 2013	**73**	**2,101**	**2,174**
Additions	-	10	10
Disposals	-	(7)	(7)
Balances as at 31 December 2014	**73**	**2,104**	**2,177**
Additions	-	17	17
Disposals	-	(253)	(253)
Balances as at 31 December 2015	**73**	**1,868**	**1,941**
Accumulated amortization			
Balances as at 31 December 2013	**(3)**	**(1,390)**	**(1,393)**
Charges for the year	(1)	(115)	(116)
Disposals	-	7	7
Balances as at 31 December 2014	**(4)**	**(1,498)**	**(1,502)**
Charges for the year	(1)	(106)	(107)
Disposals	-	251	251
Balances as at 31 December 2015	**(5)**	**(1,353)**	**(1,358)**

Impairment losses			
Balances as at 31 December 2013	**(43)**	**-**	**(43)**
Charges for the year	-	-	-
Balances as at 31 December 2014	(43)	-	(43)
Charges for the year	(2)	-	(2)
Balances as at 31 December 2015	**(45)**	**-**	**(45)**
Property, Plant and Equipment – net			
Balances as at 31 December 2014	**26**	**606**	**632**
Balances as at 31 December 2015	**23**	**515**	**538**

At the end of 2015, the Company had fully depreciated items of property, plant and equipment still in use, the detail being as follows:

	Thousands of Euros	
	2015	2014
Plant and other items of property, plant and equipment	**828**	**989**

The Company takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At 2015 year-end, the property, plant and equipment were fully insured against these risks.

7. <u>Investment property</u>

The changes in 2015 and 2014 in "Intangible Assets" in the balance sheet and the most significant information affecting this heading were as follows:

	Thousands of Euros			
	Land and building lots	Rental properties	Other fixtures	Total Investment Property
Cost				
Balances as at 31 December 2013	**5,408**	**10,390**	**3,211**	**19,009**
Additions	-	10	-	10
Transfers	-	146	(146)	-
Balances as at 31 December 2013	**5,408**	**10,546**	**3,065**	**19,019**
Additions	-	-	-	-
Transfers	-	-	-	-
Balances as at 31 December 2014	**5,408**	**10,546**	**3,065**	**19,019**

Accumulated depreciation				
Balances as at 31 December 2015	**5,408**	**10,546**	**3,065**	**19,019**
Accumulated depreciation				
Balances as at 31 December 2013	**-**	**(1,122)**	**(618)**	**(1,740)**
Charge for the year	-	(200)	(115)	(315)
Transfer	-	(45)	45	-
Balances as at 31 December 2014	**-**	**(1,367)**	**(688)**	**(2,055)**
Charge for the year	-	(206)	(109)	(315)
Transfers	-	-	-	-
Balances as at 31 December 2015	**-**	**(1,573)**	**(797)**	**(2,370)**
Impairment losses				
Balances as at 31 December 2013	**(2,808)**	**(5,364)**	**(1,801)**	**(9,973)**
Charge for the year	(10)	(21)	(1)	(32)
Balances as at 31 December 2014	**(2,818)**	**(5,385)**	**(1,802)**	**(10,005)**
Charge for the year	(211)	(416)	(102)	(729)
Balances as at 31 December 2015	**(3.029)**	**(5,801)**	**(1,904)**	**(10,734)**
Investment property, net				
Balances as at 31 December 2014	**2,590**	**3,794**	**575**	**6,959**
Balances as at 31 December 2015	**2,379**	**3,172**	**364**	**5,915**

At 31 December 2015 and 2014, no items had been fully depreciated.

The fair value of the Company's investment property at 31 December 2015, calculated on the basis of appraisals conducted by independent valuation experts not related to the Group, amounted to EUR 8.163 thousand and EUR 8.145 thousand, respectively.

Since 2012, the aforementioned market value has been calculated on appraisals conducted by independent valuation experts, performed in accordance with the principles and methodology of Ministry of Economy 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 assets and certain rights for financial purposes (whereby appraisals may be conducted using various methods, according to the urban development and the type of assets involved).

In 2015, the Company recognized impairment losses amounting to EUR 729 thousand (EUR 32 thousand in 2014) on investment property in order to adjust its carrying amount to market value.

Location and use

The detail of the investments included under "Investment Property" in the accompanying balance sheet, which consists of buildings held to earn rentals, and of the use thereof, is as follows:

- The María Tubau office block (Madrid), which is currently vacant and has a gross leasable area of 1,539 square meters and five parking spaces.
- The Hato Verde golf course (Seville), which has a gross area for sports use of 339,136 square meters and a gross buildable area of 2,661 square meters, both fully leased to a Group company.

Related income and expenses

In 2015 and 2014, the rental income for the investment property owned by the Company, which related in full to the golf course, amounted to EUR 182 thousand and EUR 150 thousand, respectively (see Note 17.1) and the operating expenses of all kinds relating thereto were passed on to the tenants of the María Tubau office building in Madrid (EUR 16 thousand), and to Guillena Golf, S.L., a wholly-owned investee of Realia Business, S.A. (EUR 72 thousand).

At the end of 2015 and 2014, there were no restrictions, other than as set out in the syndicated financing agreement, on making new investment property investments, on the collection of rental income thereof or in connection with the proceeds obtained from a potential disposal thereof.

8. Leases

8.1 Operating leases (lessee)

At the end of 2015 and 2014, the Company had contracted with lessors 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 or future contractual lease payment revisions:

Minimum operating lease payments	Nominal value

	2015	2014
Within one year	214	239
Between two and five years	-	-
After five years	-	-
	214	**239**

The lease payments related mainly to the lease of the Puerta Europa Este (Madrid) building, which houses the Company's head office and to the lease of the Catalonia office in Torre Porta Fira (Barcelona), both of which are owned by its subsidiary Realia Patrimonio, S.L.U.

8.2 Operating leases (lessor)

At the end of 2015 and 2014, the Company had 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 or future contractual lease payment revisions:

Minimum operating lease payments	Thousands of Euros	
	Nominal value	
	2015	2014
Within one year	161	88
Between one and five years	37	-
After five years	-	-
	198	**88**

The detail of the operating lease payments recognized as income in 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Minimum lease payments	182	150
Total, net	**182**	**150**

9 Financial assets (non-current and current) and other non-current assets

9.1 Non-current financial assets

The detail of "Non-Current Investments in Group Companies and Associates" at the end of 2015 and 2014 is as follows:

2015

	Thousands of Euros	
	Non-current Financial Instruments	
	Equity Instruments	Total
Investments in Group companies and associates	591,912	591,912
Total	**591,912**	**591,912**

2014

	Thousands of Euros	
	Non-current Financial Instruments	
	Equity Instruments	Total

Investments in Group companies and associates	592,445	592,445
Total	**592,445**	**592,445**

1) Ownership interest:

	% of Ownership			
	2015		2014	
Company	Direct	Effective	Direct	Effective
Group				
Servicios Índice, S.A.	50.50%	50.50%	50.50%	50.50%
Fomento Inmobiliario Levantino, S.L.	-	-	51.00%	51.00%
Realia Business Portugal Unipessoal Lda.	100.00%	100.00%	100.00%	100.00%
Retingle, S.L.	50.10%	50.10%	50.10%	50.10%
Valaise, S.L.	100.00%	100.00%	100.00%	100.00%
Realia Polska Inwestycje S.P. ZOO	100.00%	100.00%	100.00%	100.00%
Wilanow Realia S.P., ZOO	-	-	51.65%	100.00%
Realia Patrimonio, S.L.U.	100.00%	100.00%	100.00%	100.00%
Realia Contesti, S.R.L.	100.00%	100.00%	100.00%	100.00%
Guillena Golf, S.L.	100.00%	100.00%	100.00%	100.00%
Associates				
Inversiones Inmobiliarias, Rústicas y Urbanas 2000, S.L.	33.36%	33.36%	33.36%	33.36%
Desarrollo Urbanístico Sevilla Este, S.L. (DUSE)	30.52%	30.52%	30.52%	30.52%
Ronda Norte Denia, S.L.	32.63%	32.63%	32.63%	32.63%

2) Equity position:

As at 31 December 2015:

Thousands of Euros						
Company	Share Capital	Profit or Loss		Other Equity Items	Total Equity	Dividends Received
		From Operations	Net			
Servicios Índice, S.A. (b)	8,000	(93)	(81)	2,730	10,649	-
Realia Business Portugal Unipessoal Lda. (b)	250	(100)	(121)	3,166	3,295	-
Retingle, S.L. (b)	21,481	(93)	54	1,242	22,777	59
Valaise S.L.U. (b)	10	(4)	(4)	8	14	-
Realia Polska Inwestcyje SP, ZOO (b)	4,463	(35)	(12)	(4,410)	41	-
Realia Patrimonio, S.L.U. (a)	100,000	19,673	33,643	425,438	559,081	-
Realia Contesti, SRL (b)	3,997	(25)	(20)	1,374	5,351	-
Guillena Golf, S.L.U. (b)	4	(438)	(438)	426	(8)	-
Total Group	**138,205**	**18,885**	**33,021**	**429,974**	**601,200**	**59**
Inversiones Inmobiliarias, Rústicas y Urbanas 2000, S.L. (b)	20	(43)	(76)	34,738	34,727	-
Desarrollo Urbanístico Sevilla Este, S.L. (a)	1,392	(493)	(8,306)	(30,149)	(37,063)	-
Ronda Norte Denia, S.L. (b)	475	(19)	(43)	(36)	396	-
Total associates	**1,887**	**(555)**	**(8,425)**	**4,598**	**(1,940)**	**-**
Total	**140,092**	**18,330**	**24,596**	**434,572**	**599,260**	**59**

(a) Financial statements audited by Deloitte, S.L.
(b) Unaudited financial statements

As at 31 December 2014:

Thousands of Euros

Company	Share Capital	Profit or Loss		Other Equity Items	Total Equity	Dividends Received
		From Operations	Net			
Servicios Índice, S.A. (b)	8,000	(99)	(77)	2,808	10,731	-
Fomento Inmobiliario Levantino, S.L. (b)	699	-	11	(236)	474	
Realia Business Portugal Unipessoal Lda. (b)	250	(360)	(410)	2,187	2,027	-
Retingle, S.L. (b)	21,481	359	131	1,229	22,841	196
Valaise S.L.U. (b)	10	(7)	(7)	15	18	-
Realia Polska Inwestcyje SP, ZOO (b)	4,463	(50)	(89)	(4,325)	49	-
Wilanow Realia SP, ZOO	8,737	(180)	(302)	(8,348)	87	-
Realia Patrimonio, S.L.U. (a)	100,000	17,631	(82,636)	508,074	525,438	18,037
Realia Contesti, SRL (b)	3,997	(237)	(200)	318	4,115	-
Guillena Golf, S.L.U. (b)	372	(472)	(472)	232	132	-
Total Group	**148,009**	**16,585**	**(84,051)**	**501,954**	**565,912**	**18,233**
Inversiones Inmobiliarias, Rústicas y Urbanas 2000, S.L. (b)	20	(40)	(246)	35,030	34,804	-
Desarrollo Urbanístico Sevilla Este, S.L. (a)	2,228	(320)	(10,340)	(18,359)	(26,471)	-
Ronda Norte Denia, S.L. (b)	475	26	-	(36)	439	-
Total associates	**2,723**	**(334)**	**(10,586)**	**16,635**	**8,772**	**-**
Total	**150,732**	**16,251**	**(94,637)**	**518,589**	**574,684**	**18,233**

(a) Financial statements audited by Deloitte, S.L.
(b) Unaudited financial statements

3) Investments

As at 31 December 2015

Company	Thousands of Euros			
	Carrying Amount			
	Cost	Impairment Loss (recognized) reversed in the year (Note 17.5)	Accumulated Impairment Losses	Total
Group:				
Servicios Índice, S.A.	6,498	-	-	6,498
Fomento Inmobiliario Levantino, S.L.	-	20	-	-
Realia Business Portugal Unipessoal Lda.	8,199	(160)	(6,328)	1,871
Retingle, S.L.	10,762	-	-	10,762
Valaise, S.L.	10	-	-	10
Realia Polska Inwestycje SP ZOO	6,037	(254)	(5,716)	321
Realia Patrimonio, S.L.U.	552,960	-	-	552,960
Realia Contesti S.R.L.	13,610	(264)	(9,613)	3,997
Guillena Golf S.L.	4,018	(432)	(4,018)	-
Total Group	**602,094**	**(1,090)**	**(25,675)**	**576,419**
Associates:				
Inversiones Inmobiliarias, Rústicas y Urbanas 2000, S.L.	20,179	577	(4,815)	15,364
Desarrollo Urbanístico Sevilla Este, S.L.	61,401	-	(61,401)	-
Ronda Norte Denia, S.L.	155	(14)	(26)	129
Total associates	**81,735**	**563**	**(66,242)**	**15,493**
Total	**683,829**	**(527)**	**(91,917)**	**591,912**

As at 31 December 2014:

Company	Thousands of Euros			
	Carrying Amount			
	Cost	Impairment Loss (recognized) reversed in the year (Note 17.5)	Accumulated Impairment Losses	Total
Group:				
Servicios Índice, S.A.	6,498	-	-	6,498
Fomento Inmobiliario Levantino, S.L.	357	5	(115)	242
Realia Business Portugal Unipessoal Lda.	8,199	(1,091)	(6,168)	2,031
Retingle, S.L.	10,762	-	-	10,762
Valaise, S.L.	10	-	-	10
Realia Polska Inwestycje SP ZOO	6,037	(236)	(5,462)	575
Wilanow Realia SP	4,993	(2,579)	(4,948)	45
Realia Patrimonio, S.L.U.	552,960	-	-	552,960
Realia Contesti S.R.L.	13,610	(21)	(9,349)	4,261
Realia Zarea S.R.L.	-	(713)	-	-
Guillena Golf S.L.	3,718	(472)	(3,586)	132
Total Group	**607,144**	**(5,107)**	**(29,628)**	**577,516**
Associates:				
Inversiones Inmobiliarias, Rústicas y Urbanas 2000, S.L.	20,179	(605)	(5,393)	14,786
Desarrollo Urbanístico Sevilla Este, S.L.	61,401	-	(61,401)	-
Ronda Norte Denia, S.L.	155	-	(12)	143
Total associates	**81,735**	**(605)**	**(66,806)**	**14,929**
Total	**688,879**	**(5,712)**	**(96,434)**	**592,445**

The impairment losses recognized in 2015 are based on estimates of the fair value of the investments made using the principles described in Note 4-f.

The detail of the most significant transactions carried out in 2015 is as follows:

a) Liquidation of Wilanow Realia SP, ZOO

In April 2015, the company Wilanow Realia SP ZOO, a subsidiary in which the Company owned an interest of 51.65%, was liquidated. The liquidation gave rise to a loss of EUR 2,000, recognized under "Impairment and Gains and Losses on Disposals of Financial Instruments – Impairment and Other Losses" in the accompanying income statement (see Note 17.5).

b) Liquidation of Fomento Inmobiliario Levantino, S.L.

Fomento Inmobiliario Levantino, S.L., a subsidiary in which the Company owned an interest of 51%, was liquidated in July 2015. The liquidation gave rise to a profit of EUR 20,000, recognized under "Impairment and Gains and Losses on Disposals of Financial Instruments – Impairment and Other Losses" as a consequence of the reversion in the provision recognized by the Company.

c) Capital increase at Guillena Golf, S.L.

On 26 May 2015, the company Guillena Golf S.L. increased share capital by EUR 30 thousand, with a share premium of EUR 270 thousand, in order to restore its equity position. On the same date, a reduction of share capital was agreed for an amount of EUR 398 thousand, which reduced it to EUR 4 thousand, and a restricted voluntary reserve was recognized.

d) Desarrollo Urbanístico Sevilla Este, S.L. (DUSE)

In December 2015, DUSE reduced its capital against share premium and results from prior years, in order to restore its equity position.

The detail of the most significant transactions carried out in 2014 is as follows:

a) Liquidation of Realia Zarea, S.R.L. and transfer of the ownership interest in Realia Contesti S.R.L.

Realia Zarea, S.R.L., a wholly owned subsidiary of the Company, was liquidated in May 2014. The liquidation gave rise to a loss of EUR 173 thousand, which is recognized under "Impairment and Gains and Losses on Disposals of Financial Instruments – Impairment and Other Losses" in the accompanying income statement (see Note 17.5). Realia Zarea S.R.L. owned 31.17% of the share capital of Realia Contesti S.R.L. and, therefore, after the liquidation the Company acquired full, direct ownership of Realia Contesti, S.R.L.

b) Capital increase at Wilanow Realia Sp. ZOO

In June 2014, Wilanow Realia Sp. ZOO converted into capital a portion of its debt to the Company by means of a capital increase amounting to EUR 1,886 thousand. As a result, the Company's direct ownership interest in this company rose to 51.65%. The Company also wrote down this ownership interest by EUR 2,580 thousand with a charge to "Impairment and Gains and Losses on Disposals of Financial Instruments" in the accompanying income statement.

c) Capital increase at Guillena Golf, S.L.

In October 2014, Guillena Golf S.L. increased share capital by EUR 30 thousand, with a share premium of EUR 270 thousand, in order to restore its equity position.

d) Capital increase at Realia Business Portugal Unipessoal Lda.

On 24 September 2014, Realia Business Portugal Unipessoal Lda. approved the payment of supplementary contributions by the sole shareholder amounting to EUR 750 thousand in order to meet possible cash deficits.

e) Sale of SIIC de Paris

On 23 July 2014, the investee Realia Patrimonio, S.L.U. sold its entire ownership interest in the SIIC de Paris Group. The Company had a 58.98% indirect ownership interest in SIIC de Paris.

f) Liquidation of Noralia, S.A.

In May 2013 the Annual General Meeting of Noralia, S.A. unanimously resolved to liquidate the company, in which the Company had a 51% ownership interest. In November 2013, the Madrid Commercial Court no. 11 declared the company to be in state of voluntary insolvency as the debtor had no assets available to creditors, and was adjudged to have ceased to exist. The court order became final on 10 January 2014, and was filed at the Madrid Mercantile Registry. The liquidation did not give rise to any gains or losses, since the carrying amount had been written off.

g) Liquidation of Mindaza, S.A.

Mondaza, S.A., a wholly owned subsidiary of the Company, was liquidated in 2014. The liquidation did not give rise to any gains or losses, since the carrying amount had been written off.

9.2 Current financial assets and current investments in Group companies and associates

The detail of "Current Investments in Group Companies and Associates" and "Current Financial Assets" at the end of 2015 and 2014 is as follows:

2015

	Thousands of Euros	
Current financial instruments	Loans, derivatives and other	Loans to Group Companies/ Associates (Note 18.2)
Loans and receivables	7	7,457
Other financial assets	1.165	-
	1,172	**7,457**

2014

	Thousands of Euros	
Current financial instruments	Loans, derivatives and other	Loans to Group Companies/ Associates (Note 18.2)
Loans and receivables	7	6,120
Other financial assets	1,567	-
	1,574	**6,120**

"Loans and Receivables" includes mainly loans to Group companies that earn interest at market rates.

9.3 Information on the nature and level of risk of financial instruments

Qualitative information

The Company 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.

The Company's financial risk management is centralized in its Financial Department, which has established the mechanisms required to control exposure to interest rate and exchange rate fluctuations and credit and liquidity risk.

The main financial risks affecting the Company are as follows

a) Credit risk

The Company 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 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 13,704 thousand, which the Company wrote down due to the related risk, estimated at EUR 8,261 thousand (see Note 11). Lastly, there is no material risk with regard to the lease of property assets, although the current crisis has caused an upturn in non-payment and doubtful deeds. Company management has recognized provisions for all these contingencies based on the late payment period of doubtful debts.

b) Liquidity risk

The residential property market has deteriorated steadily since the second half of 2007. The decline in demand for housing, particularly second homes, 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 many companies in the sector, which are expected to continue.

During 2014, some signs of improvement appeared in the market, albeit concentrated on demand for products in prime locations in the medium-high segment, and borrowing conditions also improved, especially to individuals or self-build development projects. However, there continued to be no direct financing available for developers. This trend continued in 2015, and the strong liquidity of the financial system, and low interest rates, allowed for new financing opportunities to appear, including the property sector, but under very restrictive and selective criteria for the borrowers.

As part of the negotiations with the financial creditors of the parent Realia, an agreement on 10 December was reached to reduce by 9% the total syndicated loan debt, amounting to EUR 802,759 Million, provided that the conditions for debt repayment are fulfilled. Payment milestones have been broken down into four: 50% of the debt payable on December 2015, 12.15% payable on 29 January 2016, 12.85% payable on 29 February 2016 and the remaining 25% on 30 May 2016.

At the date of this report, the payments due on 29 January 2016 and 29 February 2016 had been made, and the last payment has been duly guaranteed, and as a result, financial creditors have removed all the security rights and assets pledged they had on Realia's assets and Realia Patrimonio shares and therefore, all the conditions precedent provided for in the refinancing agreement have been fulfilled, and when the last payment is made, the conditions subsequent will have been fulfilled, and the reduction agreed will be effective.

The parent Realia has prepared a financial feasibility plan that confirms the existence of sufficient liquidity to meet its payment obligations.

The main aggregates of the cash projections for 2016, based on a minimum basis of recurring business, dividends and other payments received for services rendered to Group companies, excluding any extraordinary land-sale transactions, led to estimated collections of EUR 132.6 Million which, together with estimated payments of EUR 28.8 Million, give rise to a positive net cash flow of EUR 103.8 Million which, together with the available cash balance, will be used to repay debt in compliance with existing contract terms.

c) Solvency risk

At 31 December 2015, the net bank or similar borrowings (bank borrowings transferred) of Realia Business, S.A. amounted to EUR 414,786 thousand, as shown in the following table:

	Thousands of Euros
Gross bank borrowings:	
Syndicated credit facility	437,459
Mortgage loans	9,428
Accrued interest	457
Cash and cash equivalents	(32,558)

Net bank or similar borrowings	**414,786**

Bank borrowings include EUR 72.4 Million of reduction agreed by creditor banks to the company, whose application is pending fulfilment of the conditions precedent and subsequent agreed in the financing agreement of 10 December 2015 (see Note 14).

Taking into consideration the above net bank borrowings, plus the debt attributable to a portion of the Company's subsidiaries, amounting to EUR 630,111 thousand, and the Gross and Net value of the assets of the Group Realia Business, S.A., set forth is a detail of the carrying amount of those assets:

	Thousands of Euros	
	Gross	**Net**
Appraised value of property management assets	8,163	8,163
Appraised value of property development and land assets	382,125	382,125
Value of equity investment assets	1,215,430	1,183,600
Total value of Group's assets	**1,605,718**	**1,573,888**

The indebtedness ratio, accordingly, amounts to 65.1% and 66.4%, respectively.

During 2015, the company generated a negative EBIDTA of EUR 11.4 Million, used to cover the financial cash flow resulting from the financial loss of EUR 17.2 Million, minus EUR 14.6 Million of capitalized financial costs (PIK) to the debt's principal and which did not entail a cash outlay.

At the end of 2015, the working capital is negative (EUR 46.8 Million). However, if we consider the recognition of the reduction (subject to conditions precedent and subsequent) resulting from the refinancing agreement signed with financial creditors for an amount of EUR 72.4 Million, working capital would be positive for EUR 25.6 Million.

d) Interest rate risk

Realia Business, S.A. does not use hedges to manage its exposure to interest rate fluctuations.

The aim of interest rate management is to achieve a balanced debt structure that makes it possible to minimize the cost of the debt over several years with reduced income statement volatility. In view of the comparative analysis of finance costs contained in the Business Plan and the yield curve trends, the Company opted not to hedge interest rate risk in order to minimize the borrowing costs in the period covered by the business plan.

The Company's management monitors very closely the short and long-term yield curve trends, and does not rule out the possibility of hedging interest rates in the future.

e) Foreign currency risk

The Company is not exposed to a significant level of foreign currency risk.

f) Market risk

The passing of time in the profound property management and financial crisis dating back to 2007 is now showing of recovery in the market and in some geographic areas and locations, demand is now higher than supply; however, there is still a lot of unsold products in the market that must be absorbed in time, and in these cases, price adjustments continue to persist, with the corresponding impact of product margins. Realia believes the sector will recover, albeit slowly and selectively.

Regarding the rental market, in which Realia Business operates through its subsidiary Realia Patrimonio, a slight recovery of demand for space is visible, rental prices are stabilizing, and the incentives to rent demanded by customers are reduced. On the other hand, investment activity in the property management sector hit a record figure in 2015.

For all 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 of residential property area can provide.

9.4 Cash and cash equivalents

The detail of "Cash and Cash Equivalents" at the end of 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Cash	1,855	33,747
Cash equivalents	30,703	12,000
Total	**32,558**	**45,747**

10 Inventories

The detail of "Inventories" at 31 December 2015 and 2014 is as follows:

	Thousands of Euros					
	2015			2014		
	Cost	Write-downs	Net	Cost	Write-downs	Net
Land and building lots	630,760	(391,322)	239,438	630,125	(384,247)	245,878
Long-cycle construction work in progress	48,273	(15,400)	32,873	48,267	(15,080)	33,187
Completed buildings	91,975	(18,358)	73,617	105,994	(25,731)	80,263
Advances to suppliers	2,905	-	2,905	3,038	-	3,038
Total	**773,913**	**(425,080)**	**348,833**	**787,424**	**(425,058)**	**362,366**

The fair value of inventories at 31 December 2015 and 2014, calculated on the basis of appraisals conducted by independent valuation experts not related to the Group, as described in Note 4.g, amounted to EUR 382,125 thousand and EUR 394,993 thousand, respectively. Where appropriate, the Company wrote down inventories in order to adjust their carrying amount to market value, which gave rise to a loss of EUR 21 thousand (31 December 2014: EUR 1,293 thousand).

The aforementioned market value was calculated based on appraisals conducted by independent valuation experts, performed in accordance with the principles and methodology of Ministry of Economy Order ECO/805/2003 of 27 March, amended by Ministry of Economy Order EHA/564/2008 of 28 February, which establishes the measurement bases for property assets 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 requirements of the definition of the market value of the related assets, and those that 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 any case, the current situation of the residential market may give rise to differences between the fair value of the Company's inventories and the effective realizable value thereof.

The changes in gross cost terms in "Inventories" in the years ended 31 December 2015 and 2014 were as follows:

	Thousands of Euros						
	Land and Building Lots	Long-Cycle developments in progress	Short-Cycle developments in progress	Completed Buildings	Other	Net Write-Downs	Total
Balance as at 31 December 2013	**633,087**	**48,238**	**-**	**136,498**	**60**	**(423,765)**	**394,118**
Additions	2,272	29	-	-	-	(14,278)	(11,977)
Disposals	(5,234)	-	-	(30,504)	(60)	12,985	(22,813)
Balance as at 31 December 2014	**630,125**	**48,267**	**-**	**105,994**	**-**	**(425,058)**	**359,328**
Additions	759	47	-	-	-	(10,514)	(9,708)
Disposals	(165)	-	-	(14,019)	-	10,492	(3,692)
Transfers	41	(41)	-	-	-	-	-
Balance as at 31 December 2015	**630,760**	**48,273**	**-**	**91,975**	**-**	**(425,080)**	**345,928**

Land and building lots

No significant additions to land and building lots were made during 2015.

In prior years, the Company acquired land in Valdemoro (R7) for which it paid EUR 3,790 thousand, payment of the remaining balance subject to the fulfilment of conditions 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 judgement establishing the ineffectiveness of the purchase agreement and obliging the seller to pay the claimant the price 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 Company, which was appealed against by the other party and dismissed by the court; on 13 November 2014, the award certificate enabling its registration in the Property Registry was issued. This award, amounting to EUR 1,500 thousand, together with other attachments imposed amounting to EUR 130 thousand, led to the recognition of a balance receivable at year-end of EUR 2,160 thousand. Furthermore, the judgement of the Spanish Supreme Court recognized an amount of EUR 1,137 thousand for the interest and costs of the proceedings (see Note 11), for which impairment losses covering the full amount had been recognized at year-end due to doubts as to their recovery.

