

2016

CORPORATE

RESPONSIBILITY

AND ANNUAL REPORT

REALIA





REALIA
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ABOUT THIS REPORT*

REALIA presents this Annual and Corporate Responsibility Report to report on its economic, social and environmental performance during 2016. In its preparation, we have taken into account the relevance of the topics discussed, according to the Materiality survey conducted in 2014, and we have followed the methodology of the G4 Guide from Global Reporting.

(*) G4-17, G4-23

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LETTERS





LETTERS

LETTER FROM THE CHAIRMAN

LETTER FROM THE CEO

LETTER FROM THE CHAIRMAN

Juan Rodríguez Torres

NON-EXECUTIVE CHAIRMAN

Dear shareholders:

After having completed a full year in my current position as non-executive chairman of the Board of Directors of REALIA, it is with pleasure that I share with you the progress of the company during 2016 and the agreement we have reached in 2017 for the restructuring of our property debt, which allows us to leave behind for good a period of uncertainty and look toward the future with optimism.

I In a situation of recovery in the property sector, our Company concluded 2016 with positive results for the second year in a row and with a stronger balance sheet after the reduction of its financial debt. REALIA raised its net profit to 115.7 M Euros, and its financial statements reflect the haircuts related to the refinancing of its syndicated homebuilding loan and the participating loan acquired by Inversora Carso from Sareb.

Excluding this extraordinary effects, recurrent profit was 41.48 M, versus 7.6 M in 2015. This favorable evolution proves the suitability of our business model based on the quality and location of property, keeping stable relations with customers, excellence of services and the offering of attractive, efficient and innovative real estate solutions.

Our property portfolio is current valued in the market at 1.833 Bn. Euros, at a time of boom for real estate investment in Spain. Rental of space has maintained a positive evolution in Madrid and Barcelona, where REALIA concentrates most of its assets for rent. In turn, sale of housing grew two digits and prices went slightly up in the main capital cities.

“ Our purpose for 2017 is to improve our revenues and profitability, and to resume our development activity

Therefore, we have everything we need to continue on our path to success, in both the property business, where our extraordinary portfolio gives us a privileged position, and in the homebuilding business, where our potential for growth will be favored by the recovery of the sector.

However, this promising situation would not have been possible without the shareholding and financial restructuring carried out by REALIA in the last two years, and that we have tried to reflect – just like the rest of our economic, social and environmental performance – in the Annual and Corporate Responsibility Report that I have the honor of presenting to you.

The incorporation of Inversora Carso as a shareholder was crucial to turn the company around and to dispel the doubts about its financial viability. In 2015, it made possible the signing of an agreement to restructure the development business associated syndicated debt with a haircut of 9%, and acquired a participating loan from Sareb. Subsequently, in 2016 it proved its commitment to REALIA undertaking two capital increases.

Thanks to these transactions and other amortizations, we have been able to reduce our net financial debt by nearly 30%, down to 750 M Euros in December. With a stronger balance sheet, we are better prepared to consolidate our property business and reinforce our homebuilding business.

The restructuring process has continued in 2017: in April, a new agreement for the financing of the property activity of REALIA was signed in April, for a total amount of 582 M Euros, maturing in 7 years, which made it possible to pay off the existing debt of 678 M Euros.

REALIA's share price has gone up 15.08% during 2016, and ended the year at a price of 0.86 Euros. This increase took place in a year of strong fluctuations in share price, due to the measures adopted to optimize the financial structure of the company, and the takeover bid launched by Inversora Carso on 100% of the share capital to comply with the Stock Market Law.

Therefore, we have completed a year of intense activity in operations and negotiations, during which we have been able to reconcile and balance the interest of controlling shareholders with those of minority shareholders. To that end, we have a solid Corporate Governance system, based upon ethics and transparency, which continued its update during 2016, through the changes in the Board Remuneration Policy and the drafting of a new Fiscal Policy.

Additionally, we have improved our customer experience with a strategy that combines digital marketing tools with the extensive experience of our professionals in the sector.

As part of our commitment with the environment, we conducted an energy audit of our rental buildings, and established the efficiency features of future REALIA developments which we expect to start in several cities.

For 2017, we intend to grow our revenues and profitability, and to resume our developing activity, while we consider the possibility of asset rotation or the acquisition of new assets.

To this end, we count on the help from our professionals, to whom I would like to thank for the efforts made this year, the collaboration of our suppliers, the loyalty of our customers, and the trust from investors and shareholders.

Many thanks,


Juan Rodríguez Torres
Chairman

LETTER FROM THE CEO

Gerardo Kuri Kaufmann

CEO

Dear shareholders:

2016 was a year of financial consolidation and shareholding restructuring for REALIA. The renegotiation of debt and the results from our property and homebuilding businesses have increased our profits up to 115.7 Million Euros.

“ We focused our strategy on the financial reorganization with the goal of promoting the development and future growth of the company

The turnaround in the financial situation started in 2015, when Inversora Carso acquired Bankia's stake and facilitated the signing of an agreement with the corporate syndicated loan creditors, and announced its participation, together with FCC, in the capital increase. This agreement established a new payment schedule, and a haircut of 72.4 Million Euros.

The strategy of REALIA focused on the financial reorganization with the goal of promoting the development and future growth of the company.

In 2016, after having made the first payment established in the syndicated loan refinancing agreement, we carried out a capital increase in January, through which we raised 88.9 M Euros to meet the second and third payment milestones. Finally, on 7 of April, ahead of schedule, the company made the last repayment, after taking out a loan from Caixabank for 184 M Euros.

Once the syndicated loan was repaid, we launched a new capital increase in December, underwritten by both Inversora Carso and FCC, among others, that raised 147 M Euros, which were used to pay off the loan from Inversora Carso (formerly Sareb's), pay off 80 M Euros from Caixabank's loan and prepare our company to take on new projects.

At year-end, gross financial debt had been reduced by 404 M Euros, 32% less than in 2015, although the refinancing of the property business debt was still pending. In 2017, after negotiating with the banks, we have signed a new loan for 582 M Euros, maturing in 7 years, to replace the syndicated property debt of 678 M Euros that matured in April 2017.

As of today, the new financial situation allows us to consolidate as a reference in the property business and to resume our construction activity. To this end, we rely on the quality of our assets, valued at 1.833 Bn. Euros.

The property business, which accounts for 77% of revenues and 80% of the group's assets, continued to prove its strength during 2016. Our excellent portfolio of buildings for rent generated revenues of 58.9 M Euros, with an occupancy of 94%.

In order to maintain the profitability of the rental business, with a current margin of 85%, we have implemented a proactive commercial policy, renegotiating contracts near their expiration. Additionally, we have continued to invest in building maintenance, and have reduced non-passed on expenses.

In the homebuilding business, we have increased the speed of the process of sale of our stock, with the delivery of 96 units. As a result, revenues from the development and land business have grown by 47%, up to 22 M Euros.

During these twelve months, the good prospects of the homebuilding business helped to finalize the preparations to begin three new residential promotions and to analyze

the viability of other future projects in areas where there is demand or product, such as Madrid, Barcelona or Palma de Mallorca. We have also continued urban management of land in different areas, expecting market conditions to allow prices to go up.

Overall, this has been an intense and fruitful year, and the future looks very promising. Currently, REALIA has a financial structure organized around its two business areas, and a team of professionals prepared to build the best real estate offering of the market to our customers.

I want to take advantage of the presentation of this Corporate Responsibility and Annual Report 2016 to be grateful for the realized effort to the employees and you, shareholders, for the trust you have deposited on our company all these years and your support today, when we have just started this new stage.

Many thanks to all,

Gerardo Kuri Kaufmann
CEO



REALIA TODAY





REALIA TODAY

MAIN FIGURES

FINANCIAL INDICATORS

PROFILE

BUSINESS MODEL

Main figures I



Main figures II

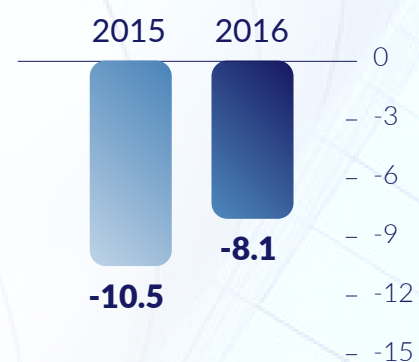
NUMBER AND LOCATION OF PROPERTIES



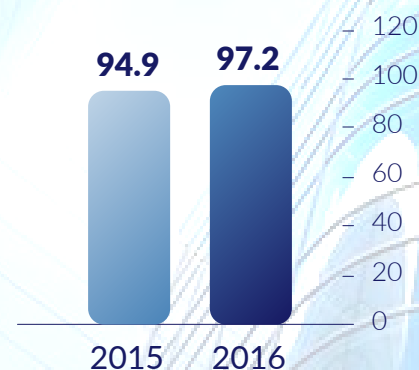
Figures at year-end.

Financial indicators I

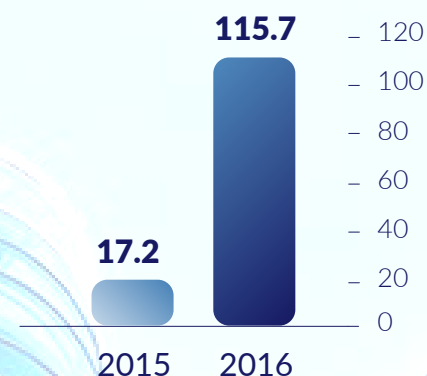
RECURRENT OVERHEAD
MILLION EUROS



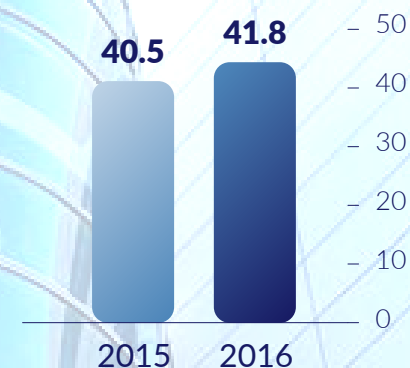
REVENUES
MILLION EUROS



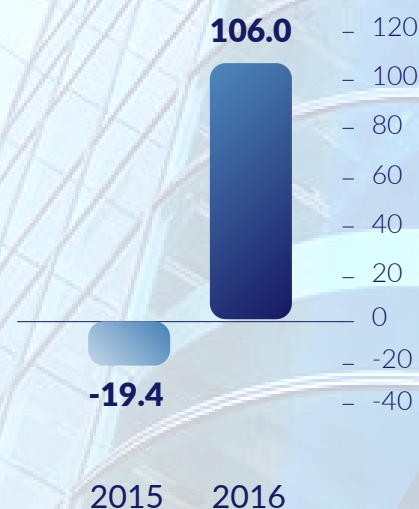
NET PROFIT
MILLION EUROS



EBITDA
MILLION EUROS

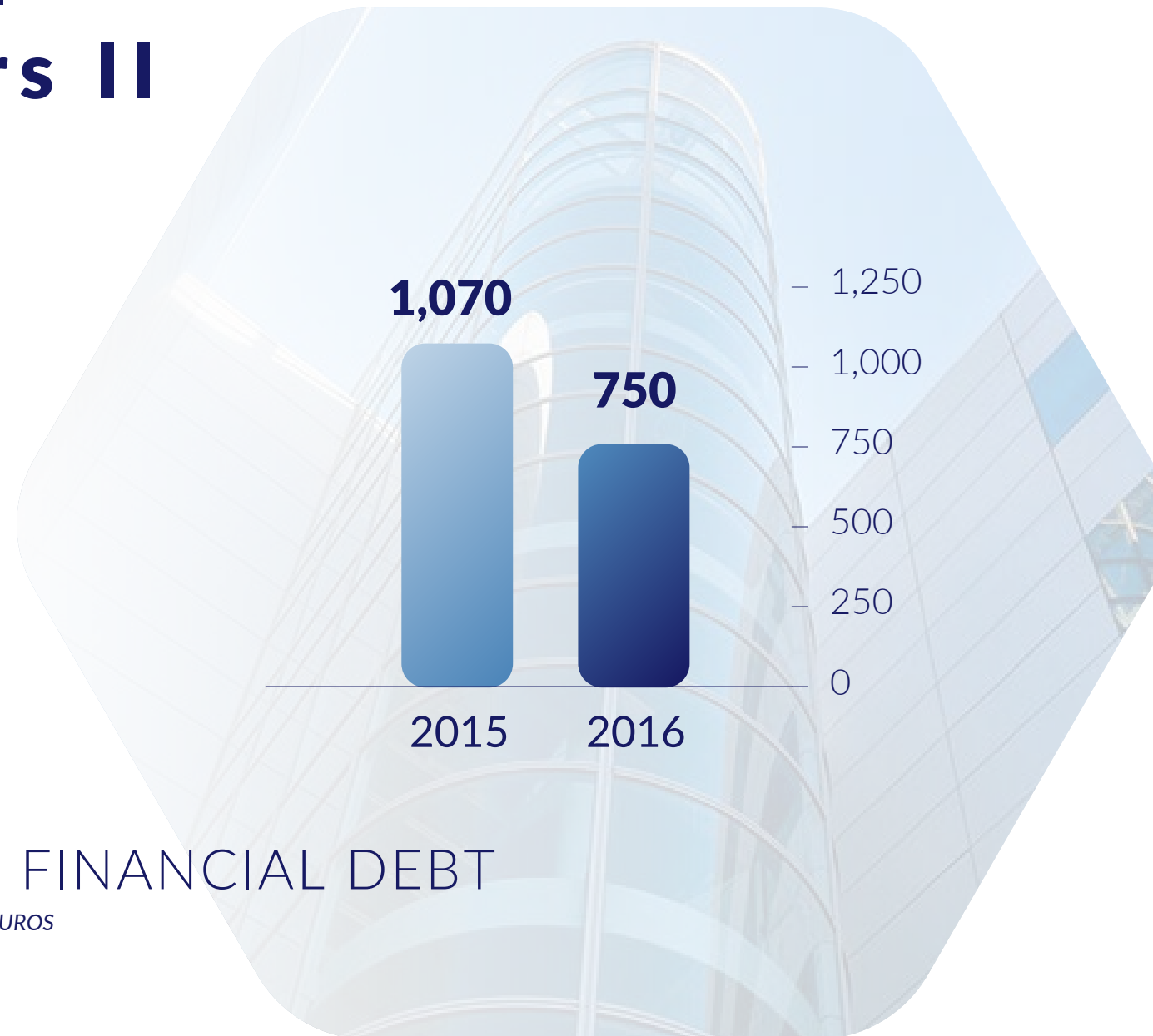


FINANCIAL RESULT
MILLION EUROS



Figures at year-end.

Financial indicators II



NET FINANCIAL DEBT

MILLION EUROS

Figures at year-end.



Profile I

MISSION

To offer quality real estate solutions to companies and individuals, in order to create shareholder value thanks to asset selection and efficient management, excellence in service, innovation linked to eco-efficiency and responsible management.

VALUES

TRANSPARENCY

Leadership in the sector, making management information available to shareholders.

DIALOGUE

Relations based on trust and mutual benefit with its stakeholders.

PROFESSIONALISM

Profound knowledge of the sector, generation of value for the company and customers.

GOOD GOVERNANCE

Top-level decisions are made to attain long-term sustainability of the business.

INNOVATION

Constant search for solutions that contribute added value to the company and to society.

VISION

REALIA aims to consolidate as a big company, a reference in the Spanish real estate market through the growth of the business of rental of high value-added buildings located in prime areas, constant renovation of its assets, stable relations with customers, adaptation of supply to demand, homebuilding projects, and cost containment.

Profile II*

(*) G4-17

REALIA IS DEDICATED TO THE DEVELOPMENT, MANAGEMENT AND OPERATION OF OFFICE BUILDINGS, SHOPPING CENTERS, HOMES AND LAND.

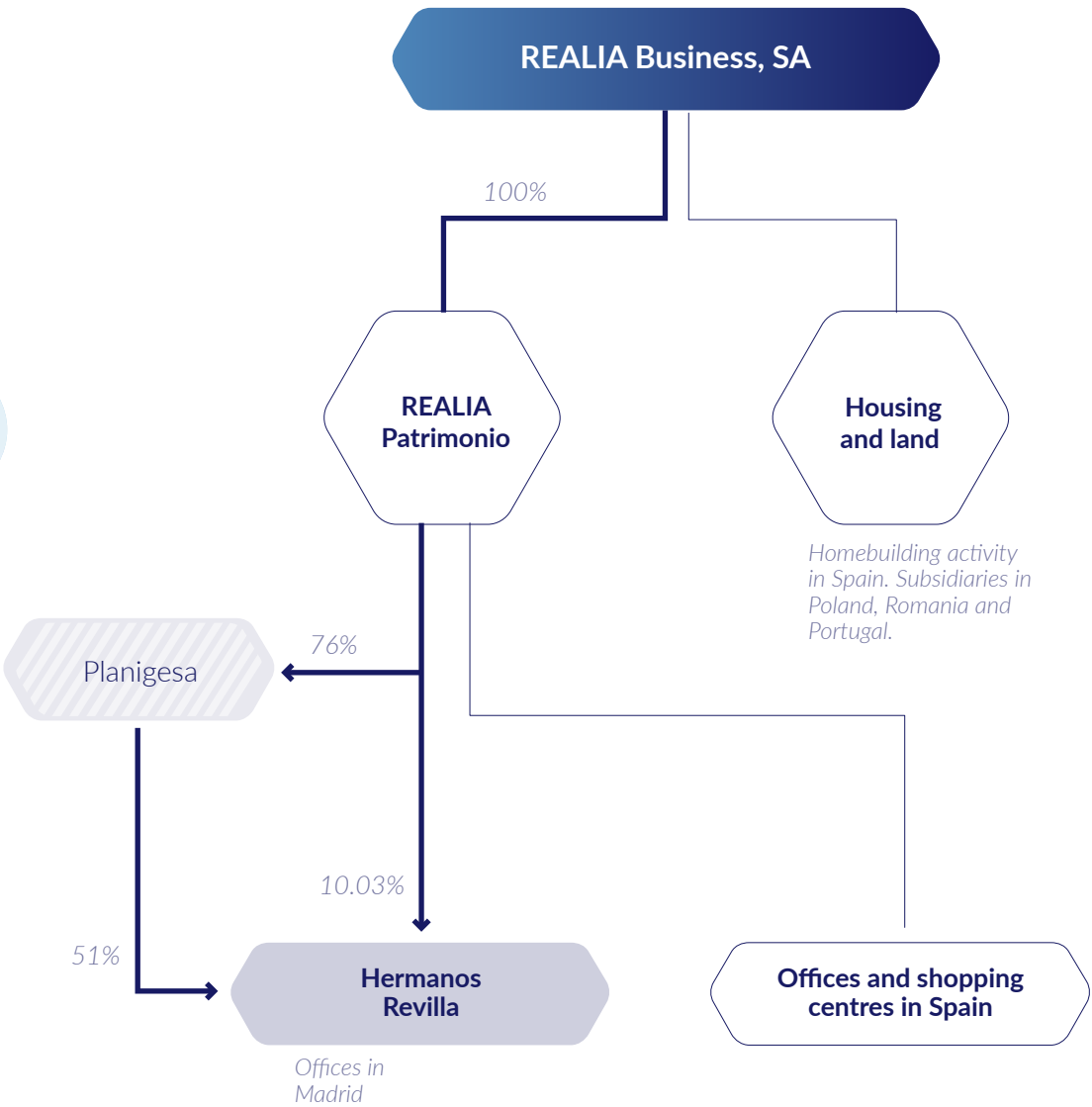
Property management business

It generates recurrent revenues through the rental and management of office buildings and shopping centres; it generates extraordinary revenues through asset rotation.

Homebuilding business

It generates revenues through the development and sale of real estate products, mainly housing, and land management.

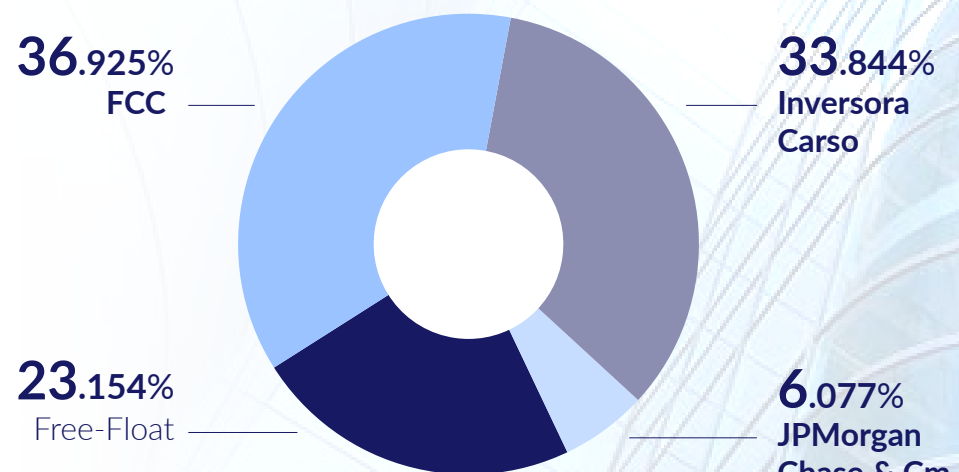
CORPORATE STRUCTURE (simplified diagram)



Profile III

SHAREHOLDING STRUCTURE AFTER CAPITAL INCREASE

IN PERCENTAGE



Figures at year-end.

CORPORATE INFORMATION

Name:
REALIA Business S.A.

Address:
Pº de la Castellana 216, 28046, Madrid

Phone:
91 353 44 00

Website:
www.realia.es

Share capital:
154,753,909 € (after capital increase)

No. of shares:
644,807,956 (after capital increase)

Nominal price:
0.24 €

Activity:
Property – Homebuilding

Markets:
Spain, others.

Profile IV

Timeline

REALIA Business, S.A. is established, the parent of the group, product of the merger of the real estate subsidiaries of FCC and Caja Madrid (currently Bankia).



2000

2006



The company takes over control of Société d'Investissement Cotée de Paris (SIIC de Paris), owner of buildings in prime districts of the French capital.

REALIA is floated in the Spanish Stock Market, after the spin-off of its property activity and the establishment of the subsidiary REALIA Patrimonio S.L.U.



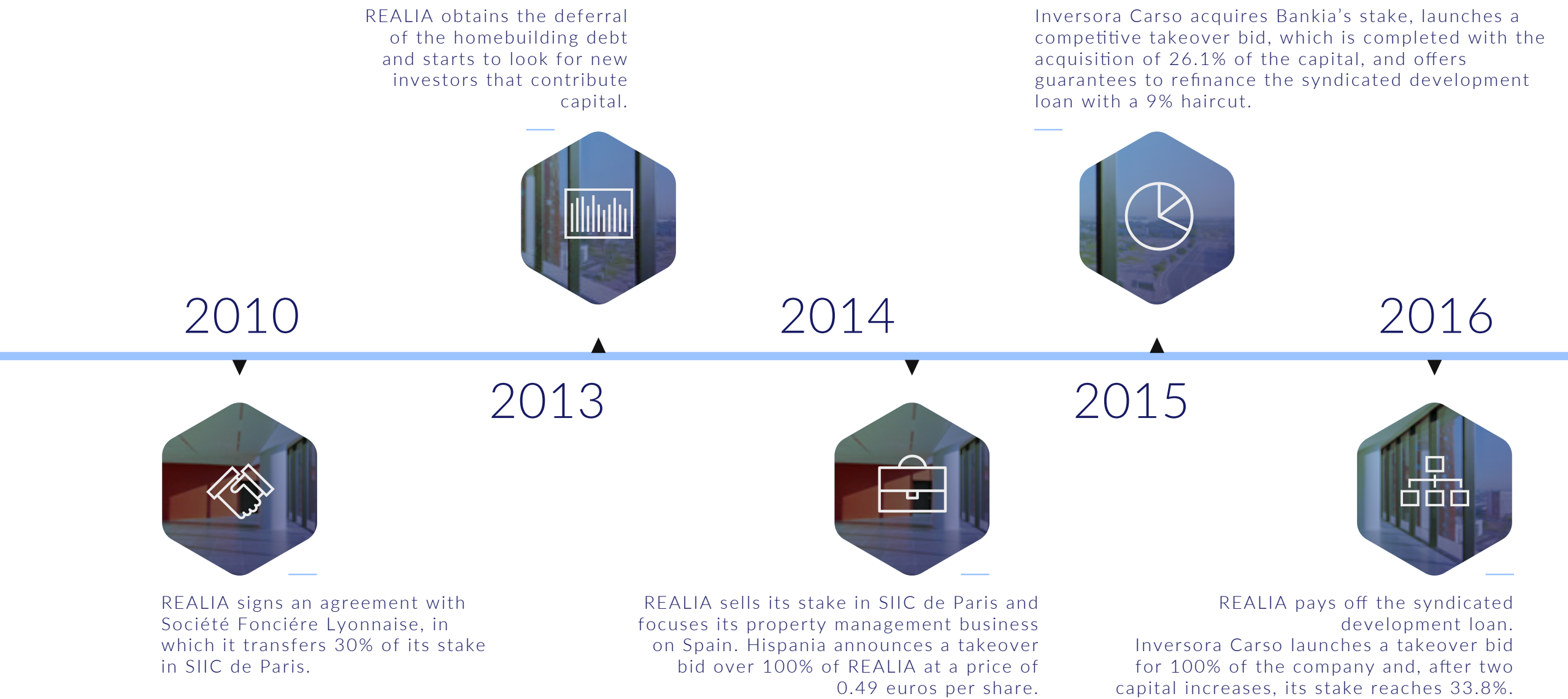
2007

2009



REALIA reaches an agreement to refinance its homebuilding debt for 1.001 Billion Euros. Additionally, FCC and Bankia take out a joint participating loan for 100 M.

Profile V





Business model

Stable relations with customers

Priority to long-term contracts with quality, notorious and solvent tenants rather than more profitable short-term agreements.

Excellence in services

Continued effort to meet the needs of tenants as a way to increase their loyalty and maintain occupancy.

Quality and location of buildings

High-quality landmark buildings in strategic locations

Innovation linked to sustainability

Attractive, efficient and innovative real estate solutions, which reduce energy expenses and maintenance costs.

A blurred background image of a modern office interior. Several people in business attire are visible, some standing and some walking. A large potted plant is on the right. The scene is brightly lit, suggesting a sunny day.

EVOLUTION OF THE COMPANY



EVOLUTION OF THE COMPANY

MILESTONES

ECONOMIC AND SECTORAL ENVIRONMENT

STRATEGY

RESULTS OF THE YEAR

Financial situation
Asset valuation

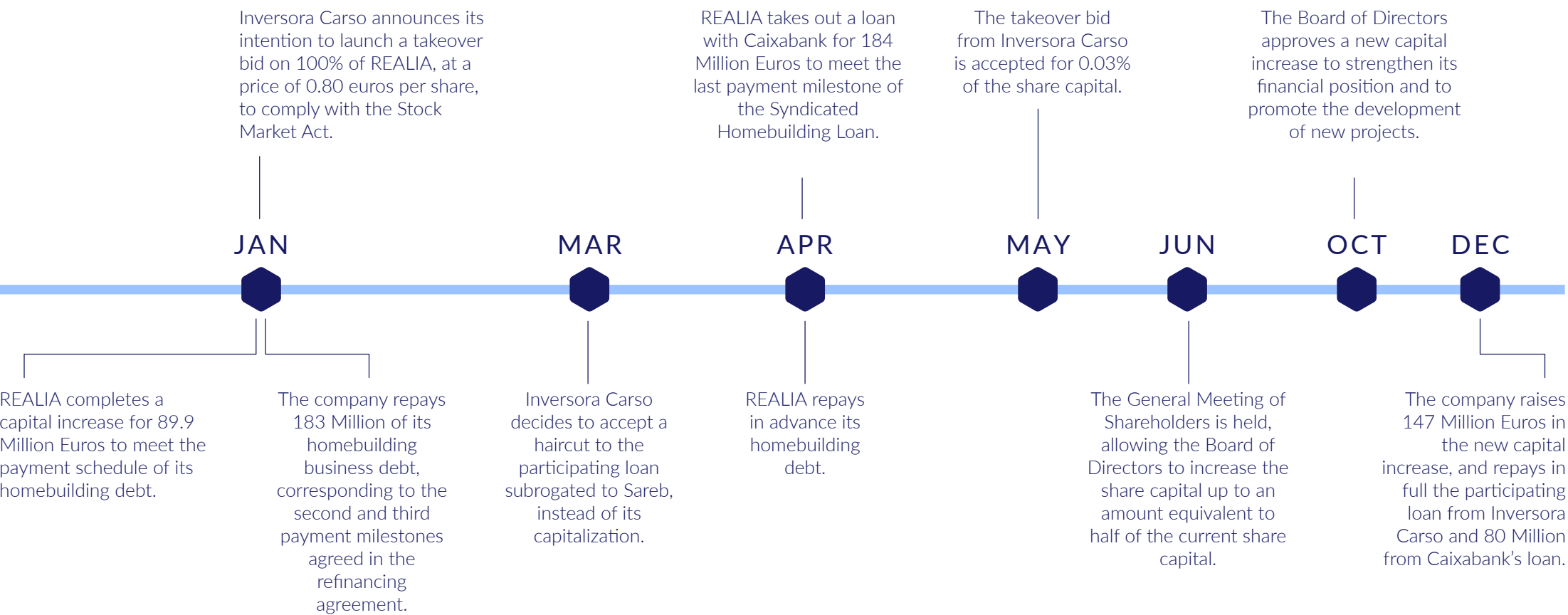
STOCK MARKET EVOLUTION

TABLES: EVOLUTION OF THE BUSINESS SINCE 2012

Milestones

REALIA has focused its efforts in strengthening its financial position to take on new projects in the future

MILESTONES



Economic and sectoral environment

The Spanish economy surpassed in 2016 the growth expectations from and international experts and bodies, with a 3.2% increase of its gross domestic product (GDP).

