



REALIA

**Corporate
Responsibility and
Annual Report 2019**

REALIA The Icon

TORRE REALIA The Icon

VISTAS

VISTAS

REALIA

Corporate
Responsibility and
Annual Report 2018



REALIA

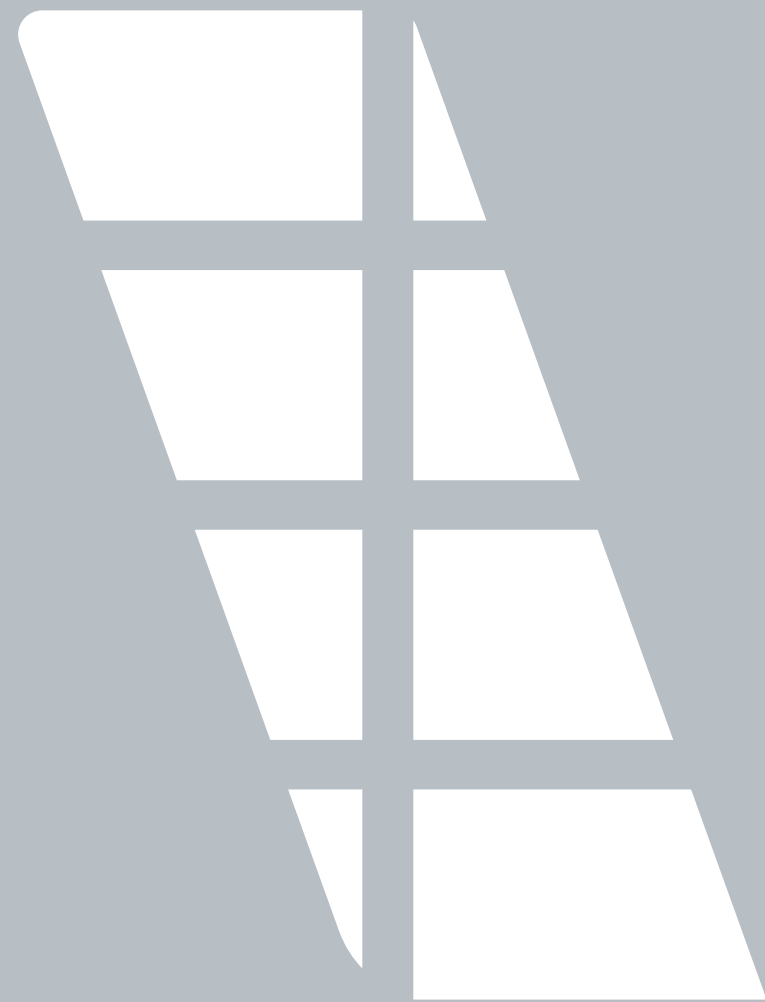
REALIA

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ABOUT THIS REPORT

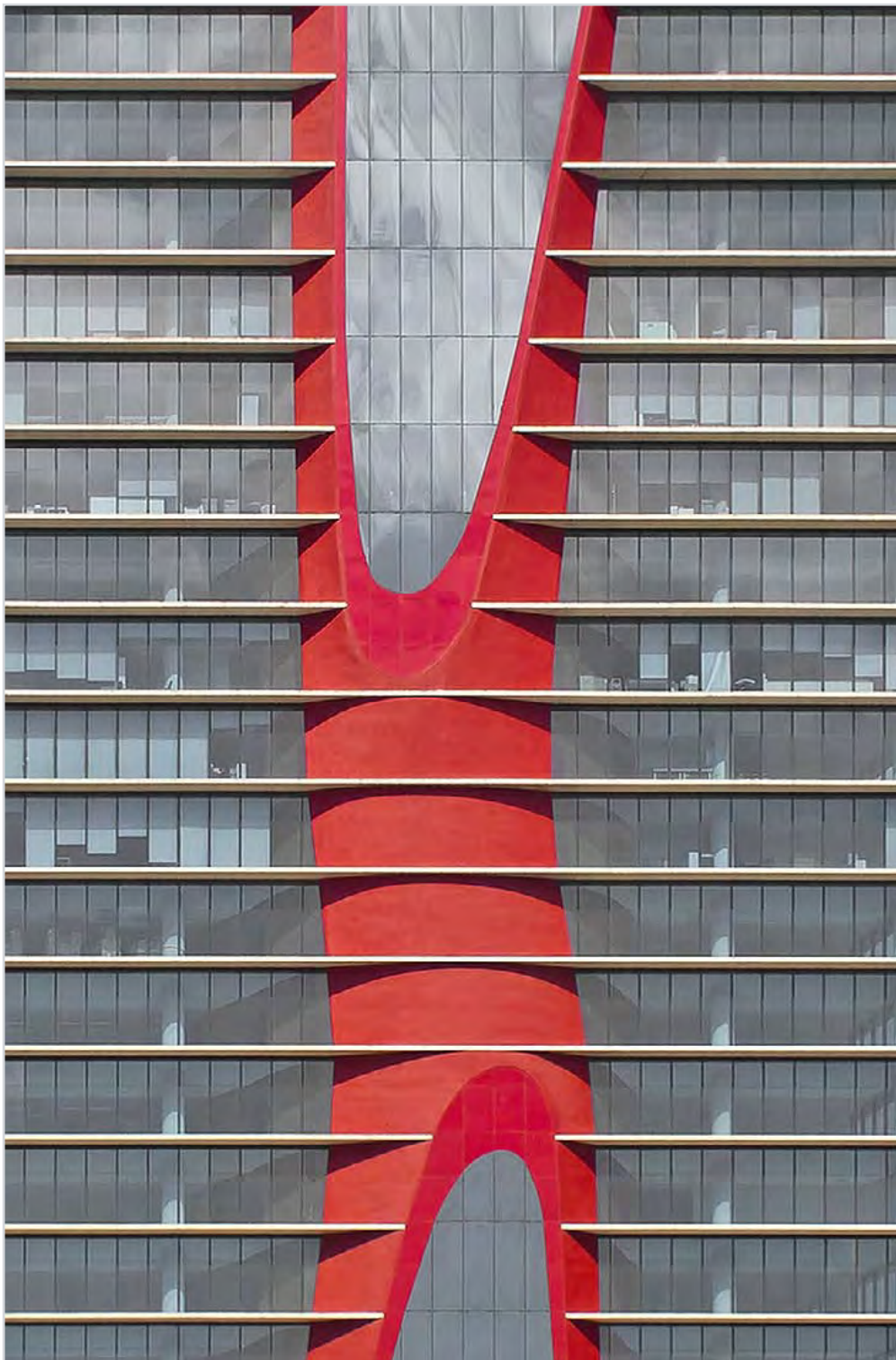
REALIA presents this Corporate Responsibility and Annual Report to account for its social and economic performance during 2018.





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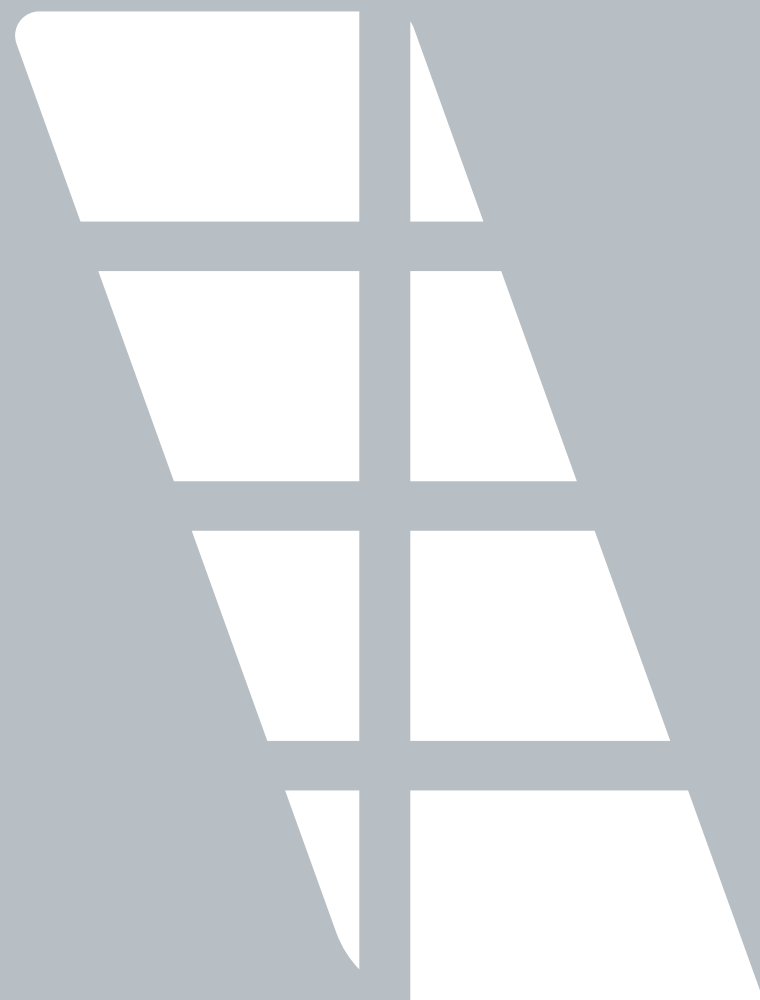
Torre Reial Bcn
(Barcelona)

1 LETTER



REALIA

LETTER FROM
THE
CHAIRMAN



Letter from the Chairman

Dear shareholders:

For REALIA, 2018 is marked as the year when the company resumed its homebuilding activity. The improvement of the economy and the reactivation of demand allowed REALIA to resume work during the year on two developments, Sabadell and Palma de Mallorca, and to proceed with the administrative and urbanistic procedures to continue work on the new developments of Alcalá de Henares, Valdebebas, Sabadell, Las Palmas de Gran Canaria,which we plan to start on 2019.

As we reported last year, the company has resumed its activity in areas with proven and solvent demand.

I would also like to highlight the capital increase approved by the company at the end of the year, which has been covered by 99.6% of its cost on the first round by its shareholders, and at 100% on the second round, which allowed us to repay the development business loan, and to have additional funds to develop its property developments.

Both milestones will have a positive impact of the results of next years. In 2018, the Spanish economy showed a positive evolution, with an estimated GDP growth of 2.5%, higher than in most of the European economies, as well as a reduction in unemployment. The economy continues to growth, even though there are signs of a slight slowdown of that positive trend.

For 2019, GDP is expected to grow up to 2.2%, internal demand will continue to grow and unemployment will decrease further. The potential risks will mainly come from abroad, such as the trade war between the US and China, the results of Brexit, anti-European populism, and the political instability in Spain, could have an impact on the forecasts, especially in the globalized world we live in.

Regarding the development business, in 2018 we have witnessed the consolidation of the recovery of the sector in Spain. The sale of homes hit the highest sales figure of the decade, with 500,000 transactions, even though just 20% of them were new homes. 2018 was a good year for demand and prices, with moderate and stable increases for the fourth consecutive year, albeit mostly concentrated on very specific areas and types of property.

We hope 2019 will continue on this path of sustained and stable growth of the sector, and it will be possible to achieve a transfer of existing homes to new homes, and to extend the price and demand increases to the rest of areas in Spain. If the increase in construction costs and the scarcity of ready for construction land, the most important negative factors, do not have a negative impact on the activity, we expect 2019 will be a very successful year.

In 2018, the property business in Spain reached record investment figures, approximately EUR 11,630 Million, an 8% increase over the previous year, especially thanks to international investors and the recovery of prices and occupancy levels, albeit only in selected locations.

We hope this trend will continue in 2019, especially in the office segment and in prime locations, which are the main strength of the company. Economic growth and the recovery of consumption could improve the demand for office space and the results of shopping centers, clearly threatened by the unstoppable increase of e-commerce.

Regarding the results of REALIA for the year, net attributable earnings in 2018 amounted to EUR 40.2 Million, versus EUR 30.5 Million in 2017, a 31.8% increase. Despite the drop in revenues in the development business, due to the decrease in the number of homes delivered and to the fact that sales of new developments in progress have not been accounted for yet. However, the improvement in the property business, the reduction of overhead and the increase of financial income thanks to a judicial decision that granted the company a favorable payment, made this positive result possible.

Once again, we have improved over 2017 on some key business indicators, such as Ebitda, results, borrowings... even though this improvement has not been reflected in a higher share price, in line with the rest of stock markets and companies in the sector. We hope to consolidate the share price increase recorded at the start of the year in 2019.

For 2019, we expect improvements in the residential homebuilding business, the confirmation of the strength of the office segment and an improvement in consumption that will result in improved results in shopping centers, which will have a positive impact on the company's results.

Thanks to all of those who trust in Realia, to its shareholders and its team of professionals whom I have the honor of being their Chairman, without whose hard work this great company would not be possible.



Juan Rodríguez Torres
Chairman



2 REALIA TODAY

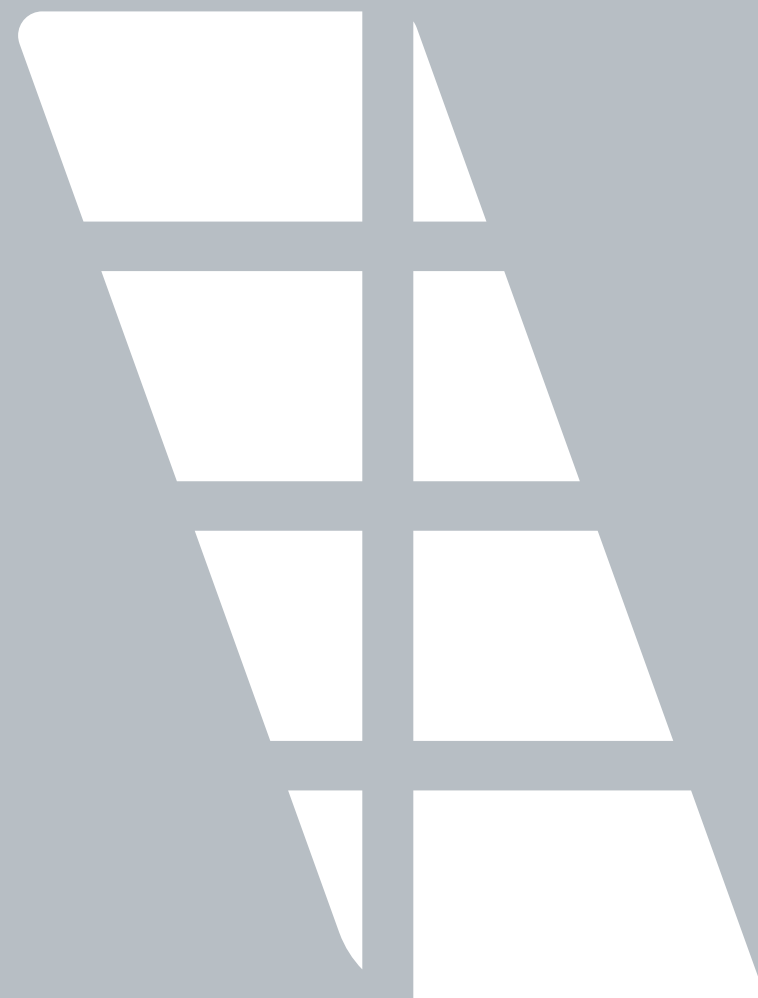


REALIA TODAY

Main aggregates

Financial Indicators

Company profile



Main aggregates 1/2

2 Business Lines



(*) Does not include new shares of the Capital Increase



Main aggregates 2/2

NUMBER AND LOCATION OF ASSETS

39 ASSETS ON LEASE

444 UNIDS (HOMES & COMMERCIAL PREMISES)

1.8 MILLION SQ M OF BUILDABLE SURFACE AREA

27% ON FULLY-PERMITTED LAND

- Property Business
- Homebuilding business
- Developments
- ▨ Land

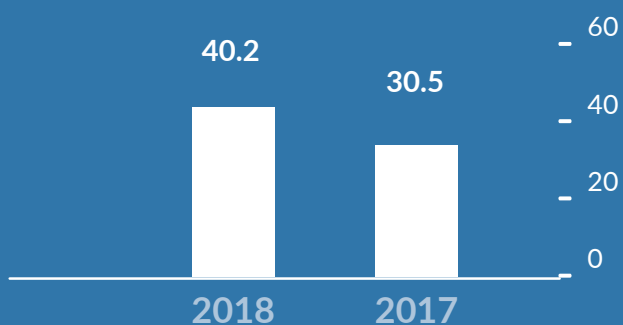
- Warsaw
- ▨ Bucharest



Financial Indicators

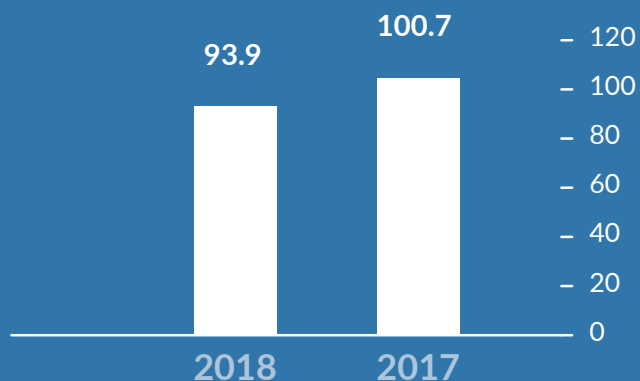
NET EARNINGS

Million Euros



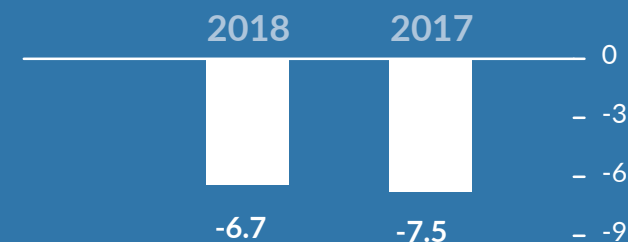
REVENUE

Million Euros



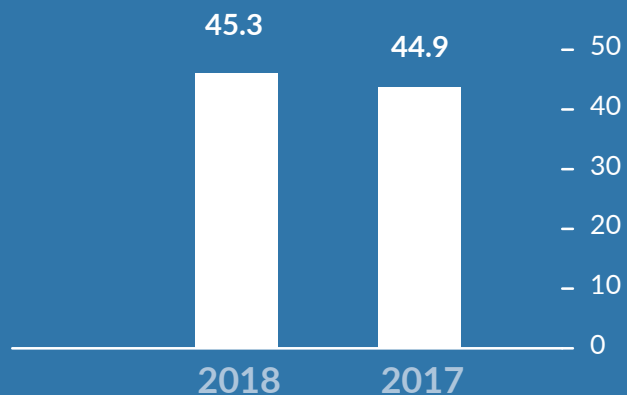
RECURRING OVERHEAD

Million Euros



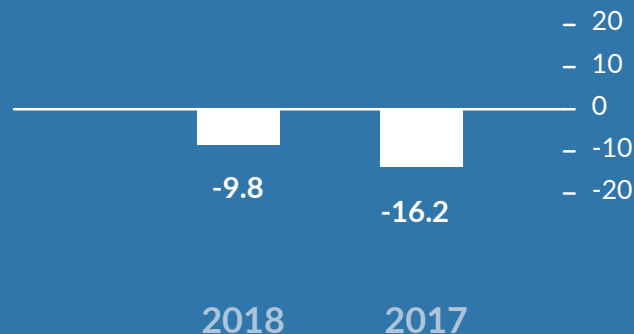
EBITDA

Million Euros



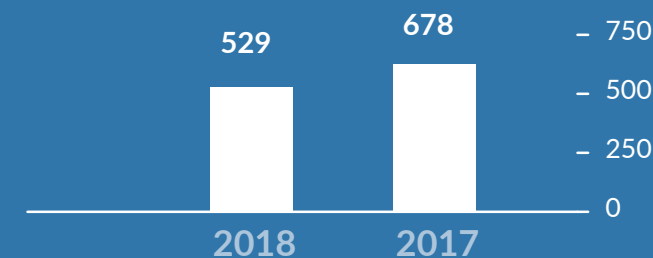
FINANCIAL RESULT

Million Euros

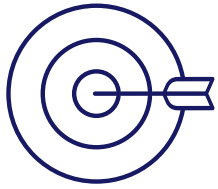


NET BANK BORROWINGS

Million Euros

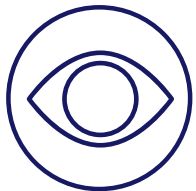


Profile of the Company 1/2



mission

To develop, manage and operate all kinds of real estate assets, and to offer high-quality real estate services to companies and individuals with the purpose of creating value for the shareholder, thanks to efficient asset selection and management, excellent service, innovation linked to eco-efficiency, and responsible management.



vision

REALIA works for the purpose of maintaining its status as a reference in the sector, recognized and admired by society, which it serves through the establishment of relations of trust and mutual benefit with its stakeholders.

values

CUSTOMER SERVICE



One of our most critical assets is our satisfied customers. In our customer relations, we place the interest of our customers at the same level as our own.

TRANSPARENCY AND GOOD GOVERNANCE



Realia aims to be recognized in the real estate sector as the company with the best Corporate Governance standards. We strive to act honestly, fairly and transparently, with impeccable conduct in our relations with our stakeholders.

LEADERSHIP VOCATION



All the employees of REALIA are distinguished for their vocation to achieve excellence in all the areas of activity of the company.

DIALOG



To maintain relationships of trust and mutual benefit with its stakeholders.

INNOVATION



Constant search of solutions that provide added value to the company and society. Quality as the basis for growth.

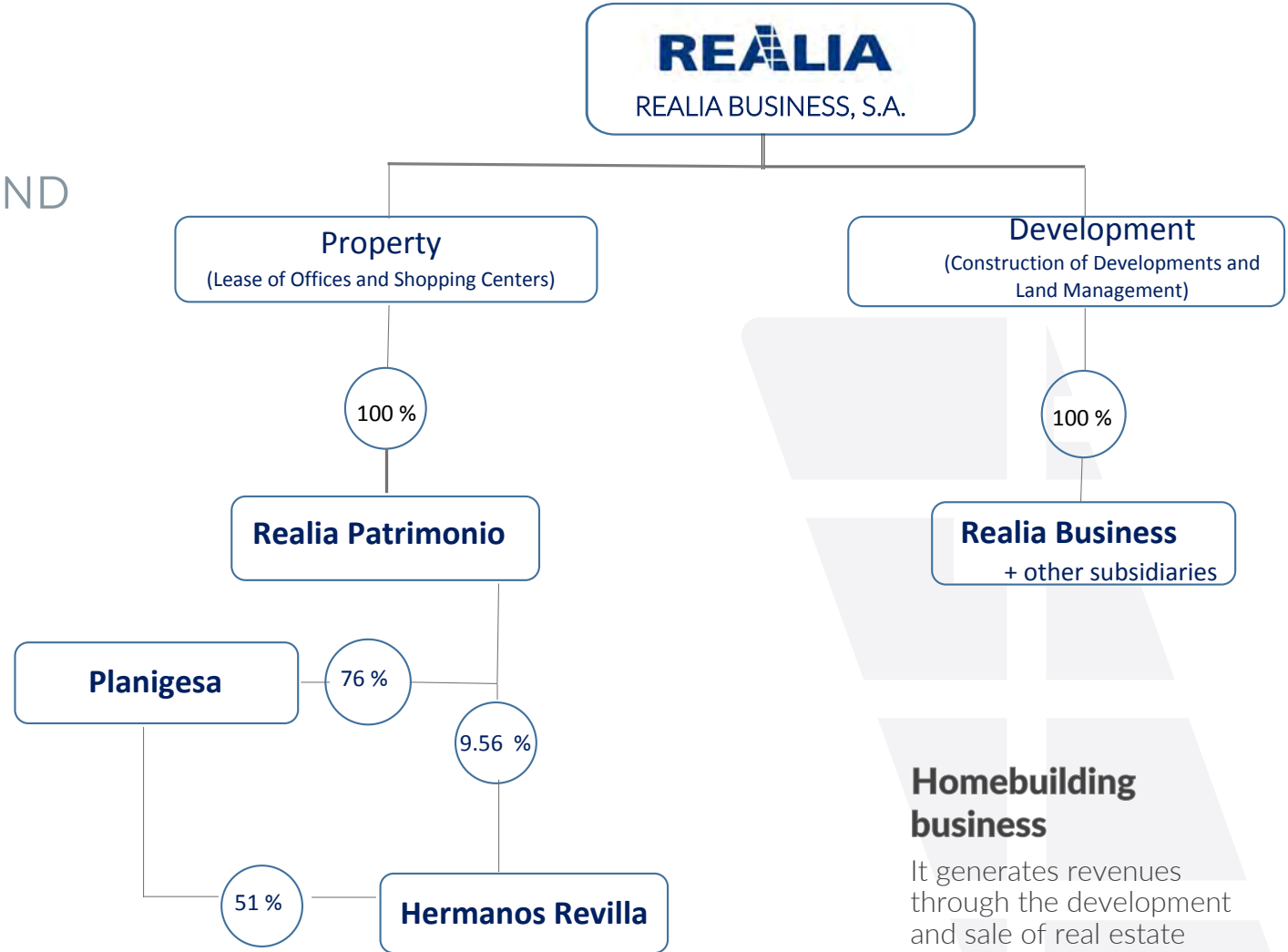
Profile of the Company 2/2

REALIA IS DEDICATED TO THE DEVELOPMENT, MANAGEMENT AND OPERATION OF:

- OFFICE BUILDINGS AND SHOPPING CENTERS
- HOUSING AND LAND

Property business

It generates recurrent revenues through the lease and management of office buildings and shopping centers, and extraordinary revenues through the turnover of assets.