Additionally, at 2015 year-end, the fair value of the contractually established consideration for the future delivery obligation relating to the "Teatinos" asset did not suffer any corrections in valuation.

Advances to suppliers

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

Land	Province	Thousands of Euros	
		2015	2014
Valdebebas	Madrid	2,887	3,020
El Molar	Madrid	18	18
Total		**2,905**	**3,038**

Advances in 2015 and 2014 relate to urban development costs charged by the Valdebebas Development and Apportionment Entity.

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

Inventories held as collateral for mortgage loans

At 31 December 2015 and 2014, certain assets were recognized under inventories, with an aggregate carrying amount of EUR 256,336 thousand and EUR 269,124 thousand, respectively, which serve as mortgage security for the syndicated loan arranged in 2009, as well as the bilateral loans with Kutxa Bank, Banco Santander and the Bank Restructuring Asset Management Company (SAREB), arranged by Realia Business, S.A. (see Note 14). On 29 January 2016, according to the refinancing agreement signed with the lenders, the cancellation of the mortgage on the properties allocated to the syndicated loan were notarized.

Sale commitments

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 6,350 thousand and EUR 6,635 thousand, respectively, of which EUR 3,757 thousand and EUR 3,988 thousand are recognized under "Trade Payables – Customer Advances" in the accompanying balance sheet (see Note 15). EUR 213 thousand and EUR 311 thousand, respectively, were collected. The remainder relates to commitments from asset exchange transactions.

Capitalized borrowing costs

As described in Note 4-g, the Company capitalizes the borrowing costs incurred in the year which relate to inventories that have a production cycle of more than one year. In 2015 and 2014, no borrowing costs were capitalized in this connection.

The detail of the capitalized borrowing costs is as follows:

	Thousands of Euros			
	31.12.2015		31.12.2014	
	Interest capitalized in the year	Accumulated capitalized interest	Interest capitalized in the year	Accumulated capitalized interest
Land and building lots	-	8,716	-	8,727
Short-cycle construction work in progress	-	-	-	-
Long-cycle construction work in progress	-	1,385	-	1,385
Completed buildings	-	3,517	-	3,856
Total	**-**	**13,618**	**-**	**13,968**

11 Trade and other receivables

The detail of "Trade and Other Receivables" is as follows:

	Thousands of Euros	
	2015	2014
Trade and other receivables	5,473	5,474
Trade receivables from Group companies and associates (Note 18.2)	1,361	1,010
Sundry accounts receivable	2,616	2,749
Employee receivables	1	1
Current tax assets (Note 16.1)	3,368	2,314

Other accounts receivable from public authorities (Note 16.1)	6	2
Due from shareholders (partners) for called-up share capital (Note 12)	88,961	-
Total trade and other receivables	**101,786**	**11,550**

The balance of "Trade and Other Receivables" under current assets in the balance sheet reflects mainly the trade receivables arising from property development and land sales, including most notably the gross value of the trade receivables relating to sales of land amounting to EUR 13,704 thousand. At 31 December 2015, the Company had recognized an impairment loss on this amount of the related risk, which it estimated at EUR 8,261 thousand.

The balance of "Sundry Accounts Receivable" includes mainly the account receivable outstanding in relation to the advances paid on the purchase of the land in Valdemoro (R7), which must be returned, as the contract was adjudged inoperative pursuant to a final court judgement. The directors consider that the carrying amount of the accounts receivable approximates their fair value.

The balance recognized under "Due from shareholders (partners) for called-up share capital", reflects the portion subscribed and pending payment by partners of the nominal amount of the increased share capital, for an amount of EUR 36,811 thousand, plus the share premium, for a total of EUR 52,149 thousand (see Note 12).

12 Equity and Shareholders' equity

At 2015 year-end, share capital was represented by:

- 307,370,932 fully subscribed and paid bearer shares of EUR 0.24 each.
- 153,380,466 shares of a nominal value of EUR 0.24 each, with subscription guaranteed, but pending registration at year-end. After their filing with the mercantile registry, they will have the same voting and economic rights, and are admitted to trading since 20 January 2016.

At 31 December 2015, 152,950,102 shares are committed for subscription, representing 99.72% of the total shares offered as part of the capital increase agreed by the Board of Directors on 3 December 2015. The remaining shares, 430,365, were subscribed in the first days of 2016, and the subscription of all the unsubscribed shares is guaranteed from the beginning of the preferential subscription period by shareholder Inversora Carso, S.A.

After this increase, share capital of the Company is increased by a nominal amount of EUR 36,811 thousand, through the issue and circulation of a new issue of 153,380,466 ordinary shares, of a nominal value of EUR 0.24 each. Share premium amounts to EUR 0.34 per share, for a total premium of EUR 52,150 thousand. The new share capital increased was filed at the Mercantile Registry on 13 January 2016.

Furthermore, on 31 December 2015, all the shares of the capital increase are committed for subscription and pending payment (see Note 11).

At 31 December 2015, the share capital was represented by 460,751,398 shares, the detail being as follows:

	31.12.2015					
	Thousands of Euros					
	Percentage of Ownership	Amount of Share Capital	Percentage of Shares Pending Filing	Capital pending payment	Total Share Capital	Percentage of Ownership 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 Company shares are traded in the Madrid and Barcelona Stock markets. The price of Company shares at 31 December 2015 and the average share price of the last quarter were 0.76 and 0.72 EUR per share, respectively.

Evolution of the capital structure

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

On 20 March 2015, Inversora Carso, S.A. de C.V. submitted a competitive takeover bid for approval by the CNMV, which was admitted, thus interrupting the acceptance period of the previous takeover bid submitted. This bid was authorized by the CNMV on 23 June 2015.

On 23 June 2015, Hispania Real Socimi, S.A.U. communicated its decision not to go ahead with the takeover bid launched on Realia Business, S.A. On the same date, through a communication to CNMV, Inversora Carso, S.A. de C.V. ratified in all its terms the takeover bid launched on Realia Business, S.A.

The deadline for the acceptance of the takeover bid launched by Inversora Carso, S.A. de C.V. was reached on 24 July 2015, after having being accepted for 451,940 shares, representing 0.15% of the shares that the bid was offered for and of the equity of Realia Business, S.A., according to a CNMV relevant fact dated 28 July 2015.

Additionally, on 3 June 2015, the whole ownership interest that Corporación Industrial Bankia, S.A.U. held in Realia Business, S.A. (24.95%) was transferred to Inversora Carso, S.A. de C.V.

On 22 December 2015, Inversora Carso, S.A. de C.V. announced that it subrogated to the position that the Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria (Sareb) held in the participating loan signed with Realia Business, S.A.

On 15 February 2016, Realia Business, S.A. and Inversora Carso, S.A. de C.V. decided to set 3 May 2016 as the new date for the opening of the capitalization window of the freely-convertible tranche of that loan. In case of opting for a voluntary capitalization, Inversora Carso, S.A. de C.V. must communicate it at least five days in advance of that date.

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

12.1 Legal reserve

Under the Spanish Limited Liability Companies Law, the Company must transfer 10% of net profit for each year to the legal reserve until the balance reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserves 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, after the capital increase, the balance of this reserve had not reached the legally required minimum.

12.2 Treasury shares

At the General Shareholders' Meeting held on 22 June 2015, authorization was approved to buy back treasury shares, during the maximum period legally allowed, and in accordance with the requirements of article 156 of the Limited Liability Companies Law.

The changes in 2015 were as follows:

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

The average price of the treasury shares at 31 December 2015 and 2014 was EUR 1.11 per share.

12.3 Restricted reserves

Restricted reserves amounting to EUR 43,764 thousand arose on 15 June 2000 as a result of the transfer of capital to reserves following the capital reduction at Produsa Este, S.A., now Realia Business, S.A.

12.4 Share premium

The Consolidated Spanish Limited Liability Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use for other purposes.

13 Provisions and contingencies

13.1 Provisions

The detail of the provisions in the balance sheets as at 31 December 2015 and 2014 and of the main changes therein in the years then ended is as follows:

Long term

	Thousands of Euros		
Long-term Provisions	Warranty Provisions	Other Provisions	Total
Balance as at 31 December 2013	**7,961**	**960**	**8,921**
Additions	-	1,440	1,440
Amounts used and reversed	(1,046)	(249)	(1,295)
Transfers	477	-	477
Balance as at 31 December 2014	**7,392**	**2,151**	**9,543**
Additions	-	128	128
Amounts used and reversed	-	(571)	(571)

Transfers	(474)	-	(474)
Balance as at 31 December 2015	**6,918**	**1,708**	**8,626**

The amount recognized under "Warranty Provisions" at 2015 year-end relates to the estimate made by the Company to cover the expenses expected to be incurred from the completion of a property development to the definitive settlement thereof and the end of the period in which it is liable for quality flaws, latent defects, extraordinary repairs, after-sales services and other contingencies relating to properties delivered in the last ten years, arising out of claims from third parties or litigations in progress. Additionally, the amount recognized under "Other Provisions" corresponds to the estimates made by the Company to cover possible liability from lawsuits of other types arising from claims filed by third parties. During 2015, EUR 571 thousand were reversed, EUR 267 thousand of which were used for that purpose, and EUR 304 thousand were recognized under "Excess Provisions" in the accompanying income statement.

Short term

	Thousands of Euros		
Short-term Provisions	Warranty Provisions	Other Provisions	Total
Balance as at 31 December 2013	**1,615**	**1,292**	**2,907**
Amounts used and reversed	-	(1,292)	(1,292)
Transfers	(477)	-	(477)
Balance as at 31 December 2014	**1,138**	**-**	**1,138**
Amounts used and reversed	(472)	-	(472)
Transfers	474	-	474
Balance as at 31 December 2015	**1,140**	**-**	**1,140**

In 2015, EUR 472 thousand were reversed from "Warranty Provisions", since it was considered that the provision created was sufficient to cover the related liability, due to a reduction in activity that led to a gradual decrease in the housing stock covered by provisions. This reversion is recognized under "Losses on Impairment of and Change in Allowances for Trade Receivables" in the accompanying income statement.

13.2 Contingencies

The Company is the defendant in certain disputes in relation to the liability arising from its business activities. The lawsuits, which may be significant in number, represent scantily material amounts when considered individually and none of them is particularly noteworthy. In any case, the Company considers that the provisions recognized in the accompanying financial statements for the risk of litigation are sufficient, and there are no possible risks requiring disclosure.

14 Financial liabilities (non-current and current)

The detail of "Non-Current Payables", "Current Payables", "Non-Current Payables to Group Companies and Associates" and "Current Payables to Group Companies and Associates" at 31 December 2015 and 2014 is as follows:

2015

Class	Thousands of Euros				
Categories	Non-Current Financial Instruments		Current Financial Instruments		
	Bank Borrowings and Other Financial Liabilities	Other	Bank Borrowings and Other Financial Liabilities	Other	Total
Payables	-	-	65,754	-	65,754
Payables to Group	-	437,000	-	78,453	515,453

Companies and Associates (Note 18.2)					
Other financial liabilities	782	-	381,712	-	382,494
Total	**782**	**437,000**	**447,466**	**78,453**	**963,701**

2014

Class	Thousands of Euros				
Categories	Non-Current Financial Instruments		Current Financial Instruments		
	Bank Borrowings and Other Financial Liabilities	Other	Bank Borrowings and Other Financial Liabilities	Other	Total
Payables	71,070	-	44,400	-	115,470
Payables to Group Companies and Associates (Note 18.2)	-	83,781	-	1,707	85,488
Other financial liabilities	541,711	-	212,555	-	754,266
Total	**612,781**	**83,781**	**256,955**	**1,707**	**955,224**

The detail, by maturity date, of "Non-Current Payables", "Current Payables", "Non-Current Payables to Group Companies and Associates" and "Current Payables to Group Companies and Associates" at 31 December 2015, is as follows:

	Thousands of Euros				
	2016	2017	2018	2019	Total
Syndicated credit facility	437,459	-	-	-	437,458
Participating loan and interest associates	61,291	-	-	-	61,291
Mortgage loans	5,816	2,396	1,216	-	9,428
Group companies and associates and interest	17,162	365,000	72,000	-	454,162
Interest on borrowings	579	782	-	-	1,362
	522,307	**368,178**	**73,216**	**-**	**963,701**

Syndicated credit facility

On 27 September 2013, having met the conditions precedent set forth in the financing agreement, the Company formalized the agreement entered into on 26 July, relating to the extension and restructuring of the borrowings of its residential business with the banks forming the banking syndicate, the holder of the borrowings at the time, amounting to EUR 846,341 thousand. This agreement was favorably and unreservedly reported on by the independent expert appointed for such purpose by the Mercantile Registry. Furthermore, according to the obligations set forth in said restructuring agreement, the Group entered into an agreement with an investment bank of international renowned prestige in November 2014 to carry out the organized fund raising process required by the financing agreement.

As warranties of this syndicated credit facility, the Company has pledged 100% of its ownership interest in its subsidiary Realia Patrimonio, S.L.U. with a limit of 95% of its economic rights, and granted a lien on its collection rights resulting from its borrowings with Group companies and first-degree mortgage on land owned by the Company. This loan provides for several mandatory anticipated amortization assumptions, the most relevant of which is that, the Company increases capital with no effect of controlling ownership, monetary contributions must be fully used for the early amortization of financing, except the amounts needed to cover possible cash deviations contemplated in the business plan. Additionally, 60% of the net revenues from the sale of unmortgaged assets, 100% of mortgaged assets and dividends received from subsidiaries, except dividends received from Realia Patrimonio, S.L.U., which can be used to meet the business plan, must be used for the early amortization of the syndicated credit facility.

On 10 December 2015, the Company entered into a refinancing agreement with all the banks that make up the syndicated credit facility for the debt with those entities, which at the date of signing the agreement amounted to EUR 802,759 thousand, for the purpose of fulfilling the short and medium-term financial feasibility plan and achieve a notable reduction of bank borrowings.

The agreement establishes 31 May 2016 as the date of maturity of the loan, according to the following payment schedule:

	Debt and PIK interest	Debt amount with 9% reduction
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 of the existing debt was agrees, to be applied to the payment milestones payable by the Company, amounting to a total of EUR 72,148 thousand, applicable provided that no maturity is reached, and the conditions precedent and subsequent required for the discount in every payment are met, and is up to day with payments. On 11 December 2015, the Company made the first payment in the payment schedule for an amount of EUR 365,218 thousand.

The conditions precedent in the agreement are the following:

- Condition precedent 1: Inversora Carso S.A. de C.V. grants and delivers to the Banks the following corporate guarantees:
- Corporate guarantee that values the possible risks of a reintegration (regulated in article 71 of Bankruptcy Law), in case the Company goes into receivership.
- Corporate Payment Guarantee, to guarantee all payment obligations of the financee.

These guarantees were fulfilled at the time of signing of the refinancing agreement.

- Condition precedent 2: no later than 31 January 2016, the Financee must present to financing entities a bank guaranty for an amount no lower than EUR 202,094 thousand. The Bank guaranty must be returned upon payment of the fourth installment.

On 29 January 2016, the Company proceeded to make the second and their payments established in the new payment schedule for an amount of EUR 183,104 thousand, discounting the reduction, and subsequently only the fourth and final payment milestone is pending, for an amount of EUR 183,905 thousand. The Company submitted on the same date a guarantee for the remaining amount which, after application of the reduction agreed, amounts to EUR 183,905 thousand, maturing on 31 May 2016. Consequently, at the date of presentation of these financial statements, the covenants agreed in the Syndicated Loan agreement of 30 September 2009 are void, once the conditions precedent have been fulfilled and all the guarantees associated thereto have been cancelled.

The syndicated loan accrues an interest rate referenced to 1-month Euribor, plus a 0.5% spread payable at the end of each interest period. Furthermore, the syndicated loan accrues a capitalizable interest rate and payable upon the maturity of each installment, amounting to 1.5% annually over the average balance of the amount pending amortization during each interest period. In 2015, PIK interests have been capitalized, accrued for an amount of EUR 14,457 thousand, as the main amount in the principal.

Participating loan

The signing of the Refinancing agreement entered into by the Company and described in the paragraph above in September 2013, represented the extension of the participating loan that the leading shareholders at the time (Fomento de Construcciones y Contratas and Corporación Financiera Caja Madrid) had granted to the Company, whose maturity was deferred until 1 July 2016; interests would accrued at a fixed rate of 0.5% plus a variable maximum of 2%.

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

Accordingly, at 31 December 2015, the amount drawn down from the loan the Company has with Inversora Carso, S.A. de C.V. after the purchase by the shareholder from the previous owner, Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria (SAREB), amounts to EUR 61,291 thousand. According to the provisions of the contract, the loan can be freely capitalized or reduced, in accordance with the contractual terms and conditions (see Note 12).

Mortgage loans

As a result of the agreement for the refinancing of the syndicated credit facility, the Company negotiated with one of the banks the conversion of 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. As with the Company's syndicated loan, the Company must pay a spread of 50 basis points over the life of the loan and the remaining 150 basis points will be capitalized annually 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 2015, the Company concluded an agreement with the Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria (SAREB) relating to the mortgage loan for an amount of EUR 526 thousand, with the purpose of proceeding to its full early amortization, with a 52% reduction.

At 31 December 2015, the Company has a mortgage loan against which a total of EUR 4,792 thousand has been drawn down.

Payable to Group companies and other

At 31 December 2015, the Company held a loan from the Group company Retingle, S.L. for EUR 11,686 thousand, maturing in January 2016. The applicable interest rate, Euribor plus 75 basis points, is payable in March, September and November. At the date of preparation of these financial statements, this loan had been novated until 17 April 2017.

Additionally, at 31 December 2015, the Company held a loan from Realia Patrimonio, S.L.U. maturing in 2016. Since the loan was arranged on condition of the syndicated loan being granted, the loan was renewed in 2013 and the maturity was deferred to 1 July 2016, with the possibility of a tacit renewal until 2018. At 31 December 2015, the amount drawn down against this loan amounted to EUR 72,000 thousand, and accrued interest referenced to Euribor plus 60 basis points.

In December 2015, Realia Patrimonio granted a loan to the Company for an amount of EUR 365,000 thousand, maturing on 30 June 2017. This loan is earmarked for the early partial amortization of the refinancing made by the Company and accrues interest referenced to 6-month Euribor plus 75 basis points.

The payables falling due in 2016 also include accounts payable to companies in the consolidated tax group amounting to EUR 5,442 thousand (31 December 2014: EUR 1,412 thousand).

15 Trade and other payables

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

	Thousands of Euros	
	2015	2014
Payable to suppliers		
For purchase of land		
Without payment instruments	3,120	3,120
Trade notes	-	-
Payable to other suppliers	2,758	4,083
Payable to suppliers – Group companies and associates	56	91
Sundry accounts payable	1,207	763
Employee receivables	86	16
Other accounts payable to public authorities (Note 16.1)	561	1,820
Customer advances (Notes 10 and 4-j)	3,757	3,988
	11,545	**13,881**

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

The directors consider that the carrying amount of trade payables approximates their fair value.

Following is the detailed information required by Additional Provision Three provided for in Law 15/2010 of 5 July (amended through Final Provision Two of Law 31/2014, of 3 December), prepared according to the ICAC (Accounting and Account Audit Institute) Resolution of 29 January 2016, on disclosures required related to the average payment period to suppliers in commercial operations.

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

	2015
Average payment period to suppliers	33
Paid transactions ratio	35
Transactions pending payment ratio	17
	Thousands of Euros
Total payments made in the year	5,746
Total outstanding payments	758

According to ICAC's Resolution, commercial operations corresponding to the delivery of goods or services accrued since Law 31/2014 of 3 December came into force have been taken into account.

Solely for the purposes of providing the information provided for in this Resolution, suppliers are the trade creditors for the supply of goods and services and therefore, include the figures relating to "Suppliers", "Suppliers Group companies and Associates" and "Sundry Accounts Payable" under "Current Liabilities" in the balance sheet.

The "average payment period to suppliers" is the time between the delivery of goods or services by the supplier and the payment for this operation.

The ratio of paid transactions is calculated as the quotient whose numerator is the result of the algebraic sum of the products corresponding to the amounts paid by the number of payment days (difference between the calendar days elapsed from the date of start of the payment period until the payment of the transaction) and whose denominator is the total amount of the payments made.

Additionally, the ratio of outstanding payment transactions corresponds to the quotient whose numerator is the sum of the products corresponding to late payments, by the number of days of late payment (difference between the calendar days elapsed from the start of the payment period until the payment of the transaction) and whose denominator is the total amount of outstanding payments.

The maximum payment period applicable to the Company in 2015 under Law 3/2004, of 29 December, on combating later payments in commercial transactions and pursuant to the transitory provisions of Law 15/2010, of 5 July, was 60 days, since the conditions provided for in Law 11/2013, of 26 July, are fulfilled.

16. Tax matters

The Company has filed consolidated tax returns as parent of the tax group since 2007. 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 ownership interest of at least 75%.

The tax group number assigned is 135/07.

16.1 Current tax receivables and tax payables

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

Tax receivables

	Thousands of Euros	
	2015	2014
VAT and Canary Islands general indirect tax payable	6	2
Income tax refundable	3,368	2,314
Total	**3,374**	**2,316**

Tax payables

	Thousands of Euros	
	2015	2014
Income tax refundable	339	188
VAT and canary Islands general indirect tax payable	45	660
Accrued social security taxes payable	54	61
Other	123	911
Total	**561**	**1,820**

"Other" includes local taxes (tax on increase in urban land value, taxes on economic activities, etc.).

16.2 Reconciliation of the accounting loss to the tax loss

The reconciliation of the accounting loss to the tax loss for income tax purposes is as follows:

2015

	Thousands of Euros		
	Income Statement		
	Increase	Decrease	Total
Loss before tax			(29,466)
Income tax:			
Permanent differences			376
Life insurance contributions	21	-	
Penalties and surcharges	204	-	
Dividend exemptions	-	(59)	
Other non-deductible expenses	210	-	
Temporary differences			
Arising in the year			23,536
Investment securities	547	-	
Inventory write-downs	4,229	-	
Non-deductible finance costs	16,435		
Capital increase expenses in reserves		(126)	
Arising in prior years			(11,916)
Investment securities		(4,947)	
Inventory write-downs		(6,661)	
Non-deductible depreciation and amortization charge 2013-2014		(30)	
Other provisions		(278)	
Offset of prior years' tax losses			-
Taxable profit			**(17,470)**

The temporary differences in 2015 relate mainly to adjustments in investment securities, impairment of finished products and property investments, and to a limitation on the deductibility of finance costs and depreciation and amortization charges.

2014

	Thousands of Euros		
	Income Statement		
	Increase	Decrease	Total
Loss before tax			(19,858)
Income tax:			
Permanent differences			82
Life insurance contributions	82	-	
Temporary differences			
Arising in the year			30,558
Investment securities	5,004	-	
Inventory write-downs	5,500	-	
Property investment write-downs	1,161		
Non-deductible finance costs	17,609		

Non-deductible depreciation and amortization charge	147	-	
Other provisions	1,137	-	
Arising in prior years			(6,983)
Investment securities	-	(91)	
Credit impairment	-	(1,646)	
Inventory write-downs	-	(3,926)	
Other provisions		(1,320)	
Offset of prior years' tax losses			-
Taxable profit			**3,799**

The temporary differences in 2015 relate mainly to adjustments to investment securities, impairment of finished products and to a limitation on the deductibility of finance cost and depreciation and amortization charges.

The detail of tax loss carryforwards at 31 December 2015 and 2014 is as follows:

	Thousands of Euros					
Year Incurred	Tax Losses		Total Tax Loss	Consolidation Adjustments (Dividends/ Investment Securities)	Total Tax Loss of Tax Group	Tax Asset Recognized (25%)
	Parent Companies	Tax Group Subsidiaries				
2008	21.185	(15,807)	5,378	59,636	65,014	3,850
2009	43,221	(27,005)	16,216	11,475	27,691	6,923
2010	52,849	10,230	63,079	550	63,629	15,907
2011	45,804	1,347	47,151	17,725	64,876	16,219
2012	259,437	(24,581)	234,856	11,968	246,824	21,791
2013	48,583	(31,337)	17,246	13,879	31,125	-
2014	(3,798)	15,177	11,380	21,066	32,446	4,433
2015	17,471	(12,424)	5,046	-	5,046	1,150
	484,752	**(84,400)**	**400,352**	**136,299**	**536,651**	**70,273**

2014

	Thousands of Euros					
Year Incurred	Tax Losses		Total Tax Loss	Consolidation Adjustments (Dividends/ Investment Securities)	Total Tax Loss of Tax Group	Tax Asset Recognized (25%)
	Parent Companies	Tax Group Subsidiaries				
2008	21.185	(15,807)	5,378	59,636	65,014	16,254
2009	43,221	(27,005)	16,216	11,475	27,691	6,923
2010	52,849	10,230	63,079	550	63,629	15,907
2011	45,804	1,347	47,151	17,725	64,876	16,219
2012	259,437	(24,581)	234,856	11,968	246,824	21,791
2013	48,583	(31,337)	17,246	13,879	31,125	(6,526)
2014	(3,799)	18,651	14,852	21,066	35,918	(474)
	467,280	**(68,502)**	**398,778**	**136,299**	**535,077**	**70,094**

In 2015, the Company derecognized tax loss carryforwards amounting to EUR 179 thousand and adjusted the recoverable amount of the tax loss carryforwards recognized in accordance with the new applicable tax legislation (see Note 16.4).

The consolidated adjustments arose due to the elimination of dividends paid among the various companies composing the tax group. The elimination thereof led to a reduction in tax credit carryforwards, which were used to increase the tax group's tax loss carryforwards. They also include eliminations of investment valuation allowances, thus giving rise to a transfer of tax loss carryforwards to deferred tax assets due to portfolio adjustments.

The Company only recognizes deferred tax assets associated with tax losses that the directors expect to recover (see Note 4.i, within the periods allowed by current legislation. At 31 December 2015, the Company had unrecognized tax loss carryforwards amounting to EUR 65,471 thousand: EUR 63,980 thousand from negative tax base and EUR 1,581 thousand from deductions.

16.3 Reconciliation of the accounting loss to the income tax expense

The reconciliation of the accounting loss to the income tax expense in 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Accounting loss before tax	(29,466)	(19,858)
Permanent differences	376	82
Unrecognized temporary differences	13,137	23,535
Total tax base	**(15,953)**	**3,759**
Tax charge at 28% (2015) – 30% (2014)	(4,467)	(1,128)
Effect of temporary differences	-	-
Tax credits:		
Double taxation	1	1,140
Other	6,456	(21,481)
Total income tax benefit (expense) recognized in the income statement	**1,990**	**(21,469)**

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

	Thousands of Euros	
	2015	2014
Current tax	(4,041)	-
Deferred tax, net (Notes 16.4 and 16.5)	(425)	(21,469)
Tax carried forwards from prior years	6,456	-
Total tax benefit/expense	**(1,990)**	**(21,469)**

16.4 Deferred tax assets recognized

The detail of "Deferred Tax Assets" at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
Deferred Tax Assets	2015	2014
Temporary differences:		
Impairment losses recognized on investment securities - 2012	13,469	13,469
Impairment losses recognized on investment securities – 2011	1,167	1,167
Impairment losses recognized on investment securities – 2010	24	24
Impairment losses recognized on investment securities – 2009	100	100
Impairment losses recognized on investment securities - 2008	393	664
Non-deductible finance costs	7,908	7,908
Non-deductible depreciation and amortization charge	67	76
Provision for charges	606	674
Elimination of provisions in tax consolidation	700	700
Other	114	114
Tax asset recognized	89,334	89,117
Total deferred tax assets	**113,882**	**114,013**

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

- Tax losses may be offset over an unlimited period of time, compared to 18 years under the previous legislation. The limit for the offset of tax losses in 2015 is based in revenue: 60% of the tax base for 2016 and 70% of the tax base amount for subsequent years.

- The tax rate is reduced from its current rate of 30% to 28% for 2015 and to 25% for subsequent years.