In this more dynamic framework, the property market continued its recovery: while investors continue to look for the profitability that they cannot obtain from other products in rental properties, the sale of housing grew by 13.6% and prices went up in the big capital cities.

GDP grew in 2016 for the third consecutive year, during which it recovered 80% of the growth lost due to the crisis in real terms. The dynamism of 2016 is favored by the fall in oil prices, the all-time low levels of interest rates, record tourism figures, the devaluation of the Euro versus the US Dollar, and the increase in public expenditure.

As in 2015, the Spanish real estate investment market has been in the radar of foreign investors due to the high profitability and the improved economic situation, whereas



Albasanz 12, Madrid

the REIT (Real Estate Investment Trusts) have continued to be crucial players in these operations. According to the consulting firm CBRE, real estate investment in Spain reached a record figure of 14,000 M Euros.

Housing continues to recover its pace. According to data from the National Institute of Statistics (INE), sales of homes have increased by 13.6% in 2016, the largest increase since 2007, and exceeded the mark of 400,000 transactions thanks to the boost from second hand homes and the recovery of prices by 5.7%, according to the College of Property Registrars.

In line with the greater construction activity, the sector grew by double digits in the number of transactions of urban land.

INVESTMENT MARKET

Real estate investments once again beat its 2016 record, with transactions amounting to a total of 14,000 M Euros.

The most active market was the office market, with more than 4,800 M invested in Spain, even though the rest of sectors have recorded strong growth. Shopping

centers and malls, in turn, continued to show signs of strength, with an investment on assets in operation of 2,000 M Euros.

In the PwC ranking of the most attractive European cities for investors, Madrid and Barcelona are ranked 9th and 16th. In these cities, where REALIA concentrates most of its rental assets, investors have maintained their interest in all of its different properties, from core buildings to value added buildings, and even opportunistic ones.

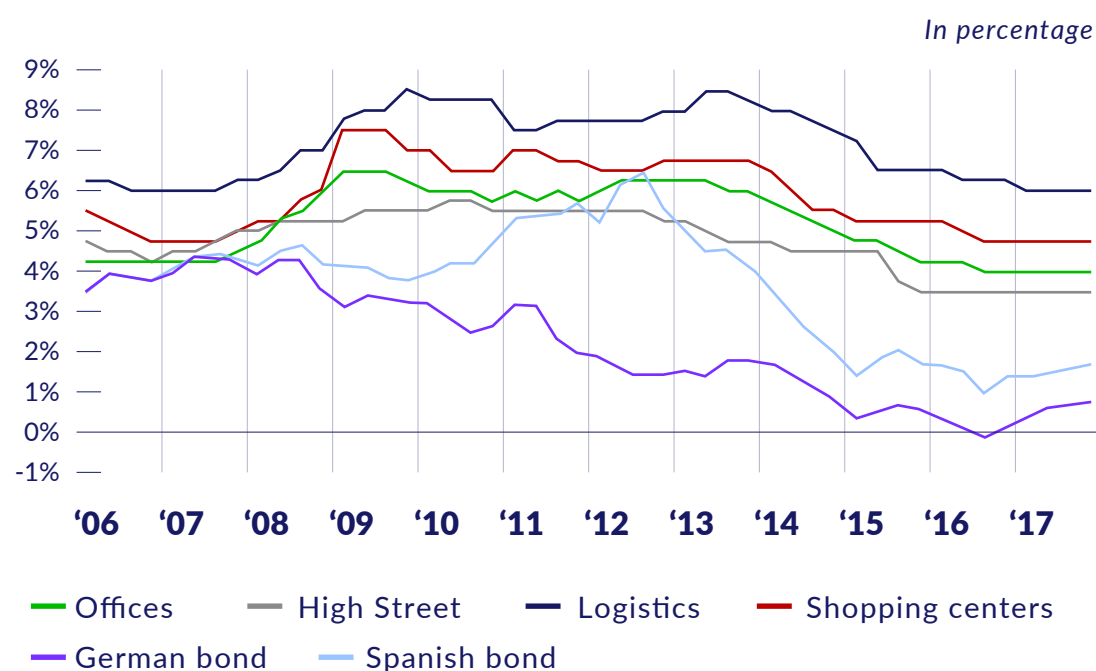
According to consulting firm Aguirre Newman, the volume of investment during this period in both cities reached 4,990 M Euros. 71 operations were carried out on 136 buildings, involving 1,423,000 sq. m.

Even though the REITs have generated 50% of the volume of investment in both cities, they only accounted for 16% of the operations. One of them, the purchase of Metrovacesa's property portfolio by Merlin Properties, accounts for 36% of the total volume of investment. Other types of clients, such as investment funds and private investors, have been very active.

The initial profitability rate of investments in Madrid and Barcelona offices has remained between 3.75% and 6.75%, depending on the quality, location and rental situation of the properties.

Experts predict that the investment activity will continue this trend during 2017, and the yields of prime assets will be maintained. According to CBRE, investors trust that the rents will continue their natural recovery cycle in 2017, something that has already happened in most European markets, but not quite yet in Spain.

THE INVESTMENT MARKET IN SPAIN



Source: CBRE, Oxford Economics

OFFICE RENTAL

Contracts for office space in Madrid and Barcelona have behaved quite positively, albeit with less dynamism than in 2015. Rents have continued their upward trend and the availability rate of offices has decreased in both markets.

■ Madrid

According to Aguirre Newman, contracts for office space decreased by 13.4% compared to 2015, with 561 operations on 496,108 sq. m., mainly due to the lower number of large operations. 78% of the transactions involved small surface areas.

The rate of unoccupied offices in the Spanish capital has decreased slightly, from 11.7% to 11.4%; the reduction is lower in the central district due to the rehabilitated buildings.

In turn, rents have increased by 6.9% in the last 12 months, and the average rent of the central business district (CBD) has gone up to 27.89 €/sq. m. /month.

■ Barcelona

Contracts in Barcelona have also registered high numbers, taking into account the historical series, even though demand decreased by 21% versus 2015. In prime areas, a number of large operations have taken place, such as the contract for 46,000 sq. m. by the Generalitat (Regional Government).

The office space stock in Barcelona has dropped by two points, down to 9.5% of the total office space, due to the lack of new developments and the positive evolution of contracts.

Regarding rents, average prices have grown by 6.1%, up to 16.80€/ sq. m. /month.

Rents are expected to continue their slow but constant upward trend in both cities, albeit with greater moderation in the demand for incentives to rent. A greater demand for space is expected from the establishment of new companies from the United Kingdom.



OFFICES AVAILABLE FOR RENT*

**Average price of rent in CBD*

	Surface area	Availability rate	Yields CBD	Average price CBD
	(million sq. m)	(%)	(%)	(€/sq. m./month)
Madrid	12,854,146	11.4	3.75	27.89
Barcelona	5,944,153	9.5	3.75	16.80

Source: Aguirre Newman

SHOPPING CENTERS RENTAL

Spain had 550 Shopping Centers and Malls in 2016, with a gross leasable surface area of 15.5 million sq. m., concentrated on 33,500 retailers, according to the Spanish Association of Shopping Centers and Malls.

In these twelve months, six new shopping centers have opened, with a surface area higher than 210,000 sq. m., creating 4,500 new jobs. They are located in Palma de Mallorca, Costa Adeje (Tenerife), Granada, San Pedro del Pinatar (Murcia), La Palma and Viladecans (Barcelona).

For the years 2017-2019, 27 new projects are expected to enter commercial operation, with an additional 1.3 million sq. m. of gross leasable area.

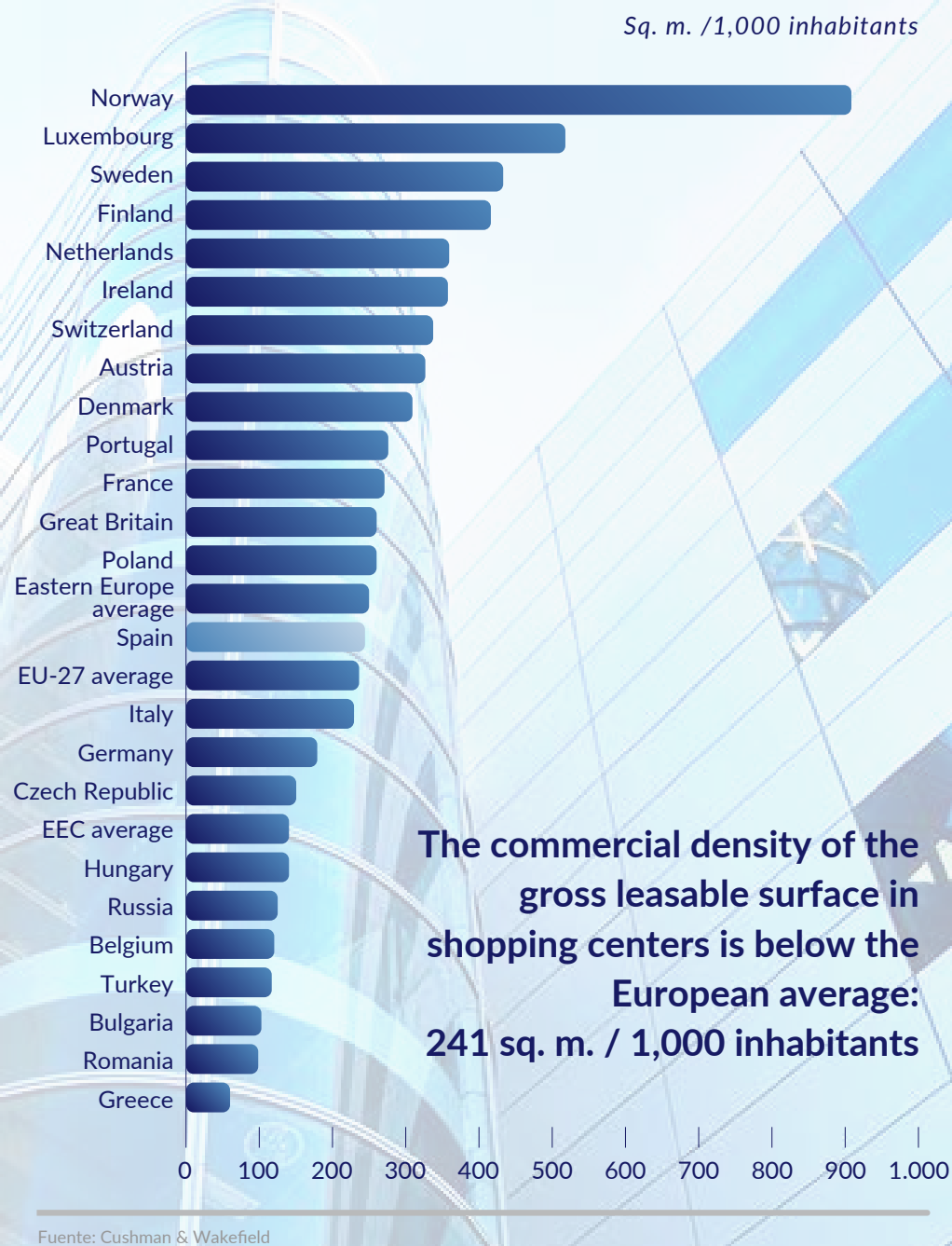
The positive prospects for shopping centers are based on the good results of sales in 2016, which grew by 3.6%, up to 42,464 Million Euros. The recovery of household consumption, macroeconomic improvements and the growing number of tourists explain this improvement.

The commercial density in Spain that Cushman & Wakefield estimate at 241 sq. m. for every 1,000 inhabitants reflects the potential for growth versus other developed economies, since it is below the average for Western Europe.

In the future, shopping centers will focus on finding differential factors. The so-called shopping resorts are cropping up in the market; apart from concentrating the retail offer, they provide a thematic leisure proposal for families.

Despite the advance of online shopping, Spanish consumers still prefer the brick and mortar stores - 66% of consumer visit these stores at least once a month, and 40% visit them a minimum of once a week, according to PwC - thus confirming the vitality of the sector.

RANKING OF DENSITY IN EUROPE





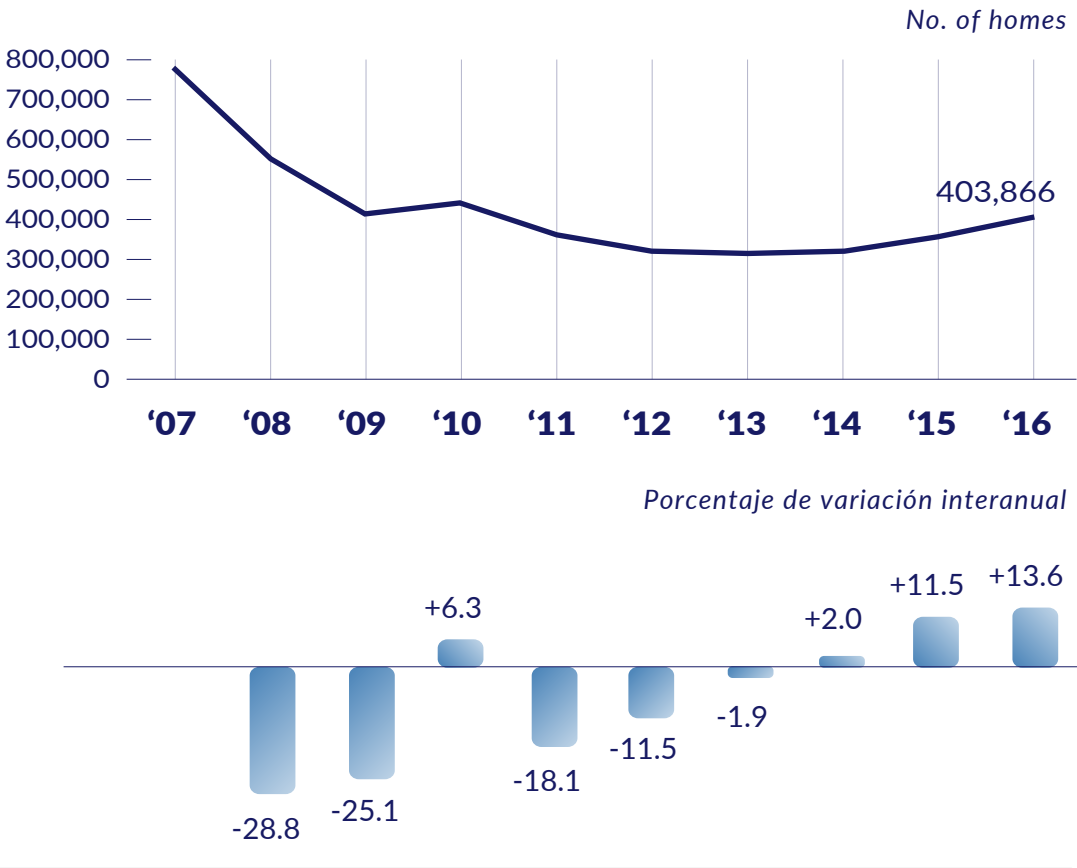
Homebuilding Market

In 2016, 403,866 home sale transactions took place, 13.6% more than in 2015, according to the National Institute of Statistics. This improvement, the second largest since the 11.5% improvement in 2015, confirms that the homebuilding market is picking up, even though the number of transactions is still very far from the figures before the crisis.

The increase in the sale of homes is explained by the 17.8% increase in the sale of second hand homes, up to 328,248. The sales of new homes decreased by 1.7%, down to 75,618, the lowest figure in the historical series.

Housing prices continued their moderate upward trend, with an increase of 5.7% in the year, according to the College of Registrars. Despite this improvement, housing prices have decreased by 25% compared to the highest figures of 2007, and increased by 13.2% with respect to the lowest figures of 2013.

Purchase – Sale of Housing



Source: National Institute of Statistics

Construction activity has grown for the third consecutive year. According to data from the Ministry of Public Works, approvals in 2016 went up to 64,038 units, 29% higher than in 2015, although still in all-time low figures.

Despite the improvement in the average sale figures and prices, the truth is that a selective recovery is taking place: whereas in the big cities and certain areas of the coast finished products are sold out, in other areas there is an excess of supply.

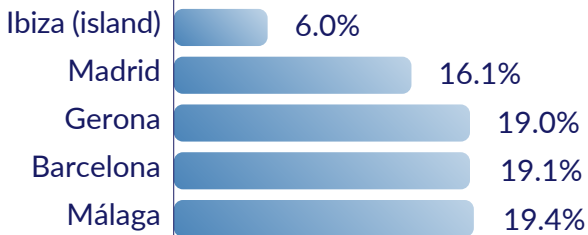
Spain has 340,000 new homes unoccupied, or 21.3% of the units built since 2008, versus 24.9% in the previous year, according to Tinsa. All the provinces have reduced their level of excess supply, although at different paces.

Experts predict that 90% of the stock will be sold over the next four years, thanks to the greater demand for housing, which will allow new developments to start in some areas and prices to recover. This greater demand will be combined with a gradual consolidation of developer financing.

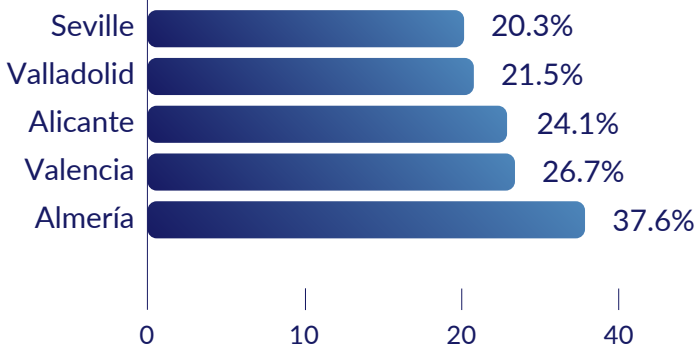
STOCK OF HOUSING IN THE PROVINCES WHERE REALIA OPERATES*

In percentage

THE LOWEST



THE HIGHEST



(*) Percentage of new unoccupied homes over homes built since 2008

Source: Tinsa

LAND MARKET

In 2016, 17,396 transactions of urban land took place, 11% more than in 2015, according to recent figures from the Ministry of Public Works.

The surface area sold accounted for 23.1 million square meters, 6% lower than in the previous year, for a value of 2,975.5 Million Euros, 15.1% more.

The average price for a square meter of land went up in the fourth quarter of 2016 by 13% inter-annually (fourth quarter of 2016/ fourth quarter of 2015), up to 171.7 Euros.

In towns of more than 50,000 inhabitants, the average price of the sq. m. remained constant inter-annually, at 300.8 Euros/sq. m.

The highest average prices in this segment were those of the provinces of Madrid (Community of Madrid) (470.1 Euros/ sq. m.), Barcelona (393.6 Euros/ sq. m.), and the Balearic Islands (338.9 Euros/ sq. m.). Among municipalities with more than 50,000 inhabitants, the lowest prices were those of the province of Avila (110.7 Euros/ sq. m.), Orense (112.7 Euros/ Sq. m.) and León (116.8 Euros/ sq. m.)

It is expected that in 2017, financing will open up for the purchase of ready for construction land on good locations and guaranteed demand.

“The number of urban land transactions grew 11% in 2016, up to 17,396 transactions



Torre REALIA, Barcelona

Strategy

REALIA established four priorities for 2016: to complete the restructuring of the financial debt, rationalization of expenses, growth of revenues and the increase of asset profitability of assets. All the actions carried out during the year seek to fulfil these four goals, strengthening first its financial position to optimize the profitability of the property business and resume the development activity.

REALIA focused its strategy on meeting its short and medium term financial feasibility to make it a company with stable recurrent revenues and balanced debt, to take on new projects in the future.

After having survived the bursting on the real estate bubble through the reinforcement of its property business with an ambitious investment program on prime assets, the company is now focusing its business in the optimization of the profitability of these assets and the revitalization of its residential homebuilding business and the resumption of its development activity, as soon as possible.

The first step in this direction is the urgent financial restructuring undertaken by REALIA based on three pillars: compliance with the agreement reached with the homebuilding business creditors, the improvement of its equity and the negotiation of a new contract to refinance the property area.





FINANCIAL RESTRUCTURING

Early in 2015, REALIA's financial debt was above 1 Billion Euros. Most of this banking liability was the result of two syndicated loans: the Syndicated Development Loan, maturing on 30 July 2015, and the Syndicated Property Loan, maturing on 27 April 2015. Therefore, the viability of the company was linked to the arrival of new capital that would take care of the hefty homebuilding debt.

The takeover of control of the share capital by the Mexican group Inversora Carso was a boost to the balance sheet of REALIA, which has reduced considerably its debt since then.

■ Meeting the payments of the homebuilding debt

With a new Board of Directors, and after the announcement last November of a capital increase in which Inversora Carso and FCC (in which the Mexican group has a stake also) will participate, REALIA reached a refinancing agreement in December 2015 with the creditors of the homebuilding debt (802.8 Million Euros), which included a 9% haircut and the establishment of a new repayment schedule.

On 11 December 2015, the first payment milestone was made for 365 Million, using own cash.

On 29 January 2016, REALIA made the second and third payments for a total of 183 Million (the latter was repaid ahead of schedule), using the funds from the capital increase concluded in January, which represented a payment of 88.9 Million Euros –and its own cash. At the same time, REALIA submitted to the creditors a bank guarantee issued by Caixabank for the amount corresponding to the fourth payment milestone.

Finally, on 7 April 2016, it repaid in advance the last milestone, for 184 Million, using the funds from a bilateral loan from Caixabank for 183.6 Million. At year-end 2016, REALIA had repaid 80 Million from that loan, with 103.6 Million still outstanding.

The advanced repayment of the Syndicated Development Loan brought about the maturity of the participating loan acquired by Inversora Carso from Sareb, with a haircut of 41 Million Euros. This 20.3 Million loan was repaid in December 2016 after the new capital increase of 147 Million Euros.



CC La Noria, Murcia

■ Improvement of equity

Two capital increases were made during the year, with the goal of meeting payment commitments and strengthen REALIA's financial muscle to take on new projects.

In January 2016, the capital increase announced in November for 89 Million Euros was completed, through the issuance of 153 million shares, with a share premium of 0.34 Euros per share. FCC and Inversora Carso participated on the capital increase and, besides the shares proportional to their equity holdings, took on the new remaining shares after the conclusion of the preferential subscription period.

A second capital increase took place in December 2016, through which REALIA raised 147.2 Million Euros with a share premium of 0.56 Euros per share.

Besides these capital increases, one of the factors that contributed the most to the increase of the equity in the financial statements during the last two years was the change in the valuation criterion of property assets. This change was one of the first decisions made by the new Board of Directors, after Inversora Carso become a shareholder.

Property assets are now recognized in the financial statements at their fair value and not at their acquisition cost, as was the case until 2014, due to the application of International Accounting Standard 40 (IAS 40), that allows choosing between both criteria.

Accordingly, the equity of the company amounted to 777 Million in 2016, versus 514 Million in 2015.

■ New financing of the property area

In parallel to the aforementioned financial restructuring operations, REALIA focused its efforts on the negotiation of a new financing for Property, since the former syndicated loan matured on 27 April 2017.

Even though REALIA repaid in advance 72.4 Million Euros in 2016, the balance as of 31 December amounted to 678.158 Million Euros.

At the date of preparation of this Annual Report, REALIA had paid off this debt after signing a new syndicated loan for 582 Million Euros, maturing in seven years at competitive market conditions.

OVERALL BUSINESS STRATEGY FOR 2016

The company keeps a clearly differentiated strategy in its two business areas. During the year, it has made everything in its power to optimize revenues and expenses of all its assets for rent, whereas in the residential homebuilding area, the efforts have focused on stock reduction, land management and the analysis of new developments to take on shortly.



Prim 19, Madrid

BUSINESS STRATEGY BY AREAS

Property management business

Renegotiation of contracts about to expire.

Sale of assets that have achieved a certain degree of maturation (Los Cubos building).

Adequate building maintenance.

Reduction of expenses not passed on to tenants.

Homebuilding business

Active sales management of all those products that allow for price recovery, due to their type and location.

Preservation of the value of investments through maintenance.

Analysis of the feasibility to take on up to three new development projects in areas where there is effective product demand.

Continuation of the urban management of land to favor the continuity of the developing activity in the future.

Source: REALIA

STRATEGIC PRIORITIES FOR 2017

REALIA has defined four strategic priorities for 2017:

- **Improvement and strengthening of its revenues;** to this end, it plans to start new developments in cities where demand is consistent and supply is very low or nonexistent, especially in areas of Madrid, Barcelona and others with similar market characteristics.
- **Improvement of margins** trough both rationalization and optimization of expenses and production costs, and the recovery of prices.
- **Financial consolidation of its subsidiary REALIA Patrimonio,** providing it with a new long-term financial structure to replace the current one.
- **Possibility of asset rotation and/or acquisition of new assets,** according to the offerings of the market and the opportunities offered, with the goals of improving the profit and loss account and the creation of value for the group.

Results of the year

REALIA obtained a net profit of 115.7 Million Euros in 2016, nearly seven times as much as in 2015, a year that will be remembered for the settlement of the syndicated homebuilding loan. The excellent evolution of the accounts reflects the haircuts applied to that loan and the positive of property investments. Excluding these extraordinary impacts and the provisions, net recurring profit accounted for 41.48 Million Euros, versus 7.59 Million the previous year.


Torre REALIA, Madrid

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Millions of Euros

	2016	2015	Variation (%)
Total operating revenues	97.2	94.9	2
Rents	58.9	62.0	-5
Provision for expenses	15.6	15.8	-1
Sale of property (result)	0.4	0.1	267
Developments	19.0	13.1	45
Land	1.1	0.1	777
Other revenues (development and property)	2.1	3.8	-44
Gross margin	50.2	52.2	-4
Rents	51.0	55.9	-9
Developments	-0.8	3.7	78
Structural costs	-8.1	-10.5	23
Other expenses	-0.4	-1.2	72
EBITDA	41.8	40.5	3
Amortizations	-0.4	-0.5	16
Provisions	-49.7	-11.6	-329
EBIT	-8.4	28.4	-129
Result of valuation of property invest. at fair value	49.2	26.8	84
Net financial result	106.0	-19.4	646
Equity method	-1.1	3.3	-132
Profit/loss before taxes	145.8	39.0	274
Taxes	-15.7	-13.0	-21
Profit after taxes	130.1	26.1	399
External partners	14.4	8.8	63
Net attributable result	115.7	17.2	572
Recurrent net attributable result	41.48	7.59	446

Source: REALIA

REALIA's accounts have recorded profits for the second year in a row after three years of losses, with a net positive balance of 115.7 Million Euros, way above the 17.2 Million Euros of 2015.

This strong improvement is explained through a series of extraordinary events, the most relevant of which are the application of haircuts to the syndicated homebuilding loan and the loan acquired by Inversora Carso from Sareb in 2015.

The reduction of the debt is added to the positive result of the valuation of property investments, 49.2 Million Euros against 26.8 Million the previous year.

The impact of these haircuts (113 Million Euros) and the lower cost of debt improved financial results up to 106 Million Euros, versus the 19.4 Million Euros in losses of 2015.

EVOLUTION OF THE BUSINESS

Besides these extraordinary events, REALIA's business continued to grow during the year.

Revenues went up to 97.2 Million Euros, 2.4% more than the previous year. This growth is due to the 45.1% increase on residential home sales, up to 19 Million Euros, in contrast with the decrease in rent revenues of 5%, down to 58.9 Million due to the vacancy of the Los Cubos building, currently for sale.

Even though rent revenues have fallen in absolute terms, in like for like terms there is a slight recovery of both the occupancy rate, 94% at year-end, and rents, which have grown by 2%.

In turn, the homebuilding business has recorded a stronger pace in home deliveries, up to 96 units, whereas the stock of land has remained unchanged.

Despite the drop in margins of the property business and thanks to the revenues from the homebuilding business and the reduction in costs, the operation profit (EBITDA) of the group amounted to 41.8 Million Euros, 3.3% higher than in 2015.

SUMMARY OF OPERATIONAL DATA

Property Area	2016	2015	Variation (%)
Leasable surface area (sq. m.)	405,359	400,574	1.2
Occupancy (%)	94.0	91.5	2.7
Development Area	2016	2015	Variation (%)
Units delivered (homes + commercial premises + offices + land plots)			
Millions of Euros	19.0	13.1	45.1
Units	96	71	35.2
Land	2016	2015	Variation (%)
Consolidated land reserve (buildable sq.m.)	1,852,040	1,868,677	-0.9
Employees	2016	2015	Variation (%)
No. of employees	95	98	-3.1

Source: REALIA



Musgo 3, Madrid

INCREASED PROVISIONS

EBIT, however, has recorded a negative result of 8.4 Million Euros due to the increase in provisions, which went up to 49.7 Million as a consequence of the land valuation adjustment, the adjustments in the stock of residential finished product due to the reduction of stock and the realization that it was impossible to collect a debt related to the sale of a plot of land.

Thanks to the improvement of financial results and the property investments mentioned above, profit before tax reached 145.8 Million in 2016, versus 39 Million in 2015.

Following the criterion of accounting prudence, REALIA has not recognized tax credits for 80 Million Euros.

Discounting the effect of the debt haircuts, the variation in valuation of the fixed assets and provisions, attributed net recurrent profit amounted to 41.48 Million Euros, versus 7.59 Million the previous year.

BALANCE SHEET

REALIA's balance sheet shows total assets of 2,059 Million Euros.

On the liability side, the most relevant aspect is the increase in equity, from 514 Million Euros in 2015 to 777 Million Euros in 2016.