Homebuilding business

It generates revenues through the development and sale of real estate products (mainly housing)

3 Evolution of the company



EVOLUTION OF THE COMPANY

ECONOMIC AND SECTORAL ENVIRONMENT

STRATEGY

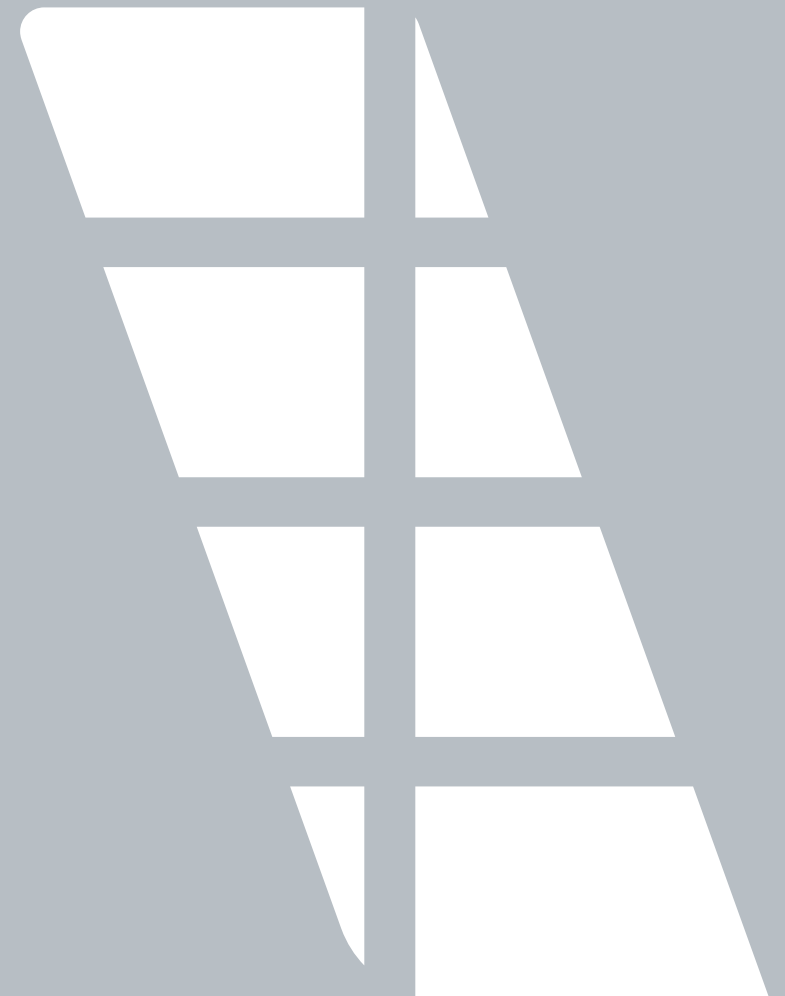
RESULTS FOR THE YEAR

Financial Situation

Asset Valuation

Consolidated Balance Sheet

STOCK PRICE EVOLUTION



ECONOMIC AND SECTORAL ENVIRONMENT

The “green sprouts” which back in 2015 seemed to signal the end of the great crisis that started in 2008, have thrived over recent years. GDP in Spain recorded very positive numbers, even though some decline in growth is visible: GDP growth in 2016 was 3.3%, 3.1% in 2017, and 2.5% at 2018 year-end.

The Bank of Spain has warned about a greater slowdown in job creation as a result of the raise in the minimum wage, which will not generate an increase in consumption due to the decline in employment, and GDP is estimated to grow by 2.2% in 2019, 1.9% in 2020 and 1.7% in 2021: these forecasts took into account the decline in domestic consumption, greater uncertainties abroad and the lower impact of the expansive monetary policy of the ECB.

This downward trend for growth in the next three years is due to the fact that recent estimates reduce somewhat the expected economic growth, and in the near future, the forecasts are influenced by the “recent bad news” about prospects in foreign markets. These include the trade war and the policy of the US, the outcome of Brexit, and the slowdown in growth of Euro zone countries. The Central Bank believes that “in a context of relatively high levels of uncertainty, the proportion of household income dedicated to consumption will be lower than in recent years”.

Regarding the real estate investment market in Spain, it must be noted that, as it was the case in 2015, 2016 and 2017, investments continue to hit record figures, and are estimated to reach EUR 20,000 Million, including corporate transactions (as published in the real estate Outlook 2019 by CBRE), which places Spain as one of the most attractive countries for real estate investment.

GDP GROWTH IN THE NEXT 2 AND 5 YEARS, 2019-2020 AND 2019-2023



Source: CBRE Research

This appetite for investment is expected to continue during 2019, as long as the profits obtained are attractive compared to other alternatives and interest rates remain low. As to the residential home market, we have seen the start of new developments, a growing number of applications for building permits, and increased investment from developers.

According to official statistics from the National Institute of Statistics (INE), sales of new homes in 2018 reached 92,500 units, and second-hand homes will reach 422,500 units, with price increases close to 6% year-to-year, or even higher in some markets such as Madrid, Valencia, Málaga, Balearic Islands or Barcelona...

Economic and sectoral environment

Spanish Investment Market

As mentioned above, and according to the real estate Outlook report by CBRE, the volume of investment in 2018 hit an all-time record at EUR 20,000 Million, including corporate transactions, or EUR 12,000 Million excluding them, which represents an increase of 56% and 5%, respectively, over 2017.

Investments in hotels and residential units for rent have increased significantly, above investments in offices and retail; investment in logistics has remained in high levels. Investments in hotels and assets for lease reached EUR 11,500 Million, 61% of the total, similar to 2017 levels, which shows the interest of foreign investors in the Spanish real estate sector.

US funds and investors recorded higher figures than European investments, and account for nearly half of total investments.

Investments in the office segment were above EUR 4,600 Million (including corporate transactions), and EUR 2,500 Million excluding those, and concentrated mainly on Madrid (75%) and Barcelona (20%).

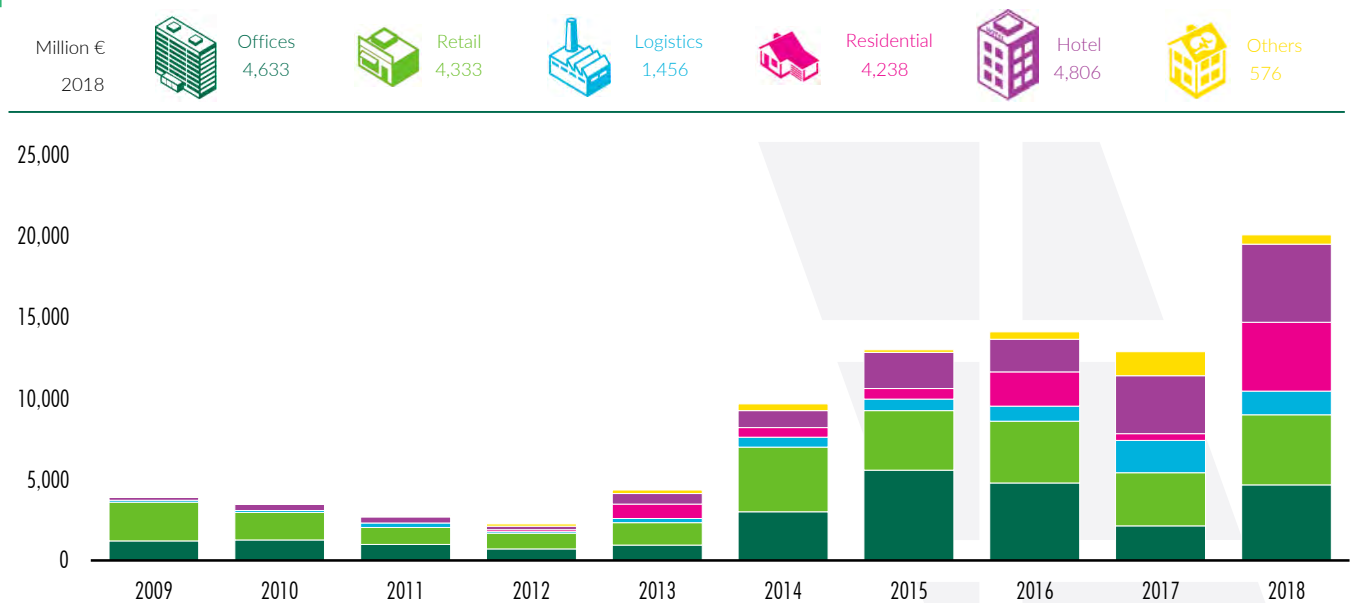
Investments in shopping centers and malls reached EUR 2,650 Million (+8% over 2017), which together with EUR 1,650 Million (more than twice the investment in 2017) of investments on High Street assets, represent a total investment in retail above EUR 4,300 Million. Investments in logistics reached EUR 1,500 Million, proving that this is an attractive sector for investors.

The residential homebuilding sector attracted EUR 4,270 Million in investments. This includes significant transactions (acquisition of Testa by Blackstone..) where the interest for rental assets generated excellent expectations for investors.

2018 hit record figures of investments in the hotel sector, above EUR 4,888 Million, which includes major corporate transactions (acquisition of Hispania by Blackstone for more than EUR 1,700 Million).

In the current moderate economic growth scenario, the moderate interest rates and the high volatility and uncertainty of financial markets, the Spanish real estate sector must continue to seem attractive to investors during 2019, because the expected yields and cap values will remain competitive against other investments.

VOLUME OF INVESTMENT IN SPANISH REAL ESTATE BY SECTORS



Source: CBRE Research

Economic and sectoral environment

The Office Market

This segment continues to be very dynamic; some EUR 2,400 Million were invested in Madrid and Barcelona in 2018 (according to Knight Frank, Q4/2018 Report); or EUR 2,541 Million (according to CBRE, Real Estate Market Outlook report 2019). Madrid accounts for 78% of that figure and represented an increase of 38% over 2017. This trend is expected to continue during 2019, and the number of contracts is expected to record contract figures above the average of recent years.

According to Knight Frank, in 2018 office lease contracts were formalized for nearly 493,000 square meters, with 52% of the leased surface area beyond the M-30.

Total office space in Madrid is around 13.2 Million square meters, with an availability rate around 10%, or 1.3 Million square meters of available office space.

A demand for space of prime quality is visible, adapted to the new forms of work that incorporate flexibility, productivity and talent attraction. There is increasing demand for co-working spaces. In the "Your Space" report from Knight Frank, 9 out of 10 respondents believe that their next offices will be different to their current ones.

Demand is expected to remain high in 2019 despite the new products entering the market, and rents are expected to continue to grow, with an estimated rent price of 36 €/m²/month for prime products in Madrid, and 26.5 €/m²/month for the same product in Barcelona.



Infography Torre Realia \ The Icon
(Madrid)

Economic and sectoral environment

Shopping center Lease

Investment in shopping centers and malls reached EUR 2,650 Million (+8% over 2017), and the number of transactions in 2019 is expected to be around EUR 1,600 Million, lower than in 2018.

The most significant figures of 2018 are the following: the number of visitors and sales increased by 1% versus 2017, whereas the occupancy rate is around 95%, and spend per visitor reached 12€ (11.8 € in 2017). These data are provided by the real estate sector Outlook report by CBRE.

There are currently 16 construction projects in progress, with 560,000 m2 of leasable surface area, and the number of new projects is expected to grow in future years.

5 to 10 new centers are planned to open in 2019, with 300,000 to 350,000 m2 of new leasable surface area.

INDICATORS OF SHOPPING CENTERS

Ratio	2017	2018 (*)
Visitors (annual variation/YTD)	+1.3%	+0.9%
Sales (annual variation/YTD))	+0.6%	+0.8%
Occupancy rate	94.6%	95.0%
Spend per visitor	11.8 €	12.0 €

Source: CBRE, (*) 2018 data until November



Private consumption will increase by 1.9% in 2019 and 1.5% in 2020, while retail sales will stabilize around 1.5% both in 2019 and in 2020. On the other hand, new tenants will concentrate mainly on specialized segments (sports, home, beauty, etc.), and not so much on fashion.

E-commerce will continue to grow strongly, and this will force owners of shopping centers to undertake major reforms taking this phenomenon into account, as well as the trend toward omni-channel retail, that is having a great impact on the retail store network.

Economic and sectoral environment

Residential Market

In 2018, we have witnessed the start of new developments, a growing number of applications for construction permits, and higher investments by developers.

Official forecasts published by the National Institute of Statistics (INE) predict the sales of 92,500 new homes, and 422,500 second-hand units, with price increases around 6% YoY, and even higher on some markets like Madrid, Valencia, Málaga, Balearic Islands or Barcelona.

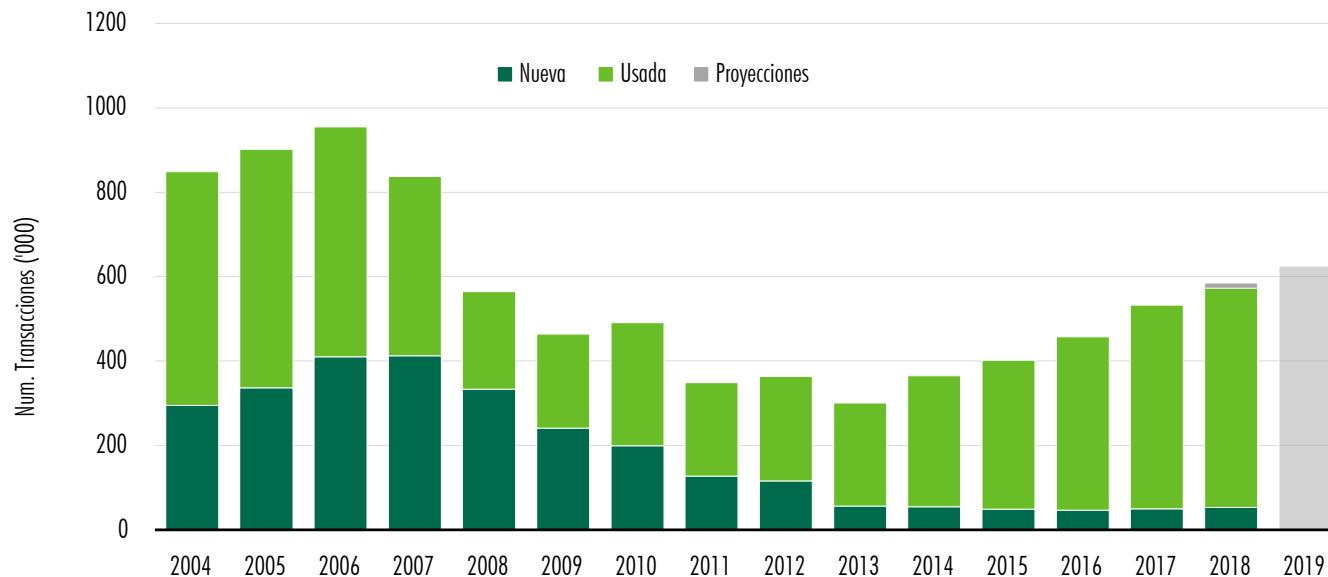
The residential home market will continue to evolve positively in 2019, albeit more moderately than in 2018, since higher prices mean an increase in affordability rates. This risk will be reinforced by the higher costs of new housing units, such as higher construction costs, lack of land ready for construction and longer periods for securing administrative permits for development.

The sector contemplates the sale of some 600,000 homes in 2019, 450,000 of them second-hand and 150,000 new homes, and price increases are expected to be moderate, around 4%.

Despite the favorable interest rates, affordability rate is increasing, from 30.9% in July 2017 to 32.1% in July 2018, due to moderation of salaries and higher housing prices, which have a significant impact on the rental market, where in some locations and districts, prices are at similar levels than at the time of the onset of the crisis.

EVOLUTION OF HOUSING TRANSACTIONS AND PROJECTIONS

Fuente: CBRE



Valdebebas (Madrid)



Economic and sectoral environment

Land Market

Compared to figures before the crisis, transactions in the land market have declined notably. It started to recover at the end of 2014, albeit very slowly and still very far from the figures of 2007.

According to data published by the Ministry of Development, on the basis of registry statistics, the surface area subject to transactions reached 24.5 Million m² until Q3 of 2018, a 27.6% increase compared to the same period in 2017.

The total of these transactions amounts to EUR 2,736 Million, an 8.5% increase over the same period of 2017.

Historically, average prices of the urban land subject to these transactions reached its minimum value in Q1 2014, with 142€/m², and has recovered until it reached its maximum of 168€/m² in 2017. At the date of reporting (September 2018), the average price was 155€/ m². Average price in municipalities with more than 50,000 inhabitants reached 277€/m² in September 2018.

This Corporate Responsibility report was concluded before 2018 year-end data were available. Nonetheless, we can conclude that the consolidation of growth in the housing market helped reactivate the land market in recent years.

Whereas demand for land concentrated on land ready for construction in markets with more dynamic housing demand since 2016, a shift toward land under management was observed during 2017 and 2018. In the main markets of Madrid and Barcelona, the scarcity of available land for construction in creating a big bottleneck for the development of this market. This scarcity is conditioned by the moderate land management activity of recent years.

The strategic positioning of some developers toward urban management seems to suggest that the focus on land ready for construction (land lots) may be coming to an end, in view of the limited quality land available and its high prices. The existing mismatch between land supply and demand in some markets is creating an upward pressure on prices. Public Administrations must resume their land management activities, reducing processing periods and avoiding bottlenecks to help restore developing activity.

Arroyo de la Encomienda
(Valladolid)



STRATEGY

Since 2015, REALIA has focused its strategy on the compliance with a financial rationalization plan that will help the company generate recurrent revenues and achieve a balanced debt that will make it possible to undertake new projects in the future.

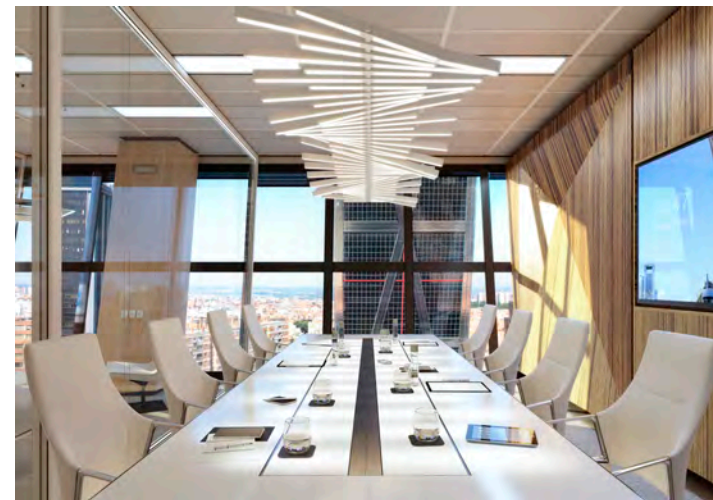
After the last capital increase, the company achieved the objectives mentioned above, eliminating financial borrowings in its development activity and generating the cash-flow necessary to undertake new investments in property and in new developments, according to market demand, but with the ultimate goal of profitability. REALIA does not aim to be the leader in terms of revenues; its strategy is to become one of the most profitable companies in the market, and works to maximize its revenues and to rationalize its costs and expenditures.

The company portfolio of ready for construction land has been analyzed with the goal of keeping an eye on the evolution of the different areas of the market, and technical projects have been developed on this type of land, with the purpose of being prepared to obtain construction permits, as soon as the demand guarantees the success of the developments.

As to the other business line of Realia, the lease of assets, 2018 did not register any new assets or asset removals; nonetheless, the Group is open to explore potential opportunities, so long as they can contribute value and profitability to the Company.

The market capitalized at very low yields during 2018, making acquisitions unattractive; this situation will probably continue during 2019 until an upward trend of interest rates takes place.

Capital expenditure has been made on buildings in order to maintain our leasing assets within the top assets of reference, in order to adapt them to the new demands of tenants and market trends, such as improvements of energy efficiency, hospitality areas, renovation of common areas, gyms, etc., alongside investments on the adaptation of spaces to new demands, such as co-working, flexible workspaces, etc. This policy will continue during 2019.



Strategy

Business Strategy by Areas

The strategy on the two business areas for 2019 can be summarized as follows:



Property Business

Renegotiation of contracts upon their expiry date.

Re-commercialization of free spaces to reach occupancy rates around 95%.

Adaptation and renovation of buildings, to respond to the new demands for services and the quality required by customers.

Acquisition of prime or value-added assets, creating value and profitability for Realia.

Potential sale of assets which have reached some degree of maturity.

Control of expenses in the adequate maintenance of buildings.



Residential homebuilding Business

To preserve the value of completed assets, taking special care of maintenance.

To continue new real estate developments that contribute profitability, value and cash-flow to the Company.

Production of feasibility studies to undertake new development projects in areas with effective product demand. Application of administrative permits for the start of construction.

To continue the urban management of land to favor continuity of the development activity in the future.

RESULTS OF THE YEAR

Realia recorded total revenues of EUR 93.9 Million in 2018, 6.8% lower than in 2017; the property area grew by 1.4%, and the development area declined by 38.9% (EUR 8.8 Million), due to the gradual reduction of completed residential product whose average price is lower than the product delivered in previous years. Furthermore, units were being delivered in 2017 from a development in Valdebebas (Madrid), at a very high unit price. Another factor is the stock of pre-sold units pending delivery to buyers, whose delivery is planned for the first quarter of 2019.



*Aguaserena Residencial
Roquetas (Almería)*

Results of the Year

Consolidated Profit and Loss Statement

- Revenues from rents (excluding passed-on expenses) amounted to EUR 60.8 Million in 2018, versus EUR 60.1 Million in 2017, thanks to the increase in rent prices and the reduction of contractual bonuses and incentives.
- EBITDA amounted to EUR 45.3 Million, with a 0,9% increase, due to the improved margin in the company's property business.
- The criterion for the valuation of property investments (rental assets) at their fair value brought about a positive result of EUR 28.9 Million in 2018, versus EUR 20.6 Million in 2017.
- Net financial results finished 2018 at EUR -9.8 Million, versus EUR -16.2 Million in 2017, due to the higher financial income.
- The net recognition/reversal in provisions amounted to a total of EUR 5.9 Million (EUR 1.1 Million in 2017).
- Earnings before taxes reached EUR 72.5 Million at 31 December 2018, versus EUR 54.7 Million at 2017 year-end.
- Net attributed profit in 2018 amounted to EUR 40.2 Million, versus EUR 30.5 Million in 2017.

