

## A LA COMISIÓN NACIONAL DEL MERCADO DE VALORES

**D. FERNANDO GUMUZIO ÍÑIGUEZ DE ONZOÑO**, como representante de **HISPANIA ACTIVOS INMOBILIARIOS SOCIMI, S.A.**, sociedad con domicilio en Madrid, calle de Serrano, número 30, 2º izquierda (la *Sociedad*), debidamente facultado al efecto, en relación con el procedimiento de aprobación y registro por la Comisión Nacional del Mercado de Valores del folleto informativo de la Sociedad

### CERTIFICA

Que la versión en soporte informático del folleto informativo que se adjunta a la presente, coincide con la última versión en papel del mismo presentada por escrito a la Comisión Nacional del Mercado de Valores, para su aprobación e incorporación al correspondiente registro oficial.

Asimismo, se autoriza a la Comisión Nacional del Mercado de Valores para que haga público el referido folleto informativo en soporte informático en su página web.

Y para que así conste, a los efectos oportunos, expido la presente certificación en Madrid, a 12 de mayo de 2016.

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Fdo.: D. Fernando Gumuzio Íñiguez de Onzoño  
En nombre y representación de  
**Hispania Activos Inmobiliarios SOCIMI, S.A.**

THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Prospectus, or as to what action you should take, you should immediately consult an appropriately authorised professional adviser.

This document constitutes a prospectus (the “**Prospectus**”) for the purposes of Article 3 of the European Parliament and Council Directive 2003/71/EC of 4 November 2003, as amended by Directive 2010/73/EU (the “**Prospectus Directive**”), its implementing measures in Spain and the Commission Regulation (EC) No. 809/2004, as amended, relating to the Company (as defined below). The Prospectus has been prepared in accordance with Annexes I, III and XXII of the Commission Regulation (EC) No. 809/2004. The Prospectus has been approved by the Comisión Nacional del Mercado de Valores (“**CNMV**”), as competent authority under the Prospectus Directive and its implementing measures in Spain, on 12 May 2016. Such approval relates only to the Preferential Subscription Rights (as defined below) and the New Ordinary Shares (as defined below) that are to be admitted to trading on the Spanish Stock Exchanges (as defined below), or other regulated markets for the purposes of the Directive 2004/39/EC. This Prospectus is available on the CNMV website ([www.cnmv.es](http://www.cnmv.es)) and on the Company’s website ([www.hispania.es](http://www.hispania.es)).

Investing in the New Ordinary Shares and/or the Preferential Subscription Rights (as both are defined below) involves certain risks. You should read this Prospectus in its entirety and in particular the risk factors set out in the section of this Prospectus headed “*Risk Factors*” before investing in the New Ordinary Shares and/or the Preferential Subscription Rights (as both are defined below).

Mr. Fernando Gumuzio Íñiguez de Onzoño, acting in the name and on behalf of Hispania Activos Inmobiliarios, SOCIMI, S.A. (“the “**Company**”) in his capacity as duly empowered representative, accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Company and Mr. Fernando Gumuzio Íñiguez de Onzoño, acting in the name and on behalf of the Company in his capacity as duly empowered representative (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

#### HISPANIA ACTIVOS INMOBILIARIOS, SOCIMI, S.A.



### OFFERING OF NEW ORDINARY SHARES TO RAISE GROSS PROCEEDS OF €230,686,267.90 BY MEANS OF A RIGHTS OFFERING OF NEW ORDINARY SHARES AT AN OFFERING PRICE OF €8.95 PER NEW ORDINARY SHARE

This Prospectus relates to the offering of 25,775,002 new ordinary shares, each with a nominal value of €1 (the “**New Ordinary Shares**”), of the Company pursuant to a rights offering (the “**Offering**”).

Subject to the terms and conditions set out herein, the Company is granting transferable subscription rights (“**Preferential Subscription Rights**”) to holders (the “**Shareholders**”) of the Company’s ordinary shares (the “**Existing Ordinary Shares**”) who acquire their shares until the day 13 May 2016 and whose transactions are settled until the day 18 May 2016 in Iberclear (the “**Eligible Shareholders**”). Each Existing Share held by the Eligible Shareholders entitles its holder to receive one Preferential Subscription Right. The exercise of sixteen (16) Preferential Subscription Rights entitles the relevant Eligible Shareholder to subscribe for five (5) New Ordinary Shares in exchange for payment of a subscription price of €8.95 per New Ordinary Share, which is referred to as the “**Subscription Price**”.

The preferential subscription period will commence on the first calendar day following the publication of the Offering in the BORME and will last up to and including the fifteenth natural day thereafter. During the preferential subscription period the Eligible Shareholders will be able to sell all or part of their Preferential Subscription Rights if they decide not to subscribe, or to subscribe in part, for New Ordinary Shares, subject to any applicable restrictions on transfer described in this Prospectus, while other investors apart from the Shareholders may acquire Preferential Subscription Rights in the market in the required proportion and subscribe for the corresponding New Ordinary Shares. Eligible Shareholders and other investors that may acquire Preferential Subscription Rights may also subscribe for additional New Ordinary Shares during the additional allocation period, as described in this Prospectus.

Preferential Subscription Rights not exercised within the preferential subscription period will expire.

Assuming the New Ordinary Shares are fully subscribed, they will represent approximately 23.8% of the Company’s issued and paid up share capital following the Offering.

The Existing Ordinary Shares are listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges (the “**Spanish Stock Exchanges**”) and are quoted through the Automated Quotation System (“**AQS**” or SIBE—*Sistema de Interconexión Bursátil or Mercado Continuo*) of the Spanish Stock Exchanges under the symbol “**HIS**”. Application will

be made to list the New Ordinary Shares on the Spanish Stock Exchanges and to have the New Ordinary Shares quoted through the AQS (“**Admission**”). The Company expects the New Ordinary Shares to be listed and quoted on the Spanish Stock Exchanges on or about 9 June 2016. On 11 May 2016, the last reported sale price of the Existing Ordinary Shares was €12.74 per Existing Ordinary Share.

The Company and Azora Gestión S.G.I.I.C., S.A.U. (the “**Investment Manager**”) have entered into an underwriting agreement with UBS Limited (the “**Sole Global Coordinator**”), Goldman Sachs International and Morgan Stanley & Co. International plc (together with the Sole Global Coordinator, the “**Joint Bookrunners**”) in connection with the Offering (the “**Underwriting Agreement**”). The Joint Bookrunners, acting severally and not jointly or jointly and severally, have agreed to procure subscribers for any New Ordinary Shares that are not subscribed for during the preferential subscription period or the additional allocation period to the extent described herein with qualified institutional investors during a discretionary allocation period, and any such underwritten New Ordinary Shares that remain unsold after such discretionary allocation period will, subject to the terms of the Underwriting Agreement, be acquired by the Joint Bookrunners, pro rata to their respective underwriting commitments, at the Subscription Price.

The Preferential Subscription Rights and the New Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be exercised (with respect to the Preferential Subscription Rights), offered, sold, subscribed for, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Accordingly, the Preferential Subscription Rights may only be exercised (i) within the United States by ‘qualified institutional buyers’ (“**QIBs**”) (as defined in Rule 144A under the Securities Act (“**Rule 144A**”)) in reliance on Section 4(a)(2) under the Securities Act and only by persons that have executed and timely returned an investor letter to the Company in the form set forth in Appendix 1 to this Prospectus, or (ii) outside the United States in offshore transactions (as defined in Regulation S under the Securities Act (“**Regulation S**”)) in reliance on Regulation S. In addition, the Joint Bookrunners may arrange for New Ordinary Shares not taken up through the preferential or discretionary allocation to be offered and sold (i) within the United States only to persons they reasonably believe are QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, or (ii) outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S.

Prospective investors are hereby notified that the Joint Bookrunners may be relying on the exemption from the registration provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the Preferential Subscription Rights and the New Ordinary Shares, see “*The Offering*”. By exercising the Preferential Subscription Rights or purchasing New Ordinary Shares, prospective investors will be deemed to have made the acknowledgments, representations, warranties and agreements set out in “*The Offering—Transfer and Selling Restrictions*”. In addition, prospective investors must represent (unless otherwise specifically agreed with the Company) that they are not using assets of retirement plans or pension plans subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”) or Section 4975 of the United States Internal Revenue Code, as amended (the “**Code**”) to invest in the New Ordinary Shares or the Preferential Subscription Rights.

The New Ordinary Shares are expected to be delivered to the investors through the book entry facilities of the Spanish securities, clearance and settlement system (*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.*) (“**Iberclear**”), subject to payment, on or about 8 June 2016 for New Ordinary Shares subscribed during the preferential subscription period and the additional allocation period and on or about 13 June 2016 for New Ordinary Shares, if any, placed during the discretionary allocation period.

*Sole Global Coordinator and Joint Bookrunner*

**UBS Investment Bank**

*Joint Bookrunners*

**Goldman Sachs International**

**Morgan Stanley**

**This Prospectus is dated 12 May 2016**

## Notice to Overseas Investors

THIS CONFIDENTIAL PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY OF THE NEW ORDINARY SHARES AND THE PREFERENTIAL SUBSCRIPTION RIGHTS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH AN OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY OR THAT THE INFORMATION SET FORTH HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

This Prospectus is highly confidential and has been prepared by the Company solely for use in the proposed Offering as described herein. The Company reserves the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the New Ordinary Shares and the Preferential Subscription Rights being offered in the proposed Offering. This Prospectus is personal to the offeree to whom it has been delivered by the Joint Bookrunners and does not constitute an offer to any person or to the public in general to subscribe for or otherwise acquire the New Ordinary Shares and the Preferential Subscription Rights. Distribution of this Prospectus to any person other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Company, is prohibited.

Each person receiving this Prospectus acknowledges that (i) such person has not relied on the Joint Bookrunners or any person affiliated with the Joint Bookrunners in connection with any investigation of the accuracy of such information or its investment decision and (ii) no person has been authorised to give any information or to make any representation concerning the Company or the New Ordinary Shares and the Preferential Subscription Rights (other than as contained herein and information given by duly authorised officers of the Company in connection with investors' examination of the Company and the terms of this Offering) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company. Neither the publication of this Prospectus nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Prospectus or that the information in this Prospectus is correct as of any time subsequent to its date.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE NEW ORDINARY SHARES AND THE PREFERENTIAL SUBSCRIPTION RIGHTS HAVE NOT BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OR THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.

The Company is responsible only for the information contained in this Prospectus. None of the Company, the Investment Manager or any of the Joint Bookrunners has authorised anyone to provide potential investors with information different from that contained in this Prospectus. None of the Company, the Investment Manager or the Joint Bookrunners, or any of their respective representatives, is making any representation to any offeree or purchaser of the New Ordinary Shares and the Preferential Subscription Rights regarding the legality of an investment in the New Ordinary Shares and the Preferential Subscription Rights by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each investor should consult with his or her own advisers as to the legal, tax, business, financial and related aspects of a purchase of the New Ordinary Shares and the Preferential Subscription Rights.

The Joint Bookrunners and any of their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for, the Company and the Investment Manager, for which they would have received customary fees. The Joint Bookrunners and any of their respective affiliates may provide such services to the Company and the Investment Manager and any of their respective affiliates in the future.

Investors should exclusively rely on the information contained in this Prospectus. None of the Company, the Investment Manager or any of the Joint Bookrunners has authorised anyone to provide potential investors with information different from that contained in this Prospectus. The Joint Bookrunners make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Prospectus, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Joint Bookrunners or their affiliates or advisers, whether as to the past or the future. The Joint Bookrunners assume no responsibility for its accuracy, completeness or verification, and accordingly disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this Prospectus. The information contained in this Prospectus is accurate only as of the date of this Prospectus, regardless of the time of delivery of this Prospectus or any offering or sale of the New Ordinary Shares and the Preferential Subscription Rights.

In connection with the Offering, the Joint Bookrunners and any of their respective affiliates acting as an investor for its or their own account(s) may subscribe for or purchase New Ordinary Shares and the Preferential Subscription Rights and, in that capacity, may retain, purchase, sell, offer to sell, or otherwise deal for its or their own account(s) in such securities, any other securities of the Company or other related investments in connection with the Offering or otherwise. Accordingly, references in this Prospectus to the New Ordinary Shares and the Preferential Subscription Rights being issued, offered, subscribed or otherwise dealt with should be read as including any issue or offer to, or subscription or dealing by, the Joint Bookrunners or any of them and any of their affiliates acting as an investor for its or their own account(s). The Joint Bookrunners do not intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so. In addition, the Joint Bookrunners or their respective affiliates may enter into financing arrangements and swaps with investors in connection with which such Joint Bookrunners (or their respective affiliates) may from time to time acquire, hold or dispose of the New Ordinary Shares and the Preferential Subscription Rights.

The distribution of this Prospectus and the Offering of New Ordinary Shares and the Preferential Subscription Rights is restricted by law in certain jurisdictions, and this Prospectus may not be used in connection with any offer or solicitation in any such jurisdiction or to any person to whom it is unlawful to make such offer or solicitation. No action has been or will be taken in any jurisdiction by the Company that would permit a public offering of the New Ordinary Shares and the Preferential Subscription Rights or possession or distribution of a prospectus in any jurisdiction where action for that purpose would be required. This Prospectus may not be used for, or in connection with, and does not constitute an offer to, or solicitation by, anyone in any jurisdiction in which it is unlawful to make such an offer or solicitation. Persons into whose possession this Prospectus may come are required by the Company and the Joint Bookrunners to inform themselves about and to observe these restrictions. Neither the Company, the Investment Manager nor any of the Joint Bookrunners accepts any responsibility for any violation by any person, whether or not such person is a prospective purchaser of the New Ordinary Shares and the Preferential Subscription Rights of the Company, of any of these restrictions.

This Prospectus does not constitute or form part of an offer to sell, or the solicitation of an offer to buy or subscribe for, New Ordinary Shares or Preferential Subscription Rights to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful. Further information on the restrictions to which the distribution of this Prospectus is subject is set out in “*The Offering— Transfer and Selling Restrictions*”.

None of the United States Securities and Exchange Commission, any other United States federal or state securities commission or any United States regulatory authority has approved or disapproved of the New Ordinary Shares or the Preferential Subscription Rights offered through this Prospectus nor have such authorities reviewed or passed upon the adequacy or accuracy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

The Preferential Subscription Rights and the New Ordinary Shares have not been, and will not be, registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be exercised (with respect to the Preferential Subscription Rights), offered, sold, subscribed for, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Accordingly, the Preferential Subscription Rights may only be exercised (i) within the United States by QIBs in reliance on Section 4(a)(2) under the Securities Act and only by persons that have executed and timely returned an investor letter to the Company in the form set forth in Appendix 1 to this Prospectus, or (ii) outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S. In addition, the Joint Bookrunners may arrange for New Ordinary Shares not taken up through the preferential or discretionary allocation to be offered and sold (i) within the United States only to persons they reasonably believe are QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, or (ii) outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S.

The New Ordinary Shares and the Preferential Subscription Rights are subject to selling and transfer restrictions in certain jurisdictions. Prospective purchasers should read the restrictions described in “*The Offering— Transfer and Selling Restrictions*”. Each purchaser of the New Ordinary Shares and/or Preferential Subscription Rights will be deemed to have made the relevant representations described therein.

The New Ordinary Shares and the Preferential Subscription Rights have not been and will not be registered under the applicable securities laws of Canada, Hong Kong, Singapore, Switzerland, the United Kingdom or the United States. Accordingly, subject to certain exceptions, the New Ordinary Shares and the Preferential Subscription Rights may not be offered or sold in Canada, Hong Kong, Singapore, Switzerland, the United Kingdom or the United States or to, or for the account or benefit of, any resident of Canada, Hong Kong, Singapore, Switzerland, the United Kingdom or the United States.

The AIFMD was implemented in Spain by means of Law 22/2014, of 12 November (*Ley 22/2014, de 12 de noviembre, por la que se regulan las entidades de capital-riesgo, otras entidades de inversión colectiva de tipo cerrado y las sociedades gestoras de entidades de inversión colectiva de tipo cerrado, y por la que se modifica la Ley 25/2003, de 4 de noviembre, de Instituciones de Inversión Colectiva*) (“**Law 22/2014**”). In any case, being a Spanish real estate investment Company (SOCIMI), the Company is not subject to Law 22/2014.

## Other Important Notices

The Joint Bookrunners are acting exclusively for the Company and no one else in connection with the Offering (as defined herein) and will not be responsible to anyone other than the Company for providing any advice in relation to the Offering. Apart from the responsibilities and liabilities, if any, which may be imposed by the CNMV or other relevant authorities, the Joint Bookrunners, or any person affiliated with them, do not accept any responsibility whatsoever and make no representation or warranty, express or implied, in respect of the contents of this Prospectus including its accuracy or completeness or for any other statement made or purported to be made by any of them, or on behalf of them, in connection with the Company and nothing in this Prospectus is or shall be relied upon as a promise or representation in this respect, whether as to the past or future. In addition, the Joint Bookrunners do not accept responsibility for, or authorise the contents of, this Prospectus or its issue. The Joint Bookrunners accordingly disclaim all and any liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have to any person in respect of this Prospectus.

No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by the Company. Neither the publication of this Prospectus nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Prospectus or that the information in this Prospectus is correct as at any time subsequent to its date. The contents of this Prospectus should not be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal, financial or tax adviser for advice.

References in this Prospectus to employment contracts refer to both labour contracts (*contratos laborales*) and mercantile services contracts (*contratos mercantiles de prestación de servicios*).

Certain terms used in this Prospectus, including certain technical and other items, are explained or defined in “*Definitions*”, as the case may be.

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## IMPORTANT INFORMATION

### PRESENTATION OF FINANCIAL INFORMATION

#### Audited Consolidated Accounts

This Prospectus contains the Company's audited consolidated annual accounts as of and for the financial year ended 31 December 2015, which have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("**IFRS-EU**"), which are referred to as the "**2015 Audited Consolidated Annual Accounts**" in this Prospectus.

This Prospectus contains the Company's audited consolidated annual accounts as of and for the eleven months and nine days ended 31 December 2014, which have been prepared in accordance with IFRS-EU, which are referred to as the "**2014 Audited Consolidated Annual Accounts**" in this Prospectus. The Company does not have historical audited financial data for years prior to 2014, since it was incorporated on 23 January 2014. Together with the 2015 Audited Consolidated Annual Accounts, the 2014 Audited Consolidated Annual Accounts are known as the "**Audited Consolidated Annual Accounts**".

In addition, this Prospectus also contains the Company's unaudited interim consolidated financial statements as of and for the three-month period ended 31 March 2016, which have been prepared in accordance with IFRS-EU standards (the "**2016 Interim Financial Statements**"). The 2016 Interim Financial Statements have been subject to a limited review.

Pursuant to Spanish regulatory requirements, the Audited Consolidated Annual Accounts and the 2016 Interim Financial Statements are required to be accompanied by the corresponding consolidated directors' reports (the "**Consolidated Directors' Reports**"). The Consolidated Directors' Reports are included in this Prospectus only in order to comply with such regulatory requirements. Investors are strongly cautioned that the Consolidated Directors' Reports contain historical information and do not contain a full description of the Group's business, affairs or results. The information contained in the Consolidated Directors' Reports has been neither audited nor prepared for the specific purpose of the Offering. Accordingly, the Consolidated Directors' Reports should be read together with the other portions of this Prospectus, and in particular the sections "*Risk Factors*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*". Any information contained in the Consolidated Directors' Reports shall be deemed to be modified or superseded by any information elsewhere in the Prospectus that is subsequent to or inconsistent with it. Furthermore, the Consolidated Directors' Reports include certain forward looking statements that are subject to inherent uncertainty (see "*Forward-Looking Statements*"). Accordingly, investors are cautioned not to rely upon the information contained in such Consolidated Directors' Reports.

#### Currencies

Unless otherwise indicated, all references in this Prospectus to "euro" and "€" are to the lawful single currency of member states of the EU that adopt or have adopted the euro as their currency in accordance with the legislation of the EU relating to the European Monetary Union. The Company prepares its financial statements in euro.

#### General

In making an investment decision, prospective investors must rely on their own examination of the Company from time to time, the terms of the Offering and the financial information in this Prospectus.

The financial information included in this Prospectus is not intended to comply with the reporting requirements of the United States Securities and Exchange Commission ("**SEC**"). Compliance with such requirements would require the modification or exclusion of certain information presented in this Prospectus and the presentation of certain other information not included in this Prospectus.

#### ALTERNATIVE PERFORMANCE MEASURES

This Prospectus contains certain management measures, such as EBITDA, EBITDAR, Portfolio EBITDA, EPRA NAV, GIRY, Gross Financial Debt, net debt and Gross Loan-To-Value, net operating income and gross asset value on a like-for-like basis, among others, which are used to evaluate the Group's overall performance. These management measures are not audited, reviewed nor subject to a pro forma review by the Company's auditors and are not measurements required by, or presented in accordance with, IFRS-EU. These management measures are not measurements of the Group's financial performance under IFRS-EU and should not be considered as alternatives to the information in the Audited Consolidated Annual Accounts and 2016 Interim Financial Statements or to any performance measures prepared in accordance



with IFRS-EU. Many of these management measures are based on the Company's internal estimates, assumptions, calculations, and expectations of future results and there can be no guarantee that these results will actually be achieved. Furthermore, these management measures, as the Group defines and calculates them, may not be comparable to other similarly titled measures used by other companies. These management measures should not be considered in isolation. Investors should not consider such information in isolation, as alternatives to revenue, profit before tax or cash flows from operations calculated in accordance with IFRS-EU, as indications of operating performance or as measures of our profitability or liquidity. Such financial information must be considered only in addition to, and not as a substitute for or superior to, financial information prepared in accordance with IFRS-EU.

Investors are advised to review them in conjunction with the Audited Consolidated Annual Accounts and the 2016 Interim Financial Statements included elsewhere in this Prospectus. Accordingly, investors are cautioned not to place undue reliance on these management measures.

The Company believes that the description of these management measures in this Prospectus follows and complies with the "European Securities and Markets Authority Guidelines on Alternative Performance Measures (APM)" dated 5 October 2015.

Throughout this Prospectus, and except as otherwise stated, the rental surface is presented in square metres for different types of properties. The GLA provided for a particular property reflects the property's entire above-ground rental surface, according to market standards, plus retail spaces and excluding square metres of parking spaces and storage keys, unless otherwise indicated.

## **MARKET AND INDUSTRY INFORMATION**

Market data and certain industry forecast data used in this Prospectus were obtained from industry publications, data and reports and market research compiled by professional organisations and public authorities. Third-party sources are identified as such when used in this Prospectus. Such sources generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on significant assumptions. While believed to be reliable, the Company does not have access to the facts, data and assumptions underlying such market data, statistical information and economic indicators contained in the information derived from such third party sources, the Company is unable to verify such information.

## **CB RICHARD ELLIS VALUATION**

CBRE Valuation Advisory, S.A. is an external independent real estate appraiser (the "**Independent Appraiser**" or "**CBRE**") with its registered office at Paseo de la Castellana 202, 8, 28046, Madrid. It is registered in the Bank of Spain registry of appraisers (*Registro de entidades de tasación del Banco de España*) with registry number 4630 since 14 April 2011 (Source: *Banco de España, Eurosistema - Registro de Entidades*).

At the Company's request, CBRE has prepared a valuation report (the "**Valuation Report**"), which values the Portfolio at an aggregated consolidated amount of approximately €1,425 million (in attributable terms, taking into account the stake the Company holds in various assets, approximately €1,285 million) as of 31 December 2015. A verbatim copy of the Valuation Report is included in Appendix 2 to this Prospectus. The appraisal was conducted in accordance with the Red Book. As a result of this valuation, the Group recognised a revaluation of its investment properties of approximately €55 million in its 2015 Audited Consolidated Annual Accounts. The valuation included in the Valuation Report is approximately 5.69% greater than the consolidated book value of the Portfolio as of 31 December 2014 like-for-like, taking into account the capex implemented in 2015 and any additional capitalised acquisition cost of the existing portfolio as of December 2014 registered in 2015.

The valuation in the Valuation Report is based on the Independent Appraiser's estimate of the market prices that could be obtained for the Company's Portfolio as of 31 December 2015. However, the valuation of property is inherently subjective due to the individual nature of each property. The Valuation Report was prepared by the Independent Appraiser on the basis of certain information provided by the Company which was not independently verified.

The Valuation Report defines "market value" as the "estimated amount for which an asset or liability should exchange on the date of the valuation between a willing buyer and a willing seller in an arms' length basis transaction after proper marketing wherein the parties had each acted knowledgeably, prudent and without compulsion". The valuation of each property was facilitated by the Independent Appraiser's experience and knowledge of the market.

In order to determine the market value of the properties, the Independent Appraiser valued each property individually and did not take into account any possible effect (discount or premium) of marketing part or all of the Portfolio simultaneously, by lots or in full. The Independent Appraiser used, depending on the type of property, the income capitalisation method and the discounted cash flow method. The market value is given net of acquisition costs. CBRE made no allowance of any expenses of realisation or for taxation which might arise in the event of a disposal and the property has been considered free and clear of all mortgages or other charges.