Accordingly, the Company adjusted the valuation of the deferred tax assets and liabilities recognized at 31 December 2014 at the tax rates at which it expects them to be recovered. The effect of the adjustment to the deferred tax assets at the applicable tax rates gave rise to an expense of EUR 21,945 thousand which is recognized under “Income Tax” in the accompanying income statement.

The tax asset recognized of EUR 89,334 thousand relates to the amount deductible of the tax losses from 2008 to 2015 (amounting to EUR 70,273 thousand, as detailed in Note 16.2) and to tax credit carryforwards amounting to EUR 19,061 thousand, the detail being as follows:

	Thousands of Euros					
	Tax Credit Carryforwards		Total Tax Credits	Consolidation Adjustments (Dividends)	Unrecognized Tax Credits	Total Recognized Tax Credits of Tax Group
	Companies	In the Tax Group				
	Parent	Subsidiaries				
2008	16,865	544	17,409	(15,120)	-	2,,289
2009	3,126	6,091	9,217	(3,000)	-	6,217
2010	605	170	775	(450)	-	325
2011	3,359	7,717	11,076	(5,401)	-	5,675
2012	3,187	2,998	6,185	(3,185)	-	3,000
2013	1,664	2,049	3,713	(2,432)	64	1,218
2014	4,558	2,532	7,090	(5,265)	1,516	309
2015	14	14	28	-	-	28
	33,378	**22,115**	**55,493**	**(34,853)**	**1,580**	**19,061**

According to Transitory Provision 24.3 of Law 27/2014 of the Income Tax, the breakdown of deductions with a time limit for their application depending on their maturity, is as follows:

Thousands of Euros	
Deadline for offset	Total deduction
2018	13
2019	8
2020	2
2023	18
2024	5,981
2025	19
Total	**6,040**

Most of the outstanding deduction, recognized in the “Total Deductions” column, correspond to the deduction for double taxation of the dividends of the Tax Group Parent and Group companies, which, after consolidation eliminations, become negative tax bases in the consolidated tax results.

16.5 Deferred tax liabilities

The detail of "Deferred Tax Liabilities" at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Investment securities - 2012	13	13
Investment securities – 2010	11	11
Investment securities – 2008	45	44
Total deferred tax liabilities	**69**	**68**

Spanish Income Tax Law 27/2014 was approved in 2014. The changes introduced (see Note 16.4) entailed an adjustment to the amount at which deferred tax liabilities may be settled, which led to the recognition of a reduction of EUR 14 thousand under "Income Tax" in the accompanying income statement.

16.6 Years open for review and tax audits

Under current legislation, taxes cannot be deemed to have been definitely settled until the tax authorities have reviewed the tax returns filed or until the four-year statute-of-limitations has expired. At 2015 year-end, the Company had 2012 to 2015 open for review by the tax authorities for all the state taxes applicable to it, except income tax, for which it also has 2011 open for review. The Company's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements.

Additionally, Law 34/2015 of 21 September, which amends partially Tax Law 58/2003, of 17 December, establishes that the right of the authorities to start the process of review of the tax bases settled or pending settlement or deductions applied or pending application, will have a statute of limitations of ten years, counted from the day after the conclusion of the regulatory period established for the filing of tax returns or tax returns corresponding to the fiscal year or period in which the right to offset such tax bases or charges, or to apply such deductions, was generated.

17. Income and expenses

17.1 Revenue

The sales figure relates in full to sales made in Spain.

The detail of sales, by type of revenue, for 2015 and 2014, is as follows:

	Thousands of Euros	
Line of Business	2015	2014
Revenue from the sale of property developments and land	11,804	21,565
Rent revenue (Note 7)	182	150
Revenue from the rendering of services	2,308	2,402
	14,294	**24,117**

The breakdown by geographical market of the revenue for 2015 and 2014 is as follows:

	Thousands of Euros	
Geographical Markets	2015	2014
Spain:		
Andalusia	3,210	3,103
Madrid	7,539	13,562
Castilla-La Mancha	2	4
Catalonia	1,504	4,990
Valencia	1,075	484
Castilla y León	964	1,326
Canary Islands	-	648
	14,294	**24,117**

17.2 Procurements

The detail of “Procurements” at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Purchases and procurements	(567)	3,056
Write-down of land and building lots	(7,075)	(5,159)
	(7,642)	**(2,103)**

The Company wrote down the value of its land and building lots by an amount of EUR 7,075 thousand, to adapt it to their fair value, according to appraisals made by independent experts (see Note 10).

17.3 Detail of purchases by origin

The Company made all of its purchases in 2015 and 2014 in Spain.

17.4 Employee benefit costs

The detail of “Employee Benefit Costs” in 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Employee benefit costs:		
Contributions to pension plans (Note 4.m)	(220)	(253)
Other employee benefit costs	(819)	(891)
	(1,039)	**(1,144)**

17.5 Finance income and finance costs

The detail of the finance income and finance costs in 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Income from investment securities (Note 9.1):		
Retingle	59	196
Realia Patrimonio	-	18,037
Valaise	-	-
Finance income	58	221

Other finance income	582	1,393
Total finance income	**699**	**19,847**
Borrowing costs (Note 14)	(17,835)	(19,890)
Capitalized borrowing costs (Note 10)	-	-
Other finance costs	(60)	(132)
Total finance costs	**(17,895)**	**(20,022)**
Impairment losses on investment securities in Group companies and associates (Note 9.1)	(527)	(5,712)
Profit (loss) from disposals and others	(3)	-
Impairment of loans to Group companies and associates (Note 9.2)	-	1,646
Other impairment losses (Note 10)	-	(1,136)
Financial loss	**(17,726)**	**(5,377)**

Pursuant to the ruling contained in Official Gazette of the Spanish Accounting and Audit Institute 79 (BOICAC 79) relating to the recognition by holding companies of income from equity investments, this income was not reclassified as revenue since it was considered that the Company's business activity is purely industrial and, accordingly, the shareholdings in Group companies relate to the corporate organization itself and under no circumstances can its ordinary activity be considered to include the activity of a holding company.

18. Related party transactions and balances

18.1 Related party transactions

The detail of the transactions with related parties in 2015 and 2014 is as follows:

2015

	Thousands of Euros	
	Group Companies	Associates
Sales	149	-
Services rendered and received	1,951	281
Land and building lots used	-	(6)
Construction work and services performed by other companies	-	35
Non-core and other current operating income	76	13
Outside services	(408)	(83)
Dividends (Notes 9.1 and 17.5)	59	-
Finance income	16	42
Finance costs	(930)	(1,525)
Impairment and loss of financial instruments	(1,090)	563
	(177)	**(680)**

2014

	Thousands of Euros	
	Group Companies	Associates
Sales	150	-
Services rendered and received	1,974	305

Land and building lots used	-	(12)
Construction work and services performed by other companies	-	86
Non-core and other current operating income	110	-
Outside services	(456)	(221)
Dividends (Notes 9.1 and 17.5)	18,233	-
Finance income	114	107
Finance costs	(955)	-
	(19,170)	**265**

18.2 Related party balances

The detail of the on-balance sheet balances with related parties at 31 December 2015 and 2014 is as follows:

At 2015 year-end

	Thousands of Euros	
	Group Companies	Associates
Non-current financial assets:		
Equity instruments (Note 9.1)	576,419	15,493
Other non-current assets	54	-
Trade receivables (Note 11)	901	460
Current financial assets:		
Loans to companies (Note 9.2)	2,633	4,824
Cash and cash equivalents:		
Non-current payables (Note 14)	437,000	-
Current payables (Note 14)	17,162	61,295
Trade payables	-	56
	1,034,169	**82,128**

At 2014 year-end

	Thousands of Euros	
	Group Companies	Associates
Non-current financial assets:		
Equity instruments (Note 9.1)	577,516	14,929
Other non-current assets	59	-
Trade receivables (Note 11)	540	470
Current financial assets:		
Loans to companies (Note 9.2)	1,327	4,793
Cash and cash equivalents:	-	30,749
Non-current payables (Note 14)	(83,781)	-
Current payables (Note 14)	(1,692)	(15)
Trade payables	(3)	(88)
	493,966	**50,838**

18.3 Remuneration of the 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				
	Average No. of Persons	Salaries	Bylaw-Stipulated Emoluments	Pension Plans	Insurance Premiums and Other
Directors	8.3	1,978	467	16	36
Senior executives	4.3	815	-	33	7
	12.6	**2,793**	**467**	**49**	**43**

2014

	Thousands of Euros				
	Average No. of People	Salaries	Bylaw-Stipulated Emoluments	Pension Plans	Insurance Premiums and Other
Directors	10.0	1,317	637	25	44
Senior executives	4.0	1,124	-	42	6
	14.0	**2,441**	**637**	**67**	**50**

Details of each of the directors' remuneration are provided in the Company's annual remuneration report for 2015. The increase in directors' remuneration in 2015 is the result of the discharge and settlement of two senior directors' contracts.

18.4 Situations of conflict of interest involving the directors

The members of the Board of Directors and the parties related to them have not been involved in any situations of conflict of interest that had to be communicated according to the provisions of article 229 of the Consolidated Text of the Limited Liability Company Law. However, they did report the following:

- Mediación y Diagnósticos, S.A., Participaciones y Cartera de Inversión, S.L. and Inmogestión y Patrimonios, S.A. abstained from voting the agreement on the approval of the Board of Directors report referred to in Article 24 of Royal Decree 1.066/2007, related to the takeover bid proposed by Hispania Real, Socimi, S.A.U.

- Mr. Gerardo Kuri Kaufmann abstained from attending and voting the agreement for the approval of the Board of Directors Report referred to in article 24 of Royal Decree 1.066/2007, related to the takeover bid proposed by Inversora Carso, S.A. de C.V., since he considered he found himself in a situation of conflict of interests.

19. Information on the environment

In view of the business activities carried on by the Company, it does not have any environmental liability, expenses, assets, provisions or contingencies that may be material with respect to its equity, financial position or results.

20. Other disclosures

20.1 Headcount

The average number of employees, by professional category, in 2015 and 2014, is as follows:

Professional Category	Average Number of Employees	
	2015	2014
Directors	2	2
Senior executives	5	4
Management and university graduates	20	23
Other line personnel and further education college graduates	8	8
Clerical staff	12	12
	47	**49**

At 2015 and 2014 year-end, the number of employees at the Company was 47 and 49, respectively.

In addition, the headcount at the end of 2015 and 2014, by gender and category, was as follows:

Professional Category	2015		2014	
	Men	Women	Men	Women
Directors	-	-	2	-
Senior executives	4	1	3	1
Management and university graduates	11	10	13	10
Other line personnel and further education college graduates	8	-	8	-
Clerical staff	3	8	4	8
	26	**19**	**30**	**19**

20.2 Fees paid to auditors

In 2015 and 2014, the fees for financial audit and other services provided by the Company's auditors, Deloitte, S.L. or by a firm in the same group or related to the auditors, were as follows:

2015

	Services provided by the Financial Auditor and by Related Companies
Audit services	85
Other attest services	26
Total audit and related services	**111**
Other services	159
Total professional services	**270**

2014

	Services provided by the Financial Auditors and by Related Companies
Audit services	85
Other attest services	27
Total audit and related services	**112**
Other services	149
Total professional services	**261**

21. Events after the reporting period

During 2015, and at the date of authorization for issue of these financial statements, no events had occurred that might have a material effect thereon.

22. Explanation added for translation to English

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

Realia Business, S.A.

Directors' Report

For the year ended 31 December 2015

<u>THE COMPANY AND ITS ORGANIZATIONAL AND OPERATING STRUCTURE:</u>

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

Business activities are focused mainly on two lines of business:

a) PROPERTY MANAGEMENT: this activity is carried on through the company heading the subgroup: Realia Patrimonio S.L. (wholly owned by Realia Business, S.A.) and through its controlling interests in investees. This activity is carried on entirely in Spain.

   These equity investments represent around 45% of the value on the asset side of the Company's balance sheet.

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

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

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

   Activities abroad are carried on by (directly or indirectly) wholly owned subsidiaries of Realia Business, S.A.

   Realia Business, S.A. is listed on the Spanish Stock Market Interconnection System in Madrid and its most significant shareholders include the FCC Group, with an ownership interest of 36.91% and the Mexican open-ended company Inversora Carso, S.A., with 30.31%.

   Its organizational structure may be summarized as follows:

   BOARD OF DIRECTORS: This is composed of 7 directors and is advised by the Audit Committee and the Remuneration and Appointment Committee.

   NON-EXECUTIVE CHAIRMANSHIP: This chairs the Board of Directors.

   GENERAL MANAGEMENT: This reports directly to the Board of Directors and is a Member of the Board.

   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 an area sales office in each geographical region where the Company 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 departments 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, Wilanow Realia SP ZOO, which was “under liquidation”, was dissolved. The company was wholly owned by Realia, either directly or indirectly.

In July 2015, Fomento Inmobiliario Levantino, S.L. in which Realia owned a 51% interest (direct and indirect), was formally dissolved.

Changes:

In May 2015, capital was increased to restore the equity position of investee Guillena Golf, S.L.U. This capital increase was fully subscribed by the sole shareholder, Realia Business, and did not give rise to any change in either the method or the percentage of consolidation. In June 2015, capital was reduced in Guillena Golf S.A.U., and a restricted voluntary reserve was created for the same amount.

Finally, in December 2015, DUSA, company in which Realia Business owned a 30.52% interest, reduced its capital against share premium and results from prior years. This reduction did not give rise to any change in either the method or percentage of consolidation.

AVERAGE PAYMENT PERIOD

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

According to the terms of the Single Additional Provision of the aforementioned resolution, since this is the first year of its application, no comparative information will be presented.

	2015
	Days
Average payment period to suppliers	33
Ratio of paid transactions	35
Ratio of payable transactions	17
	Thousands of Euros
Total payments made	5,746
Total outstanding payments	758

According to the ICAC’s Resolution, the commercial transactions involving the delivery of goods or services accrued from the date Law 31/2014, of 3 December, came into force, have been taken into account in the calculation of the average payment period to suppliers.

Solely for the purposes of providing the information provided for in this Resolution, suppliers are the trade creditors for the supply of goods and services and therefore, include the figures relating to “Suppliers”, “Suppliers Group companies and Associates” and “Sundry Accounts Payable” under “Current Liabilities” in the balance sheet.

"Average payment period to suppliers" is the time elapsed from the delivery of goods or services by the supplier and the payment of the transaction.

The ratio of paid transactions is the quotient whose numerator is the sum of the products corresponding to the amounts paid, by the number of payment days (difference between calendar days elapsed from the date the payment period starts and the payment of the transaction) and whose denominator is the total amount of payments made.

Likewise, the ratio of transactions payable corresponds to the quotient whose numerator is the sum of the products corresponding to the amounts payable, by the number of days of outstanding payment (difference between the calendar days elapsed from the date the payment period starts until the last day of the period of the financial statements) and whose denominator is the total amount of outstanding payments.

The maximum payment period applicable to the Company in 2015 under Law 3/2004, of 29 December, on combating later payments in commercial transactions and pursuant to the transitory provisions of Law 15/2010, of 5 July, was 60 days, since the conditions provided for in Law 11/2013, of 26 July, are fulfilled.

BUSINESS EVOLUTION AND RESULTS –SIGNIFICANT AGGREGATES

All the main aggregates of property development, the main business of Realia Business, have been affected by a number of market factors, such as:

1) The moderate fall in value of land, although the lack of significant transactions continues.
2) The recovery of housing demand, especially in some areas and within very specific segments and locations.

Regarding the property management activity developed through its financial investments:

1) There has been a strong investment activity in Spain in all property management segments (offices, shopping centers, logistics, and hotels) which has increased prices and consequently, the value of assets.

2) Rental of the different products is evolving towards a stable contracting situation, and despite the fact that final prices do not reflect these expectations there is a visible relaxation in the demands from customers for renting (rent-free periods, aids to rents…)

In view of these facts, the evolution of the main aggregates is as follows:

Revenue:

Revenue totaled EUR 14.3 Million, 82% of which relates to the delivery of property developments, and the remainder to services provided and leases. The figure declined by 40.7% with respect to 2014, mainly because the Realia Group maintained in 2015 a policy of sales of development assets with the expectation of a price pick-up, and the short-term consolidation of the sales activity, and accordingly, a more restrictive sales policy has been applied to products that can increase their prices and margins for the Group.

In our previous directors' report of 2014, we stated that during the first three quarters of the year, some signs appeared of a reactivation of demand (increased confidence, employment growth, higher GDP, better financing to buyers…) but during the last quarter of 2014, this improvement had not fully consolidated yet. The trend is similar in 2015, albeit with greater consolidated, as reflected by the increased demand in big cities, especially in the medium-high housing segment.

Ebidta:

EBIDTA was negative and amounted to EUR 11.4 Million, a 21.9% increase over 2014. This increase is explained by the improvement of sale prices and the lower activity, due to the reasons described under “Revenues”.

Depreciation and amortization charge, write-downs and provisions:

The depreciation and amortization charges related to non-current assets of Realia Business and they are scantily material.

Net inventory write-downs in 2015 were practically zero (EUR 0.02 Million against EUR 1.3 Million in 2014). Provisions for land and ongoing developments were made for an amount of EUR 7.39 Million, whereas EUR 7.37 Million of existing provisions in finished products, sold during 2015, were reversed.

The carrying amounts of all assets were adjusted to their market value, according to the appraisals made pursuant to order ECO/805/203 and conducted by an independent expert; valuations according to ECO order were made for the first time in Realia in 2012. Realia Business values all of its assets at historic values, and their valuation has not increased as a result of mergers or adaptation to market values, and the valuation made seeks to adjust these values to more realistic asset valuation criteria. In 2015, the Company reversed provisions for litigations, insolvency and other commercial risks, which had a positive impact of EUR 0.88 Million on the income statement. This reversion is mainly the result of the resolution of litigations and the release of product aftersales risks, since the number of assets in warranty period has gone down.

During 2015, the Company made a provision for the impairment of property investments for an amount of EUR 0.73 Thousand.

Net financial loss:

Net financial loss amounted to EUR 17.7 Million, a 229.6% increase over 2014, mainly due to the lower dividends received from subsidiaries in 2015 (EUR 0.6 Million) against the EUR 18.2 Million in 2014, the detail being as follows:

Finance Income	0.7 Million €
Finance Costs	-17.9 Million €
Impairment and gains or losses on disposals of financial instruments	-0.5 Million €

Finance income arose from dividends received from subsidiaries, interest on cash surpluses and loans to subsidiaries.

In 2015 borrowing costs amounted to EUR 17.9 Million, 10.6% lower than in 2014, due to the fall in interest rates and the reduction in bank borrowings. Finance costs incurred in the year and capitalized (PIK) to the principal, amounted to EUR 14.6 Million.

Impairment losses on financial instruments (EUR 0.5 Million) arose mainly from the various investments in subsidiaries whose main activity is property development. This loss is the result of comparing the carrying amount of the investment portfolio with the Company’s equity and the unrealized gains of its underlying assets. For the calculation of these provisions, the main references were the ECO valuations of the property development assets owned by the subsidiaries. This figure is 90% higher than in 2014 (EUR 5.2 Million).

Net loss:

The Company reported an attributable post-tax loss of EUR 31.46 Million, a 23.9% improvement over 2014 (losses of EUR 41.33 Million).

The improvement is mainly due to the reduction in the impairment losses on land and other assets, as discussed above, and to the improvement of overheads and higher negative financial result due to the exclusion of dividends received from investees, specifically Realia Patrimonio. Finally, the impact of the income tax is lower, which was higher in 2014 due to the adjustment of tax rate to tax credits (from 30% to 25%) included in the new income tax reform.

In keeping with its prudent stance, since 2012 the Company has ceased to recognize tax assets that cannot be offset with unrealized gains in the assets in its balance sheet in 2015, despite their long recoverability period.

Asset and portfolio information:

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

Property development

Period pre-sales	2015	2014	% Change
In millions of Euros	11.5	16.6	-30.7%
In Units (1)	65	112	-42.0%

(1) The property units include housing units, offices, commercial premises and land lots and are net units. Gross reservations totaled 70 units.

Pre-sales went down 42.0%, due to the reasons explained under “Revenue”.

The pre-sales portfolio at 2015 year-end amounted to EUR 2.8 Million, corresponding to 16 property units. Since there are no ongoing developments now, the pre-sales portfolio corresponds to ongoing operations soon to be notarized.

Financial position:

On 10 December 2015, as part of the negotiations with the lenders of Realia Business’s syndicated loan, an agreement was reached to reduce by 9% the total syndicated loan debt, amounting to EUR 802.7 Million, if the conditions for debt repayment are fulfilled. Payment milestones have been broken down into four: 50% of the debt payable on December 2015, 12.15% payable on 29 January 2016, 12.85% payable on 29 February 2016 and the remaining 25% on 30 May 2016.

At the date of this report, the payments due on 29 January 2016 and 29 February 2016 had been paid, and the last payment has been duly guaranteed, so the current financial creditors have cancelled all the security rights and pledges they had on Realia’s assets and Realia Patrimonio’s shares, and consequently all the conditions precedent established in the refinancing agreement have been fulfilled, and once the final payment is made, all conditions subsequent will be fulfilled, and the reduction agreed will become effective.

Regarding the participating loan the Company had since 2009 with Corporación Financiera Caja Madrid, which was transferred to Sareb, for an amount of EUR 60.0 Million at 31 December 2014, it has been sold by Sareb to Inversora Carso (shareholder in the parent Realia) last December 2015, and accordingly this company has been transferred all the rights and obligations granted to it under the loan contract. One of the rights that the loan grants to the lender is the possibility of capitalizing it in several windows, or to request its repayment with an established debt reduction.

Finally, Realia Business continues to have several finished product mortgage-backed loans in force in several developments, for an amount of EUR 9.4 Million. The mortgage-backed loan taken from Sareb in 2014 in the development of “Los Altos de Camporeal” has been settled, with a 50% reduction.

The debt structure of Realia Business is as follows:

Millions of Euros	2015	2014	% Change
Syndicated loan	437.5	791.6	
Transferable mortgage loans	9.4	14.3	
Interest	0.5	3.2	
Total gross bank and similar borrowings (1)	**447.4**	**809.1**	**-44.7%**
Cash and cash equivalents	32.6	45.7	
Total net bank and similar borrowings (1)	**414.8**	**763.4**	**-45.7%**
Participating loans (including interest)	61.3	60.0	
Total net financial and similar debt	**476.1**	**823.4**	**-42.2%**

(1) Net borrowings exclude EUR 72.4 Million of debt reduction granted by the lenders to the company, whose application is pending fulfilment of the conditions precedent and subsequent agreed in the financing agreement of 10 December 2015.

Realia Business, S.A. did not arrange any hedging instruments on its gross bank borrowings.

Valuation of assets:

The assets allocated to the land and residential development business, attributed to Realia Business, S.A. were appraised by independent valuation experts, in accordance with Ministry of Economy Order ECO/805/2003 as amended by Ministry of Economy and Finance Orders EHA/3011/2007 and EHA/564/2008. This criterion has also been used to value most of the property development assets owned by the different companies of the Realia perimeter.

Valuations can be summarized as follows:

	2015		2014	
Millions of Euros	**Gross**	**Net**	**Gross**	**Net**
Valuation of property management assets	8.2	8.2	8.1	8.1
Valuation of property development and land assets	382.1	382.1	395	395
Valuation of equity investment assets	1,215.5	1,183.63	1,197.5	1,165.9
TOTAL VALUE OF ASSETS	**1,605.70**	**1,573.89**	**1,600.60**	**1,569.06**

(1) Gross asset value does not deduct acquisition costs by a potential buyer.

The decrease in valuation of property development and land assets is mainly due to the sale of assets (finished product). The assets allocated to the rental area, recognized in the previous table under “Valuation of equity investment assets”, behaved slightly better, with a global increase of approximately 2%.

Stock market data – Dividends and earning per share

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

Share price at 2014 year-end (EUR/share) 0.51

Share price at 2015 year-end (EUR/share)	0.76
Change in share price (%)	49.0%
Market capitalization at 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 €)	452,928
Average daily volume of trading (shares)	637,521

Ay 2015 year-end, Realia held 610,000 treasury shares, accounting for 0.198% of total share capital with an average value of 1.106 € per share.

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 businesses and corporate areas, for each market in which they operate, of the level of risk that they are prepared to assume, on a basis consistent with the strategy defined.
- 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 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 its organization are analyzed and quantified, and measures are taken to prevent them.

The most significant financial risks are:

Credit risk

The Company 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 the 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 13.7 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, since this is a residual activity on Realia Business. 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 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 income statement. 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 individual buyers of 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, and low interest rates, have created new financing possibilities, including the property sector, but under very restrictive and selective criteria of access to financing for borrowers.

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 syndicated loan debt, amounting to EUR 802.7 Million, if the conditions for debt repayment are fulfilled. Payment milestones have been broken down into four: 50% of the debt payable on December 2015, 12.15% payable on 29 January 2016, 12.85% payable on 29 February 2016 and the remaining 25% on 30 May 2016.

At the date of this report, the payments due on 29 January 2016 and 29 February 2016 had been made, and the last payment has been duly guaranteed, and as a result, financial creditors have removed all the guarantees and pledges they had on Realia's assets and Realia Patrimonio shares and therefore, all the conditions precedent provided for in the refinancing agreement have been fulfilled, and when the last payment is made, the conditions subsequent will have been fulfilled, and the reduction agreed will be effective.

The Parent Realia prepared a financial feasibility plan that reflects the existence of liquidity to meet its payments obligations.

Solvency risk

At 31 December 2015, the net bank and similar borrowings of Realia Business amounted to EUR 414.8 Million, as shown in the following table:

Thousands of Euros	**2015**
Gross bank borrowings	447.4
Syndicated credit facility	437.5
Mortgage loans	9.4
Interest	0.5
Cash and cash equivalents	32.6
Net bank borrowings (1)	**414.8**

(1) Net bank borrowings include the EUR 72.4 Million of debt reduction granted by the lenders to the company, whose application is pending fulfilment of the conditions precedent and subsequent agreed in the financing agreement of 10 December 2015.

Taking into consideration the above net bank and similar borrowings, plus the debt attributable to the percentage of ownership in the Company's subsidiaries, amounting to EUR 630.1 Million, set forth below is a detail of the carrying amounts of the Realia Business S.A: Group:

	2015	
Millions of Euros	**Gross**	**Net**
Valuation of property management assets	8.2	8.2
Valuation of property development and land assets	382.1	382.1
Valuation of equity investment assets	1,215.5	1,183.6
TOTAL VALUE OF GROUP ASSETS	**1,605.7**	**1,573.9**

The Company's LTV ratio was, therefore, 65.1% and 66.4% respectively.

In 2015, the Company had negative EBIDTA of EUR 11.4 Million, which was used to cover the financial cash flow resulting from the negative financial result, for an amount of EUR 17.2 Million, minus EUR 14.6 Million of capitalized financial costs (PIK) to the principal, which did not entail a cash outlay.

At 2015 year-end, the Company had a negative working capital of EUR 46.8 Million; however if we consider the debt reduction (subject to conditions precedent and subsequent) resulting from the refinancing agreement entered into with the lenders for an amount of EUR 72.4 Million, the working capital would be positive by EUR 25.6 Million.

Foreign currency risk

The Realia Business Group does not have any material foreign currency risk.

Other risks:

Market risk: The passing of time in the profound property management and financial crisis dating back to 2007, has revealed signs of recovery in the market and in some geographic areas and locations, demand is now higher than supply; however, there is still a lot of unsold products in the market that must be absorbed in time, and in these cases, price adjustments continue to persist, with the corresponding impact of product margins. Realia believes the sector will recover, albeit slowly and selectively, as indicated under "Revenues".

As to the rental market, in which Realia operates through its subsidiary Realia Patrimonio, a modest recovery of the demand for space is observed, as well as a stabilization of rental prices, and a reduction of the incentives for rent demanded by customers. On the other hand, the investment activity in the residential management segment reached record figures in 2015.