(Million Euros)	2018	2017	Variation (%)
Total Operating Revenue	93.9	100.7	-6.8
Rents	60.8	60.1	1.2
Provision for Expenses	17.0	16.2	4.9
Developments	14.0	21.7	-35.5
Land	-1.0	--	--66.7
Services	2.0	1.2	
Other revenue (development and property)	1.1	1.5	-26.7
Gross Margin	52.1	52.5	-0.8
Rents	55.0	52.2	5.4
Developments	-3.4	0.1	-3,500.0
Services	0.5	0.2	150.0
Structural Costs	-6.7	-7.5	10.7
Other expenses	-0.1	-0.1	0.0
EBITDA	45.3	44.9	0.9
Amortizations	-0.4	-0.4	0.0
Provisions	5.9	1.1	436.4
EBIT	50.8	45.6	11.4
Result valuation of property investments at fair value	28.9	20.6	40.3
Net financial result	-9.8	-16.2	39.5
Equity method	2.6	4.7	-44.7
Earnings before taxes	72.5	54.7	32.5
Tax	-17.5	-11.4	-53.5
Earnings after taxes	55.0	43.3	27.0
External partners	14.8	12.8	15.6
Net Attributable Result	40.2	30.5	31.8

Source: REALIA

Results for the Year

CONSOLIDATED INCOME STATEMENT

	2018	2017	Variation (%)
Property Area			
Total Surface Area (m ²)	405,699	405,862	0.0
Occupancy (%)	91.8	94.6	-3.0
Development Area			
Units (homes + commercial premises + offices + lots) delivered			
Million €	14.0	21.7	-35.5
Units	89	103	-13.6
Land			
Consolidated land reserve (m ²)	1,877,207	1,851,392	1.4
No. of employees	91	91	0.0

Source: REALIA



Results for the Year

Indebtedness

At 2018 year-end, Realia reduced its gross bank borrowings by EUR 146.9 Million, down to EUR 616 Million, 19.3% lower than in 2017.

At 31 December 2018, Realia has net bank borrowings for EUR 528.5 Million, 22% lower than in December 2017, with a loan to value (LTV) of the group's assets (fixed assets + inventories) of 28.7%.

The Realia Group has hedging operations to manage its exposure to interest rate fluctuations. The property business loan is hedged by 70% of its amount until its maturity.

Average weighted interest of its gross bank borrowings was 2.13%, versus 1.97% at 2017 year-end, including the costs of interest rate hedges.

At 2018 year-end, Realia reduced its gross bank borrowings by EUR 146.9 Million, down to EUR 616 Million. Net gross borrowings amount to EUR 528.5 Million, “19.3% and 22% lower, respectively than the year before”.



FINANCIAL SITUATION

On 28 December 2018, the capital increase approved by the Board of Directors of the Company on 15 November 2018, through the issue and distribution of 175,457,742 ordinary shares, at a nominal price of 0.24 € per share and a share premium of 0.61 € per share, and fully subscribed and paid up on 24 December 2018, was registered at the Mercantile Register of Madrid on 28 December 2018.

The capital increase amounted to 42,109,858.08 €, and the amount of the share premium was 107,029,222.62 €.

During 2018, Realia reduced its net borrowings by EUR 149.3 Million. This was possible thanks to the capital increase mentioned above and the generation of cash flow in the business, after investing on the acquisition of land in Alcalá de Henares (EUR 27.5 Million), and the investment in new developments in progress.

Realia Patrimonio materialized its borrowing through a syndicated loan on April 2017, for an initial amount of EUR 582 Million, maturing on 2024. The loan spread may vary from 170 to 220 bp, depending on the loan to value. At 31 December 2018, borrowings amounted to EUR 562.3 Million, and all the financial covenants required by the bank syndicate were fulfilled; LTV was 47.35%.

Forecasts for 2019

No major changes in the group borrowings are planned for 2019. The repayment schedule amortizations established at the current financial contracts will continue in force.

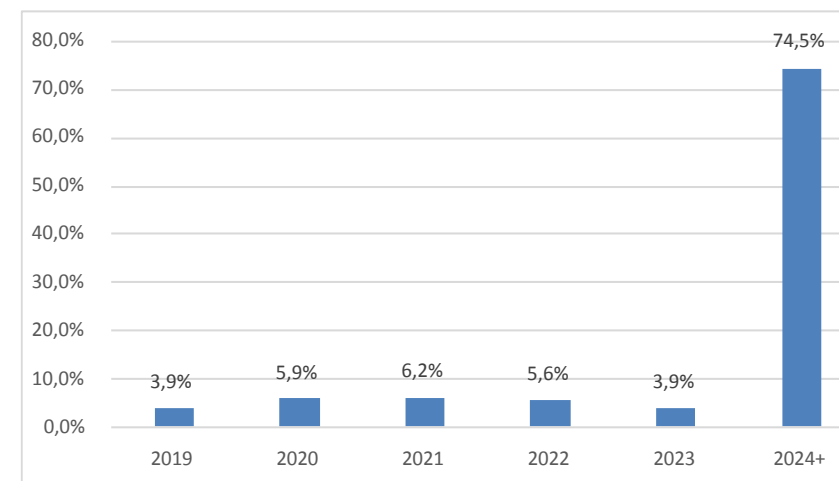
The main loan is for Realia Patrimonio, maturing on 2024. Only 3.9% of the group's gross bank borrowings will mature by contract on 2019.

New investments or cash requirements will be covered by the EUR 87.5 Million the Group currently holds and by the generation of recurrent cash flows by the business.

FINANCIAL STRUCTURE

	REALIA Patrimonio	REALIA Business	TOTAL 2018	TOTAL 2017	Var. (%)
	Property	Developments and Land			
Syndicated Loan	562.3	0.0	562.3	575.9	-2.4
Other Loans	58.3	0.0	58.3	196.4	-70.3
Valuation derivatives	6.1	0.0	6.1	3.1	96.8
Interest	1.8	0.0	1.8	2.7	-33.3
Arrangement costs	-12.5	0.0	-12.5	-15.1	17.2
Total borrowings	616.0	0.0	616.0	763.0	-19.3
Cash and cash equiv.	23.9	63.6	87.5	85.1	2.8
Net borrowings	592.1	-63.6	528.5	677.9	-22.0

Maturity of Gross Bank Borrowings



ASSET VALUATION

At 31 December 2018, Realia's real estate assets have a market value of EUR 1,844.3 Million, 3.1% higher than in December 2017 in absolute terms. Property assets for lease increased by 2.2%, up to EUR 1,479.1 Million, and land assets and products in progress or completed reached a value of EUR 365.2 Million; however, since these assets are not the same as in 2017, their increase rate cannot be established.

Net net asset value (NNAV) at 31 December 2018 amounts to EUR 1,022 Million, versus EUR 832 Million at 31 December 2017. In unit terms, the share price is 1.25€ per share, 3.4% lower than in the previous year (1.29€ per share), due to the dilution caused by the capital increase of 175,457,742 million shares at 0.85€ per share in carried out and subscribed in December 2018.

80% of the value of assets corresponds to the property business (EUR 1,479 Million) and the remaining 20% to the residential homebuilding business.

The valuation of the real estate portfolio of Realia at 31 December 2018 was performed, just like in previous years, by two independent experts: CBRE (CB Richard Ellis) who valued the rental assets portfolio of Realia Patrimonio and its subsidiaries, whereas TINSA valued the portfolio of land assets and developments in progress and completed of Realia Business and its subsidiaries.



Asset Valuation

TINSA applied the ECO Valuation-Appraisal Method (according to Ministry Order EC/805 2003). ECO valuation is characterized by the criterion of prudence in the different valuation methods. However, since the purpose of these valuations is the calculation of fair value to include it, where appropriate, in the financial statements of the Company and such purpose is not included among those defined in the scope of application of that regulation (art.2), the independent expert (following the criterion defined by this accounting regulation that establishes that “prudence does not justify that the valuation of property assets does not respond to the fair picture that financial statements must present”) did not consider the “principle of prudence” established by said regulation, according to which, in case there are several scenarios or options with the same probability, the option that results in the lowest valuation result must be chosen.

CBRE applied the RICS methodology.



Edf. Albasanz, 16
(Madrid)

(€M)	2018	2017	YoY Variation (%)
Assets on lease	1,420.0	1,390.5	2,1
Tertiary land	59.1	56.1	5,3
TOTAL PROPERTY ASSETS (1)	1,479.1	1,446.6	2,2
Residential product finished	43.8	56.2	-22,1
Homebuilding land and others	321.4	286.6	12,1
TOTAL RESIDENTIAL ASSETS	365.2	342.8	6,5
TOTAL ASSETS	1,844.3	1,789,4	3,1

Source: REALIA

(*) Includes the 54 M € value of the company As Cancelas, consolidated through the equity method

CONSOLIDATED BALANCE SHEET



Marqués de Duero, 4 (Madrid)

REALIA's balance sheet reports total assets for EUR 2,064.2.

In the liabilities side of the balance, the most relevant figure is the increase in attributable equity, from EUR 806.3 Million in 2017 to EUR 997.5 Million in 2018, as a result of the capital increase and the results obtained by the Group.

Another relevant figure is the reduction of bank borrowings, from EUR 762.9 Million in 2016 to EUR 616.0 Million in 2017 (-19.3%).

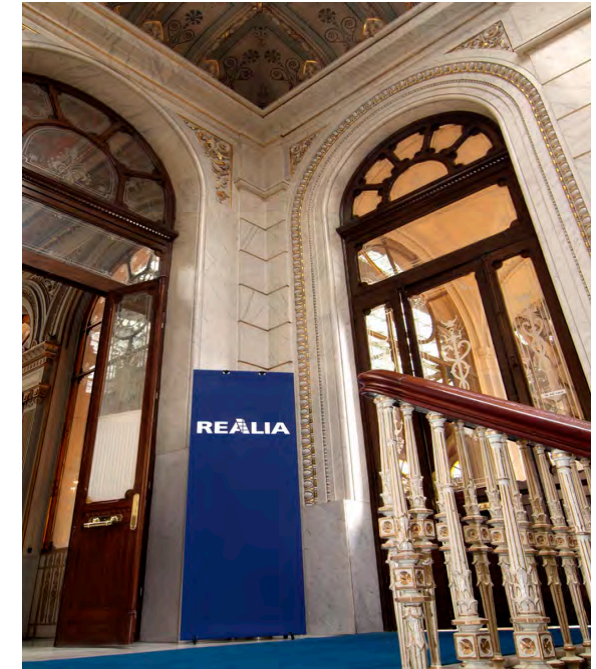
<i>Million Euros</i>					
ASSETS	2018	2017	LIABILITIES	2018	2017
Property, plant and equipment	3,0	4,8	Equity attributable	997,5	806,3
Property investments	1.422,3	1.383,1	Minority interests	236,0	237,9
Inventories	318,2	295,6	Bank and similar borrowings	616,0	763,0
Accounts receivable	12,5	14,0	Accounts payable	23,7	22,4
Cash and cash equivalents	87,5	85,1	Other liabilities	191,0	184,5
Other assets	220,7	231,5			
Total Assets	2.064,2	2.014,1	Total Liabilities	2.064,2	2.014,1

Source: REALIA

STOCK PRICE EVOLUTION

REALIA'S SHARES

Realia's shares ended the year 2018 at a Price of 0.91 after the completion of the Capital Increase at a price of 0.85€/ share.



Share price at year-end (€/share): 0.91

Stock market capitalization at year-end (€): 586,775,240 (*)

Maximum share price during the year (€/share): 1.18

Minimum share price during the year (€/share): 0.85

Average share price during the year (€/share): 1.03

Average daily volume traded (thousands of €): 212

Average daily volume traded (thousands of shares): 206

(*) Does not include 175,457,742 new shares from the capital increase completed on 24/12/2018 which started trading on 04/01/19.

4 BUSINESS LINES



Torre Realia \ The Icon
(Madrid)

BUSINESS LINES

SUMMARY OF MAIN BUSINESS LINES

PROPERTY

Assets
Strategy
Management Information
Results
Financial situation

HOMEBUILDING

Assets
Strategy
Management Information/ Results
Financial Situation

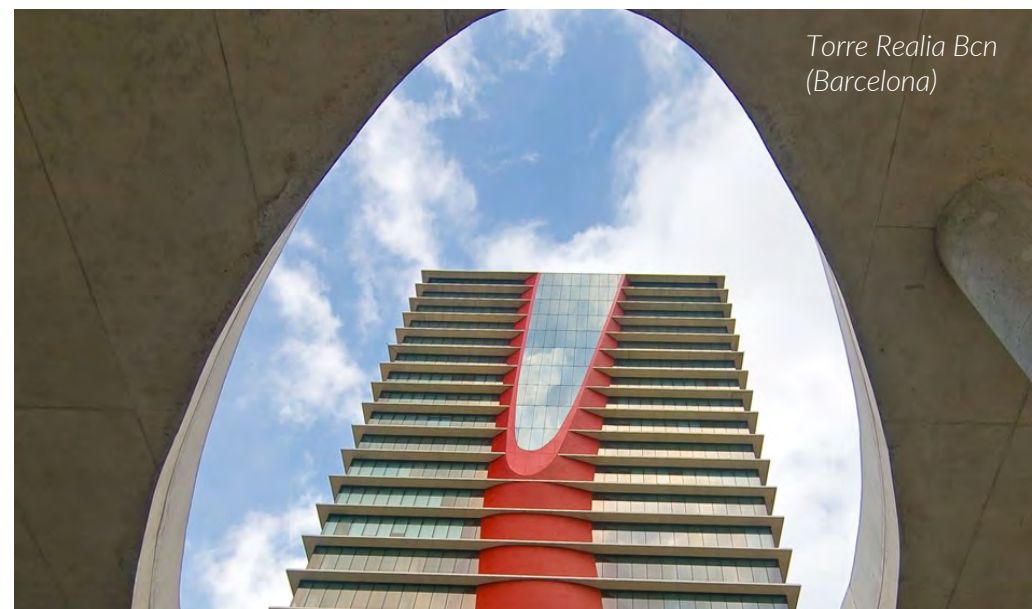


Summary of the Main Business Lines

Property Business

Revenues from rents, excluding expenses passed-on to tenants, amount to EUR 60.8 Million, a 1.2% increase versus the previous year, due to the increase in market rents.

Global occupancy in rental assets reached 91.8% at year-end, versus 94.6% at 2018 year-end. This is a one-off event, and is the result of the maturity of contracts at year-end, with not enough time to put the properties back in the market; however, it is expected to reach traditional occupancy levels during the first quarter (occupancy at 28 February 2019 stands at 93.1%). Office occupancy reached 92.4%; 87.6% in shopping centers.



Torre Realía Bcn
(Barcelona)

Infografía Realía Parque del Ensanche
Alcalá de Henares (Madrid)



Homebuilding Development Business

In 2018, 89 units were delivered for a total amount of EUR 14 Million, 35.5% lower than in 2017 (EUR 21.7 Million - 103 units), as a result of the gradual reduction in completed residential home stock, whose average price is lower than units delivered in previous years. Additionally, in 2017 the sale and delivery of units from a development in Valdebebas (Madrid) was completed, which contributed a high turnover and operating margin. New developments have not been delivered to buyers yet, and therefore they have not increased revenues.

At 31 December 2018, Realía has a stock of 444 units (homes, commercial premises and offices) completed or in progress, and pending delivery (37 of them sold or pre-sold). Additionally, it has 41 single-family housing lots for residential self-development.

Realía's land portfolio, in its different stages of urban development, amounts to 5,742,359 m² of gross leasable area, and an estimated 1,877,207 m² of buildable surface area, most of them in Madrid, Central Region and Andalusia.

PROPERTY

REALIA owns a valuable portfolio of property assets, which increased by 2.2% in 2018 in like for like terms, up to EUR 1,479.1 Million, and generated rent revenues of EUR 60.8 Million, with a margin of 90.5%, thanks to the high occupancy of assets, and most of the expenses related to these assets being passed-on to tenants.

At 31 December 2018, REALIA manages 405,692 m2 of rental property, all of them currently in operation. Additional, there is a reserve of land mainly for tertiary use of 127,291 m2.

REALIA operates office buildings and shopping and leisure centers in Spain.

REALIA's property business accounts for 80.2% of the value of its assets, and 82% of its revenues.



C/ Jorge Juan, 35 (Madrid)



C/ Prim, 19 (Madrid)



CC. As Cancelas (Santiago de Compostela)

Property

Assets

Building	City	Surface Area 2018
Plaza Nueva Parque Comercial	Madrid	52.675
El Sequero	Logroño	40.544
C.C. Ferial Plaza	Guadalajara	32.507
Torre Realia Barcelona	Barcelona	31.964
Torre Realia \ The Icon	Madrid	28.424
Salvador de Madariaga, 1	Madrid	25.398
CC As Cancelas	Resto	25.132
Albasanz, 16	Madrid	19.550
La Noria Factory Outlet	Murcia	13.785
Acanto 22	Madrid	13.248
María de Molina, 40	Madrid	9.684
Albasanz, 14	Madrid	9.125
AV. Bruselas 36	Madrid	8.856
Príncipe de Vegara, 132	Madrid	8.807
C.N.Kansas City	Sevilla	8.735
Manuel Becerra Centro Wellness	Madrid	6.645
Goya, 29	Madrid	5.060
C.N. Eisenhower III	Madrid	5.004
C.N. Eisenhower II	Madrid	5.004
Paseo de la Castellana, 41	Madrid	4.584
C.N. Eisenhower IV	Madrid	4.543
C.N. Eisenhower I	Madrid	4.519
Albasanz, 12	Madrid	4.160
Alfonso XII, 30	Madrid	4.007
Serrano, 21	Madrid	3.865
Goya, 8	Madrid	3.782
Goya, 6	Madrid	3.688
Marqués de Duero, 4	Madrid	3.000
Musgo, 1	Madrid	2.916
Pº del Espolón, 10	Soria	2.900
Prim, 19	Madrid	2.786
Musgo, 3	Madrid	2.475
Goya 6Y8 C.C.	Madrid	2.124
Jorge Juan 35	Madrid	1.950
María Tubau	Madrid	1.539
García de Paredes, 94	Madrid	909
José Abascal, 2	Madrid	681
Manuel Ferrero	Madrid	597
Clot	Barcelona	361
Villanueva, 15	Madrid	165
Total		405.699

REALIA's property business focuses on the management and development of real estate assets for lease to third parties. At 31 December 2018, the property area (including the rental and development of offices, shopping centers, other property investments and the sale of property) accounts for 82.4% of the operating revenue, or EUR 77.8 Million.

At 31 December 2018, the Property area of the REALIA Group employs 48 workers (52.7% of the workforce of the REALIA Group).

The assets in this portfolio were incorporated through one of the following three ways:

- Acquisition of buildings already constructed
- Establishment of alliances or acquisitions with/of other companies
- Proprietary development of new property assets

The REALIA Group owns office buildings in Madrid, Barcelona and Seville, and shopping and leisure centers in Madrid, Leganés, Murcia, Guadalajara, Soria and Santiago de Compostela.

Property

Assets

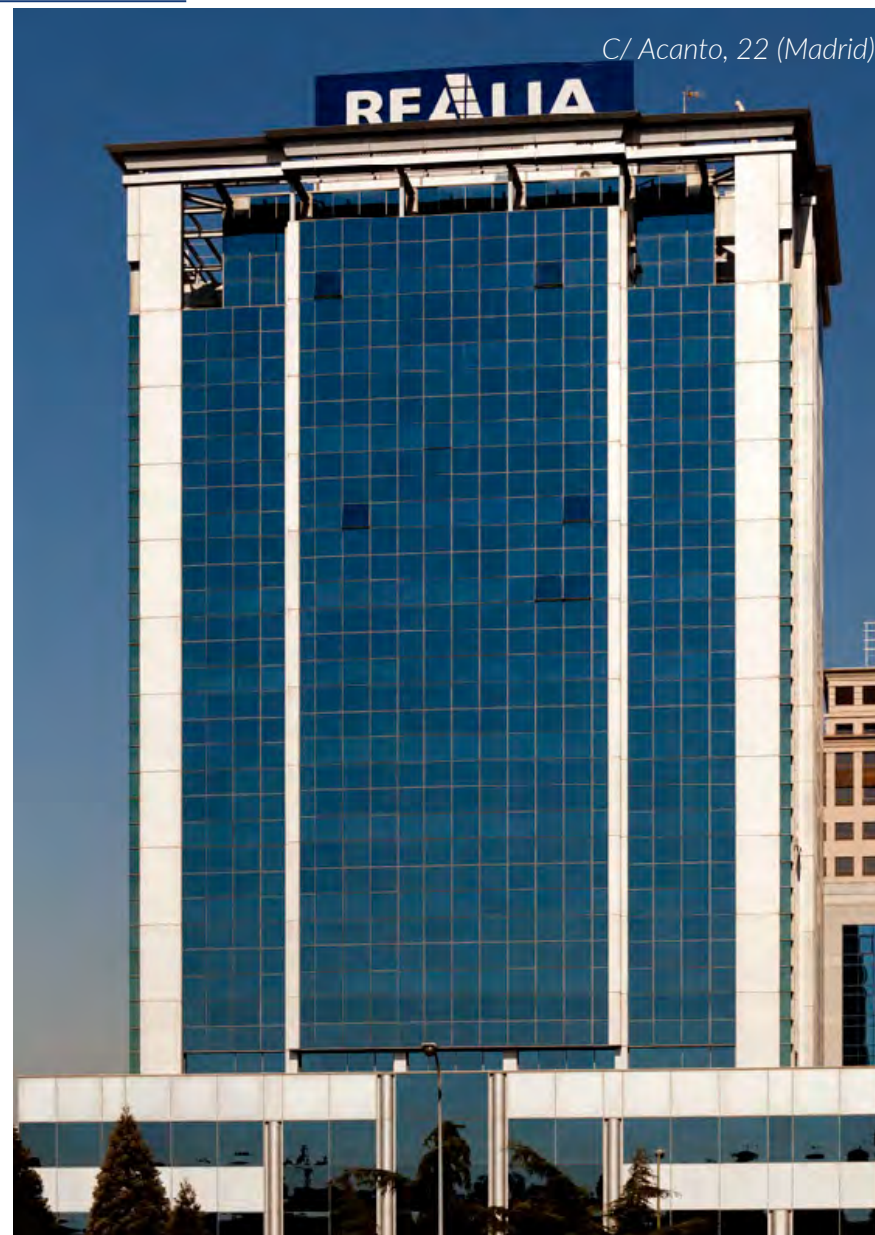
Offices

Normally, lease contracts of office buildings included in the property area of the REALIA Group are agreed upon with the usual market terms and conditions. The main characteristics of these contracts are:

- Three-year contracts with no option of early termination.
- Rent increase according to inflation.
- Updating of rents to market prices upon contract renewal.
- Tenants generally bear all expenses.