CONSOLIDATED BALANCE SHEET

Millions of Euros

ASSETS	2016	2015	LIABILITIES	2016	2015
Property, plant and equipment	5	5	Attributable equity	777	514
Property investments	1,356	1,354	Minorities	232	228
Inventories	315	376			
Accounts receivable	12	108	Debt with credit institutions	851	1,220
Cash and cash equivalents	101	184	Trade and other payables	21	22
Other assets	269	216	Other liabilities	178	261
Total assets	2,059	2,245	Total liabilities	2,059	2,245

Source: REALIA

Financial situation

2016 was the year of completion of the restructuring of the homebuilding debt. The company has paid off the Syndicated Development Loan –750 Million Euros at year-end 2015–, repay the 20.4 Million Euros of the participating loan acquired by Inversora Carso from Sareb, and amortize 80 Million Euros of the development loan.

Thanks to these operations and the rest of the amortizations made, gross financial debt has been reduced by 403 Million Euros, 32% less than the previous year, down to 851 Million Euros.

The improvement of the financial situation is also due to the fall in the average weighed rate of the banking debt, which went down to 0.54% at 31 December 2016, from 0.98% in 2015.

At year-end, the group had cash and cash equivalents for 101 Million Euros, thus reducing the net financial debt with banks and similar institutions down to 750 Million Euros, 320 Million less than in 2015 (-29.9%).

Due to the application of haircuts to the Syndicated Development Loan and the lower amount and cost of debt, net financial result reached 106 Million in 2016 (113.6 Million from haircuts and 0.5 Million from financial revenues, minus 8.2 Million in expenses).

REALIA's debt at year-end could be divided into two main areas, depending on the related business:

PROPERTY BUSINESS DEBT

This debt is mainly the result of the Syndicated Property Loan signed in 2007 for a maximum amount of 1,087 Million Euros, which amounted to 678 Million Euros (excluding expenses) at the end of 2016.

In view of the imminent maturity of the loan, on 27 April 2017, the company negotiated a new financing structure.

On 29 January 70 Million were repaid, and applied to the loan installments, and the company was exempt from making ordinary repayments until the date of maturity.

FINANCIAL STRUCTURE

	REALIA Patrimonio		REALIA Business		Millions of Euros	
	Property	Developments and land	2016	2015	Variation (%)	
Syndicated	678	0	678	1,188	-42.9	
Other loans	65	109	174	68	156.6	
Interest	0	0	0	0	-100.0	
Arrangement costs	-1	0	-1	-3	60.0	
Total Debt	742	109	851	1,254	-32.1	
Cash	44	57	101	184	-45.1	
NET DEBT	698	52	750	1,070	-29.9	

Source: REALIA

During the life of the contract, a number of ratios had to be met, related to debt service coverage and net indebtedness levels as ratio of the GAV of property assets at year-end. At year-end 2016, the company met all the covenants established in the loan contract.

HOMEBUILDING DEBT

Currently, there is only one loan in force, the loan signed with Caixabank on 6 April 2016 for an initial amount of 183.6 Million Euros that REALIA applied for to face the last payment of the Syndicated Development Loan. At year-end, the principal pending amortization amounted to 103.6 Million Euros, after the repayment of 80 Million Euros.

During the year, the Syndicated Development Loan has been repaid in full. This loan was initially taken for 1,001 Million Euros, and was renewed a number of times, the last of them on December 2015 on an outstanding debt of 802.8 Million. In this agreement, guaranteed by Inversora Carso, the maturity date was moved forward to 30 May 2016, a haircut of 9% was applied to the existing debt, and four payment milestones were established between December 2015 and May 2016.

After making the first payment in December 2015, the company carried out a capital increase to face the second and third payments, and submitted to the financing entities a bank guarantee issued by Caixabank and underwritten by Inversora Carso for the amount corresponding to the fourth payment milestone. Finally, on 7 April, ahead of schedule, the company made the last payment of the syndicated loan with the funds obtained through a loan from Caixabank.

In December 2016, the company repaid the participating loan that Inversora Carso had acquired from Sareb for 20.4 Million Euros, to which a haircut of 41.2 Million Euros had been applied.



In order to cancel the loan from Inversora Carso and repay 80 Million Euros from the loan from Caixabank, REALIA used the funds from a second capital increase, which raised 147.2 Million Euros.

FORECAST FOR 2017

The cash flow projections for 2017 of the consolidated group –prepared on the basis of recurrent business, dividends and other collections from services to companies of the group, excluding extraordinary land or asset sales– show a collection forecast of 205.4

Million Euros which, together with payment forecasts of 162.4 Million Euros, produce a positive net cash flow of 43.0 Million Euros, which will be dedicated partially to the repayment of the debt, together with the current cash position.



“Gross financial debt has been reduced by 403 Million Euros, 32% less than in 2015



María de Molina 40, Madrid

Asset valuation

REALIA's property assets have a market value of 1,833 Million Euros at year-end 2016, 1.3% lower than the previous year in absolute terms due to the adjustments in the value of land and the reduction of the housing stock. Discounting the effects of the sales of completed product, asset valuation is 0.3% lower than in 2015.

Out of the total value of assets, 80% corresponds to the rental business, and the remaining 20% to residential developments and land.

Property assets amount to 1,468.7 Million Euros, 4.2% higher than in 2015. Rental assets gained 4.4% in value, whereas the value of tertiary land remained stable.

This revalorization of rental assets is the result of the current investment trend in the property sector, which has increased the demand for prime offices and shopping centers, and has resulted in a high figure of property sales.

ASSET VALUATION (GAV)

Millions of Euros

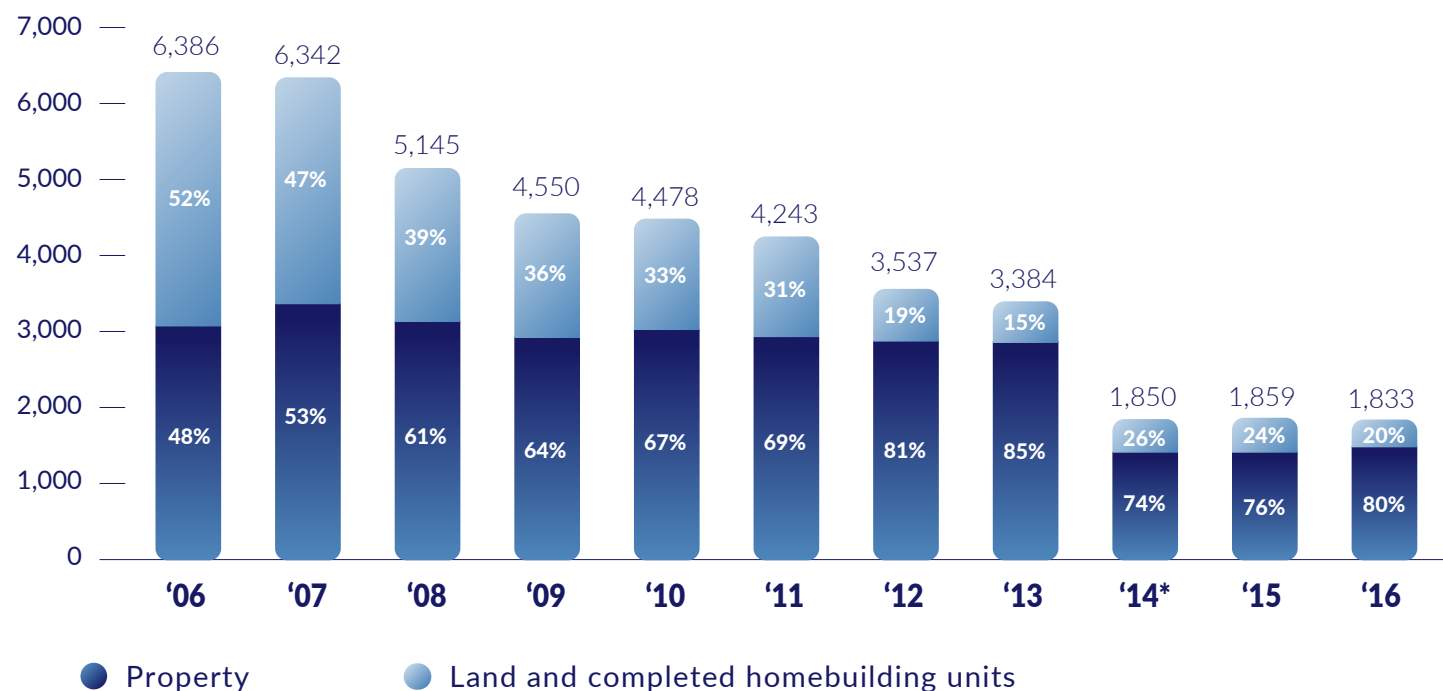
	DEC 2016	1S 2016	DEC 2015	Inter-annual var. (%)
Rental assets	1,412.6	1,367.6	1,353.3	4.4
Tertiary land	56.1	56.1	56.1	0.0
Total property assets	1,468.7	1,423.7	1,409.4	4.2
Completed homes	77.0	89.0	99.3	-22.5
Homebuilding land and others ¹	287.4	349.3	350.0	-17.9
Total homebuilding assets	364.3	438.3	449.3	-18.9
TOTAL ASSETS	1,833.0	1,861.9	1,858.7	-1.4

(1) Including the Hato Verde Golf Course

Source: REALIA

ASSET EVOLUTION (GAV) BY BUSINESS AREA

Millions of Euros and percentage



(*) After the sale of SIIC de Paris

Source: REALIA

In turn, the value of assets related to housing developments and land amounted to 364.3 Million Euros, 18.9% lower than the previous year. This drop is the result of the 22.5% decrease (3% in like for like terms) of the value of completed housing due to the reduction in stock and the 17.9% adjustment on residential land.

Two independent experts are in charge of asset valuation. On one hand, CBRE (CB Richard Ellis) values the rental asset portfolio of REALIA Patrimonio at market prices; on the other hand, Tinsa values REALIA Business' asset portfolio using the ECO valuation method. This method is characterized by a criterion of prudence in the different valuation methods, so that non-sectorized land are valued as rural land.

NET NET ASSET VALUE

REALIA's net net asset value after taxes (NNAV) de REALIA amounted to 805 Million Euros, 45.8% higher.

Since two capital increases took place in 2016, and the number of shares, excluding treasury shares, amounted to 644.2 Million, NNAV per share reached 1.25 euros, 4% higher than in December 2015.

The difference between the share price and NNAV has been shrinking in recent years. Thus, at year-end, REALIA's share price was 0.86 Euros, with a 31% discount over NNAV, against 37% in 2015 and 65% in 2014.

The difference between the GAV of assets, excluding minorities, and their recognized value, produced in 2016 net unrealized gains for 339 Million Euros (excluding minorities and taxes).

Stock Market evolution

REALIA's share price has gained 15.08% in value during 2016, and ended the year at a price of 0.86 Euros per share, which translates into a stock market capitalization of 396.2 Million Euros at year-end (excluding the last capital increase).

EVOLUTION OF SHARE PRICE IN 2016



Stock Market data 2016

Price at year-end (€/share)

0.86

Market capitalization at year-end (€)

396,246,202

Maximum price during the year (€/share)

1.15

Minimum price during the year (€/share)

0.63

Average price during the year (€/share)

0.90

Average daily traded volume (€)

288,351

Average daily traded volume (shares)

319,307

Source: REALIA

The positive evolution of the share price is in contrast with the 2.01% drop in the exclusive IBEX35 Index, which has recorded its second consecutive annual decline, and with the marked decrease of the European real estate companies' index, EPRA, which fell by 7.7%

However, REALIA's share price has not been free from oscillations, as a response to the decisions made to optimize its financial structure. Thus, after meeting the repayment milestones, share price has remained above one Euro for more than a month, and revalued nearly 50% since the beginning of the year. On the contrary, the authorization of Inversora Carso's takeover bid over 100% of the capital in May caused share price to drop by 20% on that date, whereas the announcement of a second capital increase in October resulted in a 10% drop, due to the discount price offered.

Despite this, average share price during the period was 0.90 Euros, way above the 0.66 Euros recorded in 2015, while the average traded volume amounted to 319,307 shares, with a daily average traded volume of 288,351 Euros.

CAPITAL INCREASES AND TAKEOVER BID

Throughout the year, REALIA completed two capital increases to face the payments of its homebuilding debt, strengthen its balance sheet and resume its development activity.

At the beginning of 2016, REALIA was undergoing a capital increase with preferential subscription rights to meet the second payment milestone agreed on the novation of the Syndicated Development Loan. This operation, fully subscribed and paid up, put in circulation 153,380,466 shares for an amount of 88.9 Million Euros and a share premium of 0.34 Euros per share.

FCC and Inversora Carso participated in the capital increase and, apart from the shares proportional to their capital holdings, took on the new shares remaining after the conclusion of the preferential subscription period.

As a result of this operation and the earlier acquisition of shares, the stake of Inversora Carso exceeded 30% of the capital, and it was obliged to submit a takeover bid for 100% of REALIA's shares, at a price of 0.80 Euros per share, in order to comply with Royal Decree 1066/2007 of the stock market. After the conclusion of the subscription period on 19 May, the percentage of acceptance accounted for 0.03% of the share capital.

In October 2016, the Board of Directors approved a new capital increase for 147.2 Million Euros (0.80 Euros/share), which put in circulation 184,056,558 new shares with a share



Serrano 21, Madrid

premium of 0.56 Euros per share. That capital Increase was fully subscribed and paid up in December, even though the new shares will start trading in January 2017.

Tables: Evolution of the business since 2012

2016 RESULTS

Millions of Euros

	2016	2015	2014**	2013*	2012
Total revenues	97.1	94.9	115.4	111.3	217.0
Revenues	79.8	76.0	97.6	93.3	175.8
Revenues from sale of assets	0.4	0.1	0.0	0.7	6.6
Other revenues	16.9	18.8	17.8	17.3	34.6
Total Ebitda	41.8	40.5	30.9	40.4	124.1
Ebitda from developments and land	-4.6	-10.9	-19.2	-11.2	-5.3
Ebitda from rents	46.4	51.7	50.5	51.4	123.1
Ebitda from services and others	-0.4	-0.4	-0.4	-0.5	-0.3
Ebitda from the sale of assets	0.4	0.1	0.0	0.7	6.6
Amortizations and provisions	-50.1	-12.1	4.8	-64.4	304.3
Net financial result	106	-19.4	-39.7	-2.3	84.2
Other results	48.1	30.0	2.1	-0.9	-93.6
Profit before taxes	145.8	39.0	-1.9	-27.2	-358.0
Taxes	-15.7	-13.0	-2.4	-0.8	34.6
Result of discontinued activities	0	0.0	-107.6	6.8	-
Profit after taxes	130.1	26.0	-111.9	-21.2	-323.4
Minority shareholders	-14.4	-8.8	34.4	-29.8	4.2
Attributable net profit	115.7	17.2	-77.5	-51.0	-319.2

(*) Figures restated after the sale of SIIC de Paris and adaptation to new International Accounting Standards (IAS)

(**) Figures restated according to the change in criterion in asset valuation due to the application of IAS 40 at their "fair value"

Source: REALIA

RESULTS OF THE PROPERTY MANAGEMENT BUSINESS



Millions of Euros

	2016	2015	2014**	2013*	2012
REVENUES	75.2	80.0	79.4	81.1	181
Rent revenues	58.9	62.0	61.9	64.5	145.9
Revenues from passed-on expenses	15.6	15.8	16.7	15.4	27.1
Sale of assets (result)	0.4	0.1	0.0	0.7	6.6
Other revenues	0.3	2.1	0.8	0.5	1.4
Passed-on costs and other expenses	23.1	28.2	28.9	29	51.3
Ebitda Property	46.8	51.8	50.5	52.1	129.7
Ebitda from rents	46.4	51.7	50.5	51.4	123.1
Sale of assets	0.4	0.1	0.0	0.7	6.6
Rents margin	78.8%	83.4%	81.6%	79.7%	84.4%

(*) Figures restated after the sale of SIIC de Paris and adaptation to new International Accounting Standards (IAS)

(**) Figures restated according to the change in criterion in asset valuation due to the application of IAS 40 at their "fair value"

Source: REALIA



MANAGEMENT INFORMATION:
PROPERTY BUSINESS



Millions of Euros

	2016	2015	2014	2013*	2012
Surface area in operation by type (sq. m.)	405,359	400,574	418,856	413,795	573,834
Offices	226,721	226,191	244,492	239,792	398,309
Shopping centers	135,381	135,338	135,319	128,674	132,296
Logistics, recreation and other	43,257	39,045	39,045	45,329	45,329
Parking spaces	10,102	10,102	10,435	10,484	12,504
Occupancy (%)	94%	91.5%	90.5%	91%	91%
Average rent (€/sq. m. / month)	16.3	16.2	16.9	17.9	22.8

(*) Figures restated after the sale of SIIC de Paris and Setecampcos

Source: REALIA

RESULTS OF THE HOMEBUILDING BUSINESS



Millions of Euros

	2016	2015	2014*	2013	2012
Total revenues	21.2	14.2	35.3	28.9	36.0
Revenues from developments	20.1	14.1	27.6	25.5	32.2
Revenues from land	1.1	0.1	7.7	3.4	3.8
Cost of developments	24.8	24.9	42.0	37.7	39.0
Cost of land	1.0	0.1	12.5	2.4	2.3
Ebitda from developments and land	-4.6	-10.8	-19.2	-11.2	-5.3
Ebitda from developments	-4.7	-10.9	-14.4	-12.2	-6.8
Ebitda from land	0.1	0	-4.8	1.0	1.5
Sales margin from developments	-23.4%	-77.3%	-52.2%	-47.8%	-21.1%
Sales committed	19.7	12.6	32.0	20.2	27.7

(*) Figures restated according to the change in criterion in asset valuation as a result of the application of IAS 40 at their "fair value"

Source: REALIA



MANAGEMENT INFORMATION: HOMEBUILDING BUSINESS

	2016	2015	2014	2013	2012
Units delivered					
No. of housing units	96	71	152	131	148
Revenues (Bn. €)	19	13.1	27.4	24.3	24.8
Average price (€)	197,142	184,507	180,924	185,496	168,441
Average price (€/ sq. m.)	2,064	1,553	1,642	1,805	1,845
Units delivered by Autonomous Community					
Madrid	57	32	51	33	47
Catalonia	12	10	33	17	22
Castilla y León	-	-	13	8	12
Andalusia	8	17	21	18	10
Balearic Islands	-	-	15	5	8
Community of Valencia	15	11	3	12	30
Canaries	-	-	8	6	3
International	4	1	8	32	16

Source: REALIA



MANAGEMENT INFORMATION:
LAND



Sq. m.

	2016	2015	2014	2013	2012
Surface area (sq. m.)					
Land reserve	1,852,040	1,868,677	1,875,586	1,945,608	3,159,498
Distribution by Autonomous Community (sq.m.)					
Andalusia	677,142	669,977	676,907	676,852	1,541,943
Aragón	139,039	154,508	154,508	152,405	154,170
Balearic Islands	9,559	9,559	9,559	9,559	12,059
C. of Valencia	99,074	99,074	98,885	98,885	98,609
Canaries	4,965	18,541	18,541	18,531	18,541
Castilla-La Mancha	222,886	222,886	222,886	222,886	506,902
Castilla y León	64,451	63,323	63,323	63,323	63,636
Catalonia	81,226	93,034	93,190	92,584	96,483
Galicia	47,538	6,184	6,184	6,184	6,184
International	10,912	10,912	10,912	25,182	75,182
Madrid	453,650	479,081	479,093	487,619	544,192
Murcia	41,598	41,598	41,598	41,598	41,598

Source: REALIA



BUSINESS LINES



BUSINESS LINES

PROPERTY

Assets
Strategy
Results
Financial situation

HOMEBUILDING

Assets
Strategy
Results
Financial situation

Property

REALIA holds a valuable property asset portfolio, which in 2016 revalued again up to 1,468.7 Million Euros, and generated rent revenues of 63.7 Million Euros* with a margin of 85%, thanks to the high occupancy of buildings, 94%.

REALIA's property activity is dedicated to the rental, management and development of its properties, mainly offices and shopping centers.

This business, controlled by the company REALIA Patrimonio, concentrates 80% of the value of the assets and generates 77% of its revenues.

REALIA Patrimonio is the owner of a high number of buildings in prime areas of Madrid, Barcelona and Seville. Furthermore, it holds stakes in other property companies such as Hermanos Revilla.

Since 2006, the company has focused its efforts on the creation of value in the property area, where its extraordinary property portfolio gives it an outstanding position.

(*) Operating business data (As Cancelas is calculated at 50%)



“ REALIA's property business concentrates 80% of the value of the assets and generates 77% of its revenues



Musgo 3, Madrid

Assets

REALIA owns 41 property assets with a total surface of 423,683 Sq. m. at year-end 2016. These are high quality buildings in strategic locations in Madrid, even though it also holds assets for rent in seven other Spanish cities, including Barcelona. The group also owns a land reserve of 127,977 sq. m.

All these buildings are in commercial operation, with the exception of Los Cubos, a landmark building in Madrid of 18,324 sq. m. of singular architecture, currently vacated and for sale. Additionally, at year-end, work had started on the Hermanos Revilla owned building of Salvador de Madariaga, 1 in Madrid, even though the works will continue throughout 2017 and 2018.

The portfolio of buildings in operation is composed by 27 office buildings, 7 shopping and recreation centers, and one building for logistics purposes, and other commercial premises and car parks.

The excellent quality and location of the buildings and the overall improvement of the investment market raised the value of REALIA's property assets by 4.2%, up to 1,468.7 Million Euros.

Out of this amount, 1,412.6 Million Euros correspond to rental assets (including the Los Cubos building), 4.4% more than in 2015, whereas tertiary land remained stable at 56.1 Million Euros.

The current yield of the property portfolio in operation (annualized 2016 rents assuming 100% occupancy divided by asset value according to CBRE) is 5.2%, a drop of 0.6 points from 2015.

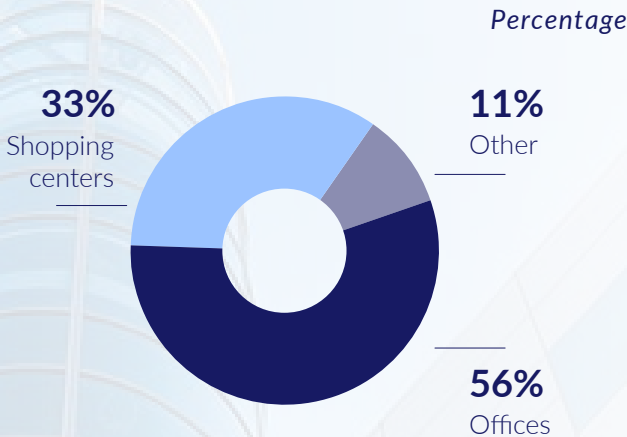
For the next year, the value of assets is expected to remain in the same values if the current profitability of the financial system does not change and there is continued confidence in the international and domestic economies.

PROPERTY SITUATION IN 2016

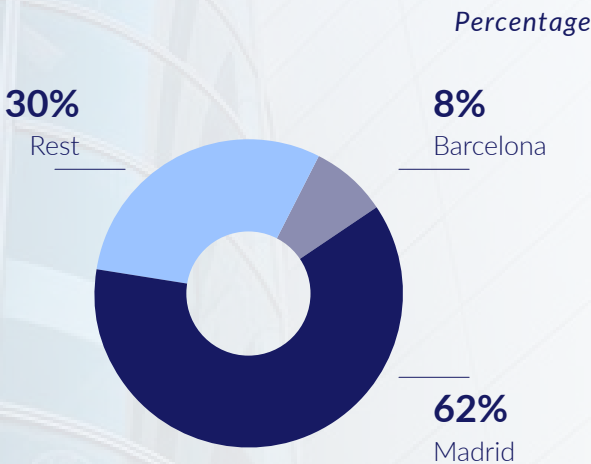
No. of buildings and surface area in sq. m.

	Buildings	Surface area (sq. m.)
IN OPERATION	40	405,359
Offices	27	226,721
- CBD	12	84,412
- BD	3	42,653
- Periphery	12	99,656
Commercial premises	7	135,381
Rest	6	43,257
FOR SALE	1	18,324
TOTAL BUILDINGS	41	423,683
LAND RESERVE	-	127,977
Offices	-	57,827
Commercial premises	-	70,150
TOTAL	41	551,660

GROSS LEASABLE SURFACE AREA BY USE



GROSS LEASABLE SURFACE AREA BY CITIES



“ The value of REALIA’s property assets has increased by 4.2%, up to 1,468.7 Million Euros

Source: REALIA

OFFICES

The portfolio of offices in operation is composed by 27 singular buildings with a leasable surface area of 226,721 sq. m., 25 of which are located in Madrid, one in Barcelona and one in Seville. Occupancy is at 94.5%.

Well connected and with facades looking at the main thoroughfares, these are in some cases architectural icons in their cities. Torre REALIA, a flagship building in the skyline of Madrid, or Torre REALIA BCN, designed by Pritzker prizewinner Toyo Ito, are two examples.

Their interiors are functional, spacious and well lit. The company is flexible in adapting to the needs of every customers, and works to improve common services, making special emphasis on maintenance, including energy efficiency measures.

Tenants are recognized and solvent companies and institutions, such as Marsh & McLennan, Gómez-Acebo & Pombo, British Telecom, KPMG, St. Gobain, Amadeus, DHL or Ericsson.

Out of the 25 buildings located in Madrid, 12 of them are located in the central business district (CBD), three in the business district (BD, excluding the CBD), and the rest are located in the periphery.

The portfolio of offices in operation revalued by 6.6% in 2016 over 2015, reaching 4,389€/ sq. m.

Annual profitability of the offices reached 4.8%. In buildings located in the periphery, it was higher (6%) than in the offices located in the CBD (4.2%) and the BD (5%).

“ The office portfolio gained 6.6% in value, and its annual profitability reached 4.8%



María de Molina 40, Madrid

MAIN SPANISH
PROPERTY ASSETS



P REALIA PATRIMONIO
R HERMANOS REVILLA

OFFICES¹

Surface area sq. m.	
Torre REALIA BCN	31,964
Torre REALIA	28,424
Salvador de Madariaga ⁽²⁾	25,398
Albasanz, 16 ⁽²⁾	19,551
C.N. Eisenhower I, II, III y IV	19,071
Edificio Los Cubos	18,324
CN Méndez Álvaro	13,248
Maria de Molina, 40 ⁽²⁾	9,684
Albasanz, 14	9,123
Av. Bruselas, 36	8,857
Príncipe de Vergara, 132 ⁽²⁾	8,807
C.N.Kansas City	8,735
Goya, 6 y 8 ⁽²⁾	7,516
Musgo, 1 y 3 ⁽²⁾	5,391
Goya, 29 ⁽²⁾	5,060
Paseo de la Castellana, 41 ⁽²⁾	4,584
Albasanz, 12 ⁽²⁾	4,160
Alfonso XII, 30 ⁽²⁾	4,007
Serrano, 21 ⁽²⁾	3,865
Marqués del Duero, 4 ⁽²⁾	3,000
Prim, 19 ⁽²⁾	2,786

(1) Assets with more than 2,000 sq.m. (2) Through Hermanos Revilla

Source: REALIA

SHOPPING CENTERS

REALIA owns seven shopping and recreation centers with a leasable surface area of 135,381 sq. m. and 6,642 parking spaces located in areas of strong commercial demand in Madrid, Murcia, Guadalajara, Santiago de Compostela and Soria.

REALIA's centers are singular buildings, characterized by their commercial diversification and accessibility, designed to promote the profitability of the retail stores.

In order to create a more pleasant shopping experience and serve as a meeting space for customers, they are equipped with good access and excellent common services and areas.

Their tenants include large multinational chains –such as Carrefour, Decathlon, Inditex or Bricomart, and national or local retailers.

The market value of the shopping center portfolio has remained practically stable, with a slight negative variation of 0.3%, and reached 2,053 €/ sq. m. at year-end.

In turn, the yield of shopping centers reached 7.1%.

One of the most representative centers is Jardín de Serrano, with 2,124 sq. m. of retail space in the so-called “Golden Mile” of Madrid, with stores from exclusive retailers.

In the Salamanca district of Madrid is also found the specialized Wellness Center of Manuel Becerra, with 6,645 sq. m., which occupies the site of the old Universal cinema, and has preserved its two main façades.

The largest complex in the shopping center portfolio is Parque Comercial Plaza Nueva de Leganés, located south of Madrid. This center is designed in the shape of a plaza and is equipped with large landscaped areas, occupies 52,765 sq. m. and 2,987 parking spaces (half of them covered). It caters to the strong demand of an area of influence covering more than one million people.

The most recent center is As Cancelas, in Santiago de Compostela. Opened in 2012, with 50.466 sq. m., it offers a great variety of retail stores and recreation.

La Noria Murcia Outlet Shopping recreates a Mediterranean village, with a main street



CC Ferial Plaza, Guadalajara

and stores in every house. With its 13.807 sq. m., is the first center with a discount format in the region of Murcia.

Ferial Plaza de Guadalajara, with 31,996 sq. m., offers its customers more than one hundred stores from the most relevant retailers in the market in the area of greater expansion in the city.

El Espolón de Soria, with 2,900 sq. m., stands out thanks to its strategic location in the city.