#### **CAUTIONARY STATEMENT**

The valuation of property and property related assets is inherently subjective. As a result, valuations are subject to uncertainty. Moreover, all property valuations, including the Valuation Report, are made on the basis of material assumptions which may not prove to be correct and which, in the case of the Valuation Report, has not been confirmed or investigated by any third party. These assumptions include rental growth forecasts, the existence of marketable title to the properties, the lack of contamination of the properties or the fact that tenants are capable of meeting their leasehold obligations and that existing occupational leases will be maintained. The Company cannot assure that any of the properties comprising the Portfolio could have been or could be sold at their respective market values set forth in the Valuation Report, if at all, or that the actual market value of the Portfolio, whether or not equivalent to the values set forth in the Valuation Report, will not decline significantly over time due to various factors, including changing macro and microeconomic conditions in the countries in which portions of the Portfolio are currently located or may be located in the future and other factors set forth under “*Risk Factors*”. The appraised value of the Portfolio cannot, therefore, be construed as a guarantee of the prices which could be obtained should the Group seek to sell assets in the open market. The Company can give no assurance that a valuation at a more recent date would not produce a lower or higher value.

#### **FORWARD-LOOKING STATEMENTS**

This Prospectus includes forward-looking statements that reflect the intentions, beliefs or current expectations and projections of the Company about its future results of operations, financial condition, liquidity, performance, prospects, anticipated growth, contemplated acquisitions of assets, strategies, plans, opportunities, trends, Investment Strategy, financing strategies, prospects for sourcing, acquiring and disposing of assets, Target Return, the state of the Spanish and global economy and the real estate market in Spain and elsewhere. Forward-looking statements involve all matters that are not historical fact. The Company has tried to identify these and other forward-looking statements by using the words “may”, “will”, “would”, “should”, “expect”, “intend”, “estimate”, “anticipate”, “project”, “future”, “potential”, “believe”, “seek”, “plan”, “aim”, “objective”, “goal”, “strategy”, “target”, “continue” and similar expressions or their negatives. These forward-looking statements are based on numerous assumptions regarding the future business and the environment in which the Company expects to operate in the future, including the Spanish and global economy in general, and the real estate market in Spain and elsewhere in particular. Forward-looking statements may be found in the sections of this Prospectus entitled “*Risk Factors*”, “*Industry Overview*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and “*Business*” and elsewhere in this Prospectus.

These forward-looking statements speak only as of the date of this Prospectus and are subject to known and unknown risks, uncertainties and assumptions and other factors that could cause the actual results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies, plans or opportunities of the Company, as well as those of the markets it serves or intends to serve, to differ materially from those expressed in, or suggested by, these forward-looking statements, including, without limitation, general economic and business conditions, Spanish property market conditions, industry trends, competition, changes in law or regulation, changes in taxation regimes or planning regimes, the availability and cost of capital, currency fluctuations, changes in business strategy, political and economic uncertainty and other factors discussed in “*Risk Factors*”.

In light of these risks, uncertainties and assumptions, the forward-looking events described in this Prospectus may not occur. Additional risks that the Company may currently deem immaterial or that are not presently known to the Company could also cause the forward-looking events discussed in this Prospectus not to occur. Except as otherwise required by Spanish, United States federal and other applicable securities law and regulations and by any applicable stock exchange regulations, the Company undertakes no obligation to update publicly or revise publicly any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason after the date of this Prospectus. Given the uncertainty inherent in forward-looking statements, the Company cautions prospective investors not to place undue reliance on these statements.

The Joint Bookrunners assume no responsibility or liability for, and make no representation, warranty or assurance whatsoever in respect of, any of the forward-looking statements contained in this Prospectus.

#### **AVAILABLE INFORMATION**

The Company is currently neither subject to Section 13 nor 15(d) of the United States Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act. For as long as this remains the case, the Company will furnish, upon written request, to any Shareholder, any owner of any beneficial interest in any of its Existing Ordinary Shares or any prospective purchaser designated by any such Shareholder or such an owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act, if at the time of such request any of the shares of the Company remain outstanding as “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act.

The Company is subject, under Spanish law, to the informational requirements of the CNMV and the Spanish Stock Exchanges and files reports, statements and other information relating to the business, financial condition, results of operations and other matters with the CNMV and the Spanish Stock Exchanges. Investors may separately read such reports, statements and other information, including the annual and quarterly reports, accounts and other financial information, at the CNMV website ([www.cnmv.es](http://www.cnmv.es)) and offices (Madrid and Barcelona, Spain) of the CNMV and at the public reference facilities maintained at each of the Spanish Stock Exchanges. The reports, statements and information described above and the filings posted on the website of the CNMV do not constitute part of this Prospectus. Information regarding the Company is also available at the Commercial Registry of Madrid at Paseo de la Castellana 44, 28046 Madrid (Spain) and at the Company’s website ([www.hispania.es](http://www.hispania.es)).

#### **ROUNDING**

Some financial and other data in this Prospectus have been rounded. As a result of this rounding, figures shown as totals in this Prospectus may vary slightly from the exact arithmetic aggregation of the figures that precede them. In addition, certain percentages presented in this Prospectus reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

#### **NO INCORPORATION OF WEBSITE INFORMATION**

The contents of the Company’s and the Investment Manager’s websites, the contents of any website accessible from hyperlinks on the Company’s and the Investment Manager’s websites, or any other website referred to in this Prospectus are not incorporated in, and do not form part of, this Prospectus.

#### **INVESTMENT CONSIDERATIONS**

An investment in the Company is suitable only for investors who are capable of evaluating the risks and merits of such investment, who understand that there is a potential risk of capital loss and that there may be limited liquidity in the underlying investments of the Company and in the Shares, for whom an investment in the New Ordinary Shares constitutes part of a diversified investment portfolio, who fully understand and are willing to assume the risks involved in investing in the Company and who have sufficient resources to bear any loss (which may be equal to the whole amount invested) which might result from such investment. See “*Risk Factors*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”.

It is anticipated that the profile of typical investors in the Company will be institutional and sophisticated investors including specialised international property investors who may seek to diversify their portfolios by way of investment in the Spanish property market in general, and in the Spanish hotel property market in particular. In addition, it is anticipated that investors may include private investors acting on the advice of their stockbroker or financial adviser.

A prospective investor should be aware that the value of an investment in the Company is subject to normal market fluctuations and other risks inherent in investing in securities. There is no assurance that any appreciation in the value of the Shares will occur or that the investment objectives of the Company will be achieved and the Shares may not be suitable as investments. The value of investments and the income derived therefrom may fall as well as rise and investors may not recoup the original amount invested in the Company.

There is no guarantee that the Company will be able to make any investments or that, once investments are made, any appreciation in the value of such investments will occur and investors may not get

back any of the value of their investment. The investment objectives of the Company are targets only and should not be treated as assurances or guarantees of performance.

The contents of this Prospectus are not to be construed as advice relating to legal, financial, taxation, accounting or regulatory matters, investment decisions or any other matter. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, accounting, regulatory, investment or any other related matters concerning the Company and an investment therein. An investment in the New Ordinary Shares and/or Preferential Subscription Rights should be regarded as a long-term investment. There can be no assurance that the Company's investment objectives and targets will be achieved. It should be remembered that the price of the Shares, and the income from the Shares (if any), can go down as well as up.

This Prospectus should be read in its entirety before making any investment in the New Ordinary Shares and Preferential Subscription Rights.

#### **IMPORTANT NOTE REGARDING PERFORMANCE DATA**

This Prospectus includes certain information regarding the track record of the Azora Group and the Management Team. Such information is not necessarily comprehensive and prospective investors should not consider such information to be indicative of the possible future performance of the Company or any investment opportunity to which this Prospectus relates. Past performances of the Azora Group and the Management Team are not a reliable indicator of, and cannot be relied upon as a guide to, the future performance of the Company or the Investment Manager. The Company will not make the same investments reflected in the track record included herein. For a variety of reasons, the comparability of the track record to the Company's future performance is by its nature very limited. Without limitation, results can be positively or negatively affected by market conditions beyond the control of the Company or the Investment Manager which may be different in many respects from those that prevail at present or in the future, with the result that the performance of investment portfolios originated now may be significantly different from those originated in the past. Prospective investors should be aware that any investment in the Company is speculative, involves a high degree of risk and could result in the loss of all or substantially all of such investment. See "*Risk Factors*".

This Prospectus also includes certain information regarding the performance of the Company for the three-month period ended 31 March 2016, the year ended 31 December 2015 and the period of eleven months and nine days ended 31 December 2014. However, the past performance of the Company is not indicative, or intended to be indicative, of the future performance or results of the Company.

## EXCHANGE RATES

The following table presents, for the periods indicated, information concerning the noon buying rate for the euro, expressed in U.S. dollars for €1.00. The rates set forth below are provided solely for your convenience and are not used in the preparation of the financial statements included elsewhere in this Prospectus. The “noon buying rate” is the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that euro could have been, or could be, converted into U.S. dollars at that rate or at any other rate. The noon buying rate on 6 May 2016 was U.S. \$1.142 for €1.00.

	<b>Noon Buying Rate</b>			
	<b>Period End</b>	<b>Average<sup>(1)</sup></b>	<b>High</b>	<b>Low</b>
<b>Year:</b>				
2010.....	1.341	1.327	1.454	1.194
2011.....	1.299	1.392	1.489	1.291
2012.....	1.322	1.286	1.347	1.208
2013.....	1.377	1.328	1.381	1.278
2014.....	1.210	1.328	1.393	1.210
2015.....	1.086	1.110	1.202	1.052
2016.....				
<b>Month:</b>				
January 2016.....	1.083	1.086	1.096	1.074
February 2016.....	1.113	1.114	1.136	1.089
March 2016.....	1.139	1.113	1.139	1.085
April 2016 .....	1.144	1.135	1.144	1.124
May 2016 (through 6 May 2016)	1.142	1.147	1.152	1.140

Notes:

- (1) The average of the noon buying rate for the euro on the last day of each full month during the relevant year or each business day during the relevant month.

## SUMMARY

Summaries are made up of disclosure requirements known as “**Elements**”. These Elements are numbered in Sections A—E (A.1—E.7).

This summary contains all the Elements to be included in a summary for this type of securities and company. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and company, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the notation of “not applicable”.

Potential investors should read the following summary together with the more detailed information (including the information set forth under “Risk Factors”) and the Audited Consolidated Annual Accounts and 2016 Interim Financial Statements (including the notes thereto) included elsewhere in this Prospectus.

<b>Section A—Introduction and warnings</b>		
<b>A.1</b>	<b>Warning to investors:</b>	<p><b>THIS SUMMARY SHOULD BE READ AS AN INTRODUCTION TO THIS PROSPECTUS. ANY DECISION TO INVEST IN THE NEW ORDINARY SHARES AND/OR PREFERENTIAL SUBSCRIPTION RIGHTS OF THE COMPANY SHOULD BE BASED ON CONSIDERATION OF THIS PROSPECTUS AS A WHOLE BY THE INVESTOR.</b></p> <p><b>Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Union, have to bear the costs of translating this Prospectus before the legal proceedings are initiated.</b></p> <p>Under Spanish law, civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with other parts of this Prospectus, key information in order to aid investors when considering whether or not to invest in the New Ordinary Shares and/or Preferential Subscription Rights.</p> <p>Capitalised terms used in this section shall have the meaning given to them in the Prospectus unless another meaning can be inferred from the context or a specific definition is given to them in this section.</p>
<b>A.2</b>	<b>Subsequent resale of securities or final placement of securities through financial intermediaries:</b>	<p>Not applicable. The Company is not engaging any financial intermediaries for any resale of securities or final placement of securities requiring a prospectus after publication of this document and has not given its consent for any such resale or placement.</p>

<b>Section B—Issuer</b>		
<b>B.1</b>	<b>Legal and commercial name:</b>	The legal name of the issuer is Hispania Activos Inmobiliarios SOCIMI, S.A. The commercial name of the issuer is “Hispania”.
<b>B.2</b>	<b>Domicile and legal form:</b>	The Company was incorporated on 23 January 2014 pursuant to the Spanish Companies Act as a public limited company (a sociedad anónima or S.A.) under the name Hispania Activos Inmobiliarios, S.A. The registered office of the Company is at c/ Serrano 30, 2nd floor, 28001 Madrid, Spain. The financial year end of the Company is 31 December. On 5 May 2016, the corporate name of the Company was modified, and is now Hispania Activos Inmobiliarios SOCIMI, S.A.
<b>B.3</b>	<b>Key factors relating to the nature of the issuer’s current operations and its principal activities:</b>	<p><b><i>Investment strategy</i></b></p> <p>Hispania is a company incorporated with the purpose of creating a high-quality real estate assets portfolio, principally through the direct or indirect investment in residential rental properties, offices and hotels in Spain and, eventually, in student accommodation properties. Nonetheless, the Company may also invest, subject in each case to certain restrictions, in other kinds of real estate assets, such as commercial premises or logistical buildings, or in underlying real estate assets, and in development or refurbishment opportunities, as well as undertake investments through the use of other instruments, such as minority equity stakes in companies where the Company can exercise significant influence to protect the interests of Shareholders, or mezzanine, hybrid and/or senior debt instruments of real estate companies or with real estate collateral. There are specific investment restrictions agreed upon between the Company and Azora Gestión S.G.I.I.C., S.A. (the <b><i>Investment Manager</i></b>).</p> <p>The asset management of the Company and its Group has been entrusted to the Investment Manager under the Investment Manager Agreement entered into by Hispania and the Investment Manager on 21 February 2014, as amended, by virtue of which the Investment Manager was mandated to actively invest in and manage the Group’s portfolio, as well as to carry out the corporate management and the day-to-day administration of the Company for an initial period of six years.</p> <p><b><i>Portfolio</i></b></p> <p>The main activity of the Group consists of the acquisition and management of real estate assets, including the purchase, lease, sale, refurbishment, rental (or management) and exploitation of such properties, either directly or through other wholly- or partially-owned entities. All activities of the Group are carried out in Spain.</p> <p>The Company has a track record of deploying the capital raised during its initial offering on 14 March 2014 (the <b><i>Initial Offering</i></b> or the <b><i>Initial Admission</i></b>) and subsequent Offering by investing in attractively priced hotel properties, offices and residential rental properties in different locations in Spain. From its Initial Admission to 31 March 2016, the Group has invested in 60 assets for an aggregate consolidated amount of €1,335 million (including purchase price, capitalised transaction costs and capital expenditure implemented as of 31 March 2016). As of 31 March 2016, the total value of the assets of the Portfolio, which amounted to €1,463 million (in attributable terms, taking into account the stake the Company holds in various assets, approximately €1,322 million), was divided into the following three types of assets: 58.9% hotels, 28.0% offices and 13.1% residential rental properties. The Portfolio is predominantly located in the Canary Islands, which accounts for 40.8% of the gross asset value of the Portfolio as of 31 March 2016, followed by Madrid which accounts for 33.4%, Barcelona which accounts for 11.9%, the Balearic Islands which accounts for 8.2% and Andalucía which accounts for 5.5% of the Portfolio</p>

value as of 31 March 2016. Set out below are the main aspects of the Group's Portfolio of offices, hotels, and residential rental properties as of 31 March 2016:

(a) *Hotels.* The Group has a portfolio of 27 hotels, managed by different operators and located in different locations in Spain. Except for the two NH hotels located in Madrid (Hotel NH Pacífico and Hotel NH San Sebastián de los Reyes), the Hotel Holiday INN Bernabéu in Madrid, the Hotel Hesperia Ramblas in Barcelona, the Hotel Maza in Zaragoza and the Hotel Vincci Málaga in Málaga, which target urban and business tourism, the remaining assets pursue a holiday approach and are located in consolidated Spanish tourist destinations. The hotel portfolio includes a total of 8,234 hotel keys. Most hotels (except for the Hotel Maza and the Hotel Holiday Inn Bernabéu, which are operated on an interim basis by a manager) are subject to leases with well-known operators, who manage the different assets. The leases are contracts at market conditions. The total value of the Group's hotel portfolio amounted to €862 million as of 31 March 2016 (according to the Gross Asset Value set out in the CBRE Valuation Report for assets in the Portfolio as of 31 December 2015 plus the new acquisitions executed (Las Agujas land plot and the additional units from Hospitia) plus the capex implemented and the additional capitalised transaction costs registered over the first quarter of 2016), or €99 thousand per room (adjusted by the GAV attributed to retail premises that form part of certain of the hotel properties and the value attributed to the Las Agujas land plot), distributed geographically as follows: 69% of the hotel portfolio is located in in the Canary Islands, 14% in the Balearic Islands, 8% in Andalucía, 6% in Madrid and 2% in Barcelona)

(b) *Offices.* The office portfolio of the Group consists of 25 buildings with a total GLA of 153,621 square metres of offices (including 1,883 square metres of retail space) and 3,021 parking spaces. As of 31 March 2016, the office portfolio has an occupancy rate of 81%.

The average monthly rent of the occupied office portfolio (excluding expenses) as of 31 March 2016 was €12.9 per square metre. The total value corresponding to the assets in the office portfolio amounted to €410 million (according to the Valuation Report of CBRE for assets in the Portfolio as of 31 December 2015 and considering the capex implemented and the additional capitalised transaction cost registered over the first quarter of 2016), resulting in a GAV per square metre of €2,668, which is distributed geographically as follows: 77.6% in Madrid, 20.6% in Barcelona and the remaining 1.8% in Málaga.

(c) *Residential rental properties.* The Group manages a residential rental portfolio that includes five assets, one in Barcelona and the other four in Madrid. The Company's total portfolio of residential rental assets contains 764 units (200 in Barcelona and 564 in Madrid). As of 31 March 2016 the units were 87% occupied and the average monthly rent was €9.5 per square metre. The value of the assets comprising the residential rental portfolio amounted to €191.4 million as of 31 March 2016 (according to the Gross Asset Value set out in the CBRE Valuation Report for assets in the Portfolio as of 31 December 2015 plus the acquisition of Hispanidad in March 2016 less the dwellings sold in Majadahonda as a consequence of the execution of a number of call options plus the capex implemented and the additional capitalised transaction cost registered over the period), resulting in a GAV per square metre of €2,619 (adjusted by the GAV attributed to the retail space that forms part of the Sanchinarro), which is distributed geographically as follows: 63% of the residential portfolio is located in Madrid, and the remaining 37% in Barcelona.



### ***Target Return***

The Investment Manager seeks to obtain a Target Return for the Company equivalent to a gross annual leveraged internal rate of return of 15% over the amount subscribed by investors both in the Offering at the time of the Initial Offering and in any other subsequent Offering of the Company. However, there can be no assurance that the Company will achieve this target return, either totally or partially, nor that shareholders will obtain the return in accordance with the target, nor should it be interpreted as an assurance or guarantee by the Company and/or the Investment Manager, nor as an indication of the Company's future results or returns resulting from the investment in Company shares.

### ***Value Return Proposal***

Upon or prior to the date of the third anniversary of the Initial Admission (i.e. no later than 14 March 2017) or, if appropriate, and being subsequent, the date of termination of the Investment Period, the Investment Manager shall have drafted and submitted to the Board of Directors a strategy for the asset Portfolio of the Company aimed at maximising the value for shareholders (the ***Value Return Proposal***).

The Value Return Proposal, the terms of which will be proposed and executed by the Investment Manager, may involve liquidating the Company's entire Portfolio and the return of value to shareholders within the six years following the date of Initial Admission or, on the contrary, the preservation and active management of all or part of the Company's Portfolio beyond the date given.

- (a) *Liquidating the Portfolio.* In the event that the Value Return Proposal contemplates liquidating the Portfolio within the six years following the date of Initial Admission, the Investment Manager will proceed to execute the proposed liquidation, without the need to submit it for approval by the General Shareholders' Meeting, and will distribute to the Shareholders the results of such asset liquidation together with any cash position of the Company that becomes available once its legal and contractual obligations have been met.
- (b) *Managing all or part of the Portfolio on an ongoing basis.* Conversely, if the Value Return Proposal were to involve extending the life of the investments and continuing to manage all or part of the Portfolio on an ongoing basis, the Company and the Investment Manager will negotiate in good faith amendments to the Investment Manager Agreement to adapt it to the terms of the proposal (including matters such as the term, fees or exclusivity provisions). The Company and the Investment Manager will negotiate in good faith the terms of the amendments to the Investment Manager Agreement, which will be submitted for approval at the General Shareholders' Meeting.

If the Shareholders were not to approve the Value Return Proposal, the Investment Manager will then proceed with the execution of the Value Return Proposal initially planned by liquidating the Company's Portfolio within the six years following the date of Initial Admission.

### ***Management fees***

Under the terms of the Investment Manager Agreement, the Investment Manager is entitled to the payment by the Company of a base fee (the ***Base Fee***) and a performance fee (the ***Performance Fee***). Additionally, in certain early termination events, a termination

fee (the *Termination Fee*).

- (i) *Base Fee*: The Base Fee will be payable to the Investment Manager quarterly in arrears. The Base Fee in respect of each quarter will be calculated by reference to 1.25% per annum (0.3125% quarterly) of the latest reported EPRA NAV. In relation to the Base Fee, the Company has been informed of the Investment Manager's decision to unilaterally waive part of the Base Fee it would be entitled to in the following situations: (i) where the latest reported EPRA NAV of the Company exceeds €1.2bn, the Base Fee payable to the Investment Manager for any such excess shall be calculated by reference to 1.00% per annum (0.25% quarterly); and (ii) where, as at the last Business Day of the relevant quarter, less than 50% of the Net Offering Proceeds has been committed, the Base Fee payable to the Investment Manager for the Net Offering Proceeds shall be calculated by reference to 0.625% per annum (0.15625% quarterly).
- (ii) *Performance Fee*: The Performance Fee has been designed to incentivise and reward the Investment Manager for creating value for shareholders. The structure of Performance Fee agreed upon is not dependent on an accounting metric or based on the Company's unrealised capital gains, but on actual cash distributions paid out to Shareholders. The mechanics of the Performance Fee guarantee that: (i) the Investment Manager only starts accruing a Performance Fee after the Shareholders have obtained an internal rate of return of at least 10%; and (ii) the accumulated Performance Fee for the Investment Manager is capped at an amount equal to 25% of any Capital Distributions made by the Company to its Shareholders in excess of the Gross Proceeds Raised (i.e., 20% of the cash available for distribution between the Shareholders and the Investment Manager in excess of the Gross Proceeds Raised). For these purposes, Capital Distributions shall mean, all payments made to shareholders through dividends, share buybacks, capital reductions or similar transactions involving a cash or in kind payment to shareholders; and, Total Capital Distributions shall mean the aggregate amount of Capital Distributions declared and paid from time to time up to such date.
- (iii) *Termination Fee*: In the event the Investment Manager Agreement is terminated prior to the end of its term by the Investment Manager, with cause or automatically due to a breach by the Company of a material term, the Investment Manager will have the right to receive (i) a make-whole of the Base Fee until the end of the term of the Investment Manager Agreement and (ii) the Performance Fee that the Investment Manager would be entitled to, if all the assets of the Company were sold and all the cash proceeds arising from the disposal were effectively distributed between Shareholders (net of the part that would correspond to the Investment Manager). The make-whole of the Base Fee that would arise in an event of early termination will be calculated by the Investment Manager, whereas the Termination Performance Fee that would arise in such an event will be calculated by an independent expert.

If, in connection with any Co-Investment, the Investment Manager receives any base fee, management fee or similar fee for asset or portfolio management services or any performance fee which is separate from the Base Fee, the Investment Manager has agreed to grant the Company a credit right equal to the Company's pro rata share (based on the Company's ownership interest) in the relevant Co-Investment and, accordingly, the Company shall be entitled to offset an amount equal to such credit right against the fees under the Investment Manager Agreement. In this regard, and for the avoidance of doubt, it is stated that Hispania will not in any case have to assume the payment of duplicate fees resulting from the co-investments management carried out by the Investment Manager.