In these circumstances, Realia considers 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 are can provide if activity and margins recover.

Research and development:

The production activities of Realia Business 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 2016

The main lines of action of Realia Business and its group of companies for 2016 must focus on:

a) Optimization and rationalization of all expenses and costs of the Group.
b) Improvement and enhancement of revenues
c) Improved profitability of all its assets (property management and development).
d) Completion of the financial structure of the company, based upon three pillars:
   - Fulfilment of the agreement reached with the current creditors of the parent Realia Business.
   - Improvement of equity, through capital increases and through the capitalization of the Group.
   - Renegotiation of a new contract for the financing of the property area. The current contract expires on April 2017.

Property development area:

In 2016, the Company will actively manage the sale of all the products that, due to their type and location, allow prices to recover. Additionally, it will analyze the feasibility of tackling up to three new development projects in areas where there is demand for product.

As already mentioned in this directors' report, the ongoing depreciation of land assets has positioned these assets at very attractive values, thus enabling them to create value for the Company. Therefore, despite the market climate, it is strategic for Realia to continue pursuing the urban development management of land in various areas since it will have a positive impact on the income statement once normal market conditions resume, and therefore it is necessary to explore opportunities to sale land assets.

Property management area:

Realia Business, S.A. carries on its property management activities through the Realia Patrimonio subgroup (wholly owned by Realia Business), with a leasable area of 400,574 square meters and 91.5% occupancy). The Realia Patrimonio subgroup also holds 18,324 square meters under construction and 127,977 square meters of buildable land for future developments.

The main objectives of the Group for 2016 are the start and completion of the process of refinancing of the current financial structure of Realia Patrimonio S.L.U., which expires in April 2017, which will provide new long-term financial stability to the Company, taking advantage of the existing favorable market circumstances and which are expected to continue in 2016.

In 2015, there has been a boom of investments and market turnover in the market, with very attractive yields, which have revitalized the sector, and is expected to continue in 2016. Most of the asset types of the Realia Group are office buildings in prime areas, and shopping centers located in the city centers, which will allow the Realia Group to continue to have high occupancy rates, increased profitability and shareholder value creation, just like in prior years.

Lastly, despite the competitiveness in investment markets, and the subsequent increase in asset values, the Realia Group will continue to look for investment opportunities that meet the parameters of the current portfolio in terms of location, segments and profitability, with the purpose of creating shareholder value.

APPENDIX I

ANNUAL CORPORATE GOVERNANCE REPORT OF THE PUBLIC LIMITED LISTED COMPANIES

ISSUER DATA

FINAL DATE OF THE REPORTING PERIOD	31/12/2015
TAX NUMBER	A-81787889

NAME

REALIA BUSINESS, S.A.

ADDRESS

PASEO DE LA CASTELLANA, 216, MADRID

A. OWNERSHIP STRUCTURE

A.1 Please fill in the following table on the share capital of the Company:

Date of last update	Share capital (€)	Number of shares	Number of voting rights
26/06/2013	73,769,023.68	307,370,932	307,370,932

State whether there are different types of shares with different rights associated:

Yes No X

A.2 State the direct and indirect owners of significant ownership interest of the company, at year-end, excluding its directors:

Name or company name of the shareholder	Number of direct voting rights	Number of indirect voting rights	% of the total voting rights
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	105,452,556	7,925,604	36.89%
INVERSORA CARSO, S.A. DE C.V.	79,920,452	0	26.00%
LANSDOWNE PARTNERS INTERNATIONAL LIMITED	0	107,346	0.03%

Name of the indirect owner of the interest	Through: Name or company name of the direct owner of the interest	Number of voting rights
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	ASESORÍA FINANCIERA Y DE GESTIÓN, S.A.	6,815,500
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	CORPORACIÓN FINANCIERA HISPÁNICA, S.A.	1,110,104
LANSDOWNE PARTNERS INTERNATIONAL LIMITED	LANSDOWNER INVESTMENT COMPANY LTD.	107,346

Please list the most significant changes in the shareholding structure during the year:

Name of the indirect owner of the interest	Date of the operation	Description of the operation
INVERSORA CARSO, S.A. DE C.V.	03/06/2015	20% of share capital exceeded
LANSDOWNE PARTNERS INTERNATIONAL LIMITED	27/11/2015	2% of share capital exceeded (tax havens only)
BFA TENEDORA DE ACCIONES, S.A.	03/06/2015	Less than 1% share capital (tax havens only)
JP MORGAN CHASE & CM	10/12/2015	Less than 3% of share capital

A.3 Fill in the following tables on the members of the Board of Directors of the Company that have voting rights in the Company's shares:

Name or company name of the director	Number of direct voting rights	Number of indirect voting rights	% over the total of voting rights
MRS. MARIA ANTONIA LINARES LIÉBANA	3	0	0.00%
MRS. CARMEN IGLESIAS CANO	1,182	0	0.00%
EAC INVERSIONES CORPORATIVAS, S.L.	1,000	0	0.00%
MR. JUAN RODRÍGUEZ TORRES	100,000	0	0.03%

% of total voting rights held by members of the Board of Directors	0.03%

Fill in the following tables on the Members of the Board of the Company who have rights over the Company's shares

Name or company name of the director	Number of direct voting rights	Number of indirect voting rights	Number of equivalent shares	% on the total voting rights
MR. JUAN RODRÍGUEZ TORRES	1,200,000	0	600,000	0.39%

A.4 State, if any, family, commercial, contractual or corporate relations existing between the holders of significant ownership interest, to the company's best knowledge, unless they are scarcely relevant or are the result of ordinary commercial relations:

Name or company name of related parties
EAC INVERSIONES CORPORATIVAS, S.L.
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Type of relationship: corporate
Brief description:
EAC Inversiones Corporativas, S.L. is a Member of the Board of Directors of the majority shareholder Fomento de Construcciones y Contratas, S.A.

Name or company name of the related parties
MR. JUAN RODRÍGUEZ TORRES
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Type of relationship: Corporate
Brief description:
Mr. Juan Rodríguez Torres is a Member of the Board of Directors of the majority shareholder Fomento de Construcciones y Contratas, S.A.

Name or company name of the related parties
MR. CARLOS MANUEL JARQUE URIBE
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Type of relationship: Corporate
Brief description:
Mr. Carlos Manuel Jarque Uribe is the CEO of Fomento de Construcciones y Contratas, S.A.

Name or company name of the related parties
MR. GERARDO KURI KAUFMANN
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Type of relationship: Corporate
Brief description:
Mr. Gerardo Kuri Kaufmann is a Member of the Board of Directors of the majority shareholder Fomento de Construcciones y Contratas, S.A.

A.5 List, if any, the commercial, contractual or corporate relations existing between the holders of significant ownership interests, and the company and/or its group, unless they are scarcely relevant or are the result of the normal commercial operations:

A.6 Please state if the Company has been informed of shareholders' agreements that affect it, according to articles 530 and 531 of the Spanish Limited Liability Companies Law. Please, describe them briefly and list the shareholders bound by the agreement, if any:

Yes No X

State if the company knows about agreed actions between its shareholders. Describe them briefly:

Yes No X

Please, indicate if there have been any changes or termination of said agreements or covenants or joint actions:

A.7 Please state if there is an individual or company that exercises or could exercise control over the company, according to Article 4 of the Stock Market Law. Identify them where appropriate:

Yes No X

Remarks

A.8 Fill in the following tables on the Company's treasury shares:

At year-end:

Number of direct shares	Number of indirect shares (*)	% on total share capital
610,000	0	0.20%

(*) Through:

List the significant changes during the year, according to the provisions of Royal Decree 1362/2007:

Explain the major variations

No major changes have taken place during the year.

A.9 List the conditions and term of the current mandate from the shareholders' meeting to the board of directors to issue, buy back or transfer own shares.

From 1 January to 22 June 2015, the agreement of the Ordinary General Shareholders' Meeting of 24 June 2014 was in force, authorizing Realia Business S.A., and the companies of the group which fulfil any of the conditions of article 42, paragraphs 1 and 2, of the Code of Commerce, to buy back treasury shares, through their purchase in any of the Stock markets in which they are quoted, at the price resulting from their price on the day of purchase, which must be within the maximum and minimum values described below:

- As maximum value, is the value resulting from increasing 10 per cent the maximum share price of the 3 months prior to the acquisition.
- As minimum value, the value resulting from decreasing 10 per cent the minimum share price of the 3 months prior to the acquisition.

Pursuant to this authorization, either the Board of Directors or the Executive Committee can buy own shares, according to the terms of art.146 of the Limited Liability Companies Law.

This authorization is granted for the maximum period legally allowed, and the limit on share capital resulting from the application according to the legislation in force at the time of acquisition must also be respected.

The acquisition of shares, which must be paid in full, should allow the company to set up the reserved prescribed by rule c) of article 148 of the Limited Liability Companies Law.

A.9 bis Estimated free float

	%
Estimated free float	36.85%

A.10 State whether there is any restriction to the transmissibility of securities and/or any restriction to voting rights. Specifically, the existence of any kind of restrictions that may hinder taking control of the company through the acquisition of its shares in the market.

Yes No X

A.11 State if the general shareholders' meeting has agreed to adopt neutralization measures against a takeover bid, pursuant to the provisions of Law 6/2007.

Yes No X

Explain the measured approved and the terms in which the restrictions will be ineffective, if any:

A.12 Indicate of the company has issued securities not traded in a regulated community market.

Yes No X

Indicate the different type of shares, if any, and for every share type, the corresponding rights and obligations.

B GENERAL SHAREHOLDERS' MEETING

B1. State and detail if appropriate, if there are differences with the quorum provisions contemplated in the Corporation Law, on the quorum necessary for the general meeting.

Yes No X

B.2 State and detail if appropriate, if there are differences with the provisions of the Corporation Law for the adoption of shareholder agreements:

Yes No X

Describe the differences with the provisions of the Limited Liability Companies Law.

B.3 State the rules applicable to the amendment of the company's bylaws. Specifically, the majorities contemplated for the amendment of the bylaws and, if any, the rules for the protection of the rights of the partners in the amendment of the bylaws.

Article 16 of the Bylaws, relating to the constitution of the Meeting, establishes that for the ordinary and extraordinary general meeting to agree on a capital increase or decrease or any other change in the bylaws, the issue of securities, the suppression or limitation of the preferential right for the acquisition of new shares, and on the transformation, merger, spin-off or global transfer of assets and liabilities and the transfer of its address abroad, it will necessary, at first call, the attendance of shareholders present or represented that hold at least fifty percent (50%) of the share capital with voting rights, and at second call, twenty five percent (25%) of the share capital. When the shareholders attending represent less that fifty percent (50%) of the share capital with voting rights, the aforementioned agreements can only be adopted with the vote in favor of two thirds of the share capital present or represented in the Meeting.

The same provision is established in section 8.b) of article 15 of the General Shareholders' Meeting Regulations.

B.4 Provide the figures of attendance to general shareholders' meeting held in the reporting period this report refers to, and of the previous year:

	Attendance				
Date of general meeting	**% of attendance**	**% of representation**	**% remote votes**		**Total**
			Electronic vote	**Other**	
24/06/2014	36.97%	28.19%	0.00%	0.00%	65.16%

	Attendance				
Date of general meeting	**% of attendance**	**% of representation**	**% remote votes**		**Total**
			Electronic vote	**Other**	
22/06/2015	37.14%	30.73%	0.00%	0.00%	67.87%

B.5 State whether there are any statutory restrictions that establishes a minimum number of shares necessary to attend the general meeting:

Yes No X

B.6 Annulled

B.7 Provide the address and path of access to the website of the company to access information about corporate governance and additional information about general meetings that must be made available to shareholders through the Company's website.

At the Realia Business website homepage (www.realia.es) there is a section called "Corporate Governance". Placing the mouse on top, a pop-up menu unfolds with the information available, specifically on Governance Bodies, General Shareholders' Meeting, Social Regulations, Annual Corporate Governance Reports and Annual Report on Directors' Remuneration.

C GOVERNANCE STRUCTURE OF THE COMPANY

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors contemplated in the bylaws:

Maximum number of directors	15
Minimum number of directors	5

C.1.2 Fill in the following table with the members of the Board:

Name or company name of the director	Representative	Type of director	Position in the Board	Date first appointment	Date last appointment	Election procedure
MRS. MARIA ANTONIA LINARES LIÉBANA		Independent	DIRECTOR	25/04/2007	26/06/2013	GENERAL SHAREHOLDER MEETING AGREEMENT
MRS. CARMEN IGLESIAS CANO		Independent	DIRECTOR	12/04/2007	05/06/2012	GENERAL SHAREHOLDER MEETING AGREEMENT
MELILOTO, S.A.	MRS. ALICIA ALCOCER KOPLOWITZ	Proprietary	DIRECTOR	05/06/2012	05/06/2012	GENERAL SHAREHOLDER MEETING AGREEMENT
EAC INVERSIONES CORPORATIVAS, S.L.	MRS. ESTHER ALCOCER KOPLOWITZ	Proprietary	DIRECTOR	15/12/2004	05/06/2012	GENERAL SHAREHOLDER MEETING AGREEMENT
MR. JUAN RODRIGUEZ TORRES		Proprietary	DIRECTOR	06/10/2015	06/10/2015	CO-OPTED
MR. GERARDO KURI		Executive	CHAIRMAN	27/02/2015	06/10/2015	GENERAL SHAREHOLDER MEETING AGREEMENT
MR. CARLOS MANUEL JARQUE URIBE		Proprietary	DIRECTOR	06/10/2015	06/10/2015	CO-OPTED
VACANT		Proprietary	DIRECTOR	03/06/2015	03/06/2015	OTHER
VACANT		Proprietary	DIRECTOR	03/06/2015	03/06/2015	OTHER
VACANT		Proprietary	DIRECTOR	03/06/2015	03/06/2015	OTHER

Total number of directors	10

Provide the resignations that have taken place in the Board of Directors during the reporting period:

Name or company name of the director	Category of the director upon resignation	Date of resignation
MR. IGNACIO BAYÓN MARINÉ	Executive	06/10/2015
MR. IÑIGO ALDAZ BARRERA	Executive	06/10/2015
MR. RAFAEL MONTES SÁNCHEZ	Proprietary	27/02/2015
MEDICACIÓN Y DIAGNÓSTICOS, S.A.	Proprietary	03/06/2015
INMOGESTIÓN Y PATRIMONIOS, S.A.	Proprietary	03/06/2015
PARTICIPACIONES Y CARTERA DE INVERSION, S.L.	Proprietary	03/06/2015

C.1.3 Fill in the following table on the Members of the Board and their categories:

EXECUTIVE DIRECTORS

Name or company name of the director	Position in the company's organizational chart
MR. GERARDO KURI KAUFMANN	CHIEF EXECUTIVE OFFICER

Total number of executive directors	1
% on the total of members of the Board	10.00%

EXTERNAL PROPRIETARY DIRECTORS

Name or company name of the director	Name or company name of the principal shareholder whom he represents or who proposed his appointment
MELILOTO, S.L.	FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.
EAC INVERSIONES CORPORATIVAS, S.L.	FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.
MR. JUAN RODRÍGUEZ TORRES	INVERSORA CARSO, S.A. DE C.V.
MR. CARLOS MANUEL JARQUE URIBE	FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Total number of proprietary directors	4
% on the total number of directors	40.00%

INDEPENDENT EXTERNAL DIRECTORS

Name or company name of the director:
MRS. MARÍA ANTONIA LINARES LIÉBANA

Profile:
Former Secretary General and Member of the Board of Endesa Diversificación, S.A., Member of the Board of Electra de Viesgo, S.A., Member of the Board of Puerto de Carboneras, S.A., Secretary of the Board of Directors of Grupo Eléctrico de Telecomunicaciones, S.A., Secretary General and Member of the Board of Netco Redes, S.A. and Secretary of AIE of Endesa, Unión Fenosa and Telecom Italia.

Name or company name of the director:
MRS. CARMEN IGLESIAS CANO
Profile:
Professor of History of Ideas at the Universidad Complutense de Madrid and Universidad Rey Juan Carlos de Madrid. Member of the Advisory Committee of FCC, Member of the Board of the Instituto Cervantes, member of the Council for the Debate on the Future of

the European Union, member of the Board of Trustees of the ICO Foundation, member of the Management Committee of the Instituto de España, among other boards and boards of trustees. Chairperson of the Board of the Grupo Unidad Editorial, owned by RCS Corriere de la Sera. Currently member of the Board of Directors of Patrimonio Nacional, member of the Governing Body of the Real Academia Española and the Real Academia de la Historia, member of the Latin-American Forum, and member of the Advisory Committee of the Teatro Real and Patron of the Museo del Prado.

Total number of independent directors	2
% on the total board members	20.00%

State if any director qualified as independent receives from the company, or its group, any amount or benefit for a concept different to their remuneration as director, or maintains or has maintained, during the last reporting period, a business relation with the company, any of the companies of the group, either in their own behalf or as a main shareholder, directors or senior executive of a company that maintains or has maintained such relationship.

No.

In appropriate, a sworn reasoned statement by the Board must be attached explain the reasons why that director can perform their duties as independent directors.

OTHER EXTERNAL DIRECTORS

All the other external directors must be identified and the reasons why they cannot be considered as proprietary or independent directors must be detailed, as well as their links with the company, its directors or shareholders:

State the variations, if any, that have taken place during the period in the category of each director:

Name or company name of the director	Date of change	Former category	Current category
MR. GERARDO KURI KAUFMANN	09/10/2015	Proprietary	Executive

C.1.4 Fill in the following table with the information on the number of female directors during the last 4 years, and their category:

	Number of female directors				% on the total number of directors of each category			
	2015	**2014**	**2013**	**2012**	**2015**	**2014**	**2013**	**2012**
Executive	0	0	0	0	0.0%	0.00%	0.00%	0.00%
Proprietary	2	2	2	2	20.00%	20.00%	20.00%	20.00%
Independent	2	2	2	2	20.00%	20.00%	20.00%	20.00%
Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total	4	4	4	4	40.00%	40.00%	40.00%	40.00%

C.1.5 Explain the measures, if any, adopted to try to incorporate to the Board of Directors a number of women that allows to attain a balanced number of men and women.

Explanation of the measures

The Board of Realia Business, S.A. is currently composed by 10 members, even though there are 3 vacancies. Out of the current directors, the majority of them, 4, are women. The presence of men and women in the Board is considered to be balanced.

C.1.6 Explain the measures, if any, that the appointment committee has agreed to avoid implicit bias in the selection processes that hinder the selection of women directors, and to include deliberately among the potential candidates women who fit the desired professional profile:

Explanation of the measures

Due to the gender diversity characteristic of the Board of Directors of Realia Business, S.A. (in which female directors have represented 40% in the last four years), and given the fact that there is currently a majority of female directors (4 out of 7), the Appointments and Remuneration Committee did not deem it necessary to approve any specific measure intended to favor the incorporation of female directors.

When, despite the measure adopted, if any, the number of female directors is small or zero, explain the reasons that justify it:

Explanation of reasons

Taking into account that in the last four years, the female representation in the Board has been 40% and that currently, due to the number of vacancies existing in that body, they represent a majority (four of the seven members of the Board are women), the number of females directors is not considered to be low.

C.1.6 bis Explain the conclusions of the appointment committee about the verification of compliance with the directors' selection policy. Specifically, explain how this policy is promoting the objective that by 2020, the number of female directors represents at least 30% of the total number of members of the Board.

Explanation of the conclusions

As explained in section G.14, due to the short time elapsed since the approval of the new Code of Good Governance of listed companies, and to the changes in shareholding and governing body structures the company has gone through in 2015, the company is still in a process of adaptation and compliance with some of the new recommendations, including the approval of a specific policy for the selection of directors.

C.17 Explain the method of representation of the principal shareholders in the Board

Only two of the principal shareholders, Fomento de Construcciones y Contratas, S.A. (FCC) and Inversora Carso, S.A. de C.V. (IC), owners of a total interests of 62.88% (36.88% and 26.00%, respectively), are represented on the Board of Realia Business, S.A. In particular, FCC has appointed three proprietary directors (EAC Inversiones Corporativas, S.L., Meliloto, S.L. and Mr. Carlos Manuel Jarque Ubrique) and IC has appointed one (Mr. Juan Rodríguez Torres), who represent 40% of the Board.

C.1.8 Explain the reasons, if any, for the appointment of proprietary directors at the request of shareholders with an ownership interest lower that 3% of share capital:

State if no formal requests of presence in the Board from shareholders whose ownership interest is equal or higher that those at whose request proprietary directors have been appointed, have been fulfilled. Where appropriate, explain the reasons why they were not fulfilled:

Yes No X

C.1.9 Indicate if any director has resigned before the end of their term, if they have explained their reasons and through which channel, to the Board, and in case they informed the Board, explain the reasons given:

Name of the director:

MR. RAFAEL MONTES SÁNCHEZ

Reason for resignation:

Mr. Rafael Montes, at the Board Meeting held on 27 February 2015, informed the rest of the members of the Board his resignation for personal reasons.

Name of the director:

INMOGESTIÓN Y PATRIMONIOS, S.A.

Reason for resignation:
In a letter sent to the Board dated 3 June 2015, Inmogestión y Patrimonios informed of its resignation. The reasons was the sale by BFA Tenedora de Acciones, S.A. (the shareholder through which he had been appointed), of its stake in Realia Business, S.A.

Name of the director:

MEDIACIÓN Y DIAGNÓSTICOS, S.A.

Reason for resignation:
In a letter sent to the Board dated 3 June 2015, Mediación y Diagnósticos informed of its resignation as director. The reason was the sale by BFA Tenedora de Acciones, S.A. (the shareholder through which he had been appointed), of its stake in Realia Business, S.A. Furthermore, his representative attended as a guest the Board of 22 June 2015, to explain personally these reasons to the rest of the Directors.

Name of the director:

PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L.

Reason for resignation:
In a letter sent to the Board dated 3 June 2015, Participaciones y Cartera de Inversión informed of its resignation. The reason was the sale by BFA Tenedora de Acciones, S.A. (the shareholder through which he had been appointed), of its stake in Realia Business, S.A. Furthermore, his representative attended as a guest the Board of 22 June 2015, to explain personally these reasons to the rest of the Directors.

Name of the director:

MR. IGNACIO BAYÓN MARINÉ

Reason for resignation:
During the Board meeting of 6 October 2015, Mr. Ignacio Bayón informed the rest of the directors of his resignation for personal reasons.

Name of the director:

MR. IÑIGO ALDAZ BARRERA

Reason for resignation:
During the Board meeting of 6 October 2015, Mr. Iñigo Aldaz informed the rest of the directors of his resignation for personal reasons.

C.1.10 Indicate the powers, if any, delegated to the chairperson of the board:

Name of company name of the directors:
MR. GERARDO KURI KAUFMANN

Brief description:

1. To open and close accounts.
2. To have accounts
3. To set out direct debit payments.
4. To take out credit and loans.
5. Credit and loans as lender.
6. To endorse certifications.
7. To make deposits.
8. To make collections.
9. To make collections through nominative documents.
10. To write and negotiate bills of exchange.
11. To request statements.
12. To draw up statements.
13. To contract securities in favor of the appointing party.
14. To secure and guarantee the appointing party and its investees.
15. To accept bills of exchange and sign promissory notes.
16. To set up and cancel deposits.
17. To make payments.
18. To submit bids and offers.
19. Representation in the opening of tenders.
20. To contract the execution of works, provision of services and sale of supplies.
21. Redesign of works.
22. To purchase and to enter into contracts.
23. Water, electricity and telephone supplies.
24. Insurance.
25. Foreign trade licenses.
26. To receive correspondence.
27. To subscribe correspondence.
28. To issue certifications.
29. Collective bargaining.
30. Labor relations.
31. Working procedures.
32. Urban development and subdivision of land lots.
33. Urban development and subdivision of property.
34. To lease third-party properties.
35. To transfer leased property.
36. Property leasing.
37. Purchase and sale of vehicles and furnishings.
38. To lease vehicles and furnishings from third parties.
39. To transfer vehicles and furnishings on lease.
40. Furnishing leasing.
41. Royalties on personal property and other intangible rights.
42. Purchase of credit and other intangible rights.
43. Sale of credit and other intangible rights.
44. Establishment of corporations.
45. Establishment of joint ventures and other associations.
46. Representation in front of government bodies of companies and other associations.
47. Representation.
48. Transaction.
49. Arbitration.
50. Proxies to lawyers and prosecutors.
51. To accept debt recognition and payment in lieu.
52. Attendance to creditors' meetings.
53. To request notary acts.
54. Tax returns.
55. To purchase property assets.

56. To sell property assets.
57. To buy treasury shares.
58. To sell treasury shares.
59. To endorse and provide security to third parties.
60. Purchase of property.
61. Sale of property units.
62. Sale of property developments.
63. To grant proxies.

These powers are exercised under the deed authorized by Madrid Notary, Mr. Emilio Recoder de Casso, on 20 October 2015, under number 2.320 of his protocol, filed with the Madrid Mercantile Registry, on volume 33.719, folio 142, page M-197.745, entry 326.

C.1.11 Identify the members of the Board, if any, who hold positions of directors or managers in other companies that are part of the group of the listed company:

Name or company name of the director	Name of the group company	Position	With executive powers?
MR. GERARDO KURI KAUFMANN	REALIA PATRIMONIO, S.L.U.	REPRESENTATIVE OF THE SOLE ADMINISTRATOR	YES
MR. GERARDO KURI KAUFMANN	HERMANOS REVILLA, S.A.	REPRESENTATIVE OF THE CEO	NO
MR. GERARDO KURI KAUFMANN	BOANE 2003, S.A.U.	REPRESENTATIVE OF THE CEO	NO
MR. GERARDO KURI KAUFMANN	PLANIGESA, S.A.	REPRESENTATIVE OF THE CEO	NO
MR. GERARDO KURI KAUFMANN	AS CANCELAS SIGLO XXI, S.A.	REPRESENTATIVE OF A DIRECTOR	NO

C.1.12 List the directors of the company, if any, who are members of the Board of other companies listed in official stock market not in the group, which have been reported to the company:

Name or company name of the director	**Company name**	**Position**
MELILOTO, S.L.	CEMENTOS PORTLAND VALDERRIBAS, S.A.	DIRECTOR
EAC INVERSIONES CORPORATIVAS, S.L.	FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	DIRECTOR
EAC INVERSIONES CORPORATIVAS, S.L.	CEMENTOS PORTLAND VALDERRIBAS, S.A.	CEO
MR. CARLOS MANUEL JARQUE URIBE	CEMENTOS PORTLAND VALDERRIBAS, S.A	DIRECTOR
MR. GERARDO KURI KAUFMANN	CEMENTOS PORTLAND VALDERRIBAS, S.A	CEO
MR. JUAN RODRIGUEZ TORRES	CEMENTOS PORTLAND VALDERRIBAS, S.A	DIRECTOR
MR. GERARDO KURI KAUFMANN	FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	DIRECTOR
MR. JUAN RODRIGUEZ TORRES	FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	DIRECTOR

C.1.13 List and explain, where appropriate, if the Company has established rules about the number of Boards of which its directors may be members:

Yes No X

C.1.14 Annulled.