CC As Cancelas (Santiago de Compostela)



	Location	Surface for rent (sq. m.)	Parking spaces
Plaza Nueva Leganés	Madrid	52,675	2,987
Ferial Plaza	Guadalajara	31,996	1,068
As Cancelas ¹	S. Compostela	25,233	1,054
Manuel Becerra, 17	Madrid	6,645	50
La Noria Outlet	Murcia	13,807	1,483
El Jardín de Serrano	Madrid	2,124	-
Espolón, 10	Soria	2,900	-
TOTAL		135,381	6,642

(1) The As Cancelas shopping center is jointly owned by the REALIA Group and Carrefour Property
Leasable surface indicated corresponds to the sq. m. owned by the REALIA Group

Source: REALIA



Strategy

The strategy of the property business in 2016 seeks to optimize the profitability of the rental assets through two main lines:

■ Renegotiation of contracts about to expire

REALIA signs long-term rent agreements with tenants of proven solvency, which normally are in force from three to five years.

In order to avoid non-occupancy, it conducts a proactive commercialization policy. Thus, it anticipates the expiration of contracts to negotiate their extension and offers temporary incentives to rent, such as staggered rents, rent-free periods, etc.

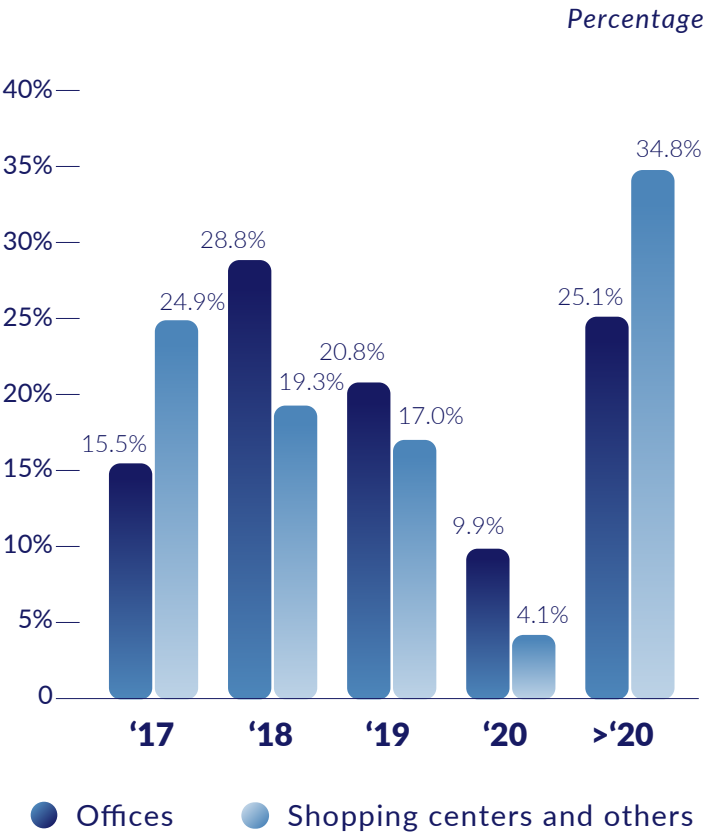
Thanks to this strategy, building occupancy went up to 94% in 2016, versus 91.5% in 2015. Occupancy was higher in offices (94.5%) than in shopping centers (91.2%)

Nearly 40% of the shopping center contracts (38.9%) and 35% of the office contracts expire after 2019.

■ Sale of assets which have reached a certain degree of maturity

For a number of years, the company has favored the rotation of assets when they have reached a period of maturation, to preserve the quality of the buildings and contribute extraordinary revenues for the group.

EXPIRATION OF CONTRACTS



Source: REALIA

During 2016, REALIA put up for sale the Los Cubos building, one of the landmarks of the Calle 30 in Madrid, located between the airport and the city center. The sale of this asset, valued at 53 Million Euros at market prices, would contribute to reduce the property business debt of the company.

With a surface area of 18,324 sq. m. and 334 parking spaces, Los Cubos was acquired by REALIA in July 2004 from the insurance company Allianz. An innovative rehabilitation project exists for the building to renovate its design, with a new facade that will give it greater sunlight, improving its spaces and equipping it with eco-efficient infrastructures.

Excluding the offer for sale of the Los Cubos building, the company has maintained its property portfolio intact, with the exception of an extension of 5,000 sq. m. in an industrial warehouse in Agoncillo (Logroño), for a total investment of 1.1 Million Euros.

■ Adequate building maintenance

The maintenance of rental assets is a priority for REALIA, for it increases the comfort and the value of its properties. These Improvements include the upgrade of its security, accessibility and energy efficiency conditions.

During the year, REALIA Patrimonio has spent 1.5 Million Euros in reforms of its buildings, whereas the subsidiary Hermanos Revilla has spent an additional 2.2 Million Euros.

■ Reduction of expenses not passed on to tenants

REALIA performs a strict control of its operational expenses of its rental business. During 2016, overhead not passed on to tenants were reduced by 18.8%, down to 3.905 Million Euros.

This decrease is due to the great effort made in maintenance in recent years, which has reduced drastically unscheduled repairs during the year.

“The maintenance of rental assets is a priority to REALIA



Los Cubos, Madrid

Results

The property business, which generates more than 75% of the revenues, remained strong during 2016.

Even though the revenues from this area, excluding passed-on expenses, fell by 4.3%, down to 63.7 Million Euros*, due to the vacancy of the Los Cubos building (currently for sale), rents grew by 2% in like for like terms.

Total rent revenues (NIC) went up to 74.5 Million, a 4.2% decrease due to the vacancy of the Los Cubos building, which contributed 4 Million Euros annually.

The gross margin (NIC) of the rent business amounts to 50.6 Million Euros, a margin over rents of 85%.

67% of rents came from office buildings, whereas 27% was generated in shopping centers and the remaining 6% from other buildings.

Rent revenues from both offices and shopping centers went up 1.8% in like for like terms, whereas the rest of assets grew their revenues by 4.6%.

Especially relevant is the growth in rent revenues in the CBD and BD of Madrid, and in Torre Realia Barcelona.

RESULTS OF THE RENTAL BUSINESS*

Thousands of Euros

	2016	2015	Variation (%)
Rents	63,732	66,581	-4.3%
Passed on expenses + other	17,410	19,485	-10.6%
Total Revenues	81,142	86,066	-5.7%
Revenues As Cancelas (50%) + other	6,672	8,296	-19.6%
Revenues NIC	74,470	77,770	-4.2%
Passed on common expenses	-23,080	-22,783	1.3%
% of passed on expenses	-75%	-86%	-11.8%
Non passed on common expenses	-3,905	-4,811	-18.8%
Total Gross Margin	54,157	58,471	-7.4%
Margin As Cancelas (50%) + others	3,597	2,731	31.7%
Margin NIC	50,560	55,740	-9.3%
Margin rents (%)	85.0%	87.8%	-3.2%

(*) Operating business data (As Cancelas is calculated at 50%)

Source: REALIA

(*) Operating business data (As Cancelas is calculated at 50%)

“Occupancy went up to 94%, above the market average in big cities

OCCUPANCY ABOVE MARKET AVERAGE

In line with the greater activity in the office market registered in 2016, global occupancy of rental buildings improved notably at year-end. Whereas occupancy in 2015 reached 91.5%, in 2016 it went up to 94%, above the market average in big Spanish cities, which is around 90%.

In line with the evolution of the rental market, occupancy is higher in Madrid (96%) and Barcelona (95%), whereas in the rest of Spanish cities is at 90%.

During the year, the company made a great effort of austerity and achieved the reduction of common non passed-on expenses by 18.8%, down to 3.9 Million Euros. In turn, passed-on expenses and other revenues (including 2 Million in compensation in 2015) amounted to 17.4 Million Euros, in line with the previous year in like for like terms.

It is expected that the property business will maintain its slow recovery in 2017, with higher rents and fewer demands for incentives to rent, such as bonuses or aid to rent.

OCCUPANCY BY USE



OCCUPANCY BY CITIES



Source: REALIA


Príncipe de Vergara 132, Madrid

Financial situation

REALIA Patrimonio's net borrowings as of 31 December 2016 amounted to 698 Million Euros. Of this, net banking debt amounted to 742 Million Euros, with 44 Million in cash.

Most of the bank borrowings came from a Syndicated Property Loan signed in April 2007. Within the framework of restructuring of its financial debt, REALIA took out a loan with 16 banks for an initial amount of 1,087 Million Euros. After several amortizations, the syndicated loan

had been reduced to 678 Million Euros at year-end 2016, 9.6% lower than the loan balance as of December 2015.

Since the loan was scheduled to mature on 27 April 2017, the company negotiated an alternative with several banks to try to cancel the loan.

Therefore, and as a relevant event after year-end, REALIA signed a new syndicated loan for 582 Million Euros, maturing in seven years.

Homebuilding

REALIA'S homebuilding activity generated 22 Million Euros in revenues, 47% more than in 2015, as a consequence of the greater demand for housing, especially in Madrid, and the increase in the average price, which went up to 2,064 euros/m². During the year, the company has considered the feasibility of new developments in Madrid, Barcelona and Palma de Mallorca.

REALIA's homebuilding business includes the development and sale of real estate products, especially housing, and the management and sale of land for construction.

REALIA Business, a company based in Spain with subsidiaries in Poland and Portugal, conducts this activity.

The pillars of housing development in REALIA lie in product diversification and concentration on the areas of potential demand. Thus, in view of the difficult market situation, REALIA decided in 2013 to suspend the construction of new project and focus on the sale of its finished product.


Patraix, Valencia

Assets

REALIA had a portfolio of 531 units undelivered at year-end 2016, 511 of which were for sale, and 20 sold and pending delivery.

426 homes, 10 offices, 34 commercial premises and 41 single-family land plots for sale for self-development composed this stock.

REALIA focuses its developments on first residences and in the tourist areas with greater demand. Thus, 76.5% of the stock correspond to first residences and 23.5% to second residences.

These are buildings of an attractive design and excellent finishes, equipped with innovative energy efficiency measures to improve comfort and reduce expenses.

The stock of housing, offices, commercial premises and plots for sale is distributed in Spain through the regions of Andalusia (211 units), Madrid and central area (123 units), Eastern region (92 units), and Catalonia (86 units). Abroad, it holds 12 units for sale in Lisbon (Portugal) and 2 in Warsaw (Poland).

As of 31 December, the stock of residential assets was valued at 77 Million Euros, 22.5% less than in 2015, due to the reduction in stock. In like for like terms, the decrease was 3%.

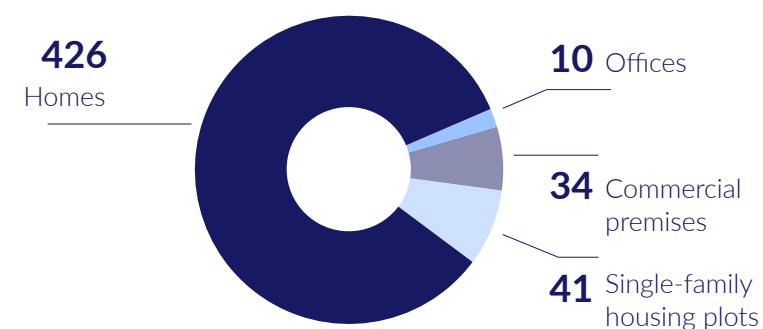
In recent years, in view of the reduction in demand during the crisis, REALIA gradually abandoned home construction to focus on the sale of the existing stock.

Units are sold through four offices in Spain (Central region, Catalonia, Eastern region and Andalusia) and its subsidiaries in Portugal (REALIA Portugal) and Poland (REALIA Polska) are responsible for the sale of the units.

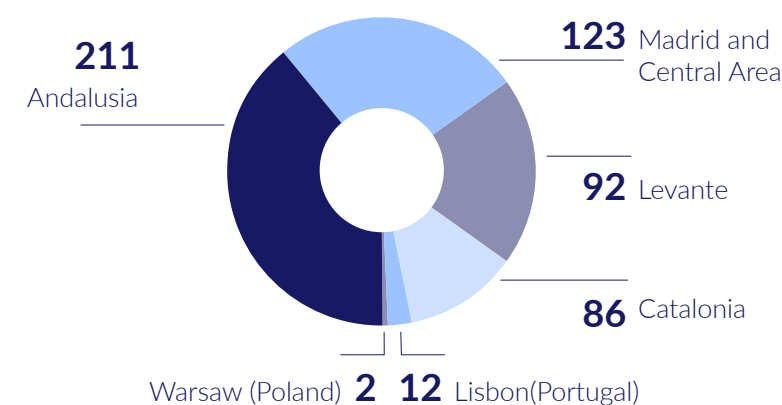
PORTFOLIO OF HOMEBUILDING ASSETS FOR SALE

Percentage

BY TYPE OF ASSET



BY GEOGRAPHICAL AREA



Source: REALIA



“Management and sale of land is the joint responsibility of the central offices in Madrid and the regional offices.

LAND

As of 31 December 2016, REALIA holds a land portfolio of 5,742,496 gross sq. m. and 1,852,040 sq. m. of buildable land.

25% of the buildable land corresponds to ready for construction land (fully permitted), whereas 12% of the land is in the stage of urban development, 35% in planning stage and 28% in territorial planning stage.

By geographical areas, 49% is concentrated on Madrid and the central region; 36% in Andalusia; 8% in the Eastern region; 5% in Catalonia and 1% in the Canaries. In Romania, there is still one plot of land that represents 1% of the total.

Management and sale of land is the joint responsibility of the central offices in Madrid and the regional offices.

The valuation of residential land of the company's portfolio continued the process of adjustment, and registered a decrease of 17.9%.

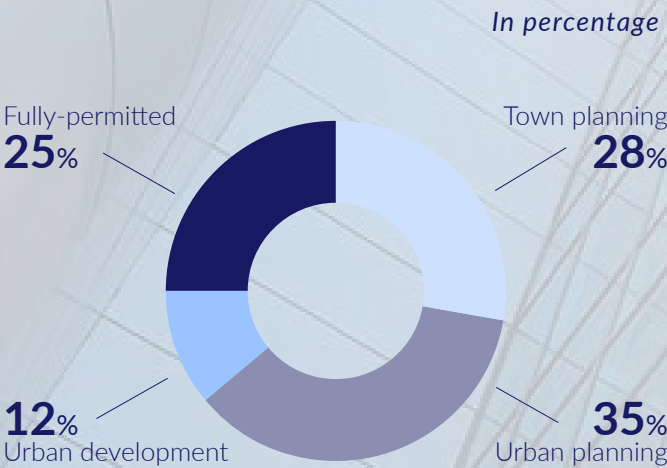
The greatest adjustment in percentage took place in land under territorial planning, where the unit value dropped by 61%. The main depreciation is due to one plot of land in San Roque (Cadiz). As to land for urban development, the most relevant examples are the depreciation of a plot of land in Villaseca de la Sagra (Toledo) (-4.6 Million), and in El Molar (Madrid) (-4.5 Million). Regarding urban land, one plot of land in Guillena (Seville) devalued by 12.4 Million due to the suspension of the General Urban Development Plan.

DISTRIBUTION OF BUILDABLE LAND

Buildability in thousand of sq. m.

BY URBAN DEVELOPMENT STATUS

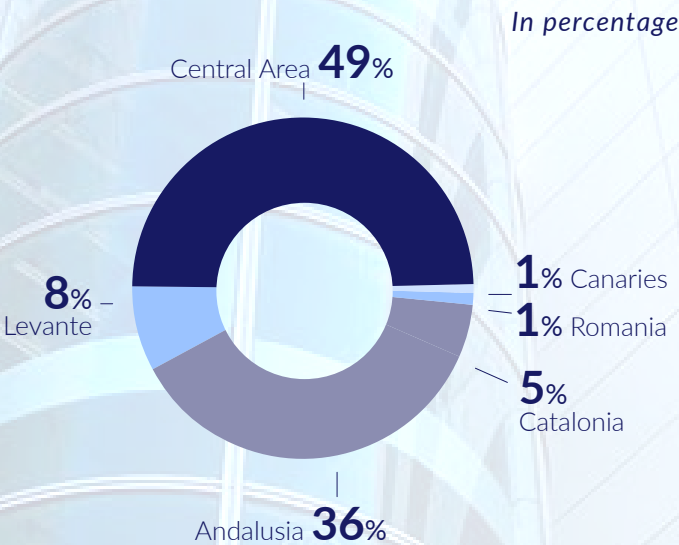
	2016	2015	Variation (%)
Town planning	521	518	0.5
Urban planning	647	670	-3.4
Urban development	214	214	0.0
Fully-permitted	470	467	0.7
TOTAL	1,852	1,869	-0.9



Buildability in thousand of sq. m.

BY AREAS

	2016	2015	Variation (%)
Central	902	926	-2.6
Catalonia	94	93	0.5
Andalusia	677	670	1.1
Levante	150	150	0.0
Canaries	19	19	0.0
Romania	11	11	0.0
TOTAL	1,852	1,869	-0.9



“ REALIA holds a land portfolio of 1,852,040 sq. m. of buildable land as at 31 December 2016.

Source: REALIA

Strategy

The strategy of the property business focused on the reduction of the housing stock and the management of land to preserve the value of investments.

■ Increase in housing prices

Taking advantage of the opening up of mortgage loans and the greater demand for housing, the company has applied a restrictive policy on prices in the developments with greater potential for raising prices due to their type and location. Thus, average price in 2016 reached 2.064 €/sq. m., versus 1,553€/sq. m. in 2015. This increase is due to the greater weight of the sales of developments such as Valdebebas and Ibiza, with higher unit prices.

■ Analysis of the feasibility of new projects

Even though there are no ongoing developments, the company is analyzing the feasibility of up to three projects in areas where there is demand for product, such as Madrid, Barcelona or Palma de Mallorca. At the date of this report, however, work had not started.

■ Preserving the value of buildings

In order to preserve the quality of its buildings for sale and protect their value, the company make special emphasis on maintenance.

■ Continuing with the urban management of land

The company has continued with the urban management of land in several areas, in hope that market conditions will warrant their feasibility.



Valdebebas, Madrid

Results

Revenues from homebuilding increased by 47%, up to 22 Million Euros, during 2016.

This marked increase is explained by the greater activity in home sales: in twelve months, 96 units have been delivered, 35% more units and 45% more revenues than in 2015. Even though development margins continue to

be negative, they are notably better compared to previous years: -4% versus -25% in 2015.

Excluding the reversal of provisions for 3 Million on finished product, the homebuilding business achieved a positive result of 2.2 Million Euros, versus the 0.2 Million in losses in the previous year.

RESULTS OF THE HOMEBUILDING BUSINESS

Millions of Euros

	2016	2015	Variation (%)
REVENUES			
Developments	19.0	13.1	45
Land and others	3.0	1.8	63
Total revenues	22.0	14.9	47
COSTS			
Cost of sales	-18.9	-15.0	-27
Rest of costs	-3.9	-3.7	-4
Total costs	-22.8	-18.7	-22
Margin of developments	-0.8	-3.7	78
Margin of developments (%)	-4%	-25%	85
Reversal of provisions completed product	3.0	3.6	-15
Margin (excluding provisions)	2.2	-0.2	1,282

Source: REALIA



REDUCTION OF STOCK

More than half of the delivered sales, 57 units, took place in Madrid. The strong reduction of stock in the capitol is due to the increased demand, especially at Valdebebas.

Madrid is followed by the Eastern region, with 15 units sold, Catalonia, with 12, and Andalusia, with 8. Abroad, two units were sold in Poland and two more in Portugal.

LAND AND OTHERS

Revenues from land and others amounted to 3 Million Euros, against the 1.8 Million Euros in 2015.

EVOLUTION OF THE HOMEBUILDING PORTFOLIO IN 2016

In units and millions of Euros

	2016	2015	Var. (%)
PRE-SALES			
UNITS	105	74	42%
REVENUES (BN. €)	21.0	13.6	54%
DELIVERED			
UNITS	96	71	35%
REVENUES (BN.€)	19.0	13,1	45%
TOTAL PORTFOLIO ¹			
NO. OF UNITS ²	511	610	-16%

(1) Total portfolio available at year-end. (2) Including land plots

Delivered	No. of units	Revenues Bn. €
Madrid/Centro	57	12.5
Levante	15	3.3
Catalonia	12	1.6
Andalusia	8	0.9
Poland	2	0.3
Portugal	2	0.3
Total	96	19.0

Source: REALIA

Financial situation

Throughout the year, a restructuring of the homebuilding debt has taken place, and ended the year with a net financial debt of 52 Million Euros, after the repayment of the syndicated development loan.

In December 2015, REALIA reached an agreement with the financial creditors, by which the total of the loan debt, 802,758 Thousand Euros, would be reduced by 9% if the conditions established for repayment were met.

On 11 December 2015, the company made the first payment established in the schedule for 365,218 Thousand Euros; on 29 January 2016, made the second and third payments for 183,104 Thousand Euros. The last milestone, for 183,905 Thousand Euros, payable on 30 May 2016, was paid on 7 April 2016.

To finance this last payment, that fully cancelled the syndicated development loan, the company took out a loan from Caixabank for 183,649 Thousand Euros maturing on 30 June 2018, guaranteed by Inversora Carso.

At year-end, the amount of that loan had been reduced to 103,649 Thousand Euros, after the early amortization of 80 Million Euros with funds from the capital increase carried out in December.

CANCELLATION OF THE PARTICIPATING LOAN

Additionally, REALIA cancelled the participating loan that Inmobiliaria Carso had acquired from Sareb in 2015 for 20.3 Million Euros, with a haircut of 41.2 Million.

In February 2016, the controlling shareholder decided not to exercise its right to capitalize the loan, and a credit claim was created for the same amount.



“ REALIA cancelled in 2016 the syndicated development loan and the participating loan



CORPORATE GOVERNANCE





CORPORATE GOVERNANCE

CORPORATE GOVERNANCE BODIES

General Meeting of Shareholders
Board of Directors
Management Committee
Remuneration Policy

ETHICAL FRAMEWORK

Ethical Code
Fiscal policy
Internal Code of Conduct

RISK MANAGEMENT

Corporate Governance Bodies

REALIA has adopted a Corporate Governance system geared at the sustainable achievement of its corporate goals, which is permanently updated according to the applicable legislation and the good governance recommendations of the Stock Market Authority (CNMV). In 2016, it amended its By-Laws and the Board Regulations, as well as the Directors' Remuneration Policy.

The Corporate Governance system is structured around its main governance bodies, the General Shareholders' Meeting and the Board of Directors, which are in turn defined and regulated by the By-Laws and their respective regulations and which establish the rules of conduct of the company with third parties, according to the corporate values and goals.

The CEO, under delegation from the Board of Directors, is responsible for the design and review of the organizational structure of the group.

3 May 2016, the Board of Directors amended the Board Regulation (articles 12, 25, 44 and 45) in order to adapt it to the amendment of the Corporations Act introduced by Law 22/2015, of 20 July, of Account Audits, and to the amendments to the By-Laws that were to be submitted to the General Shareholders' Meeting for Approval. Additionally, the intention was to remove the references to the Framework Agreement entered into by FCC and Bankia, which was rendered ineffective after the sale by Bankia of its stake in the company.

On 21 June, the General Shareholders' Meeting amended articles 25 and 27 of the By-Laws on the Board Committees and the Audit and Control Committee to adapt its drafting to the amendments of the Corporations Law introduced by Law 22/2015, of 20 July, of Account Audits of 2015.

The General Meeting of Shareholders also approved the amendment of the Remuneration Policy that was made upon the renewal of the Board of Directors after the incorporation of Inversora Carso as a shareholder. The recommendations of the Code of Good Governance of Listed Companies of the CNMV, and the policies of companies of similar characteristics in terms of size, sector of activity or shareholding structure, were taken into account in the establishment of the new Remuneration Policy.

“ The General Meeting of Shareholders approved the amendment of the Remuneration Policy



COMPLIANCE WITH THE GOOD GOVERNANCE CODE OF THE CNMV

During 2016, REALIA Business, S.A. has complied with 27 out of 64 recommendations of the CNMV; it partially complied with 13; 19 were not applicable, and had to explain an additional five. Therefore, taking into account the percentage of Recommendations complied or partially complied (62.50%) and those that required an explanation (7.81%), the conclusion is that the degree of compliance with the Code of Good Governance of Listed Companies is acceptable.

Currently, REALIA submits to the Stock Market Authority (CNMV) a Corporate Governance Report and a Directors' Remuneration Report, which can be found at the corporate website, www.realia.es.

Apart from providing a summary of the social, economic and environmental performance of REALIA, this report attempts to explain the advances made in the area of Corporate Governance

General Meeting of Shareholders

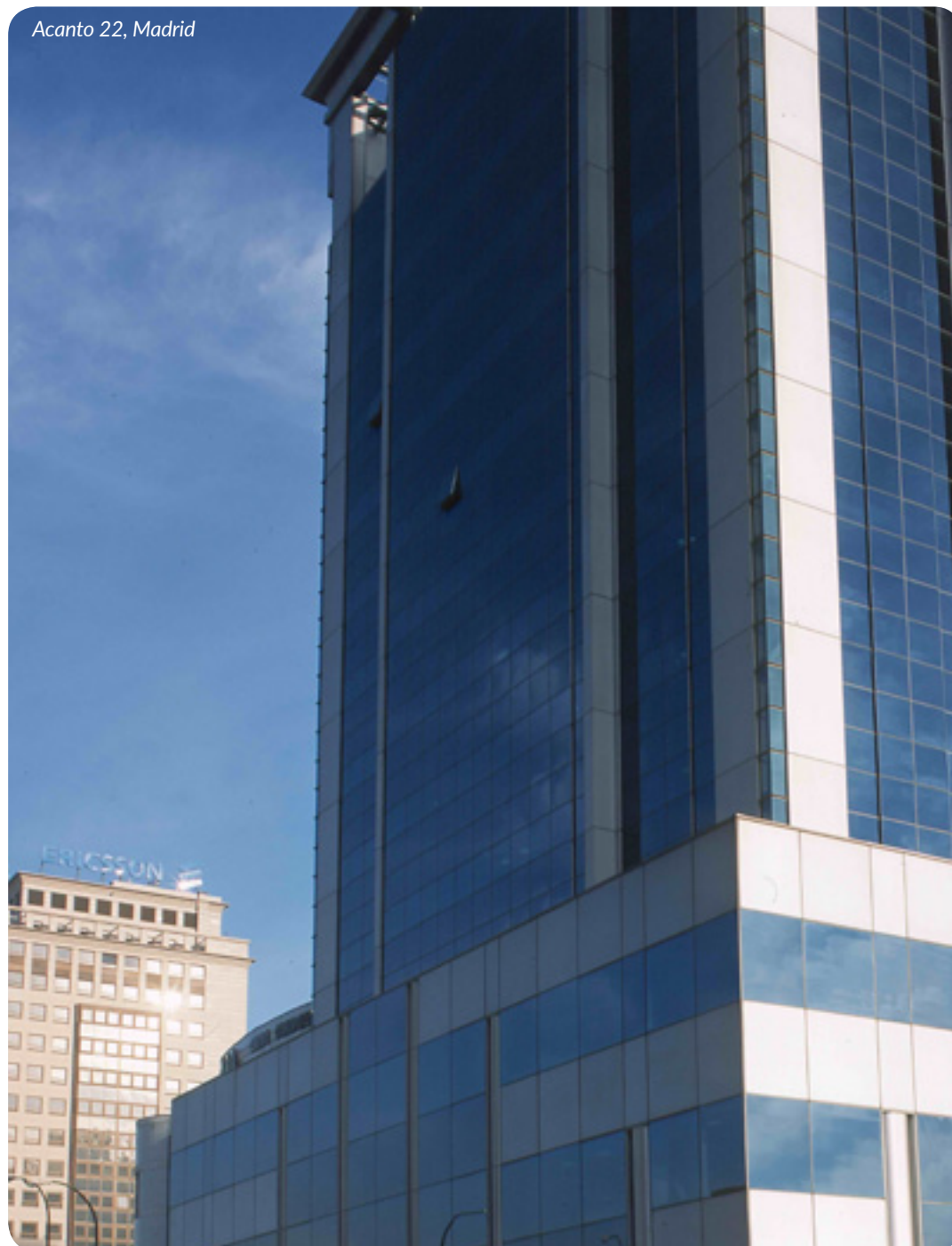
The General Meeting of Shareholders is the highest body of representation of the share capital. It meets a minimum of once a year within the first six months of the year.

In 2016, only one meeting of the ordinary General Meeting of Shareholders was held, on 21 June, which approved the accounts of the previous year and resolved on the distribution of profits, and reached, among others, the following agreements:

- **To delegate to the Board of Directors** the power to increase share capital, though monetary contributions and up to an amount equivalent to half of the share capital (up to 55.29 Million Euros), with the power of excluding, totally or partially, the preferential subscription right.
- **To approve the Directors' Remuneration Policy** for the years 2016, 2017 and 2018 and to establish a maximum annual amount for the remuneration of the whole Board at 590,000 Euros.
- **To establish the number of members of the Board of Directors at seven**, and to ratify the appointment and re-election of Mr. Juan Rodríguez Torres and Mr. Carlos Manuel Jarque Uribe.
- **To authorize the call for General Meetings** at least fifteen days in advance, provided that the company offers shareholders the possibility to vote through electronic means accessible to all shareholders.
- **To reappoint Deloitte, S.L. as account auditor for 2016**, and to appoint Ernst and Young as the new account auditors for the years 2017, 2018 and 2019.
- **To repeal the agreements adopted by the General Meeting of Shareholders of 2015** to authorize the increase of share capital through conversion of debt, (Freely Convertible Tranche of the Participating Loan) and to increase share capital through conversion of debt, since no conversion has taken place (Inversora Carso decided not to capitalize the participating loan formerly held by Sareb).



- **To amend articles 25 and 27 of the By-Laws** on the Board Committees and the Audit and Control Committee



Acanto 22, Madrid

Board of Directors

The Board of Directors of REALIA is composed by seven members, one of which is an executive director, four are proprietary directors, and two are independent directors.