During 2014 and 2015 fiscal years, the Investment Manager has earned €4.4 million and

		<p>€10.4 million for the services provided under the Investment Manager Agreement. The Base Fee for the three-month period ended 31 March 2016 amounted to €3.1 million.</p>
<p><b>B.4a</b></p>	<p><b>A description of the most significant recent trends affecting the issuer and the industries in which it operates:</b></p>	<p><b><u>Foreseeable evolution of the segments where the Group operates</u></b></p> <p>Following a number of years of sharp adjustment in volumes and prices, the Spanish real estate market is beginning to show signs of stabilisation, and in some instances, moderate recovery.</p> <p><b><i>Offices market</i></b></p> <p>In the offices segment, the maximum prime and secondary rental rates in Madrid have shown a year-on-year increase of 6.9% and 6.8%, respectively, on the fourth quarter of 2015 in regards to the maximum rent levels registered in these areas. Despite the increase in CBD and secondary locations, rents are showing lower growth rates in the periphery of Madrid. This was also the case in Barcelona, where all areas have registered a significant increase in rental levels (11.5% on average) except for the peripheral locations which have remained in line. Overall vacancy rates have decreased from 12.1% and 12.8% in the fourth quarter of 2014 to 10.6% and 11.1% in the fourth quarter of 2015 in Madrid and Barcelona, respectively, and a stabilisation of occupancy levels is expected due in part to the small pipeline of new office stock in 2015 to 2017 (Source: <i>JLLRM, Madrid &amp; Barcelona Office Market Report, fourth quarter of 2014 and fourth quarter of 2015</i>).</p> <p><b><i>Hotel market</i></b></p> <p>In the hotel market, Spain surpassed the peak of 58.7 million international tourists recorded in 2007, after having recorded approximately 68 million international tourists in 2015, who were responsible for generating revenues of approximately €67.3 billion on the same year (Source: <i>Spanish Institute of Tourism, Movimientos Turísticos de Fronteras and Encuesta de Gasto Turístico</i> reports, both January 2016), representing a 5% increase when compared to the same period of 2014 (Source: <i>Frontur</i>).</p> <p>Demand for hotel keys (in terms of overnight stays) has increased steadily over the last 6 years, presenting a CAGR of 3.5% between 2009 and 2015 (Source: <i>INE</i>). This growth has been fuelled mainly by international tourists over the last five years, but domestic demand is expected to recover as the Spanish economy begins to show signs of growth. Moreover, overnight stays from Spanish residents already increased 5.3% from 2014 to 2015 and by 13.5% in the first quarter of 2016 compared to the same period of 2015 (Source: <i>INE</i>).</p> <p>Lastly, it is notable that there are signs of increasing demand for Spanish real estate assets. During 2015, investors actively acquired Spanish real estate office assets for a total consideration that exceeded €3 billion, significantly above the entire investment volume of 2014, which amounted to around €2 billion (Source: <i>JLLRM, Madrid &amp; Barcelona Office Market Report, fourth quarter 2014 and fourth quarter of 2015</i>).</p> <p><b><i>Residential market</i></b></p> <p>Residential real estate prices have suffered a significant price adjustment, having fallen by 33.2% (adjusted by Spanish CPI) from their peak in the second quarter of 2007 to their trough in the fourth quarter of 2015 (Source: <i>INE</i>). However, the residential market is starting to recover, which is reflected in the rise in prices, with a 4.2% recorded in the fourth quarter of 2015 as compared to the fourth quarter of 2014, and growth of 1.8% achieved over the same period in the previous year (Source: <i>INE</i>). In the most prosperous Spanish autonomous communities, increases in residential house prices (3.4% and 3.0% in the autonomous communities of Madrid and Catalonia, respectively, in the fourth quarter of 2015 as compared to the previous year (Source: <i>INE</i>) are testimony to the first signs of</p>

recovery.

<b>B.5</b>	<b>Group description:</b>	The following chart sets forth the Group's subsidiaries as of the date of this Prospectus:			
			<b>Shareholding</b>	<b>Corporate</b>	
		<b>Country of Residence</b>	<b>Percentage</b>	<b>Name</b>	
		HISPANIA FIDES, S.L.	90%	Spain	
		GUADALMINA GOLF, S.A.	1.08%	Spain	
		ECO RESORT SAN BLAS, S.L.U.	100%	Spain	
		HISPANIA REAL SOCIMI, S.A.U.	100%	Spain	
		CLUB DE TENIS MASPALOMAS, S.L.U.	100%	Spain	
		HISPANIA HOTEL MANAGEMENT, S.L.U.	100%	Spain	
		BAY HOTELS & LEISURE, S.A. (SOCIMI)	76%	Spain	
		HOSPITIA, S.L.U.	100%	Spain	
		HESPÉRIDES BAY, S.L.U. (SOCIMI)	100%	Spain	
		LEADING HOSPITALITY, S.L.U.	100%	Spain	
BAY HOTELS CANARIAS, S.L.U.	100%	Spain			
POBLADOS DE VACACIONES, S.A.U.	100%	Spain			

**B.6 Major shareholders:** At the date of this Prospectus, the issued share capital of the Company consists 82,590,000 Existing Ordinary Shares.

The following table sets forth certain information with respect to the beneficial ownership of the Existing Ordinary Shares prior to the Offering.

Name	Total	
	Number of shares	% of share capital
APG Asset Management N.V.	3,483,741	4.148%
BW Gestao De Investimentos LTDA <sup>(1)</sup>	3,010,111	3.645%
CBRE Clarion Securities, LLC.	2,934,905	3.554%
Fidelity Investment Trust	5,300,716	6.418%
FMR LLC. <sup>(2)</sup>	8,216,009	9.948%
Paulson & Co. Inc. <sup>(3)</sup>	8,138,930	9.855%
Soros Fund Management llc <sup>(4)</sup>	13,769,980	16.673%
Tamerlane, S.à r.l. <sup>(5)(6)</sup>	4, 949,619	5.449%

Notes:

- (1) Through Novo Viseu Fundo de Investimento Multimercado.
- (2) Through FMR Co, Inc.
- (3) Through PAC Credit Fund Limited (100% owned by PAC Credit Fund), owner of a direct shareholding interest of 4.932% and PAC Recovery Fund Limited (100% owned by PAC Recovery Fund), owner of a direct shareholding interest of 4.365% of the share capital.
- (4) Through QP SFM Capital Holdings Ltd.
- (5) Fund associated with Grupo Canepa, which holds 25% of Azora Capital, S.L.
- (6) Information on number of shares and % of share capital provided by Tamerlane, S.à r.l. to the Company.

Both Soros Fund Management llc (through QP SFM Capital Holdings Ltd.) and Tamerlane, S.à r.l. have notified the Company of their current intention to purchase their pro rata allocation of 4,303,118 New Ordinary Shares (for a total of €38,512,906.10) and 1,546,755 Ordinary Shares (for a total of €13,843,457.25) in the Offering, respectively. However, neither QP SFM Capital Holdings Ltd. nor Tamerlane, S.à r.l. have entered into a legally binding agreement and therefore both QP SFM Capital Holdings Ltd and Tamerlane, S.à r.l. may, in their sole discretion, decide not to execute their investment in New Ordinary Shares, in part or in full.

In addition to the above, the Management Team has undertaken to exercise in full their Preferential Subscription Rights (including those corresponding to Azora Altus, S.L., to Azora Capital, S.L. and to the Investment Manager, and except for 9 Preferential Subscription Rights, which they have undertaken not to exercise nor to sell in order to allow for the exchange ratio agreed for the Offering to consist of whole numbers) and subscribe for 356,245 Ordinary Shares in the Offering (for a total of €3,188,392.5).

B.7	Historical key financial information:	Consolidated Statement of Financial Position as of 31 March 2016, 31 December 2015 and 31 December 2014:						
		As of 31 March 2016 (Unaudited)	As of 31 December 2015	As of 31 December 2014	As of 31 March 2016 (Unaudited)	As of 31 December 2015	As of 31 December 2014	
		(€ thousand)			(€ thousand)			
	<b>Assets</b>				<b>Equity and Liabilities</b>			
					Share capital	82,590	82,590	55,060
	Intangible assets	60	59	34	Share premium	777,666	777,666	478,074
	Property, plant and equipment	67,281	64,200	-	Shareholders' contribution	540	540	540
	Investment property	1,395,380	1,360,613	422,365	Treasury shares	-1,409	-1,088	-
	Equity instruments	350	350	350	Reserves	12	46	-47
	Non-current financial assets	40,522	38,173	2,556	Prior year losses	-17,629	-3,970	-
	Non-current deferred tax assets	8,269	8,024	13,210	Reserves in consolidated companies	101,182	21,102	-
	<b>Non-Current Assets</b>	<b>1,511,862</b>	<b>1,471,419</b>	<b>438,515</b>	Profit for the period	11,228	66,681	17,132
					Valuation adjustments	-17,673	-3,701	-658
					Non-controlling interests	79,425	78,582	10,137
					<b>Equity</b>	<b>1,015,932</b>	<b>1,018,448</b>	<b>560,238</b>
					Non-current provisions	881	878	398
					Non-current bank borrowings	588,833	535,656	56,414
					Hedging derivatives	27,269	12,527	658
					Other non-current financial liabilities	22,119	21,645	13,722
					Deferred tax liabilities	53,826	53,544	4,913
					Accruals and deferred income	8,417	8,573	-
					<b>Non-Current Liabilities</b>	<b>701,345</b>	<b>632,823</b>	<b>76,105</b>
					Bank borrowings	18,550	13,995	5,246
	Inventories	1,684	1,786	32	Hedging derivatives	8,064	6,175	8
	Trade and other receivables	31,867	22,407	2,150	Other current financial liabilities	22,258	26,482	1,042
	Receivables from government agencies	7,464	5,489	2,719	Trade and other payables	21,127	15,510	5,782

	Other current financial assets	60,593	206	2,097	Personnel remuneration payable	402	330	-
	Prepayment and accruals	1,057	803	250	Payables to government agencies	6,879	6,743	532
	Cash and cash equivalents	181,962	220,690	204,201	Customer prepayments	1,060	1,402	894
					Current prepayments and accrued income	872	892	117
	<b>Current Assets</b>	<b>284,627</b>	<b>251,381</b>	<b>211,449</b>	<b>Current Liabilities</b>	<b>79,212</b>	<b>71,529</b>	<b>13,621</b>
	<b>Total Assets</b>	<b>1,796,489</b>	<b>1,722,800</b>	<b>649,964</b>	<b>Total Equity and Liabilities</b>	<b>1,796,489</b>	<b>1,722,800</b>	<b>649,964</b>

Consolidated Comprehensive Income Statement for the three-month period ended 31 March 2016, the year ended 31 December 2015, the three-month period ended 31 March 2015 and the eleven months and nine days ended 31 December 2014:

	Three months ended 31 March 2016 (Unaudited)	Year ended 31 December 2015	Three months ended 31 March 2015 (Unaudited)	Eleven months and nine days ended 31 December 2014
	<i>(€ thousands, unless otherwise indicated)</i>			
Rental income	27,117	33,769	5,248	9,021
Services rendered	2,560	4,029	-	-
Other operating income	432	911	136	64
Supplies	-689	-1,010	-	-
Personnel costs	-1,292	-2,228	-23	-
Other operating costs	-8,996	-25,749	-3,856	-11,593
Depreciation and amortisation	-287	-9	-2	-5
Allocation of non-financial asset and other subsidies	0	12	0	0
Excess provisions	91	280	-	-
Negative difference on consolidation	-	23,463	-	7,496
<b>Profit/(loss) from operations</b>	<b>18,936</b>	<b>33,468</b>	<b>1,503</b>	<b>4,983</b>
Other results	17	-	-	-
Gains on sale of assets	82	23	-	45
Revaluation of investment property	-	54,966	-	14,049
<b>Profit/(loss) from operations after revaluation and asset disposal (EBIT)</b>	<b>19,035</b>	<b>88,457</b>	<b>1,503</b>	<b>19,077</b>
Finance income	61	2,086	42	1,122
Finance costs	-4,814	-6,375	-815	-3,961
Impairment losses and net losses on disposals of financial instruments	-	-	-	-130
Change in fair value of financial instruments	-	-	-	1,420
Exchange differences	1	3	-	-
<b>Profit/(loss) before tax</b>	<b>14,283</b>	<b>84,171</b>	<b>730</b>	<b>17,528</b>

		Income tax	-61	-10,794	-109	-2
		<b>Net consolidated profit/(loss) from continuing operations</b>	<b>14,222</b>	<b>73,377</b>	<b>621</b>	<b>17,526</b>
		<i>Net profit for the year attributed to the parent company</i>	<i>11,228</i>	<i>66,681</i>	<i>606</i>	<i>17,132</i>
		<i>Net profit attributed to non-controlling interests</i>	<i>2,994</i>	<i>6,696</i>	<i>15</i>	<i>394</i>
		<i>Basic earnings per share (€)<sup>(1)</sup></i>	<i>0.14</i>	<i>0.90</i>	<i>0.011</i>	<i>0.31</i>
		<i>Diluted earnings per share (€)<sup>(1)</sup></i>	<i>0.14</i>	<i>0.90</i>	<i>0.011</i>	<i>0.31</i>
		<b>Other comprehensive income</b>				
		<b>Net consolidated profit/(loss)</b>	<b>14,222</b>	<b>73,377</b>	<b>621</b>	<b>17,526</b>
		<i>Other items of comprehensive profit/(loss) recognised directly in equity</i>				
		<i>Net gain/(loss) on cash flow hedges</i>	<i>-17,560</i>	<i>-4,165</i>	<i>-1,341</i>	<i>-683</i>
		<i>Transfers to comprehensive income</i>				
		<i>Profit/(loss) on hedging instruments</i>	<i>1,437</i>	<i>1,122</i>	<i>66</i>	<i>25</i>
		<b>Total recognised income and expenses or Total comprehensive profit</b>	<b>-1,901</b>	<b>70,334</b>	<b>-654</b>	<b>16,868</b>
		<i>Comprehensive profit/(loss) for the period attributable to the parent company</i>	<i>-2,744</i>	<i>63,638</i>	<i>-669</i>	<i>16,474</i>
		<i>Comprehensive profit/(loss) for the period attributable to non-controlling interests</i>	<i>843</i>	<i>6,696</i>	<i>15</i>	<i>394</i>
		(1) Based on 82,477,074 weighted average number of shares outstanding for the three month period ended 31 March 2016, 55,060,000 weighted average number of shares outstanding for the three month period ended 31 March 2015, 73,726,643 weighted average number of shares outstanding for the period ended 31 December 2015 and 55,060,000 weighted average number of shares outstanding for the period ended 31 December 2014.				
<b>B.8</b>	<b>Selected key pro forma financial information:</b>	Not applicable. This Prospectus does not contain pro forma financial information.				
<b>B.9</b>	<b>Profit forecast:</b>	Not applicable. This Prospectus does not contain profit forecasts or estimates.				
<b>B.10</b>	<b>A description of the nature of any</b>	The audit reports corresponding to the audited consolidated financial statements of the Company for the years ended 31 December 2014 and 2015 and drafted by Ernst & Young, S.L. contain favourable opinions without exceptions.				

	<b>qualifications in the audit report on the historical financial information:</b>	
<b>B.11</b>	<b>Qualified working capital:</b>	As at the date of this Prospectus, Hispania considers that the working capital currently at its disposal, together with that it expects to raise in the next twelve (12) months (including the Net Proceeds to be received by the Company from the Offering) for the Company's present requirements during such period of time. As of 31 March 2016, the working capital of the Company amounts to €205,415,000.

<b>Section C—Securities</b>		
<b>C.1</b>	<b>Type and class of security:</b>	The securities offered are newly issued ordinary shares of Hispania, with a nominal value of €1.00 each and of the same class and series as the Existing Ordinary Shares (the <i>New Ordinary Shares</i> ). The ISIN code for current Hispania shares is ES0105019006.  The provisional ISIN code for the Preferential Subscription Rights is ES0605019910 and the provisional ISIN code for the New Ordinary Shares is ES0105019055. Notwithstanding the foregoing, once the New Ordinary Shares are listed, all Shares of the Company will be assigned the same ISIN code.
<b>C.2</b>	<b>Currency of the securities issue:</b>	The ordinary shares are denominated in euro.
<b>C.3</b>	<b>The number of shares issued:</b>	The Company's issued share capital as of the date of this Prospectus is €82,590,000, represented by 82,590,000 Existing Ordinary Shares in book entry form with a nominal value of €1.00 each. All of the shares are fully paid up and non-assessable.
<b>C.4</b>	<b>A description of the rights attached to the securities:</b>	The New Ordinary Shares are ordinary shares that grant their owners the same rights as those of the rest of the Existing Ordinary Shares, set forth in the Spanish Companies Act, and in the bylaws and Internal Regulations of the Company, such as (i) the right to participate in corporate earnings and in the assets resulting from the liquidation, (ii) the right to attend general shareholders' meetings of the Company (a minimum of 1,000 shares of the Company, either individually or in conjunction with other shareholders, is required) with the right to vote, (iii) the pre-emptive right to subscribe for newly-issued ordinary shares in Offerings with cash contributions, except in the cases of total or partial exclusion and the right of assignation, and (iv) the right of information.
<b>C.5</b>	<b>Restrictions on the free transferability of the securities:</b>	In accordance with applicable Spanish legislation, the Company may not impose restrictions on the free transferability of ordinary shares in the bylaws.  The acquisition and holding of shares by an investor can also be affected by the law or regulatory requirements of its jurisdiction, which may include restrictions on the free transferability of such ordinary shares. Investors are advised to consult their own advisors before investing in the ordinary shares of the Company.
<b>C.6</b>	<b>Admission:</b>	Application will be made for the New Ordinary Shares to be admitted to listing and



		trading on the Spanish Stock Exchanges and to have the New Ordinary Shares quoted through the AQS of the Spanish Stock Exchanges.
<b>C.7</b>	<b>Dividend policy:</b>	<p>Initially and as stated in the Initial Offering prospectus, the Company did not plan to distribute dividends until the later of (i) the third anniversary of the Initial Admission and (ii) the end of the Investment Period. However, in light of the faster than initially expected investment rhythm and the anticipated economic results, the Company expects to distribute approximately €40 million to its Shareholders in 2016 (of which, an amount of €10.4 million has been approved for its distribution by the General Shareholders' Meeting held on 5 May 2016). The New Ordinary Shares will be eligible to receive the share premium distribution approved by the General Shareholders' Meeting on 5 May 2016.</p> <p>From 2016 onwards, the Company intends to establish a competitive Shareholders' remuneration policy targeting sustainable dividend levels overtime with two dividend distributions (an interim and a complementary dividend) which will reflect the Company's views on the outlook for sustainable recurring cash earnings, which are EBITDA plus financial income less the sum of financial cost, any eventual tax payment and any debt instalment. The Company does not aim to create reserves that are not available for distributions to Shareholders other than those required by existing regulations. The Board of Directors, within the scope of its powers, shall propose to the Shareholders what it deems most appropriate regarding the distribution of dividends in terms of size, payment of interim payments and forms at the General Shareholders' Meeting every time such distribution is to be made.</p> <p>The foregoing is without prejudice to the dividend distribution arrangements that the Company shall have to carry out as a consequence of its application of the SOCIMI Regime.</p>

<b>Section D—Risks</b>		
<b>D.1</b>	<b>Key information on the key risks that are specific to the issuer or its industry:</b>	<p><u>Risks Relating To The Group And Its Business</u></p> <p><i>Macroeconomic Risks</i></p> <ul style="list-style-type: none"> <li>• The Group's Portfolio is composed of real estate assets in Spain, and it may be affected by adverse macroeconomic and political conditions in the Spanish real estate market and the Eurozone.</li> </ul> <p><i>Operating Risks</i></p> <ul style="list-style-type: none"> <li>• The Company was formed recently and only has limited historical financial and operating data available.</li> </ul> <p><i>Strategy, Segment and Real Estate Risks</i></p> <ul style="list-style-type: none"> <li>• The Group may not have full control over all of its investments.</li> <li>• The Group may choose to invest in companies that are involved in bankruptcy proceedings.</li> <li>• Property valuation is inherently subjective and uncertain.</li> <li>• Investing in real estate, including hotel properties, offices and residential rental properties, is subject to certain inherent risks.</li> <li>• There are certain employment-related risks associated with hotel management.</li> </ul>

		<ul style="list-style-type: none"> <li>• There are certain inherent risks relating to property development, including unanticipated costs or delays by third parties, which may impact the Group's ability to implement its strategy.</li> <li>• There are certain inherent risks relating to the management of assets, including negotiating agreements with tenants and managing credit and insolvency risk.</li> <li>• The Portfolio is primarily concentrated in certain types of assets.</li> <li>• The composition of the Group's Portfolio may vary.</li> <li>• Some of the Group's real estate assets may be located outside Spain in the future.</li> <li>• The relative illiquidity of property investments may affect the Group's ability to dispose of assets.</li> <li>• Delays in the deployment of the Net Proceeds Raised may have an adverse impact on the Group's financial condition, business, prospects, results of operations and cash flows.</li> <li>• The Group may invest indirectly in real estate assets.</li> <li>• The Group may be subject to potential losses relating to contingencies or issues (whether identified or not) in real estate assets.</li> <li>• The Group may become involved in legal disputes which could impact its financial performance.</li> <li>• The Group may be subject to liability or loss of income in connection with pending licences, concessions, permits and authorisations or lack thereof as well as planning instruments and applicable sectorial legislation.</li> <li>• The Group may suffer material losses in excess of insurance coverage, if any, or from uninsurable events.</li> <li>• The Group may be dependent on the performance of third-party contractors and development, construction or refurbishment projects may suffer delays, may not be completed or may fail to achieve expected results.</li> <li>• The Net Asset Value may decrease according to the performance of the Group's investments and changing valuations.</li> <li>• The Group may dispose of its investments at a time when it will not be able to obtain the optimal price for them.</li> <li>• Any costs associated with potential investments that do not proceed to completion will affect the Group's performance.</li> <li>• The Company's investment horizon may differ from the investment horizon of individual investors.</li> <li>• The Group may face competition in sourcing and making investments.</li> </ul> <p><i>Financial Risks</i></p> <ul style="list-style-type: none"> <li>• The use of leverage at both the Group and the investment level may significantly increase the Group's investment risk and expose the Group to risks associated with borrowings.</li> <li>• The Group may not be able to obtain financing on satisfactory terms or at all.</li> <li>• Any financial strategy that the Group may undertake to hedge its interest rate exposures will expose the Group to mark-to-market movements and the credit risk of its counterparties.</li> </ul> <p><i>Risks Relating To The Investment Manager</i></p> <ul style="list-style-type: none"> <li>• The Investment Manager is part of the Azora Group, which has designed and promoted the Investment Strategy and negotiated the terms of the Investment Manager Agreement.</li> <li>• The Company is externally managed by and reliant on the experience,</li> </ul>
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		<p>skills and judgment of the Investment Manager, and has no control over the Investment Manager’s personnel and the Company may be harmed if its or the Investment Manager’s reputation suffers.</p> <ul style="list-style-type: none"> <li>• The past or current performance of the Investment Manager or its Management Team, outside the context of the business carried out by the Company so far, is not a guarantee of the future performance of the Company.</li> <li>• The Target Return sought by the Company may not be achieved.</li> <li>• The remuneration structure under the Investment Manager Agreement may incentivise the Investment Manager to make or recommend risky investments.</li> <li>• The interests of the Investment Manager may differ from those of the Shareholders or the Company.</li> <li>• There may be circumstances where Directors have a conflict of interest.</li> <li>• The Investment Manager may draw on and use any and all resources of the Azora Group in providing the Services (as defined in the Investment Manager Agreement) and there is no certainty that such services are going to be provided with optimum levels of quality or according to the terms of the Investment Manager Agreement.</li> <li>• The Investment Manager’s insurance may not be sufficient to cover any claims the Company might have against it.</li> <li>• The Investment Manager Agreement may be unilaterally terminated by the Investment Manager in the event that a third party acquires control of the Company.</li> <li>• It may be difficult and costly for the Company to terminate the Investment Manager Agreement.</li> <li>• Depending on the Value Return Proposal, the Company and the Investment Manager may need to amend the terms of the Investment Manager Agreement, without there being any certainty of reaching an agreement.</li> <li>• The Company may be unable to contract a replacement investment manager on similar terms to the Investment Manager Agreement or at all.</li> </ul> <p><i>Regulatory Risks</i></p> <ul style="list-style-type: none"> <li>• The Group is subject to certain laws and regulations relating to real estate assets.</li> <li>• Environmental, health, safety, stability and planning laws, regulations and standards may expose the Group to the risk of substantial unexpected costs and liabilities.</li> <li>• There is a risk of adverse changes in the Group’s tax position which may result in additional taxes or other costs for the Group or investors.</li> <li>• The Spanish SOCIMI Regime is relatively new and may be amended.</li> <li>• The application of the SOCIMI Regime is conditional upon compliance with certain requirements.</li> <li>• The application of the SOCIMI Regime at the Company level may result in Spanish taxation of income derived from the transfer/ownership of the Shares of certain investors.</li> <li>• The application of the SOCIMI Regime at the Company level requires the mandatory distribution of certain profits of the Company.</li> <li>• Actions by the Company or the Investment Manager or changes in UK tax law or the practice of the UK tax authority could affect whether the Company is regarded as an “offshore fund” for UK tax purposes.</li> <li>• The Company is not registered under the Investment Company Act of 1940.</li> </ul>
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		<ul style="list-style-type: none"> <li>• The Investment Manager may be required to register as an investment adviser with the SEC.</li> <li>• FATCA may affect payments received by the Company.</li> <li>• The Company expects it and the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration) and certain other entities in which it may invest, directly or indirectly, to be passive foreign investment companies, which generally will have adverse tax consequences to investors that are subject to U.S. taxation.</li> </ul>
<b>D.3</b>	<b>Key information on the key risks that are specific to the securities:</b>	<p><u>Risks Relating To The Offering, The New Ordinary Shares And The Preferential Subscription Rights</u></p> <ul style="list-style-type: none"> <li>• The Offering may not proceed or may be revoked in certain circumstances, including termination of the Underwriting Agreement.</li> <li>• Shareholders and investors who exercise their Preferential Subscription Rights during the preferential subscription period will not be able to revoke their subscriptions.</li> <li>• The Company cannot assure holders of Preferential Subscription Rights that an active trading market will develop for the Preferential Subscription Rights or that there will be sufficient liquidity for such rights.</li> <li>• A significant decline in the Company's Existing Ordinary Share price would likely have a material adverse effect on the value of the Preferential Subscription Rights.</li> <li>• The Existing Ordinary Shares or the Preferential Subscription Rights may be sold on the market during the subscription period (in the case of Preferential Subscription Rights), or during or after the subscription period (in the case of Existing Ordinary Shares), which may have an unfavourable impact on the value of the Preferential Subscription Rights or the market price of the Existing Ordinary Shares.</li> <li>• Any delay in the admission to listing and trading of the New Ordinary Shares would affect their liquidity and would prevent their sale until they are so admitted.</li> <li>• Shareholders who do not exercise their Preferential Subscription Rights will have their interest in the Company diluted.</li> <li>• A current minority Shareholder or a third party may acquire a significant shareholding in the context of the Offering or otherwise.</li> <li>• The Preferential Subscription Rights must be exercised through the Iberclear member entity in whose book-entry registry such rights are registered and the Subscription Price must be paid for in euros.</li> <li>• The market price of the Shares may fluctuate widely in response to different factors.</li> <li>• The sale, or the perception of such sale, of a substantial number of Shares of the Company after the share capital increase, or in the ordinary course of business, may have a negative impact on the listed price of the Shares.</li> <li>• Sales of Shares by the Company's Directors, the members of the</li> </ul>