C.1.15 Provide the global remuneration of the board of directors:

Remuneration of the Board of Directors (thousands of Euros)	2,446
Amount of the rights accrued by the current members of the board in pension benefits (thousands of Euros)	67
Amount of rights accrued by former members of the board in pension benefits (thousands of Euros)	0

C.1.16 Identify the senior executives who are not also executive directors, and provide the total remuneration accrued in their favor during the period:

Name or company name	Position
MR. MARCOS BADA GUTIÉRREZ	HEAD OF INTERNAL AUDIT
MR. AGUSTÍN GONZÁLEZ SÁNCHEZ	ASSISTANT GENERAL MANAGER/ HEAD OF PROPERTY
MRS. ANA HERNÁNDEZ GÓMEZ	HEAD OF DEVELOPMENTS
MR. JAIME LLORENS COELLO	ASSISTANT GENERAL MANAGER/ HEAD OF CORPORATE STRATEGY AND INVESTOR RELATIONS
MR. JUAN ANTONIO FRANCO DÍEZ	ASSISTANT GENERAL MANAGER/ HEAD OF ADMINISTRATION AND FINANCE
MR. JOSÉ MARÍA RICHI ALBERTI	HEAD OF LEGAL DEPARTMENT

Total remuneration of senior executives (thousands of Euros)	1,275

C.1.17 Identify the members of the Board, if any, who are also members of the Board of Directors of companies of principal shareholders and/or entities of their group:

Name or company name of the director	**Company name of principal shareholder**	**Position**
EAC INVERSIONES CORPORATIVAS, S.L.	FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	DIRECTOR
MR. GERARDO KURI KAUFMANN	FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	DIRECTOR
MR. JUAN RODRÍGUEZ TORRES	FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	DIRECTOR

Provide the relevant relations, if any, of the members of the Board of Directors that relate them with significant shareholders and/or entities of its group, apart from those listed in the prior section:

C.1.18 Have any changes been made to the Board's regulations in the period?

Yes X No

Description of changes

The Board of Directors of Realia, in its 11 May 2015 meeting, approved the changes to the Board's Regulations proposed by its Audit and Control Committee in its meeting on the same date.

The change is the Regulations were justified by the need to adapt the previous regulations to the changes in the Limited Liability Companies Law introduced by Law 31/2014, of 3 December, which amends the Limited Liability Companies Law for the improvement of corporate governance (law 31/2014) and by Law 5/2015, of 27 April, on the promotion of corporate financing (Law 5/2015), and by the changes in the Bylaws that were going to be subject to approval by the General Shareholders' Meeting. Additionally, it was intended to incorporate some technical improvements to the Regulations, to improve its wording, facilitate its understanding, adapt the text to the changes introduced by Law 3/2014 or, simply, to adapt it to the Company's practices.

The changes implemented were as follows:

Article 6: Amended to adapt its wording to the new article 529.k of the Corporation Law.

Article 7: Amended to adapt its wording to the new articles 249.bis and 529.ter of the Limited Liability Companies Law, and also to include in the list of powers the power to issue and admit for negotiation con-convertible debentures, according to Law 5/2015.
Article 8: The last subparagraph of article 5 was removed, since its content it already regulated by the Corporation Act (new wording of article 160). Formerly, it was a good governance rule, and therefore it was convenient to reflect in the Regulation the fact that the Company would comply with it.
Article 11: Law 31/2014 annulled articles 61.bis and 61.ter of the Stock Market Law. The content of these articles is now regulated by articles 540 and 541 of the Limited Liability Companies Law. Therefore, sections d) and e) of the second section of article 11 were amended to reflect the correct references to the Law therein.
Article 13: The amendment of this article adjusted the deadline for shareholders to request information, clarifications or ask questions to the Company on the occasion of the call to General Meetings, to the deadline regulated by the new wording of article 520 of the Limited Liability Companies Law.
Article 17: The new wording of article 6 made it necessary to change the reference thereto in article 17.
Article 18: Amended to adapt the maximum term of directors to the provisions of the new article 520.j of the Limited Liability Companies Act.
Article 22, article 23, article 24 and article 25: The amendment of these articles harmonized their content to the new wording to articles 225 to 229 of the Corporation Law. Additionally, in article 25, the suppression of the references to the Related Party Transactions Committee was due to the suppression of that committee, since the amendment to the Corporation Law included among the duties of the Audit Committee, the duties related to prior information according to the Board Regulations, of related party transactions.
Article 32, article 34 and article 35: The amendment to these articles adapted their content to the new wording of articles 217 to 219, and to new articles 529 o to 529 r and 541 of the Limited Liability Companies Law.
Article 36: The amendment adapted the wording of this article to the new wording of article 236 of the Corporation Law.
Article 37: The amendment adapted the wording of this article to the wording of new articles 529sexies and 529.f of the Limited Liability Companies Law.
Article 39: The amendment adapted the wording of this article to the wording of the new article 529.g of the Limited Liability Companies Law.
Article 41: This amendment served a double purpose. On one hand to regulate the minimum frequency of the Board meetings, in order to adapt its wording to the wording of new section 3 of article 245 of the Limited Liability Companies Law. On the other, to harmonize its content with the new wording of the Bylaws.
Article 42: The reference to the Related Party Transactions Committee was suppressed, for the reasons already explained in the amendment to article 25 of the Limited Liability Companies Act.
Article 43: The amendment to section 1 adapted its content to that of the new article 529.b of the Limited Liability Companies Law. The amendment of section 3 seeks to contemplate the possibility, if social interest so warrants it, to reduce its number to three. Finally, the amendments of sections 7 and 10 adapted the wording of the regulatory text to the Company's practices.
Article 44: The amendment of this article adapted its content to that of new article 529.m of the Limited Liability Companies Law. The amendment to section 8 sought to reduce the administrative burdens of the Company to make it more operational in practice.
Article 45: The amendment of this article adapted its content to that of the new article 529.n of the Limited Liability Companies Law. The amendment of section 9 sought to reduce the administrative burdens of the Company to make it more operational in practice.
Article 46: The Related Party Transactions Committee was suppressed, for the reasons already explained in the amendment to article 25 of the Limited Liability Companies Law.
The Consolidated Text of the Board of Directors' Regulations, including the new wording of amended articles, was communicated to the Comisión Nacional del Mercado de Valores through relevant event communication No. 228621, of 23 September 2015.

C.1.19 Provide the procedures for the selection, appointment, re-election, evaluation and removal of directors. Detail the competent bodies, the procedures to follow and the criteria to use in each of the procedures.

Selection of Directors:

It is the duty of the Appointment and Remuneration Committee to assess the competencies, knowledge and experience needed in the Board, and consequently to define, the necessary roles and skills of candidates to cover each vacancy and to assess the time and dedication needed for them to perform their duties efficiently.

Appointment of Directors:

Pursuant to the provisions of article 16 of the Board's Regulations, the appointment of Directors proposed by the Board of Directors to the General Meeting and the appointment decisions adopted by that body by virtue of the co-opting competencies that are legally granted to it, will have to be made by individuals of known integrity, solvency, expertise and experience, after a Report is received from the Appointment and

Remuneration Committee, in the case of executive and proprietary directors, and after receiving a proposal from this committee, in the case of independent directors.

The Directors affected by appointment, re-election or removal proposals will abstain from participating in the discussions and votes related to them.

Re-election of Directors:

Directors will hold their position during the period established in the Bylaws, i.e., a period of four (4) years, and be re-elected one or more times for periods of the same length (article 22 of the Bylaws). Nonetheless, according to article 19 of the Board Regulations, before any re-election of Directors proposed to the General Meeting, the Appointments and Remunerations Committee must issue a report evaluating the quality and dedication to work of the Directors proposed for re-election during the previous term.

Evaluation of Directors:

It is the duty of the Appointments and Remuneration Committee to evaluate the competencies, knowledge and experience required by the Board, the definition of the necessary roles and skills of the candidates to fill any vacancy and to assess the right time and dedication for them to perform their duties efficiently.

Additionally, the Board will dedicate the first of its annual sessions to assess its own performance during the previous period, based on the Report submitted by the Appointments and Remuneration Committee. This assessment will review the quality of their work, the efficiency of its rules and, if necessary, will correct those aspects that have been revealed as not very functional. Additionally, the Board will assess the performance of the CEO and the Chairman of the Board, on the basis of the report submitted by the Appointments and Remuneration Committee, as well as the performance of the Executive Committee, the Appointments and Remuneration Committee and the Audit and Control Committee, based on their respective reports.

Removal of Directors:

Directors will step down when the term of their appointment expires, or when the General Meeting so decides, according to their legal and statutory powers. The Board will not propose the removal of any independent director before the end of the term for of their appointment, unless a good cause so justifies it, identified by the Board after receiving the corresponding report from the Appointments and Remuneration Committee. Specifically, a good cause is considered to exist when the directors has not fulfilled the duties of their position, or incurs in any of the circumstances that would have prevented their appointment as independent director. There is also the possibility of proposing the removal of independent directors as a result of takeover bids, mergers or other corporate operations that entail a change in the equity structure of the company when such changes in the Board structure are prompted by the criterion of proportionality of proprietary or independent directors, according to their capital represented in the Board.

In case a director steps down before the end of the term of their appointment, due to resignation or any other reason, they must explain the reasons in a letter sent to all other members of the Board.

C.1.20 Explain to what extent the annual evaluation of the Board has produced important changes in its internal organization and on the procedures applicable to its activities:

Description of changes

The self-evaluation process did not produce major changes in its internal organization or the procedures applicable to its activities.
In the current composition of the Board, in which there are three vacancies, a great majority of its members (six out of seven) are external; two are independent and only one is an executive director. Taking into account the shareholding structure of the company, it is believed the composition of the Board is quite reasonable.
Independent directors fulfill the requirement of being able to perform their functions without being influenced by their relations with the Company, its major shareholders or its managers. Proprietary directors fulfill the requirement of representing the major shareholders. In addition, the Executive director fulfills the requirement of performing top management functions in the Company.
Therefore, the Board of Directors meets the requirements in terms of composition and qualification established in its own Regulation, and they are considered as adequate and optimal for an expeditious and effective performance of its duties.
The directors have complied with the obligations established by the law, the Bylaws and the Company's Regulations. In the performance of their duties, every member of the Board has acted with the diligence of a good businessperson and with the loyalty of a faithful representative, acting in good faith and for the best interest of the company.
The conclusion of this evaluation is that in 2015 the Board has performed its duties with a unity of purpose and independence, has treated all shareholders equally and has been guided by the Company's best interest, namely maximizing the economic value of the Company in a sustained manner. Furthermore, it has

seen to it that, in its relation with the different stakeholders, the company should respect laws and regulations; fulfils in good faith its obligations and contracts; respects the uses and good practices of the sectors and territories where it operates; and complies with whichever additional social responsibility principles has voluntarily accepted.

In view of the above, it can be said that the Board of Directors is organized and functions in an adequate and efficient manner, complying at all times with the criteria established in the Bylaws and its own Regulation; it assumes and personally performs the roles and competencies granted by these rules, and responds expeditiously and effectively company matters that require constant attention and follow-up.

C.1.20.bis Describe the evaluation process and the areas evaluated by the Board of Directors with the support, where appropriate, of an external advisor, about the diversity in its composition and its competencies, of its functioning and the composition of its committees, the performance of the chief executive officer and the chairman of the board, and the performance and contribution of each director.

The evaluation of the performance of the Board of Directors was conducted through a formal process of assessment of different aspects that affect the efficiency and quality of the actions and decisions taken by the Board, and the contribution of its members to their performance. On the other hand, this evaluation took into account, logically, the Board Regulation and the Company's Bylaws.

Every member of the Appointment and Remuneration Committee has participated actively in the preparation of the Report, under the management and coordination of its Chairwoman, and all of their comments, opinions, judgements and suggestions have been taken into account.
In this evaluation, conducted on the basis of the report from the Appointment and Remuneration Committee, the functions and competencies of the Board of Directors have been evaluated by the Chief Executive Officer and the Chairwoman of the Board, based on the reports issued by the Appointment and Remuneration Committee.

The conclusions of this evaluation are described in the previous section C.1.20.

Similarly, the Board of Directors has evaluated the performance of the Executive Committee, the Appointment and Remuneration Committee, and the Audit and Control Committee on the basis of the reports submitted by each one of them. Additionally, it evaluated the performance of the Chairperson of the Board and the Chief Executive Officer of the Company, based on the corresponding reports issued by the Appointment and Remuneration Committee.

Regarding the three Board Committees, their functions and competencies have been evaluated, as well as their current composition and the changes that have taken place during the year, their operation and the actions they have implemented. Regarding the Chairman of the Board and the Chief Executive Officer of the company, their duties, the individuals holding these positions, and the actions they implemented have been evaluated.

The conclusion from this evaluation is that these Committees assume and perform responsibly the duties and competencies delegated to them by the Board, and take care expeditiously and effectively the Company matters that require constant attention and follow-up. Regarding to the Chairman of the Board and the Chief Executive Officer, the conclusion is that they have performed their duties, in keeping with the Good Corporate Governance principles contained in the bylaws and the Board Regulation.

C.1.20.b Detail the business relations, if any, existing between the consultant or any of the companies of its group, hold with the company or any of the companies of the group.

There is no external consultant.

C.1.21 Provide the cases in which the directors must resign.

Section 2 of article 20 of the Board Regulations sets forth that the Directors are obliged to resign and formalize the resignation if the Board deems it appropriate, in the following cases:

a) In the case of executive directors, when they step down from the positions, roles or functions that their appointment as executive directors is related to.

b) In the case of proprietary directors, when the shareholder they represent, transfers in full or reduces proportionally, their ownership interest in the Company.

c) When they fall into one of the cases of incompatibility of prohibition contemplated in the law.

d) When the Boars so request it, at the request of a minimum of two thirds of its members, in the following cases:
   a. Having infringed their duties as directors, receive a serious sanction by the Board, after a proposal or report received from the Appointment and Remuneration Committee; or
   b. When their permanence in the Board may jeopardize the interests of the Company.

In any case, according to article 29.2 of the Board Regulations, if a director is indicted or is the subject of a lawsuit for any of the crimes described in article 213 of the Limited Liability Companies Law, the Board will examine the case without delay and, in view of the specific circumstances, will decide whether it is convenient for the director to continue to hold their position. The Board will provide reasoned information on this situation in the Annual Corporate Governance Report.

C.1.22 Annulled.

C.1.23 Is an enhanced majority, different from the legally established majority, necessary in any type of decisions?

Yes No X

Where appropriate, describe the differences.

C.1.24 Explain if there are specific requirements, different to those related to directors, to be appointed chairperson of the board.

Yes No X

C.1.25 Does the chairperson have a quality vote?

Yes No X

C.1.26 Do the bylaws or the board regulation establish any age limit to the age of the directors?

Yes No X

C.1.27 Do the bylaws or the board regulation established a limited term for independent directors, different to that established by the regulations?

Yes No X

C.1.28 State if the bylaws or the board regulation establish specific rules for proxy voting in the board, the method of proxy voting and specifically, the maximum number of proxy votes that a director can have, and whether there is any limitation on the categories in which proxy voting is accepted, beyond the limitations imposed by the legislation. Where appropriate, describe these rules in detail.

Personal attendance to the meetings of the bodies they are members of is one of the main duties of the directors. Notwithstanding this, in case they are unable to attend a meeting for an important reason, they can delegate their representation to another director, through a letter addressed to the Chairperson of the Board. In any case, non-executive directors can only delegate their vote to another non-executive director.

C.1.29 Provide the number of meetings held by the Board of Directors during the year. Provide the number of meetings of the Board, if any, that the Chairperson has not attended. Representations granted with specific instructions will be considered as attendances.

Number of Board meetings	11
Number of Board meetings held without the attendance of the Chairperson	0

If the chairperson is an executive director, provide the number of meetings held without the attendance or representation of any executive director and under the chairmanship of the coordinating director.

Number of meetings	0

Provide the number of meetings held in the year by the different Board Committees:

Committee	**Number of meetings**
EXECUTIVE COMMITTEE	4
AUDIT AND CONTROL COMMITTEE	9
APPOINTMENT AND REMUNERATION COMMITTEE	6

C.1.30 Provide the number of meetings held by the Board of Directors during the year with the attendance of all of its members. Representations made with specific instructions are considered as attendances:

Number of meetings with attendance of all directors	1
% of attendance on the total number of votes during the year	75.45%

C.1.31 Have the annual individual and consolidated financial statements submitted to the Board for approval been previously certified?

Yes X No

Identify the persons, if any, who have certified the annual individual and consolidated financial statements of the Company for approval by the Board:

Name	**Position**
MR. IGNACIO BAYÓN MARINÉ	EXECUTIVE MANAGER
MR. JUAN ANTONIO FRANCO DÍEZ	ASSISTANT MANAGER AND HEAD OF ADMINISTRATION AND FINANCE

C.1.32 Explain the mechanisms, if any, established by the Board of Directors, to avoid that the individual and consolidated financial statements drawn up by the Board are submitted to the general shareholders' meeting with qualifications in the audit report.

According to article 44.4.a.i of the Board Regulation, the Audit and Control Committee is responsible, among other things, to supervise the process of preparation and presentation of the regulated financial information on the Company and the Group, revising compliance with the regulatory requirements, the adequate definition of the consolidation perimeter and the adequate application of accounting criteria. Similarly, according to section c. of the same article 44.4, the Audit and Control Committee is responsible for the supervision of the process of preparation of the individual and consolidated Financial Statements and Management Report for their formulation by the Board, according to the law, and to report to the Board of the accuracy and reliability of the individual and consolidated financial statements and management report, and the periodic financial information provided to the markets.

Additionally, according to section 3 of article 15 of the Board Regulation, this body will try to draw up the accounts is such a way that there are no qualifications or reservations in the audit report prepared by the auditor. Nonetheless, when the Board considers that it must uphold its view, the Chairman of the Audit and Control Committee, just like the auditors, will have to explain to the shareholders the content and scope of the qualifications or reservations.

C.1.33 Is the secretary of the Board a director?

Yes No X

If the secretary is not a director, fill in the following table:

Name or company name of the secretary	Representative
Mr. JESÚS RODRIGO FERNÁNDEZ	

C.1.34 Annulled.

C.1.35 Provide the mechanisms established by the Company, if any, to preserve the independence of external auditors, financial analysts, investment banks and rating agencies.

The Audit and Control Committee must guarantee the independence of the external auditor. The corresponding mechanisms are set forth in article 44 of the Board Regulation, which provides that, in relation with the external auditor and in order to ensure its independence:

- Will request annually from auditors of the Company's financial statements, a statement of its independence from the company or the directly or indirectly related parties, as well as the information on additional services of any kind rendered, and the corresponding fees paid by these entities to the external auditor or the individuals or corporations related to it, according to the legislation on financial statement audits.

- The Company will inform the CNMV of the change in auditor as a relevant event, and will attach a statement on the existence of disagreements, if any, with the outgoing auditor and the content of the audit.

- In case of resignation of the external auditor, the Committee will examine the circumstances that have brought it about. Additionally, the Committee must issue annually, before the financial statement audit report is issued, a report expressing its opinion on the independence of the financial statements auditor. This report must contain, in all cases, the valuation of the additional services of any kind provided by the auditor, individually and globally, different from those of the legal audit and related with the independence regime or the regulations on audits.

  The Committee is also responsible for:

- Supervising the process of preparation of the Annual Financial Statements and Management Report, individual and consolidated, for their formal preparation by the Board according to the Law;

- To inform the Board, for their formal presentation according to the law, about the accuracy and reliability of the individual and consolidated financial statements and management report, and the periodic financial information provided to the markets;

- To protect the independence and efficiency of the internal audit function;

- To inform the Board, before the corresponding decisions are made, of the financial information that, due to its condition as listed company, the company must publish periodically.

The Committee may seek the advice of external professionals for a better performance of its duties.

C.1.36 Has the Company changed its external auditor during the year? Where appropriate, identify the outgoing and incoming auditor:

Yes No X

If there have been disagreements with the outgoing auditor, explain them:

C.1.37 State if the audit firm performs work for the company and/or group other than those corresponding to the audit; in that case, provide the amount of the professional fees received for such work and the percentage they represent on the fees charged to the company and/or group:

Yes X No

	Company	Group	Total
Amount of other work other than audit (thousands of Euros)	185	8	193
Amount of work other than audit/ Total amount billed by the audit firm (%)	68.50%	9.00%	53.80%

C.1.38 Are there are qualifications or reservations in the audit report of the financial statements of the year. In that case, describe the reasons given by the chairperson of the audit committee to explain the content and scope of the reservations or qualifications.

Yes No X

C.1.39 State the number of years that the current audit firm has been performing the audit of financial statements of the company and/or group uninterruptedly. Provide the percentage that the number of years audited by the current audit form over the total number of years that the financial statements have been audited:

	Company	Group
Number of uninterrupted years	13	13
Number of years audited by the current audit firm/ Number of years that the company has been audited (%)	86.67%	86.67%

C.1.40 Is there a procedure for directors to seek external advice? In that case, please describe it in detail:

Yes X No

Detail the procedure

The procedure is described in article 31 of the Board Regulation, which provides the following:

1. In order to be assisted in the performance of their duties, external directors may seek the commissioning, at Realia's expense, of legal advisors, accountants, finance experts or other experts.
   The commission must necessarily refer to specific issues of a certain relevance and complexity that arise during their term as directors.

2. The request to commission external advisors or experts must be submitted to the CEO of Realia and will be authorized by the Board, if in its opinion:

   a) Is necessary for the proper performance of the duties of the independent directors;

   b) Its cost is reasonable, in view of the importance of the issue and Realia's assets and revenues; and

   c) Realia's experts and technicians cannot adequately provide the technical assistance commissioned.

3. In case the request for expert assistance is made by any of the Board Committees, it cannot be denied, unless the majority of members of the committee considers that the circumstances specified in section 2 of this article are not present.

C.1.41 State whether there is a procedure, and describe it, for directors to have the necessary information to prepare the meetings of the governance bodies with enough time in advance:

Yes X No

Describe the procedure in detail

Article 41 of the Board Regulation establishes that, regarding the call for meetings of this body, such calls will have to be made at least ten days before the meeting. The call for each meeting shall include the agenda and the appropriate information for Board members to form their own opinion and, where appropriate, to cast their vote on the matters presented for their consideration.

Additionally, the same article establishes that when items are included in the agenda at the request of the Directors who so request it, the appropriate information must be attached to the request, or identified as such, to communicate it to the rest of the members of the Board.

In parallel, article 23 of the Bylaws establishes that one of the duties of the chairperson is to see to it that the Directors receive enough information in advance to deliberate on the items in the agenda; one of the duties of the secretary is to assist the Chairperson in this task.

C.1.42 State, and detail if applicable, if the company has established rules that make it mandatory for directors to inform and, if applicable, resign in the cases in which the credit and reputation of the company may be harmed:

Yes X No

Explain the rules

Section 2 of article 20 of the Board Regulations contemplates the possibility of Directors resigning and, if the Board deems it appropriate, to submit their formal resignation in the following cases:

(…)

(ii) When their permanence in the Board may jeopardize the interests of the Company.

Furthermore, according to section 2 of article 29 of the Board Regulations, on the duty to inform directors, they are obligated to inform of the criminal cases in which they are indicted, as well as their subsequent legal proceedings. If a director were to be indicted or tried for any of the offences listed on article 213 of the Limited Liability Companies Law, the Board will review the case immediately and, in view of the specific circumstances, will decide whether it is convenient for the director to hold their position. The Board will inform on all these cases, in a reasoned manner, in the Annual Corporate Governance Report.

C.1.43 State if a member of the Board has informed the Company of the fact that they have been indicted or tried for any of the offences listed in article 213 of the Limited Liability Companies Law:

Yes No X

State whether the board of directors has analyzed the case. If the answer is yes, explain in a reasoned manner the decision taken on whether it is convenient for the director to continue in their position or, if applicable, explain the actions taken by the board of director until the date of this report, or plans to take.

C.1.44 Detail the significant agreements reached by the company that come into force, amend or conclude in case of a change in the ownership control of the company as a result of a takeover bid proposal, and its consequences.

None.

C.1.45 Identify in an aggregated manner and describe in detail the agreements between the company and its governing bodies, management or employees, that provide for compensations, guarantees or protection clauses, when they resign or are dismissed unfairly, or if the contractual relationship reaches its end due to a takeover bid or other operations.

Number of beneficiaries: 3

Type of beneficiary:

Several Members of the Management Committee.

Description of the agreement:

All three contracts contemplate a compensation to the employees of forty-five (45) days for every year of employment, with a minimum of 24 and a maximum of 42 monthly salaries, regardless of the provisions of the legislation in force at the time. Notwithstanding the above, only in one of the three cases, given his/her seniority in the company, a possible compensation would exceed, if applicable, the maximum legal amount.

State whether these contracts must be communicated and/or approved by the governing bodies of the company or the group:

	Board of Directors	**General Meeting**
Body that authorized the clauses	**Yes**	**No**

	Yes	No
Is the General Meeting informed about the clauses?	X	

C.2 Committees of the Board of Directors

C.2.1 Detail all the committees of the board of directors, their members, and the proportion of executive, proprietary, independent directors, and other external directors in them:

EXECUTIVE COMMITTEE

Name	**Position**	**Category**
MR. JUAN RODRÍGUEZ TORRES	CHAIRMAN	Proprietary
MR. GERARDO KURI KAUFMANN	MEMBER	Executive
EAC INVERSIONES CORPORATIVAS, S.L.	MEMBER	Proprietary
MELILOTO, S.L.	MEMBER	Proprietary

% of executive directors	20.00%
% of proprietary directors	80.00%
% of independent directors	0.00%
% of other external directors	0.00%

Explain the duties of this committee, describe the procedures and rules of its organization and operation, and summarize its most relevant actions during the year.

The Board may delegate to the Executive Committee all the duties of the Board of Directors, except those whose competences are exclusive to the Board, according to the Law, the Bylaws or the Board Regulations. The Executive Committee will be composed by a minimum of five (5) and a maximum of ten (10) members, including the Chairman, all of whom are members of the Board.

In general, it will have the duty of monitoring and supervising the ordinary management of the Company which requires an expeditious and efficient performance, and of the matters that may influence the positioning and future potential of the Company and its Group in the Market.

Specifically, according to the provisions of article 43.1 of the Board Regulations, it has decision-making power on investments, disinvestments, credits, loans, security instruments or any other financial facility, whose unit amount does not exceed the figure of eighteen Million Euros.

The Executive Committee will meet whenever it is required by the shareholder interests, as many times as it is called by its Chairman or, if applicable, the Vice-Chairman substituting the Chairman, and any person, whether they are related to the company or not, who is called for that purpose, by agreement of the Committee or its Chairman, for the purposes determined, according to the purpose of the matter discussed.

The Executive Committee shall be called by the Chairman, at their own initiative, and in all cases it is so requested by a minimum of two of its members.

Calls to meetings will be made through letter, e-mail, telegram, telefax or fax, that justify their reception by the director called to the meeting with a minimum of 24 hours in advance. Attached to the call for each meeting, the directors will receive the appropriate documentation for them to form an opinion and cast their vote.

The Chairman and Secretary of the Committee will be the Chairman and Secretary, respectively, of the Board of Directors. In the absence of the Chairman of the Executive Committee, their duties will be exercised by the member of the board elected for that purpose.

The Executive Committee will be constituted legitimately with the assistance, present or represented, of a majority of its members; and will adopt agreements by an absolute majority of its members. The members of the Committee may delegate their representation to another member, with a maximum of two representations, apart from their own.

The agreements of the Committee will be recorded in a book of minutes that will be signed at every meeting by the Chairman and Secretary or, where applicable, by the persons who have performed their duties in the corresponding session.

Regarding their activities during the year, the Executive Committee held four (4) meetings during 2015, in January, July, November and December. In its meetings, the Committee has dealt with matters related to their areas of competence, even though, due to the reduced activity of the company in 2015, the activity of this Committee was also reduced. However, it carried out the following actions:

1. Self-evaluation. In the first session of 2015, the Committee evaluated its own performance during 2014, and analyzed the matters discussed, the meetings held and the rest of circumstances related to its activity, in accordance with article 41.6 of the Board Regulations.
2. Control of the Committee's agreements. In its January and July meetings, the Committee carried out the periodic control of the agreements adopted in the prior year and during the current year, respectively, in order to check the degree of compliance and adopt, where appropriate, the necessary measures.
3. Stance on the agreements to be submitted to the Board. The Chairman of the Committee, in each of the meetings, will inform attendants about the affairs of the company, and the matters to discuss at the next session of the Board, in order to take a stance on the possible agreements to adopt.

State if the members of the executive and management committees reflect the percentage of the different directors in the Board, according to their category.