The next table shows the expiration of office building lease contracts of the REALIA Group at 31 December 2018 in terms of volume of annualized rents in relation to total rents, taking into account the option of early termination:

Expiration of contracts (termination option)	% on annualized rents Offices	% On annualized rents Total
Año 2019	16,63%	11,40%
Año 2020	17,67%	12,11%
Año 2021	31,03%	21,27%
Año 2022	4,13%	2,83%
Año >2022	30,53%	20,93%
Total	100,00%	68,54%



Property

Assets

Offices

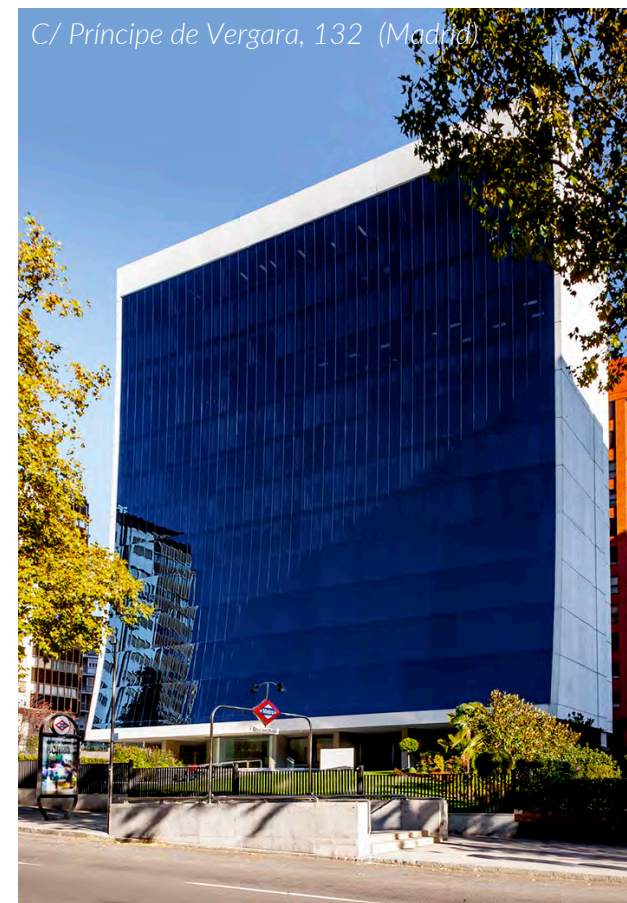
Some of the main customers of the REALIA Group at 31 December 2018 include major retailers and premium firms such as: Amadeus, Grupo Marsh, Gómez-Acebo & Pombo Abogados, KPMG, etc.; none of them, nonetheless, account for more than 6% of the total annualized rents of the office portfolio of the REALIA Group.

The following table shows the top ten tenants of the REALIA Group in office buildings, and their relevance in relation to total rents of the Group at 31 December 2018:

Top 10 Tenants	City	% over total annualized rents
Inquilino 1	Madrid	5,75%
Inquilino 2	Madrid	3,39%
Inquilino 3	Barcelona	2,81%
Inquilino 4	Madrid	2,21%
Inquilino 5	Madrid	1,85%
Inquilino 6	Madrid	1,81%
Inquilino 7	Madrid	1,70%
Inquilino 8	Madrid	1,37%
Inquilino 9	Barcelona	1,10%
Inquilino 10	Madrid	1,09%
Total Top 10		23,09%

Leasable surface area in operation of offices in the REALIA Group at 31 December 2018 is 226,674 m2 above ground. Occupancy rate at 31 December 2018 is 92.8%.

The following table shows a summary of the main characteristics of offices owned by the REALIA Group in operation, by location, at 31 December 2018.



Zone	2018		Occupancy		
	Surface area	GAV	2018	2017	2016
CBD	84.365	582,8	94,9%	97,0%	95,4%
BD	42.653	173,3	100,0%	100,0%	98,1%
Periphery	99.657	301,7	88,0%	93,9%	92,1%
Total	226.674	1.057,8	92,8%	96,2%	94,5%

In 2018, the occupancy of the office portfolio reached 92.8%

Property

Assets

Shopping Centers

In the case of shopping centers, the usual market terms and conditions are applied, even though their specialization and diversity, and the high number of operators in the same environment (up to 100 tenants or more in one center) require long and complex negotiations. Generally, the main characteristics of these contracts are:

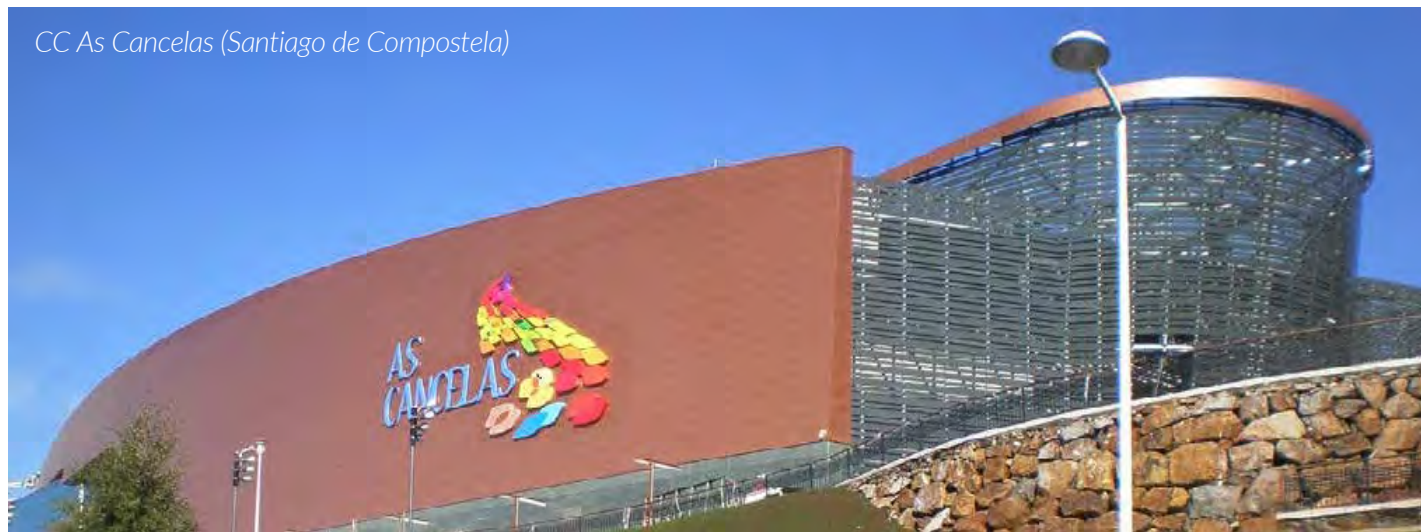
- Minimum length of three to five years
- Rent increase according to inflation
- Updating of rents to market prices upon contract renewal
- Variable percentage on rents according to tenants' revenues
- All expenses are passed-on to tenants

In this business area, some of the main clients of REALIA at 31 December 2018 include premium brands from very different sectors, such as Grupo Inditex, Carrefour, Decathlon, Bricomart, Primark and H&M, even though none of them account for more than 3.5% of the total annualized rents of the property portfolio, and 12% of rents from shopping centers, respectively, of the REALIA Group.

The following table lists the top ten tenants of the REALIA Group in shopping centers, and their relative importance in relation to the rents of the Group at 31 December 2018.

Top 10 Tenants	City	% over total annualized rents
Inquilino 1	Madrid/Santiago	3,32%
Inquilino 2	Madrid	2,24%
Inquilino 3	Santiago	2,12%
Inquilino 4	Madrid	1,33%
Inquilino 5	Madrid	1,12%
Inquilino 6	Madrid / Guadalajara / Santiago	0,96%
Inquilino 7	Santiago / Guadalajara / Murcia	0,93%
Inquilino 8	Guadalajara	0,53%
Inquilino 9	Madrid / Santiago	0,45%
Inquilino 10	Madrid	0,44%
Total Top 10		13,44%

CC As Cancelas (Santiago de Compostela)



Property

Assets

Shopping Centers

Shopping and Leisure Centers

7 Shopping and Leisure Centers

87.75% Occupancy

	Location	Leasable surface area (m2)	Parking spaces
Plaza Nueva Leganés	Madrid	52.675	2.987
Ferial Plaza	Guadalajara	32.507	1.068
As Cancelas (1)	S. Compostela	25.132	1.054
Manuel Becerra, 17	Madrid	6.645	49
La Noria Outlet	Murcia	13.785	1.483
El Jardín de Serrano	Madrid	2.124	-
Espolón, 10	Soria	2.900	-
TOTAL		135.319	6.642



(1) As Cancelas Shopping Center is jointly owned by REALIA Group and Carrefour Property. The leasable surface area indicated corresponds to the square meters owned by REALIA Group.

Property

Assets

Shopping Centers

The following table shows the expiration of rental contracts of shopping centers of the REALIA Group by volume of annualized rents with respect to total rents at 31 December 2018, taking into the account the early termination options:

Expiration of Contracts	% over annualized rents Shopping Centers	% over annualized rents Total
Año 2019	24,48%	7,04%
Año 2020	16,23%	4,67%
Año 2021	12,54%	3,61%
Año 2022	16,94	4,87%
Año >2022	29,82%	8,58%
Total general	100,00%	28,77%

The following table summarizes the main characteristics of the shopping and leisure centers owned and operated by the REALIA Group in Spain at 31 December 2018, by type of center:

Zone	Surface area	2018 GAV	Occupancy		
			2018	2017	2016
Urban area	11.669	55	93,2%	93,8%	93,8%
Metropolitan area	110.313	263	90,6%	93,6%	95,1%
Periphery	13.785	14	58,9%	59,3%	58,2%
Total	135.767	332	87,6%	90,2%	91,2%



Property

Assets

Shopping Centers

One of the most representative centers is Jardín de Serrano, with a surface area of 2,124 m² located in the so-called “golden mile” of Madrid. This shopping center will shortly become a flagship store.

The specialized leisure center Centro Wellness Manuel Becerra, with a surface area of 6,645 m², is also located in the Salamanca district, on the lot of the old cinema Universal, and preserves its two main facades.

The largest shopping center is the Parque Comercial Plaza Nueva de Leganés, south of Madrid. It is designed in the shape of a plaza and includes ample landscaped areas; it has a surface area of 52,675 m² and 2,987 parking spaces (half of them covered). This responds to the strong demand of an area of influence covering more than one million people.

La Noria Murcia Outlet Shopping, in turn, recreates a Mediterranean village, with a main street and stores in every house. With a surface area of 13,807 m², it is the first discount shopping center in the region of Murcia.

Ferial Plaza de Guadalajara, with 32,507 m², offers its customers over 100 stores of the main retailers of the market in the area of greater expansion in the capital of Alcarria.

Finally, the Realia Group operates the As Cancelas shopping center in Santiago de Compostela, with a surface area of more than 50,000 m², through the company As Cancelas Siglo XXI, in which it has an ownership interest of 50%.



CC La Noria Outlet Shopping
(Murcia)

Property

Strategy

The strategy of the property business in 2018 seeks to optimize rental asset profitability through the following lines:

- Renegotiation of contracts before their expiration.
- Re-commercialization of free spaces, to reach occupancy rates around 95%.
- Adaptation and upgrade of buildings, to respond to the new demands for services and quality from customers.
- Acquisition of prime or value added assets, creating value and profitability for Realia.
- Possible sale of assets which have reached a certain degree of maturity.
- Adequate control of building maintenance expenses.

In order to maintain our assets for lease within the top assets of reference, investments have been made on buildings in order to adapt them to the new demands from tenants and market trends, such as improved energy efficiency, hospitality areas, renovation of common areas, gyms, etc.

Additionally, investments are in progress for the adaptation of spaces to new demands such as co-working, flexible spaces, etc. This policy will continue during 2019.

Albasanz, 14 (Madrid)



Property

Management Information

Thousands of Euros

	2018	2017	2016
Surface area in commercial operation by type (m2)	405.699	405.862	405.359
Offices	226.674	226.729	226.721
Shopping Centers	135.767	135.876	135.381
Logistics, leisure and others	43,257	43.257	43.257
Parking spaces	110.120	110.115	10.102
Occupancy (%)	91,8%	94,6%	94%



Property

Results

RENTS – OPERATIONAL DATA (1)

(thousand €)	2018	2017	Var. (%)
Rents	65,4	64,6	1,2%
Provision for expenses	18,6	17,7	5,1%
Results from sales of property, plant and equ	-	-	-
Other income	0,2	0,6	-66,7%
Total Revenues	84,2	82,9	1,6%
Common expenses buildings	-22,5	-22,9	1,7%
Rest of expenses	-3,0	-4,4	31,8%
Total Gross Margin	58,7	55,6	5,6%
Gross margin/rents (%)	89,8%	86,1%	4,3%

(1) Figures in this table are operational business data.
Includes data from investee As Cancelas, entered proportionally (50%)

- Total revenues of the property business show have increased by 1.4%, despite the occasional reduction of occupancy compared to the previous year, mainly due to the expiration of three contracts at year end, with not enough time elapsed to put back the assets in commercial operation, and occupancy is expected to recover in the first quarter of 2019. This improvement is the result of the increase in rent prices, and the reduction of bonuses, rent-free periods and incentives included in the contracts.
- Gross rent margin has improved, up to 90.5%, a 4.1% increase over last 2017, thanks to the increase in revenues and the improved ratio between costs incurred and passed on.
- By cities, occupancy and rents have increased in the CBD and BD of Madrid, and in Torre Realía Barcelona.

RENT REVENUES

RENTS BY USE (Homogeneous surface areas)

(€mm)	2018	2017	Var. (%)	SBA(m ²)	Ocup. 2018 (%)	Ocup. 2017 (%)
Oficinas	44,5	43,9	1,4%	226.674	92,8%	96,2%
CBD	21,5	21,1	1,9%	84.365	94,9%	97,0%
BD	8,0	7,9	1,3%	42.653	100,0%	100,0%
Periferia	15,0	14,9	0,7%	99.657	88,0%	93,9%
Centros Comerciales	18,8	18,6	1,1%	135.767	87,6%	90,2%
Otros	2,1	2,1	0,0%	43.257	100,0%	100,0%
Total	65,4	64,6	1,2%	405.699	91,8%	94,6%

RENTS BY CITIES (Homogeneous surface areas)

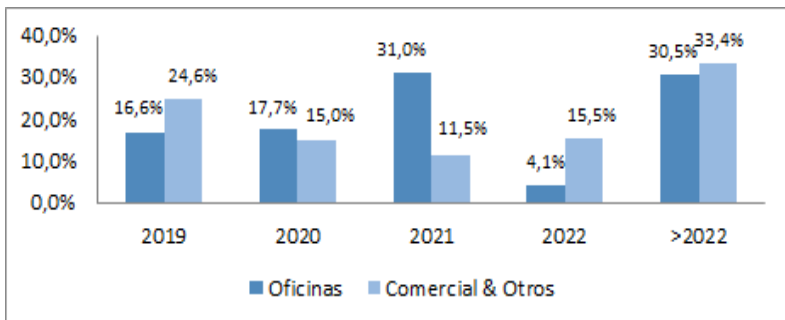
(€mm)	2018	2017	Var. (%)	SBA(m ²)	Ocup. 2018 (%)	Ocup. 2017 (%)
Madrid	46,2	46,2	0,0%	249.771	92,4%	96,9%
CBD	21,9	21,7	0,9%	79.509	94,7%	97,1%
BD	9,6	9,8	-2,0%	49.895	100,0%	100,0%
Periferia	14,7	14,7	0,0%	120.367	87,7%	95,4%
Barcelona	5,8	5,5	5,5%	32.325	97,6%	97,7%
Resto	13,4	12,9	3,9%	123.602	89,2%	89,1%
Total	65,4	64,6	1,2%	405.699	91,8%	94,6%

Property

Results

The property business is expected to continue its slow, constant recovery in 2019, with higher rents and fewer demands for rental incentives, such as rent-free periods or aids to settlement. Occupancy is expected to recover to an average of 95% on all our rental assets.

EXPIRATION OF CONTRACTS OVER ANNUALIZED RENTS
(Taking into account the options of early termination)



C/ Goya, 8 (Madrid)

Property

Financial Situation

Net borrowings of the Property business amount to EUR 592.1 Million at 31 December 2018. Gross borrowings amounted to EUR 616 Million, and EUR 29.3 Million correspond to cash and cash equivalents.

Most bank borrowings are the result of a Syndicated Property Loan formalized in April 2017 for a term of 7 years, maturing on 2024. The loan has been renewed at market rates with a syndicate of 6 banks, for EUR 582 Million, with an outstanding balance of EUR 562.3 Million at 2018 year-end. This loan is hedged against interest rate fluctuations for 70% of its amount, until maturity.



CC Jardín de Serrano, (Madrid)

HOMEBUILDING

*Aguaserena Residencial
Roquetas de Mar (Almería)*



Revenue from Land & Homebuilding amounted €13,8m, 38,9% lower than in 2017 (€8,8m). It is partially due to a stock reduction of the finished product and to the lower value of the units delivered in 2018 vs the ones delivered in previous years. In addition, In 2017, units of the residential development in Valdebebas (Madrid) were delivered at a high price and there is a delay in the delivery of the pre-sold finished product which is meant to be delivered in 1Q 2019. As of 31 December 2018, Realia has delivered 89 units (homes, small retail, offices and land plots) for a total amount of €14m.

Gross margin reached €-3,4m vs €0,1m. Once deducted the reversal of provisions. Once the provision is applied, the gross margin is negative in the amount of -0.4 million euros, compared to 3.2 million euros in the year 2017. This variation is mainly due because the units of Valdebebas delivered in 2017 had a positive gross margin.

Homebuilding

Assets

Homebuilding activity in REALIA generated EUR 13.8 Million in revenues, 38.9% lower than in 2017. This decrease is due to the gradual reduction of stock of completed residential product whose average price is lower than that of the units delivered in prior years. Additionally, the sale and delivery of units from a development in Valdebebas (Madrid) was completed in 2017, which generated high revenues and operating margin.

The valuation of Realia Business' homebuilding assets at 31 December 2018 was performed by independent expert TINSA; who applied the ECO Appraisal Method, according to Ministry Order ECO 805/2003. ECO valuation is characterized by a criterion of prudence in the different valuation methods. However, since the purpose of these valuations is the calculation of the fair value to incorporate it, where appropriate, on the financial statements of the Company, and such purpose is not within those defined by the scope of application of said regulation (art.2), the independent expert (following the criterion established on the accounting regulation that states that "prudence does not justify that the valuation of property assets does not respond to the fair presentation that financial statements must provide") did not consider the "principle of prudence" established by this regulation, according to which, in case of several scenarios of choices with the same probability of occurring, the chosen one will be the one that results in the lowest valuation.

The residential business has been valued at EUR 365 Million, 6.5% higher than in 2017, due to the acquisition of land in Alcalá de Henares (EUR 27.5 M), new investments on developments in progress, and with the decrease resulting from the stock of completed product delivered.

At 31 December 2018, Realia has a portfolio of 444 units (homes, commercial premises and offices) to deliver, all of them completed or in progress, 37 of which are pre-sold or sold pending delivery. Additionally, it owns 41 single-family lots for sale under self-development.

REALIA focuses its developments on new homes and tourist areas with high demand. Thus, 74% of the stock corresponds to new homes, and 26% to second residences. At 31 December, the stock of residential assets was valued at EUR 44 Million, 22% lower than in 2017, as a result of the reduction in stock for the units delivered.

Land & Homebuilding Valuation

(€mm)	Dec. 2018	Dec. 2017	Var.interan.(%)
Land bank ⁽¹⁾	297	282	5,5%
Residential developments in the pipeline & others	24	5	391,2%
Residential finished projects	44	56	-22,1%
Residential Assets Total Value	365	343	6,5%

(1) It includes €27,8m for the land bank acquired in Alcalá de Henares in January 2018

Homebuilding

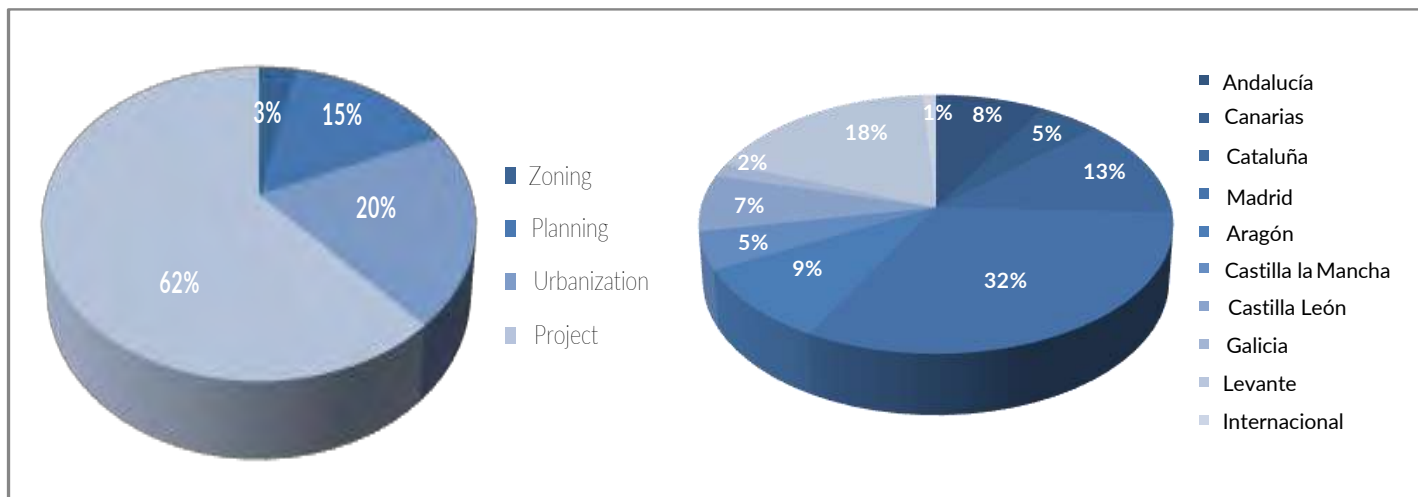
Assets

VALUATION OF THE LAND PORTFOLIO

	Gross land sqm	Building land sqm	GAV 2018 €MM	GAV 2018 €/sqm	GAV 2017 €MM	GAV 2017 €/sqm	Var. €/sqm (%)
Zoning	3.307.597	520.787	10	19	10	19	1%
Planning	1.760.683	647.270	44	68	44	67	1%
Urbanization	188.269	202.640	60	296	66	310	-4%
Project	485.810	506.510	183	361	162	345	5%
Total	5.742.359	1.877.207	297	158	282	152	4%

DISTRIBUTION GAV LAND (mm€)

By geographic location



REALIA has a land portfolio at 31 December 2018 of 5,472,359 m² of gross surface area, with 1,877,207 m² approximately of buildable land.

27% of the buildable land is land ready for construction, whereas 11% of the land is under development, 34% under planning and 28% under territorial planning.

By geographic areas, el 26.6% is concentrated in Madrid, 36.1% in Andalusia, 7.5% in the Eastern Region, 4.4% in Catalonia and the rest in other regions of Spain, with the exception of one land lot in Romania (0.6%).

Homebuilding

Assets

REALIA has a land portfolio at 31 December 2018 of 5,472,359 m² of gross surface area, with 1,877,207 m² approximately of buildable land.



LAND PORTFOLIO
Distribution of the Land Portfolio
(Buildable surface area in m²)

By urban status:

Edificabilidad	(m ²)
Ordenación	520.787
Planeamiento	647.270
Urbanización	202.640
Finalistas	506.510
TOTAL	1.877.207

By areas:

Edificabilidad	(m ²)
Andalucía	677.142
Canarias	18.541
Cataluña	81.931
Madrid	499.980
Aragón	154.508
Castilla la Mancha	222.886
Castilla León	64,451
Galicia	6.184
Levante	140.672
Internacional	10.912
TOTAL	1.877.207

Homebuilding

STRATEGY

The strategy of the homebuilding business focused on the reduction of the housing stock, its sale and the acquisition of permits for new developments.

Management of housing price increases. Taking advantage of the availability of mortgage loans and the greater demand for housing, the company applied a restrictive policy on discounts on all the developments with greater potential for price increases due to their typology and location.

Analysis of the feasibility of new projects to be prepared to apply and obtain work permits in new locations, such as Barcelona, Valencia, Canaries...

Managing the stock of finished product to preserve the quality of its assets for sale and protect their value; the company takes special care of maintenance.

Undertaking the urban management of land with the purpose of creating value.

Analysis and submission of bids for potential land investments with added value for the company.