The Board of Directors is responsible for the investment and financing policy, the definition of the group's structure and the Corporate Social Responsibility policy. The Board is in charge of establishing the management and budgetary goals, and the remuneration policy. Additionally, it evaluates the performance of the senior managers, the risk management and control policy and the dividend policy.

The Board held eleven meetings in 2016, in which the following subjects were discussed: the preparation of mandatory reports on its operation; the freezing of the total payroll; the formulation of annual accounts and interim financial reports; approval of the Annual Corporate Governance Report and the Annual Remuneration Report; risk control and management systems; preparation of the mandatory report on the takeover bid; approval of the corporate Fiscal Policy and several related party transactions and, finally, the agreement on the capital increase by virtue of the delegation granted by the General Meeting of Shareholders.

The Board of Directors organizes its work in three committees: Executive Committee, Appointment and Remuneration Committee, and Audit and Control Committee.

■ Executive Committee

The Executive Committee assumes the duties and competences delegated by the Board of Directors. It takes care of the monitoring and supervision of the management of the company that requires continuous attention and, if necessary, its swift adaptation, and all other matters that may influence on the positioning and future prospects of the company and its group in the market.

It met on three occasions during 2016.

■ Appointment and Remuneration Committee

Responsible for the remuneration of directors and senior managers, the appointment and dismissal of the members of the Board, and the annual evaluation, among other duties.

It held four meetings in 2016.

■ Audit and Control Committee

The main duty of the Audit and Control Committee is to support the Board of Directors in its monitoring duties, through the periodic review of the process of preparation of the economic and financial information, the internal audit function and the independence of the external auditor.

The Audit and Control Committee met on ten occasions during 2016.

PROFILE OF THE DIRECTORS

REALIA's Members of the Board are professionals of proven solvency, honesty, technical competence and expertise, appointed on the preliminary report from the Appointment and Remuneration Committee.

The company considers that the number of independent directors in the Board adequately guarantees the interests of the free float, which at year-end accounted for 23% of the share capital.

It is worth noting that there are four women directors out of the seven members of the Board, 57% of the total, a much higher percentage than in most of the Spanish listed companies.



Nudo Eisenhower, Madrid



BOARD OF DIRECTORS

Name	Position	Category	Executive Committee	Appointment and Remuneration Committee	Audit and Control Committee
Mr. Juan Rodríguez Torres	Non-Executive Chairman	Proprietary, appointed at the request of I.C.	Chairman	Member	Member
Mr. Gerardo Kuri Kaufmann	CEO	Executive	Member		
Mrs. Carmen Iglesias Cano	Member	Independent		Member	Member
EAC Inversiones Corporativas, S.L. Represented by Mrs. Esther Alcocer Koplowitz	Member	Proprietary, appointed at the request of FCC	Member	Member	
Mr. Carlos Manuel Jarque Uribe	Member	Proprietary, appointed at the request of FCC			
Mrs. M ^a Antonia Linares Liébana	Member	Independent		Chairperson	Chairperson
Meliloto S.L. Represented by Alicia Mrs. Alcocer Koplowitz	Member	Proprietary, appointed at the request of FCC	Member	Member	
Mr. Jesús Rodrigo Fernández	Secretary, not Director		Secretary (not member)	Undersecretary (not member)	Undersecretary (not member)
Mr. José María Richi Alberti	Undersecretary, not Director		Undersecretary, (not member)	Secretary (not member)	Secretary (not member)

Board of Directors of REALIA as of 31 December 2016

Source: REALIA



Management Committee

REALIA has a Management Committee responsible to set the goals and the strategy of the company and control its execution to guarantee the feasibility of the business.

The property and homebuilding business areas are represented in the Management Committee, as are the Financial and Strategic Departments of the company.

One of the five members of the Management Committee is a woman.

“The property and homebuilding business areas are represented in the Management Committee

MANAGEMENT COMMITTEE

CEO

Mr. Gerardo Kuri Kaufmann

Deputy Director / Administration and Finance Director

Mr. Juan Antonio Franco Díez

Deputy Director / Director of Corporate Strategy and Investor Relations

Mr. Jaime Lloréns Coello

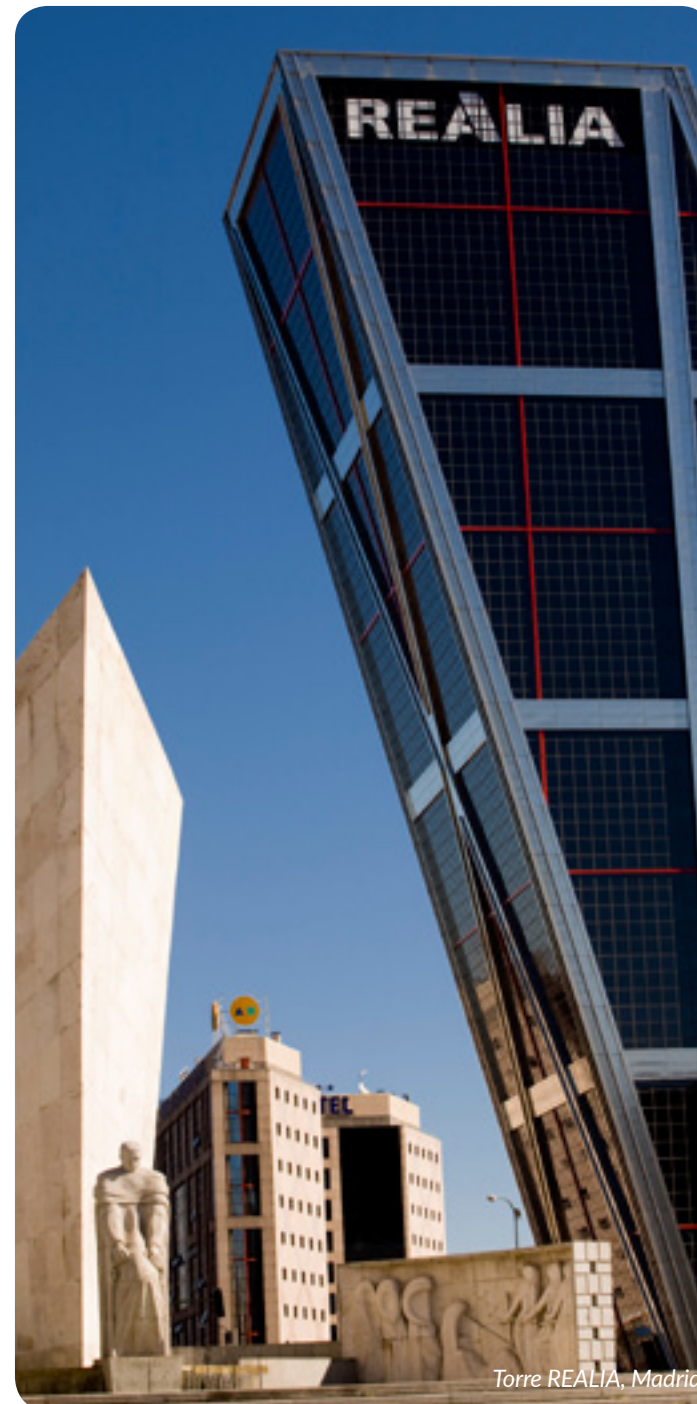
Deputy Director / Director of Property

Mr. Agustín González Sánchez

Director of Developments

Mrs. Ana Hernández Gómez

Source: REALIA



Torre REALIA, Madrid

Remuneration Policy

REALIA's Remuneration Policy seeks to promote its long-term profitability and sustainability, based on the principles of transparency, moderation, compensation for dedication and proportionality with the evolution of results.

In May 2016, the Board of Directors approved the change of its remuneration policy –previously amended in 2015– to adapt it to the new shareholding structure of the company. The General Meeting of Shareholders held on 21 June 2016 ratified this resolution by 99.5658% of the votes present or represented.



Taking into account the recommendations of the Good Governance Code of Listed Companies, and those of other companies of similar characteristics regarding the sector, size or shareholding structure, has established the following remuneration criteria:

It must remunerate the dedication, qualification and responsibility of the position, without compromising the independence of judgement of non-executive directors.

- It must respond to a market criterion
- It must attend to the dedication and responsibility of directors
- Regarding executive directors, it must recognize their ability to increase the value of the company as a result of their impact on results, their skills and professional profile, recognizing a specific remuneration for their executive duties, and must be independent and compatible with their duties as directors.
- Regarding the non-executive chairman of the Board, it must recognize the responsibility and critical nature of the office, with a specific remuneration
- As to the remuneration concepts, the directors' remuneration policy is composed by an annual fixed amount based on criteria of responsibility (fixed pay) and dedication (attendance allowances) inherent to the office.

REMUNERATIONS IN 2016

In 2016, the overall remuneration of directors was reduced to 757,000 Euros cash payment, which represents a reduction of nearly 70% on the payments made in 2015, when 2.51 M Euros were paid. Of this amount, 2.4 Million were paid in cash and 67,000 Euros were allocated to the savings scheme.

This marked difference with the previous year is explained by the reduction in the number of directors, and the exit of two executive directors in 2016.

“The overall remuneration of directors decreased by nearly 70% compared to 2015

REMUNERATION
OF THE BOARD
OF DIRECTORS

Euros

	Fixed annual amount per director	Attendance allowance for every meeting of the Board
Members of the Board	20,843	1,894
Members of the Executive Committee	10,419	1,158
Members of the Appointment and Remuneration Committee	3,049	600
Members of the Audit and Control Committee	3,049	600
Specific remuneration of the CEO	175,000	
Specific remuneration of the Non-Executive Chairman	225,000	

Source: REALIA



Acanto 22, Madrid

Ethical Framework

REALIA guides its actions according to the values of Transparency, Dialog, Professionalism, Good Governance and Innovation. Based on these principles, it has established a set of internal rules to ensure the honest conduct of its employees, tools for its monitoring and mechanisms to apply in case of noncompliance. In 2016, it adopted this ethical framework through the approval of a new Fiscal Policy and the modification of its Directors' Remuneration Policy.

REALIA' activity is subject to the current legislation and is guided by a number of rules and procedures that guarantee its ethical conduct.

The backbone of this ethical framework is the Ethical Code that determines the conduct of all the employees of the group, irrespective of their position or location. As a listed company, it also has an Internal Code of Conduct for the stock market, and since October 2016, a Fiscal Policy that establishes the principles and good tax practices that the company must follow.

The PRINEX system monitors the ethical conduct of employees. Among other advantages, this property management specialized software is capable of preventing transactions with customers who have made fraudulent transactions in the past.

Ethical Code

REALIA's Ethical Code, approved by the Board of Directors in its meeting of 16 November 2019, is the fundamental rule that guides the behavior all of the employees of the group in the performance of their activities and in relation to third parties, irrespective of their position or location.

The patterns of behavior mentioned in the Ethical Code fall into the following categories: compliance with the rules, respect for individuals, personal data protection, customer care, fraud prevention and commitment to the environment, the market, the company and the community.

All the employees of REALIA have formally signed the Ethical Code and keep a copy of it. This document is also available through the corporate Intranet.

The company also applies this code to its suppliers, and reserves the right to contract goods and services from the companies that comply with it.

INTERNAL WHISTLEBLOWING CHANNEL

REALIA's employees may report conducts contrary to the Ethical Code, raise questions or suggest improvements through an internal incidence-reporting channel, available through the corporate Intranet or through the following address:

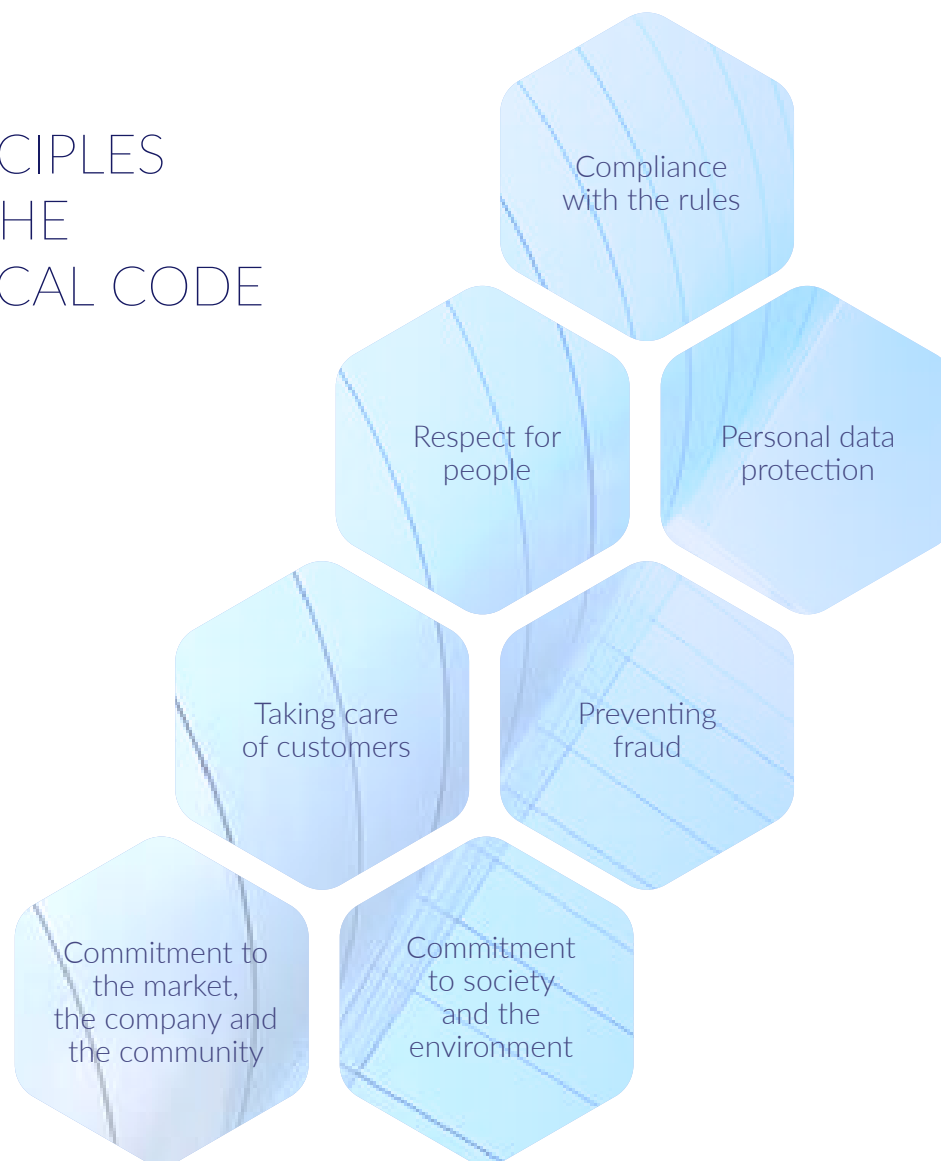
GRUPO REALIA

Att. Delegado de procedimiento de comunicación del Comité de Seguimiento del Reglamento Interno y Ético. Paseo de la Castellana, 216 . 28046 Madrid

REALIA guarantees the confidentiality of all communications made through this channel, which is under the mandate and supervision of the Audit and Control Committee.

No incidents regarding compliance with the Ethical Code were reported in 2016.

PRINCIPLES OF THE ETHICAL CODE



Source: REALIA

Fiscal Policy

As part of the development of its ethical framework and at the request of the Audit and Control Committee, the Board of Directors approved unanimously the Corporate Fiscal Policy of the group in its 24 October session, which includes its commitment with the application of the following good tax practices:

- Not using contrived structures alien to the company's activities with the sole purpose of reducing its tax burden.
- Avoid opaque structures for tax purposes.
- Not establishing or acquiring companies based on tax havens.
- Performing transactions with related parties always at market value.
- Evaluate properly the investments and transactions which in principle seem to entail a special fiscal risk.

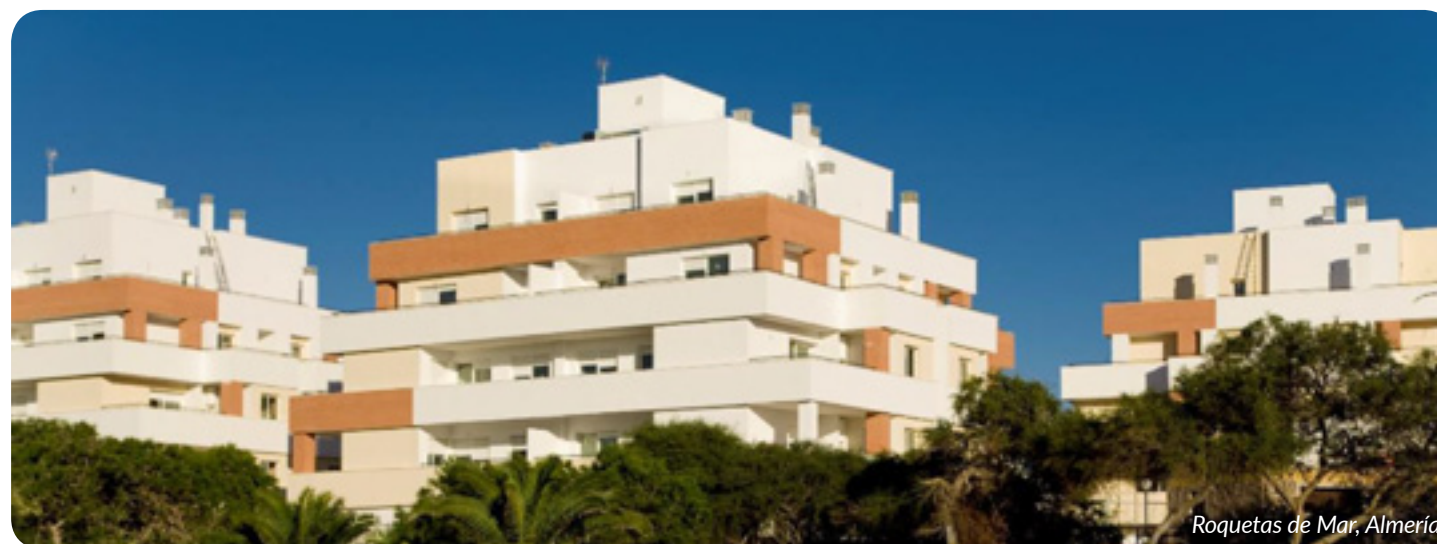
- Collaborate with the Tax Authorities in the detection and search for solutions regarding fraudulent fiscal practices that the company is aware of.

- Regarding taxes that the companies of the group pay as their main contribution to the public charges and, therefore, one of its contributions to society.

- Provide the information and documentation of fiscal relevance requested by the competent Tax Authorities, in the shortest time possible and with the appropriate scope.

In order to ensure the compliance with this policy, the company is committed to adopt the necessary control mechanisms and dedicated the appropriate human and material resources.

Control over the Fiscal Policy is the duty of the Audit and Control Committee, which reports to the Board the fiscal policies applied and the consequences of the corporate transactions from the point of view of taxes.



Roquetas de Mar, Almería

Internal Code of Conduct

In order to promote transparency in the activities of the group and the adequate investor information and protection, REALIA as an Internal Code of Conduct that establishes the criteria and procedures to follow in Stock Market transaction, and in the use and dissemination of relevant information.

Among other provisions, the Regulation establishes the treatment of privileged information and confidential documents, the procedure to follow on transactions of own shares, or the duties of the Audit and Control Committee.

This rule is addressed to directors, managers, external advisors and the personnel of the Stock Market and Investor Relations departments.

The Chairman of the Audit and Control Committee, who is responsible of compliance with the provisions of the Internal Regulation, is in charge of informing them of their obligations. The Chairman is responsible for the record and is obliged to report periodically to the Board of Directors or the Executive Committee.

REGULAR TRAINING

In order to guarantee the quality of financial information and its compliance with the current legislation, REALIA organizes training sessions periodically for the staff responsible for its preparation, as well as in the evaluation of the Internal Control System on Financial Information, which covers accounting, audit, internal control and risk management rules.

Several training sessions were organized in 2016 on accounting, fiscal, labor and business rules, for a total 41 hours of training.

Specifically, the Internal Audit Department has attended seminars and courses on the evaluation of internal control in the new business and technological environment.



Marqués de Duero 4, Madrid

Risk Management

REALIA has created a risk management system that involves the whole organization, to identify, analyze and respond to any contingency that may affect its corporate goals. During 2016, the company conducted an internal evaluation of the operational efficiency of controls, a process that continues in 2017.

REALIA's risk management model is structured around three main axes:

- A clear organizational structure that defines the roles and functional responsibilities.
- Framework of identification, quantification and evaluation of risks.
- Response to the risks supervised by the Audit and Control Committee.

The control system is developed through several stages. Initially, the key business process is identified, as well as the critical risks associated according to their nature and likelihood of occurrence. Later, risks are analyzed according to their potential impact on the management objectives. Finally, the policies, guidelines and limits associated to the risks are established and implemented.

This system involves the whole organization. The Board of Directors establishes the policies, procedures, limits and structure for risk control and management; the Management Committee analyzes their evolution during their regular meetings, taking corrective measures if deemed necessary, and the Internal Audit Area provides an independent evaluation of the adequacy and efficacy of the system, and reports to the Audit and Control Committee. Finally, the External Auditor holds meetings with the Audit and Control Committee with the purpose of presenting the conclusions of its work.



The Risk Control and Management Policy includes the need to establish a control system for the financial information that brings together the corresponding criteria, policies, procedures, controls and documentation. The implementation of this System is carried out based on the identification of 22 key processes that distinguish the dual nature of REALIA's businesses: property development on one hand, and property management on the other.

During 2016, the operational efficiency of the controls implemented continued to be evaluated with selective samples and specific analyses, and the update of the different cycles of activity.

MAIN RISKS IN 2016

REALIA's most significant risks in 2016 were the following:

■ Liquidity risk

The syndicated loan debt of the subsidiary REALIA Patrimonio, deducting arrangement costs, amounted to 678.1 Million Euros at year-end. Since the loan matured on 27 April 2017, if by that date, no agreement had been reached on a new financing structure with financial creditors or it would not have been possible to find new sources of financing, the company would have had a problem of liquidity.

Finally, after months of negotiations with the creditors and after the close of the year 2016, the company took out a new syndicated loan for 582 Million Euros that was used to cancel the existing debt of 678 Million Euros.

■ Market risks

Despite the pickup of the homebuilding activity since 2014, the finished product stock is still very high, and therefore, price recovery is very scarce and access to financing by developers is very selective. In view of the foreseeable positive evolution of the residential market, REALIA analyzed all its property products and prices in 2016 and decided to postpone the sale in some cases until the market recovers and it allows it to recover provisions and even achieve profits in some of these sales.

As to the rental market, there is a modest recovery of the demand for space, a stabilization of rent prices and a decrease in the incentives to rent demanded by customers.



Torre REALIA, Barcelona



Therefore, REALIA believes that it must focus its efforts on the property area, without neglecting the potential value creation of the homebuilding area.

■ Legal and fiscal risks

REALIA's activities are subject to legal and fiscal provisions, and urban requirements. Local, regional, national and European administrations may impose sanctions for noncompliance with these rules and requirements. A change in this legal and fiscal environment may affect the overall planning of the group's activities.

In order to favor regulatory compliance by the company, the company approved in October 2016 a Fiscal Policy containing its commitment to the application of good tax practices.

■ Money laundering and monetary crime prevention risks

REALIA has an internal procedure, mandatory to all personnel, dedicated to the management of money laundering and monetary crime prevention risks. A Control, Information and Communication Body coordinates its activity with the employees and the Prevention Services.

The Rules of Procedure and Control for the Prevention of Money Laundering specify the identification of customers, the review of transactions and document retention.

Additionally, REALIA is subject to an annual audit on money laundering and monetary crime prevention. No significant risks of this type were identified during 2016.



CORPORATE RESPONSIBILITY



CORPORATE RESPONSIBILITY

REALIA, A RESPONSIBLE COMPANY

FULFILMENT OF OBJECTIVES

CHALLENGES FOR 2017

STAKEHOLDERS

Shareholders and investors

Employees

Customers

Suppliers

Community

ENVIRONMENTAL MANAGEMENT

Energy efficiency

Adequate waste management

Sustainable construction

Promoting responsible conduct

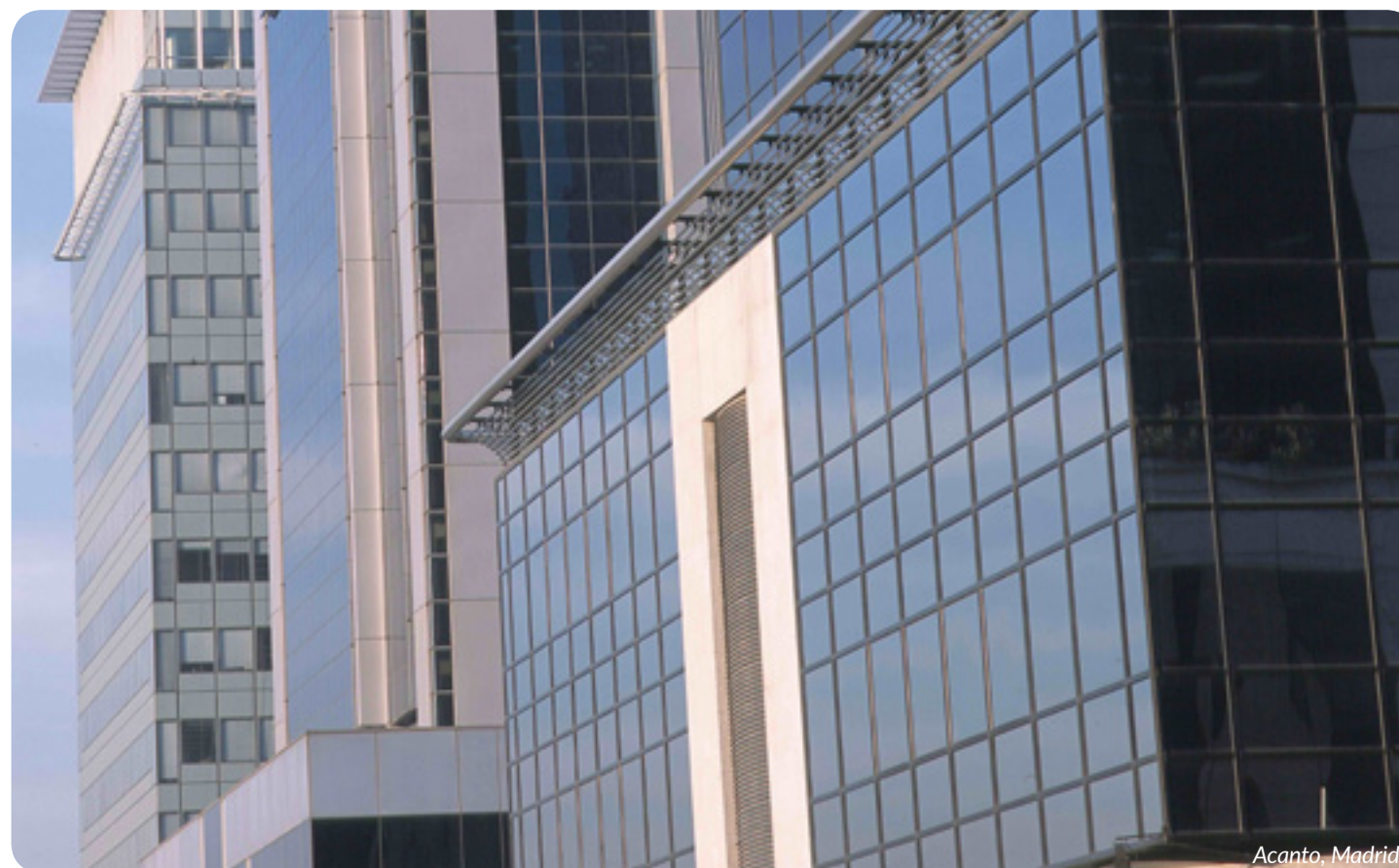
REALIA, a responsible company

REALIA is committed to the protection of the natural environment, takes into consideration the expectations of its stakeholders and maintains its commitment to ethics, integrity and good governance. During 2016, it continued to advance in these three areas, according to its Corporate Responsibility (CR) Master Plan.

REALIA's CR Master Plan was approved in 2009, and establishes three lines of action: commitment to the environment and environmental protection, commitment to the groups and communities where it operates, and commitment to ethics and good governance.

The company is aware of the importance of preserving the environment for the future generations, and manages its rental buildings and developments keeping in mind energy efficiency and sustainable construction. According to these parameters, it conducts an annual review of its energy consumptions; it processes waste appropriately and incorporates energy efficiency measures in its buildings. Additionally, during 2016 it established the environmental criteria that will be followed on future construction projects.

REALIA's activity contributes to the advancement of society and its stakeholders through job creation, paying taxes, contracts with suppliers and the preservation of value of its assets. Besides the economic contribution to society, which amounted to 20.1 Million Euros in 2016, the company is in permanent contact with its stakeholders through different channels.



Acanto, Madrid

In 2016, it continued to improve its Corporate Governance system with a new Fiscal Policy, which reaffirms its commitment to the best tax practices.

INTEGRATION OF CR

The CR policy of the company is the responsibility of the Board of Directors, according to the Corporate Responsibility Master Plan. The Communication, Marketing and Corporate Responsibility is responsible for its implementation.

As proof of the incorporation of CR in its management and of its commitment to transparency in information, REALIA prepares an annual report that includes the performance of the organization in its economic, social and environmental dimensions. In the last edition of the Informe Reporta, the Annual Report of 2015 was qualified as the best in the sector, and was ranked in the twenty third position among the companies listed in the Madrid Stock Market Index.