Yes No X

Considering the vacancies in the Board (3 vacancies) and the Executive Committee (1 vacancy), the latter is composed by 20% of executive directors and 60% of proprietary directors, whereas the former is composed by 10% of executive directors, 40% of proprietary directors, and 20% of independent directors.

AUDIT AND CONTROL COMMITTEE

Name	Position	Category
MRS. MARIA ANTONIA LINARES LIÉBANA	CHAIR	Independent
MR. JUAN RODRÍGUEZ TORRES	MEMBER	Proprietary
MRS. CARMEN IGLESIAS CANO	MEMBER	Independent

% of proprietary directors	33.33%
% of independent directors	66.67%
% of other external directors	0.00%

Explain the duties of this committee, describe the legal organizational procedures and rules for its operation, and summarize its most important actions during the reporting period.

The Company shall have an Audit and Control Committee, composed by a minimum of three and a maximum of six directors, appointed by the Board of Directors for a term no longer than their term as Directors, and without prejudice to their being re-elected indefinitely, in as far as they are also re-elected as Directors. The Committee will be composed exclusively by non-executive Directors, at least two (2) of which must be independent directors and one (1) of them will be appointed according to their knowledge and experience in matters of accounting, audit or both.

The Committee must appoint a Chairman among its members and can appoint a Vice-president. The term for these positions cannot be longer than four years or their term as members of the Committee; they can be re-elected when a minimum of one year has elapsed since their termination.

The Secretary or Under-secretary where appropriate, will be the person appointed by the Committee for that position, who does not need to be a Director.

The members of the Committee can be assisted in its sessions by the persons who they deem appropriate, who will act in an advisory capacity, with a maximum of two for every member. These advisors will attend the meeting and can speak but not vote.

The main role of the Committee is to provide support to the Board in its monitoring duties, through a periodic review of the process of preparation of the economic and financial information, the internal audit function and the independence of the external Auditor. Additionally, it will supervise the internal audit that monitors the proper performance of the information and internal control systems.

Its duties include those set forth below, and are described in article 44 of the Board Regulations:

1. To inform the General Shareholders' meeting on the issues raised by shareholders during the meetings on matters of its competence.

2. To supervise the efficacy of the Company's internal control internal audit and risk management systems, including fiscal risks, and to discuss with financial auditors the main weaknesses of the internal control system detected during the audit.

3. To supervise the process of preparation and presentation of the compulsory financial information.

4. To send to the Board of Directors proposals for the selection, appointment, re-election and replacement of the external auditor of the Company, and the conditions for its hiring and to obtain information from the auditor about the audit and its execution, and to preserve its independence in the performance of its duties.

5. To establish the appropriate relations with the external auditor to receive information on those matters that may endanger its independence, to be reviewed by the Committee, and on any other matters related to the process of financial statement audit and in relation with all the communications contemplated by the legislation on account audits, and the technical rules of an audit. To receive annually from the external auditors of the Company a statement on their independence from the entity or entities related to it, directly or indirectly, and information on additional services of any kind rendered and the corresponding fees collected from these entities by the external auditor or the individuals or entities related to it, according to the provisions of the legislation on auditing of accounts.

   (Additional information on this Committee is provided on the document attached to section H.1)

Identify the director who is a member of the audit committee who has been appointed taking into consideration their knowledge and experience on matters of accounting, audits or both, and state the number of years that the Chairman of this committee has held that position.

Name of the experienced director	MR. JUAN RODRÍGUEZ TORRES
No. of years as a chairman	3

APPOINTMENT AND REMUNERATION COMMITTEE

Name	Position	Category
MRS. MARÍA ANTONIA LINARES LIÉBANA	CHAIR	Independent
EAC INVERSIONES CORPORATIVAS, S.L.	MEMBER	Proprietary
MRS. CARMEN IGLESIAS CANO	MEMBER	Independent
MR. JUAN RODRÍGUEZ TORRES	MEMBER	Proprietary
MELILOTO, S.L.	MEMBER	Proprietary

% of proprietary directors	60.00%
% of independent directors	40.00%
% of other external directors	0.00%

Explain the duties of this committee; describe its organizational rules and procedures and its operation, and summarize the most relevant actions during the reporting period.

The Company will have an Appointment and Remuneration Committee, composed by a minimum of three and a maximum of six directors, appointed by the Board of Directors for a period no longer than their term as Directors, and without prejudice to their being re-elected indefinitely, in as far as they are also re-elected as Directors. The Committee will be exclusively composed by non-executive directors, two of which at least must be independent directors, and will be elected according to their expertise, skills and experience.

The Committee must appoint a Chairman among its members and can appoint a Vice-president. The Secretary, or Under-secretary, if appropriate, will be the person appointed by the Committee for that role, who must not necessarily be a director.

Set forth below are the competencies of the committee, described in article 45 of the Board Regulations:

1. To evaluate the competencies, expertise and experience required by the Board. For this purpose, it will define the required duties and skills of the candidates to fill any vacancy, and will assess the necessary time and dedication for an efficient fulfilment of their duties.

2. To establish a target for the representation of the least represented gender in the Board, and to draft guidelines on how to reach that target.

3. To submit to the Board of Directors the proposals for appointment of independent directors for their nomination by co-optation or for their submission to the General Shareholders' Meeting, as well as the proposals for re-election or removal of those directors by the General Meeting.

4. To inform about the proposals for appointment of the rest of directors for their nomination by co-option or for their submission to the General Shareholders' Meeting, as well as the proposals for their re-election or removal by the General Shareholders' Meeting.

5. To inform about the proposals for appointment and removal of senior managers and the basic conditions of their contracts.

6. To examine and organize the succession of the Chairperson of the Board, and the Chief Executive Officer of the Company and, where applicable, to formulate proposals to the Board of Directors so that such succession takes place in an orderly and structured manner.

7. To propose to the Board of Directors the remuneration policy of directors and general managers or those who hold senior management positions reporting directly to the Board, the Executive Committee or the chairpersons of the board, if applicable, as well as the individual remuneration and the rest of contractual conditions of executive directors, and ensure it is applied.

The members of the Appointment and Remuneration Committee can be assisted during their sessions by the individuals acting in an advisory capacity, up to a maximum of two for every member of the Committee. These advisors may speak, but not vote, during these meetings.

The Appointment and Remuneration Committee may seek advice from external professionals for a better fulfilment of their duties.

The Committee shall meet with the frequency established beforehand, and whenever it is called by its Chairman or is so requested by two of its members. The Committee will prepare an annual action plan, of that will submit to the Board.

All the members of the management team and employees of the REALIA Group must attend the sessions of the Committee and provide their collaboration and access to whatever information is available to them, if so requested.

The Appointment and Remuneration Committee will have access to the necessary information and documentation for the performance of their duties.

The Appointment and Remuneration Committee must consult with the General Manager of the Company, especially when dealing with matters related to executive directors and senior managers. Any directors may request from the Appointment and Remuneration Committee to take into consideration of potential candidates to fill in directors' positions, if it considers them good candidates.

The Chairman of the Committee will report, on the first session of the Board after the Committee, of their activity and will report on the work done. The Committee will submit an annual report to the Board about their activity.

(Additional information on this Committee is provided in the attached document to section H.1)

C.2.2 Fill in the following table with the information on the number of female directors who are members of the board of directors' committees during the last four years:

	Number of female directors							
	2015		2014		2013		2012	
	Number	%	Number	%	Number	%	Number	%
EXECUTIVE COMMITTEE	2	40.00%	2	25.00%	2	25.00%	2	25.00%
AUDIT AND CONTROL COMMITTEE	2	66.67%	3	50.00%	3	50.00%	3	50.00%
APPOINTMENT AND REMUNERATION COMMITTEE	4	80.00%	3	50.00%	3	50.00%	3	50.00%

C.2.3 Annulled

C.2.4 Annulled

C.2.5 State if there are regulations for the committee meetings, where they are available for consultation, and the changes thereto during the year. Additionally, indicate if any annual report of the activities of each committee have been voluntarily drafted.

EXECUTIVE COMMITTEE:

The Executive Committee is regulated by article 43 of the Board Regulation and article 25 of the Bylaws. Both documents can be accessed through the company website (www.realia.es). Article 43 was amended by the Board of Directors in its session held on 11 May 2015, for the purposes of (i) adapting its content to that of the new article 529.ter of the Corporations Law, (ii) considering the possibility, if so required by the shareholders' interest, to reduce the number of its members to three, and (iii) adapting the wording of the regulatory text to the Company's practices.

According to the provisions of article 41.6 of the Board Regulations, on 18 January 2016 the Board evaluated the performance of the Executive Committee during 2015, based on the Report submitted to it by this Committee.

Conclusions: The Executive Committee assumes and performs its duties and competencies delegated by the Board responsibly, and takes care expeditiously and effectively of the Company matters that require constant attention and follow-up.

AUDIT AND CONTROL COMMITTEE:

The Audit and Control Committee is regulated by article 44 of the Board Regulations, article 27 of the Bylaws and by Title VIII of the Internal Code of Conduct. These documents can be consulted at the company's website (www.realia.es). Article 44 of the Regulations was amended by the Board in its session held on 11 May 2015 in order to adapt its content to the new article 529.m of the Limited Liability Companies Law, and to reduce the administrative burden for the Company to make it more operational in practice. In turn, article 27 of the Bylaws was amended by the General Shareholders' Meeting of 22 June 2015, for the same purposes as the Regulation.

According to the provisions of article 41.6 of the Board Regulations, on 18 January 2016, the Board evaluated the performance of the Audit and Control Committee during 2015, based on the report submitted by the Committee.

Conclusions: The Committee has been in permanent contact with the head of internal audit and with external auditors on the occasion of their issue of their six-monthly and annual reports, and therefore was able to check the quality and transparency of the financial information provided to the markets, and the efficiency of the internal risk management and control systems. In summary, the Committee assumes and performs the duties and competencies delegated to it by the Board responsibly, and takes care expeditiously and effectively of the Company matters that require constant attention and follow-up.

APPOINTMENT AND REMUNERATION COMMITTEE

The Appointment and Remuneration Committee is regulated by article 45 of the Board Regulations and article 28 of the Bylaws. These documents can be consulted at the company website (www.realia.es). The Board amended article 45 of the Regulation in its session held on 11 May 2015, in order to adapt its content to that of the new article 529.n of the Corporation Law, and to reduce the administrative burden for the Company to make it more operational in practice. The content of article 28 of the Bylaws, exclusively dedicated to this Committee, was approved by the General Meeting on 22 June 2015.

According to the provisions of art 41.6 of the Board Regulations, on 18 January 2016, the Board evaluated the performance of the Appointment and Remuneration Committee during 2015, on the basis of the Report submitted by the Committee.

Conclusions: The Committee assumes and performs the duties and competencies delegated by the Board responsibly, and takes care expeditiously and effectively of the Company matters that require constant attention and follow-up.

C.2.6 Annulled

D. RELATED PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 Explain, if applicable, the procedure for the approval of related party and intra-group transactions.

Procedure to report on the authorization of related transactions

Article 25 of the Board Regulations establishes that the transactions the company performs with directors, principal shareholders or shareholders represented in the Board, and with related parties, must be authorized by the Board of Directors after receiving the corresponding report from the Audit and Control Committee.

That article continues to say that the directors affected by these transactions, apart from not exercising or delegating their voting right, must be absent from the meeting room during the deliberations and voting in the Board. In any case, relevant transactions of any type made by any member of REALIA, its subsidiaries or investees, must be reflected in the Annual Corporate Governance Report. This obligation includes relevant transactions between the Company and its principal (direct and indirect) shareholders.

D.2 List the significant transactions for their amount or materiality between the company or entities of its group, and the company's principal shareholders:

Name or company name of principal shareholder	Name or company name of the company or entity of the group	Nature of the relationship	Type of transactions	Amount (thousands of Euros)
INVERSORA CARSO, S.A. DE C.V.	REALIA BUSINESS, S.A.	Contractual	Financing agreements: loans	61,920

D.3 List the significant transactions for their amount or materiality between the company and entities of its group, and the directors or managers of the company:

D.4 List significant transactions made by the company with other entities of the same group, provided that they are not removed in the process of preparation of the consolidated financial statements and are not part of the usual business of the company in terms of its object and conditions.

In any case, any intra-group transactions made with entities established in countries or territories considered as tax havens:

D.5 Provide the amount of the transactions with other related parties.

1,073 (thousands of Euros)

D.6 Provide the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and its group, and its directors, manager of principal shareholders.

Article 25 of the Board Regulations, relating to conflicts of interest and related party transactions, establishes the following:

1. The Director shall abstain from participating in the deliberation and voting of agreement or decisions in which they or a related party have a conflict of interest, direct or indirect. Excluded from this obligation to abstain are the agreements or decision affecting them as director, such as their appointment or removal for a position in the governing body or others of similar significance.

2. The Director must inform the Board in advance of any situation susceptible of representing a conflict of interest with the interest of RELIA's group of companies or its related companies.

3. The transactions conducted by the company with directors, principal shareholders or shareholders represented in the Board, or with individuals related to them must be previously authorized by the Board, after receiving the corresponding report from the Audit and Control Committee.
(…)

4. The Board will decide on related transactions after receiving a report on them from the Audit and Control Committee. The directors affected by these transactions, apart from not exercising or delegating their voting right, must be absent from the meeting room while the Board deliberates and takes a vote on them.

5. In any case, relevant transactions of any type made by any director of REALIA, its subsidiaries or investees, bust be reported in the Annual Corporate Governance Report. This obligation includes relevant transactions between the company and its principal (direct or indirect) shareholders.

   Similarly, section 4.7 of the Internal Code of Conduct, which refers to the information on conflicts of interest, establishes that the individuals subject thereto (including directors and senior executives of the Company) are obligated to inform the Chairman of the Audit and Control Committee of the potential conflicts of interest they are subject to because of their family relations, their personal wealth, or by any other reason, with one of the companies of the Realia Group, through a letter to the Chairman explaining in sufficient detail such conflicts of interest. Any doubt on this subject must be consulted in writing to the Chairman of the Audit and Control Committee before adopting any decision that may be affected by such conflict of interest.

   When the degree of kinship is higher than four times removed, and does not affect related individuals, no conflict of interest is considered to exist.

   In any case, a possible conflict of interest resulting from personal wealth is considered to exist when it is related to a company in which the Subject Person participates in its capital, by themselves or together with individuals related to them through the kinship described in the paragraph above, in more than 15% of the political or economic rights, or when, not reaching that percentage, they can appoint at least one member or their governing body.

   That information must be kept up to date, reporting any change or cessation of the situations previously reported, as well as the appearance of new potential conflicts of interest.

D.7 Is more than a company of the Group listed in Spain?

Yes   No X

Identify the subsidiaries that are listed in Spain:

Listed subsidiary company

State whether the respective areas of activity and potential business relations among them have been publicly identified, and those of the listed subsidiary with the rest of companies of the group;

Define the potential business relations between the parent and the listed subsidiary, and between the latter and the rest of companies of the group

Identify the mechanisms contemplated for the resolution of potential conflicts of interest between the listed subsidiary and the rest of companies of the group:

Mechanisms to resolve potential conflicts of interest

E. RISK MANAGEMENT AND CONTROL SYSTEMS

E.1 Explain the scope of the Risk Management System of the company, including fiscal risks.

The Realia Group has developed a risk management system that takes into account the characteristics of the Group, and those of the economic, geographical and regulatory environments in which it conducts its activities. The system is based upon three pillars:

1) An organizational structure executed by the General Manager, as chief executive, under delegation from the Board of Directors, which specifies clearly the roles and functional duties;
2) A framework for the identification quantification and evaluation of the risks which may affect the Group; and
3) A response against the risks identified, supervised by the Audit and Control Committee.

Currently, the risk management system of the Group is implemented at the corporate level, and work is under way to implement it in a complete and continuous manner.

E.2 Identify the bodies of the company responsible for the preparation and execution of the Risk Management System, including fiscal risks.

According to article 10 of the Company Bylaws, it is the duty of the Board of Directors to manage, administer and represent the Company. On article 7, section 2 of the Board Regulations, the Board is empowered to define the risk management and control strategy, including those that may specifically affect the financial information that the Company must publish by virtue of it being a listed company. The senior management of each of the functional areas, by delegation from the Board of Directors, will be responsible for its development and implementation, and the Risks Management and Control System will be supervised by the Audit and Control Committee, pursuant to article 44 of the Board Regulations.

E.3 Identify the main risks, including fiscal risks, which may affect the achievement of the business objectives.

In the performance of both its property management and development activities, there are three possible types of risks:

1. Financial risks.

Given the nature of the activities of the Group and the transactions through which it conducts these activities, the group is currently exposed to the following financial risks:

a) Credit risk

The Company 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 the 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 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, since this is a residual activity on Realia Business. Company management has recognized provisions for all these contingencies based on the late payment period or doubtful debts.

b) Interest rate risk

Realia Business does not hedge its exposure to interest rate fluctuations.

The aim of interest rate management is to achieve a balanced debt structure that makes it possible to minimize the cost of the debt over several years with reduced income statement volatility. In view of the comparative analysis of finance costs contained in the Business Plan and the yield curve trends, the Company opted not to hedge interest rate risk in order to minimize the borrowing costs in the period covered by the business plan.

The Company’s management monitors very closely the short and long-term yield curve trends, and does not rule out the possibility of hedging interest rates in the future.

c) Liquidity risk

The residential property market has deteriorated steadily since the second half of 2007. The decline in demand for housing, particularly second homes, 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 many 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 of 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, and low interest rates, have created new financing possibilities, including the property sector, but under very restrictive and selective criteria of access to financing for borrowers.

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 syndicated loan debt, amounting to EUR 802.7 Million, if the conditions for debt repayment are fulfilled. Payment milestones have been broken down into four: 50% of the debt payable on December 2015, 12.15% payable on 29 January 2016, 12.85% payable on 29 February 2016 and the remaining 25% on 30 May 2016.

At the date of this report, the payments due on 29 January 2016 and 29 February 2016 had been made, and the last payment has been duly secured, and as a result, financial creditors have removed all the guarantees and pledges they had on Realia’s assets and Realia Patrimonio shares and therefore, all the conditions precedent provided for in the refinancing agreement have been fulfilled, and when the last payment is made, the conditions subsequent will have been fulfilled, and the reduction agreed will be effective.

The parent Realia has prepared a financial feasibility plan that confirms the existence of sufficient liquidity to meet its payment obligations.

The main aggregates of the cash projections for 2016 for the consolidated group, based on a minimum basis of recurring business, dividends and other payments received for services rendered to Group companies, excluding any extraordinary land-sale transactions, led to estimated collections of EUR 255.7.6 Million which, together with estimated payments of EUR 169.0 Million, give rise to a positive net cash flow of EUR 86.7 Million which, together with the available cash balance, will be used to repay debt in compliance with existing contract terms.

d) Foreign exchange risk

One of the consequences of the international position of the Realia Business Groups is the exposure resulting from net currency positions against the Euro or one foreign currency against another when the investment and financing of an activity cannot be conducted in the same currency.

Given the scarce international activity of the group in markets outside the Euro zone, exposure to foreign exchange risk is insignificant.

(The content of the rest of Risks is included in the document attached to this Report).

E.4 State if the company has a level of risk tolerance, including fiscal risk.

The Realia Group is currently working of the formal update of the level of tolerance to the different risks affecting the development of its activities (financial, operational and technological risks, among others) as part of its value creation strategy. Such levels of tolerance and risk appetite are bases on quantitative and qualitative risks, are reviewed taking into account that the factors that contributed to their definition may have change with time.

E.5 Indicate which risks, including fiscal risks, have materialized during the year.

Market risks

The situation of the property market, in which a mismatch between the supply and the existing demand persists, forced the continued price adjustments in the different property products during 2015, with the corresponding impact on product margins, albeit less markedly that in prior years, and only on land and finished properties. It is expected that this trend will slow down again in 2016, do that prices and margins can start to recover.

In the property development area, in order to resolve the housing stock problem, the company continues to adapt the selling prices of properties to the new demand, analyzing the needs of the market, both by geographical areas and demanded products demanded.

In order to reduce the effects of this risk in the property management area, the Company has continued to strengthen its rental property management, keeping its properties at high occupancy levels, with tenants of quality and solvency. Additionally, rent prices have been adjusted to adapt them to the new market situation.

Decrease in value of property assets and inventories.

Contrary to prior years, during 2015 housing and land development assets have not reduced their value significantly. Specifically, provisions for the inventory write-downs have amounted to EUR 12.09 Million, as a result of the new ECO valuations conducted by an independent expert in December 2015, an average reduction of approximately 3.5%.

The company considered that the valuation that reflects more appropriately the market value of its inventories is their fair value, and has adapted accordingly its impairment provisions. Such market value is determined on the basis of appraisals conducted by independent experts and following the principles and methodology of Ministry of Economy 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 provides the rules for the valuation of property and certain rights for certain financial purposes.

Rental assets in Spain have been in high demand due to a strong investing trend that has materialized in major purchase transactions. These transactions have had a very positive influence as references for the value of the rest of the assets. In terms of the gross asset value, this represented an increase of EUR 36.4 Million, or 2.6%, in the Realia Group's portfolio.

The asset valuation process by an independent expert has followed the recommendations of the CNMV to valuation companies and listed property companies regarding to property valuation.

E.6 Explain the response and supervision plans for the main risks of the group, including fiscal risks.

Risk control and management in the Realia Group are structured according to a number of policies and procedures adapted to the different risks that affect it, or could potentially affect it.

The Board of Directors of the company is committed to the risk management and control processes, through a number of policies, procedures, limitations and structure.

The Management Committee of the company, where all the business areas are represented, and the Financial Department, in its periodic meetings, analyze the situation and evolution of the main risks affecting the Group, and take the corrective measures it deems appropriate.

The Internal Audit Department, under supervision from the Audit and Control Committee, provides an independent assessment of the adequacy and efficacy of the internal control and risk management systems.

The Management Committee deals with any risk considered as critical during its periodic meetings. The Management Committee proposes to both the Audit and Control Committee and the Board of Directors the specific response plan against any critical risk. Eventually, the Board of Directors will consider the proposal, and accept it or changing it, where appropriate.

F. INTERNAL RISKS CONTROL AND MANAGEMENT SYSTEMS RELATED TO THE PROCESS OF DISSEMINATION OF FINANCIAL INFORMATION

Describe the mechanisms that make up the risk management and control systems in relation to the process of financial information dissemination in the entity.

F.1 Control environment of the entity

Report at least on the following, and describe their main characteristics:

F.1.1 Which bodies or functions are responsible for: (i) the existence and maintenance of an adequate and efficient financial information dissemination system; (ii) its implementation; and (iii) its supervision.

According to article 10 of the Company Bylaws, the Board of Directors is responsible for the management, administration and representation of the Company. On paragraph 2 of article 7 of the Board Regulations, the Board of Directors is granted the responsibility for the definition of the risk management and control policy strategy, including those that may specifically affect the financial information that the Company must publish for being a listed company. The Senior Management of each of the functional areas, by delegation from the Board, is responsible for its development and implementation, while the Risk Management and Control System is supervised by the Audit and Control Committee. According to article 44 of the Board Regulations.

F.1.2 Are the following elements present, especially related to the process of preparation of financial information:

- Departments or mechanisms in charge of: (i) the design and review of the organizational structure; (ii) to define clearly the lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) the creation of sufficient procedures for their appropriate dissemination through the entity.

The General Manager is ultimately responsible for the design and review of the organizational structure of the Group, by delegation from the Board. The Group organization was updated in December 2011, through a memo from the former General Manager that specifically defined the responsibilities of the Heads of Departments or Business Areas regarding the management of financial information dissemination.

Additionally, there is a policy of competencies defined within the Group.

- Code of conduct, approval body, degree of dissemination and training, principles and values included (indicating whether there are specific mentions to the transaction registry and preparation of financial information), body responsible to analyze infringements and to propose corrective actions and sanctions.

The Realia Group has a mandatory Ethical Code of Conduct approved by the Board of Directors in its session held on 16 November 2010, whose objective is to define the criteria for the conduct of directors, managers and employees of the Group, regardless of the type of employment contract, their position or the geographic area where they perform their work. Every employee of the Realia Group must formally subscribe the Code, and is provided with a copy thereof, which is also accessible through the Group's intranet.
The patterns of conduct mentioned in the Ethical Code are classified into the following categories:

- Regulatory compliance and respect for ethical values.
- Commitment to people.
- Personal data protection.
- Commitment to customers.
- Internal control and fraud prevention (including specific mentions to transaction registration and the preparation of financial information).
- Commitment to the market, the company and the community.
- Commitment to society and the environment.

- Whistleblowing channel, that allows to communicate to the audit committee financial and accounting irregularities, as well as possible infringements of the code of conduct and irregular activities in the organization, reporting if appropriate if they are of a confidential nature.

The Realia Group has a general communication procedure for matters related to the Group's Ethical Code, and a financial and accounting reporting channel for incidences potentially relevant. Both procedures are implemented through a confidential, not anonymous whistleblowing channel, under the mandate and supervision of the Audit and Control Committee. The incidence reporting channel has a section in the Group's intranet designed for that purpose. Written correspondence is also accepted as a communication channel.

- Training and refresh programs for the personnel involved in the preparation and review of financial information, as well as the evaluation of the financial information dissemination internal control system covering, at least, accounting policies, audit, internal control and risk management.

During the year, the Realia Group conducted several training sessions on accounting, fiscal, labor and business policies, for a total of 399 hours of training.

The Internal Audit Department attended several meetings and seminars on internal control in organizations, organized externally.

F.2 Evaluation of financial information risks

Report, at least, the following:

F.2.1 What are the main features of the risk identification process, including error or fraud risk, related to:

- If the process exists and is documented.

The Realia Group's risk identification process starts with a preliminary identification of potential risks by the managers of Functional Areas, and risks are estimated according to their likelihood of occurrence and their impact in case they materialize, creating the corresponding risk maps. In this assessment, risks are prioritized, analyzing the need for potential improvements and implementing them by the functional areas; the whole process is documented in writing.

- If the process covers all the objectives of financial information (existence and occurrence; integrity; presentation, breakdown and comparability; and rights and obligations), if it is updated and how often.

The risk identification process in the Realia Group covers all the objectives of the financial information and is updated at least annually.

- The existence of a process for the identification of the consolidation perimeter, taking into accounts, among other aspects, the possible existence of complex corporate structures, or special purpose entities.

  The adequacy of the consolidated perimeter is assessed periodically (such adequacy is formally described in the process of closing of accounts), reflecting the effective participating and the degree of influence of every investee.

- If the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.) to the extent they affect the financial statements.

  The risk control and management policy takes into consideration not only financial risks, but other types of risks, such as regulatory, fiscal, technological, reputation, fraud, human resource management, operational risks, etc.

- What is the governing body that supervises the process.

  The role of Internal Audit, under the supervision of the Audit and Control Committee, is to take responsibility and supervise the periodic update of the risk maps, together with the heads of all the Functional Areas, who ultimately identify the risks to which the Group is exposed.

F.3 Control activities

Report, indicating their main characteristics, if the following are present, at least:

F.3.1 Procedures for review and authorization of financial information and the description of the financial information dissemination control system, to be published in stock markets, indicating the persons responsible, and of the documentation describing the flows of activity and controls (including those related to risk of fraud) of the different types of transactions that can have a material effect on financial statements, including the procedure of closing of accounts and the specific review of judgements, estimates, valuations and relevant forecasts.

The Realia Group has an internal process for the review of financial information (including annual statements, interim period accounts and the Annual Corporate Governance Report) that oversees the process from the moment the information is generated by the Administration and Finance Area and the Corporate Strategy and Shareholder Relations Department, until its approval by the Audit and Control Committee and, finally, by the Board before its publication.

On the other hand, the Risks Control and Management Policy of the Realia Group, whose strategic definition is the responsibility of the Board of Directors, and is implemented by the Heads of each of the functional areas, and supervised by the Audit and Control Committee, includes the need to establish a financial information control system that brings together criteria, policies, procedures, controls and the corresponding documentation. The implementation of this System has been carried out on the basis of the identification of 22 key processes that differentiate the duality of the business of the Realia Group: property development on one hand, and property management on the other.