Homebuilding

Management Information / Results

	2018	2017	2016
Unidades entregadas			
Número de unidades	89	103	96
Ingresos (Mm.€)	14,0	21,7	19
Precio medio (miles€)	157,3	210,6	197,9
Unidades entregadas por CCAA			
Madrid / Centro	30	58	57
Cataluña	7	7	12
Castilla y León	--	--	--
Andalucía	19	21	8
Baleares	--	--	--
C. Valenciana	21	16	15
Canarias	--	--	--
Internacional	12	1	4

Distribución unidades entregadas por delegaciones territoriales a Dic.2018:

Promociones	Nº Unidades	IngresosMM
Centro	30	4,3
Levante	21	3,6
Cataluña	7	1,1
Andalucía	19	2,8
Polonia	1	0,2
Portugal	11	2,0
Total	89	14,0

(€mm)	2018	2017	Var. (%)
Ingresos			
Promociones	14,0	21,7	-35,5%
Suelo y otros	-0,2	0,9	-
Total Ingresos	13,8	22,6	-38,9%
Gastos			
Costes venta	-13,9	-18,8	26,1%
Resto costes	-3,3	-3,7	10,8%
Total Gastos	-17,2	-22,5	23,6%
Margen bruto Promociones	-3,4	0,1	-3500,0%
Margen bruto Promociones (%)	-24,6%	0,4%	-6250,0%
Aplicación/Reversión Provisiones P. Terminado	3,0	3,1	-3,2%
Margen bruto (descontando Provisiones)	-0,4	3,2	-112,5%

- Total revenues in the development and land area in 2018 amounted to EUR 13.8 Million.
- At 31 December 2018, a total of 89 units have been delivered (homes, commercial premises, offices and land lots) for a total amount of EUR 14 Million.

Homebuilding

Financial Situation

After the capital increase of Realia Business covered last 24 December 2018 and registered on 28 December, for an amount of EUR 149.9 Million, the loan the Company had for an amount of EUR 120 M was repaid, as published in the corresponding Securities Note, and the counter-guarantee provided by I. Carso was extinguished accordingly.

Therefore, at year-end, REALIA Business, S.A. did not have any bank borrowings, and had available cash for EUR 60.3 M, which will allow the company to undertake new investments, acquire new assets or land that contribute value and profits to the Group and its shareholders, and to undertake new developments.

*Infografía Realia Parque del Ensanche
Alcalá de Henares (Madrid)*



5

CORPORATE GOVERNANCE



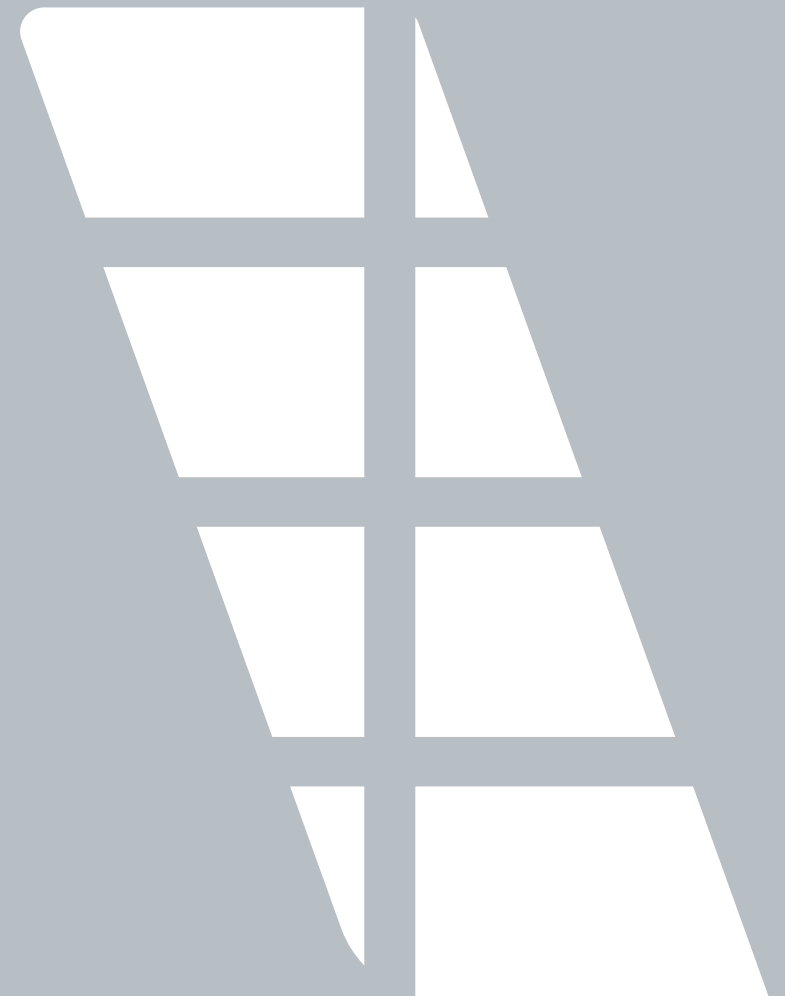
*Realia Hato Verde
Guillena (Sevilla)*

CORPORATE GOVERNANCE

Corporate Governance Bodies
General Meeting of Shareholders
Board of Directors
Chief Executive Officer
Remuneration Policy
Ethical Framework

Ethical Code
Criminal compliance and prevention model
Internal Code of Conduct
Fiscal policy

Risk Management



CORPORATE GOVERNANCE BODIES

REALIA has a Corporate Governance system focused on the sustainable achievement of its corporate goals, that is permanently updated according to the applicable legislation and good governance recommendations from the Comisión Nacional del Mercado de Valores (CNMV).

Governance Bodies

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

The Chief Executive Director, by delegation from the Board of Directors, is responsible for the design and review of the organizational structure of the group.

Both the content of the Board Regulations and the By-Laws are in line with the content of the Law on Corporations and related legislation, and accordingly, in 2018, just like in 2017, it was not necessary to introduce additional amendments to them, with the exception of those derived from the transfer to the new registered offices and the capital increase approved in the year.

In 2018, the General Meeting of Shareholders approved the Remuneration Policy in force for 2019, 2020 and 2021, taking into account both the recommendations of the Good Governance Code of Listed Companies of the CNMV and the policies of companies of similar characteristics in terms of sector of activity, size or shareholding structure.

Avda. Bruselas, 36 (Madrid)



Corporate Governance Bodies

COMPLIANCE WITH THE GOOD GOVERNANCE CODE OF THE CNMV

During 2018, REALIA Business, S.A. fully complied with 28 out of the 64 recommendations of the CNMV; partially complied with 15; and 19 were not applicable, whereas 2 of them required an explanation. Therefore, taking into account the percentage of Recommendations it complied with fully or partially (a total of 67.18% of the recommendations, or 95.5% of the recommendations applicable) and the recommendations that required explanation (3.1% of the total), it is considered that the degree of compliance with the Good Governance Code of Listed Companies is satisfactory.

REALIA submits to the Comisión Nacional del Mercado de Valores (CNMV) an annual Corporate Governance Report, and a Directors' Remuneration Report, available at the corporate website, www.realia.es.

This report summarizes REALIA's economic, social and environmental performance, and it seeks to describe the progress made in the area of Corporate Governance.



Corporate Governance Bodies

General Meeting of Shareholders

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

It held one single Annual General Meeting in the year, on 27 June. The meeting approved the statements of the previous year, and decided on the allocation of profit. Additionally, it approved the following agreements:

- To reelect Mrs. María Antonia Linares Liébana as Director of the Company.
- To establish a maximum annual amount for all Directors of the Board of EUR 590,000, excluding the remuneration of the Chief Executive Director for the performance of his executive duties.
- To authorize the calling of Annual General Meetings at least fifteen days before each meeting, provided that the company offers its shareholders the possibility of voting through electronic means accessible to all of them.

JUNTA
GENERAL DE
ACCIONISTAS





Corporate Governance Bodies

Board of Directors

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

The duties of the Board of Directors include the investment and financing policy, the definition of the structure of the group, the Corporate Governance policy and the Corporate Social Responsibility policy. Additionally, the Board is responsible for the definition of the management and budgetary goals, and the remuneration policy. It also evaluates the performance of senior managers, the risk control and management policy, and the dividend policy.

The Board met on ten occasions during 2018, and discussed the following subjects, among others: drawing up of the mandatory reports on its performance; freezing up of the total payroll; drawing up of annual accounts and periodic financial reports; approval of the Annual Governance Report and the Annual Remuneration Report; Risk management and control systems; money laundering prevention; approval of several related party transactions, agreements of the items to be discussed at the General Meeting of Shareholders and share capital increase.

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

Executive Committee

The Executive Committee takes on the duties and competences delegated by the Board of Directors. Generally, it is responsible for the follow-up and supervision of the management and administration aspects of the company that require continuous attention and, where appropriate, a fast and swift adaptation, and of those matters which may influence the positioning and future prospects of the company and the group in the market.

It held four meetings during 2018.

Appointments and Remuneration Committee

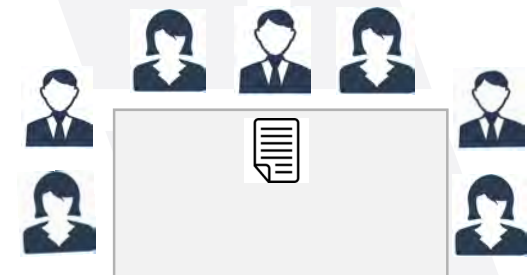
It is responsible for the remuneration of directors and senior managers, the appointment and termination of the members of the Board, and the annual evaluation, among other matters.

It met on four occasions in 2018.

Audit and Control Committee

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

The Audit and Control Committee held nine meetings during 2018.



Corporate Governance Bodies

Board of Directors

DIRECTORS' PROFILE

REALIA's Directors are professionals of proven integrity, solvency, technical competence and experience, appointed on the basis of a report from the Appointments and Remuneration Committee.

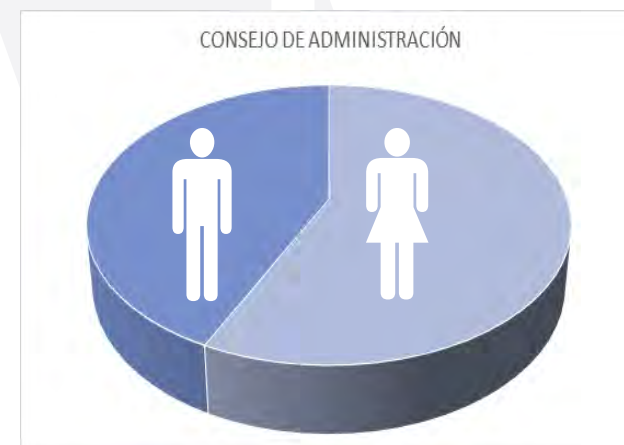
The company considers that the number of independent directors on the Board adequately guarantees the interests of the free float, which at year-end, accounted for 23% of the share capital.

Four of the seven members who make up the Board of Directors, more than 57%, are women, a percentage that is higher than in most of the Spanish listed companies.



Alfonso XII, 30 (Madrid)

Four of the seven members who make up the Board of Directors, more than 57%, are women, a percentage that is higher than in most of the Spanish listed companies.



Corporate Governance Bodies

Board of Directors

Nombre	Cargo	Naturaleza del cargo	Comisión Ejecutiva	Comisión de Nombramientos y Retribuciones	Comité de Auditoría y Control
D. Juan Rodríguez Torres	Presidente No ejecutivo	Dominical <i>Designado a propuesta del I.C.</i>	Presidente	Vocal	Vocal
D. Gerardo Kuri Kaufmann	Consejero Delegado	Ejecutivo	Vocal		
Dña. Carmen Iglesias Cano	Vocal	Independiente		Vocal	Presidenta
EAC Inversiones Corporativas, s.l. Representado por Dña. Esther Alcocer Koplowitz	Vocal	Dominical, <i>Designada a propuesta de FCC</i>	Vocal	Vocal	
D.. Carlos Manuel Jarque Uribe	Vocal	Dominical, <i>Designado a propuesta de FCC</i>			
Dña. María Antonia Linares Liébana	Vocal	Independiente		Presidenta	Vocal
Meliloto, S.L. Representado por Dña. Alicia Alcocer Koplowitz	Vocal	Dominical, <i>Designada a propuesta de FCC</i>	Vocal	Vocal	

Consejo de REALIA a 31 de diciembre de 2018

Corporate Governance Bodies

Chief Executive Officer

The Chief Executive Officer, Mr. Gerardo Kuri Kaufmann, is responsible for the design and review of the organizational structure of the group, under delegation from the Board of Directors.

He is also responsible for the establishment of the objectives and the strategy of the organization and controlling its execution to guarantee the feasibility of the business.



Gerardo Kuri Kaufmann
CEO



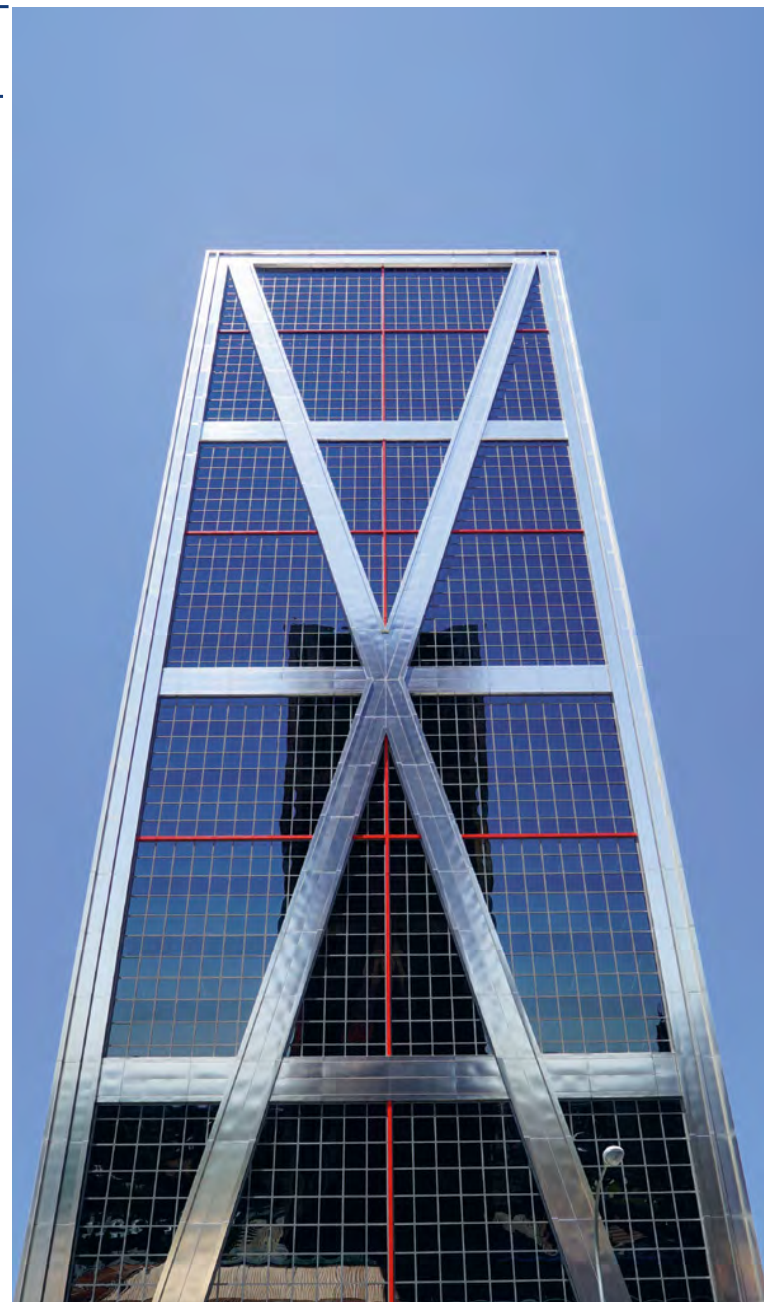
Juan Antonio Franco
Diez Corporate Manager



Ana Hernández Gómez
Business Manager

Territorial Offices

- Andalusia
Pedro Salvador Albiñana
- Catalonia
Marta Miró Serra
- Central
José Manuel de Alvaro García
- Eastern Region
Francisco Rodríguez Arellano



Corporate Governance Bodies

Remuneration Policies

REALIA'S remuneration policy seeks to promote its profitability and long-term sustainability, based on the principles of transparency, moderation, remuneration based on dedication and according to the evolution of results.

The Board of Directors approved in May 2018 the renewal of the remuneration policy for the period 2019-2021, with no changes with respect to the policy approved in 2016 for the years 2016, 2017 and 2018. This resolution was ratified by 99.64% of the votes present or represented at the General Meeting of Shareholders held on 27 June 2018; the policy will be applicable in 2019, 2020 and 2021, unless amended by the General Meeting of Shareholders.



Considering the recommendations of the Good Governance Code of Listed Companies and those of companies with similar characteristics in terms of sector of activity, size or shareholding structure, the following remuneration criteria have been established:

- I. It must be adequate to attract and retain the directors of the desired profile, and to remunerate their dedication, qualification and responsibility required by the position, without prejudice to the independent judgement of non-executive directors.
- II. It must respond to a market criterion.
- III. It must respond to the dedication and responsibility of the directors.
- IV. Regarding executive directors, it must recognize their capacity to increase the value of the company for their impact on results, their skills and professional profile, and they must be recognized a specific remuneration for their executive duties, independent and compatible with their duties as directors.
- V. Regarding the non-executive Chairman, it must recognize the responsibility and critical nature of the position, with a specific remuneration for the position.
- VI. As to the remuneration concepts, the remuneration policy consists in an annual amount based upon criteria of responsibility (fixed remuneration) and dedication and corresponding allowances (variable remuneration)

Remunerations in 2018

In 2018, the directors received a total of 572.795,00 €, 2.92 % lower than the amount approved by the General Meeting of Shareholders. This figure does not include the remuneration of the CEO for his executive duties.



ETHICAL FRAMEWORK

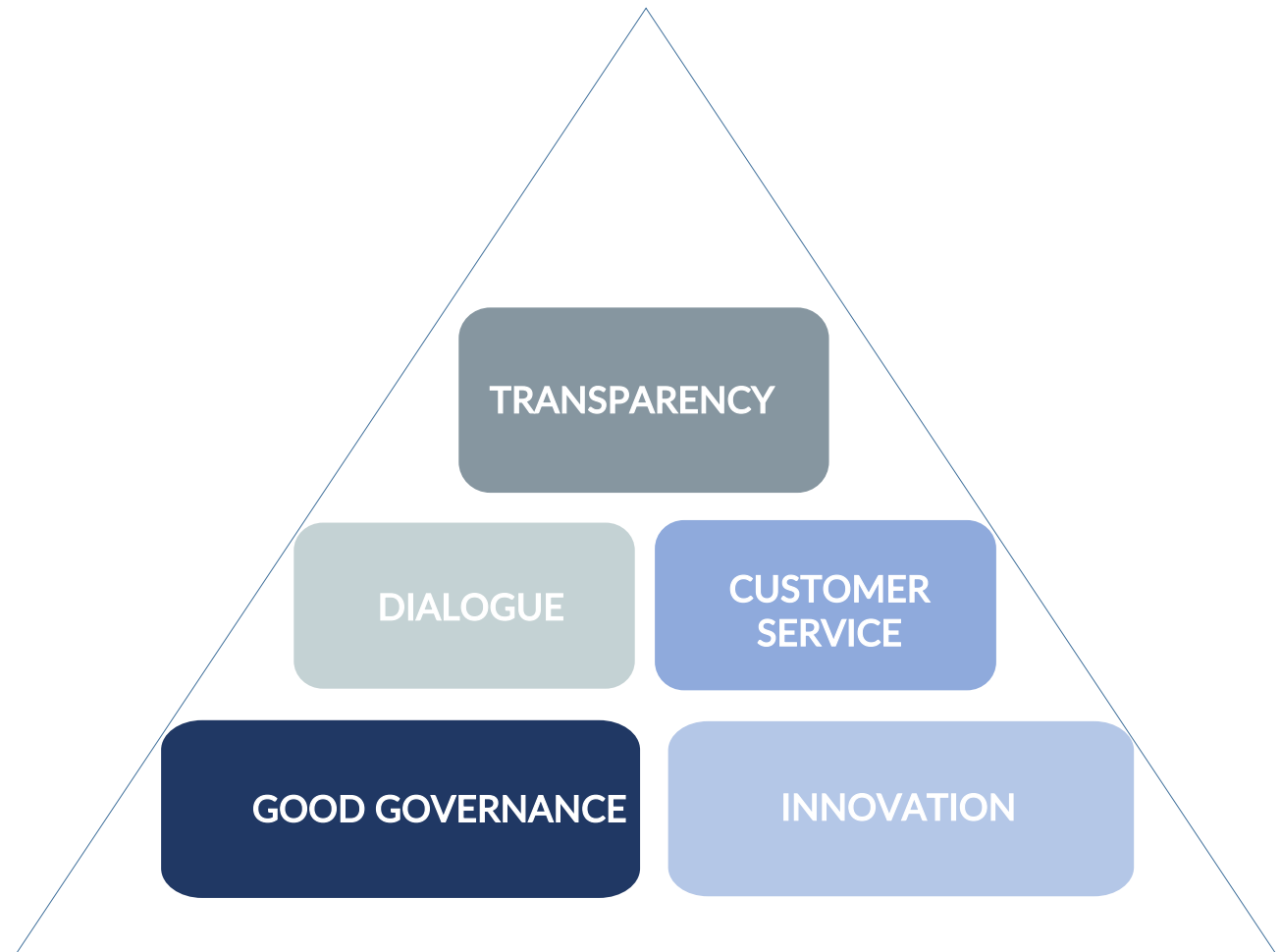
REALIA guides its conduct according to the values of Transparency, Dialogue, Professionalism, Good Governance and Innovation.

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 non-compliance.

The Audit and Control Committee has promoted the task of implementing a Compliance and Criminal Prevention Model, with the purpose of strengthening compliance and which could limit the liability in case of a crime committed within the Organization. Several activities related to this took place in 2018.

During 2018, the review and update of the Ethical Code were completed. This Code was approved by the Board of Directors on its 4 April meeting, and disseminated to all employees of the group. REALIA's activity is subject to the current legislation, and is governed by a set of rules and procedures that guarantee its ethical conduct.