		<p>Management Team, the Investment Manager, the shareholders of the Investment Manager or the significant Shareholders of the Company or the possibility of such sales, may affect the market price of the Shares.</p> <ul style="list-style-type: none"> <li>• The interests of significant Shareholders may differ from those of other Shareholders.</li> <li>• The acquisition of Shares does not guarantee the right to attend General Shareholders' Meetings.</li> <li>• The Company may in the future issue additional Shares or debt securities which may be convertible into Shares, which may dilute Shareholders' equity.</li> <li>• Shareholders outside Spain may be unable to subscribe for New Ordinary Shares in the Offering or to exercise their Preferential Subscription Rights.</li> <li>• It may be difficult for Shareholders outside Spain to serve process on or enforce foreign judgments against the Company or the Directors.</li> <li>• It may be difficult for Shareholders to protect their interests due to differences in shareholders' rights and fiduciary responsibilities in different jurisdictions.</li> <li>• Exchange rates may fluctuate, which could expose Shareholders to exchange rate risk.</li> <li>• The assets of the Company could be deemed to be "plan assets" that are subject to certain requirements of ERISA and/or section 4975 of the Code, which could restrain the Company from making certain investments.</li> <li>• The Company may be considered an AIF under the laws of certain European Economic Area jurisdictions other than Spain.</li> </ul>
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<b>Section E—Offer</b>		
<b>E.1</b>	<b>The total net proceeds and an estimate of the total expenses of the issue:</b>	The Company estimates that the Net Offering Proceeds will be approximately €222 million (based on the expected proceeds from the Offering after deducting approximately €9 million in commissions and other estimated fees, expenses and taxes payable by the Company in connection with the Offering).
<b>E.2</b>	<b>Reasons for the Offering, use of proceeds:</b>	The Company intends to use the Net Offering Proceeds received to fund future investment properties (both acquisitions (directly and indirectly) and capital expenditure on future property investments) which have already been identified or are currently being monitored and for the Group's general corporate purposes.
<b>E.3</b>	<b>A description of the terms and conditions of the Offering:</b>	<p>The Offering will be in respect of 25,775,002 New Ordinary Shares at a Subscription Price of €8.95 per New Ordinary Share.</p> <p>Shareholders who acquire their shares until the day 13 May 2016 and whose transactions are settled until the day 18 May 2016 in Iberclear (the <i>Eligible Shareholders</i>), will be granted transferable subscription rights (the <i>Preferential Subscription Rights</i>).</p> <p>Such Eligible Shareholders will be allocated one right for each Share owned. The exercise of sixteen (16) Preferential Subscription Rights entitles the exercising holder to subscribe for five (5) New Ordinary Share against payment of the Subscription Price in cash.</p> <p>The Subscription Price, which must be paid in euros, is €8.95 per New Ordinary Share comprising the nominal value (€1.00) and premium value €7.95. The Subscription Price represents an implied discount of 24.4% on the theoretical ex-rights price (TERP) (€11.83</p>

based on the closing price of €12.74 as of 11 May 2016).

In accordance with Section 306.2 of the Spanish Companies Act, the Preferential Subscription Rights will be freely transferable on the same terms as the New Ordinary Shares in respect of which they are exercisable and will be tradable on the Spanish Stock Exchanges during the preferential subscription period.

The Company has established a three-staged procedure for the subscription of the New Ordinary Shares:

- *The preferential subscription period.* The preferential subscription period will last 15 calendar days starting on 14 May 2016 and ending on 28 May 2016, and shall not be extended (the **Preferential Subscription Period**). The Preferential Subscription Rights will be traded during the AQS Trading Days of this period, being the first session on 16 May 2016 and the last on 27 May 2016. The Preferential Subscription Rights not exercised will lapse automatically at the end of the Preferential Subscription Period. During the Preferential Subscription Period, investors other than Eligible Shareholders may acquire in the market preferential subscription rights in sufficient amount and in the required proportion and subscribe, accordingly, the corresponding New Ordinary Shares.

During the Preferential Subscription Period, Eligible Shareholders who fully exercise their rights or Investors who acquire rights and exercise them in whole may simultaneously request additional shares of the Company (**Additional Shares**), unconditional and irrevocable, provided that New Ordinary Shares remain unsubscribed at the end of the Preferential Subscription Period.

Subscriptions for New Ordinary Shares received during the preferential subscription period will be deemed irrevocable, firm and unconditional and may not be cancelled or modified by holders of Preferential Subscription Rights (except where a supplement to this Prospectus is published).

- *The additional allocation period.* To the extent that at the expiration of the Preferential Subscription Period there are New Ordinary Shares that have not been subscribed for, a process will open in which New Ordinary Shares pending subscription will be distributed among Eligible Shareholders and investors who requested the subscription of Additional Shares during the Preferential Subscription Period. The allocation of Additional Shares is currently expected to take place by no later than 17:00 (Madrid time) on 3 June 2016 (the **Additional Allocation Period**). If the number of Additional Shares requested was higher than the Rump Shares, the Agent Bank will apply a *pro rata* allocation based on the percentage that the Additional Shares requested by each subscriber represent over the total Additional Shares requested. Depending on the number of New Ordinary Shares taken up in the preferential subscription period and the applications received for subscription of Additional Shares in the Additional Allocation Period, holders of Preferential Subscription Rights may receive fewer Additional Shares than they have requested or none at all (but, in any event, there will be no more allocated additional New Ordinary Shares than those requested by them). Any additional New Ordinary Shares allocated to holders of Preferential Subscription Rights during the additional allocation period will be deemed subscribed during the additional allocation period.
- *The discretionary allocation period.* If any New Ordinary Shares remain unsubscribed following the close of the allocation period of Additional Shares, the Joint Bookrunners have agreed, subject to the terms and conditions of the Underwriting Agreement, to use reasonable efforts to procure subscribers during a discretionary allocation period and, failing which, to subscribe and pay for such unsubscribed New Ordinary Shares at the

Subscription Price. The discretionary allocation period is expected to begin at any time after the end of the additional allocation period and end no later than 11.00 (Madrid time) on 7 June 2016 (the **Discretionary Allocation Period**), unless the Joint Bookrunners and the Company jointly decide to not open the discretionary allocation period, without prejudice to the ability of the Joint Bookrunners to terminate it early once open.

During the Discretionary Allocation Period, those persons who have the status of qualified investors in Spain, as this term is defined in article 39 of Royal Decree 1310/2005, of November 4, and those persons who have the status of qualified investors outside Spain pursuant to the applicable legislation in each country (so that complying with the relevant regulations, the subscription and payment of the Rump Shares do not require registration or approval of any kind) may submit proposals to the Joint Bookrunners to subscribe for Rump Shares.

Allocations of New Ordinary Shares made during the Discretionary Allocation Period will be deemed firm, unconditional and irrevocable, without prejudice to the possible loss of effects in the event of early termination of the Underwriting Agreement.

**Underwriting and allocation**

Dated 11 May 2016, the Company, the Investment Manager and the Joint Bookrunners have entered into an underwriting agreement pursuant to which (i) the New Ordinary Shares not subscribed for in full during the Discretionary Allocation Period shall be underwritten by the Joint Bookrunners; and (ii) the Joint Bookrunners have agreed to pre-finance all of the New Ordinary Shares whose subscription is requested during the discretionary allocation period (the **Underwriting Agreement**).

The Company may choose to revoke and terminate the Offering if the Underwriting Agreement for the Offering is terminated. If the Offering is revoked and terminated, the monies paid by subscribers will be returned to them. However, any investors who acquired Preferential Subscription Rights from existing rightsholders would not be reimbursed any amounts paid for such Preferential Subscription Rights by the Company and would be required to seek to recover any such amounts from the sellers of such Preferential Subscription Rights

**Expected Timetable of Principal Events**

The summary timetable set forth below lists certain important dates relating to the Offering. However, these dates are indicative only and actual dates for the Offering and such other actions may vary from the indicative dates set forth below. The Company will communicate significant developments in the Offering via a regulatory information notice (*hecho relevante*) filed with the CNMV in accordance with Spanish law. Information will also be made available on the Company’s website ([www.hispania.es](http://www.hispania.es)).

<b>Principal event</b>	<b>On or about</b>
Registration of the Prospectus with the CNMV .....	12 May 2016
Announcement of the Offering in the BORME.....	13 May 2016
Commencement of the preferential subscription period and the period to request New Ordinary Shares to be allocated (if applicable) during the additional allocation period .....	14 May 2016
First date of the New Ordinary Shares without rights (ex-date) and first date of the Preferential Subscription Rights trading of the Preferential Subscription Rights .....	16 May 2016
Record Date (the date on which those persons or entities registered as Shareholders become Eligible Shareholders)	18 May 2016
End of trading of the Preferential Subscription Rights .....	27 May 2016

End of the preferential subscription period and the period to request New Ordinary Share allocation (if applicable) during the additional allocation period.....	28 May 2016
Additional allocation period (if applicable) .....	3 June 2016
Filing of regulatory information notice announcing results of the preferential subscription period and additional allocation period (if applicable) .....	3 June 2016
Commencement of the discretionary allocation period (if applicable).....	From 3 June 2016
End of the discretionary allocation period (if applicable) .....	7 June 2016
Filing of regulatory information notice announcing results of the Offering and number of New Ordinary Shares subscribed for in each period .....	7 June 2016
Payment by the participating entities of Iberclear to the Agent Bank of the New Ordinary Shares subscribed for during the preferential subscription period and additional allocation period (if applicable) .....	7 June 2016
Payment (pre-funding) by the Joint Bookrunners of the New Ordinary Shares subscribed for in the discretionary allocation period (if applicable) .....	7 June 2016
Approval of the resolution regarding the capital increase to be closed and executed...	7 June 2016
Execution of the notarised deed of capital increase before a public notary .....	7 June 2016
Registration with the Commercial Registry of the notarised deed of capital increase..	8 June 2016
Filing of regulatory information notice announcing registration of notarised deed of capital increase with the Commercial Registry .....	8 June 2016
Registration of the New Ordinary Shares with Iberclear .....	8 June 2016
Execution of the special transaction for the transfer of New Ordinary Shares allocated during the discretionary allocation period (if applicable) .....	8 June 2016
Admission to listing and trading of the New Ordinary Shares by the CNMV and the Spanish Stock Exchanges.....	8 June 2016
Expected commencement of trading of the New Ordinary Shares on the Spanish Stock Exchanges .....	9 June 2016
Settlement of the special transaction ( <i>operación bursátil especial</i> ).....	13 June 2016

### Payment

Assuming execution of the capital increase deed (*escritura pública*) takes place no later than 7 June 2016, admission of the New Ordinary Shares to listing on the Spanish Stock Exchanges is, in accordance with the envisaged timetable, expected to take place on 8 June 2016 and settlement of the New Ordinary Shares allocated during the discretionary allocation period (via a special transaction) is, in accordance with the envisaged timetable, expected to take place on 13 June 2016. Payments in respect of New Ordinary Shares must be made by final subscribers:

- in relation to New Ordinary Shares subscribed during the preferential subscription period, upon subscription via the Iberclear member through which such holder of Preferential Subscription Rights solicited the New Ordinary Shares. Subscribers must make payment in full of the Subscription Price, comprising the nominal value and premium value, upon subscription for each New Ordinary Share subscribed for during the preferential subscription period;
- in relation to additional New Ordinary Shares subscribed during the additional allocation period by no later than 11:00 (Madrid time) of 7 June 2016 (or such earlier time as required by the rules of the particular Iberclear member), via the Iberclear member through which such additional New Ordinary Shares were solicited;
- in relation to New Ordinary Shares allocated during the discretionary allocation period, no later than 11:00 (Madrid time ) on 13 June 2016.

Settlement in respect of New Ordinary Shares allocated during the discretionary allocation period to qualified institutional investors is expected to take place via a special transaction, to be executed on 8 June 2016 and to be settled on 13 June 2016. If the special transaction is not executed



		<p>on such date, payment by qualified institutional investors of the Subscription Price for New Ordinary Shares allocated during the discretionary allocation period must be made no earlier than the date on which the special transaction is executed and by no later than the third AQS Trading Day following such date, which the Company refers to as the settlement date.</p>
<b>E.4</b>	<b>A description of any interest that is material to the issue/offer including conflicting interests:</b>	<p>From time to time certain of the Joint Bookrunners and their respective affiliates may have provided the Company or the Investment Manager or their affiliates with investment banking, commercial banking and other advisory services, including in connection with certain of the Company's outstanding financings and derivatives. They may provide the Company or the Investment Manager or their affiliates with similar or other services, and engage in similar activities, in the future. In connection with the Offering, each Joint Bookrunner and any affiliate acting as an investor for its own account may take up New Ordinary Shares and in that capacity may retain, purchase or sell such New Ordinary Shares (or related investments), for its own account and may offer or sell such New Ordinary Shares (or other investments) otherwise than in connection with the Offering.</p> <p>Apart from the above, the Company is not aware of any link or economic interest between the Company and entities participating in the Offering, except the strictly professional relationship stemming from the advice received on this and other recent operations in progress, and in the case of the Joint Bookrunners, the underwriting described in the E.3 section of this Summary.</p>
<b>E.5</b>	<b>Name of the person or entity offering to sell the securities and details of any lock-up agreements:</b>	<p>The Company has agreed that, without the prior written consent of the Joint Bookrunners it will not, during the period commencing on the date on which the underwriting agreement is signed and ending 90 days following the date of the Admission, directly or indirectly, issue, offer, pledge, sell, or contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, pledge or otherwise transfer or dispose of, directly or indirectly, the Company's Shares or any securities convertible into or exercisable or exchangeable for the Company's Shares or file any registration statement under the Securities Act with respect to any of the foregoing, or enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequences of ownership of the Company's Shares; provided however, the foregoing restrictions shall not apply to the issue and/or sale and offer of the Preferential Subscription Rights and the New Ordinary Shares pursuant to the Offering.</p> <p>In connection with the Initial Admission, each member of the Management Team agreed that without the prior written consent of the Company, they will not, during the period beginning on 12 March 2014 and ending on the earlier of (A) three years following the date of the Initial Admission and (B) the termination of the Investment Manager Agreement, directly or indirectly, (i) offer, pledge, sell, announce an intention to or contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, pledge or otherwise transfer or dispose of any of the Company's Shares acquired in the Initial Offering or any securities convertible into or exercisable or exchangeable for the Shares acquired by such member of the Management Team in the Initial Offering, (ii) enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences or ownership of the Shares acquired by such member of the Management Team in the Initial Offering, whether any such swap or transaction described in (i) or (ii) above is settled by delivery of Shares acquired by such member of the Management Team in the Initial Offering or any securities convertible into or exercisable or exchangeable for Shares acquired in the Initial Offering, in cash or otherwise. The foregoing restrictions shall not apply to (i) transfers of such Shares in favour of the direct family members (being a parent, brother, sister, spouse or civil partner or a lineal descendant of any of the foregoing) of the relevant member of the Management Team, provided that any such transferee shall agree to be bound</p>

		<p>by the lock-up obligations set forth above; (ii) in the event of the whole or partial takeover of the issued share capital of the Company which has been recommended by the Board of Directors, (iii) the implementation of a scheme of arrangement in respect of the sale of the Shares of the Company that has been recommended by the Board, (iv) a scheme of reconstruction of the Company which has been recommended by the Board, (v) any buyback by the Company of Shares on identical terms to the terms offered to all shareholders, or (vi) any sale in respect of which Goldman Sachs International and UBS Limited have granted their prior consent.</p> <p>Since certain members of the Management Team, Mr. Gumuzio and Ms. Osácar, participated in the Initial Offering indirectly through the Investment Manager, the Investment Manager also entered into a lock-up agreement with the Company similar to the lock-up agreement of the members of the Management Team. Furthermore, in connection with the Initial Admission, Azora Altus also entered into a lock-up commitment with the Company similar to the commitment of the members of the Management Team with the Company. The non-transfer commitments of Azora Altus, S.L. and of the shares acquired by Mrs. María Concepción Osácar Garaicoechea and Mr. Fernando Gumuzio Íñiguez de Onzoño through the Manager do not apply under certain events and circumstances.</p> <p>The Company agreed in the purchase agreement signed in connection with the Initial Admission not to waive such lock-ups from the Management Team, Azora Altus and the Investment Manager without the prior written consent of Goldman Sachs International and UBS Limited.</p>
<b>E.6</b>	<b>Dilution:</b>	<p>The Eligible Shareholders will receive Preferential Subscription Rights to subscribe for New Ordinary Shares and, thus, in the event they exercise such rights in full, they will suffer no dilution of their holdings of the Company's share capital at the Record Date.</p> <p>In the event that none of the Eligible Shareholders subscribes for New Ordinary Shares in the percentage to which their Preferential Subscription Rights entitle them and do not participate in the additional or discretionary allocation of New Ordinary Shares, further assuming that the New Ordinary Shares were entirely subscribed for by investors other than the Eligible Shareholders, or by the Joint Bookrunners, the holdings of the Eligible Shareholders would represent approximately 24% of the total number of the Shares following the Offering, which would represent a dilution in ownership percentage of approximately 31.2%.</p>
<b>E.7</b>	<b>Estimated expenses charged to the investor by the Issuer:</b>	<p>The Company will not charge the subscribers to the New Ordinary Shares. The costs of initial registration of the New Ordinary Shares with Iberclear or the Agent Bank will not be assigned to the investors who are participating in the Offering.</p> <p>However, the Agent Bank that holds the accounts of the Shareholders, or through which the Shareholders subscribe for the purchase of New Ordinary Shares, may charge commissions or other charges for the administration and the transmission of the subscription orders, as well as for the purchase and sale of the Preferential Subscription Rights in accordance with the applicable legislation and the publicly available rates. All of the foregoing does not preclude the special charges that may apply in other jurisdictions, according to the applicable regulations.</p>

## SUMMARY SELECTED FINANCIAL INFORMATION AND OTHER DATA

### Selected Financial Information Summary relating to the Group

The summary consolidated financial information as of and for the three-month period ended 31 March 2016 and 31 March 2015, the year ended 31 December 2015 and the eleven months and nine days ended 31 December 2014 presented below has been derived from, and should be read together with, the 2016 Interim Financial Statements, the 2015 Audited Consolidated Annual Accounts and the 2014 Audited Consolidated Annual Accounts which are included elsewhere in this Prospectus. The 2016 Interim Financial Statement, the 2015 Audited Consolidated Annual Accounts and the 2014 Audited Consolidated Annual Accounts from which the summary consolidated financial data below have been derived were prepared in accordance with IFRS-EU.

See “*Presentation of Financial Information*” for further information on the Financial Statements.

### Consolidated Statement of Financial Position as of 31 March 2016, 31 December 2015 and 31 December 2014

	As of 31 March 2016 (Unaudited)	As of 31 December 2015	As of 31 December 2014		As of 31 March 2016 (Unaudited)	As of 31 December 2015	As of 31 December 2014
	(€ thousand)				(€ thousand)		
<b>Assets</b>				<b>Equity and Liabilities</b>			
Intangible assets	60	59	34	Share capital	82,590	82,590	55,060
Property, plant and equipment	67,281	64,200	-	Share premium	777,666	777,666	478,074
Investment property	1,395,380	1,360,613	422,365	Shareholders' contribution	540	540	540
Equity instruments	350	350	350	Treasury shares	-1,409	-1,088	-
Non-current financial assets	40,522	38,173	2,556	Reserves	12	46	-47
Non-current deferred tax assets	8,269	8,024	13,210	Prior year losses	-17,629	-3,970	-
<b>Non-Current Assets</b>	<b>1,511,862</b>	<b>1,471,419</b>	<b>438,515</b>	Reserves in consolidated companies	101,182	21,102	-
				Profit for the period	11,228	66,681	17,132
				Valuation adjustments	-17,673	-3,701	-658
				Non-controlling interests	79,425	78,582	10,137
				<b>Equity</b>	<b>1,015,932</b>	<b>1,018,448</b>	<b>560,238</b>
				Non-current provisions	881	878	398
				Non-current bank borrowings	588,833	535,656	56,414
				Hedging derivatives	27,269	12,527	658
				Other non-current financial liabilities	22,119	21,645	13,722
				Deferred tax liabilities	53,826	53,544	4,913
				Accruals and deferred income	8,417	8,573	-
				<b>Non-Current Liabilities</b>	<b>701,345</b>	<b>632,823</b>	<b>76,105</b>
				Bank borrowings	18,550	13,995	5,246
Inventories	1,684	1,786	32	Hedging derivatives	8,064	6,175	8
Trade and other receivables	31,867	22,407	2,150	Other current financial liabilities	22,258	26,482	1,042
Receivables from government agencies	7,464	5,489	2,719	Trade and other payables	21,127	15,510	5,782
Other current financial assets	60,593	206	2,097	Personnel remuneration payable	402	330	-
Prepayment and accruals	1,057	803	250	Payables to government agencies	6,879	6,743	532
Cash and cash equivalents	181,962	220,690	204,201	Customer prepayments	1,060	1,402	894

				Current prepayments and accrued income	872	892	117
<b>Current Assets</b>	<b>284,627</b>	<b>251,381</b>	<b>211,449</b>	<b>Current Liabilities</b>	<b>79,212</b>	<b>71,529</b>	<b>13,621</b>
<b>Total Assets</b>	<b>1,796,489</b>	<b>1,722,800</b>	<b>649,964</b>	<b>Total Equity and Liabilities</b>	<b>1,796,489</b>	<b>1,722,800</b>	<b>649,964</b>

**Consolidated Comprehensive Income Statement for the three month period ended 31 March 2016, the year ended 31 December 2015, the three month period ended 31 March 2015 and the eleven months and nine days ended 31 December 2014**

	Three months ended 31 March 2016 (Unaudited)	Year ended 31 December 2015	Three months ended 31 March 2015 (Unaudited)	Eleven months and nine days ended 31 December 2014
	<i>(€ thousands, unless otherwise indicated)</i>			
Rental income	27,117	33,769	5,248	9,021
Services rendered	2,560	4,029	-	-
Other operating income	432	911	136	64
Supplies	-689	-1,010	-	-
Personnel costs	-1,292	-2,228	-23	-
Other operating costs	-8,996	-25,749	-3,856	-11,593
Depreciation and amortisation	-287	-9	-2	-5
Allocation of non-financial asset and other subsidies	0	12	0	0
Excess provisions	91	280	-	-
Negative difference on consolidation	-	23,463	-	7,496
<b>Profit/(loss) from operations</b>	<b>18,936</b>	<b>33,468</b>	<b>1,503</b>	<b>4,983</b>
Other results	17	-	-	-
Gains on sale of assets	82	23	-	45
Revaluation of investment property	-	54,966	-	14,049
<b>Profit/(loss) from operations after revaluation and asset disposal (EBIT)</b>	<b>19,035</b>	<b>88,457</b>	<b>1,503</b>	<b>19,077</b>
Finance income	61	2,086	42	1,122
Finance costs	-4,814	-6,375	-815	-3,961
Impairment losses and net losses on disposals of financial instruments	-	-	-	-130
Change in fair value of financial instruments	-	-	-	1,420
Exchange differences	1	3	-	-
<b>Profit/(loss) before tax</b>	<b>14,283</b>	<b>84,171</b>	<b>730</b>	<b>17,528</b>
Income tax	-61	-10,794	-109	-2
<b>Net consolidated profit/(loss) from continuing operations</b>	<b>14,222</b>	<b>73,377</b>	<b>621</b>	<b>17,526</b>
<i>Net profit for the year attributed to the parent company</i>	<i>11,228</i>	<i>66,681</i>	<i>606</i>	<i>17,132</i>
<i>Net profit attributed to non-controlling interests</i>	<i>2,994</i>	<i>6,696</i>	<i>15</i>	<i>394</i>
<i>Basic earnings per share (€)<sup>(1)</sup></i>	<i>0.14</i>	<i>0.90</i>	<i>0.011</i>	<i>0.31</i>
<i>Diluted earnings per share (€)<sup>(1)</sup></i>	<i>0.14</i>	<i>0.90</i>	<i>0.011</i>	<i>0.31</i>
<b>Other comprehensive income</b>				
<b>Net consolidated profit/(loss)</b>	<b>14,222</b>	<b>73,377</b>	<b>621</b>	<b>17,526</b>

**Other items of comprehensive profit/(loss) recognised directly in equity**

Net gain/(loss) on cash flow hedges	-17,560	-4,165	-1,341	-683
<b>Transfers to comprehensive income</b>				
Profit/(loss) on hedging instruments	1,437	1,122	66	25
<b>Total recognised income and expenses or Total comprehensive profit</b>	<b>-1,901</b>	<b>70,334</b>	<b>-654</b>	<b>16,868</b>
<i>Comprehensive profit/(loss) for the period attributable to the parent company</i>	-2,744	63,638	-669	16,474
<i>Comprehensive profit/(loss) for the period attributable to non-controlling interests</i>	843	6,696	15	394

Notes:

- (1) Based on 82,477,074 weighted average number of shares outstanding for the three month period ended 31 March 2016, 55,060,000 weighted average number of shares outstanding for the three month period ended 31 March 2015, 73,726,643 weighted average number of shares outstanding for the period ended 31 December 2015 and 55,060,000 weighted average number of shares outstanding for the period ended 31 December 2014.