“ REALIA’s
Annual Report was
ranked as the best
in the sector

ECONOMIC VALUE GENERATED AND DISTRIBUTED

Millions of Euros

	2016	2015
Revenues from own activities	96.7	94.9
Financial revenues and others	114.1	5.3
1. ECONOMIC VALUE GENERATED	210.8	100.2
1.a. Value generated for suppliers	24.5	38.3
Wages and salaries	5.4	7.5
Pensions and other social contributions	0.4	0.5
1.b. Value created for employees	5.8	8.0
1.c. Value created for own and outside capital	8.2	24.7
1.d. Value recovered from Company	-24.2	-21.1
2. DISTRIBUTED VALUE	20.1	92.1
3. RETAINED VALUE	190.7	8.1
Minorities	14.4	8.8
Provisions, amortizations and others	-51.1	-8.8
Result from discontinued activities	-	0.0
Variation in value of property investments	49.2	26.7
Result attributable to shareholders	115.7	17.2

Source: REALIA

Fulfilment of objectives

REALIA continued to adapt its Corporate Governance system to the best good governance practices through the drafting of its new Fiscal Policy, the change in its Remuneration Policy and the changes in the By-Laws and in the Board of Directors. Furthermore, it has updated its control mechanisms associated to the Ethical Code and the whistleblowing channel. However, it has not started the standardization of the measurement system of waste generated by its property assets.

ACHIEVEMENT OF OBJECTIVES IN 2016

ACHIEVEMENT OF GOALS IN 2015	DEGREE OF ACHIEVEMENT	ACTIONS THAT JUSTIFY IT
Standardization of the managed waste measuring system.	LOW	Current conditions in the group have prevented the initiation of the process.
Keeping up to date the control mechanisms associated to the Ethical Code and the incidence reporting channel.	HIGH	Any incident related to the compliance of the Ethical Code is reported to the Audit and Control Committee. The Internal Audit department submits a report of its activities to the Audit and Control Committee, detailing the communications received related to the Ethical Code.
Review of the Corporate Governance Policy related to the current legislation.	HIGH	Amendment of the Bylaws and the Board Regulation. Approval of the Fiscal Policy, Amendment of the Tax Policy.

Source: REALIA

Challenges for 2017

REALIA is committed to maintain up to date in 2017 the control mechanisms associated to its Ethical Code, and to keep improving its Corporate Governance system, adapting it to the best international practices. Furthermore, it expects to start the process of standardization of the waste measuring system.



CHALLENGES FOR 2017

Maintaining the control mechanisms related to the Ethical Code

Progress in the improvement of the Corporate Governance system

Standardization of the waste management measurement system

Source: REALIA

Stakeholders*

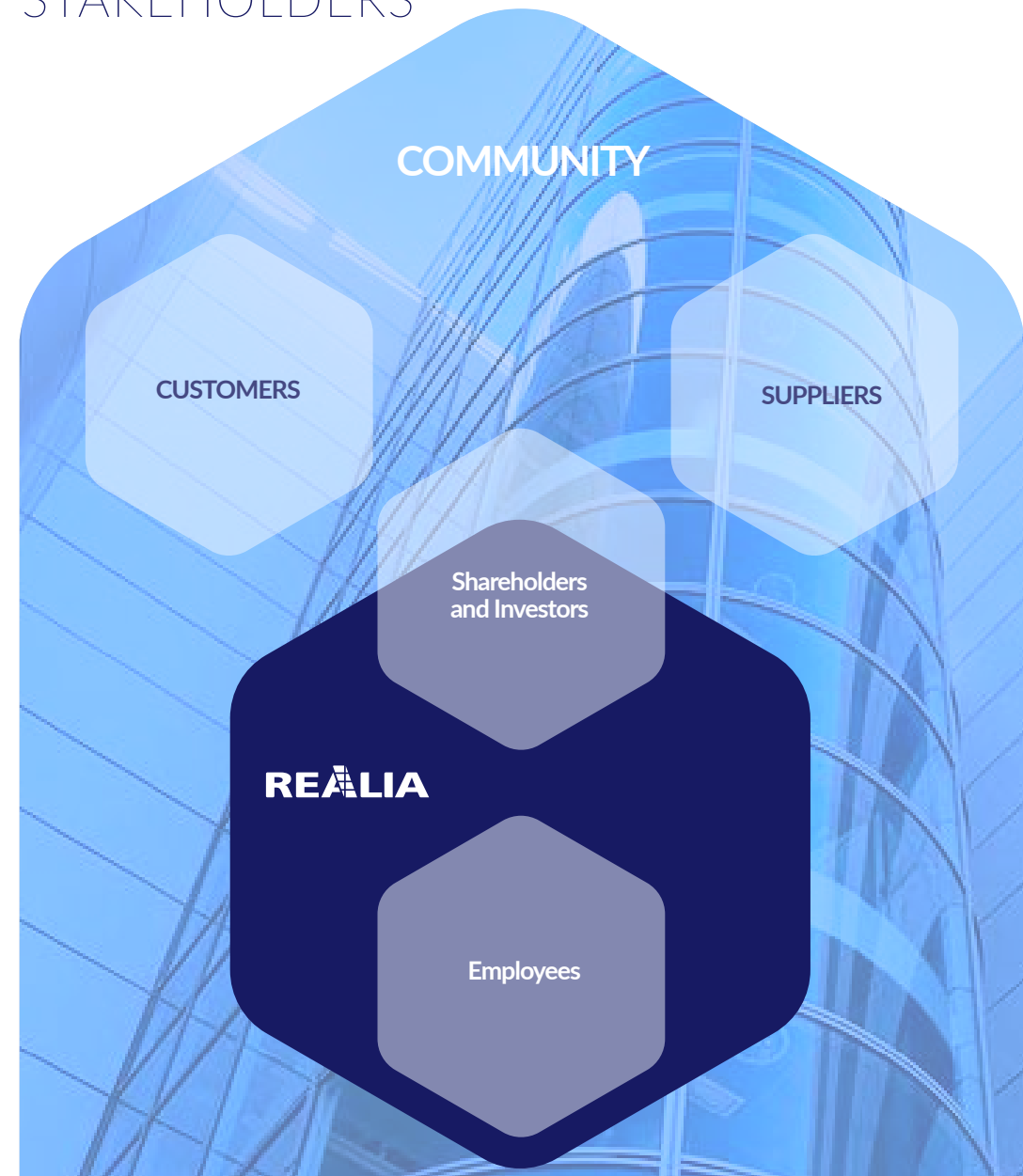
(*) G4-24, G4-25, G4-26, G4-27

During 2016, REALIA has kept a fluid and transparent communication with its stakeholders to identify, prioritize and respond to their expectations. The corporate website is the common channel for all stakeholders, even though the company promotes dialog with shareholders, employees, customers, suppliers and society through several communication channels.



Mijas, Málaga

STAKEHOLDERS



Source: REALIA

Shareholders and investors*

(*) G4-24, G4-25, G4-26, G4-27

Inversora Carso and FCC controlled more than 70% of REALIA's shares at year-end, whereas JPMorgan Chase & Cm held 6% of the shares. The remaining 23% of the share capital was in the hands of minority shareholders.

In order to prevent potential imbalances and conflicts of interest between the controlling and minority shareholders, REALIA's Corporate Governance system guarantees the rights of all shareholders and investors, regulates the representation of minority shareholders in the governance bodies and limits their power, by means of checks and balances.

COMMUNICATION CHANNELS

Besides good governance practices, the company is equipped with information and accountability mechanisms that help investors, shareholders and the market in general to make sound decisions in the purchase and sale of shares.

■ Corporate website

The main communication channel is the corporate website, www.realia.es, which meets the technical and legal specifications of Circular 3/2015 of the CNMV.

This site can be accessed from any mobile or fixed devices, and offers investors and other

“ Inversora Carso
and FCC controlled over 70%
of REALIA's shares
at year-end



Castellana 41, Madrid

(*) G4-24, G4-25, G4-26, G4-27

stakeholders relevant information on the evolution of the company. In the “Shareholders and Investors” section, there is information available on the shares and share capital, the different financial figures, stock market data and the results of the company. They can also access an overview of the “Corporate Governance” and the company’s “Press Room”.

■ Email

Shareholders and investors can get in touch directly with the Investor Relations Area via email. During 2016, more than 60 messages from shareholders were received through this channel.

■ Shareholders’ Electronic Forum

Before the General Meeting of Shareholders of 2016, the company created a Shareholders’ Electronic Forum. This Forum includes the proposals submitted for their incorporation to the agenda, the requests for endorsement of such proposals, and the initiative to reach the required percentage to exercise the right of a minority, as well as offers, requests or voluntary proxies.

TRANSPARENCY IN INFORMATION

Throughout the year, REALIA has been the object of attention of markets and mass media due to the capital increases, the launch of a takeover bid by Inversora Carso, the repayment of its homebuilding debt, and the negotiation of the new financing of the property business.

The company has kept at all times a policy of transparency in information with the investors, offering information to the markets, according to the Law on Corporations and its own internal regulations. During the year, 35 relevant events were reported to the CNMV.

All the information actions undertaken by the company have complied with the Internal Code of Conduct.

Additionally, the Communication, Marketing and Social Responsibility Department has kept the media informed about the different events in the company.

INVESTOR RELATIONS CONTACT



Source: REALIA

Employees*

(*) G4-24, G4-25, G4-26, G4-27

REALIA's workforce is composed by 95 experienced professionals specialized in the real estate business, who contribute their experience and dedication to achieve the corporate objectives. The company is aware of their importance, and offers them the best possible conditions, and an adequate climate to favor their professional development.

Three new employees were recruited during 2016 (one by REALIA Business and two by Hermanos Revilla) and six contracts expired (four in REALIA Business and two in Hermanos Revilla), so three jobs were lost. The employee turnover of the group stands at 6.37%.

NUMBER OF EMPLOYEES

	2016	2015
REALIA Business, SA	42	45
REALIA Patrimonio S.L.U	4	4
Hermanos Revilla	48	48
REALIA Polska	1	1
TOTAL	95	98

Source: REALIA



Torre REALIA, Barcelona



Los Cubos, Madrid

GEOGRAPHICAL DISTRIBUTION OF THE WORKFORCE

(*) G4-24, G4-25, G4-26, G4-27

	2016	2015
Madrid	89	91
Catalonia	1	2
Valencia	1	1
Andalusia	2	2
Castilla-León	1	1
Poland	1	1
TOTAL	95	98

Source: REALIA

Out of the 95 employees, 48 worked for Hermanos Revilla, 42 for REALIA Business, four for REALIA Patrimonio and one for REALIA Polska.

More than half of the contracts, 59, are full-time jobs, whereas 36 are seconded to contractors.

Most of the workforce, 89 out of the 95 employees, is in Madrid. The remaining six employees work for the different Spanish offices and in Poland.

REALIA's professionals are highly qualified. 35 are managers and graduates; 9 are technical staff and middle-level graduates; 16 are administrative and similar staff and 35 are personnel attached to the operation of buildings (concierges, maintenance personnel, etc.)

Regarding the distribution of the workforce, there are 71 men and 24 women.

Experience is a valuable asset for REALIA, especially in senior positions: 38% of the employees are over 50 years of age, 54% between 30 and 50, and only 3% are under 30 years.

DEFENSE OF FUNDAMENTAL RIGHTS

Besides strict compliance with the applicable labor legislation, REALIA has embraced the labor rights universally recognized by the World Compact of the United Nations, including the respect for fundamental rights, support for the freedom of union membership and collective bargaining, and nondiscrimination at work.

According to these principles, the company manages its human resources on three axes: Equal opportunities, development of the skills of its employees, and health and safety protection.

(*) G4-24, G4-25, G4-26, G4-27

EQUAL OPPORTUNITIES

REALIA is actively involved in the defense of equal opportunities and nondiscrimination; accordingly, the recruitment and promotion processes, just like remuneration, are related to performance, and are conducted with the appropriate publicity.

The company promotes equality between men and women in access to employment, training, promotion and working conditions. This is proven by the fact that women hold 40% of full-time contracts, despite accounting for just 25% of the workforce.

Four of the seven Members of the Board are women, whereas three men and one woman make up the Management Committee.

DISTRIBUTION OF THE WORKFORCE BY GENDER AND JOB CATEGORY

	2016	2015
Managers and university graduates	35	36
Men	23	22
Women	12	14
Technical staff and middle-level graduates	9	9
Men	9	9
Women	0	0
Clerical staff and salaried	16	19
Men	4	4
Women	12	15
Rest of salaried personnel	35	34
Men	35	34
Women	0	0
TOTAL MEN	71	69
TOTAL WOMEN	24	29
TOTAL	95	98

Source: REALIA

(*) G4-24, G4-25, G4-26, G4-27

TRAINING

REALIA is aware that the intellectual capital of the company relies on the workforce, and accordingly promotes learning and training. In 2016, 8,600 Euros were invested in training.

Seven training sessions were held for a total of 471 hours, on different subjects (languages, marketing, administrative management and risk prevention and labor safety), with the participation of eight employees.

HEALTH AND SAFETY AT WORK

REALIA has an external Prevention Service to protect the health and safety of its employees. During 2016, it evaluated the risks of the workplaces and conducted medical examinations.

Absenteeism rates due to a common disease (days lost x 1,000 hours/ Total of hours worked) reached 2.57 for men and 0.05 for women. The hours lost for this concept amounted to 3,399.

The return to work rate after paternity or maternity leaves was 100%.

The company promotes the conciliation of work and family of its employees, and accordingly, some years ago it redefined its working hours, a measure that also contributes to decrease energy consumption.

As to the accident rate, one single accident with medical leave occurred during the year. The employee who suffered the accident was on leave of eight days.

SOCIAL BENEFITS TO RETAIN TALENT

REALIA seeks to offer its employees optimal conditions to retain the best talent. Even though the special financial circumstances of the company did not allow for a pay raise, it holds a number of social benefits, to which the company has allocated 184,954 Euros.

The most relevant of these is the medical insurance, to which 25,932.50 were allocated; life insurance, 22,001.02 Euros; meal allowances, 58,140 Euros, and the payment of an excess policy, 39,440.26 Euros. In turn, contributions to pension plans amounted to 214,942 Euros.

As a consequence of this effort to retain talent, the average seniority of the employees went up to 15.85 years as at 31 December 2016.

COMMUNICATION WITH EMPLOYEES

The company keeps a dialog with its employees through the corporate Intranet, email and internal memos, to communicate relevant news and decisions.

Employees can report violations of the Ethical Code or report incidences regarding economic and financial information through the Intranet.



María de Molina 40, Madrid

Customers*

(*) G4-24, G4-25, G4-26, G4-27



Valdebebas, Madrid

REALIA aims to be perceived as the best company in the real estate market, and strives to offer quality properties and excellent services, suited to all types of customers: homebuyers, tenants and shopping center users.

It keeps an open and multi-channel communication with each type of customer, combining a personal treatment with an online experience.

REALIA's commercial network serves potential customers in regional delegations, sales offices and its headquarters. Expert and well-trained professionals, who show customers the properties, explain the economic conditions and, if necessary, provide their support through the process of rental or sale make up the network.

Customers can also access the properties offered by the company through the website www.realia.es. In the technical data section, they can see images and large size drawings of the products. Customers can request information on every property by filling out very simple form, additionally, for the residential area they can access a personal online advisor, which responds within 24 hours to the questions asked, even though the company is committed to respond within 72 hours.

HOMEBUYERS

The multi-channel strategy is intensified in the case of homebuyers.

On one hand, the salespeople who work in the sales offices provide excellent service to customers, helping them before, during and after the handover of keys. Besides showing the homes and offering them information about its qualities, in most developments, they also facilitate access to mortgage loans referring their customers to a

(*) G4-24, G4-25, G4-26, G4-27

bank to analyze their possibilities of financing. After the delivery of the home, the company provides an after-sales service during a minimum of one year after the handover of the keys.

In 2016, REALIA's sales network organized open door days in some residential developments, such as Hato Verde (Seville). In these events, some selected units at competitive prices are showcased. A specific marketing plan has been created for these events.

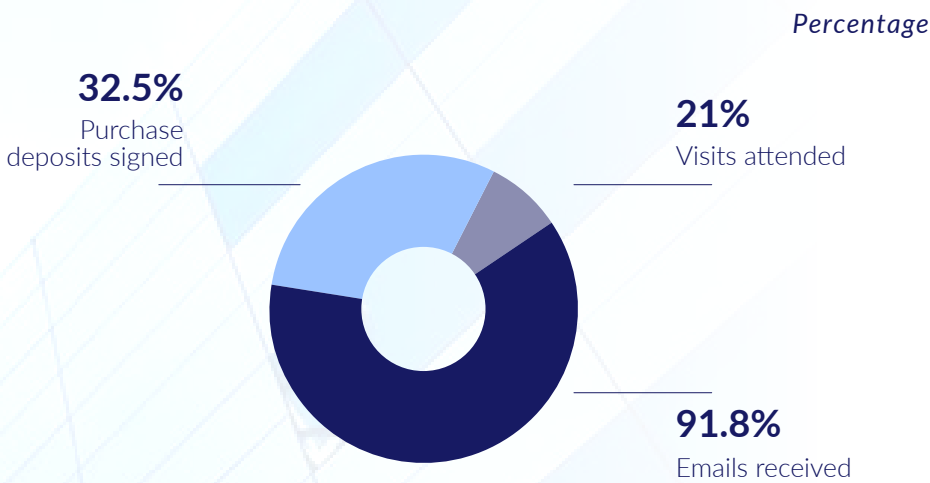
On the other hand, the company interacts with potential buyers sending the users registered in its database a newsletter with interesting articles on housing, home decoration, mortgages or information about the location of its properties. These articles are published at the online REALIA Magazine. 39 posts were published in 2016.

In parallel, the company makes publications in the media, mainly online media, and real estate websites. Additionally, it uses other digital marketing tools to present its developments, such as SMS landing, Google Adwords campaigns, etc.

Through this multi-channel strategy, REALIA responded to 3,961 requests for information, including phone calls and emails, and 1,291 customers were attended at the sales offices.

Out of these interactions, 92% of the emails received by the sales force came from digital media and one third of the deposit contracts signed came from online media (website, internet marketing campaigns and real estate websites).

INTERACTION WITH CUSTOMERS FROM DIGITAL MEDIA IN 2016



Source: REALIA

(*) G4-24, G4-25, G4-26, G4-27

TENANTS

REALIA provides quality services to its tenants that improve the appeal of its property offerings.

It offers customized solutions for every tenants in its offices, according to their needs and income level; is flexible in the adaptation of working spaces and promotes the constant improvement of common services, such as concierges, cleaning or security.

REALIA maintains its buildings proactively, applying efficiency measures, economies of scale, etc. for the reduction of costs, in order to preserve the value of each building and increase the comfort of the tenants.

For the provision of these services, it counts on professional teams in different areas (maintenance, legal, commercial, urbanistic, and economic-financial) assisted by external professionals.

Specialized consultants under the supervision of the company perform the management of shopping centers.



CC El Jardín de Serrano, Madrid

(*) G4-24, G4-25, G4-26, G4-27

SHOPPING CENTERS USERS

More than 21 million people visited the main shopping centers owned by REALIA during 2016.

In order to guarantee a pleasant shopping experience, all of REALIA’s centers have been designed according to criteria of functionality and accessibility. Thus, they combine recreation and shopping areas, are equipped with spacious common areas and adequate spaces for the movement of vehicles and pedestrians.

A number of improvements were made during 2016 on the shopping centers common areas to improve the comfort of visitors.

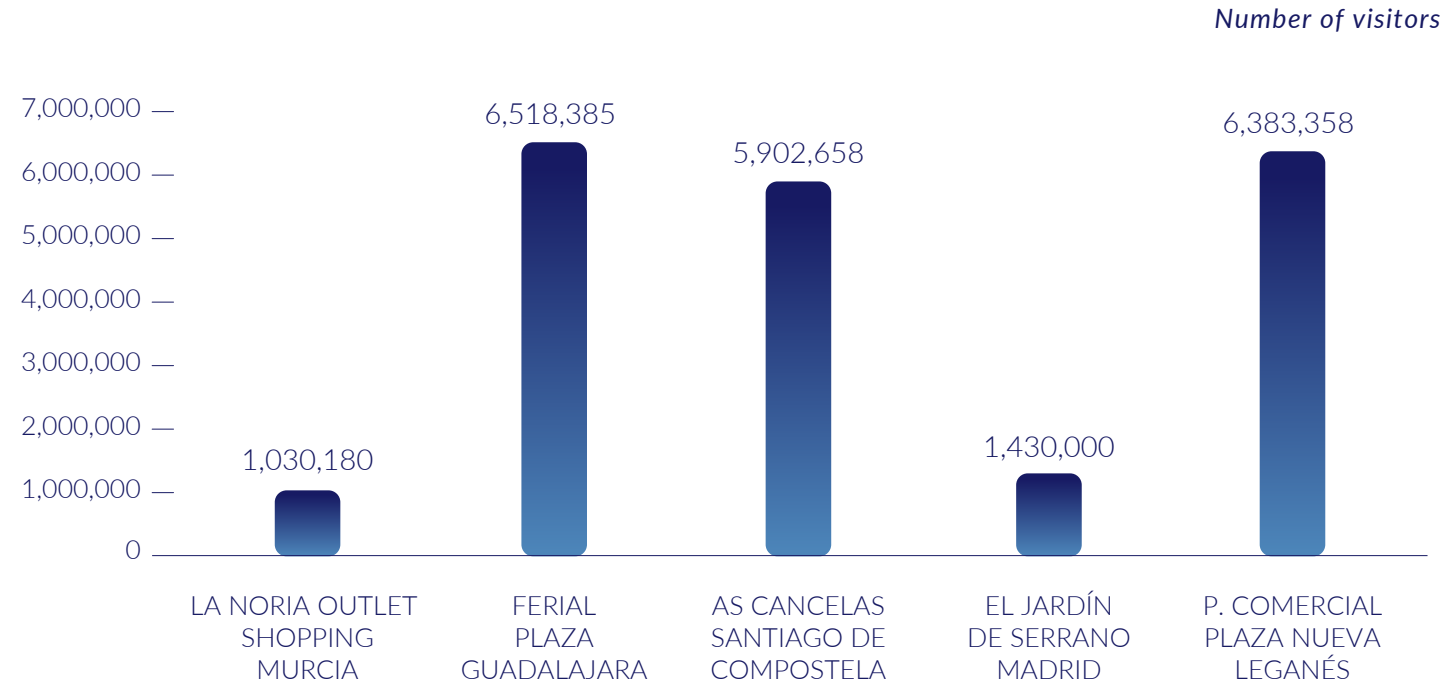
The most relevant of these were the improvements of the environment made by the As Cancelas de Santiago de Compostela shopping center, which changed the indoor signage, created a new children’s area and renovated and extended the Club Celi. Furthermore, apart from a number of improvements in the car park to facilitate disabled access, it implemented a number of measures to improve safety: a system of geolocation of security guards, glass panel in safety handrails, or the installation of new cameras, among others.

At the Plaza Nueva de Leganés shopping center, the equipment in the recreation area was renewed, vending machines were installed, the gardened areas of the car park were renovated and the floor of the shopping area was replaced.

La Noria Murcia Outlet Shopping, in turn, renovated its PA system, and provided free Wi-Fi access.

Ferial Plaza de Guadalajara performed maintenance work, such as painting on the floors and the car park.

NUMBER OF VISITORS TO REALIA’S MAIN SHOPPING CENTERS



Source: REALIA

Suppliers*

(*) G4-24, G4-25, G4-26, G4-27

REALIA has contributed to create wealth in the locations where it has a presence through contracts with 680 suppliers, from which it procured 27.4 Million Euros. These figures were slightly lower than in 2015, with 704 suppliers, and procurements for 29.3 Million Euros.

Most of the suppliers are Spanish companies that offer their services domestically. Abroad, it has 24 suppliers in Poland, 5 in Portugal and 2 in Romania to meet the needs of its homebuilding business in Warsaw, Lisbon and Bucharest, respectively.

Broken down by autonomous communities, 442 of them were based in Madrid, where the headquarters of REALIA are located, and the rest are distributed among Castilla-La Mancha (48), Catalonia (46), Andalusia (45), Murcia (27), Castilla y León (16), Community of Valencia (10), La Rioja (5), Canaries (4), Galicia (2), Balearic Islands (2) and Aragón (1)

Regarding the value of procurements, Madrid concentrated more than 69% of the total amount, whereas Castilla-La Mancha exceeded 9%, Catalonia, 6% and Andalusia, 5%. The rest of the autonomous communities represented less than 5% of the procurements.

All payments to suppliers during the year were mad within the maximum period established by law, with an average payment period of 52.46 days.



Goya 8, Madrid

SELECTION CRITERIA

(*) G4-24, G4-25, G4-26, G4-27

Historically, the selection and contracting of REALIA's suppliers is based on economic and technical criteria in both works and building rehabilitation. In these cases, general conditions are defined and included in the corresponding specifications, for bidding and contracting of works.

The Procurement Area is governed by the following principles:

- Strict selection of work contractors, according to technical criteria.
- Assuming responsibility for the health and safety conditions of the works.
- Preparation of the Construction Plan, guaranteeing compliance with the contract milestones.
- Guaranteeing REALIA's quality standards.
- Compliance with legal environmental requirements.

Community*

(*) G4-24, G4-25, G4-26, G4-27

REALIA aims to involve the community in the planning and management of its property developments to minimize the potential negative impact they may have on the social and natural environments.

Before starting construction of a new development or the rehabilitation of a rental building, the company contacts all stakeholders to listen to their concerns and consider their proposals for improvement.

Citizen participation is essential for REALIA in the planning of a development, since it provides it with a 360º of the impact of its activity on the environment. The creation of spaces for recreation and the improvement of the roads are some examples of the initiatives from neighbor associations, retailers and public administrations that the company takes into consideration in its project designs.

Throughout the year, the group continued its urban management of land, and it has established contacts with local and regional authorities to that end. These contacts took place under the utmost legality and transparency, according to the principles contained in the Ethical Code.



(*) G4-24, G4-25, G4-26, G4-27

COLLABORATION WITH ASPRIMA

Being a prominent player in the property sector, REALIA is a member of the Association of Property Developers of Madrid, Asprima, whose goal is to defend the professional interests of real estate companies, and whose priority rule is service to the community and dialog with the public administrations.

One of the most relevant projects of the association in 2016, in association with the Universidad Politécnica de Madrid, was the creation of the Degree of Real Estate Planning and Management. The students of this course, which started on 7 October, received training at the university 20% of the time, and 80% in a company of the sector, through an internship program.



As part of this initiative, REALIA has signed an agreement with the Universidad Politécnica for students to make practices in a company during six months, during which a professional from REALIA will act as the professional tutor, guiding and coordinating the learning process and ensure knowledge transfers in all departments. Practices take place between the months of January and July 2017. Additionally, it subsidizes part of the cost of tuition.

SOCIAL ACTIONS

The company also participates in social and solidary initiatives, in support of proposals from its employees or through campaigns at its shopping centers.

In 2016, shopping centers participated in several social campaigns of a cultural and sporting nature. Under REALIA's supervision, shopping center managers loaned common spaces to different foundations, NGOs and cultural associations to raise funds, gain membership or raise the awareness of the public on some issues.

Some of the non-profit organizations with which REALIA's shopping centers have collaborated during 2016 are Cruz Roja Española, Asociación Española contra el Cáncer, Federación Banco de Alimentos, Servicio de Bomberos de Guadalajara or Fundación Humana. Additionally, the centers have collaborated in the celebration of the International Day against Gender Abuse, or the International Day of Cancer, among other initiatives.

In culture and sports, some of the events organized were the IV Xornada de Folclore Galego, the II Edición Carreira das Letras Galegas, V Gala de Gimnasia Rítmica and the exhibition "A walk through History" in Santiago de Compostela.

In turn, REALIA's employees contributed to the campaign of toy collection campaign for children in danger of social exclusion, at the initiative of the volunteers association of the company Marsh, a tenant at Torre REALIA.

Environmental management

REALIA is strongly committed to environmental protection. In 2016, it conducted an energy audit of its buildings, continued to implement energy efficiency measures and defined the constructive characteristics of future developments according to the principles of sustainable architecture.

REALIA's Corporate Responsibility Master Plan establishes the need to manage the environment in a way that if reduces the footprint of its activities on the environment and favors the sustainable use of resources.

“ The Corporate Responsibility Master Plan establishes the criteria to follow regarding the environment



BASIC PRINCIPLES OF ENVIRONMENTAL PROTECTION



Source: REALIA



Following the Basic Principles of Environmental Protection included in the Guide of Good Practices of the group, the company applies the 3R rule (Reduce, Reuse and Recycle) and maintains a preventive rather than corrective approach to its projects.

REALIA's environmental management is based on four areas of action:

- Energy efficiency.
- Adequate waste management.
- Sustainable construction.
- Promotion of responsible conduct.

Thanks to these actions, and just like in previous years, no incidences or sanctions were registered during the year related to the environment.

ENVIRONMENTAL BALANCE*

	2016	2015	2014	2013	2012
CONSUMPTIONS					
Power consumption (MWh)	16,021,069	17,342,277	17,419,292	17,255,435	17,809,065
Water consumption (m3)	132,656	131,709	134,425	131,877	133,537
Gas consumption (MWh)	5,568,210	5,065,215	5,413,604	6,391,529	5,338,986
Diesel consumption (litres)	63,966	60,959	60,860	83,693	70,342
REDUCTION OF EMISSIONS					
Reduction of CO ₂ emissions	554,908	32,346	-68,820	232,525	279,893

(*) Like for like terms

Source: REALIA

Energy efficiency

REALIA's building underwent an energy audit in 2016. 17 buildings were selected for the audit, whose energy consumption accounts for 86.28% of the total energy consumption of the group. The audit was performed on each of the communities where REALIA has a presence.