Property management business:

1) Property asset management (office buildings)
2) Property management (shopping centers)
3) Contracts with customers
4) Collection management
5) Hiring of suppliers
6) Payment management
7) Legal and tax advisory
8) Closing of accounts
9) Information management

Property development business:

1) Land purchase
2) Urban development management

3) Project development
4) After-sales management
5) Land sale
6) Contracts with customers
7) Collection management
8) Hiring of suppliers
9) Payment management
10) Legal and tax advisory
11) Personnel recruitment and management
12) Closing of accounts
13) Information system management

Narratives and flow charts have been developed for each one if these processes, containing a description of the flows of activities and controls that have a material impact on financial statements, as well as risk and control matrices that summarize the risks identified in the narratives and the controls implemented to mitigate them. These matrices include information on the nature of each control (manual/automatic, preventive/detective…), with an attached specific mention to fraud risk where appropriate.

All the narratives, flow charts and risk and control matrices have been validated with the owners of the processes. The areas or departments are, in the different narratives, responsible for their compliance and must communicate any changes in the processes that may affect their design.

A process called "closing of accounts" has been included for each of the businesses of the Group, which brings together not only the flow corresponding to the acquisition, standardization and presentation of financial information, but other items also such as financing for lawsuits, estimates, valuations and relevant forecasts which affect the financial information.

F.3.2 Policies and procedures of information systems internal control (among others, access security, change control, operations, operational continuity and segregation of functions) supporting relevant processes of the entity related to the preparation and dissemination of financial information.

The internal control policies and procedures associated to information systems are defined by the Corporate Strategy Department, supported by the Head of Information Systems.

Policies and procedures associated to information systems are formalized and, just like the rest of the key processes, are arranged in the form of narratives, flow charts and risk and control matrices. The main risks contemplated by the Realia Group, and which are responded, affect the physical security (back-ups, server maintenance and access…), software security (access controls, procedures for authorizations and cancellations, protections against viruses and other malware…), segregation of functions, registration and traceability of information, privacy (LOPD – Data Protection Law), system development and system maintenance. The Group has a Business Continuity Plan that brings together the current practices that respond to a possible accident or serious contingency that affect the information systems.

F.3.3 Internal control policies and procedures aimed at supervising the management of activities outsourced to third parties, as well as the aspects of evaluation, calculation or valuation commissioned from independent experts, which may have a material effect on financial statements.

The activity outsourced to third parties that has a greater impact on financial statements corresponds to the asset valuation by an independent expert on the matter. The respective procedure implemented in the Realia Group basically reflects the recommendations from the CNMV to the valuation and property companies listed relating to property asset valuation. Additionally, this process has a narrative, flow chart and risk and control matrix containing a description of the flow of activities and controls that have a material effect on financial statements.

F.4 Information and communication

Report if there is at least the following, and their main characteristics:

F.4.1 A specific function in charge of defining and keeping accounting policies updated (accounting policies area or department) and resolving queries or conflicts derived from

their interpretation, maintaining a fluid communication with the persons responsible for operations in the organization, as well as an updated accounting policy manual, communicated to the units through which the entity operates.

The Administration and Finance Department of the Realia Group is in charge of analyzing, updating accounting policies and respond to questions and queries. The Company has an Accounting Policy Manual which, among other issues, defines the criteria flowed for the preparation of the Financial Statements. The manual is periodically updated under the supervision of the Administration and Finance Department, according to new regulations or relevant legislation, and to the needs of the Realia Group.

F.4.2 Mechanisms for the acquisition and preparation of financial information in standard formats, to be applied and used by all the units of the entity or group, that support the main financial statements and their notes, as well as the information detailed on the Financial Information Internal Control System.

The Realia Group has several software programs and erp's for the preparation of the consolidated financial statements, that acquire the information and standardize it in a homogenous format through the SAP BPC package, based on which the relevant adjustments and removals corresponding to the process of financial statement consolidation are made.

The Group has implemented a number of controls to ensure the reliability and proper processing of the information received from each of the business units.

F.5 System operation supervision

Report, pointing out their main characteristics, at least of the following:

F.5.1 The Financial Information Internal Control supervisory activities conducted by the audit committee, and also whether the entity has an internal audit function that includes among its functions supporting the committee in its internal control supervision function, including the financial information internal control. Additionally, it is necessary to report the scope of the financial statement internal control function conducted in the year, as well as the procedure through which the person in charge of performing the evaluation communicates the results, if the entity has an action plan detailing possible corrective measures, and if its impact on the financial information has been taken into account.

As mentioned in article 44, point 4, of the Board Regulations, the Audit and Control Committee has the following duties, among others:

- To supervise the process of preparation and the integrity of the financial information of the company and the group, reviewing compliance with regulatory requirements, the appropriate definition of the consolidation perimeter and the appropriate application of accounting criteria.

- To review periodically the internal control and risk management systems in order to identify, manage and report appropriately the main risks.

The Company has an Internal Audit function that reports both to the Audit and Control Committee and to the General Manager of the Group the Annual Audit Plan, the work performed, and the control weaknesses detected.

Regarding the scope of evaluation of the financial information control system, in 2015 the evaluation of the operational efficacy of the controls implemented continued, using selected samples and specific analyses, as well as in the update of the different activity cycles. The update work mentioned above has been conducted by the different business areas, under the supervision of the Audit and Control Committee, through the Internal Audit function. On the other hand, the task of control evaluation was performed by the Internal Audit function. In both cases, the Internal Audit function reported periodically the progress of its work, and the possible corrective measures to mitigate the control weaknesses detected, to the Audit and Control Committee.

F.5.2 Existence of a discussion procedure through which the account auditor (according to the provisions of the NTA), the internal audit function and other experts may communicate to the senior management and the audit committee or directors of the entity the relevant control weaknesses identified during the processes of annual account review of those which have been entrusted to them. Additionally, it will report whether it has an action plan that tries to correct or mitigate the weaknesses detected.

The Audit and Control Committee meets at least once every quarter and as many times as it deems necessary to fulfil its main function (during 2015 it met on nine occasions), that is, to support the Board of Directors in its duties of vigilance, through the periodic review of the process of preparation of the financial and economic information, of the Internal Audit function, and the independence of the External Auditor and, among other actions, performs the following:

1) Discussion with Internal Audit in order to:
    - Obtain information on the planning, scope and conclusions of the work performed.
    - Obtain information about the status of the process of improvement of the identified weaknesses and the corresponding action plans.
    - Obtain an independent point of view of the financial function on specific issues.
    - Obtain the necessary information to check the independence of the External Auditor, in accordance with the duties of the Audit and Control Committee.

2) Discussion with the External Auditors (especially relevant when they have taken action: Audit reports, partial reviews, etc.) to:

    - Obtain information about the scope, planning and conclusion of the work performed.
    - Obtain updates about internal control weaknesses detected during their work,
    - Discuss with the External Auditor the content of their reports.
    - Obtain the necessary information to check the independence of the External Auditor, in compliance with the functions of the Audit and Control Committee.

Additionally, the Audit and Control Committee may request additional information or the involvement of experts in the analysis of the matters related to their duties.

In 2015, the Internal Audit Department of the Group has submitted periodically to the Audit and Control Committee the conclusions of its work and a follow-up of the corrective actions proposed.

Lastly, the External Auditor held two meetings with the Audit and Control Committee to submit the conclusions of his work.

F.6 Other relevant information

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F.7 External auditor report

Report on:

F.7.1 If the information of the Financial Information Internal Control System submitted to the markets has been subject to review by the external auditor, in which case the entity should include the corresponding report as an attachment. Otherwise, it should explain the reasons:

The Realia Group has not subjected to review by the external auditor the information of the Financial Information Internal Control System, since it is currently evaluating internally the operational efficiency of the controls implemented by the Group and of the Internal Control System itself.

G DEGREE OF FOLLOW-UP OF THE CORPORATE GOVERNANCE RECOMMENDATIONS

Report the degree of follow-up of the company of the good governance code of listed companies.

In case any of the recommendations is not followed or is followed partially, a detailed explanation should be included of the reasons, so that shareholders, investors and the market in general have enough information to assess the conduct of the company. Explanations of a general nature are not accepted.

1. The Bylaws of listed companies do not limit the maximum number of votes that one shareholder can cast, or contain other restrictions that hinder the taking over control of the company through the acquisition of its shares in the market.

   Compliant X   Explain

2. When the parent company and a subsidiary are listed, they must define publicly and accurately:

   a) Their respective areas of activity and potential business relations between them, and between the listed subsidiary and the rest of companies of the group.
   b) The mechanisms foreseen to resolve potential conflicts of interests that may arise.

   Compliant   Partially compliant   Explain   N/A X

3. During the general shareholders' meeting, as an addition to the written disclosure of the annual corporate governance report, the general manager must inform orally to the shareholders, in sufficient detail, of the most relevant aspects of the corporate governance of the company, especially:

   a) The changes occurred since the previous general shareholders' meeting.
   b) The specific reasons why the company does not follow any of the recommendations of the Corporate Governance Code and the alternative rules applied, if any.

   Compliant   Partially compliant   Explain X

Due to the complexity of the matters to be analyzed by the General Manager in the General Shareholders' Meeting corresponding to the year 2015, it was not considered convenient to include, additionally to its Report, the matters proposed under the new Recommendation 3.

4. The company must define and promote a policy of communication and contact with shareholders, institutional investors and voting advisors that is fully respectful of the rules against market abuse and treats the shareholders in the same position equally. The company must publish that policy in its website, including information on the way it has been implemented, and identifying the persons responsible for it.

   Compliant   Partially compliant   Explain X

Given the short time elapsed dice the approval of the new good governance code for listed companies, and the changes in shareholding structure and in the governing bodies of the company during 2015, the company is still in the process of adapting and complying with some of the new recommendations.

5. The board of directors does not submit to the general shareholders' meeting a proposal for the delegation of powers to issue shares or convertible bonds excluding preferential subscription rights for an amount higher than 20% of the share capital at the time of delegation.
   When the board of directors approves any issue of shares or convertible bonds excluding preferential subscription tights, the company shall publish immediately on its website the reports on such exclusion that the mercantile legislation refers to.

   Compliant   Partially compliant X   Explain

In the General Shareholders' Meeting corresponding to the year 2015, the Board was delegated the power to increase share capital up to a maximum amount equal to half the share capital at the date of such authorization, and was also granted the power to exclude, totally or partially, the preferential subscription right. The delegation of the power to exclude such right is governed by the fact that in order for the Board to make efficient use of the delegation to increase capital, speed is essential, as well as the selection of the source of the resources that due to their immediate availability and temporary limitation, could make it necessary to exclude the preferential subscription right, in order to meet the objectives of the capital increase.

Notwithstanding the above, the preferential subscription right was not excluded in the capital increase undertaken by the company in the year.

In any case, the delegation agreement contemplates the possibility that if the Board decides to exclude the preferential subscription rights, it will issue at the time of adopting the corresponding agreement, a detailed report describing the specific reasons of shareholding interest that justifies such measure, which will be the subject of the corresponding report by an account auditor different to that of the Company, described in article 506 of the Limited Liability Companies Law. These reports must be provided to the shareholders and communicated to the first General Shareholders' Meeting held after the agreement to increase capital.

6. Listed companies that prepare the following reports, either voluntarily or mandatorily, must publish them in their websites with enough time in advance before the general meeting, even if their dissemination is not mandatory:

a) Report on the auditor's independence

b) Reports on the performance of the audit and appointment and remuneration committees.

c) Report of the audit committee on related party transactions.

d) Report on the corporate social responsibility policy.

Compliant Partially compliant X Explain

The company drafts the reports mentioned in sections a, b and d above, but it only publishes the one related to section d on its website.

7. The company broadcasts live the general shareholders' meetings on its website.

Compliant Explain X

At the time of holding the General Shareholders' Meetings corresponding to the year 2015, the company y did not have the necessary technical means to broadcast the meeting live on its website.

8. The audit committee should make sure that the board of directors submits financial statements to the general shareholders' meeting without limitations or exceptions to the audit report and that, in the exceptional cases in which exceptions exist, both the chairman of the audit committee and the auditors must explain clearly to shareholders the content and scope of the limitations or qualifications.

Compliant X Partially compliant Explain

9. The company must permanently publish in its website the requirements and procedures accepted to prove the ownership of shares, the right of attendance to the general shareholders' meeting and the exercise or delegation of voting rights.
Such requirements and procedures should favor the attendance and the exercise of its rights to shareholders and are applied in a non-discriminatory manner.

Compliant X Partially compliant Explain

10. When any shareholder entitled to do so has exercised, before the general shareholders' meeting, the right to complete the agenda or to submit new proposals for agreement, the company:

a) Disseminates immediately such additional items and proposals for agreement.

b) Disseminates the attendance card or proxy form or distance vote with the appropriate modifications so that the new items in the agenda and alternative proposals for agreement can be voted on in the same terms as those proposed by the board of directors.

c) Submits all these agenda items or alternative proposals to a vote, and applies to them the same voting rules than those formulated by the board of directors, including specially the assumptions and inferences on the sense of the votes.

d) After the general shareholders' meeting, a breakdown on the vote of the additional agenda items or alternative proposals must be provided.

Compliant Partially compliant Explain N/A X

11. In case the company plans to pay attendance bonuses for attendance to general shareholders' meetings, it must establish beforehand, a general policy on these bonuses, and the policy must be stable.

Compliant Partially compliant Explain N/A X

12. The board of directors must perform its duties with unity of purpose and independence, treats equally all the shareholders in the same position, and is guided by the interest of shareholders, that is the achievement of a profitable and sustainable business in the long term, that promotes its continuity and the maximization of the company's economic value.
Additionally, in the benefit of shareholders, apart from complying with the laws and regulations and having a conduct based on good faith, ethics and respect for commonly accepted uses and customs, seeks to conciliate the social interest with the legitimate interests of its employees, suppliers, customers and the rest of stakeholders that may be affected, as well as the impact of the company activities on the community and the environment.

Compliant X Partially compliant Explain

13. The board of directors must be of an adequate size to achieve an efficient and participative operation, which makes it convenient for it to be composed of between five and fifteen members.

Compliant X Explain

14. The board of directors must approve a director selection policy that:

a) Is specific and verifiable.

b) Ensures that the proposals for appointment or re-election are based upon a prior analysis of the needs of the board of directors.

c) Favors the diversity of knowledge, experiences and gender.

The result of the prior analysis of the needs of the board of directors must be included in the explanatory report from the appointment committee published upon the call for the general shareholders' meeting in which the re-election, appointment or ratification of each directors is proposed.

The director selection policy promotes the objective that by 2020, the number of female directors represents a minimum of 30% of the total number of members of the board of directors.

The appointment committee will verify annually the compliance with the director selection policy, which will be reported in the annual corporate governance report.

Compliant Partially compliant Explain X

Due to the short time elapsed since the approval of the new Good Governance code of listed companies and the changes in shareholding structure and in the governing bodies the company has gone through in 2015, the company is still in the process of adapting and complying with some of the new recommendations.

15. Proprietary and independent directors should make up an ample majority of the board of directors and the number of executive directors is the minimum necessary, in consideration of the complexity of the corporate group, and the percentage of ownership of executive directors in the capital of the company.

Compliant X Partially compliant Explain

16. The percentage of proprietary directors on the total number of non-executive directors is no higher than the proportion existing between the share capital of the company represented by those directors and the rest of the share capital.
This criterion can be softened:

a) In companies of a high capitalization in which there are few shareholding interests that are legally considered as significant.

b) In the case of companies in which there is a large number of shareholders represented in the board of directors and there are no links between them.

Compliant Explain X

The share capital represented by proprietary directors amounts to 62.91%, whereas the percentage of proprietary directors over the total number of non-executive directors amounts to 66.67%.

17. The number of independent directors represents at least one-half of the total number of directors.
However, when the company does not have a high capitalization or when, if even if it is, it has one or several shareholders acting jointly who control more than 30% of the share capital, the number of independent directors represents at least one third of the total number of directors.

Compliant Explain X

The Board Regulations establish that an adequate number of independent directors must be in the board, and the number of external directors must represent a large majority.

The Board of Realia has two independent directors who, even though they do not represent the 30% of share capital mentioned in the recommendation, it is estimated that, given the current capital structure of the company, represent a sufficient number of independent directors to appropriately guarantee the protection of the interests of the free float.

18. The companies must publish and update the following information about its directors on its website:

a) Professional and personal profile.

b) Other boards of directors they are members of, regardless of whether they are listed companies or not, and all other remunerated activities they perform, whatever their nature.

c) Type of director: in the case of proprietary directors, the shareholder they represent or are related to, must be mentioned.

d) Date of their first appointment as director in the company, and date of the subsequent re-elections.

e) Company shares, and share options, they own.

Compliant Partially compliant X Explain

At the date of this report, the directors do not report to the company the activities described in the last subparagraph of section b above.

19. The annual corporate governance report, after verification by the appointment committee, must explain the reasons why proprietary directors have been appointed at the request of shareholders with less than 3% of the share capital. Additionally, it must explain the reasons, when applicable, for not fulfilling formal requests of board representation from shareholders who represent an ownership interest equal or higher that that others at whose request proprietary directors were appointed.

Compliant Partially compliant Explain N/A X

20. Proprietary directors must resign when the shareholder whom they represent transfers fully its ownership interest. They must also resign, in proportional numbers, when such shareholder reduces its ownership interest down to a level that requires the reduction of the number of its proprietary directors.

Compliant X Partially compliant Explain N/A

21. The board of directors does not propose the removal of any independent director before the end of the statutory term for which they have been appointed, unless there is just cause, appreciated by the board of directors after receiving the corresponding report from the appointment committee. Especially, a just cause is considered to exist when the director takes on new positions or acquires new obligations that prevent them from dedicating the time necessary to perform their duties as director, do not comply with their duties or incurs in any of the circumstances that will make them lose their independence, according to the applicable legislation.

The removal of independent directors may also be proposed as a consequence of takeover bids, mergers or other similar corporate operations that entail a change in the capital structure of the company, when such changes in the structure of the board of directors are the result of the proportionality principle described under recommendation 16.

Compliant X Explain

22. If a director were to be indicted or tried for any of the offences contemplated in corporate law, the board of directors must examine the case immediately and, in view of the circumstances, decides whether the director should continue to hold their position. In addition, the board of directors must report on all this in a reasoned manner, in the annual corporate governance report.

Compliant X Partially compliant Explain

23. All the directors must express their opposition clearly, when they consider that any proposal submitted to the decision of the board of directors may be contrary to the interests of shareholders. The same applies especially to independent directors and other directors unaffected by the potential conflict of interest, when those decisions may harm the interests of shareholders not represented on the board of directors.

Additionally, when the board of directors adopts significant or repeated decisions about which the director has expressed serious reservations, the director must draw the appropriate conclusions and, if they choose to resign, explain the reasons for their resignation in the letter to which the following recommendation refers.
This recommendation also includes the secretary of the board of directors, even if they are not members of the board.
Compliant Partially compliant Explain N/A X

24. In case that a director, due to their resignation or for any other reason, steps down from their position before their term of appointment is completed, they must explain the reasons in a letter sent to all the members of the board. Without prejudice of such removal is communicated as a relevant event, the reason for the removal must be reported in the annual corporate governance report.
Compliant X Partially compliant Explain N/A

25. The appointment committee must make sure that non-executive directors have the necessary time available for the correct performance of their duties.

Additionally, the board regulations must establish the maximum number of company boards of which its directors can be members.
Compliant Partially compliant X Explain

The Board Regulations of Realia do not set a limit on the number of boards of which its directors can be members. However, this does not mean that the directors cannot be required to dedicate the necessary time and effort to perform their duties correctly.

26. The board of directors must meet with the frequency required to perform their duties with efficacy, with a minimum of eight times a year, according to the schedule of dates and matters established at the beginning of the year, and each director may individually proposed additional items to the agenda not contemplated initially.
Compliant X Partially compliant Explain

27. Nonattendance of directors must be reduced to the minimum number possible, and must quantified in the annual corporate governance report. When they cannot attend, they should grant a detailed proxy.
Compliant Partially compliant X Explain

Indeed, nonattendance of directors occurs in a minimum number of cases and have been quantified in this report (percentage of attendance), and proxies have been given in practically all cases to other directors, according to the rules established in the Board Regulations. However, it is uncommon for written directions to be given on how to vote.

28. When the directors or the secretary express their concern about any proposal, or in the case of directors, on the operation of the company and those concerns are not resolved at the board of directors, they must be recorded in the minutes, at the request of whoever expressed such concerns.

Compliant Partially compliant Explain N/A X

29. The company must establish the appropriate channels for directors to receive the necessary advice for the performance of their duties including, if the circumstances so warrant it, external advice at the company's expense.

Compliant X Partially compliant Explain

30. Regardless of the expertise required from directors for the fulfilment of their duties, the company must offer to directors knowledge update programs when the circumstances so warrant it.

Compliant Explain N/A X

31. The agenda of the sessions must indicate clearly the items on which the board of directors must make a decision or reach an agreement so that the directors may review or obtain beforehand the information required for their approval.

When, exceptionally, for reasons of urgency, the chairperson wants to submit to the approval of the board of directors, decisions or agreements not included in the agenda, it will be necessary to obtain the prior and express approval of a majority of the directors present, and it will be duly registered in the minutes.

Compliant X Partially compliant Explain

32. The directors must receive information periodically about the changes in shareholding structure, and the opinion that principal shareholders, investors and rating agencies have on the company and its group.

Compliant Partially compliant Explain X

Due to the short time elapsed since the approval of the new Good Governance code of listed companies and the changes in shareholding structure and in the governing bodies the company has gone through in 2015, the company is still in the process of adapting and complying with some of the new recommendations.

33. The chairperson, as the person responsible for an efficient operation of the board of directors, apart from performing the duties established by the law and the bylaws, must prepare and submit to the board of directors a schedule of dates and matters to discuss; organize and coordinate the periodic evaluation of the board and the chief executive officer of the company; is responsible for the board and its efficient operation; makes sure the sufficient time is dedicated to the discussion of strategic issues, and agrees and reviews the knowledge update programs for each director, when the circumstances so warrant it.

Compliant X Partially compliant Explain

34. When one of the directors is a coordinator, the bylaws or the board regulations, grants the coordinator, apart from the duties they are legally entitled to, the following duties: to chair the board of directors in the absence of its chairperson and the vice-presidents, if any; to reflect the concerns of non-executive directors; to maintain contacts with shareholders and investors to find out their opinions for the purpose of developing an opinion about their concerns, especially in relation with the corporate governance of the company; and to coordinate the chairperson's succession plan.

Compliant Partially compliant Explain N/A X

35. The secretary of the board of directors must take special care so that the board of directors takes into account in its actions and decisions the recommendations on good governance described in this good governance code that may be applicable to the company.

Compliant X Explain

36. All of the members of the board of directors must evaluate once a year and approve, if appropriate, an action plan that corrects the deficiencies detected related to:

a) The quality and efficiency of the performance of the board of directors.

b) The performance and composition of its committees.

c) The diversity in the composition and duties of the board of directors.

d) The performance of the chairperson of the board and the chief executive officer of the company.

e) The performance and contribution of each directors, paying special attention to the directors who preside the different board committees.

The basis for the evaluation of the different committees will be the reports submitted by these committees to the board of directors and, in the case of the latter, the report submitted by the appointment committee.

Every three years, the board of directors will receive the assistance of an external consultant for the evaluation report. The appointment committee will verify the independence of the consultant.

The business relations that the consultant or any company of its group hold with the company or any company of its group must be detailed in the annual corporate governance report.

The evaluation process and the areas evaluated will be described in the annual corporate governance report.

Compliant Partially compliant X Explain

Even though the company fulfils practically all the aspects contained in this Recommendation, the Board evaluation is conducted on all of its members in general, and not individually. On the other hand, it has not yet been three years since the approval of this Recommendation to obtain the assistance of an external consultant.

37. When an executive committee exists, the structure of participation of the different categories of directors must be similar to that of the board of directors, and the secretary of the executive committee must be the secretary of the board of directors.

Compliant Partially compliant X Explain N/A

Both the Secretary and the Assistant Secretary of the Board hold the same positions in the Executive Committee. However, the structure of participation of the different categories of directors of the latter is not similar to that of the Board, as explained under section C.2.1 of this Report.

38. The board of directors must be knowledgeable at all times of the matters discussed and the decisions adopted by the executive committee, and all the members of the board of directors must receive copies of the minutes of the executive committee sessions.

Compliant X Partially compliant Explain N/A

39. The members of the audit committee, especially its chairperson, are appointed taking into consideration their knowledge and experience in matters of accounting, audit or risk management, and most of those members must be independent directors.

Compliant Partially compliant X Explain

The members of the Audit and Control Committee have the necessary knowledge and experience in accounting, audit or risk management to perform their duties. Additionally, at least one of them has been appointed taking into account their special knowledge and experience in matters of accounting and audit. Therefore, despite the fact that the director appointed for their knowledge and experience in matters of accounting, audit or risk management is not the chairperson of the committee, the Committee fulfils the qualification requirements established in the Board Regulations, and they are considered as adequate for an expeditious and efficient performance of their duties.

As to the category of its members, most of them are independent directors (2 out of 3).

40. Under the supervision of the audit committee, a unit must exist assuming the internal audit function that sees to the good operation of the information and internal control systems, functionally reporting to the non-executive chairperson of the board or of the audit committee.

Compliant X Partially compliant Explain

41. The person in charge of the unit that assumes the internal audit function must submit its annual action plan to the audit committee, report directly of any incidence arising in its development, and submits an activity report at the end of each year.

Compliant X Partially compliant Explain N/A

42. Besides those contemplated by law, the audit committee must fulfil the following duties:

1. Regarding the information and internal control systems:

a) To supervise the process of preparation and the integrity of the financial information related to the company and, where applicable, to review compliance of regulatory requirements, the adequate definition of the consolidation perimeter and the correct application of accounting standards.

b) To protect the independence of the unit taking on internal audit function; to propose the selection, appointment, re-election and removal of the head of internal audit; to propose the budget for this service; to approve the guidelines and action plan, making sure its activity is mainly focused on the relevant risks for the company; to receive periodic information about its activities; and to verify that the senior management takes into account the conclusions and recommendations in its reports.

c) To establish and supervise a mechanism that allows employees to communicate, confidentially and, if possible and considered as adequate, anonymously, potentially relevant irregularities, especially of a financial and accounting nature, detected in the company.

2. Regarding the external auditor:

a) In case of resignation of the external auditor, to examine the circumstances that have prompted it.

b) To make sure that the remuneration of the external auditor for its work does not jeopardize its quality or independence.

c) To supervise that the company communicates the change of auditor to the CNMV as a relevant event, with an attached statement about the possible existence of disagreements with the outgoing auditor and about the content of the audit, if any.

d) To make sure that the external auditor holds an annual meeting with the shareholders' meeting to report on the work done and the evolution of the accounting situation and the risks of the company.

e) To make sure that the company and the external auditor comply with the existing rules on the provision of services other than audit, the limits to the concentration of business of the auditor and, in general, the rest of rules on the independence of auditors.

Compliant Partially compliant X Explain

The Audit and Control Committee has assumed all the functions listed in this Recommendation. However, the company does not fall under the assumption described in section 2.c, and the function listed in 2.d is among those whose compliance is planned for 2016.

43. The audit committee may summon any employee or manager of the company, and even decide that they must appear without the presence of any other manager.

Compliant X Partially compliant Explain

44. The audit committee is informed about structural and corporate change operations planned by the company for their prior analysis and report to the board of directors about their economic conditions and accounting impact and, especially, if appropriate, about the exchange ratio proposed.

Compliant Partially compliant Explain N/A X

45. The risk control and management policy should identify at least:

a) The different types of risk, financial and non-financial (including operational, technological, legal, social, environmental, political and reputational) that the company faces, including contingent liabilities and other off-balance risks among the financial and economic risks.

b) Establishment of the risk level considered acceptable by the company.

c) The measures planned to mitigate the impact of the identified risks, in case they materialize.

d) The information and internal control systems that will be used to control and manage the risks, including contingent liabilities or off-balance risks.