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



Ethical Framework

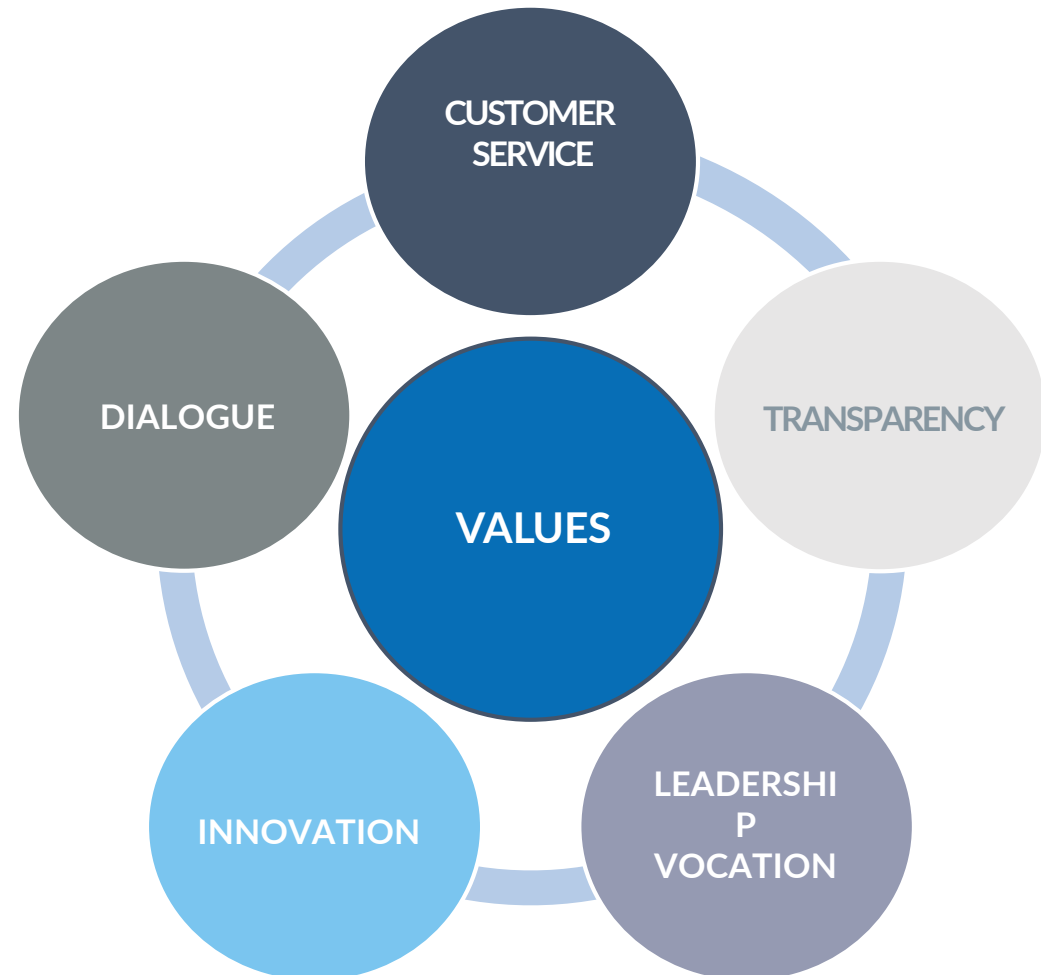
Ethical Code

REALIA's Ethical Code, approved by the Board of Directors in its meeting of 4 April 2018, is the fundamental rule that guides the behavior of all the employees of the group in the performance of their activities and in relation to third parties, regardless of their position or location. During 2018, the company completed the process of review and update of the Ethical Code, which was then distributed to all employees (with acknowledgement of receipt), and is available at the company's website.

The values included in the Ethical Code are the following:

- Customer service: Satisfied customers are one of our most critical assets. In our relations with customers, their interests are at the same level as our own.
- Transparency: REALIA aims to be recognized by the sector as the company with the best Corporate Governance standards. We strive to act honestly, fairly and transparently, maintaining impeccable behavior with our stakeholders.
- Leadership vocation: All REALIA employees are distinguished for their vocation to reach excellence in all areas of activity of the company.
- Innovation: We are constantly searching for solutions that provide value to the company and the society we serve. Quality as the foundation for growth.
- Dialogue with stakeholders: REALIA's culture and values are based on keeping relations of trust and mutual benefit with our stakeholders.

VALUES OF THE REALIA GROUP



Ethical Framework

Ethical Code

The Ethical Code establishes also basic principles of conduct and action, which create the basis for the company's activity, and which served as its inspiration. These basic principles include regulatory compliance and respect for ethical values, respect for people, internal control and fraud prevention, personal data protection, caring for people and customers, and commitment with the market, the company, the community and the environment.

All the employees of REALIA have received a copy of the Ethical Code, also available at the corporate Intranet and the company's website, and have formally committed to comply with it.

The company will gradually extend these principles to its suppliers, and for this reason it reserves the right to contract goods and services to companies that comply with them.

Ethical Channel

This is an internal whistleblowing channel open to all employees of the Realia Group, which allows them to:

- ✓ Report to the Audit and Control Committee any inappropriate conduct or action, according to the recommendations of the Ethical Code (Ethical Code violations).

- ✓ Report irregularities of potential relevance, especially of a financial and accounting nature; and those related (or which show signs of) the crimes of fraud, corruption, bribery, influence peddling, crimes against urbanism and the environment, and any other illicit activity which may have criminal consequences for the Organization.
- ✓ Report relevant information on potential violations of the applicable regulations on Money Laundering and Terrorism Financing.
- ✓ Prevent and/or report situations of workplace or sexual harassment, or any discrimination for gender, ideology or race.
- ✓ present proposals for improvement of the internal control procedures and systems in force in the Realia Group related to the matters mentioned above.
- ✓ Raise questions about the application of the patterns of conduct described in the Code.

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

No incidences were recorded through this channel during 2018.

At the end 2018, the draft of the New Regulation of the Procedure of the New Whistleblowing Channel (Ethical Channel) was reviewed to adapt it to the Ethical Code, the current regulations and the Model of Compliance and Criminal Prevention, currently undergoing implementation. The new Regulation is expected to be approved early in 2019. This complies with the requirement of the amendment of law 10/2010 on money laundering and terrorism financing prevention introduced by Royal Decree Law RDL 11/2018, that urges legally bound parties to establish internal procedures that will allow the employees of REALIA to communicate – even anonymously – possible violations.

The channel is available both at the Corporate Intranet and the following address:

GRUPO REALIA

Att. Delegado procedimiento de comunicación del Comité de Seguimiento del Reglamento Interno y Ético.
Avda. del Camino de Santiago, 40 - 28050 Madrid

Ethical Framework

Ethical Code



BASIC PRINCIPLES OF CONDUCT AND ACTION

Compliance with the rules

Respect for people

Protection of personal data

Taking care of customers

Fraud prevention

Commitment with the market, the company and the community

Commitment with Society and the Environment

Ethical Framework

Criminal Compliance and Prevention Model

Ethical behavior and respect and compliance with regulations, both internal and external, are the pattern of conduct of the REALIA Group.

On the other hand, the reform of the Criminal Code of 2015 was especially relevant, with the introduction of the “criminal liability of legal entities” and the possible exemption of liability in case entities meet a number of requirements, one of which is the establishment of a criminal prevention model that must fulfil a number of requirements.

REALIA’s Audit and Control Committee promoted the establishment of a Compliance and Criminal Prevention Model, and it appointed the Head of Internal Audit as the person in charge of it.

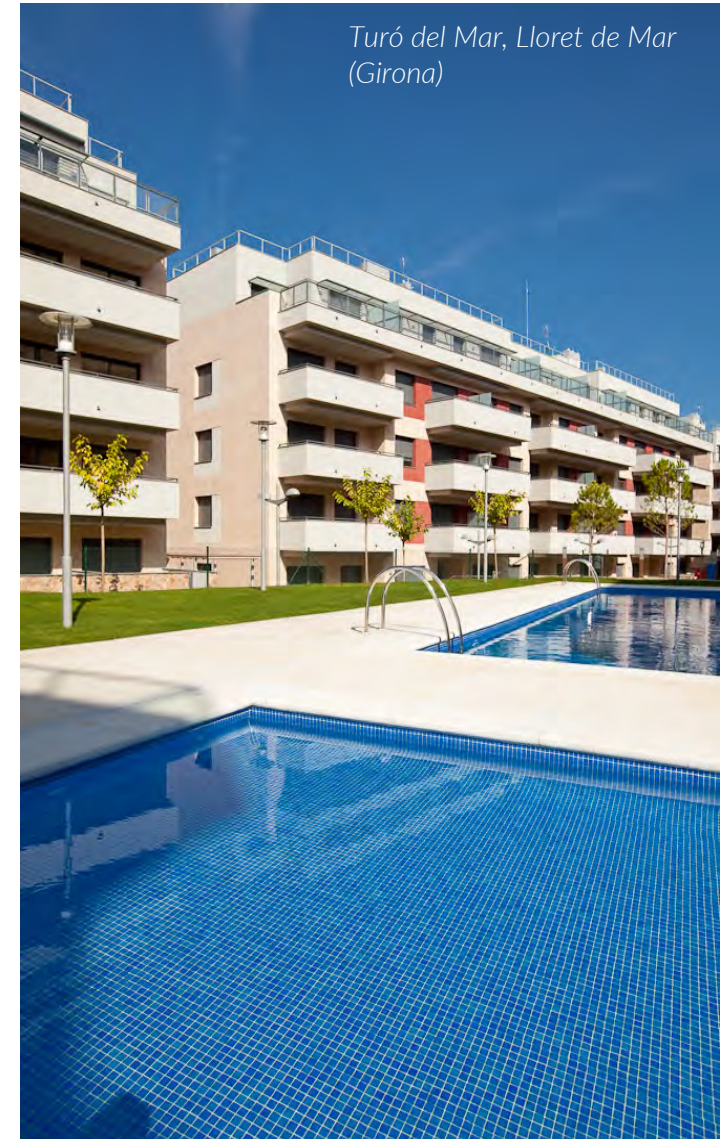
The idea is to design and develop the “Criminal Compliance Management System” or “Criminal Risk Management System” in such a way that it meets the conditions mentioned on art.31 bis 5 of the Criminal Code, that describe the “Requirements Prevention Models must meet”, which include “the organization and management models must identify the activities where the crimes that they seek to prevent may be committed”.

Additionally, the system has been designed in such a way that it contains the guidelines and recommendations of the UNE 19601 standard “Criminal Compliance Management Models. Requirements with recommendations for use”, since this rule is a good reference for the design, implementation, development, review and continuous improvement of a Criminal Risk Management System.

The first step was the review, drafting and approval of the new Ethical Code in April 2018, to adapt it to the new context in the area of regulatory compliance and criminal liability.

At the same time, the process of “Identification, analysis and evaluation of criminal risks” is in progress, with the purpose of categorizing criminal risks according to their “risk assessment”, in relation to their estimated possibility (likelihood) and impact (economic and reputational) in REALIA. This will prioritize the management of the risks with the highest valuation. This process included the analysis of internal procedures and policies and the controls established by the Organization to mitigate these risks (commission of a criminal offence with liability for the legal entity).

In the second half of fiscal year 2018, progress has been made on this task, with the drawing up of an inventory of criminal risks, risk matrices, and related procedures and controls, and the production of risk maps. This task continues in 2019.



*Turó del Mar, Lloret de Mar
(Girona)*

Ethical Framework

INTERNAL CODE OF CONDUCT

In order to favor transparency in the activities of the group and the appropriate information and protection of investors, REALIA has an internal code of conduct that establishes the criteria and procedures to follow in Stock Market transactions, and in the use and dissemination of relevant information.

The Code establishes, among other obligations, the treatment of privileged information and confidential documents, the procedure for transactions of own shares, or the duties of the Audit and Control Committee.

The code is addressed to directors, managers, external advisors and the staff of the Stock Market and Investor Relations departments. The person in charge of informing them of their obligations is the Chairman of the Audit and Control Committee, who is responsible for compliance with the provisions of the Internal Code of Conduct. He is also responsible for recording the situations of Directors and senior managers, and must report periodically to the Board of Directors or the Executive Committee.

Even though the obligation of issuers to have an Internal Code of Conduct does no longer exist, after the approval of Royal Decree-Law 19/2018, of 23 November, on payment services and other urgent measures on fiscal matters, the company keeps the Code in force.



Periodic training

In order to guarantee the quality of financial information and its adaptation to the current legislation, REALIA develops periodic training programs for the personnel involved in drawing up such information, and in the evaluation of the Internal Control System on Financial Information), that includes accounting standards, audit, internal control and risk management.

Several training events were organized in 2018 on accounting, fiscal, labor and business standards, and on the internal auditor profession, and the role the internal auditor must play in the new business and technological scenario, as well as other aspects of regulatory compliance.



Ethical Framework

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 session held on 24 October 2016, which includes its commitment with the application of the following best 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.

- Collaborate with the Tax Authorities in the detection and search for solutions regarding fraudulent fiscal practices that the company is aware of.
- Performing transactions with related parties always at market value.
- 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 possible time and with the appropriate scope.
- Evaluate properly the investments and transactions which in principle seem to entail a special fiscal risk.

In order to ensure compliance with this policy, the company is committed to adopt the necessary control mechanisms and allocate 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.



C.N. Eisenhower, Madrid



Realia Soto de la Encomienda (Valladolid)

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 2018, the company continued with the internal evaluation of the operational efficiency of the controls in place, a process that will continue in 2019.

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

- A clear organizational structure that defines roles and functional responsibilities.
- A framework for the 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. Then, risks are analyzed according to their potential impact on management objectives. Finally, the policies, guidelines and limits associated to the risks are established and implemented.

The whole organization is involved in the risk management effort. The Board of Directors establishes the risk control and management policies, procedures, limits and structures; the management of each of the functional areas analyzes their evolution and takes the corrective measures it deems necessary; the Internal Audit Area provides an independent evaluation of the appropriateness, adequacy and efficacy of the internal control system and the risk management system and reports the results to the Audit and Control Committee.

Finally, the External Auditor holds a number of meetings with the Audit and Control Committee to present 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 related documentation.

The implementation of this System was carried out based on the identification of 21 key processes that distinguish the dual nature of REALIA's businesses: property development and property management.

During 2018, the operation efficiency of the controls implemented continued to be evaluated through selective sampling and specific analyses, and the evaluation of the different cycles of activity was also updated.



Risk Management

Main risks for 2018

Several types of risks may be encountered in the performance of the activities, both property development and property management:

1. Financial risks.

Due to its activities and the transactions through which it performs these activities, the Group is currently exposed to the following financial risks:

a) Credit risk:

The main activities of the Company are real estate development, the sale of land and the lease of property assets through its subsidiaries and investees. The first of these activities does not involve any credit risk, since the delivery of the product automatically entails the collection of its price. Regarding the sale of land, it is standard practice to grant payment deferrals to clients. Currently, the amount of unsecured retail loans for the sale of land amount to EUR 8.2 Million, which the company has fully written down.

Finally, the risk in the lease of property assets is negligible, and is maintained at similar levels as the previous year. The Company management has made provisions for potential default or insolvency.

b) Interest rate risk:

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

The purpose of managing interest rate risk is to reach a balance in the debt structure that will allow to minimize the cost of borrowings in a multi-year horizon with reduced volatility on profit and loss. The comparative analysis of the financial cost included in the budget and yield curve trends led the company to decide not to hedge against interest rate risk in order to minimize the cost of borrowings during that period.

The Company management monitors very closely short and long term yield curves, and does not rule out the convenience of hedging for interest rate changes in the future.

c) Liquidity risk:

Nearly ten years after the onset of the real estate crisis, some signs of improvement in the sector appeared in 2015, albeit highly concentrated on the demand for medium to high segment product in prime locations; also, lending for new developments with commercial potential improved as well. This trend was confirmed during 2018, the financial systems maintains its high liquidity, and low interest rates which provide lending to individuals and developers with proven financial solvency and economically and commercially viable projects; without these requirements, the market is still very restricted.

Additionally, at 2018 year-end, Realia Business has a positive working capital of EUR 369 Million, a 95.7% increase over 2017 year-end.

d) Exchange rate risk:

The Company has no significant exchange rate risk.

e) Solvency risk:

At 31 December 2018, the Company has no bank borrowings, has cash and cash equivalents amounting to EUR 60,322 thousand, and has improved its solvency compared to 2017 year-end, when the net banking debt of Realia Business, S.A. amounted to EUR 78,049 thousand.

2. Market Risks.

The residential market started to deteriorate in 2007 and this trend continued until the end of 2014, when demand started to recover slightly in some areas and cities. This pickup was consolidated during 2015, 2016 and 2017, and continued in 2018, and even in some areas of cities like Madrid and Barcelona, demand is very scarce and new developments are starting. In view of this situation, Realia is contemplating the launch of new developments in these cities and in other locations where there is demand for residential housing.

However, despite this improvement, the stock of product is still high in most of the national territory, and therefore the recovery of prices to levels before the crisis is still limited, very selective and concentrates on areas with demand, and access to lending by developers and buyers is still very restricted.

Regarding the rental market, in which Realia Business, S.A. operates through its subsidiaries Realia Patrimonio, S.L.U. and Hermanos Revilla, S.A., demand for space is picking up, rent prices are stabilizing and incentives for settlement demanded by customers are lowering. On the other hand, investment activity in the property segment has been quite significant, but lower than in 2017.

Risk Management

For all these reasons, the Realia Group believes it must focus its efforts on its current lines of business. In the property area, where its extraordinary real estate portfolio gives it an outstanding position, it must optimize its asset management to increase operational margins and create value for the assets. In the developments area, it must optimize the value of its current assets through price increases of the finished product, the management of land in its portfolio and the construction of developments in locations where there is consistent demand.

3. Economic risks.

These risks are intended to be controlled in acquisitions, through detailed analyses of the transactions, examining and foreseeing the problems that may arise in the future, and proposing possible solutions. In the case of divestments, the main risk is the failure to collect the prices agreed in contracts, as a result of default from buyers.

These risks are intended to be controlled through the establishment of all types of guarantees that will allow, where applicable, the collection of the full price or the recovery of the asset sold.

4. Legal and fiscal risks.

The activities of the group 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 scenario may affect the overall planning of the group's activities. The group, through the appropriate internal departments, monitors, analyzes and, if necessary, applies the necessary measures.

The risks associated to regulatory compliance are the following:

a) Judicial and extrajudicial claims:

Realia's activity may give rise to legal actions being taken against the company related to the materials used or the finishing of the properties sold, even if they are derived from the actions of third parties contracted by Realia (architects, engineers, construction contractors and subcontractors).

To mitigate these risks, the company has taken ten-year insurance policies, mandatory for real estate developers, before handing over the houses to their buyers.

Furthermore, all work contracts include a 5% withholding in every certification issued by contractors to vouch for the exact performance of their duties and especially, for the defects observed at the provisional acceptance of the product, and repair costs derived from poor execution or defects in the quality of works or facilities during the warranty period from the date of provisional acceptance of the works. Additionally, during the execution of works, Realia's technicians monitor the work to ensure that they are being carried out according to plan.

b) Realia's liability arising from the actions of its contractors or subcontractors.

It may be the case that the contractors hired by Realia do not fulfil their commitments, are late with deliveries or go through financial difficulties that prevent them from meeting the deadlines agreed upon in their contracts, and Realia may be obliged to incur additional expenses in order to meet its own commitments to third parties.

In order to reduce this risk, contracting for the execution of works has been restricted to contractors of proven solvency.



Risk Management

5. Money laundering and terrorism financing prevention risks.

These risks are controlled through the prevention and control system the Group has implemented, according to the applicable legislation, and with the Manual that establishes the internal procedure rules on this matter; a Control, Information and Communication Body, that coordinates its activities with the employees and the Prevention Services; and a Technical Unit responsible for the processing and analysis of information, and to analyze and channel the communications on potentially suspicious transactions. This Manual is updated annually in order to adapt its wording to legal developments and the recommendations of an independent expert or just to implement the measures included in the manual.

As in previous years, the company was subject in 2018 to an annual audit performed by an independent expert as established by the Law. Once again, no significant risks for the company were identified in the area of money laundering and monetary crimes.

6. Personal Data Protection Risks.

These risks are controlled by special standard clauses included in the contracts in different situations which, according to the Rule governing this matter, allow for the limitation or even extinguish any liability from Realia Business, S.A.

In 2018, the Group adapted its personal data protection system to the provisions of the General Data Protection Regulation (EU Regulation 2016/679 of Data Protection). The company was subject to a biannual audit in 2017, by an independent expert as established by the Regulation.

7. Consumer and User Protection Risks.

The Group meets the demands of the different national and regional legislations on the subject of consumers and users. In fact, it has specific contract templates for those Autonomous Communities with specific legislation on this subject. Additionally, the Group responds customarily to all possible claims that it may receive from public consumer bodies, in a spirit of conciliation and reparation.

Additionally, Realia Business, S.A. is equipped with a set of tools to ensure ethical behavior, the main ones being, apart from the money laundering prevention tool, the following:

The Internal Code of Conduct was approved by the Board of Directors of Realia in April 2007, focuses on matters related to the criteria for conduct and action that employees must follow in relation to transactions, and to the processing, use and dissemination of relevant information, to favor transparency in their activities and the appropriate information and protection of investors.

The Ethical Code was approved for the first time in November 2010, and a new version of the Code was approved by the Board of Directors of the Company in its session held on April 2018. Its purpose is to establish the principles, values and rules of conduct that must govern the action of the companies of the Realia Group and all its employees, and to define the criteria for the actions of managers and employees of the Realia Group. This Code is mandatory.

The PRINEX System is a global business solution that combines the characteristics of a business management software with the advantages of an ERP customized to the needs of real estate companies. Its usefulness to ensure ethical behavior is that it allows the commercial area to identify customers who have performed fraudulent transactions in the past to avoid doing business with them.

Risk Management

CRIMINAL RISK MANAGEMENT

The Board of Directors of Realia Business S.A. is responsible for the establishment of the business risk control and management policy, which includes criminal risks. The implementation of the “Criminal Compliance Management System” is channeled through the Audit and Control Committee, the body that assigned this task to the head of Internal Audit. On the other hand, senior management must show its firm commitment to guarantee the implementation of the CCMS.

One of the key processes in the establishment of a Criminal Compliance and Prevention System is the “identification, analysis and evaluation of criminal risks” as part of the Criminal Risk Management System. The purpose of this process is to categorize criminal risks according to their “risk assessment”, in relation to the estimated possibility (likelihood) and impact (economic and reputational). Thus, priority will be given to the management of risks with the highest valuation. In order to conduct this process, an analysis was made of the internal procedures and policies, and the controls the Organization has established to mitigate this type of risks (commission of a criminal offence with liability for the legal entity).

Progress has been made on this process during the second half of 2018, and an inventory has been made of criminal risks, risk matrices, and associated procedures and controls, and risk maps have been produced. This effort will continue during 2019.



6

CORPORATE RESPONSIBILITY



*Realia Hato Verde
Guillena (Sevilla)*



CORPORATE RESPONSIBILITY

Realia, Responsible Company

Fulfilment of the Objectives

Stakeholders

Shareholders and investors

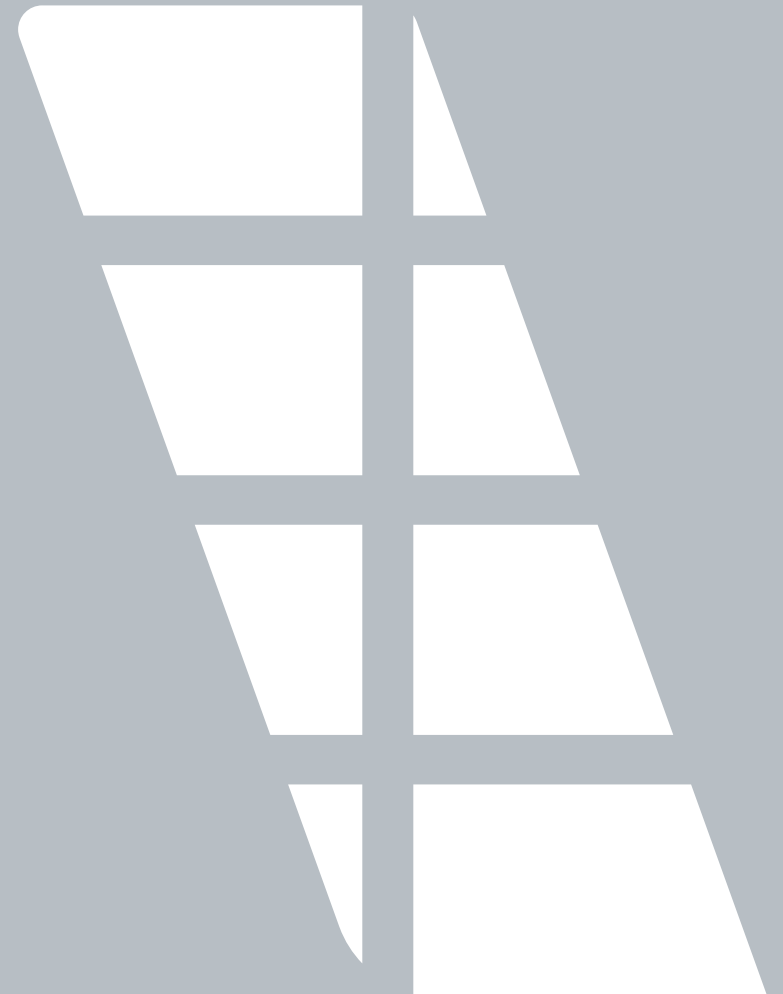
Employees

Customers

Community

Solidary Initiatives

Environmental Management / Sustainability



REALIA, 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 2018, it continued to progress in these areas, according to its Corporate Responsibility (CR) Master Plan.