With this audit, the company complies with Royal Decree 56/2016 of 12 of February, that transposes Directive 2012/27/UE of the European Parliament and the Council, of 25 October 2012, regarding energy audits, certification of service providers and the promotion of efficiency in the supply of energy.

According to the law, the company will audit the buildings again 4 years after the last audit.

Throughout the year, REALIA continued to evaluate its consumptions and CO₂ emissions and introducing efficiency measures in the buildings under its management. Thanks to this policy, during the last five years it has maintained a decreasing trend in both consumption and emission of polluting gases.

Below are the data corresponding to 84.4% of the assets by surface area and 72.5% of the assets by number. Additionally, there is no information available on 15.6% of the buildings by surface area: 14.8% corresponds to a single tenant in buildings who manages its utilities directly, and 0.8% corresponds to surface areas in co-owned properties where REALIA does not have a majority to decide on utilities.



POWER CONSUMPTION

Total power consumption decreased 2.5% in 2016, down to 20.478 MWh, despite the increased occupation of the building portfolio. The greatest increase in consumption took place in Madrid, with a 4.2% growth, due to the greater occupancy, whereas in the rest of locations, a 13% decrease was registered compare to 2015.

The decrease in power consumption is also reflected in the comparison among the last seven years. Taking information from buildings containing like for like figures, power consumption went down 7.6% from last year, and 16.1% in seven years (in like for like terms, power consumption went down from 19,104 MWh in 2010 to 16,021 MWh in 2016). The gradual implementation of energy efficiency measures in REALIA buildings justifies this decrease.

During 2016, shopping centers continued to improve their lighting and air conditioning to reduce consumptions and reduce accordingly their emissions to the atmosphere.

For example, the shopping center As Cancelas de Santiago de Compostela changed its lighting last November and replaced it for LED lights, which will reduce power consumption by 66%. This process started in March with the installation of LED technology in the restrooms.

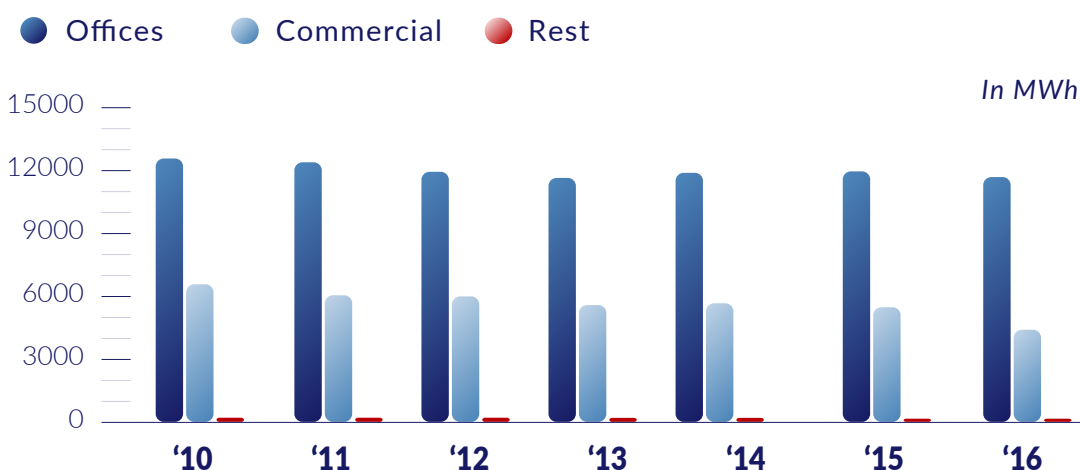
Plaza Nueva de Leganés also introduced a number of energy efficiency measures: optimization of lighting hours and air conditioning in the shopping gallery, the replacement of lights by LED lights, and the installation of translucent vinyl panels to improve climate control in common areas.

In turn, La Noria Outlet (Murcia) sectorized nighttime lighting by phases, achieving a monthly net saving of nearly 20%. A new telephone antenna was also installed, with savings in the monthly consumption of this complex between 6 and 10%.

In the case of the Ferial Plaza de Guadalajara, LED lights have been installed in different areas, a frequency changer in the escalator, and presence detectors in hallways for private use with LED lights.

Some office buildings also incorporated energy efficiency measures in 2016. Thus, solar filters in two facades of the Salvador de Madariaga, 1 building were installed to decrease the thermal load due to solar radiation.

POWER CONSUMPTION*



(*) Like for like terms

Source: REALIA

Renewable energies are already in use in some buildings owned by Hermanos Revilla: Pº de la Castellana, 41 and Príncipe de Vergara, 132 use thermal solar energy, whereas thermal solar and photovoltaic energy are used in the Albasanz, 14 building.

POLLUTANT EMISSIONS TO THE ATMOSPHERE

Energy consumption savings generated a reduction in emissions to the atmosphere of 554,908 kg of CO₂ in 2016, and 1,294,840 kg of CO₂ in the period 2011-2016.

The greatest annual decrease was achieved in shopping centers, where polluting emissions fell: 440,415 kg of CO₂ in 2016 versus 58,233 of CO₂ in 2015. Office emissions fell by 114,513 kg of CO₂, way above the 25,937 kg of 2015. In the rest of buildings, emissions increased by 20 kg of CO₂.

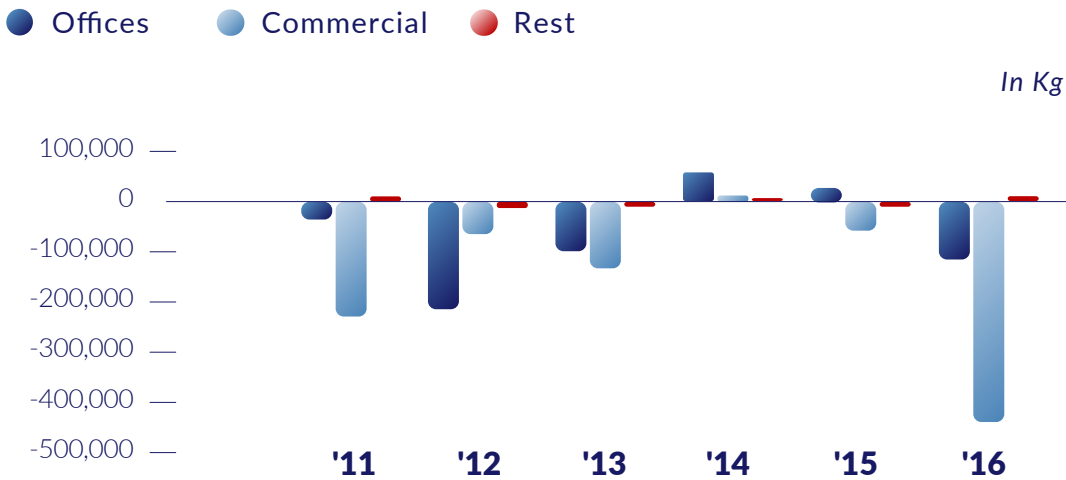
WATER CONSUMPTION

During the year, water consumption increased by 4,170 m³ (2.6% higher), up to 161,759 m³. Regarding locations, consumption decreased by 2.3%, down to 94,377 m³, which was compensated by the 10.5% increase in buildings in the rest of Spain.

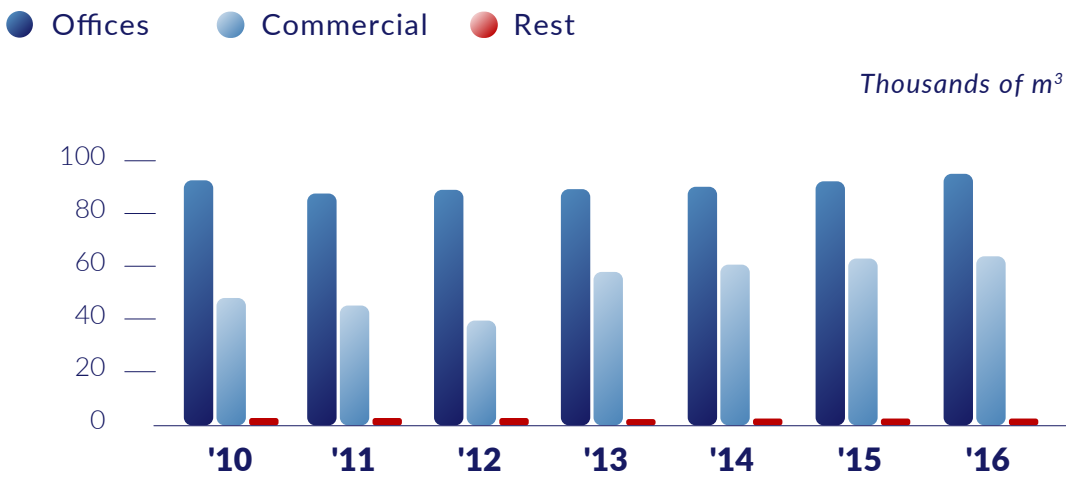
In like for like terms, –based on the information of buildings in which there are comparable data– water consumption increased during the last seven years by 0.7% compared to the previous year, and decreased by 8% over 2010. Thus, water consumption went from 144,159 m³ in 2010 to 132,656 m³ in 2016.

A number of measures were adopted in some shopping centers to reduce the use of water. Thus, in 2016, La Noria Outlet Shopping, apart from the signs installed in restrooms and water fountains informing about the responsible use of water, aerators were installed in the restroom faucets to optimize consumption.

REDUCTION OF CO₂ EMISSIONS*



WATER CONSUMPTION*



(*) Like for like terms

Source: REALIA

GAS CONSUMPTION

15 of the buildings surveyed, with a surface area of 199,542 sq. m., consume gas. Gas consumption increased by 17.5% from the previous year, and decreased by 4.6% compared to 2011.

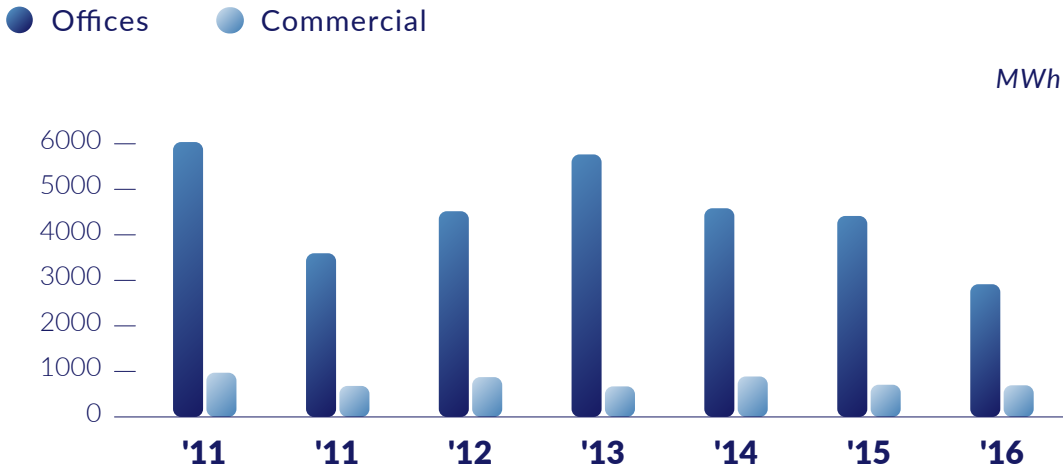
Over the last seven years, and using data from buildings for which there are comparable data available, gas consumption increased by 10.0% compared to the previous year, and decreased by 20% over 2010.

DIESEL CONSUMPTION

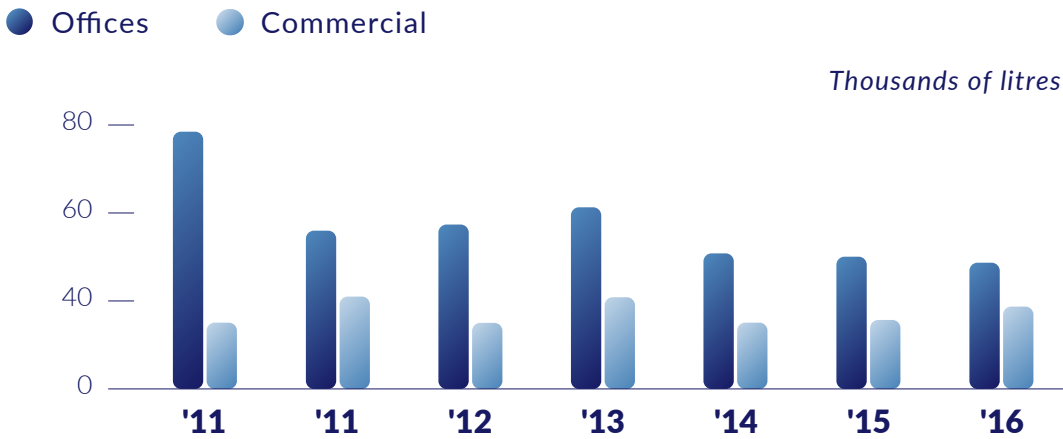
Four buildings, with a surface area of 16,967 sq. m., consume diesel. Diesel consumption increased by 4.9% from the previous year and decreased by 34.9% over 2010.



GAS CONSUMPTION*



DIESEL CONSUMPTION*



(*) Like for like terms

Source: REALIA

Adequate waste management

REALIA promotes selective waste collection in its offices and shopping centers, and has installed a recycling station in every building for the selective collection of waste.

This system allows for the recycling of paper, cardboard and toner, and to segregate toxic and hazardous waste for its subsequent collection and transport to authorized waste managers.

In Madrid, REALIA has a waste collection system for properties representing 69,600 sq. m., which collected a total of 414,259 kg of waste in 2016, 12.7% more than in 2015.

The only hazardous waste generated in REALIA's rental buildings are batteries and fluorescent tubes.

As to the different types of waste, a 15% increase was recorded in the collection of paper and cardboard, a 3.4% increase in glass, and 13% in other types of waste.

The collection of electronic waste that takes place sporadically –such as Ni-Cd batteries (they store data in case of voltage drops), lead batteries and electronic equipment– is performed by specialized waste collection companies.

The company collaborates with several companies and organizations in the collection of waste, depending on the type of waste. In the case of the Ferial Plaza de Guadalajara, it collaborates with Ambilamp, a non-profit entity, for the collection and processing of waste from lamps and electrical equipment. This shopping center has also drafted a new waste processing guide.

WASTE COLLECTION*

Units and Millions of Euros

	2016	2015
Fluorescent tubes	49	33
Glass	1,960	445
Packages	2,290	5,463
Paper – Cardboard	83,840	72,923
Rest of waste	326,120	288,679
TOTAL	414,259	367,543

(*) Like for like surfaces

Source: REALIA



3R PRINCIPLE

Historically, REALIA follows the 3R principle (Reduce, Reuse and Recycle) in its construction and rehabilitation works. From project planning to the end of construction, it strives to manage waste efficiently.

To that end, it classifies waste, stores it in demarcated area, gives special treatment to hazardous waste and reuses material coming from excavation in rehabilitation works. Finally, it transports construction and demolition waste to deposits, crushing plants or authorized waste managers.

Sustainable construction



The buildings constructed by REALIA meet the principles of sustainable construction: respect for the environment, use of low impact materials throughout their life cycle, and energy efficiency measures. All homebuilding projects meet the standards of the Building Code.

In order to obtain a better energy qualification of the housing in future projects, REALIA intends to implement a number of improvements in construction and quality of the materials used, to favor the energy savings in the homes. With these measures, the qualification “B” can be obtained routinely.

The company will build facades ventilated through ceramic panels, prefabricated or similar. Thus, good insulation and weatherproofing will be achieved outside, avoiding the impact of weather conditions inside.

In order to prevent energy losses in the windows in the facade, the quality of the carpentry profiles and the glass will be improved, providing them with an air chamber and glass panes with the adequate thickness and number. The new techniques favor the use of glass with solar control capabilities.

The third essential aspect for the improvement of efficiency is the use of the appropriate ventilation systems in the homes, in compliance with DB-HS and DB-HE of the Construction Code, through mechanical elements and pipes managed efficiently by the users.

Regarding the consumption of hot water, solar panels will continue to be installed and upgraded to reduce energy consumption in the heating of water, promote accumulation and achieve the correct distribution of water to all users. Additionally, final consumptions will be improved through new and more efficient faucets and mixers.

In summary, REALIA’s future homes will consume less energy maintaining the same degree of comfort or even higher, and reducing its environmental impact.



Torre REALIA, Barcelona

Promoting responsible conduct

REALIA promotes an environmentally responsible conduct, both within the company and in its supply chain.

To this end, it has drafted an environmental Guide of Good Practices addressed to employees, external personnel, suppliers and contractors –that brings together the best practices in the use of materials and products, energy management, waste treatment and transport.

In parallel, the company favors recycling in workplaces under the slogan “When you recycle, you win”.

In shopping centers and offices, it promotes sustainable conduct among its users through posters about the preferential use of elevators, water saving in the restrooms or the correct use of waste collection stations, among others.

Additionally, it participates in several special events dedicated to raise the awareness of citizens, such as the Day of the Environment, held on 5 June at the shopping center As Cancelas in Santiago de Compostela.

In shopping centers, the maintenance personnel informs retailers and stores managers of the possible measures to adopt to reduce energy consumption, such as opening hour adjustments or improvements in insulation.



ANNEXES





ANNEXES

RELEVANT ISSUE MAP

CONTENTS OF THE GRI G4

Relevant issue map*

(*) G4-18, G4-19, G4-20, G4-24, G4-25, G4-26, G4-27

The Materiality Survey drafted by an independent expert in 2014 has been taken into consideration in the preparation of the Corporate Responsibility and Annual Report. This analysis identified the most relevant issues for the stakeholders those related to the social dimension of the company, followed by the evolution of good governance, the business environment and the protection of the environment.

The survey that gave rise to the Relevant Issue Map was conducted in two phases: in the first one, the relevant issues for the company were identified, taking into account its characteristics and those of the property sector; secondly, the results obtained were prioritized according to their relevance to each of the stakeholders.

Additionally, the following aspects related to corporate responsibility were taken into account:

- The information published by the companies of the real estate sector.
- The issues raised by analysts and institutional investors.
- The news published in the media on CSR in the property sector.
- The priority issues for Internet prescriptors, professional associations and neighbor associations.

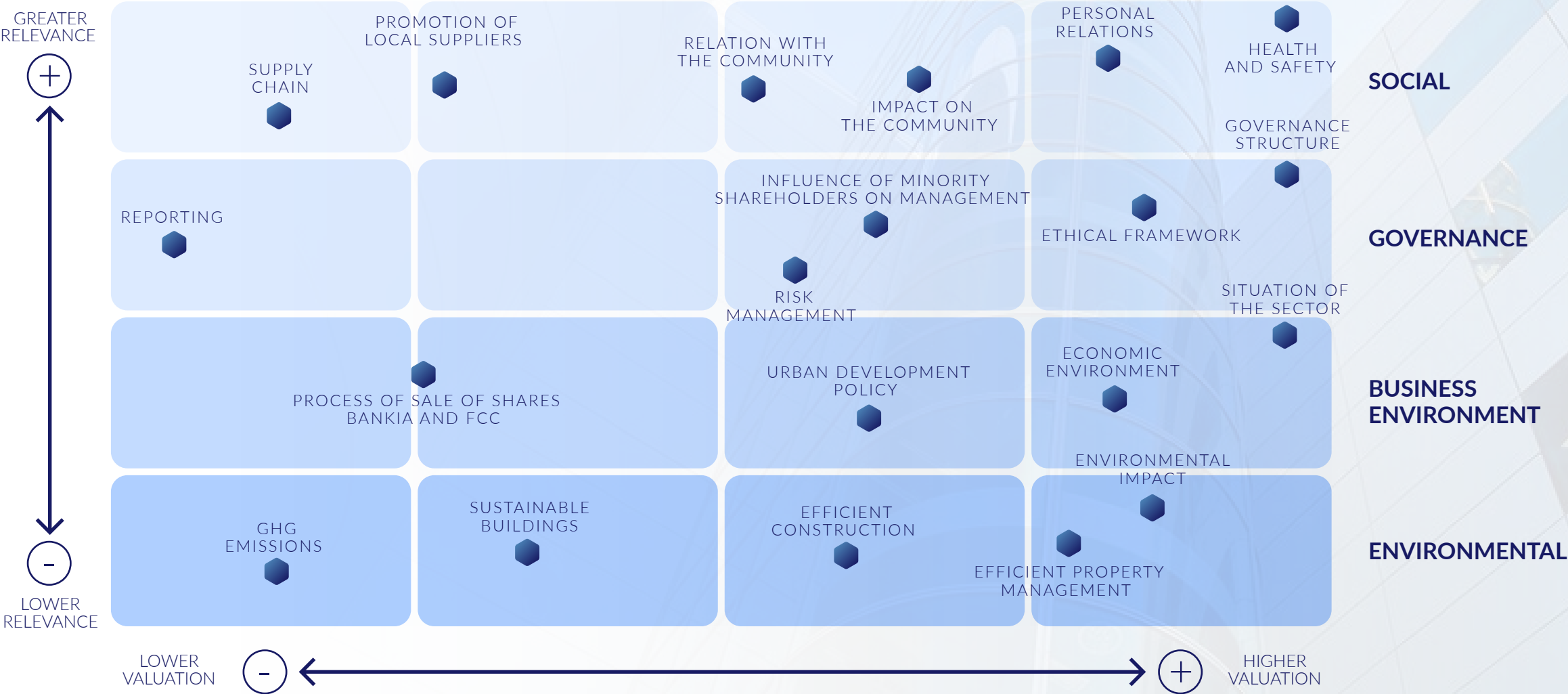
After this analysis phase, several interviews were made to different profiles of stakeholders, which resulted in the relevant issue Map.



Príncipe de vergara 132, Madrid

(*) G4-18, G4-19, G4-20, G4-24, G4-25, G4-26, G4-27

RELEVANCE MATRIX OF THE IDENTIFIED ISSUES



Contents of the GRI G4



This Corporate Responsibility and Annual Report follows the G4 Guide of the Global Reporting Initiative (GRI). The following table details the most relevant content, according to the criteria of this international organization.



Torre REALIA, Madrid



PART I: PROFILE INDICATORS 2016

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
STRATEGY AND ANALYSIS		
G4-1	Statement from the top decision-maker of the organization on the relevance of sustainability for the organization and its strategy.	COMPLETE CR and Annual Report. Letters, pages 6-7.
G4-2	Description of the main impacts, risks and opportunities.	COMPLETE CR and Annual Report. Risk management pages 91 – 93, Sustainable construction page 124, Materiality analysis, pages 128 - 129.
PROFILE OF THE ORGANIZATION		
G4-3	Name of the organization.	COMPLETE CR and Annual Report, page 17.
G4-4	Main brands, products and services.	COMPLETE CR and Annual Report, page 17.
G4-5	Headquarters of the organization.	COMPLETE CR and Annual Report, page 18.
G4-6	Number of countries where the organization operates, and name of the countries where it has significant activities or relevant to the sustainability aspects discussed in the annual report.	COMPLETE CR and Annual Report, page 13.
G4-7	Nature of ownership and legal structure	COMPLETE CR and Annual Report, page 18.
G4-8	Markets served (including geographical breakdown, sectors supplied and customers/beneficiaries).	COMPLETE CR and Annual Report, page 13 and 55 to 75.
G4-9	Dimension of the reporting organization.	COMPLETE CR and Annual Report, page 12 and pages 37 to 45.
G4-10	Workforce categories	COMPLETE CR and Annual Report, pages 103 to 106.

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PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
PROFILE OF THE ORGANIZATION (CONT.)		
G4-11	Number of employees covered by collective agreements.	COMPLETE <i>The whole Spanish workforce is covered by collective agreements. In the rest of the countries, the agreements with the employees follow the legislation of each country.</i>
G4-12	Description of the organization's supply chain.	COMPLETE <i>CR and Annual Report, pages 111-112.</i>
G4-13	Significant changes during the period covered by the annual report in the size, structure and ownership of the organization and the supply chain.	COMPLETE <i>CR and Annual Report, pages 24 and pages 33-34.</i>
G4-14	Description of how the organization has adopted a cautionary environmental principle or approach.	COMPLETE <i>CR and Annual Report, page. 116.</i>
G4-15	Social, environmental and economic principles or developed externally, and initiatives that the organization supports or approves.	COMPLETE <i>Page 113-114.</i>
G4-16	Main organizations of which it is a member.	COMPLETE <i>REALIA is a member of ASPRIMA, the association of the leading real estate companies in Madrid.</i>
RELEVANT ISSUES IDENTIFIED AND REPORTING PERIMETER		
G4-17	List of the entities included in the consolidated financial statements, specifying whether they are inside the reporting perimeter.	COMPLETE <i>G4-17a: The entities included in the CR and Annual Report are the main operating companies of the Realia Group (REALIA Business and its subsidiaries REALIA Patrimonio and Hermanos Revilla), as reported in the CR and Annual Report, under the sections Profile of the Group, page 17, and About this Report, page 2. G4-17b: Complete list of companies that form part of the REALIA group is found in Attachments I, II and III of the Consolidated Annual Accounts 2016, pages 78-79.</i>
G4-18	Process of identification of the content of the annual report.	COMPLETE <i>REALIA has identified the material issues to describe in the report through the existing internal and external communication channels. During the first quarter of 2014, REALIA prepared an independent study of the Map of Relevant Issues, whose results are in Annex I of the CR and Annual Report, pages 128 and 129.</i>

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PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
RELEVANT ISSUES IDENTIFIED AND REPORTING PERIMETER (CONT.)		
G4-19	List of relevant issues identified.	COMPLETE <i>CR and Annual Report, Annex 1, Relevant Issue Map, pages 128 and 129. The material aspects identified by REALIA have been broken down into 4 categories:</i> <i>Social: (Health and safety; Labour relations; Impact on the community; Relations with the community; Local suppliers and Supply Chain)</i> <i>Corporate governance: (Governance structure; Ethical framework; Influence of the leading shareholders on management; Risk management; and Reporting).</i> <i>Business environment: Sectorial environment; Economic environment; Urban development policy.</i> <i>Environmental: Environmental impact of activities; Efficient building management; Sustainable buildings and Greenhouse gas emissions (GHG).</i>
G4-20	Relevance for the organization of the relevant issues identified and areas of implementation within the organization.	COMPLETE <i>CR and Annual Report, Annex I, Relevant issue map, pages 128 and 129.</i>
G4-21	Relevance of the relevant issues identified and area of implementation outside the organization.	COMPLETE <i>The relevant issues identified are not material outside of the organization.</i>
G4-22	Description of the effect that the restatement of information from previous annual reports can have, together with the reasons that caused the restatement.	COMPLETE <i>No significant restatement of information from previous annual reports.</i>
G4-23	Significant changes related to earlier periods in the scope, the coverage or the valuation methods applied in the annual report.	COMPLETE <i>No significant changes in the scope, coverage or valuation methods applied in the annual report. CR and Annual Report, section About this Report, Page 2.</i>
DIALOGUE WITH STAKEHOLDERS		
G4-24	List of stakeholders of the organization.	COMPLETE <i>The description of the dialog policy with stakeholders includes the list of main stakeholders, and is found on the CR and Annual Report, page 100. The relation with each stakeholder is on the following pages of the CR and Annual Report. Pages 103-106 investors and shareholders, pages 103-106 employees, pages 107-110 customers, page 111-112 suppliers and page 113-114 community. On Annex I, pages 128 and 129 is the relevant issue map, obtained through the materiality study.</i>





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PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
DIALOGUE WITH STAKEHOLDERS (CONT.)		
G4-25	Basis for the identification and selection of the stakeholders with which the organization holds a dialogue.	COMPLETE <i>The description of the dialog policy with stakeholders includes the list of main stakeholders, and is found on the CR and Annual Report, page 100. The relation with each stakeholder is on the following pages of the CR and Annual Report. Pages 103-106 investors and shareholders, pages 103-106 employees, pages 107-110 customers, page 111-112 suppliers and page 113-114 community. On Annex I, pages 128 and 129 is the relevant issue map, obtained through the materiality study.</i>
G4-26	Approaches adapted to the dialogue with stakeholders, frequency of participation by stakeholder type and category, specifying whether the dialogue has been part of the process of drafting of the report.	COMPLETE <i>The description of the dialog policy with stakeholders includes the list of main stakeholders, and is found on the CR and Annual Report, page 100. The relation with each stakeholder is on the following pages of the CR and Annual Report. Pages 103-106 investors and shareholders, pages 103-106 employees, pages 107-110 customers, page 111-112 suppliers and page 113-114 community. On Annex I, pages 128 and 129 is the relevant issue map, obtained through the materiality study.</i>
G4-27	Key issues identified in the process of dialogue with stakeholders and response from the organization.	COMPLETE <i>The description of the dialog policy with stakeholders includes the list of main stakeholders, and is found on the CR and Annual Report, page 100. The relation with each stakeholder is on the following pages of the CR and Annual Report. Pages 103-106 investors and shareholders, pages 103-106 employees, pages 107-110 customers, page 111-112 suppliers and page 113-114 community. On Annex I, pages 128 and 129 is the relevant issue map, obtained through the materiality study.</i>
PARAMETERS OF THE ANNUAL REPORT		
G4-28	Period covered by the information contained in the annual report (for example, fiscal year, calendar year).	COMPLETE <i>Calendar year ended on 31 December 2016.</i>
G4-29	Date of the most recent previous annual report.	COMPLETE <i>The previous CR and Annual Report covers the year 2015 and was published on June 2016.</i>
G4-30	Cycle of submission of annual reports.	COMPLETE <i>Annual, based on calendar year.</i>

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PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
PARAMETERS OF THE ANNUAL REPORT (CONT.)		
G4-31	Contact for matters related to the annual report or its content.	COMPLETE Maria Prieto Directora de Comunicación, Marketing y RC. maria.prieto@realia.es
G4-32	Option “in accordance” selected.	“in accordance Comprehensive”.
G4-33	Current policy and practice related to the external verification of the annual report.	COMPLETE REALIA does not seek the external verification of non-financial information in the CR and Annual Report.
CORPORATE GOVERNANCE		
G4-34	Governance structure of the organization, including the committees of the highest governance body. Existence of committees responsible for decision-making related to economic, social and environmental impacts.	COMPLETE CR and Annual Report, pages 6 to 26. The Board of Directors is responsible for the definition of the group's CR policy. There is no specific committee in charge of decisions related to economic, social and environmental impacts. All these matters are reserved to the exclusive competence of the Board of Directors.
G4-35	Report on the process of delegation of powers on economic, social and environmental issues to the management team and other employees.	COMPLETE CR and Annual Report, page 84. Annual Corporate Governance Report, pages 10 to 11. The Board has some powers delegated to the Management Committee, chaired by the CEO of the company, and in which the heads of the operational and functional areas are members.
G4-36	Appointment of the persons in charge of economic, social and environmental issues who report directly to the Board of Directors.	COMPLETE The Communication, Marketing and CR Director is responsible for the coordination of CR-related issues (economic, social and environmental) within the Group and reports on these matters to the CEO of the Group.
G4-37	Consultation procedures of the highest governance body with stakeholders on economic, social and environmental issues. If the consultation process is delegated, explain to whom, and the reporting process to the highest governance body.	COMPLETE The process of stakeholder consultation is delegated to the Direction of Communication and Marketing, which reports on the results of the process to the CEO and he, in turn, reports to the Board of Directors.
G4-38	Composition of the highest governance body.	COMPLETE CR and Annual Report, pages 81 to 84. Annual Corporate Governance Report, pages 7 to 9.