**Consolidated Cash Flow Statement for the three-month period ended 31 March 2016, the year ended 31 December 2015, the three-month period ended 31 March 2015 and the eleven months and nine days ended 31 December 2014**

	Three months ended 31 March 2016 (Unaudited)	Year ended 31 December 2015	Three months ended 31 March 2015 (Unaudited)	Eleven months and nine days ended 31 December 2014
<i>(€ thousands, unless otherwise indicated)</i>				
<b>CASH FLOWS FROM CONTINUING OPERATIONS</b>				
<b>1. Cash Flows from Operating Activities</b>				
Profit/(loss) for the period before tax	14,283	84,171	730	17,528
<b>Adjustments to profit (loss)</b>				
Depreciation and amortisation (+)	287	9	2	5
Impairment corrections (+/-)	-	-	-	941
Negative difference on consolidation	-	-23,463	-	-7,496
Reversal of provision	-91	-	-	-
Gain/(loss) on derecognition and disposals of assets (+/-)	-82	-	-	-45
Gain/(loss) on derecognition and disposals of financial instruments (+/-)	-	-	-	130
Finance income (-)	-61	-2,086	-42	-1,122
Finance costs (+)	4,814	6,375	815	2,684
Change in fair value in financial instruments (+/-)	-	-	-	-1,420
Change in fair value of investment property (+/-)	-	-54,966	-	-14,049
Exchange variations	-1	-	-	-
<b>Adjusted profit (loss)</b>	<b>19,149</b>	<b>10,040</b>	<b>1,505</b>	<b>-2,844</b>
Interest received (+)	61	2,086	74	2,447
Interest paid (-)	-3,300	-4,841	-225	-
Other amounts received/paid (-/+)	-	29	-	-24
<b>Increase/decrease in current assets and liabilities</b>				
(Increase) /decrease in inventories	-	-1,751	-	-
(Increase)/decrease in receivables	-9,459	6,557	890	-3,122
(Increase)/decrease in other current assets	-2,311	-3,055	-1,018	-3,016
Increase/(decrease) in payables	4,166	-891	-34	2,033
Increase/(decrease) in other current liabilities	-3,789	1,816	-965	624

Other non-current assets and liabilities (+/-)	-1,966	-1,844	40	356
<b>Total Net Cash Flows from Operating Activities</b>	<b>2,551</b>	<b>8,146</b>	<b>267</b>	<b>-3,546</b>
<b>2. Cash Flows from Investing Activities</b>				
<i>Investments in (-)</i>				
Business unit	-	-306,727	-	-80,188
Intangible assets	-	-25	-	-39
Investment property	-35,688	-363,801	-84,763	-288,516
Material assets	-3,364	-	-	-
Financial assets	-60,305	-	-	-375,000
	<b>-99,357</b>	<b>-670,553</b>	<b>-84,763</b>	<b>743,743</b>
<i>Disposals of (+)</i>				
Investment property	616	-	-	3,844
Other financial assets	-	1,862	2,000	372,650
Business unit	-	-	-	28,078
	<b>616</b>	<b>1,862</b>	<b>2,000</b>	<b>404,572</b>
<b>Total net cash flows from investing activities</b>	<b>-98,741</b>	<b>-668,691</b>	<b>-82,763</b>	<b>-339,171</b>
<b>3. Cash Flows from Financing Activities</b>				
<i>Proceeds from (and payments for) equity instruments</i>				
Issue of equity instruments (+)	-	327,122	-	533,674
Acquisition of treasury shares (+)	-348	-1,009	-	-
Other transactions with non-controlling interests (+)	-	29,899	-	-
<i>Proceeds from and payments for financial liability instruments</i>				
Bank borrowings issued (+)	58,500	324,863	54,739	37,005
Other borrowings (+)	-	19,168	-	-
Reimbursements and repayments to banks (-)	-690	-23,009	-212	-23,761
<b>Total net cash flows from financing activities</b>	<b>57,462</b>	<b>677,034</b>	<b>54,527</b>	<b>546,918</b>
<b>4. Net Increase/(Decrease) in Cash and Cash Equivalents</b>				
<b>Cash flows for the period of continuing operations</b>	<b>-38,728</b>	<b>16,489</b>	<b>-27,969</b>	<b>204,201</b>
Cash and cash equivalents at the beginning of the period of continuing operations	220,690	204,201	204,201	-
Cash or cash equivalents at the end of the period	181,962	220,690	176,232	204,201

#### Other financial and operating data

	As of and for the three months ended 31 March 2016 (unaudited)	As of and for the year ended 31 December 2015	As of and for the three months ended 31 March 2015 (unaudited)	As of and for the eleven months and nine days ended 31 December 2014
Equity (€ millions)	1,015.9	1,018.4	559.6	560.2
Gross Asset Value (GAV) (€ millions)	1,463.3 <sup>(1)</sup>	1,425.2 <sup>(1)</sup>	507 <sup>(1)</sup>	422.4 <sup>(1)</sup>
EPRA Net Asset Value (€ millions) <sup>(2)</sup>	973	966	556	555

EPRA Net Asset Value per share (€) <sup>(2)</sup>	11.80	11.69	10.09	10.08
EBITDA (€ millions) <sup>(3)</sup>	19.2	10.0	1.5	(2.5)
EBIT (€ millions) <sup>(4)</sup>	19.0	88.5	1.5	19.1
Gross Financial Debt <sup>(5)</sup> /Equity	0.643	0.568	0.230	0.130
Gross Financial Debt <sup>(5)</sup> /Total Assets	0.363	0.336	0.183	0.112
Gross Loan-To-Value <sup>(6)</sup> (%)	44.6%	40.6%	25.4%	N/A

Notes:

- (1) Gross Asset Value refers to the aggregate of the most recent valuations of the Portfolio performed by CBRE, calculated in accordance with the Red Book, from time to time, or, as otherwise agreed between the Board of Directors and the Investment Manager from time to time; this valuation was recognised as at 31 March 2016 in the 2016 Interim Financial Statements on the following captions: “Investment Property” €1,395,380 thousand, “Property, Plant and Equipment” for a total amount of €67,564 thousand (€67,281 thousand related to the net value and €283 thousand related to the depreciation of the three month period ended 31 March 2016) and “Prepayments and Accrued Income” for a total amount of €390 thousand. As of 31 December 2015 this valuation was recognised in the 2015 Audited Consolidated Annual Accounts on the following captions: “Investment Property” for a total amount €1,360,613 thousand, “Property, Plant and Equipment” for a total amount of €64,200 thousand and “Prepayments and Accrued Income” for €407 thousand. As of 31 December 2014, the GAV was recognised on the caption “Investment Property” for a total amount of €422,36 thousand;
- (2) See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Net Asset Value” for the definition and calculation of EPRA Net Asset Value.
- (3) EBITDA is equivalent to the line item “Profit/(loss) from operations” in the Audited Consolidated Annual Accounts and in the 2016 Interim Financial Statements, before amortisation and before the negative difference on consolidation. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of operations—Financial performance” for a detailed calculation of EBITDA.
- (4) EBIT is equivalent to the line item “Profit/(loss) from operations after revaluation and asset disposals” in the Audited Consolidated Annual Accounts and in the 2016 Interim Financial Statements. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of operations—Financial performance” for a detailed calculation of EBIT.
- (5) The table below sets forth the reconciliation of Gross Financial Debt as of 31 March 2016, 31 December 2015, 31 March 2015 and 31 December 2014:

(€ thousand)	As of 31 March 2016 (unaudited)	As of 31 December 2015	As of 31 March 2015 (unaudited)	As of 31 December 2014
Loans from third parties	619,440	561,630	119,039	62,870
Interest in third party debt	1,283	499	106	55
Hedging derivatives	34,457	18,349	1,933	658
Outstanding hedging derivatives interest	876	353	25	8
Arrangement cost on borrowings	-13,340	-12,478	-2,499	-1,265
<b>Total bank debt</b>	<b>642,716</b>	<b>568,353</b>	<b>118,604</b>	<b>62,326</b>
Outstanding CEOSA(*) debt	10,000	10,000	10,000	10,000
Outstanding CEOSA interest	220	145	339	228
<b>Total Gross Financial Debt</b>	<b>652,936</b>	<b>578,498</b>	<b>128,943</b>	<b>72,554</b>

(\*) CEOSA refers to Corporación Empresarial ONCE, S.A.

- (6) Gross Loan-To-Value is equivalent to the Group’s total Gross Financial Debt divided by the Group’s Portfolio Value as of a given date.

## RISK FACTORS

Any investment in the New Ordinary Shares and the Preferential Subscription Rights is subject to a number of risks. Accordingly, prior to making any investment decision, prospective investors should carefully consider all the information contained in this Prospectus and, in particular, the risk factors described below.

The following risks are considered to be material for prospective investors in the Company, the New Ordinary Shares and the Preferential Subscription Rights. However, the following is not an exhaustive list or explanation of all the risks that prospective investors may face when making an investment in the New Ordinary Shares and the Preferential Subscription Rights and should, therefore, be used as guidance only. Additional risks and uncertainties not currently known to the Group, or that the Group currently deems immaterial, may also have an adverse effect on the Group's financial condition, business, prospects and results of operations. In such case, the market price of the New Ordinary Shares and of the Preferential Subscription Rights could decline and investors may lose all or part of their investment.

The order in which the risks are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks or of the scope of any potential harm to the Group's financial condition, business, prospects and results of operations. Prospective investors should consider carefully whether an investment in the New Ordinary Shares and the Preferential Subscription Rights is suitable for them in light of the information in this Prospectus and their personal circumstances. No assurance can be given that investors will realise profit on, or recover the value of, their investment in the New Ordinary Shares and the Preferential Subscription Rights. It should be remembered that the price of the New Ordinary Shares, the price of the Preferential Subscription Rights and the income from them can go down as well as up. The New Ordinary Shares are only suitable for investors who understand the potential risk of capital loss and who understand and are willing to assume all of the risks involved in investing in the New Ordinary Shares and the Preferential Subscription Rights.

Prospective investors should read this section in conjunction with this entire Prospectus.

### RISKS RELATING TO THE GROUP AND ITS BUSINESS

#### Macroeconomic Risks

**The Group's Portfolio is composed of real estate assets in Spain, and it may be affected by adverse macroeconomic and political conditions in the Spanish real estate market and the Eurozone**

As of the date of this Prospectus, all of the assets in the Portfolio of the Group are located in Spain, and the Company's Investment Strategy as implemented through the Group for the future is to invest, directly or indirectly, in real estate assets (or related instruments) located primarily in Spain. As a result, a deterioration of the Spanish economy or the Spanish real estate market may have a material adverse effect on the performance of the Group. Similarly, the macroeconomic condition of the Eurozone as a whole also has a significant effect on the performance of the Group, as this could impact the availability of financing, and the liquidity condition of the Group. See "*Some of the Group's real estate assets may be located outside Spain in the future*".

Although the Spanish economy has shown signs of increased stability, including a 3.2% increase in GDP in 2015, from 1.4% growth in 2014 (Source: Ministry of Economy and Competitiveness), and a positive economic forecast over the next two years (the GDP growth for the years 2016 and 2017 is forecasted to be 2.7% and 2.4%, respectively (Source: Ministry of Economy and Competitiveness as of April 2016)), there can be no guarantee that the Spanish economy will continue to recover, and it is possible that future events may hinder or delay any economic recovery. Additionally, as of the date of this Prospectus, the economy of the Eurozone continues to experience significant instability and uncertainty, and no prediction can be made as to its condition in the future. In particular, there continue to be concerns surrounding Greece's creditworthiness and its ability to implement the economic reforms demanded by its creditors. Any deterioration of the Greek sovereign debt crisis could ultimately translate into Greece's exit from the Eurozone or the European Union, which could have a material adverse impact on the financial markets and, consequently, the availability of credit to the Group or its tenants. With regard to the Spanish economy in particular, investor confidence may fall due to Cataluña's potential independence and the fact that, as at the date of this Prospectus, there is a high level of political uncertainty over the ability to form a stable government after the December 2015 general elections left no one party with a clear majority, with new elections scheduled to be held on 26 June 2016. Furthermore, other factors or events may affect the Spanish, European and global economic conditions, such as the potential exit of the United Kingdom from the European Union, an economic slowdown in China, a negative market reaction to (stronger than expected)



interest rate increases by the United States Federal Reserve, heightened geopolitical tensions, war, acts of terrorism, natural disasters or other similar events outside the Group's control.

The real estate business is inherently cyclical in nature and is affected by the condition of the economy as a whole. The value of real estate in Spain declined sharply in 2007/2008 as a result of the global economic recession, the credit crisis and reduced confidence in global financial markets caused by the failure, or near-collapse, of a number of global financial institutions. The slowdown of activity in the Spanish real estate sector, which up to the middle of 2007 was moderate, sharpened during the second half of 2007, and activity in the sector continued to decline through 2012. However, investment volumes started to increase in Spain during 2013, exceeding 2007 levels and reaching €13 billion in 2015, representing a 25% increase compared to 2014, which put Spain firmly at the forefront of the leading European countries in terms of investment (Source: CBRE Spain). Although investment levels have increased, companies operating in the real estate sector in Spain have suffered significant downward adjustments in the valuation of asset portfolios in the past. In addition, access to bank financing for real estate investment companies remained difficult throughout these years, as financial institutions were unwilling or unable to extend financing to Spanish businesses or businesses involved with investments in Spain due to the weak economic outlook in Spain at that time.

In addition to the general economic climate, the Spanish real estate market and prevailing rental rates may also be affected by factors such as an excess supply, a decline in the general demand for rental property or hotel keys, reductions in tenants' and potential tenants' space requirements, the availability of credit, changes in laws and governmental regulations (both domestic and international), including those governing real estate usage, zoning and taxes, political events and changes in demographics and social factors (including, but not limited to, the popularity of Spain as a holiday destination), all of which are outside of the Group's control, and may cause investors to revisit the attractiveness of holding real estate as an asset class. Property market downturns also exacerbate low liquidity by limiting financing sources and reducing the number of investors interested in the market, further deflating market prices.

A potential deterioration of market conditions may have a negative impact on the Investment Manager's ability to identify and execute investments in suitable assets that generate, on the whole, the Target Return sought by the Company. The Group is unable to predict how the economic cycle in Spain and the wider Eurozone will develop in the future, or whether there will be a deterioration in economic conditions. A decline in the performance of the Spanish economy or the economies of other Eurozone countries could have a negative impact on consumer spending, levels of employment, rental revenues, the ability of tenants to pay their rental amounts on time or at all, vacancy rates and real estate values. This could cause tenants to default, or not to lease the Group's properties, which would cause the Group's rental income to decrease. This could, in turn, have a negative effect on the Spanish real estate market, which could lead to a decline in real estate values and a lower valuation of the Portfolio, which would result in a loss in the Group's consolidated income statement, corresponding to the difference between this valuation and the fair value of the investment property as calculated in accordance with IAS 40. Any of the foregoing could have a material adverse effect on the Group's financial condition, business, prospects and results of operations.

## **Operating Risks**

### **The Company was formed recently and only has limited historical financial and operating data available**

The Company was incorporated on 23 January 2014 and except for the 2014 Audited Consolidated Annual Accounts for the eleven months and nine days ended 31 December 2014, the 2015 Audited Consolidated Annual Accounts for the financial year ended 31 December 2015 and the 2016 Interim Financial Statements for the period ended 31 March 2016, the Company does not have any other historical financial information or other meaningful annual operating or financial data. See "*Financial Information*". Consequently, prospective investors may not have sufficient historical information to evaluate the future performance of the investments implemented so far by the Company in order to assist them in evaluating the prospects of the Company and the related merits of an investment in the New Ordinary Shares and the Preferential Subscription Rights.

As a result, it may be difficult to accurately estimate the income-generating potential of the assets owned by the Company, particularly taking into account (i) the different points in time that the properties in the Company's portfolio as of 31 March 2016 were acquired (approximately 32% of the Company's individual portfolio book value was acquired in 2014 and the remaining 66% of the Company's portfolio individual book value was acquired in the year ended 31 December 2015 and the remaining 2% of the Company's portfolio individual book value was acquired in the three-month period ended 31 March 2016 (for the avoidance of doubt, these figures relate to the date of the acquisition of the asset and not the date of

the deployment of the funds)), (ii) the conditions of the leases which were in place for certain assets when the Company acquired them, and (iii) the refurbishment and repositioning of certain of those assets, which has occurred subsequently and will be relevant for the future performance and income-generating potential of the Company. As a result, the historical financial information included in this Prospectus may not accurately reflect the Company's future financial performance, which may be materially different from any estimates based on the historical financial information.

Any investment in the New Ordinary Shares and the Preferential Subscription Rights is, therefore, subject to all of the risks and uncertainties associated with a recently incorporated business, including the risk that the Company will not achieve its business objectives and that the value of the investments made by the Company, as well as the value of the Shares, could substantially decline. Any of the foregoing could have a material adverse effect on the Company's financial condition, business, prospects and results of operations.

Furthermore, the facts that the Group's performance relies on the expertise of the Investment Manager and that the Company commenced operations only a relatively short time ago and has a limited financial history are factors that increase the risk of investing in the New Ordinary Shares and the Preferential Subscription Rights. As a result, institutional investors and qualified investors are more capable of understanding the risks involved in the investment in the Company and, in any event, consultation with financial, legal and tax advisers is strongly recommended in order to assess any such potential investment.

### **Strategy, Segment and Real Estate Risks**

#### **The Group may not have full control over all of its investments**

Under the Investment Strategy, the Company, subject in certain circumstances to prior approval by the Board of Directors or the Executive Committee, has the ability to enter into joint ventures or to acquire controlling interests in entities or assets (as well as minority interests, provided that the Company can exercise significant influence to protect Shareholders' interests). As of the date of this Prospectus, the Company holds a 90% interest in Hispania Fides, with the remaining 10% held by CEOSA (ONCE – Ilunion Group). Similarly, Hispania holds a 76% interest in BAY, with the remaining 24% held by the Barceló Group. This could restrict the Group's ability to act quickly with regard to the assets of these companies or hinder or delay the Group's plans with respect to those assets. In such cases, the management and control of the jointly-held entity may entail risks associated with multiple owners and decision-makers. See, for instance, "*Material Contracts—Agreements entered into in respect of the BAY Asset Portfolio—Management agreement regarding BAY*" which provide for reinforced majorities for the approval of certain resolutions by the board of directors of BAY, as well as for the creation of an investment committee that has to approve certain other decisions by a reinforced majority.

Moreover, in the event that the Company, and therefore the Group, invests in properties through joint ventures (which could include joint ventures with the sellers of properties acquired by the Group), it will need to negotiate suitable arrangements with each of its proposed investment partners. This process could prove to be time-consuming, and these arrangements could restrict the Group's ability to act quickly or unilaterally with respect to the relevant assets. Such restrictions are in place in the Co-Investment Agreement entered into with Quantum Strategic Partners pursuant to which there are certain restrictions on the transfer of shares, as well as in the case of Hispania Fides and BAY. Any such joint investment also involves the risk that third-party owners might become insolvent or fail to fund their share of any capital contribution which might be required for the joint investment. See "*Material Contracts*".

Any such third parties may have economic or other interests which are inconsistent with the Group's interests, or they may obstruct the Group's plans (for example, in implementing active asset management measures), or they may propose alternative plans. If such third parties were in a position to take or influence actions contrary to the Group's interests and plans, the Group may face the potential risk of impasses on decisions that affect its ability to implement its strategies and/or to dispose of the corresponding asset or entity.

In addition, there is a risk of disputes between the Group and third parties who have an interest in a given asset or entity. Any litigation or arbitration resulting from any such disputes may increase the Group's expenses and distract the Group and/or the Investment Manager from focusing their time on fulfilling the Group's strategy. The Group may also, in certain circumstances, be liable for the actions taken by such third parties. Any of the above may have a material adverse impact on the Group's financial condition, business, prospects and results of operations.

## **The Group may choose to invest in companies that are involved in bankruptcy proceedings**

As part of its investment strategy, the Group invested in the past in companies that are involved in bankruptcy proceedings as a way to access the underlying assets and extract value through their active management, and may continue to do so in the future. Unless and until such bankruptcy proceedings are terminated, the Group may not have full control over such assets.

Under Spanish insolvency law, as a consequence of the declaration of insolvency, the insolvent company is subject to the insolvency proceedings, which may end with the approval of a creditors' agreement, or, failing that, in the liquidation of such company. Alternatively, the insolvency proceedings could also be terminated during the common phase through the sale of the "production unit".

For example, on 16 July 2015, the Group acquired Leading Hospitality, which on 9 February 2015 was declared in voluntary bankruptcy proceedings. Leading Hospitality owns, among other assets, a number of units and retail spaces in the Hotel Holiday Inn Bernabéu (a 4 stars hotel in Madrid city) – See "*— Business—Legal Proceedings— Insolvency of Leading Hospitality*". Given the voluntary basis of the proceedings, Leading Hospitality retains, in principle, the powers to manage and dispose of its assets. However, the exercise of these powers is subject to the prior authorisation of the insolvency receiver. The Group will not have full capacity to manage Leading Hospitality until the completion of the insolvency proceedings. Additionally, Leading Hospitality could lose its main assets, such as Hotel Maza in Zaragoza and part of the Hotel Holiday Inn Bernabéu in Madrid. This could occur, for instance, in the case of a liquidation of the company or if the creditors who hold mortgages over such assets execute their security interests (which they may do once 12 months from the declaration of the insolvency proceedings have elapsed, provided that the winding-up phase has not commenced, or upon execution of a creditors' agreement that does not affect the enforcement of such security).

Furthermore, given its current shareholding in Leading Hospitality, the Group will be considered an "especially-related person" under Spanish insolvency law. As a consequence, the Group's debts against Leading Hospitality will be considered subordinated, thus potentially resulting in a delay or, as the case may be, a failure, in collecting them (unless they are considered claims against the estate).

Nevertheless, the Group may decide to terminate the insolvency proceedings of Leading Hospitality at any time through the payment or the deposit of all the debts recognised in the insolvency proceedings or the full satisfaction of Leading Hospitality's creditors by any other means. The Group estimates that the costs for meeting all the payment obligations of all the creditors of Leading Hospitality amount to approximately €16 million.

Should any of these risks related to investing in distressed assets materialise, this could have a material adverse impact on the Group's financial condition, business, prospects and results of operations.

### **Property valuation is inherently subjective and uncertain**

The acquisition of real estate assets entails certain investment risks, such as where the profitability of the investment is lower than expected or estimates or valuations (including the development costs of the assets) may prove inaccurate or incorrect. Furthermore, the market value of the assets may fall or be adversely affected in certain cases such as, for instance, where the expected profitability of the assets varies, where there is a delay in the process of obtaining a licence or as a result of legislative changes. See "*Property valuation is inherently subjective and uncertain*".

The Group engages independent experts to conduct an annual valuation of the Portfolio on 31 December of each year, with a limited update on 30 June of each year. Although these experts perform their valuations in accordance with standard market principles, the valuation of real estate assets is inherently subjective due to the lack of liquidity of such assets and, among other factors, the nature of each property, its location, the expected future rental income from that particular property or real estate-related investment and the valuation methodology used to assess that property's value. Any such valuation is subject to a degree of uncertainty and may be made on the basis of assumptions and methodologies which may not prove to be accurate, particularly in periods of volatility, low transaction flow or restricted debt availability in the real estate market. As a result, the valuation of the Group's assets cannot be taken as an estimate or approximation of the market price that could be obtained in a potential sale of such properties, nor as an estimate or approximation of the value of the Shares in the market.

In addition, any valuations relied on by the Group or the Investment Manager will reflect the value of the asset only as of the date of the valuation, and market movements subsequent to the date of any valuation may cause significant fluctuations in the value of the real estate or real estate-related investment.

See “*Valuation of CB Richard Ellis Valuation*” and “*Business—Investment Strategy—Periodic valuation and reporting policy*”.

Furthermore, the Company’s Investment Strategy contemplates not only direct investments in real estate but also indirect investments in underlying real estate assets through a variety of instruments, including minority equity stakes where the Company (either directly or through a Group Company) believes that it can exercise significant influence to protect the interest of Shareholders, as well as hybrid, junior, mezzanine and senior debt arrangements, subject, in certain circumstances, to prior approval by the Company’s Executive Committee or the Board of Directors. Where a property or an interest in a property is acquired through another entity or investment structure, the value of the entity or investment structure may not be the same as the value of the underlying property due to tax, environmental, contingent, contractual or other liabilities, structural considerations or other reasons. As a result, there can be no assurance that the value of investments made through such structures will accurately reflect the value of the underlying property. See also “—*The Group may invest indirectly in real estate assets*”.