REALIA's CR Master Plan establishes three lines of action: commitment with the environment and environmental protection; commitment with the groups and communities it relates with; and commitment to ethics and good governance. The company is aware of the importance of preserving the environment for future generations, and manages its buildings for lease and its developments under the principles of energy efficiency and sustainable construction. According to these parameters, it monitors annually its energy consumption, processes its waste adequately, and incorporates energy efficiency measures in its buildings.

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. The company is in permanent contact with its stakeholders through different channels.

Axes of the Corporate Responsibility policy



Commitment with the environment and environmental protection, through an adequate use of natural resources.



Commitment to the groups and communities it has relations with, through job creation, payment of taxes, contracts with suppliers and collaboration in charities.



Commitment to ethics, integrity and good governance, thanks to a transparent and efficient organizational structure, designed to achieve the global corporate objectives and satisfy the expectations of its stakeholders.

Source: REALIA

Achievement of Objectives

REALIA has kept up to date its control mechanisms associated to the Ethical Code and the incidence reporting channel, and is committed to continue to improve its Corporate Governance system, adapting it to the best national and international practices.

Ethical conduct and respect and compliance with the regulations, both internal and external, are the pattern of conduct of the REALIA Group, materialized in its ETHICAL CODE.

Since its first edition (Nov 2020), some important changes have been made both in the regulation (the reform of the Criminal Code of 2015 is especially relevant, since it introduced the “liability of legal entities”) and in the socio-economic and technological scenario.

The Board of Directors of the REALIA Group promoted, through the Audit and Control Committee, the review and update of the Ethical Code to adapt it to the new business, regulatory and corporate reality; and to serve as the pillar of the compliance risk prevention system. Accordingly, REALIA drafted a new Ethical Code, approved by the Board of Directors of the REALIA Group on 4 April 2018. The document was distributed to all the employees of REALIA, and is available at the company’s website.

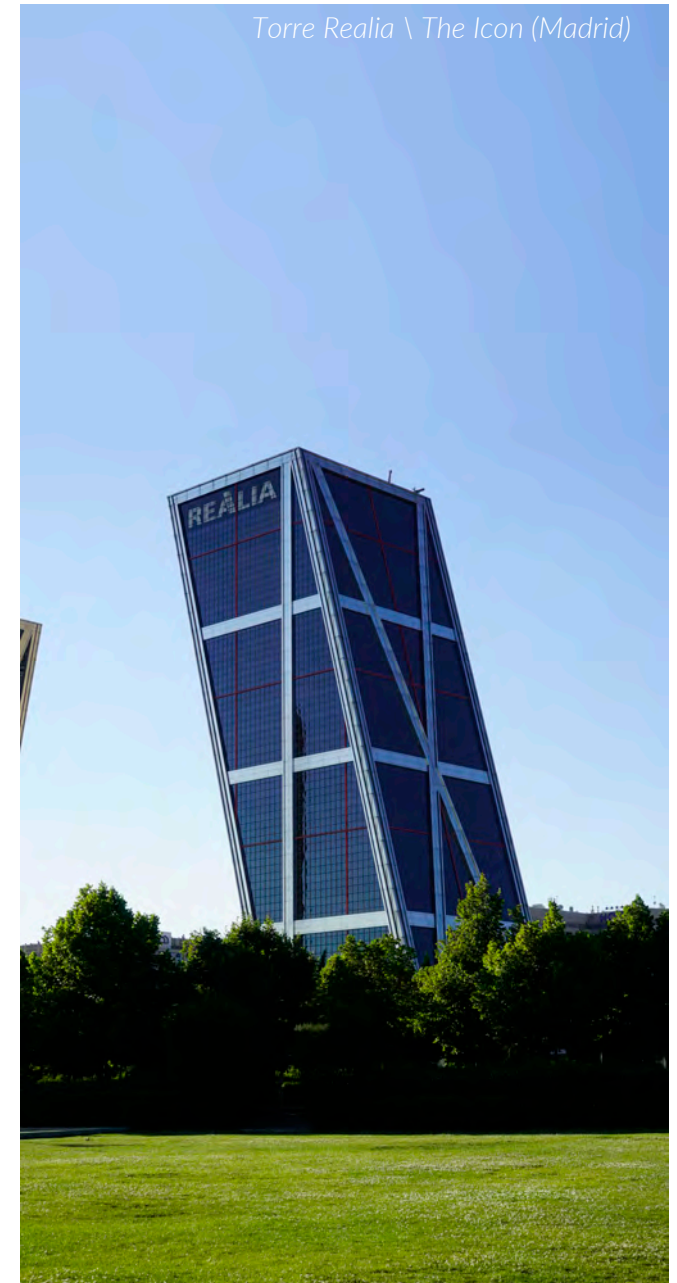
The main objectives of the new Ethical Code are the following:

- To establish the principles, values and rules of conduct that must govern the conduct of the companies of the REALIA Group and all their employees, with the purpose of ensuring ethical and responsible conduct in the professional performance of their activities; it also reflects the commitment of the company with the principles of business ethics and transparency, consolidating a culture and patterns of conduct shared, accepted and respected by all its employees.

- To define the criteria for the conduct of managers and employees; drawing the red lines that must never be crossed even when they could generate profit for the company; to prevent and avoid conducts that entail fraud, bribery and corruption in businesses.
- Is the axis and the pillar of the regulatory compliance system; the basic rule that guides the conduct of all the employees of the group in the performance of their activities and in relation to third parties.

The Ethical Code is addressed to all directors, managers and employees of the REALIA GROUP, regardless of their type of contract that determines their employment relation, their position or their geographic location. It complements the Corporate Social Responsibility, the Internal Code of Conduct on matters related to Stock Markets, and the Board Regulations. These, together with the legal rules, make up the framework that must govern the conduct of its managers and employees.

Torre Realia \ The Icon (Madrid)



STAKEHOLDERS

During 2018, 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 dialogue with all of them through different communication channels.



Source: Realia

Stakeholders

Shareholders and investors

As a listed company, REALIA guides its action in the stock market under the principle of compliance with the applicable legislation (Stock Market Law); acquiring the commitment of meeting as much as possible (always under a criterion of proportionality) with the recommendations of the Good Governance Code of Listed Companies of the CNMV.

In order to prevent possible imbalances and conflicts of interest between the majority and minority shareholders, REALIA has a Corporate Governance system that guarantees the rights of shareholders and investors, regulates the representation of minority shareholders in the governance bodies and restricts their power, through the use of checks and balances.

Communication Channels

Additionally to Good Governance practices, the Company has information and accounting mechanisms that help investors, shareholders and the market in general to make sound decisions in the purchase or 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 Comisión Nacional del Mercado de Valores (CNMV).

This portal, accessible from all mobile and fixed devices, offers the investor community and the rest of stakeholders' relevant information about the evolution of the company.

Contact Investors Relations

Address
Avda. del Camino de Santiago, 40. 28050, Madrid
Telephone
+34 913534400
Email
inversores@realia.es accionistas@realia.es

Source: REALIA

Clicking on the section "Shareholders and Investors" provides access to information on the shares and share capital, the main financial aggregates, stock market information and the results of the Company. It also provides access to the main aspects of the "Corporate Governance".

- **Email**

Shareholders and Investors may contact directly with the Investor Relations Area through its email.

- **Shareholders' Electronic Forum**

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

- **Transparency of Information**

Throughout the year, REALIA has maintained a policy of information transparency with the investor community, offering information to the markets, in compliance with the Law on Corporations and their internal regulation. 19 relevant events were reported to the CNMV during the year.

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

Stakeholders

Employees

REALIA's workforce is composed by 91 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.

Defense of fundamental rights

Besides a strict respect for the applicable labor legislation, REALIA embraces the labor rights universally recognized by the United Nations Global Compact, including respect for fundamental rights, the support to the freedom of association and collective bargaining, and non-discrimination at work.

In accordance with these principles, the company manages its human resources on the basis of three axes: equal opportunities, development of the skills of its employees, and protection of their health and safety.

EQUAL OPPORTUNITIES

REALIA is actively involved in the defense of equal opportunities and non-discrimination; accordingly, 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. Four of the seven members of the Board of Directors are women.

TRAINING

REALIA is aware that the intellectual capital of the company relies on its workforce, and promotes learning and training accordingly.

HEALTH AND SAFETY AT WORK

REALIA has an external Prevention Service to protect the health and safety of its employees. During 2018, it evaluated the risks of the workplaces and conducted medical examinations to employees.

FLEXIBLE WORKING HOURS

The company helps employees in their life and work balance, and for this reason redefined its working hours in earlier years, and established a flexible working day in 2018.

SOCIAL BENEFITS TO RETAIN TALENT

REALIA tries to offer its employees optimal conditions to retain the best talent, and offers a number of social benefits to this end. These include medical insurance, life insurance, meal tickets, and contributions to pension plans.

COMMUNICATION WITH EMPLOYEES

The company maintains a dialogue with its employees through the corporate Intranet, email and internal memos, to communicate relevant news and decisions. Employees may report violations of the Ethical Code or report incidences regarding economic and financial information through the Intranet.

DEFENCE OF FUNDAMENTAL RIGHTS



Stakeholders

Customers

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

REALIA's commercial network serves potential customers from its regional delegations, sales offices and its headquarters. The network is composed by expert and well-trained professionals who show the properties to customers, explain the economic conditions and if necessary, provide their support through the process of rental or sale.

Customers can also access the properties offered by the company through the website www.realia.es, where they can see images and large size drawings of the properties. Customers can request information on every property by clicking on it; additionally, they can access a personal online advisor, which responds within 24 hours to the questions asked, even though the company guarantees a response within 72 hours.

Homebuyers

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

On one hand, the salespeople who work in 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 their specifications, in most developments, they also facilitate access to mortgage loans referring their customers to a bank to analyse their financing options best suited to their needs.



Stakeholders

Customers

In 2018, REALIA's sales network organized open door days in some residential developments.

REALIA was also present in the real estate trade fair "Fira Casa" in Sabadell. In these events, a selection of homes at competitive prices is showcased, and a specific marketing plan is developed.



REALIA
Tu Hogar,
Nuestro Compromiso

Descubre Aguaserena
© Roquetas de Mar
desde **110.000 €**

Jornada de Puertas Abiertas del 29 al 31 de marzo

T: 950 627 385
www.aguaserena.es



Stand Fira Casa (Sabadell)

Jornada de puertas abiertas en Aguaserena Residencial

Vivienda
Con precios desde 109.900 euros los días 29, 30 y 31 de marzo, se puede reservar cita en el 950 627 385

LA VOZ
Redacción

Aguaserena Residencial, situado en la Urbanización de Roquetas de Mar, organiza unas jornadas de puertas abiertas los días 29, 30 y 31 de marzo para mostrar unos apartamentos inigualables situados en un entor-

no privilegiado. Realia ofrece unos precios inmejorables durante estos tres días, desde 109.900 euros.

Aguaserena es un residencial moderno y muy atractivo, totalmente terminado y en funcionamiento, donde todas las viviendas disponen de unas magníficas vistas al Campo de Golf-Playa Serena y a la playa, situada a tan solo 300 metros.

Dispone de viviendas de uno y dos dormitorios, con cocina amueblada y equipada, instalación completa de

aire acondicionado y calefacción, amplios armarios empotrados y vestidos en dormitorios y accesos.

Todas las viviendas llevan anejas una plaza de garaje y un trastero, ambos incluidos en el precio. El residencial cuenta con dos piscinas, una de ellas para niños, parque infantil y amplias zonas ajardinadas.

Aguaserena Residencial es una promoción de obra nueva que podrá ser visitada previa cita durante esos tres días, aprovechando así esta oportu-



ZONAS COMUNES Inmejorables para niños y adultos.

tunidad única para enamorarse de un residencial amplio, completo, tranquilo y cuidado hasta el más mínimo detalle a unos precios del todo increíbles.

Para acudir a descubrir estas estupendas viviendas durante las jornadas de puertas abiertas es necesario llamar al 950 627 385 y solicitar una cita previa.

Realia ofrece en estos días una estupenda oportunidad para encontrar una residencia de vacaciones en un entorno privilegiado. Todo ello situado en la Avenida Ciudad de Cádiz, 14 en la Urbanización Playaserena de Roquetas de Mar. Aquel que lo desee puede contactar con Realia por teléfono o también a través de su página web www.aguaserena.es.

Stakeholders

Customers

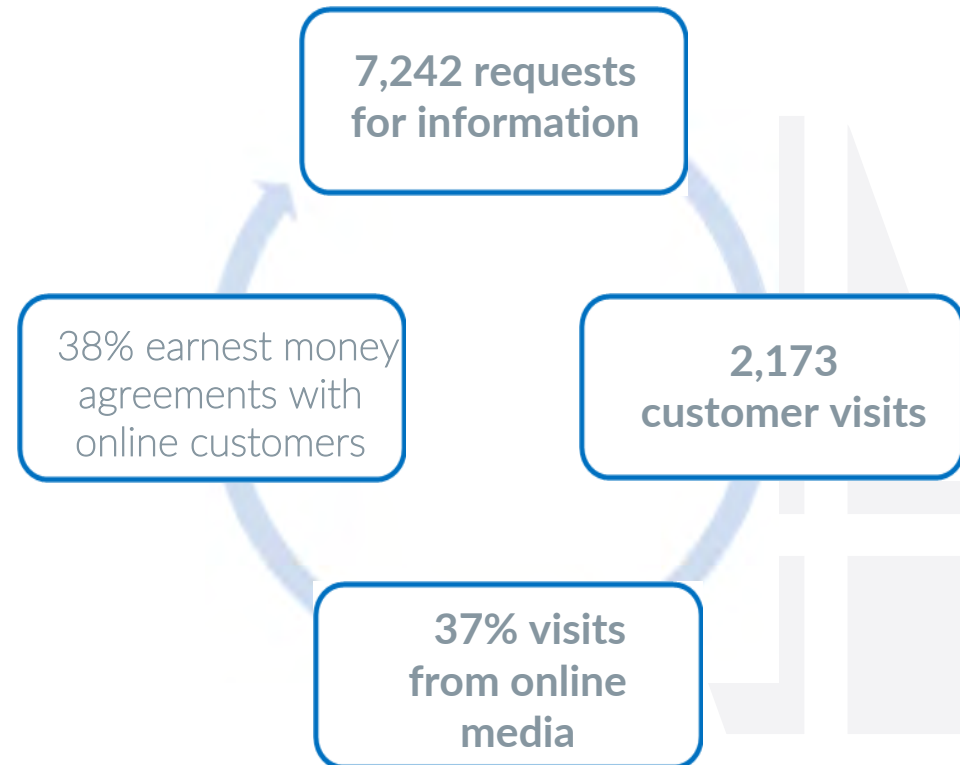
The company interacts with potential buyers sending the users registered in its database a newsletter with interesting articles on housing, home decoration, mortgage loans or information about the location of its properties. These articles are published at the online REALIA blog. 48 articles were posted in 2017.

In parallel to these initiatives, the company contracts advertising space 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 Ad Words campaigns, social media, etc.

Through this omni-channel strategy, REALIA responded to 7,242 requests for information, including phone calls and emails, and 2,173 customers were attended at the sales offices.

Out of these interactions, 37% of the visits received by the salespeople were customers from digital media, and 38% of the earnest money agreements signed were with customers from online media (website, Internet marketing campaigns and real estate portals).

INTERACTIONS WITH CUSTOMERS FROM DIGITAL MEDIA IN 2018



Stakeholders

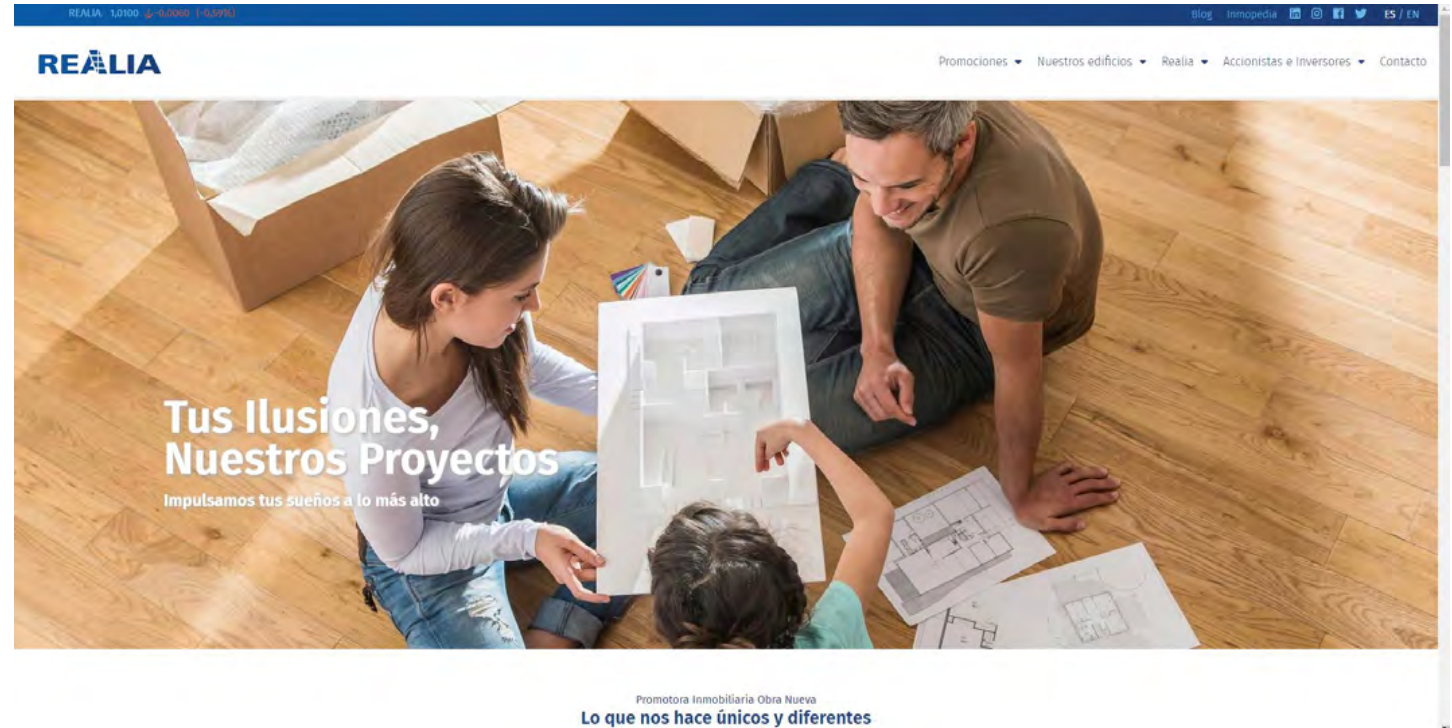
Customers

COMMUNICATION CHANNELS

New Corporate Website

In 2018, Realia underwent a digitization process, through the merger of the corporate website and the product website at Realia.es, optimizing the desktop and mobile (responsive) versions to facilitate browsing from any device, and creating a more visual, less cluttered site with a renewed image.

This digitization has helped improve the loading of the site, and a great effort has been made on the SEO, updating all the information on developments, offices and shopping centers and using high-quality fast-loading images, and creating forms to attract the most attractive leads for current or future developments.



Social Media

Social Media play an important role as the communication channel of REALIA. During 2018, its presence on social media has reached a large number of followers, which helps us create valuable content and get closer to the new trends among the community of followers of the Company to offer them our products and services. , as well as interesting information and articles on housing, homes, mortgage loans, etc...



@realiainmobiliaria



/realiainmobiliaria



Realia inmobiliaria



@Realia_Inmo

Stakeholders

Customers

Tenants

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

It offers customized solutions for all 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

In order to preserve the value of its properties and increase the comfort of its tenants, it performs proactive maintenance of each building, applying efficiency measures, economies of scale, etc., that reduce costs.

Professional teams in different areas (maintenance, legal, commercial, urbanistic and economic-financial), assisted by external professionals, provide these services to tenants.

Specialized consultants under the supervision of the company are in charge of the management of shopping centers.

Several improvements have been made in recent years on the common areas of buildings to offer a renewed image and to improve the comfort of visitors.

An example is the renovation and modernization project carried out on the building located on Paseo de la Castellana, 216 (Madrid), which took place in 2018, with the purpose of increasing the satisfaction and wellbeing that this unique building, renamed "TORRE REALIA\The Icon", provides to its occupants, persons and companies.



Torre Realia \ The Icon (Madrid)

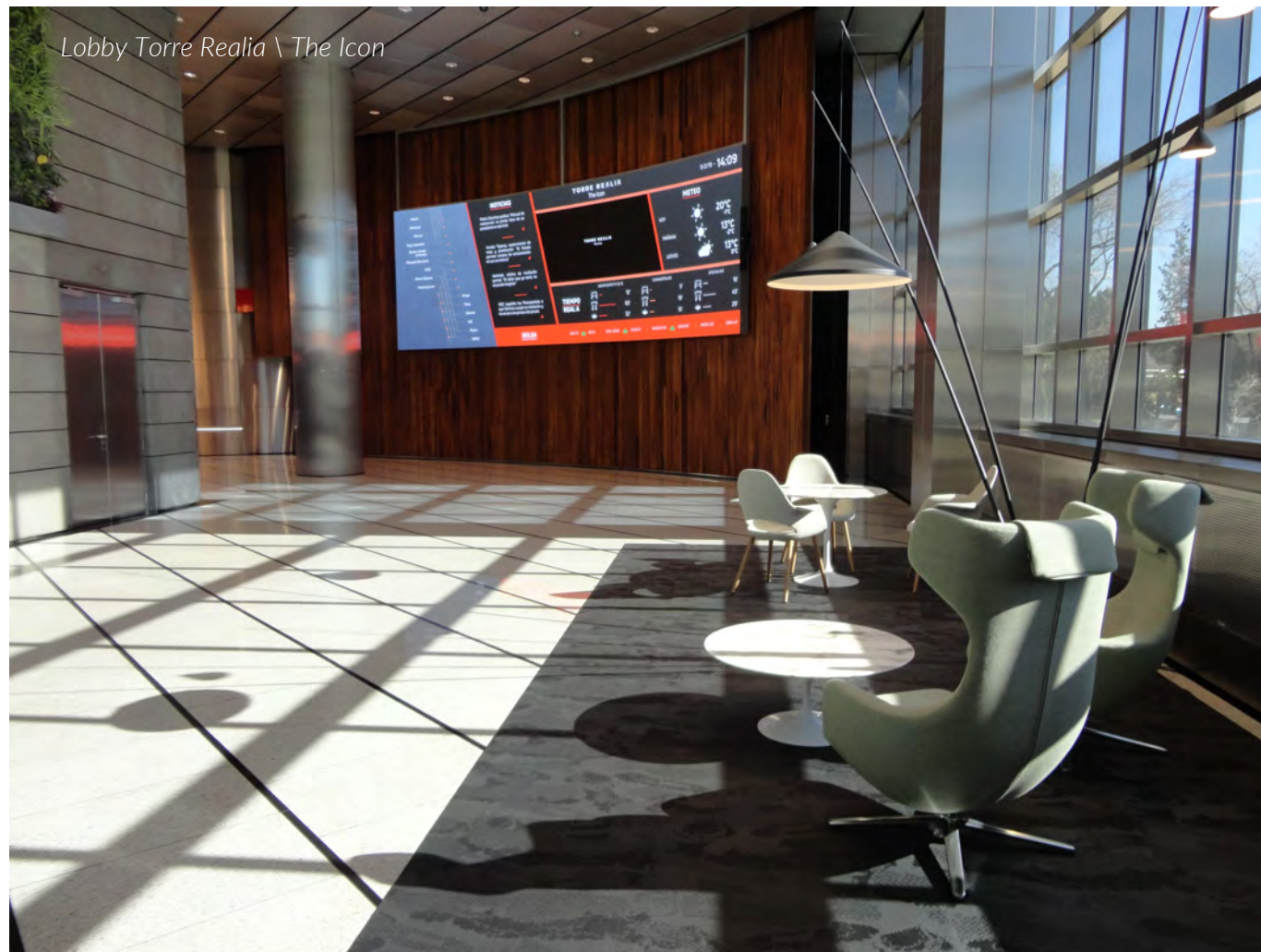
Stakeholders

Customers

An essential part of the skyline of Madrid and the first leaning office building in the world, TORRE REALIA \ The Icon was designed by the Pritzker Award winning architect Philip Johnson and his partner John Burgee, and is a unique example of postmodern architecture in Europe, since all other buildings in this artistic movement are located in the United States.