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PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
CORPORATE GOVERNANCE (CONT.)		
G4-39	State if the chairman of the highest governance body also holds an executive position (in that case, describe its role within the management of the organization and the reasons that justify it).	COMPLETE <i>The Chairman of the Board does not hold an executive position.</i>
G4-40	Procedure for the determination of the expertise and knowledge required from the members of the highest governance body to guide the strategy of the organization on social, environmental and economic issues.	COMPLETE <i>Annual Corporate Governance Report, page 14-15. The procedures for the appointment and re-election of the members of the Board of Directors take into account the experience and knowledge of the candidates on social, environmental and economic issues that affect REALIA's business, and gender diversity and the interests of stakeholders are also taken into account.</i>
G4-41	Procedures to avoid conflicts of interest in the highest governance body. Information to stakeholders on the existence of conflicts of interest.	COMPLETE <i>Annual Corporate Governance Report, pages 27 and 28. The procedures to avoid conflicts of interest within the Board of Directors are regulated in the Board Regulations, Ethical Code and Internal Code of Conduct. Additionally, there is a Related Party Transactions Committee within the Board of Directors.</i>
G4-42	Participation of the highest governance body and senior management in the definition, approval and update of the organization's goals, values and mission, strategies, and the policies on economic, social and environmental impacts.	COMPLETE <i>Annual Corporate Governance Report, pages 22 to 24. The definition, approval and update of REALIA's objectives, values and mission, strategies, policies related to economic, social and environmental impacts is a competence reserved to the Board of Directors. The risk management structure is delegated to the CEO of the company, and supervised by the Audit and Control Committee.</i>
G4-43	Measures adopted to develop and enhance the knowledge of the highest governance body on social, economic and environmental issues.	COMPLETE <i>Annual Corporate Governance Report, pages 14 and 19 to 21. The procedures for the appointment and re-election of directors guarantee their capability and expertise on social, environmental and economic aspects that affect REALIA's business. The Board Regulations contemplate the possibility that directors can obtain external advice for a better performance of their duties.</i>
G4-44	Procedures to evaluate the performance of the highest governance body, regarding economic, environmental and social performance.	COMPLETE <i>CR and Annual Report, pages 79 to 83. Annual Corporate Governance Report, pages 15 to 16. The procedure for performance evaluation of the Board of Directors and the members of the Board is contemplated in the Board Regulations. The Appointment and Remuneration Committee, part of the Board, conducts the evaluation annually. The evaluations conducted so far have not revealed the need to change the structure and composition of the Board.</i>

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PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
CORPORATE GOVERNANCE (CONT.)		
G4-45	Duties of the highest governance body in the identification and management of environmental, social and economic impact and risk and opportunity management.	COMPLETE CR and Annual Report, pages 79 to 83. The identification and management of economic, social and environmental impact, risks and opportunities is a power reserved to the Board of Directors. Contacts are held with the stakeholders through internal and external communication channels for the identification and management of impacts and risks and opportunities by the Board of Directors. In 2014, REALIA prepared a Relevant Issue Map as a first step in the improvement of the identification of economic, social and environmental impacts, risks and opportunities.
G4-46	Duties of the highest governance body in the review of the effectiveness of the procedures existing in the organization for the management of economic, social and environmental risk.	COMPLETE Annual Corporate Governance Report, pages 55 to 59. The review of the effectiveness of the management of economic, social and environmental impacts, risks and opportunities is reserved exclusively to the Board of Directors.
G4-47	Frequency of the review by the highest governance body of the economic, social and environmental impacts, risks and opportunities.	COMPLETE Annual Corporate Governance Report, pages 55 to 59. The Board of Directors reviews the economic, social and environmental impact, risks and opportunities in its ordinary and extraordinary meetings.
G4-48	Committee or senior manager responsible for the review and approval of the sustainability report and the coverage of all material aspects.	COMPLETE The CR and Annual Report is reviewed and approved by the Management Committee before submitting it to the Board's approval.
G4-49	Reporting procedure on critical issues of concern to the highest governance body.	COMPLETE Annual Corporate Governance Report, pages 55 to 59. Critical issues are constantly reviewed by the Management Committee of the Group, which is in charge of keeping the Board of Directors duly informed, and of requesting its intervention when necessary, according to the Board Regulations and the company's bylaws.
G4-50	Number and nature of the critical points of concern reported to the highest governance body and procedures used to face them and resolve them.	COMPLETE CR and Annual Report pages 92 to 93.
G4 -51	Remuneration policy for the highest governance body and the senior management.	COMPLETE CR and Annual Report pages 85 and 86. Annual Corporate Governance Report, pages 12 and 13. The remuneration of the Board and the senior management must be approved by the Appointment and Remuneration Committee, and the Board of Directors. There are no bonuses for recruitments or recruitment incentives. Employment termination is governed by the contractual clauses and the current legislation.

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PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
CORPORATE GOVERNANCE (CONT.)		
G4-52	Process of determination of remuneration. Report if external consultants are used and if they are independent from the managers. Report on any other relations that consultants may have with the organization.	COMPLETE CR and Annual Report pages 85 and 86. The Board of Directors approves the remuneration of the members of the Board and senior managers at the proposal of the Appointment and Remuneration Committee and is reported to the General Shareholders' Meeting through the Remuneration Report. No external consultants are used to determine the remuneration.
G4-53	Procedures to obtain and consider the points of view of stakeholders on remuneration, and results of votes of remuneration policies and proposals, if applicable.	COMPLETE Remuneration policies and proposals are available in the Annual Report, Corporate Governance Report and Remuneration Report. The Remuneration Report is submitted for approval by the General Meeting every year. The 2016 Report was published at the company's website on 9 of March 2016.
G4-54	Report on the ratio between total annual compensation of the best paid individual in the organization in each country where the company has a significant presence, and the median annual compensation of the employees, excluding the best paid person.	COMPLETE Currently, REALIA only has significant operations in Spain. The 2015 ratio calculated on the median is 7.56.
G4-55	Report on the percentage ratio of increase in total annual remuneration of the best paid individual in the organization in each country and the percentage median of annual compensation increase of the employees in each country, excluding the best paid individual of the organization in each country.	COMPLETE Annual Remuneration Report, pages 2 to 11. No pay rises took place in 2016.
ETHICS AND INTEGRITY		
G4-56	Description of values, principles, standards and rules of conduct such as codes of conduct and ethical codes.	COMPLETE CR and Annual Report, page 16.
G4-57	Internal and external procedures to seek advice of ethical and legal conduct, and matters related with integrity in the organization such as help lines and advisory services.	COMPLETE CR and Annual Report, pages 87 to 90. Ethical Code / Money Laundering Prevention / Internal Code of Conduct.
G4-58	Internal and external procedures to report concerns about unethical or illegal behaviour and matters related to integrity in the organization such as incident reporting channel, hotlines, or whistleblowing.	COMPLETE CR and Annual Report, pages 78 to 79 and 87 to 90. Annual Corporate Governance Report, pages 23 to 26.

PART II: MANAGEMENT APPROACH

(DISCLOSURES ON MANAGEMENT APPROACH – DMA)

G4-DMA	DESCRIPTION		REPORT / LOCATION / EXPLANATION
DMA-EC	Economic Dimension		Issues relevant to REALIA are those related with Economic Performance and are discussed in the CR and Annual Report pages 23 to 53 (Evolution of the company) and pages 55 to 75 (Business Lines).
DMA-EN	Environmental Dimension		The environmental aspects that are relevant for REALIA's activity are discusses in the CR and Annual Report, Environmental management, pages 115 to 125.
DMA-SO	Social Dimension	1. Labour	CR and Annual Report, Employees, pages 103 to 106.
		2. Human Rights	REALIA's activities take place in European Union member countries, where the current legislation adequately protects working conditions and the human rights of workers.
		3. Society	CR and Annual Report, Employees, pages 103 to 106 and Community, page 106.
		4. Customers	CR and Annual Report Customers, pages 113 to 114.



PART III: PERFORMANCE INDICATORS

ECONOMIC DIMENSION

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
ECONOMIC PERFORMANCE		
G4-EC1	Direct economic value generated and distributed.	COMPLETE CR and Annual Report page 97.
G4-EC2	Financial consequences and other risks and opportunities for the activities of the organization due to climate change.	UNREPORTED REALIA's activities are not affected by climate change.
G4-EC3	Coverage of the obligations of the organization due to social benefit programs.	COMPLETE REALIA has covered adequately its obligations due to social benefit programs.
G4-EC4	Significant financial aid received from governments.	UNREPORTED REALIA does not receive any significant financial aid from public administrations.
MARKET PRESENCE		
G4-EC5	Range of relations between the standard initial salary by gender and the local minimum wage in locations where significant operations take place.	UNREPORTED REALIA does not have any minimum wage employees. The initial salary depends on the type of job and contract, and is not affected by gender considerations.
G4-EC6	Proportion of senior managers coming from the local community in locations where significant operations take place.	COMPLETE REALIA's activities are conducted in the Spanish territory.
INDIRECT ECONOMIC IMPACT		
G4-EC7	Development and impact of investments on infrastructures and services rendered.	UNREPORTED REALIA does not invest significantly in infrastructures.
G4-EC8	Significant indirect economic impacts, including the scope of such impacts.	UNREPORTED REALIA does not have any significant indirect economic impacts.

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ECONOMIC DIMENSION (CONT.)

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
SUPPLIERS		
G4-EC9	Proportion of expenditure on local suppliers in locations where significant operations take place.	PARTIALLY REPORTED CR and Annual Report page 111. <i>REALIA's Budget is relatively small, given the nature of its main line of business and the lack of activity in the homebuilding business.</i>

ENVIRONMENTAL DIMENSION

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
MATERIALS		
G4-EN1	Materials used by weight or volume.	UNREPORTED <i>This aspect is not relevant for REALIA given the nature of its main line of business, Property management, and the lack of activity in the Homebuilding business.</i>
G4-EN2	Percentage of the materials used that are recovered.	UNREPORTED <i>This aspect is not relevant for REALIA given the nature of its main line of business, Property management, and the lack of activity in the Homebuilding business.</i>
ENERGY		
G4-EN3	Energy consumption within the organization broken down by power sources (renewable and non-renewable), and type of fuel used.	COMPLETE CR and Annual Report, pages 117 to 119.

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CORPORATE RESPONSIBILITY AND ANNUAL REPORT 2016

ENVIRONMENTAL DIMENSION (CONT.)

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
ENERGY (CONT.)		
G4-EN4	Energy consumption outside of the organization.	PARTIALLY REPORTED Information unavailable.
G4-EN5	Energy intensity in buildings.	UNREPORTED CR and Annual Report, pages 117 to 119.
G4-EN6	Reduction in energy consumption.	COMPLETE CR and Annual Report, pages 117 to 119.
G4-EN7	Reduction in the need for energy consumption in products and services.	COMPLETE CR and Annual Report, pages 117 to 119.
WATER		
G4-EN8	Total water abstracted by sources.	UNREPORTED Water consumption is irrelevant in REALIA's activities.
G4-EN9	Water sources affected significantly by water abstraction.	UNREPORTED Water consumption is irrelevant in REALIA's activities.
G4-EN10	Percentage and total volume of water recycled and reused.	PARTIAL Water consumption is irrelevant in REALIA's activities.
BIODIVERSITY		
G4-EN11	Land owned, rented or managed, adjacent to or located within natural protected spaces or unprotected areas of high diversity.	UNREPORTED The impact of REALIA's activities on biodiversity is minimum or non-existent.

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ENVIRONMENTAL DIMENSION (CONT.)

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
BIODIVERSITY (CONT.)		
G4-EN12	Description of the most significant impacts on activities, products and services on the biodiversity of natural protected spaces or unprotected areas of high biodiversity.	UNREPORTED <i>The impact of REALIA's activities on biodiversity is minimum or non-existent.</i>
G4-EN13	Natural or protected habitats.	UNREPORTED <i>The impact of REALIA's activities on biodiversity is minimum or non-existent.</i>
G4-EN14	Number of species included in the Red List of the IUCN and in national listings whose habitats are in areas affected by operations, according to the degree of threat to each species.	UNREPORTED <i>The impact of REALIA's activities on biodiversity is minimum or non-existent.</i>
EMISSIONS		
G4-EN15	Direct greenhouse effect gases (GHG) Scope 1.	PARTIAL <i>CR and Annual Report, pages 120.</i>
G4-EN16	Indirect greenhouse effect gases (GHG) Scope 2.	PARTIAL <i>CR and Annual Report, pages 120.</i>
G4-EN17	Other greenhouse gas emissions (GHG) Scope 3.	UNREPORTED <i>REALIA is currently working on the methodology to calculate this information, and is expected to be available from 2017.</i>
G4-EN18	Intensity of greenhouse gas emissions (GHG).	UNREPORTED <i>REALIA is working on the methodology to calculate this information, and is expected to be available from 2017.</i>
G4-EN19	Reduction of greenhouse gas emissions (GHG).	UNREPORTED <i>CR and Annual Report, page 120.</i>
G4-EN20	Emission of ozone-depleting substances (ODS).	UNREPORTED <i>REALIA's emissions of ozone-depleting substances (ODS) are irrelevant.</i>

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ENVIRONMENTAL DIMENSION (CONT.)

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
EMISSIONS (CONT.)		
G4-EN21	Emissions of NOx, SOx and other significant emissions.	UNREPORTED <i>REALIA's emissions of NOx, SOx and other are irrelevant.</i>
DISCHARGES AND WASTE		
G4-EN22	Total discharges of wastewater, according to their nature and destination.	UNREPORTED <i>Not applicable, given the nature of REALIA's activities.</i>
G4-EN23	Total weight of waste generated, by type of method of treatment.	UNREPORTED <i>CR and Annual Report, page 122-123.</i>
G4-EN24	Total number and volume of the most significant accidental spills.	UNREPORTED <i>Not applicable, given the nature of REALIA's activities.</i>
G4-EN25	Weight of the waste shipped, imported, exported or processes that are considered hazardous according to the Basel Convention classification, annexes I, II, III and VIII and percentage of was internationally shipped.	UNREPORTED <i>Not applicable, given the nature of REALIA's activities.</i>
G4-EN26	Identification, size, protection status, and biodiversity value of water resources and related habitats, significantly affected by water and runoff waters discharges of the reporting organization.	UNREPORTED <i>Not applicable, given the nature of REALIA's activities.</i>
PRODUCTS AND SERVICES		
G4-EN27	Impact of the initiatives to mitigate the environmental impact of products and services.	UNREPORTED <i>Not applicable, given the nature of REALIA's activities.</i>
G4-EN28	Percentage of products sold, and their packaging materials, that are recovered at the end of their useful life.	UNREPORTED <i>Not applicable, given the nature of REALIA's activities.</i>

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ENVIRONMENTAL DIMENSION (CONT.)

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
REGULATORY COMPLIANCE		
G4-EN29	Cost of significant fines and number of non-monetary sanctions for non-compliance with environmental regulations.	COMPLETE <i>REALIA has not been fined or sanctioned for non-compliance with environmental regulations.</i>
TRANSPORT		
G4-EN30	Significant environmental impacts of the transport of products and other goods and materials used in the activities of the organization, and of personnel transport.	UNREPORTED <i>Not applicable, given the nature of REALIA's activities.</i>
GENERAL		
G4-EN31	Breakdown by type of the total environmental expenses and investments.	UNREPORTED <i>REALIA measures and manages energy, water and fuel consumption, and other potential environmental impacts, but does not have an exact figure of environmental expenses and investments for the reduction of these impacts and consumptions.</i>
THE ENVIRONMENT IN THE SUPPLY CHAIN		
G4-EN32	Percentage of new suppliers that have been certified using environmental criteria.	COMPLETE <i>100% of suppliers have been certified taking into account environmental criteria.</i>
GN-EN33	Potential negative environmental impacts in the supply chain and measures adopted.	COMPLETE <i>There have been no negative environmental impacts in the supply chain.</i>
PROCEDURES FOR HANDLING ENVIRONMENTAL COMPLAINTS		
G4-EN34	Number of environmental complaints received, handled and resolved through formally established procedures.	COMPLETE <i>No environmental complaints were registered in 2016.</i>

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CORPORATE RESPONSIBILITY AND ANNUAL REPORT 2016

SOCIAL DIMENSION HUMAN RESORUCES

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
EMPLOYMENT		
G4-LA1	Total number of employees, rate of new recruitments and turnover rate by type of employment, by contract, by gender and by region.	COMPLETE CR and Annual Report, pages 103 to 106. Turnover ratio employees lost/year average: 6.37%.
G4-LA2	Social benefits for full-time employees, not offered to part-time or temporary workers, broken down by the main workplaces.	COMPLETE CR and Annual Report pages 103 to 106. Social benefits offered by REALIA are identical for all employees.
G4-LA3	Levels of incorporation to work and retention after maternity or paternity leaves, broken down by gender.	COMPLETE CR and Annual Report pages 103 to 106. Rate of return to work is 100%.
COMPANY/ EMPLOYEES RELATIONS		
G4-LA4	Minimum period(s) of advance notice about organizational changes, including whether these notices are specified in collective agreements.	COMPLETE There is no specific period established for an advanced notice about organizational changes.
HEALTH AND SAFETY AT WORK		
G4-LA5	Percentage of the total number of workers represented in joint company-employees' health and safety committees, established to help control and advice on health and safety schemes at work.	COMPLETE There are no health and safety committees (There is a coordinator that acts as liaison between the company and the external prevention service contracted).
G4-LA6	Types of accidents and accident rates, occupational diseases, days of work lost, and absenteeism rate, number of fatal accidents, by region and by gender.	COMPLETE CR and Annual Report, page 106.
G4-LA7	Number of worker with high incidence or high risk of work-related diseases.	UNREPORTED Not applicable, given the activity and location of REALIA.
G4-LA8	Health and safety issues covered in formal agreements with trade unions.	UNREPORTED Not applicable, given the size and activity of REALIA.

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CORPORATE RESPONSIBILITY AND ANNUAL REPORT 2016

SOCIAL DIMENSION HUMAN RESORUCES (CONT.)

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
TRAINING AND EDUCATION		
G4-LA9	Average number of hours of training per employee, broken down by gender and employee category.	COMPLETE CR and Annual Report, pages 106.
G4-LA10	Skill management and continuous training programs that encourage the employability of employees and that provide them support in the management of the end of their professional careers.	UNREPORTED Considered as irrelevant, given the size of REALIA's workforce.
G4-LA11	Percentage of employees whose performance and professional development are regularly assessed, broken down by gender.	UNREPORTED Considered as irrelevant, given the size of REALIA's workforce.
DIVERSITY AND EQUAL OPPORTUNITIES		
G4-LA12	Composition of the corporate governance bodies and the workforce, broken down by employee category, gender, age group, minority groups.	COMPLETE CR and Annual Report pages 83, 84 and 105. Annual Corporate Governance Report, page 7.
EQUAL PAY FOR MEN AND WOMEN		
G4-LA13	Relation between the base salary of men compared to that of women, broken down by professional category and region.	COMPLETE Base salaries of REALIA's employees are established according to the collective agreements in place that apply the principles and legislation on equal pay.
LABOUR PRACTICES IN THE SUPPLY CHAIN		
G4-LA14	Percentage of new suppliers certified using labour practices criteria.	COMPLETE 100% of suppliers have been certified taking into account labour practices criteria.
G4-LA15	Potential negative impact of labour practices along the supply chain and measures adopted.	COMPLETE No negative impact from labour practices in the supply chain.
PROCEDURES FOR HANDLING LABOUR COMPLAINTS		
G4-LA16	Number of labour complaints received, handled and resolved through formally established procedures.	COMPLETE CR and Annual Report, pages 103 to 106. No labour complaints were received in 2016.

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CORPORATE RESPONSIBILITY AND ANNUAL REPORT 2016

SOCIAL DIMENSION HUMAN RESORUCES (CONT.)

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
INVESTMENT		
G4-HR1	Percentage and total number of significant investment agreements that include clauses on human rights or that have been subject to analysis on the topic of human rights.	UNREPORTED <i>REALIA carries out its activities on European Union countries, where human rights and working conditions are adequately protected.</i>
G4-HR2	Total number of training hours to employees on policies and procedures related to human rights issues relevant for their activities, including the percentage of employees trained.	UNREPORTED <i>REALIA carries out its activities on European Union countries, where human rights and working conditions are adequately protected.</i>
NON DISCRIMINATION		
G4-HR3	Total number of incidents of discrimination and measures adopted.	COMPLETE <i>CR and Annual Report, pages 103 and 106. No incidents of discrimination have been recorded.</i>
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
G4-HR4	Operations and suppliers identified in which the right to freedom of association and collective bargaining might be infringed or may be subject to significant risks, and measures adopted to protect these rights.	UNREPORTED <i>REALIA carries out its activity in European countries where freedom of association is guaranteed by law.</i>
CHILD LABOUR		
G4-HR5	Operations and suppliers identified in which there must be a risk of child labour, and measures adopted to protect these rights.	UNREPORTED <i>REALIA carries out its commercial activity in countries where child labour is strictly forbidden.</i>
FORCED OR COMPULSORY WORK		
G4-HR6	Operations and significant suppliers identified as significant risks of being sources of episodes of forced or compulsory labour, and the measures adopted to contribute to the elimination of all forms of forced or compulsory work.	UNREPORTED <i>REALIA carries out its commercial activity in countries where forced or compulsory labour are strictly forbidden.</i>

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CORPORATE RESPONSIBILITY AND ANNUAL REPORT 2016

SOCIAL DIMENSION HUMAN RESORUCES (CONT.)

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
SECURITY PRACTICES		
G4-HR7	Percentage of the security personnel trained in the policies or procedures of the organization on human rights topics relevant for the activities.	UNREPORTED <i>The performance of the security personnel, essentially subcontracted, is regulated by law.</i>
RIGHTS OF INDIGENOUS PEOPLE		
G4-HR8	Total number of incidents related to violations of the rights of the indigenous people and measures adopted.	UNREPORTED <i>There are no indigenous populations in the countries where REALIA is present.</i>
EVALUATION		
G4-HR9	Percentage and total number of operations that have been reviewed or evaluated for their impact on the topic of human rights.	UNREPORTED <i>In the countries where REALIA carries out its operations there are no significant risks of human right violations, so these evaluations are considered as unnecessary.</i>
HUMAN RIGHTS IN THE SUPPLY CHAIN		
G4-HR10	Percentage of new suppliers certified using the criteria of respect for human rights.	UNREPORTED <i>In the countries where REALIA carries out its activities there are no significant risks of human rights violations.</i>
G4-HR11	Negative, current and potential impacts in the area of Human Rights in the supply chain and measures adopted.	UNREPORTED <i>No negative impact, actual or potential, from suppliers.</i>
PROCEDURES FOR THE HANDLING OF COMPLAINTS IN THE AREA OF HUMAN RIGHTS		
G4-HR12	Number of complaints received related to Human Rights, handled and resolved through formally established procedures.	COMPLETE <i>No complaints related to human rights were received in 2016.</i>



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CORPORATE RESPONSIBILITY AND ANNUAL REPORT 2016

SOCIAL DIMENSION
SOCIETY

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
COMMUNITY		
G4-SO1	Percentage of operations in which development programs have been implemented, impact assessment and local community participation.	UNREPORTED <i>The negative impact of REALIA's activity on the communities is irrelevant.</i>
G4-SO2	Operations with significant negative impact, potential or actual, on local communities.	UNREPORTED <i>The negative impact of REALIA's activity on the communities is irrelevant.</i>
CORRUPTION		
G4-SO3	Percentage and total number of business units analysed regarding risks related to corruption.	COMPLETE <i>All the business units have been analysed for risks related to corruption, and no significant risks have been identified.</i>
G4-SO4	Communication and training in anti-corruption policies and procedures.	COMPLETE <i>CR and Annual Report, pages 87 to 90.</i> <i>All the business units have been analysed for risks related to corruption, and no significant risks have been identified.</i>
G3-SO5	Corruption incidents confirmed and measures adopted.	COMPLETE <i>No corruption incidents have been registered in 2016.</i>
PARTICIPATION IN PUBLIC MATTERS		
G4-SO6	Total value of financial contributions and contributions in kind to political parties or related institutions, by countries.	COMPLETE <i>REALIA does not and has never made contributions to political parties and related institutions.</i>
BEHAVIOUR ANTI FREE COMPETITION		
G4-SO7	Total number of legal actions related to monopolistic practices and practices against free competition, and their outcome.	COMPLETE <i>No legal actions have taken place in 2016.</i>
REGULATORY COMPLIANCE		
G4-SO8	Monetary value of sanctions, significant fines, and total number of non-monetary sanctions resulting from non-compliance of rules and regulations.	COMPLETE <i>No sanctions of this type took place in 2016.</i>

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SOCIAL DIMENSION

SOCIETY (CONT.)

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
IMPACT OF SOCIETY ON THE SUPPLY CHAIN		
G4-SO9	Percentage of new suppliers certified using the criterion of impact on society.	COMPLETE 100% of suppliers have been certified taking into account the criterion of impact on society.
G4-SO10	Negative impacts, current and potential, in the area of impacts on society of the supply chain, and measures adopted.	COMPLETE No negative impacts.
PROCEDURES FOR HANDLING COMPLAINTS IN THE AREA OF HUMAN RIGHTS		
G4-SO11	Number of complaints received due to impact on society, handled and resolved through formally established procedures.	COMPLETE No complaints were received during 2016.

SOCIAL DIMENSION

PRODUCT LIABILITY

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
HEALTH AND SAFETY OF CUSTOMERS		
G4-PR1	Percentage of significant product and service categories in which health and safety are assessed for their improvement.	UNREPORTED REALIA's finished product does not have an impact on the health and safety of the user. The inspection of buildings and shopping centres follows Health and Safety regulations.
G4-PR2	Total number of incidents derived from non-compliance of legal regulations or voluntary codes on the impact of products and services on health and safety during their life cycle, distributed according to the type of outcome of those incidents.	UNREPORTED REALIA's final product does not have an impact on the health and safety of the user, The inspection of buildings and shopping centres follows Health and Safety regulations.

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CORPORATE RESPONSIBILITY AND ANNUAL REPORT 2016

SOCIAL DIMENSION

PRODUCT LIABILITY (CONT.)

PROFILE	DESCRIPTION	REPORT / LOCATION / EXPLANATION
LABELLING OF PRODUCTS AND SERVICES		
G4-PR3	Types of information on the products and services required by the procedures of the organization in the area of product and service labelling and information, and percentage of products and services subject to such information requirements.	UNREPORTED <i>Not applicable, due to the nature of REALIA's business.</i>
G4-PR4	Total number of non-compliances of regulation and voluntary codes related to product and service labelling and information, distributed according to the type of outcome of these incidents.	COMPLETE <i>No incidents of this nature were registered during 2016.</i>
G4-PR5	Results of customer satisfaction surveys.	COMPLETE <i>No Satisfaction surveys are conducted, neither in Homebuilding nor in Property.</i>
MARKETING COMMUNICATION		
G4-PR6	Sale of prohibited or controversial products.	UNREPORTED <i>Not applicable, given the nature of REALIA's business.</i>
G4-PR7	Total number of incidents resulting from non-compliance of regulations on marketing communications, including advertising, promotion and sponsorship, distributed according to the outcome of these incidents.	COMPLETE <i>No incidents of this nature were registered in 2016.</i>
CUSTOMER PRIVACY		
G4-PR8	Total number of duly justified claims related to respect of privacy and the leak of personal customer information.	COMPLETE <i>No claims were received during 2016.</i>
REGULATORY COMPLIANCE		
G4-PR9	Cost of significant fines resulting from non-compliance with the regulation related to the supply and use of the products and services of the organization.	COMPLETE <i>No incidents of this nature were registered during 2016.</i>