Should the information, estimates or assumptions used by these experts prove incorrect or inaccurate, the valuations could be substantially erroneous. If the Group or the Investment Manager were to invest on the basis of valuations which are proven to be inaccurate, the Group could acquire a property for a price that is considerably higher than the actual value of the property, or the property may not produce as much rental income as estimated prior to acquisition. Such an error in the valuation of a property prior to acquisition could hinder the achievement of the Target Return and could have a material adverse effect on the Group’s financial condition, business, prospects and results of operations.

Moreover, any downward revision of such valuations could force the Group to incur a loss in its annual accounts, as the annual accounts of the Group record the appraisal value of its assets rather than the acquisition costs, as permitted under IFRS-EU, and thus any negative change in the valuation of the Group’s assets is recorded as a loss.

**Investing in real estate, including hotel properties, offices and residential rental properties, is subject to certain inherent risks**

The Group aims to build a high-quality real estate portfolio by investing primarily in hotel properties, offices and residential rental properties in Spain and, once the EnCampus investment period has expired, in Spanish student accommodation properties (see “*Material Contracts—Investment Manger Agreement—Reserved Matters*”). Revenues earned from, and the capital value of, investments in real estate by the Group and the Group’s business may be materially adversely affected by a number of factors inherent in investing in real estate, including, but not limited to:

- decreased demand;
- the relative illiquidity of the assets;
- material declines in rental or hotel operator values;
- market expectations around rental or hotel operator income yields on capital values;
- exposure to the creditworthiness of tenants and/or hotel operators, including the breach of their obligations, the impossibility to collect rents and other contractual payments, the renegotiation of tenant or management leases on terms less favourable to the Group, or the termination of tenant leases;
- material litigation, including judicial and non-judicial claims relating to acts or omissions of the Group and of third parties hired by the Group (such as architects, engineers and construction constructors and subcontractors);
- material expenses in relation to the refurbishment and re-letting of a relevant property, including the provision of financial inducements to new tenants such as rent-free periods;
- limited access to financing;
- illegal occupation by third parties of unoccupied real estate properties owned by the Group (with the resulting need to incur legal costs in order to repossess such real estate property);
- increases in operating costs, other expenses or cash needs without a corresponding increase in turnover or tenant reimbursements, including as a result of increases in the rate of inflation in excess of rental growth, property taxes or statutory charges or insurance

premiums, costs associated with tenant vacancies and unforeseen capital expenditure affecting properties which cannot be recovered from tenants;

- inability to recover operating costs such as local taxes and service charges on vacant space;
- incorrect repositioning of an asset in changing market conditions;
- increase in the taxes and fees on real estate (for example, property taxes or waste taxes) as well as other costs and expenses associated with the ownership of real estate (for example, insurances and community expenses);
- regulatory changes which require the implementation of extraordinary acts by owners of real estate properties or which imply additional expenses or costs (for example, obligations to obtain energy certificates in relation to real estate assets in order to be able to lease them); and
- adverse consequences resulting from (i) lack of permits, licences, planning instruments and other authorisations, which have not been obtained, issued or which were missing at the time of the acquisition of the properties by the Group and (ii) refurbishment works, change of use, on-going regularisations and adaptation of certain properties (including its installations) to the applicable laws and regulations.

Investing in each of these asset classes is subject to certain inherent risks.

*Hotel properties.* Demand for hotel keys is seasonal in nature, depending principally on location and on the customer base served. In addition, the hotel industry is cyclical and demand generally follows, with a certain lag, the general trends of the economy. The seasonality and cyclicity of the industry may affect the gross margins and the valuation of the hotel-related assets of the Group, which may contribute to fluctuations in the Group's results of operations and financial condition. In addition, the hotel industry is highly competitive and the Group's hotel properties are likely to face intense competition from major hotel chains with well-established and recognised brands, smaller hotel chains and independent local hotel owners. Hotels typically compete on the basis of brand name recognition and reputation, location, room rates, property size and availability of keys and conference space, quality of the accommodations, amenities and the ability to earn and redeem loyalty programme points. Failure by the operators of the Group's hotel properties to compete successfully for hotel guests may adversely affect the Group's gross rental income and, in turn, the value of such properties. Furthermore, the strength of the hotel industry is closely correlated to the performance of the tourism industry in Spain, which could vary in the future as a result of, among others, changes in the popularity of Spain as a tourist destination and the disposable income available to tourists.

*Offices.* Demand for office space is dependent on a number of factors, including overall economic conditions and the attractiveness of a particular location due to changes in transport links, the proximity of other office space and commercial tenants and general trends in the commercial real estate market, such as trends in the usage of office space. Even where demand for office space is generally high, the offices held by the Group may not be suitable for potential commercial tenants because they may seek larger spaces or a particular layout of office space different from that offered by the Group. In addition, a downturn in a particular economic sector may adversely affect the Group where it has let offices to commercial tenants from that particular economic sector. Furthermore, any excess in supply is likely to exert downward pressure on the rental income, which in turn would reduce the Portfolio Value of the Company as the rent-generating capacity of these properties would be reduced.

*Residential rental properties.* Residential rental properties are primarily let to private tenants, who may request the registration of their lease agreements in the Spanish Property Registry (*Registro de la Propiedad*), with corresponding costs. Low demand for residential rental properties because private tenants deem a particular location to be undesirable or if the private tenants move to other areas as a result of economic, social or other conditions may lead to higher vacancy rates and subsequently lower gross rental income. Moreover, a recovery of the Spanish economy may result in private tenants increasingly opting to acquire residential rental properties rather than renting. Low demand for residential rental properties could force the Group to lease its residential units on less favourable terms, or could make the Group unable to find tenants. The Group is subject to the Spanish Urban Renting Act (*Ley de Arrendamientos Urbanos*), which requires the mandatory annual extension of lease agreements for at least three years, unless otherwise stated by the lessee, and the amendment or removal of government subsidies for leasing.

The Group currently owns government-subsidised properties to which certain specific regulations apply. The term "government-subsidised properties" is used to refer to any property that has received or is receiving government aid either for its construction, purchase or financing (which can be made in various

forms: direct grants, subsidised interest or agreed loans) and regardless of the central, regional or local public authority that has financed the construction or purchase of the housing or whether it is publicly or privately owned. Traditionally, such government-subsidised properties have been called “VPOs” (*vivienda de protección oficial*), and this term is used in some Spanish autonomous communities, although in recent years a number of new terms for government-subsidised housing have been introduced via regional legislation. “VPO” in general terms refers to housing units that are used as a permanent residence, have certain limited floor space and rental/sale rates and are classified as such under the applicable regulations (mainly Royal Decree Law 31/1978, of 31 October and Royal Decree 3148/1978, of 10 November and Royal Decree 801/2005, of 1 July). These housing units may be for sale or for rent. To be considered a VPO, a property must be specially declared as such by the competent authority.

*Student accommodation properties.* Demand for student accommodation is closely linked to the number of students in a particular area, the ease of access to universities and the availability of alternative affordable accommodation in the proximity. A decrease in demand for residential rental properties in a particular area, which is accompanied by a reduction in rent levels, may reduce demand for student accommodations where students increasingly opt for low-rent accommodation. In addition, the decrease in the number of university students as a result of Spain’s demographic evolution and the decrease of mobility within the student community may also have an adverse effect on the demand for this type of asset. Any decrease in demand for the Group’s student accommodation properties could adversely affect the Group’s revenues and may force the Group to accept lower rents.

In addition, the Company, either directly or through Group Companies, may also contemplate investing in Non-Core Asset Classes and in Development Opportunities. Pursuant to the Investment Manager Agreement, the aggregate amount of acquisition all-in costs together with any expected or proposed initial capital expenditure in relation to investment opportunities falling into (i) the Non-Core Asset Classes and (ii) the Development Opportunities may not exceed in aggregate an amount equal to 20% of the sum of the Portfolio Value plus the cash and any financial instrument allowed by the Cash Management Policy immediately following the acquisition of any such investment opportunities, subject in each case, to prior written approval of the Board of Directors. Investing in each of the Non-Core Asset Classes is subject to certain specific risks, among which the following should be noted:

*Retail.* Demand for retail space is closely linked to general economic conditions, including levels of employment and consumption, and demand for residential rental properties in adjacent areas. In addition, the retail sector, which is currently experiencing an excess of supply, is currently facing competition from large retail surfaces, as well as considerable competition from e-commerce and online retail, with consumer shopping habits increasingly shifting from store usage to internet shopping, which is putting pressure on retailers’ revenues. These factors could have an adverse impact on demand for retail space and, in turn, may negatively affect the Group’s ability to attract tenants for its retail properties or may force the Group to accept lower rents to fill space.

*Logistics.* While the increase in e-commerce and online retail has seen a certain rise in demand for logistics space, potential tenants increasingly require such space to be suitable for more efficient and complex storage, classification and distribution processes, in accordance with the needs of online retail, which are different from traditional warehousing needs. In addition, the attractiveness of logistics space is closely linked to access to infrastructure and large cities. In the event the Group’s logistics properties were to fail to meet such requirements, this could negatively affect the Group’s ability to attract tenants for its logistics properties or may force the Group to accept lower rents to fill space.

If the revenues earned from the Group’s assets or the market value of those assets are adversely impacted by any of the above or other factors, this could have a material adverse effect on the Group’s financial condition, business, prospects and results of operations.

#### **There are certain employment-related risks associated with hotel management**

The Group has invested in an increasing number of hotel properties and may continue to do so in the future. The Group lets such assets to third-party hotel operators (through property or industry leases), indirectly manages such assets through temporary third-party management contracts or, in certain cases, following their acquisition, the Group may directly manage such hotel properties.

Managing hotel properties is a personnel-intensive activity. For instance, as of 31 March 2016, the Group had 166 employees carrying out hotel services at the hotel properties under the direct management of the Group.

Risks associated with hotel management from an employment perspective include: (i) employment responsibility and social security responsibility for employees employed by the operator of the hotel; (ii) joint and several responsibility, and/or secondary responsibility, for potential social security or employment obligations with respect to employees who provide hotel-related services; and (iii) the potential transfer of existing employees to the Group (sucesión de empresa). Therefore, as a result of investing in hotel properties, the Group's headcount and, accordingly, its employment-related costs (including social security contributions), could be further increased, and the Group may also be exposed to employment disputes or litigation.

Any of these factors could have a material adverse impact on the Group's financial condition, business, prospects and results of operations.

**There are certain inherent risks relating to property development, including unanticipated costs or delays by third parties, which may impact the Group's ability to implement its strategy**

Besides investing in real estate assets such as hotel properties, offices, residential rental properties and student accommodation properties, the Group may also, subject to certain restrictions, invest in other kinds of assets, such as commercial premises or logistical buildings, or in underlying real estate assets, as well as in assets requiring development and refurbishment in order to make them more attractive to tenants and consequently to increase the rent. See "Business—Investment Strategy—Asset Classes".

Property development involves, among others, the following risks: (i) the resulting costs of a project may differ from those originally estimated, and may exceed the increase in rental income expected as a result of such project; (ii) the authorisations and licences required for any new uses of the assets may be delayed or not granted at all; (iii) costs could increase due to changes in regulation; (iv) delays by contractors in construction or refurbishment of such properties could trigger the payment of penalties to clients and incurrance of higher development costs; (v) it may be difficult or impossible to sell the properties once the development project is completed and (vi) potential liabilities and obligations associated with the developments and/or ownership of assets under Spanish development laws (including claims due to defects relating to the development, construction and/or refurbishment of properties).

The risks referred to above may cause increases in costs and delays for, or the cancellation of, future projects. Furthermore, the Group may not receive the expected benefits of such development projects, which could in turn make the Company unable to meet its performance expectations and to achieve the Company's Target Return. Any of the foregoing may in turn have a material adverse effect on the Group's financial condition, business, prospects and results of operations.

**There are certain inherent risks relating to the management of assets, including negotiating agreements with tenants and managing credit and insolvency risk**

The main activity of the Group consists of the acquisition and management of real estate assets, including the purchase, lease, sale, refurbishment, repositioning and rental of such properties, either directly or through other wholly- or partially-owned entities.

If the Group is unable to renew its lease agreements with its current tenants prior to the expiry date of the agreement, if renewals are executed pursuant to less favourable terms, if new tenants cannot be found or if leases are terminated early, the profits of the Group may decrease sharply. In order to guard against these risks, the Group implements an active management of its properties, which focuses on ensuring the appropriate marketing of its properties and selection of tenants.

Additionally, managing real estate assets entails risks related to tenants' insolvency and liquidity, which may entail a breach of the payment obligations under the lease agreement, which in turn could materially and adversely affect the Group's profits. Although the Group carefully selects tenants on the basis of their creditworthiness and negotiates lease agreements subject to mandatory prepayments and guarantees (typically in the form of personal guarantees, rather than in the form of escrows or some other form of security) that become enforceable in case of a payment default, such provisions are not in place for all of the Group's properties (apart from the compulsory provisions required by law) and even when they are, the tenant may not be in a position to honour them. As a result of the foregoing, the Group cannot guarantee that such agreements with third parties will not be breached.

Additionally, if the Group's net rental income declines, it will have less cash available, which could hinder the ability of the Company to carry through the Investment Strategy and achieve the Target Return. Furthermore, the Portfolio Value of its properties could significantly decline. In addition, the acquisition or refurbishment of new properties to lease entails significant investments that may not be recovered due to unforeseen increases in the costs of such development or refurbishment which may outweigh the expected

increased profits obtained from such properties after such development or refurbishment. Similarly, if profits are lower than expected, the relevant investments made for the maintenance and management of the properties, such as taxes, fees, insurance, maintenance and renewal costs, will not generally be reduced proportionally. Any of the foregoing could have a material adverse effect on the reported financial condition of the Group and its valuation and prospects.

As of 31 March 2016, the occupancy rates of the office portfolio and residential rental portfolio were 81% and 87%, respectively. This reflects a 22% increase in the occupancy rate for the office portfolio that existed in the first quarter of 2015 when compared with the same office portfolio in the first quarter of 2016, whereas there has been no significant change in the occupancy rate like-for-like in the residential portfolio for the same period. If the Group is unable to maintain high occupancy levels, or if demand in the market for hotel, office or residential rental properties decreases for any reason and market rental rates decrease, or if the Group is unable to reduce the costs associated with the maintenance and management of its properties in the event of lower-than-expected profits, this could have a material adverse effect on the Group's financial condition, business, prospects and results of operations.

See "Risks Relating to Real Estate—Investing in real estate, including hotels, offices and residential rental properties and is subject to certain inherent risks".

### **The Portfolio is primarily concentrated in certain types of assets**

The Investment Strategy does not contemplate any investment in Individual Investment Opportunities requiring the payment of more than €100 million of the Company's own funds, unless the General Shareholders' Meeting of the Company decides otherwise. The Group concentrates its investments in hotel properties, located in prime resort locations as well as in certain urban cities, and offices and residential rental properties, with a particular focus on consolidated areas of Madrid and Barcelona markets. As of the date of this Prospectus, all of the assets of the Group are located in Spain.

As of 31 December 2015, the total value of the assets of the Portfolio, which amounted to €1,425 million (in attributable terms, taking into account the stake the Company holds in various assets, approximately €1,285 million), was divided between three types of assets: 59.3% hotel properties, 28.4% offices and 12.3% residential rental properties. The Portfolio value was increased to €1,463 million (€1,322 million in attributable terms) as of 31 March 2016 mainly due to (i) the acquisitions completed over the period (Las Agujas land plot, Hispanidad residential building and additional units from Hospitia), (ii) the capex implemented and the capitalised transaction cost incurred during the first quarter of 2016 and (iii) the disposal of eleven dwellings of Majadahonda as a consequence of the exercise of the respective call options as of 31 March 2016. As of 31 March 2016, the breakdown of the Portfolio value was divided between three types of assets as follows: 58.9% hotel properties, 28.0% offices and 13.1% residential rental properties.

Demand for hotel keys is seasonal in nature, depending principally on location and on the customer base served. In addition, the hotel industry is cyclical and demand generally follows, with a certain lag, the general trends of the economy. By concentrating the Portfolio to a greater extent on hotel properties, the Group's results of operations are more heavily affected by these trends. Furthermore, having a greater proportion of the Portfolio in hotel properties makes the Group more reliant on the strength in the tourism industry in Spain, which could vary in the future as a result of changes in the popularity of Spain as a tourist destination and the disposable income available to tourists, among others.

As a result, the Group's financial performance is to some extent dependent on the economic situation of Spain generally, and the prime tourism areas such as the Costa del Sol, the Balearic Islands, the Canary Islands, as well as Madrid and Barcelona more specifically; all of which are also affected by the economic situation of certain European countries, other than Spain, such as United Kingdom, Germany and France. The concentration of the Portfolio in the Spanish market, or in any specific type of asset or geographical area within that market, may entail a higher level of volatility in the value of the Portfolio. Consequently, an investment in the New Ordinary Shares and the Preferential Subscription Rights may be subject to greater risk than investing in shares in other companies that have more geographically diversified portfolios or investment strategies. A deterioration in market conditions in Spain could have a significant negative effect on demand for leases, the ability of tenants to fulfil their payment obligations and the vacancy rates of the leased properties of the Group.

Furthermore, as a result of the concentration of the Portfolio in the hotel, office and residential rental sectors, a decrease in the demand for properties of these types will negatively impact the Group's rental income and Portfolio Value and/or the ability of the Group to acquire or dispose of assets and to secure or retain tenants on acceptable terms. Consequently, this may have a material adverse effect on the Group's financial condition, business, prospects and results of operations. See "*—The Group's Portfolio is primarily*



*composed of real estate assets in Spain, and it may be affected by adverse macroeconomic conditions in the Spanish real estate market and the Eurozone”.*

#### **The composition of the Group’s Portfolio may vary**

The Group intends to build and maintain a high-quality real estate portfolio by investing primarily in hotel properties, offices and residential rental properties in Spain and, once the EnCampus investment period has expired, in Spanish student accommodation properties. As of 31 March 2016, the total value of the assets of the Portfolio, which amounted to €1,463 million (in attributable terms, taking into account the stake the Company holds in various assets, approximately €1,322 million), was divided between three types of assets: 58.9% hotel properties, 28.0% offices and 13.1% residential rental properties. The Company, and therefore the Group, however, may freely invest within those categories of assets in different real estate assets at different times during the Investment Period, subject to the terms of the Investment Manager Agreement and of the Company’s Investment Strategy. The allocation of the asset portfolio of the Group among hotels, offices, residential rental properties and student accommodation properties may therefore fluctuate from time to time.

At the time a particular investment is made, the real estate market for a given asset class may be at a different stage of the cycle than other asset classes. Furthermore, investing in each class of real estate presents inherent risks, and investors may from time to time be more or less exposed to such risks as a result of fluctuations in the Group’s Portfolio. See “—Risks Relating to Real Estate—Investing in real estate, including hotels, offices and residential rental properties is subject to certain inherent risks”.

Accordingly, as a result of each of these factors, the composition of the Portfolio may fluctuate from time to time, potentially materially, which in turn could have a material adverse effect on the Group’s financial condition, business, prospects and results of operations.

#### **Some of the Group’s real estate assets may be located outside Spain in the future**

Although as of the date of this Prospectus all of the assets of the Group are located in Spain, and while the Group intends to invest primarily in assets located in Spain, the Company’s Investment Strategy allows the Company to invest in assets located outside of Spain. However, this may only occur as long as such non-Spanish assets do not represent more than 10% (or, subject to prior approval of the Board of Directors, 25%) of acquisition all-in costs together with any proposed or expected initial capital expenditure of any acquired portfolio of assets, as calculated immediately prior to signing the relevant documentation in respect of such investment. See “Material Contracts—Investment Manager Agreement—Reserved Matters”.

At the time a particular investment is made, the real estate markets in the countries in which such assets are located may be at a different stage of their cycle than the Spanish real estate market, which may require that the Group deploy a strategy with respect to those assets which is different from the strategy deployed in respect to assets located in Spain. In addition, the Investment Manager’s knowledge and expertise in these markets may be limited or non-existent. A decline in the real estate market where any non-Spanish assets are located, or the inability of the Investment Manager to adapt its strategy to such other markets, could have a material adverse effect on the Group’s financial condition, business, prospects and results of operations.

#### **The relative illiquidity of property investments may affect the Group’s ability to dispose of assets**

Investments in property assets can be illiquid for reasons including, but not limited to, the long-term nature of leases, properties being tailored to tenants’ specific requirements, varying demand for property and the complexity and significant amount of time and cost incurred in the completion of property transactions. Such illiquidity may affect the Group’s ability to dispose of properties in a timely fashion and/or at satisfactory prices, limiting, among other things, the Group’s ability to modify the composition of its portfolio in response to changes in economic, property market or other conditions. Additionally, property market downturns exacerbate low liquidity by reducing the number of available investors, deflating the market prices available and limiting sources of funding, as well as triggering an increase in the supply of properties and, consequently, a fall in market prices.

Any of the foregoing may have a material adverse effect on the Group’s financial condition, business, prospects and results of operations.

#### **Delays in the deployment of the Net Proceeds Raised may have an adverse impact on the Group’s financial condition, business, prospects, results of operations and cash flows**

When deploying the Net Proceeds Raised, the Group may face delays and contingencies (in particular, relating to locating suitable properties, negotiating acceptable purchase agreements and

conducting due diligence exercises, among other things). In addition, necessary authorisations or approvals may be refused, or granted only on onerous terms, and any such refusal, or the imposition of onerous terms, may result in an investment not proceeding according to the timetable originally envisaged, significant delays and/or significant costs being incurred by the Group in relation to such investment. In addition, market conditions and other factors described in this section may adversely affect the Group's and the Investment Manager's ability to identify and execute investments in suitable assets capable of generating, on the whole, the Target Return. As a result of the possible delays mentioned above, the Group is unable to predict how much time will be required to invest the Net Proceeds Raised, and there is no guarantee that the Investment Manager will be successful in sourcing suitable assets and there is no guarantee that the Group will make any investments in real estate assets in a timely manner or at all.

Until such time as all of the Net Proceeds Raised are applied by the Company to fund investments, the unapplied portion of such Net Proceeds Raised will be invested by the Investment Manager on behalf of the Company in accordance with the Company's Cash Management Policy. The Cash Management Policy requires the Investment Manager to have such cash at all times invested across a diversified portfolio, which will include various types of financial instruments with such instruments to be sufficiently liquid, obtained from credit-worthy counterparties and of short term maturity, such as any current accounts, cash deposits, term deposits, commercial paper, treasuries, bonds with short-term maturity and other similar instruments. Such instruments are likely to yield lower returns than the expected returns from real estate investment.

As a result, any delay in the Company's deployment of the Net Proceeds Raised could have a material adverse effect on the Group's financial condition, business, prospects and results of operations and the Target Return, and therefore may delay or limit the distribution of results and the profitability of the investments made by the Shareholders.

#### **The Group may invest indirectly in real estate assets**

The Company's Investment Strategy contemplates not only direct investments in real estate but also indirect investments in underlying real estate assets through a variety of instruments, including equity stakes where the Company, either directly or through Group Companies, believes that it can exercise significant influence to protect the interest of Shareholders, as well as hybrid, junior, mezzanine and senior debt arrangements, subject, in certain circumstances, to prior approval by the Company's internal governing bodies. See "Material Contracts—Investment Manager Agreement—Reserved Matter".

Any such indirect investment is subject to inherent risks, in particular the risk that the Group may ultimately be unable to acquire entire control of the underlying real estate asset or that the amount of the Group's indirect investment may exceed the realisation value of the underlying real estate asset. For example, where the Group acquires shares in an entity holding real estate assets, the Group's claim on such entity's real estate assets may be contractually subordinated to competing claims by third parties, such as third-party lenders. Furthermore, investment through debt instruments entails certain risks which differ from those of direct investment in real estate assets or investment in the share capital of real estate-related assets.

Moreover, the Company's inclusion in the SOCIMI tax regime (the "SOCIMI Regime") was approved at the Company's General Shareholders' Meeting held on 5 May 2016. As a result, the indirect investment in real estate assets through the instruments described above is limited because the Company is subject to compliance with certain requirements including, among others, investment of 80% of its assets in "qualifying assets" which could not include some or all of the above instruments, as set forth in "Regulation—SOCIMI Regulations".

Furthermore investments in underlying real estate by use of indirect instruments may not be considered to be "qualifying assets" under the SOCIMI Regime. As a result, these assets would not benefit from the tax relief applicable to SOCIMIs which would have applied to direct investment arrangements. Specifically, in the case of the acquisition of certain real estate assets by SOCIMIs (for example, the acquisition of residential rental assets), direct investment by a SOCIMI could, to the extent that certain requirements are met, benefit from a 95% tax relief (bonificación del 95%) on the transfer tax due upon acquisition, whereas such tax relief would not apply to indirect investments.