In recognition of the iconic value of the building, and on the basis of the respect its creators deserve, the three main elements that served as the basis for the modernization plan undertaken by REALIA are technology, sustainability and the flexibility of the space; in parallel, the three main outcomes of this intervention are: a new and spectacular lobby, the acquisition of the BREEAM certification for sustainable operation buildings, and the incorporation of a co-working space with a surface area of 5,000 square meters.

The building now incorporates suspended elements (two large vertical gardens) and technological devices (two curved video walls of 27 m² each), according to the most innovative trends in working spaces, but carefully respectful with the original concept and materials of the building, emphasizing the symmetry of both accesses to the lobby and its three-story height.



Stakeholders

Customers

The combination of the examples of video art projected on the two video walls with the landscape elements of the vertical gardens has transformed the lobby of Torre REALIA \ The Icon into an innovative space to relax and chill, which establishes a dialogue through its glazed facade with the Cuarto Depósito del Canal Park, located at a distance of 20m, with 45,000 m2 of landscaped areas and water sheets, which creates a unique oasis of peace at the Paseo de la Castellana.

The two most representative features of the new lobby decoration are the astounding Vibia lamp and the reception desk, whose shapes and hardwood material respect the essence of the building.

The large-sized lamp is inspired by the Algorithm lamp, and is composed by 168 glass diffusers hanging from the ceiling through 3-meter long tensioners, forming a hyperbolic paraboloid floating over the reception desk. This is a unique piece with a futuristic organic design, but in line with some of the original elements Philip Johnson designed for the Tower. Its finishing is Krypton K-life, a compact organic material, highly resistant and 100% sustainable with the environment; its composition include activators that purify the air surrounding it.



Stakeholders

Customers

Safe and Healthy Building Certificate:

In 2018, Torre REALIA \ The Icon obtained once again the "EXCELLENT" rating in the "SAFE AND HEALTHY BUILDING" certificate. The purpose of this certification is to promote and certify best practices in the commercial operation of buildings, in the areas of health, safety and wellbeing of individuals, bringing together a set of legal standards (Occupational Risk prevention, Accessibility, Insurance, etc.), and conducts, values and improvement on these areas.

Nearly 200 items are reviewed for this certification, broken down into 12 different groups. There are four different categories that the building can obtain: "Good", "Very Good"; "Excellent" and "Outstanding".



Solar protection panels, thermal rejection and energy savings:

During the last year, the Nudo Eisenhower Business Center was also subject to a major intervention: on the South and East glass facades, panels were installed on their glazing to provide solar protection, thermal rejection and energy savings. These panels also reject nearly 99% of the ultraviolet light, which reduces and slows down the discoloration of materials and fixtures inside the building and protect the health of individuals.

Thanks to this measure, an outstanding energy saving has been achieved, reducing the interior temperature in the offices by 3 degrees.

Other improvements made to the rest of buildings were:

- ✓ Change of lighting in the underground car parks of buildings in Acanto 22 and Avenida de Bruselas 36; LED lights were installed.
- ✓ Renovation of the technical management system at the building in Avda de Bruselas 36, resulting in better and more efficient management of the facilities.
- ✓ Renovation of the fire extinguisher installation at the building in Acanto 22, adapting the fire hydrants and pressure units to the current regulations.
- ✓ Renovation of the IT access control system in the Acanto 22 building.

Stakeholders

Customers

Users of Shopping Centers

In the case of shopping centers, they are managed by specialized consultants under the supervision of the company.

All of REALIA's centers have been design following criteria of functionality and accessibility, in order to guarantee a pleasant shopping experience. Thus, they combine recreation and shopping areas, and are equipped with spacious common areas and adequate spaces for the movement of vehicles and visitors.

Some examples of REALIA's focus on sustainability and Corporate Social Responsibility in Shopping Centers are the following major renovations:

CC Ferial Plaza (Guadalajara):

- ✓ Change of lighting in the leisure floor of the shopping center to LED technology, with a notable reduction in energy consumption.

Plaza Nueva (Leganés):

- ✓ Creation of parking spots for family vehicles.
- ✓ Renovation of signs.

CC La Noria Outlet Shopping (Murcia)

- ✓ Renovation of the paint in the Shopping Center, updating and modernizing its image.

CC As Cancelas (Santiago de Compostela)

- ✓ Inspection related to the Tobacco Act: Change of the smoking areas
- ✓ Mandatory enforcement of the use of reflective vests in loading and unloading areas and in the garbage storage area.
- ✓ Provision of baby diaper station, microwave, bottle warmers and waste management at the Children's Park area.
- ✓ Renovation of outdoor furniture. Varnishing and painting of outdoor benches and paper bins; installation of vinyl floors on the lookout area and children's park.
- ✓ Painting of all doors in the breastfeeding rooms and restrooms.
- ✓ Installation of automatic fire detection and extinguisher systems on the Low Voltage Room, including the interior of electric boxes.

CC Ferial Plaza
(Guadalajara)



Stakeholders

Suppliers

REALIA has contributed to the creation of wealth in the locations where it is present through contracts with local suppliers. Most of its suppliers are Spanish companies that offer their services in the Spanish territory. Abroad, it has suppliers in Poland, Portugal and Romania to meet the needs of its residential homebuilding in Warsaw, Lisbon and Bucharest, respectively

Selection criteria

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 building specifications, for bidding and awarding of work contracts. 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.
- ✓ Drawing up of the Construction Plan, guaranteeing compliance with the contract milestones.
- ✓ Guaranteeing REALIA's quality standards.
- ✓ Compliance with legal environmental requirement.



*Realia Hato Verde
Guillena (Sevilla)*

Stakeholders

Community

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 360° view 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.



SOCIAL WORK

Community – Social Work

Campaigns in Shopping Centers

Under the supervision by REALIA, shopping center managers loan their space to different foundations and NGOs for social, cultural and scientific projects, and to attract new members of raise the awareness of the public on some social issues. Over twenty of these social actions were organized in our shopping centers during 2018.

Some of the non-profit organizations involved were:

Red Cross (Blood donation drives).

Food Bank (Food donation campaigns).

Menudos Corazones (awareness campaigns on congenital cardiopathies).

Asociación Española Contra el Cáncer (cancer awareness campaign).

ONCE (collaboration in the event of the 11th anniversary of the 11º aniversario del Centro Comercial Ferial Plaza (Guadalajara).

ASIDGU Down Syndrome (Collaboration in their sale of solidary calendars during Christmas).

Concello de Santiago (Compostela en Negro) support on the celebration of the International Day against Gender Violence.

CEOM Association for the integration of persons with intellectual disabilities.



SOLIDARITY ACTIONS

Community – Social Work

Additionally, the following events were organized for the promotion of sustainable and responsible education:

CC As Cancelas:

Bicycle Day: a bicycle was drawn on social media, to promote sustainable mobility and pollution reduction.

Recycling Workshop: "Let's take care of the environment together" to teach younger children the importance of recycling.

World Environmental Cleanup Day: distribution of educational booklets to the members of the Celi Club to raise awareness about the importance of protecting nature.

Solidary back to school campaign: donation of school supplies for disadvantaged children.

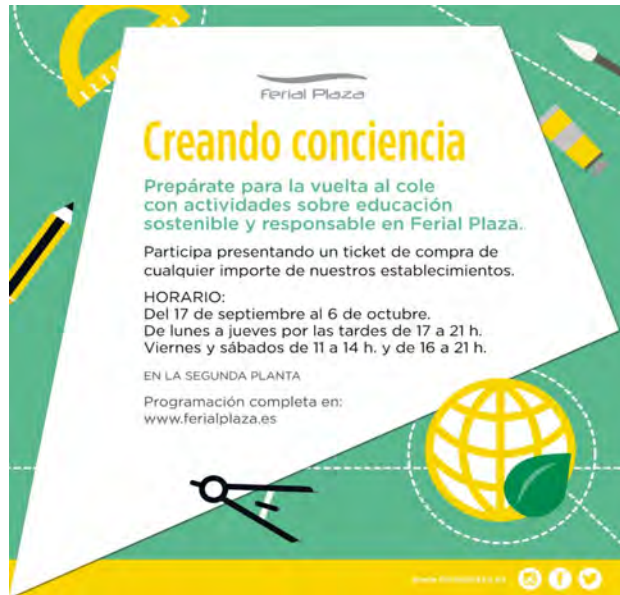
Second hand clothes donation campaign: through Ecoworld.

CC La Noria Outlet Shopping:

Servicio Peque Club: Program addressed at responsible education on environment, nutrition, coexistence, personal development, etc.

Merchandising commitment #freeplastic, in all events, the products selected do not contain plastic and are biodegradable.

Exhibition area for the Artisans of the Region of Murcia, with an exhibition area for the works of the association of persons with intellectual disability.



SOLIDARITY ACTIONS

Community – Social Work

Sponsorship | Mary Ward Foundation Solidary Race.

In November 2018, REALIA Hato Verde sponsored a solidary race in Seville in support of the Mary Ward Foundation, with the participation of nearly 900 boys and girls, and more than 500 adult runners. 18,300€ were raised for the fight against hunger project the Foundation runs in India, helping the families of the Lodha community, who live in a situation of great vulnerability, to have better living conditions.



Collaboration in the Program for the Protection of the Peregrine Falcon

Realia collaborates since 2010 in the protection of the peregrine falcon in Hospitalet de Llobregat. This project is part of the biodiversity program of this city, which seeks to establish a viable breeding population of the peregrine falcon, contributing to increase the richness of the wildlife and regulate the populations of urban birds.

In 2010, a falcon nest was installed in the cornice of the penultimate floor of the Torre REALIA Barcelona, located at the plaza Europa in l'Hospitalet. Additionally, a camera was installed to monitor the birds more closely and watch them live through the municipal website.



SOLIDARITY ACTIONS

Community – Social Work

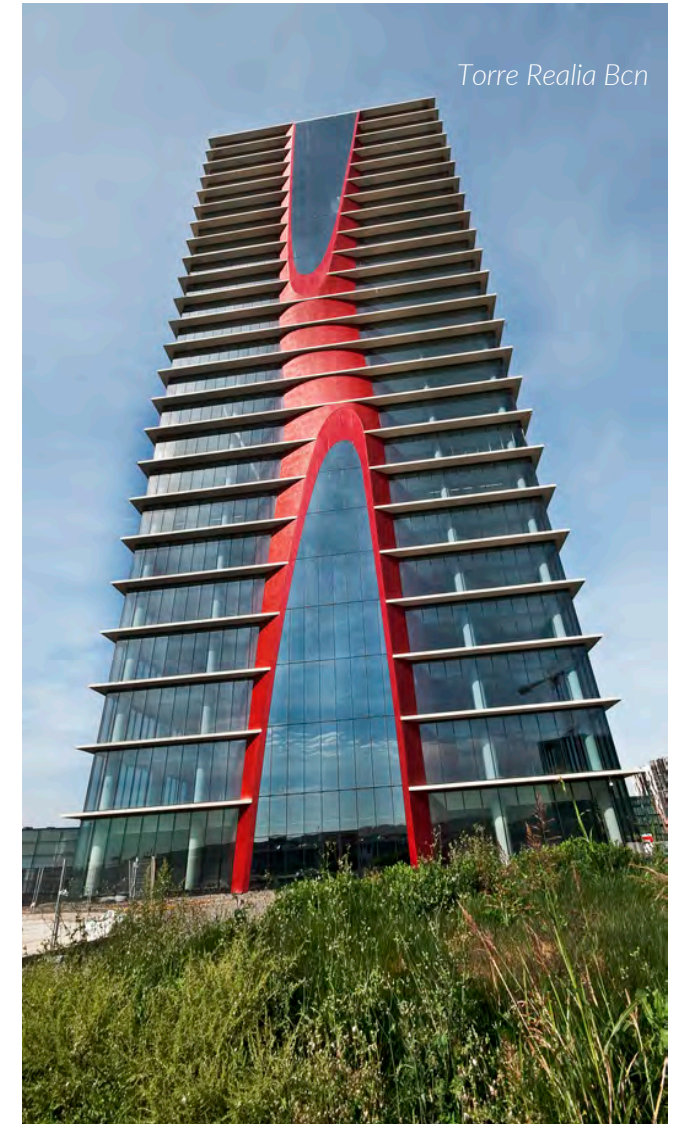
Since then, the nest has served as a shelter for several pairs of peregrine falcons that seek a safe place to mate from March to May. Since this species keeps the same partner throughout their lives, and mate in the same place, the managers of Torre Realia are familiar now with the pairs of peregrine falcons that settle in the nest and we can now monitor their evolution. To us, seeing them arrive at the building every year means that our small contribution represents a great help for them.

Two chicks were born in the spring of 2017, as a result of the mating of two peregrine falcons which had been settling on this nest since 2013. This year, a new pair of younger falcons has settled on the nest and has raised four more chicks, a great news that was celebrated with joy by the whole team of Torre Realia.

Improvements in the peregrine falcon nest of Torre Realia Barcelona

As part of this project, over recent months the nest has been improved and strengthened to increase the safety of the falcons and their offspring.

Realia is proud of the work done and our positive impact on the wellbeing of these birds. And of course, we hope that many pairs of peregrine falcons will choose the nest of our Torre Realia Barcelona to mate, so that we can contribute to take this bird out of the list of endangered species.



ENVIRONMENTAL MANAGEMENT / SUSTAINABILITY

REALIA is strongly committed to environmental protection. In 2018, it continued the implementation of efficiency measures and defined the constructive characteristics of future developments according to the principles of sustainable architecture and implementing strategies to improve the sustainability of its buildings.

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

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 structure around four lines of action:

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

Thanks to these actions, and just like in previous years, no incidences or sanctions took place related to environmental protection.

Energy Efficiency

REALIA's building were subject to an energy audit in 2016, in keeping with Royal Decree 56/2016 of 12 of February, which transposes Directive 2012/27/UE of the European Parliament and Council of 25 October 2012, related to energy audits, certification of service providers and the promotion of efficiency in energy supply.

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

During 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 maintained a downward trend in both consumption and emission of polluting gases.

Adequate waste management

REALIA promotes selective waste collection in its offices and shopping centers, and provides all tenants with a recycling station in every building for the sorting and selective recycling 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 delivery to authorized waste managers.

The company collaborates with several companies and organizations in the collection of waste, depending on the type of waste.

Historically, REALIS follows the 3R Principle (Reduce, Reuse and Recycle) in its construction and renovation work. From the planning stage of a project to the end of construction, it strives to manage its waste efficiently.

To that end, it sorts the waste, it stores them in designated zones, gives special treatment to hazardous waste and reuses the material 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 incorporation of energy efficiency measures. All residential homebuilding projects meet the standards of the Building Code.

In order to obtain a better energy rating in future homebuilding projects, REALIA intends to implement a number of improvements in construction and quality of the materials used, to favor energy savings in the homes. With these measures, a "B" rating will be obtained routinely, so that REALIA's future homes will have lower energy consumption with the same degree of comfort, or even higher, reducing at the same its environmental impact.

Environmental Management / Sustainability



Promotion of responsible conduct:

REALIA promotes environmentally responsible conduct within the company, among its suppliers and in its supply chain.

To this end, it has drafted a guide of Good Environmental Practices addressed to employees, external personnel, suppliers and subcontractors, which brings together the best practices in the use of materials and products, energy management, waste treatment and transport.

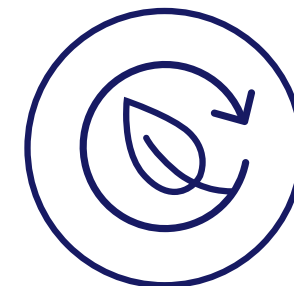
At the same time, the company favors recycling in the workplace under the slogan "When you recycle, you win".

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.

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



Environmental Management / Sustainability



BASIC PRINCIPLES OF ENVIRONMENTAL PROTECTION

Natural resources

The REALIA Group is aware of the impact of its activities on nature and the landscape. The purpose of this Plan is to minimize this impact.

Prevention

Focuses on the achievement of the business objectives and on environmental sustainability.

Planning

Planning and execution of actions in an orderly, rational way, to reduce the environmental impact.

Management

Management of developments with the focus on:

- ✓ Preventing pollution of water and land.
- ✓ Control of emissions to the atmosphere.
- ✓ Control of the Real Estate and Urban development projects.

Innovation

Identification and Analysis of improvements and opportunities in the use of materials, energy and environmental management systems.

Application of 3R

Application of the 3R Principle (Reduce, Reuse and Recycle) in the processes of architectural design, management and construction.

Consumption

Use of recycled and/or recyclable products to reduce consumption of resources.

Employees

Involvement of the personnel in the use of environmentally responsible techniques and products, with no negative impact of the improvement of the budgetary system and control.

Suppliers

Active management with contractors and subcontractors to involve the whole supply chain in the environmental management effort.

Feed Back

Open to continuous improvement and collaboration with the environment.

Environmental Management / Sustainability

BREEAM® SUSTAINABILITY CERTIFICATE

Realia has obtained its first BREEAM® certification, after a detailed process of analysis and improvements that took several months to complete. The buildings selected, Torre Realia\The Icon, one of the most iconic buildings in Madrid, is an architectural reference in the city and, since December 2018, it is also a reference in sustainability, after obtaining its BREEAM® certification, with an Excellent Management rating, a distinction shared with only 13 office buildings in Madrid and 19 in the whole of Spain.

The BREEAM® certificate is an international sustainability evaluation and certification program, in operation since 1990 and present in 77 countries, which allows for the evaluation of the actual behavior of a non-residential building through information about environmental performance, invoices and other consumption records of the building.

The process includes the analysis of the initial condition of the building, and implements a number of strategies to optimize its sustainability, in a continuous improvement system, in which a consulting firm authorized to issue BREEAM® certifications audited the sustainability performance, broken down into the following categories:

- ✓ Energy.
- ✓ Health and Wellbeing.
- ✓ Materials and waste.
- ✓ Ecology and pollution.

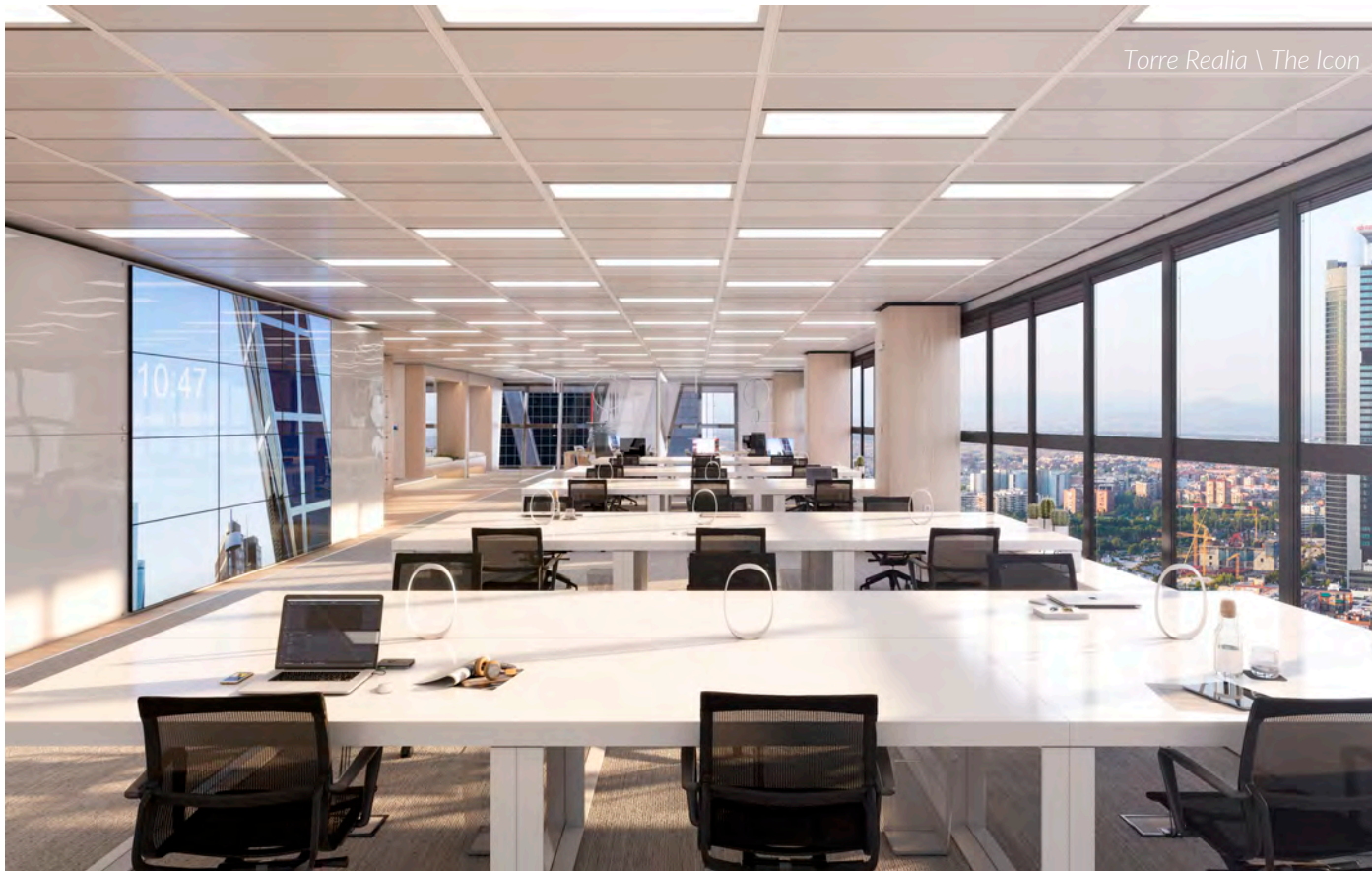


The design of the building envelope, the highly-efficient air conditioning systems and LED lighting allow for a 40% reduction in energy consumption compared to a conventional building with similar use. Additionally, the incorporation of aerators in water taps and the regulation of toilet flow systems, drop irrigation systems and the cooling tower treatment system, generate major water savings.

The excellent public transport available at the foot of the Tower, the possibility to recharge electric cars and the indoor monitored bicycle parking, create a network of sustainable transport that guarantee accessibility and a reduced environmental impact.

Finally, the good practices in the operation of the building, especially in relation to waste management and air quality, and to the health, safety and wellbeing of persons, have resulted in the awarding of the BREEAM® certificate, with a rating of Excellent in Building Management, and a rating of Very Good for the whole building.

Environmental Management / Sustainability



Health and Wellbeing:

The layout of the square-shaped floor of Torre REALIA / The Icon, totally glazed, provides natural light to all its spaces.

Air and water quality are monitored monthly in the building, and they are well above the requirements of the regulation, and were rated 9.3 over 10.

On the other hand, the availability of dressing rooms equipped with showers help the users of the building to work out, walking up the stairs from the car park, riding bicycles or running on the nearby Parque Cuarto Depósito, among other possible activities.

Recycling and Ecology:

The building is equipped with segregated access for different types of vehicles, depending on their function, and there is a waste collection station available, where users can deposit up to 8 different types of waste, to be collected and recycled.

After an ecological assessment was made, a Biodiversity Management Plan was drawn up; its first measures have already been implemented.

REALIA