Compliant X Partially compliant Explain

46. Under the direct supervision of the audit committee or, if appropriate, a specialized committee of the board of directors, there is an internal risks control and management function exercised by an internal unit or department of the company that has the following express duties:

a) To ensure the good performance of the risks control and management systems and, especially, that identify, manage and quantify appropriately all the major risks affecting the company.

b) To participate actively in the drawing up of the risks strategy and the relevant decisions about their management.

c) To make sure that the risks control and management systems mitigate risks adequately within the policy defined by the board of directors.

Compliant Partially compliant X Explain

The company meets this Recommendation is all of its proposals, with the exception of the last subparagraph of section b, since the decisions about the risk management strategy corresponds, where applicable, to the Management Committee or the Board of Directors itself.

47. The members of the appointment and remuneration committee – or the appointment committee and the remuneration committee, if they are separate – are appointed for their knowledge, skills and experience adequate to the duties they have to perform, and that most of the members are independent directors.

Compliant Partially compliant X Explain

Even though the majority of the members of the Appointment and Remuneration Committee are not independent directors (2 out of 5 are independent), all of the independent directors in the Board are members of this Committee.

48. The companies with a high capitalization must have two separate committees, one for remunerations and the other for appointments.

Compliant Explain N/A X

49. The appointment committee must consult with the chairperson of the board and the chief executive officer of the company, especially on matters related to the executive directors.

Any director can request the appointment committee to consider, in case they find them suited for the job, potential candidates to cover vacant directorship positions.

Compliant X Partially compliant Explain

50. The remuneration committee must perform its duties with independence and, besides the powers granted to it by law, must have the following powers:

a) To propose to the board of directors the basic conditions of the contracts of senior executives.

b) To check the compliance with the remuneration policy established by the company.

c) To review periodically the remuneration policy applied to directors and senior executives, including the remuneration systems with shares and their application, and to guarantee that their individual remuneration is proportional to that paid to other directors and senior managers of the company.

d) To make sure that potential conflicts of interest no not harm the independence of the external advice provided to the committee.

e) To check the information on remunerations of directors and senior executives contained in the different corporate documents, including the annual report on directors' remuneration.

Compliant X Partially compliant Explain

51. The remuneration committee must consult with the chairperson of the board and the chief executive officer, especially on matters related to executive directors and senior executives.

Compliant X Partially compliant Explain

52. The rules for the composition and operation of the supervision and control committees must be included in the board regulations, and must be consistent with those applied to the mandatory committees, according to the aforementioned recommendations, including:

a) The committees must be completely composed by non-executive directors, with a majority of independent directors.

b) Their chairpersons must be independent directors.

c) The board of directors must appoint the members of these committees, taking into account the knowledge, skills and experience of the directors and the duties of each committee, and must deliberate on their proposals and reports; and they must be accountable for their activity at the first board of directors session held after their own meetings, and they must respond for the work carried out.

d) The committees can obtain external advice, when they consider it necessary for the performance of their duties.

e) Minutes must be recorded of their meetings, and made available to all directors.

Compliant Partially compliant Explain N/A X

53. The supervision of the compliance with corporate governance rules, internal codes of conduct and the corporate social responsibility is assigned to one or distributed among several board of directors committees, which may be the audit committee, the appointment committee, the corporate social responsibility committee, if any, or a specialized committee that the board of directors decides to create in use of its self-organization powers, that are specifically assigned the following minimum duties:

a) The supervision of compliance with the internal codes of conduct and the corporate governance rules of the company.

b) The supervision of the communication and shareholder and investor relation strategy, including small and medium shareholders.

c) The periodic evaluation of the adequacy of the corporate governance system of the company, so that it fulfills its mission to promote the social interest and takes into account, where appropriate, the legitimate interests of the rest of stakeholders.

d) The review of the corporate responsibility policy of the company, making sure that it is focused on value creation.

e) The follow-up of the corporate social responsibility strategy and practices and the evaluation of their degree of fulfilment.

f) The supervision and evaluation of the processes of relations with the different stakeholders.

g) The evaluation of all aspects related to non-financial risks of the company – including operational, technological, legal, social, environmental, political and reputational risks.

h) The coordination of the process of reporting non-financial information and diversity, according to the applicable legislation and the international standards of reference.

Compliant Partially compliant X Explain

The company fulfils all the proposals included in this Recommendation, with the exception of that of section f. As mentioned before, due to the short time elapsed since the approval of the new code of good governance of listed companies, and the changes, both in shareholding structure and in the government bodies that the company has gone through in 2015, it is still in the process of adaptation and compliance with some of the new recommendations.

54. The corporate social responsibility policy must include the principles and commitments that the company voluntarily assumes in its relations with the different stakeholders and identifies at least:

a) The objectives of the corporate social responsibility and the development of support instruments.

b) The corporate strategy on sustainability, the environment and social issues.

c) The specific practices on matters related to: shareholders, employees, customers, suppliers, social issues, environment, diversity, fiscal responsibility, respect for human rights and prevention of illegal conduct.

d) The methods or systems for the follow-up of results of the application of the specific practices mentioned in subparagraph c above, the associated risks and their management.

e) The mechanisms for the supervision of the non-financial risks, ethics and business conduct.

f) The communication, participation and dialogue channels with stakeholders.

g) The responsible communication practices that prevent the manipulation of information and protect integrity and honor.

Compliant X Partially compliant Explain

55. The company must report, in a separate document or in the management report, about the matters related to corporate social responsibility, using some of the internationally accepted methodologies.

Compliant X Partially compliant Explain

56. The remuneration of the directors is sufficient to attract and retain the directors of the desired profile and to remunerate the dedication, qualification and responsibility required by the position, but not as high as to compromise the independent judgement of non-executive directors.

Compliant X Explain

57. Variable remuneration linked to the performance of the company and personal performance should be limited to non-executive directors, as well as the remuneration

through shares, options or rights over shares or referenced instruments linked to the share price and long-term saving systems such as pension plan, retirement schemes or other social welfare systems.

Shares can be considered as a form of remuneration of non-executive directors when subject to the condition that they must hold the shares until they are no longer directors. This would not be applicable to the shares that the director needs to sell, where appropriate, to cover the costs of their acquisition.

Compliant Partially compliant Explain X

In 2015, the remuneration of the directors was a fixed amount. There was no variable pay.

58. In the case of variable remuneration, the remuneration policies must incorporate the limits and the necessary technical safeguards to ensure that such remunerations are linked to the professional performance of its beneficiaries and are not solely the result of the general evolution of the markets or the sector of activity of the company or other similar circumstances.

Specifically, the variable part of the remuneration must:

a) Be linked to performance criteria that are predetermined and measurable, and such criteria must consider the risks assumed for the achievement of a result.

b) Promote the company's sustainability and include non-financial criteria adequate for long-term value creation, such as the compliance with the internal rules and procedures of the company and its risks control and management policies.

c) Are designed on the basis of a balance between the fulfilment of short, medium and long term objectives, that allow for the remuneration for a continued performance during sufficient time to appreciate its contribution to sustainable value creation, so that the criteria for the measurement of such performance do not only refer to one-off, occasional or extraordinary events.

Compliant Partially compliant Explain N/A X

59. Payment for a relevant part of the variable components of the remuneration is deferred for a minimum period, enough to check that the previously established performance conditions have been fulfilled.

Compliant Partially compliant Explain N/A X

60. Remunerations linked to the company's results must take into account the possible qualifications included in the external auditor report that reduce those results.

Compliant Partially compliant Explain N/A X

61. A high percentage of the variable remuneration of executive directors is linked to the delivery of shares or financial instruments referenced to their value.

Compliant Partially compliant Explain N/A X

62. Once the shares or share options or rights on shares corresponding to the remuneration system have been allocated, the directors cannot transfer the property of a number of shares equivalent to their fixed annual remuneration, or exercise the options or shares until a minimum of three years has gone by from their allocation.

This will not apply to the shares that the director needs to sell, if any, to pay the costs of their acquisition.

Compliant Partially compliant Explain N/A X

63. Contractual arrangements must include a clause that allows the company to demand the refund of the variable part of the remuneration when the payment has not complied

with the performance conditions, or when payment has been made according to information that is subsequently proven inaccurate.

Compliant Partially compliant Explain N/A X

64. Payments for contract termination must not exceed a pre-established amount equivalent to two years of the total annual remuneration, and must not paid until the company has proven that the director has fulfilled the previously established performance criteria.

Compliant X Partially compliant Explain N/A

H ADDITIONAL INFORMATION OF INTEREST

1. If there is a relevant aspect on the subject of corporate governance in the company or the group companies that is not included in the rest of sections of this report, but which is necessary to include to gather more complete and reasoned information on the government structure and practices of the company or its group; describe them briefly.

2. This section can also include any other information, clarification or qualification on the previous sections of the report in as far as they are relevant and not repetitive.

   Specifically, state if the company is subject to a legislation other than the Spanish legislation on corporate governance and, where applicable, include the information it is required to report different to the information required by this report.

3. The company may also report if it has accessed voluntarily other international, sectoral or other ethical or good practice codes. In that case, the corresponding code must be identified, and the date of accession.

A.6) The following shareholders' agreements have been rendered void after the sale by BFA Tenedora de Acciones, S.A. of its ownership interest in the Company:

- Agreement between Fomento de Construcciones y Contratas, S.A., Grucysa, S.A. and Corporación Financiera Hispánica, S.A: on one hand, and Caja de Ahorros y Montes de Piedad de Madrid and Corporación Financiera Caja de Madrid, S.A. on the other.

- Agreement between Fomento de Construcciones y Contratas, S.A., Caja de Ahorros y Montes de Piedad de Madrid and REALIA BUSINESS, S.A.

C.1.2.) The Board of Directors is composed by 10 members, even though there are currently 3 vacancies.

C.1.8.) No requests from shareholders have been responded to, because there have been none.

C.1.15.) The section "Remuneration of the Board of Directors" does not include contributions made by the company to savings schemes (67,000 Euros), or insurance premiums (34,000 Euros). On the other hand, the increase in remuneration over 2014 is justified by the settlement of the Chairman – General Manager's contract.

C.1.16.) A functional restructuring has taken place in the company's organizational chart, and in 2015, 6 people are considered as senior managers, whereas there was only 1 in 2014.

C.1.29.) The Related Party Transaction Committee held two meetings in the year, until its dissolution on 22 June 2015.

C.1.30.) It is necessary to take into account that since 3 June 2015, the Board has three vacancies. Excluding these vacancies, the number of Board meetings with the attendance of all directors would be 7, and the percentage of attendance over the total number of votes would be 93.26%.

C.1.37.) The work carried out by the Audit firm for the Group incorporates the work related to the Interim Review that took place in June (report on the first semester of 2015), since they are not considered as a legal audit.

C.2.1.) Despite the provisions of section C.2.1. of this report, the correct data are as follows:

The Executive Committee is composed by 5 members, even though there is currently 1 vacancy.

In the Audit and Control Committee, the Director with more experience is Mr. Juan Rodríguez Torres, and the number of years the current Chairwoman has been in that position is 3.

Lastly, in the Appointment and Remuneration Committee, the percentage of proprietary directors is 60% and 40% for independent directors.

D.2.) Besides the transactions listed in section D.2, there are several deposit transactions still in force in 2015, entered into by companies of the Realia Group with the Bankia Group, for a total amount of EUR 306.38 thousand, and a syndicated credit facility for EUR 241.12 thousand.

This annual corporate governance report was adopted by the Board of Directors of the company, in its session on 26 February 2016.

Have any directors voted against or abstained in the approval of this report?

Yes No X

THIS DOCUMENT COMPLEMENTS THE INFORMATION IN THE ANNUAL CORPORATE GOVERNANCE REPORT INCLUDED IN THE MANAGEMENT REPORT AS AN APPENDIX THAT HAS NOT BEEN INCORPORATED TO THE FORM FOR REASONS OF CONFIGURATION OF THE PROGRAM.

C.2.1.) Additional information on Board Committees

AUDIT AND CONTROL COMMITTEE:

(…)

6. To issue annually, before the issue of the financial statement audit report, a report expressing an opinion on the independence of the auditors. This report must contain, in any case, the assessment of the provision of additional services mentioned in the previous section individually and globally considered, different to the legal audit and related to the independent status or the regulation on audits.

7. To inform before the Board of Directors on all the subjects contemplated by the law, the Bylaws and the Board of Directors, especially on:
   a) The financial information that the company must publish periodically;
   b) The creation or acquisition of stakes in special purpose vehicles or entities residing in countries or territories considered as tax havens; and
   c) Related party transactions.

8. Those, if any, allocated by these Bylaws or the Board Regulations.

The Secretary, or whoever performs secretarial duties, must record minutes that will be signed by the Chairperson, the Secretary and the Under-Secretary, if applicable. The Chairperson of the Audit and Control Committee will report to the Board of Directors on the matters discussed and the decisions adopted within the Committee from the last meeting of the Board.

The Committee will meet at least quarterly and every time it is called by its Chairperson, or at the request of two of its members. Annually, the Committee will draw up an action plan for the year and will present it to the Board of Directors.

Any member of the management team and any employee of the REALIA Group will be obligated to attend the Committee meetings and to provide their collaboration and access to whatever information is available to them when requested to do so, and the employees can be asked to appear before the Committee even without the presence of any other manager. The Committee may also request REALIA's financial statements auditor to attend its sessions.

The Committee will have access to the documentation and information required for the performance of their duties.

The members of the Audit and Control Committee can be assisted during its sessions by the persons whom, in an advisory capacity and up to a maximum of two for every member of the Committee, they deem adequate. These advisors can attend the meetings with voice but no vote.

As to their work during the year, the Committee has held nine (9) meetings during 2015, in the months of January, February, March, April, May, June, October, November and December. During its meetings, the Committee has dealt with matters related to their different areas of competence and, specifically, has undertaken the following actions:

1. Internal Audit. According to the provisions of the Bylaws and the Board Regulations, the Audit and Control Committee supervises the internal audit of the Group. Thus, its competences include to protect the independence and efficiency of its work, to receive periodic information on its activities, and to verify that the senior management takes into consideration the conclusions and recommendations of its reports.

In keeping with the obligations above, in each one of the sessions of the Audit and Control Committee, the head of Internal Audit of Realia has submitted and explained one or several reports on different aspects related to the activities of the company or the companies in the Group. The members of the Committee have taken note of the incidences and risks detected, if any, on those reports, and have proposed the corresponding corrective measures to the Board of Directors.

2. Self-assessment. In its first session of 2015, the Committee evaluated its own performance during 2014, analyzing the different matters discussed during the sessions and the rest of circumstances related to its activity, according to the provisions of article 44 of the Board Regulations.

3. External auditor. The Audit and Control Committee, in its session held on 11 May 2015, agreed unanimously to propose to the Board of Directors the appointment of DELOITTE, S.L. to perform the external audit for 2015, as well as the interim six-monthly review (June 2015).

In turn, the Board of Directors, in its session held on 11 May 2015, approved the proposal from the Audit and Control Committee and agreed unanimously to include in the agenda of the General Shareholders' Meeting of 2015 the re-appointment of Deloitte, S.L. as financial statement auditors of the Company and its Consolidated Group.

In 2015, Deloitte, S.L. has been the external auditor of Realia Business, S.A. and the companies in its Group, in keeping with article 44 of the Board Regulations, according to which the Audit and Control Committee will encourage the Group's auditor to take on responsibility for the audits of the companies of the group.

In the Committee meetings of February and July 2015, the external auditor has provided detailed information on the audit work performed. On those dates, the Committee analyzed, assisted by the auditor, the audit reports corresponding to the individual and consolidated financial statements of 2014, and the six-monthly partial review of 2015, respectively. In view of this analysis, it reported to the Board of Directors, in keeping with article 44 of the Board Regulations, on the accuracy and reliability of the individual and consolidated financial statements and management report, and on the financial information periodically disseminated to the markets.

Lastly, in its February 2015 meeting, the Committee issued a report on the independence of the external auditor, with a favorable opinion about it, in which it gave its views on the valuation of additional services other than those of legal audit, and on all other aspects contemplated by the Board Regulations.

4. Financial information. The Audit and Control Committee has paid special attention to the review and analysis, before the review by the Board of Directors, of the individual and consolidated Financial Statements, the interim quarterly information and the financial information corresponding to the first semester of 2015, before they are disseminated to the markets.

In its sessions held on 11 May and 10 November 2015, the Audit and Control Committee gave its favorable opinion to the Board of Directors on the economic information related to the first and third quarters, respectively, to be sent to the markets.

Regarding the Financial Statements and the Management Report corresponding to 2014, the Committee, on its 27 February 2015 meeting, once the external auditor's report was analyzed in depth, issued without qualifications, reported favorably to the Board on its accuracy and reliability.

Lastly, on 29 June 2015, after the interim review by the external Auditor, the committee reported favorably to the Board on the financial information corresponding to the first semester of 2015.

5. Internal control and risk management systems. In its session of February 2015, the Audit and Control Committee analyzed the description of the main features of the internal control and risk management systems in relation with the process of financial reporting contained in the Annual Corporate Governance Report for 2014, and issued a favorable opinion to the Board.

The conclusion of the analysis is that the Realia Group has developed a risk management system that takes into account the characteristics of the Group, and those of the economic, geographical and regulatory environments in which it carries out its activities. The system is based upon three aspects:

a) An organizational structure implemented by the Chief Executive Officer of the Group, under delegation from the Board of Directors, in which the roles and functional duties are clearly specified;
b) A framework for the identification, quantification and evaluation of the risks which may affect the Group, and
c) A response against the identified risks, supervised by the Audit and Control Committee.

The risk management system of the Group is implemented at a corporate level, and it aims to operate in a comprehensive and continuous manner.

On the other hand, the Committee analyzed in July 2015 the external report issued by the auditor on prevention of money laundering and terrorism financing, before its submission to the Board of Directors, to which it proposed the actions to be undertaken to resolve the incidences revealed in the report. In December, it proposed to the Board the approval of the changes introduced in the Internal Manual of the Group on this subject.

<u>APPOINTMENT AND REMUNERATION COMMITTEE:</u>

(…)

Regarding its activities during the year, the Committee met on six (6) occasions in 2015, in January, February, May, October and November. During its sessions, the Committee discussed matters related to its areas of competence and carried out the following actions:

1. Review of the salary costs. In the first meeting of the year, the Appointment and Remuneration Committee analyze the global amount of salaries during the previous year, and set the total amount of salaries for the year.

2. Self-evaluation. During the first meeting of the year, the Committee assessed its own performance during 2015, analyzed the different matters discussed, the meetings held and the rest of the circumstances related to its activity, in keeping with article 45 of the Board Regulations.

3. Evaluation of the Chairperson of the Board and the Chief Executive Officer of the company. During the first session of the Appointment and Remuneration Committee of 2015, it evaluated the performance of the then Chairman of the Board and Chief Executive Officer of the company, Mr. Ignacio Bayón Mariné, according to the provisions of article 41.6 of the Board Regulations.

4. Verification of the Annual Corporate Governance Report. In its meeting held in February 2015, the Committee issued a favorable opinion, in as far as it concerned its competencies, the Annual Corporate Governance Report of 2014, which approved by the Board of Directors in its meeting held on 27 February 2015.

5. Definition of the Board of Directors' remuneration policy. Pursuant to the provisions of article 529 r, section 2 of the Corporation Law, the Committee prepared the Report on the remuneration of the Board of Directors, to be submitted to the latter for approval.

6. Succession of the Chairperson and First Executive Officer. After the resignation on 6 October 2015, of the Chief Executive Officer, Mr. Ignacio Bayón Mariné, the Board of Directors, on its session held on the same day, unanimously agreed to appoint Mr. Juan Rodríguez Torres as Non-Executive Chairman. The proposal for this appointment was submitted, according to the provisions of article 45 of the Board Regulations, by the Appointment and Remuneration Committee during its meeting held on 6 October. In the analysis of the profile and suitability of Mr. Rodríguez Torres, the Committee concluded that he had the necessary knowledge, experience and qualities to hold the position of Non-Executive Chairman in accordance with the legal and regulatory requirements. The new Chairman also assumed the chair of the Executive Committee.

   Additionally, the resignation of Mr. Bayón Mariné meant that the company also lost its Chief Executive Officer. Accordingly, the Board of Directors, in its session held on 9 October, appointed Mr. Gerardo Kuri Kaufmann as Chairman of the Board and Chief Executive Officer. This appointment was also formulated by the Appointment and Remuneration Committee which, after analyzing his suitability, concluded that he had the necessary knowledge, experience and qualities to hold the position of Chief Executive Officer of the company, allowing for the continued operation of the company and to put the company on track to fulfil the objectives set in the most efficient way for the creation of value.

7. Renewal of the Board of Directors. In its session held on February 2015, the Committee issued its favorable opinion to the appointment of Mr. Eliseo Laguna Martín to replace Mr. Antonio Zafra Jiménez, as the private individual representative of the then member of the board Participaciones y Cartera de Inversión, S.L. Additionally, on the same session, the Committee proposed the appointment by co-optation of Mr. Gerardo Kuri Kaufmann, in order to fill the vacancy existing after the resignation of Mr. Rafael Montes Sánchez. The Board of Directors on its meeting held on 27 February approved the proposal.

   In May, the Committee proposed that the Board submitted to the approval of the next General Shareholders' Meeting the ratification and re-election of Mr. Gerardo Kuri Kaufmann as proprietary director appointed by Fomento de Construcciones y Contratas, S.A. The Board of Directors approved the proposal in its 11 May session.

   Lastly, in October, the Committee proposed the appointment by co-optation of Mr. Juan Rodríguez Torres and Mr. Carlos Manuel Jarque Uribe to cover the vacancies caused by the resignations of Mr. Ignacio Bayón Mariné and Mr. Iñigo Aldaz Barrera. The Board approved these appointments on its 6 October meeting.

E.3) Identify the main risks that can affect the achievement of the business objectives.

e) Solvency risk.

At 31 December 2015, net financial debt of the Realia Business Group amounted to 1,132.1 Million Euros. Considered this net financial debt and the Group's asset value, the indebtedness ratio of the company (LTV) amounts to 56.4%.

The Group generated an EBIDTA of 40.5 Million Euro in 2015, to cover servicing of its debt.

At year-end 2015, working capital was positive by 124.2 Million Euros.

2. Market risks

The passing of time in the profound property management and financial crisis has revealed signs of recovery in the market and in some geographic areas and locations, demand is now higher than supply; however, there is still a lot of unsold products in the market that must be absorbed in time, and in these cases, price adjustments continue to persist, with the corresponding impact of product margins. Realia believes the sector will recover, albeit slowly and selectively.

Regarding the rental market, a slight recovery of demand for space is visible, rental prices are stabilizing, and the incentives to settlement demanded by customers are reduced. On the other hand, investment activity in the property management sector hit a record figure in 2015.

For all 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 of residential property area can provide.

3. Economic risks

In acquisitions, it is intended to control these risks through detailed analyses of the transactions, reviewing and foreseeing the problems that may arise in the future, and proposing possible solutions. In sales, the main risk is the inability to collect the prices agreed in the contracts, as a consequence of non-compliance from buyers. These risks are controlled through the establishment of all kinds of guarantees that allow, where applicable, the collection of the full price or the recovery of the property sold.

4. Legal and fiscal risks

The activities of the group are subject to legal and fiscal provisions, and urban development requirements. Local, regional, national and EU administrations may impose sanctions in case on noncompliance 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, analyzes and, where appropriate, takes the necessary measures through its corresponding internal departments.

The risks associated with compliance of the specific legislation include the following:

a) Judicial and extrajudicial claims

Realia's activities may give rise to legal actions being taken related to the material used or the finishing of the properties sold, even those resulting from the actions of third parties subcontracted by Realia (architects, engineers, contractors and subcontractors of the construction works).

In order to mitigate this risk through Ten-Year Liability insurance, mandatory for property developers, before delivery of the properties to buyers. Furthermore, in all work contracts, a 5% withholding is agreed on every certification issued by contractors, to respond to the fulfilment of their duties and, especially, of the defects detected at the provisional reception of the works, and of the repair costs resulting from deficient execution or quality defects of the works or installations during the warranty period from the date of the temporary delivery of the works. Additionally, during the execution of works, Realia's technicians monitor the progress of work in order to check that they are being carried out according to plan.

b) Realia's liability resulting from the actions of its contractors or subcontractors.

It may be the case that the contractors of Realia do not fulfil their commitments, delay deliveries, or go through financial difficulties that prevent them from meeting the deadlines agreed in the contracts, so that Realia may have to incur in new expenses in order to fulfil its commitments with third parties.

In order to reduce this risk, and in consideration of the current economic crisis, the contracts for execution of works have been limited to contractors of recognized solvency.

5. Money Laundering and Terrorism Financing Prevention Risks

These risks are controlled through the prevention and control system the Group has implemented, according to the applicable legislation, and has the corresponding Manual that establishes the internal rules on this matter and a Control, Information and Communication body that holds relations both with employees of the Company and with the Prevention Services. In 2010, on the occasion of the new Money Laundering and Terrorism Financing Prevention Law, all the procedures contained in the Manual were updated. The Manual is updated annually in order to adapt its content to new legislation or the recommendations proposed by the independent expert.

Just like in prior years, in 2015 the company was subject to an annual audit by an independent expert as established by the Law, and the conclusion was that there are no significant risks for the company related to money laundering and monetary offences prevention.

6. Personal Data Protection risks

These risks are controlled through special standard clauses included in the contracts for different situations which, in compliance with the Rule regulating this subject, allow for the limitation and even the extinction of any type of liability from Realia Business, S.A. Additionally, the Realia Group has Files registered with the Data Protection Agency, provided with the appropriate security mechanism, and a person who is responsible for these aspects.

In 2015, the company was subject to the biennial audit by an independent expert as required by the Rule.

7. Consumer and user Protection risks

The Group meets the requirements of the different national and regional rules on consumer and user protection. In fact, it has specific contract templates for those Autonomous Communities with specific legislation on this matter. Furthermore, the Group has the rule of responding to any possible claims from public consumer bodies, in a spirit of conciliation and reparation.

Additionally, Realia Business, S.A. has equipped itself with a number of tools to ensure ethical conduct, the most important of which, besides those related to money laundering prevention mentioned above, are the following:

The Internal Code of Conduct was approved in April 2007 by the Board of Directors of Realia, which deals with matters related to the Stock Markets. The Internal Code of Conduct establishes the criteria for the conduct that must be followed in transactions, and the treatment, use and dissemination of relevant information, to promote transparency in its activities and the appropriate information and protection of investors. The Code is applied at least to the Directors and Managers of the Realia Group, external Advisors and the employees of the Stock Market and Investor Relations Departments.

The Board of Directors of the Company approved The Ethical Code in November 2010. Its main goal is to define the criteria of conduct for the managers and employees of the Realia Group. This Code is mandatory, and establishes the values that must guide the conduct of the Group, which expects from its employees a righteous, honest and transparent behavior, in line with the principles therein contained.

The PRINEX System is a global business solution that combines the features of a universal business management software with the advantages of an ERP customized to the needs of the companies operating in the property sector. Its usefulness to guarantee ethical conduct is that it allows the commercial area to identify customers that have performed fraudulent transactions in the past, in order to avoid doing business with them.

The Financial Statements and the Management Report of the company REALIA BUSINESS, S.A. for 2015 have been drawn up by the Board of Directors of the company on 26 February 2016, and are described in the back of one hundred and twenty five (125) pages of stamped paper numbered sequentially from OM2577108 to OM2576984, 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 following 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, as proof of conformity, have undersigned this page of stamped paper numbered OL5994496 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
Member of the Audit and Control Committee

MR. CARLOS MANUEL JARQUE UBRIQUE
Member of the Board
Proprietary Director

MRS. MARÍA ANTONIA LINARES LIÉBANA
Member of the Board
Independent Director
Chair of the Appointment and Remuneration Committee
Chair of the Audit and Control Committee