In addition, if the Group invests in debt arrangements secured on property assets, the Group's investment will consist of the loan receivables rather than the secured collateral. Where the borrower under any such loan repays the loan in full, the Group will be unable to acquire the underlying real estate asset and the loan proceeds may result in a lower return than the Group may have been able to realise if it had been able to acquire the underlying real asset. Furthermore, in the event of a default of any real estate-backed loan assets which would entitle the Group to enforce the underlying security, the process could prove overly expensive and time-consuming depending on the type of security held, and enforcing the collateral through

these means may reduce the value recovered. To the extent there is an enforcement of collateral and insufficient amounts are available from the realisation of assets to repay all amounts outstanding, the amounts due to the Group under the loan may be reduced by sharing the recovered funds with other creditors. Any failure or delay in enforcing security, or where the realisation yields insufficient funds, could have a material adverse impact on the Group's financial condition, business, prospects and results of operations.

Moreover, where the Group invests in junior or mezzanine debt, it would be subordinated in right of payment and ranked junior to other obligations that are secured by the same asset or pool of assets. In the event of default by a borrower in relation to any such investment, the holders of the borrower's more senior obligations will have priority in terms of directing the enforcement of the underlying security and would be entitled to payments in priority to those of the Group. In this case, the Group may not be repaid in full or at all, resulting in a capital loss.

For certain investment structures, payments of interest and/or principal to more senior creditors are prioritised (temporarily or permanently) upon the occurrence of certain events. This may lead to interruptions in the income stream that the Group expects to receive from its Portfolio.

Any of the foregoing factors may have a material adverse impact on the Group's financial condition, business, prospects and results of operations.

**The Group may be subject to potential losses relating to contingencies or issues (whether identified or not) in real estate assets**

The Group may be subject to claims or other losses due to defects relating to its properties, including latent construction defects unknown to the Group but that could have been identified at the time of acquisition.

Prior to entering into an agreement to directly or indirectly acquire any property, the Investment Manager, on behalf of the Group, performs due diligence in respect to the proposed investment. The Investment Manager typically relies in part on third parties to conduct a significant portion of this due diligence (including technical and legal analysis and property valuation). To the extent the Group, the Investment Manager or other third parties underestimate or fail to identify defects, risks and liabilities associated with the investment, the Group may incur, directly or indirectly, unexpected liabilities, charges or encumbrances, such as defects in title, an inability to obtain permits enabling it to use the property as intended, environmental, structural or operational defects or liabilities requiring remediation. Any due diligence exercise which fails to identify any such defects, liabilities or risks may result in the acquisition of properties that are not consistent with the Company's Investment Strategy, which fail to perform in accordance with expectations or which subject the Group to substantial liabilities.

Although the Group seeks to obtain contractual protection from the seller of a property against undisclosed claims and contingencies or other issues/contingencies which have been identified during the due diligence, there can be no assurance that such contractual protection will always be successfully obtained, or that it would be enforceable or effective if obtained under contract. Any claims for recourse that the Group may have against parties from which the Group has purchased a property may fail because of, among other things, the expiration of the warranty period and the statute of limitations, lack of proof that the seller knew or should have known of the defect, the insolvency of the seller or lack of proof of the knowledge that the seller had or should have had regarding the corresponding defect or contingency.

Furthermore, insurance maintained by the Company to cover such risks may not adequately protect the Group from the consequences of the potential liabilities referred to above, including losses arising from the interruption of the Company's business as a result of addressing such defects or litigating such claims. See "—The Group may suffer material losses in excess of insurance coverage, if any, or from uninsurable events".

The Group may also be exposed to future liabilities and/or obligations with respect to the disposal of investments. The Group may be required to set aside provisions for warranty claims or contingent liabilities in respect of property disposals. The Group may be required to pay damages (including, but not limited to, litigation costs) to a purchaser to the extent that any representations or warranties that it had given to that purchaser prove to be inaccurate or to the extent that it has breached any of its covenants or obligations contained in the disposal documentation. In certain circumstances, it is possible that any incorrect representations and warranties could give rise to a right by the purchaser to unwind the contract in addition to receiving damages. Furthermore, the Group may become involved in disputes or litigation in connection with such disposed investments. Certain obligations and liabilities associated with the ownership of investments

can also continue to exist notwithstanding any disposal, such as certain environmental liabilities or liabilities arising from construction defects (*responsabilidad decenal*). Any such costs incurred as a result of such claims, litigation or obligations, and any steps which the Group is required to take to meet these costs, such as the sale of assets or increased borrowings, could have a material adverse effect on the Group's financial condition, business, prospects and results of operations. See “—*The Group may suffer material losses in excess of insurance coverage, if any, or from uninsurable events*”.

#### **The Group may become involved in legal disputes which could impact its financial performance**

The companies within the Group are currently involved in certain legal disputes, the majority of which arose in the ordinary course of business. The Group is unable to anticipate the outcome of these disputes, and other disputes may arise in the future, any of which could subject the Group to the demolition of certain constructions, legal claims, the payment of legal costs and the diversion of the time of management to address the dispute. See “*Business—Legal Proceedings*”.

Although the Group makes accounting provisions according to estimates of potential litigation costs on the basis of available information, on-going or future legal disputes and claims could have a material adverse effect on the Group's financial condition, business, prospects and results of operations. Furthermore, any legal dispute or claim brought against the Group or the Company's directors may result in reputational damage to the Group.

#### **The Group may be subject to liability or loss of income in connection with pending licences, concessions, permits and authorisations or lack thereof as well as planning instruments and applicable sectorial legislation**

In order to own and manage its properties, the Group and/or the lessees or managers of the assets are required to obtain certain licences, concessions, permissions and authorisations for, among other things, refurbishment works, change of intended use, on-going refurbishments to modernise properties and/or the need to bring them into conformity with planning regulations. In certain cases, the Group may acquire properties that do not yet possess all necessary licenses at the time of such acquisition and/or fail to comply with planning and sectorial legislation. As a result, the Group may not be able to manage such properties as originally planned due to, among other things, (i) delays in obtaining (or failure to obtain) the necessary licences, concessions, permissions or authorisations (which are in any case subject to administrative proceedings); (ii) failure to bring the assets into conformity with planning and sectorial legislation; (iii) the zoning situation of the assets; or (iv) applicable legislation. All of this could have a material adverse effect on the Group's financial condition, business, prospects and results of operations. See for example “—*Business—BAY Asset Portfolio—Investment Agreement with the Barceló Group*”.

#### **The Group may suffer material losses in excess of insurance coverage, if any, or from uninsurable events**

As of 31 March 2016, the Group has insurance policies in place covering the replacement costs of its property assets. However, the Group's properties could suffer physical damage resulting in losses (including loss of rent) which may not be covered or compensated for by insurance, either fully or at all. In addition, there are certain types of losses, generally of a catastrophic nature, that may be uninsurable or that are not insurable at a practicable cost. Inflation, changes in building codes and ordinances, environmental considerations and other factors could also result in insurance proceeds being unavailable or insufficient to repair or replace a property or pay for environmental remediation costs.

Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose capital invested in the affected property as well as anticipated future revenue from that property. In addition, the Group could be liable to repair damage caused by uninsured risks. The Group might also remain liable for any debt or other financial obligation related to that property or pay for uninsured environmental remediation costs. Any material uninsured losses could have a material adverse effect on the Group's financial condition, business, prospects and results of operations.

#### **The Group may be dependent on the performance of third-party contractors and development, construction or refurbishment projects may suffer delays, may not be completed or may fail to achieve expected results**

Where the Group undertakes development, construction or refurbishment of its property assets, it may be dependent on the performance of third-party contractors who undertake the management or execution of such development, construction or refurbishment on behalf of the Group. With regard to investments in major development, construction or refurbishment opportunities (the “**Development Opportunities**”),

pursuant to the Investment Manager Agreement, the aggregate amount of acquisition all-in costs together with any expected or proposed initial capital expenditure in relation to investment opportunities falling into (i) retail, logistics and other real estate asset classes (the “**Non-Core Asset Classes**”) and (ii) the Development Opportunities may not exceed in aggregate an amount equal to 20% of the sum of the Portfolio Value plus the cash and any financial instrument allowed by the Cash Management Policy immediately following the acquisition of any such investment opportunities, subject in each case to prior written approval of the Board of Directors. Any such investment in Development Opportunities or the use of third-party contractors for works in respect of the Group’s other real estate assets would expose the Group to various risks, including but not limited to:

- failure by such third-party contractors to perform their contractual obligations;
- insolvency of such third-party contractors;
- the inability of the third-party contractors to retain key members of staff;
- cost deviations in relation to the services provided by the third-party contractors;
- delays in properties being available for occupancy;
- poor-quality execution;
- fraud or misconduct by an officer, employee or agent of a third-party contractor, which may result in losses for the Group and damage to the Group’s reputation;
- inability to obtain necessary governmental or regulatory permits on a timely basis or at all;
- diversion of resources and/or attention of the Board of Directors and the Management Team from other operations and acquisition opportunities;
- disputes between the Group and third-party contractors; and
- liability of the Group for the actions of the third-party contractors or property users.

If the Group’s third-party contractors were to fail to perform the services for which they were engaged, either as a result of their own fault or negligence, or due to the Group’s or the Investment Manager’s failure to properly supervise such contractors, or for any other reason, this could have a material adverse effect on the Group’s financial condition, business, prospects and results of operations.

**The Net Asset Value may decrease according to the performance of the Group’s investments and changing valuations**

The Net Asset Value is expected to fluctuate over time according to the performance of the Group’s investments. Moreover, valuations of the Group’s investments may not reflect the price at which such investments could be realised if they were sold in the market. As of 31 March 2016, in accordance with EPRA recommendations, the Net Asset Value amounted to €973 million, which corresponds to €11.80 per Existing Ordinary Share.

To the extent that information regarding the net asset value of an investment or that of a material part of an investment’s own underlying investment is not available in a timely manner, the Net Asset Value will be published based on estimated values of the investment and on the basis of the information available to the Investment Manager at the time of publication. There can be no guarantee that the Group’s investment could ultimately be realised at any such estimated valuation. Because of the overall size of the investments, concentration in particular markets and the nature of the investments held by the Group, the value at which the Group’s investments could be disposed of could differ significantly from the valuations obtained by the Investment Manager. In addition, the timing of any disposal may also affect the consideration received for the asset, such as if the disposal took place during a depressed stage in the real estate cycle.

In calculating the Net Asset Value, the Investment Manager relies on, among other things, valuation estimates that may include information derived from third-party sources. Such valuation estimates are unaudited and may not be subject to independent verification or other due diligence. Additionally, at times, third-party pricing information may not be available for certain properties held by the Group, thereby making the valuation of such assets more difficult. The type of investments traded by the Group may be complex, illiquid and not listed on any stock exchange. Accordingly, as a result of any of these factors, the Net Asset Value may fluctuate from time to time, potentially materially, and could decrease substantially. If the Net Asset Value were to decrease, this could have a material adverse impact on the price of the Shares.

### **The Group may dispose of its investments at a time when it will not be able to obtain the optimal price for them**

Upon or prior to the later of (i) the third anniversary of the Initial Admission or (ii) the end of the Investment Period, the Company intends to present the Shareholders with a Value Return Proposal, which will be prepared by the Investment Manager. The Value Return Proposal will be aimed at maximising shareholder value and may involve liquidating all of the Company's portfolio and returning value to the Shareholders prior to the sixth anniversary of the Initial Admission. See "*—The Company's investment horizon may differ from the investment horizon of individual investors*".

If the Company, pursuant to the Value Return Proposal, or the Group were to realise some or all of its assets, there can be no guarantee that, at the time the Company or the Group seeks to dispose of such assets, real estate market conditions would be favourable or that the Group would be able to maximise the returns on such assets. Investments in property can be relatively illiquid for reasons including, but not limited to, properties being tailored to tenants' specific requirements, varying demand for property, and the complexity and significant amount of time and cost incurred for completion of property transactions. Such illiquidity may affect the Group's ability to dispose of properties in a timely fashion and/or at satisfactory prices in response to changes in economic, property market or other conditions. Property market downturns exacerbate low liquidity by reducing the number of available investors, deflating the market prices available and limiting sources of funding.

In addition, the Group may decide or be required to dispose of an investment at other times, including due to a requirement imposed by a third party (for example, a lender), and to the extent that market conditions are not favourable at the time of such disposal, the Group may not be able to realise its real estate assets at satisfactory prices. Moreover, there can be no assurance that investments will ultimately be realised for an amount exceeding the amount that the Group initially invested. If the Group were required to dispose of or liquidate an investment on unsatisfactory terms, it may realise less than the value at which the investment was previously recorded, which could result in a decrease in the Net Asset Value. There can therefore be no guarantee that the disposal of assets will generate the Target Return sought by the Company within an acceptable timeframe or at all.

If the Group is unable to realise value from its investments, investors could lose part or all of their investment in the Company. Furthermore, any inability of the Group to dispose of its investments or to do so at a gain, or any losses on the disposal of the Group's investments, may have a material adverse effect on the Group's financial condition, business, prospects and results of operations.

### **Any costs associated with potential investments that do not proceed to completion will affect the Group's performance**

The Group incurs certain costs associated with, among other things, sourcing and acquiring real estate assets, including costs derived from valuation, financing or legal services. The Group can give no assurance as to the level of such costs, as they will depend on the type of transaction entered into and there can be no guarantee that the Group will be successful in acquiring any given investment opportunity. Transactions that do not reach completion incur costs without increasing revenue, and thus could have a material adverse effect on the Group's financial condition, business, prospects and results of operations.

### **The Company's investment horizon may differ from the investment horizon of individual investors**

The Company's initial strategy for maximising shareholder value contemplates the disposal of all of the Company's portfolio before the sixth anniversary of the Initial Admission, with a view to returning capital to investors, and it is intended that this strategy will be put forth in the Value Return Proposal upon or prior to the later of (i) the third anniversary of the Initial Admission or (ii) the end of the Investment Period. If the Value Return Proposal contemplates the disposal of all of the Company's portfolio, as is currently envisioned, it will not need to be approved by the Shareholders of the Company.

However, the Value Return Proposal may contemplate a course of action different from disposing of all of the Company's portfolio before the sixth anniversary of the Initial Admission. If the Value Return Proposal contemplates continuing the business of the Company, then the Company and the Investment Manager will be required to negotiate new terms for the Investment Manager Agreement in good faith, and this amended Investment Manager Agreement will be submitted to the Company's Shareholders for approval. If such approval is obtained from the Shareholders of the Company, then Shareholders not voting in favour will remain subject to that decision and will not be able to exercise their right to require the Company to repurchase their shares at a fair value. If such approval is not obtained, then the Company will proceed with the disposal of the Company's portfolio.

As a result, the actual investment horizon of the Company could differ from the investment horizon of individual investors expecting the Company to dispose of the Company's portfolio in accordance with its current strategy, and such Shareholders would not be able to compel the Company to follow its original strategy. In that case, Shareholders might not receive the return of their capital as originally anticipated, and there can be no guarantee that Shareholders of the Company would receive a return on their investment in the Company in line with the initial strategy or at all.

### **The Group may face competition in sourcing and making investments**

The real estate market is competitive and also very fragmented due to the low barriers to entry for new companies. The potential competitors of the Group include major institutional investors, both foreign and Spanish, real estate developers with in-depth knowledge of the local markets and other property portfolio companies (including funds that invest nationally and internationally). Strong competition may cause an excess of lease supply or a decrease in lease prices, as has happened during recent years. Furthermore, competition in the real estate market may vary in the future due to an increase in the number of competitors and their increasing ability to invest (for example, as a consequence of international investors combining their financial resources with the local market knowledge of Spanish investors or real estate managers).

Real estate investors competing with the Group may be able to establish more relationships than the Group and may also look to the same sources for investment opportunities as the Group. See "*Business—Investment Strategy—Investment Sourcing*". Some of the Group's competitors may have greater financial, technical and marketing resources than the Group and the Group may not be able to compete successfully for investments. In addition, potential competitors of the Group may have higher risk tolerances, different risk assessments or access to different sources of funding, which could allow them to consider a wider variety of investments on a different cost basis.

The Group may also face competition from the Investment Manager. Under the Investment Manager Agreement, the Investment Manager has agreed to grant the Company an exclusivity right for a period of time as to the Services and a right of first refusal thereafter for purposes of not competing with the Company, subject to certain exceptions. Following such period, however, the Investment Manager may compete with the Company, and the Investment Manager may compete with the Company during the term of the Investment Manager Agreement with respect to certain activities, which may be material. See "*Material Contracts—Investment Manager Agreement—Exclusivity and Conflicts of Interest*" for further details on such exclusivity rights. There can be no assurance that the Company will be successful in identifying further suitable investment opportunities.

Furthermore, competition for investments may lead to increases in the price of real estate assets which may further limit the Group's ability to generate the Target Return as set forth above. The existence and extent of competition in the property market may also have a material adverse effect on the Group's ability to secure tenants for properties it acquires at satisfactory rental rates and on a timely basis and to subsequently retain such tenants.

The Group may lose investment opportunities in the future if it does not match loan pricing, structures and terms offered by competitors, and even if the Group is able to do so, it may experience decreased rates of return and increased risks of loss.

Any of the above competitive pressures could have a material adverse effect on the Group's financial condition, business, prospects and results of operations.

### **Financial Risks**

#### **The use of leverage at both the Group and the investment level may significantly increase the Group's investment risk and expose the Group to risks associated with borrowings**

The Investment Manager and the Group, seek to use leverage in a manner they believe is prudent. Under the Investment Manager Agreement, borrowings are allowed, within certain limits, in order to finance an investment in assets. Such limits are as follows: (i) the aggregate amount outstanding under any external financings, as stated in the most recent audited or unaudited consolidated annual accounts of the Company (net of cash or any other financial instrument permitted in the Cash Management Policy), immediately following any acquisition of investment opportunities or any new external financings withdrawn may not exceed an amount equal to 40% of the Portfolio Value, unless the Board of Directors of the Company agrees, at the request of the Investment Manager, to raise such threshold up to 50% of the Portfolio Value, when it deems it appropriate in the light of the economic conditions, capital and financing costs, the market value of the assets of the Company, growth and buying opportunities or any other relevant reason (on 12 November 2015, the Board of Directors approved to raise such threshold from 40% to 45% in attributable terms (i.e.,

only taking into account the asset value that results from the Group's shareholding in each of its subsidiaries) and (ii) without the prior approval of the Board of Directors, no external financing in respect of an investment opportunity may exceed an amount equal to 65% of the acquisition all-in costs together with any proposed or expected initial capital expenditure in relation to such investment opportunity, as calculated immediately prior to signing the relevant documentation in respect of such investment.

Other than as referred to in the preceding paragraph, there are no other restrictions to the terms and conditions of any external financing the Group may enter into, including the term of any such financing, its amount or the type of interest rate (fixed or variable). The use of external financing by the Group, even within the limits set out above, could result in reduced flexibility for the Group as a result of additional covenants, or in decreased cash flows (in particular in the case of short-term debt) as a result of the necessary payment on the principal and interest of such external financing. This could in turn cause the Company to have less cash available for distribution to Shareholders. Furthermore, the Group may be unable to refinance its debt as it matures on more favourable terms, and may be forced to pay higher finance costs if interest rates increase when such debt is refinanced. See *“—Any financial strategy that the Group may undertake to hedge its interest rate exposures will expose the Group to mark-to-market movements and the credit risk of its counterparties”*.

Furthermore, the use of leverage increases the exposure of the Group to adverse economic factors such as rising interest rates, downturns in the economy, deterioration in the condition of the Group's investments and/or the banking sector and volatility or deterioration in the Spanish real estate sector. Additionally, if the rental income of the Group's assets decreases, the use of leverage will increase the impact of such reduction on the net income of the Group and, accordingly, will have an adverse impact on the Company's ability to pay dividends to Shareholders.

The financial debt under certain asset-level loan agreements or the financing agreements entered into by the Group could have a material adverse effect on the Group's financial condition, such as (i) limiting its ability to sell, transfer or dispose of some of the assets that currently comprise the Portfolio; or (ii) limiting its ability to dispose or provide as collateral the credit rights arising from the lease agreements relating to some of the assets. Any of the foregoing could have a material adverse effect on the Group's financial condition, business, prospects and results of operations.

#### **The Group may not be able to obtain financing on satisfactory terms or at all**

The Group operates in a sector which requires high levels of investment to grow the business, and the Company's Investment Strategy contemplates the use of borrowings to fund acquisitions. As of 31 March 2016, the outstanding amount of the Group's Gross Financial Debt is €653 million. However, the Group cannot guarantee going forward that it or the Company will be able to access financing arrangements to finance its operations or any new acquisitions, on commercially acceptable terms or at all.

Furthermore, the macroeconomic condition of the Eurozone as a whole also has a significant effect on the ability of the Group to obtain financing. Deterioration in the economy of the Eurozone could result in a reduction in the capital that lenders are willing to deploy within the Eurozone, which may result in increased financing costs or the lack of available financing on economically viable terms or at all.

If the Group is unable to obtain financing on commercially acceptable terms or at all, or if delays are incurred in obtaining such financing, this could impair the Group's ability to make investments, or could force it to abandon planned investments, which could in turn have a material adverse effect on the Company's Investment Strategy and thus its financial condition, business, prospects and results of operations.

In addition, if the Group is unable to service payments of interest and the repayment of principal or to comply with the other requirements of its borrowings, such borrowings may become immediately repayable or trigger cross-default provisions, or lenders could enforce their security and take possession of the underlying properties, which in turn could have a material adverse effect on the Group's financial condition, business, prospects and results of operations.

A decrease in the availability of financing, or an increase in interest rates or other costs associated with such financing, could impair the Group's ability to conduct acquisitions, which could affect its ability to achieve its investment objectives, and which in turn could have a material adverse effect on the Group's financial condition, business, prospects and results of operations.



**Any financial strategy that the Group may undertake to hedge its interest rate exposures will expose the Group to mark-to-market movements and the credit risk of its counterparties**

The Group's financial strategy may, in the future, include the full hedging of its interest rate exposure. As of 31 March 2016, the Group hedged its interest rate exposure on debts amounting to 99% of outstanding debt through use of a derivative instrument or a three-month Euribor fixed swap for a period of between four and ten years. Consequently, the Group is exposed to interest rate fluctuations and the credit risk of its counterparties. An increase in interest rates could result in an increase in the Group's finance costs. Furthermore, if a derivative instrument counterparty were unable to meet its obligations to the Group pursuant to the derivative instrument, the Group may not receive the benefit of the instrument.

Derivative instruments that the Group may use for hedging purposes, including forward contracts, options, swaps or other derivative instruments, are exposed to general mark-to-market movements which may be positive or negative. If the movement is negative, then the mark-to-market adjustment may have a material adverse effect on the Group's financial condition, business, prospects and results of operations.

Any of the foregoing could entail a material adverse effect on the Group's financial condition, business, prospects and results of operations.

**RISKS RELATING TO THE INVESTMENT MANAGER**

**The Investment Manager is part of the Azora Group, which has designed and promoted the Investment Strategy and negotiated the terms of the Investment Manager Agreement**

The Investment Manager is part of the Azora Group, which has incorporated the Company and has designed, prepared and promoted its Investment Strategy. The Investment Manager Agreement and the internal policies and procedures of the Group for its dealings with the Investment Manager were negotiated within the context of the Company's incorporation and the Initial Admission by persons including members of the Management Team. Given that these agreements were negotiated by such parties within the context of the Initial Offering and the Initial Admission, their terms (including those regarding fees, contractual or fiduciary obligations, conflicts of interest, limitations on liability, indemnities and termination causes) may be less favourable for the Group than they would have been if the negotiations had involved independent parties or if the negotiations had taken place in a different context than the Initial Admission.

**The Company is externally managed by and reliant on the experience, skills and judgment of the Investment Manager, and has no control over the Investment Manager's personnel and the Company may be harmed if its or the Investment Manager's reputation suffers**

The Company is externally managed by the Investment Manager under the terms of the Investment Manager Agreement. Consequently, the development of the Group and its businesses depends on the performance of the Investment Manager and, in particular, on its experience, skills and judgment in identifying, selecting and negotiating the acquisition of suitable investments and managing such investments.

The Investment Manager is responsible for carrying out the day-to-day management and administration of the Company's affairs. Therefore, any disruption to the services or operations of the Investment Manager (whether due to termination of the Investment Manager Agreement or otherwise) or the relevant affiliate, could cause a significant disruption to the Group's operations until a suitable replacement is found, if one is found at all. In addition, the Company is dependent on the Investment Manager to prepare, or procure the preparation of, all of the Company's financial information for investors. If the financial controls, reporting systems and procedures put in place by the Investment Manager do not function as expected, or if the Investment Manager fails to accurately prepare and disclose such information, it may be difficult to accurately evaluate the Company and estimate its financial performance.

Furthermore, the Company is dependent on the Investment Manager's successful implementation of the Company's Investment Strategy. There can be no assurance that the Investment Manager will be successful in implementing a successful investment approach, achieving the Company's investment objectives or ultimately creating a portfolio capable of generating attractive returns.

The successful implementation of the Investment Strategy depends on the expertise of the Management Team. If a member of the Management Team, particularly a Manager Principal, were no longer to be available, due to death or incapacity, dismissal, resignation or for any other reason, or if the Investment Manager were unable to allocate the appropriate time or human resources to the Company's investments, there could be an adverse impact on the ability of the Investment Manager to implement the Investment Strategy. Furthermore, there can be no guarantee that the Investment Manager would be able to find and attract a suitable replacement with a similar level of expertise or experience in the Spanish real estate market

or with similar relationships with commercial real estate lenders, property funds and other market participants in Spain, and even if alternative personnel are found, it may take time for the transition of those persons into the Investment Manager and the transition might be costly and ultimately might not be successful. See “*Material Contracts—Investment Manager Agreement—Term and Termination*”.

In addition, if any of the Investment Manager’s personnel, including the Management Team, or any person employed by any of the companies in the Azora Group, were to do anything or be alleged to do anything that may be the subject of public criticism or other negative publicity or may lead to investigation, litigation or sanction, this may have an adverse impact on the Group by association, even if the criticism or publicity is factually inaccurate or unfounded.

Moreover, the Group may be harmed if the Group’s or the Investment Manager’s reputation suffers. In particular, litigation, allegations of misconduct or operational failures by, or other negative publicity and press speculation involving, the Group, the Management Team or the Investment Manager, whether or not accurate, may harm the reputation of the Group, the Management Team or the Investment Manager. Any damage to the reputation of any of the Group, the Management Team or the Investment Manager could result in potential counterparties and other third parties such as occupiers, landlords, joint venture partners, lenders, public administrations, real estate sellers, developers, investors or others being less willing or unwilling to transact with the Group, the Management Team or the Investment Manager.

If the Investment Manager were unable to perform as expected, or if the Investment Manager were unable to successfully implement the Investment Strategy, or if the Investment Manager Agreement were terminated or key personnel at the Investment Manager were to cease their employment, or if the reputation of the Group or the Investment Manager were to suffer, this may negatively affect the management of the Group’s development according to the Investment Strategy, and could have a material adverse effect on the Group’s financial condition, business, prospects and results of operations. See “*—Risks Relating to the Investment Manager*”.

**The past or current performance of the Investment Manager or its Management Team, outside the context of the business carried out by the Company so far, is not a guarantee of the future performance of the Company**

The Company is reliant on the Investment Manager to identify, acquire and manage prospective investments in order to create value for investors. This Prospectus includes certain information regarding the past performance of the Investment Manager and companies in the Azora Group in respect to other companies and ventures. However, the past performance of the Investment Manager and the members of its Management Team is not indicative, nor is it intended to be indicative, of the future performance or results of the Company. The previous experience of the Investment Manager and its Management Team and companies and ventures advised and/or operated by the Investment Manager or members of the Management Team may not be directly comparable with the Company’s proposed business. Differences between the circumstances of the Company and the circumstances under which the track record information in this Prospectus was generated include, but are not limited to, actual acquisitions and investments made, investment objectives, fee arrangements, structure (including for tax purposes), terms, leverage, performance targets, market conditions and investment horizons. All of these factors can affect returns and impact the usefulness of performance comparisons and, as a result, none of the historical information regarding performance of the Investment Manager or its Management Team contained in this Prospectus is directly comparable to the Company’s business or the returns which the Company may generate.

**The Target Return sought by the Company may not be achieved**

The target return sought by the Company is a gross annual leveraged internal rate of return of 15% over Gross Proceeds Raised (the “**Target Return**”). However, there can be no assurance that the Company’s investments will meet the Target Return, or any other level of return, or that the Company will achieve or successfully implement its investment objectives. The existence of the Target Return should not be interpreted as an assurance or guarantee that such level of return can or will be met by any of the Company’s investments. The actual returns achieved by the Company’s investments may vary from the Target Return and the variations may be material. See “*Business—Overview*”.

As there can be no guarantee for investors that the Target Return will be achieved, either in whole or in part, any decision to invest in the New Ordinary Shares and Preferential Subscription Rights should not be based on the Target Return. The Target Return is based on numerous assumptions, estimates, regulatory, financial conditions, and projections regarding the Company’s future business and the environment in which the Company expects to operate, including the Spanish and Eurozone economy in general, and the real estate market in Spain and elsewhere in particular.

Although the Company and the Investment Manager aim to achieve the Target Return through the careful selection of assets and the active management of such assets, the Target Return is based on the Investment Manager's assessment of appropriate expectations for returns on the investments that the Company has or proposes to make, and is based on various assumptions, including assumptions relating to expectations of increases in property capital and rental returns. Although the Investment Manager believes such assessment to have been made on a reasonable basis, there can be no assurance that these assessments and expectations will be proved correct, and failure to achieve any or all of them may materially adversely impact the Company's ability to achieve the Target Return. Furthermore, achieving the Target Return is dependent on the ability of the Investment Manager to increase the income generated by the Company's investments. Accordingly, the Target Return must not be considered as either a commitment by the Company and/or the Investment Manager, nor as a forecast of the future results or returns from investing in the New Ordinary Shares and the Preferential Subscription Rights.

Investors should decide for themselves whether or not the Target Return is reasonable or achievable and should carefully evaluate whether investing in the New Ordinary Shares and the Preferential Subscription Rights is appropriate for them, bearing in mind their personal circumstances and the information included in this Prospectus, particularly taking into account the risk factors described herein.

**The remuneration structure under the Investment Manager Agreement may incentivise the Investment Manager to make or recommend risky investments**

The fee arrangement under the Investment Manager Agreement contains a performance-related fee which applies following the achievement of an annual hurdle rate of return equivalent to an internal rate of return of 10% of the Gross Proceeds Raised, based on Total Capital Distributions made to the Shareholders, not taking into account the rise or fall of the share value in the market. Therefore, there is a risk that the Investment Manager, in evaluating investments, may pursue or recommend riskier or more speculative opportunities, which may offer higher returns, in order to seek to earn a higher performance-based payment.

Accordingly, the Investment Manager may be incentivised to invest in assets that may be less attractive or subject to greater risk, which may in turn have a material adverse effect on the Group's financial condition, business, prospects and results of operations.

**The interests of the Investment Manager may differ from those of the Shareholders or the Company**

Under the terms of the Investment Manager Agreement, the Investment Manager has granted the Company certain exclusivity rights and a right of first refusal in certain scenarios. However, such rights are subject to certain time restrictions and exceptions. See "*Material Contracts—Investment Manager Agreement—Exclusivity and conflicts of interest*".

Moreover, the Investment Manager and its affiliates currently manage other funds and portfolios in addition to the Company's, the investment objectives and/or approaches of which are the same as, overlap to a greater or lesser extent with, or are complementary to, the investment strategies and approaches pursued by the Company. Subject to the exclusivity rights and the right of first refusal referred to in the preceding paragraph, the Investment Manager Agreement does not restrict the Investment Manager and the Azora Group in the future from acting as manager, sponsor, investment manager, broker, administrator, investment adviser or dealer in relation to, or from otherwise being involved with, such other accounts, or from creating or sponsoring additional other accounts that have comparable investment policies and geographical focuses as the Company.

The Investment Manager Agreement also allows the Investment Manager or any company of the Azora Group, under certain conditions, to act as investment manager or investment adviser for other persons or to provide administration, investment management or other services for other clients without making the same available to the Company, as specified in the Investment Manager Agreement and always subject to the exclusivity rights and the right of first refusal as well as the obligations of the Investment Manager under the Investment Manager Agreement, including the obligation to make the Management Team available.

Any such current and future activities of the Investment Manager and companies of the Azora Group, including establishing or advising other investment funds, may involve substantial time and resources and may give rise to conflicts of interest with the Company, which could in turn have a material adverse effect on the Group's financial condition, business, prospects and results of operations.

**There may be circumstances where Directors have a conflict of interest**

There may be circumstances in which a Director has, directly or indirectly, a material interest in a transaction being considered by the Company or a conflict of interest with the Company. Any of the

Directors or any person connected with them may from time to time act as director, investor or be otherwise involved in other investment vehicles (including vehicles that may have investment strategies similar to the Company's) which may also be purchased or sold by the Company, subject at all times to the provisions governing such conflicts of interest both in law and in the Articles. Mr. Fernando Gumuzio Iñíguez de Onzoño and Ms. María Concepción Osácar Garaicoechea, who are Directors of the Company, also lead the Management Team of the Investment Manager. Although procedures have been put in place to manage conflicts of interest, it is possible that any of the Directors or their connected persons may have potential conflicts of interest with the Company.

**The Investment Manager may draw on and use any and all resources of the Azora Group in providing the Services (as defined in the Investment Manager Agreement) and there is no certainty that such services are going to be provided with optimum levels of quality or according to the terms of the Investment Manager Agreement**

Pursuant to the Investment Manager Agreement, the Investment Manager is entitled, at its discretion, to draw on and use any and all resources of the Azora Group in providing the services provided under the Investment Manager Agreement. Although in such circumstances the Investment Manager will continue to be held primarily liable to the Company for the provision of these Services in accordance with the Investment Manager Agreement, there can be no certainty that such affiliates of the Investment Manager will provide the Services with optimum levels of quality or according to the terms of the Investment Manager Agreement.

Furthermore, provided there is prior approval by the Board of Directors, the Investment Manager Agreement allows the Investment Manager to enter into agreements on behalf of the Company with companies of the Azora Group in order for them to provide certain management services in relation to the Company's properties. Although according to the Investment Manager Agreement these agreements shall be concluded at arm's length market terms, there is no assurance that the interests of companies of the Azora Group coincide with the Company's interests. Any real or potential conflicts of interest arising between the Investment Manager and its affiliates and the Company could have a material adverse effect on the Group's financial condition, business, prospects and results of operations.

**The Investment Manager's insurance may not be sufficient to cover any claims the Company might have against it**

Although the Investment Manager has agreed under the terms of the Investment Manager Agreement to maintain insurance to cover claims the Company might have against it, such claims may not be compensated under such insurance in full or at all. In addition, the obligations of the Investment Manager under the Investment Manager Agreement are not guaranteed by any other person.

If any claims by the Company against the Investment Manager are not compensated or are only partially compensated, this may have a material adverse effect on the Group's financial condition, business, prospects and results of operations.

**The Investment Manager Agreement may be unilaterally terminated by the Investment Manager in the event that a third party acquires control of the Company**

The Investment Manager will be entitled to terminate the Investment Manager Agreement where a single shareholder or shareholders acting in concert are required to launch a mandatory takeover offer pursuant to applicable Spanish law. This termination right may consequently discourage a shareholder or shareholders from increasing their shareholdings in a manner that would require such a takeover bid to be launched. Furthermore, such event would also entitle the Investment Manager to a termination fee. See "*Material Contracts—Investment Manager Agreement—Fees*". Any of these circumstances may have a material adverse effect on the Group's financial condition, business, prospects and results of operations. See also "*—The Company may be unable to contract a replacement investment manager on similar terms to the Investment Manager Agreement or at all*".

**It may be difficult and costly for the Company to terminate the Investment Manager Agreement**

The Investment Manager Agreement, which is governed by Spanish law, has an initial term ending six (6) years from the date of the Initial Admission, unless extended by the Investment Manager and the Company pursuant to the Value Return Proposal. The Investment Manager Agreement may only be terminated by the Company in the limited circumstances summarised in "*Material Contracts—Investment Manager Agreement—Term and Termination*".

Termination of the Investment Manager Agreement may, in a number of circumstances, including those where the Company has cause to terminate (for example, as a result of any of the Manager Principals failing to be significantly involved in the provision of Services due to incapacity or death and not being adequately replaced within a period of six months) entitle the Investment Manager to receive substantial payments. The circumstances in which such payment entitlements will be triggered and the quantum of such payments are summarised in “Material Contracts—Investment Manager Agreement—Fees”. Even where the Company has cause to terminate the Investment Manager Agreement, it is possible that the Board of Directors may determine that the effective cost of removing the Investment Manager is overly burdensome and, therefore, may choose not to exercise its rights to terminate, which may have an adverse impact on the price of the Shares.

No warranty is given by the Investment Manager as to the performance or profitability of the Portfolio, and poor investment performance would not, of itself, constitute an event allowing the Company to terminate the Investment Manager Agreement. If the Investment Manager’s performance does not meet the expectations of investors and the Company is otherwise unable to terminate the Investment Manager Agreement for cause, the Net Asset Value could decrease as a result of the payments due to the Investment Manager, which could have a material adverse effect on the Group’s financial condition, business, prospects and results of operations. See also “—*The Company may be unable to contract a replacement investment manager on similar terms to the Investment Manager Agreement or at all*”.

**Depending on the Value Return Proposal, the Company and the Investment Manager may need to amend the terms of the Investment Manager Agreement, without there being any certainty of reaching an agreement**

As further described in “*Business—Investment Strategy—Investment Period*”, upon or prior to the later of (i) the third anniversary of the Initial Admission or (ii) the end of the Investment Period, the Company intends to present the Shareholders with a Value Return Proposal, which will be prepared by the Investment Manager. Where such Value Return Proposal involves extending the life of the investments and continuing to manage all or part of the Company’s assets on an ongoing basis, certain terms of the Investment Manager Agreement will need to be renegotiated with the aim of adapting them to such new structure, including but not limited to the provisions in relation to the term of the Investment Manager Agreement, the Investment Manager’s fees and exclusivity provisions. See “Material Contracts—Investment Manager Agreement” for a detailed description of the Investment Manager Agreement.

In the event the proposed amendments were not approved by the Shareholders at the general meeting, the Investment Manager will proceed with the liquidation of the Company’s entire portfolio prior to the sixth anniversary of the Initial Admission (together with any Net Proceeds Raised that have not been invested and any other available cash). There can be no assurance that the Value Return Proposal or the corresponding proposed amendments to the Investment Manager Agreement will be favourable to the Company or the Shareholders, which may have a material adverse effect on the Group’s financial condition, business, prospects and results of operations.

**The Company may be unable to contract a replacement investment manager on similar terms to the Investment Manager Agreement or at all**

Upon expiry or termination (whether in accordance with its terms or otherwise) of the Investment Manager Agreement, there is no assurance that an agreement with a new investment manager of comparable expertise and calibre could be entered into on similar terms, on a timely basis or at all.

In addition, any transition to a replacement investment manager could result in significant costs for the Group and material disruptions to the Group’s investment activities, operations and marketing.

In particular, the management and personnel of any such replacement investment manager will, following such transition, no longer be involved in the management and operation of the Company and there can be no assurance that the management and personnel of a replacement investment manager will have equivalent skills, experience and knowledge. Furthermore, even if the managers and personnel of a replacement investment manager had equivalent skills, experience and knowledge, they would still need a period of adaptation, more or less lengthy, to obtain in-depth knowledge of the Company, familiarise themselves with their new responsibilities and fully assume their faculties.

Any or all of these factors may have a material adverse effect on the Group’s financial condition, business, prospects and results of operations.

## **REGULATORY RISKS**

### **The Group is subject to certain laws and regulations relating to real estate assets**

The Group is required to comply with Spanish and EU laws and regulations, as well as the laws of any other jurisdiction in which it may hold assets, which relate to, among other matters, property, land use, development, zoning, tourism, coastline, health, safety, stability requirements and environmental compliance. In addition, certain of the real estate assets in which the Group invests may also be subject to specific laws and regulations applicable to such assets. For example, should the Group invest in social housing assets in Spain, the Group will only be able to let such units to tenants who meet the relevant statutory requirements, such as, among other things, having an income not exceeding a certain level and other requirements set by the public authorities. Additionally, the applicable laws within Spain may vary from one autonomous region to another, and between different assets within the same autonomous region.

These laws and regulations often provide broad discretion to the administering authorities. Additionally, all of these laws and regulations are subject to change (some of which may be retrospective), which, among other things, could adversely affect existing planning consents, costs of property ownership, the capital value of the Group's assets and the Group's rental and management income. Such changes may also adversely affect the Group's ability to use a property as initially intended and could also cause the Group to incur increased capital expenditure or running costs to ensure compliance with the new applicable laws or regulations, which may not be recoverable from tenants or hotel operators. The occurrence of any of these events may have a material adverse effect on the Group's financial condition, business, prospects and results of operations. See "*Business—Legal Proceedings— Hotel Guadalmina - Planning Permission and the General Plan of Urban Planning*".

### **Environmental, health, safety, stability and planning laws, regulations and standards may expose the Group to the risk of substantial unexpected costs and liabilities**

Applicable environmental, health, safety, stability and planning laws and regulations, as currently in effect and as amended from time to time, impose obligations and potential liabilities on the owners of investment properties (including liabilities that were incurred or that arose prior to the acquisition of such properties). Such obligations and liabilities may result in significant investigation, removal or remediation costs regardless of whether the Group originally caused the relevant environmental, health, safety, stability or planning risk or damage. In addition, liabilities could adversely affect the Group's ability to construct, manage, sell, lease or redevelop a property, or to borrow using a property as security. See also "*The Group is subject to certain laws and regulations relating to real estate assets*".

Applicable environmental, health, safety, stability and planning laws and regulations may also constitute the basis for liabilities to third parties for personal or other types of damages (for example, in the case of environmental legislation, as a consequence of emitting or leaking contaminating products). In the event that due diligence does not adequately uncover material defects or liabilities, including environmental liabilities, which are not covered by insurance proceeds, the costs of dealing with such defects or liabilities could have a material adverse effect on the Group's financial condition, business, prospects and results of operations.

Furthermore, applicable environmental, health, safety, stability and planning laws and regulations may also limit the uses for which the assets of the Group can be deployed, and may impose liability for, among other things, the types of activities that may be developed in them. The Group's investments may include properties historically used for commercial, industrial or manufacturing uses. Such properties are more likely to contain, or may have contained, storage tanks for the storage of hazardous or toxic substances. Leasing properties to tenants that engage in industrial, manufacturing and other commercial activities will cause the Group to be subject to increased risk of liability under environmental, health, safety, stability and planning laws and regulations.

In addition, under applicable statutory tax, zoning and planning regulations, the Group's properties are subject to certain regulatory restrictions and encumbrances, the enforcement of which may affect the Group's title to such properties.

In the event the Group is exposed to environmental, health, safety, stability or planning liabilities or encumbrances, other regulatory restrictions or increased costs or limitations on its use or disposal of properties as a result of applicable laws and regulations, this could have a material adverse effect on the Group's financial condition, business, prospects and results of operations.

### **There is a risk of adverse changes in the Group's tax position which may result in additional taxes or other costs for the Group or investors**

There is a risk of adverse changes in the Group's tax position or in the tax position of the companies in the Group, including changes in applicable tax legislation. Investors should seek professional advice about the consequences for them of investing in the Group.

The structure which the Group proposes to adopt to hold its investments is based on the Group's understanding of the current tax law and the practice of the tax authorities of Spain. Such law or tax authority practice is subject to change, and any such change could (i) increase administrative costs for the Group; (ii) change the tax regime applicable to the assets of the Group; (iii) change the tax regime applicable to the Shareholders as described in "Taxation"; (iv) affect the value of investments held by the Group; (v) affect the Group's ability to achieve its investment objectives; or (vi) reduce the post-tax return to Shareholders. Furthermore, the Group may incur costs in taking steps to mitigate the effects outlined above. As a result, any change to the tax regime applicable to the Group or to the Group's tax position may have a material adverse effect on the Group's financial condition, business, prospects and results of operations.

#### **The Spanish SOCIMI Regime is relatively new and may be amended**

The Company incorporated Hispania Real SOCIMI, S.A.U. ("**Hispania Real**" or the "**SOCIMI Subsidiary**") with the purpose of acquiring the assets in which the Company is interested in investing and which meet the criteria of "qualifying assets" under the SOCIMI Regime. The SOCIMI Subsidiary opted for the application of the SOCIMI Regime with the corresponding effects from 2014, which is the tax year of its incorporation.

In addition, the Company has opted for the application of the SOCIMI Regime at the General Shareholders' Meeting held on 5 May 2016. As a result, the Company applies this regime with effects as from 1 January 2016, provided that the option for the application of the SOCIMI Regime is duly filed with the Spanish tax authorities not later than 30 September 2016. At such General Shareholders' Meeting the Shareholders have also voted in favour of a merger by absorption of the SOCIMI Subsidiary by the Company, with the Company being the surviving SOCIMI entity (such merger being still subject to formalisation and registration) and its Existing Ordinary Shares continuing to be listed on the Spanish Stock Exchanges.

The current SOCIMI Regime (which generally provides for a 0% corporate income tax rate) is relatively new, with only limited interpretation provided by the tax authorities and no judgments from the Spanish courts. Therefore, any change (including a change in interpretation) in the legislative provisions relating to Spanish SOCIMIs or in tax legislation more generally, could trigger the imposition of new taxes or increases in the applicable tax rates.

Although the section in this Prospectus entitled "Regulation—SOCIMI Regulations" includes a detailed summary of the requirements for the application of the SOCIMI Regime, new requirements may be introduced in the future (including amendments to the interpretation of the currently applicable requirements). Therefore, no assurance can be given that the Company and the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration), after opting for this regime, will continue to maintain SOCIMI status for Spanish tax purposes, and the termination of such status may have a material adverse effect on the Group's financial condition, business, prospects and results of operations.

#### **The application of the SOCIMI Regime is conditional upon compliance with certain requirements**

The application of the SOCIMI Regime to the Company and the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration), is conditional on compliance with certain requirements including, among others, the listing of the SOCIMI's shares, investment in "qualifying assets" under the SOCIMI Regime, the receipt of income from certain sources and mandatory distribution of certain profits, as set forth in "Regulation—SOCIMI Regulations".

Failure to comply with such requirements will result in the loss of the special tax regime except where the regulations allow for such failure to be remedied within the immediately following financial year. However, the SOCIMI regulations do not allow remedy of failure to comply with the requirements related to (i) listing of the shares or (ii) mandatory distributions of dividends.

The disapplication of the SOCIMI Regime to the Company and the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration) would (i) have a negative impact in respect of both direct and indirect taxes; (ii) affect the liquidity and financial position of the Company and the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration) to the extent it were required to reassess the taxation of income obtained in previous tax years which should have been taxed in accordance with the general Spanish corporate income tax regime and at the general corporate income tax rate; and (iii) prevent the Company and the SOCIMI Subsidiary (whilst its absorption

by the Company is pending formalisation and registration) from opting again for the SOCIMI Regime for three years from the end of the last tax period in which the SOCIMI Regime was applicable. Any of the foregoing could affect the returns that investors may obtain from their investment in the Company.

Furthermore, if the Company and the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration) transferred its “qualifying assets” under the SOCIMI Regime before the end of the three-year minimum holding period, as explained in “Regulation—SOCIMI Regulations”, income obtained as a result of such transfers would (i) be taxed according to the general Spanish corporate income tax regime and at the general corporate income tax rate and (ii) have a negative impact for the purposes of determining compliance with the requirement for the Company and the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration) to obtain income from certain sources, which could result in the loss of its SOCIMI status unless such situation were remedied within the following financial year.

Any of the above could have a material adverse effect on the Group’s financial condition, business, prospects and results of operations.

Furthermore, the Company and the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration) would be required to reassess the taxation of all income derived from “qualifying assets” under the SOCIMI Regime transferred before the three-year minimum holding period on the basis that such income benefited from the application of the SOCIMI Regime, while it should have been taxed in accordance with the general Spanish corporate income tax regime and at the general corporate income tax rate. To the extent such transfers are made, this could have a material adverse effect on the Group’s financial condition, business, prospects and results of operations.

#### **The application of the SOCIMI Regime at the Company level may result in Spanish taxation of income derived from the transfer/ownership of the Shares of certain investors**

The application of the SOCIMI Regime to the Company will have tax implications for the Company as well as for the Shareholders, including that the tax treatment of income derived from the transfer/ownership of the Company’s Shares of certain investors could be negatively affected.

In particular, in accordance with the SOCIMI regulations currently in force:

- (i) non-resident investors without a permanent establishment in Spain owning at least 5% of the Company (in nominal share capital terms) will lose their entitlement to benefit from the Spanish Non-Resident Income Tax exemption that is currently applicable on the basis that the Shares of the Company are listed on an official secondary securities market in Spain and, consequently, will be subject to Spanish taxation on capital gains derived from the transfer of the Company’s Shares unless otherwise provided under an applicable Double Taxation Treaty (“DTT”). United States investors should note that the DTT between the United States and Spain does not provide otherwise in the case of the sale of shares of an entity the property of which is, directly or indirectly, mainly real estate, such as the Company;
- (ii) Spanish corporate investors and non-resident investors who operate, with respect to the Shares, through a permanent establishment in Spain owning at least (a) 5% of the Company (in nominal share capital terms); or (b) a participation in the Company whose acquisition value exceeds €20 million, will lose (i) their entitlement to benefit from the tax exemption on capital gains derived from the transfer of shares in Spanish entities provided for under the Corporate Income Tax Act, and, consequently, will be subject to Spanish taxation on capital gains derived from the transfer of the Company’s Shares; and (ii) their entitlement to benefit from the tax exemption on dividends received from Spanish subsidiaries and, consequently, will be subject to Spanish taxation on dividends distributed by the Company.

#### **The application of the SOCIMI Regime at the Company level requires the mandatory distribution of certain profits of the Company**

As a result of the Company’s inclusion in the SOCIMI Regime, the Company will be required to make payments or distributions to Shareholders in the terms specified by the SOCIMI Regime. Each year, starting with the year ending 31 December 2016, the Company will be obligated to distribute to its Shareholders (i) 100% of the profit obtained from dividends or stakes on profit derived from Qualifying Holdings; (ii) at least 50% of the profit obtained from the transfer of Qualifying Investments made once the



holding period of assets as described herein (see “*Regulation-SOCIMI Regulations*”) has run out (in which case the remaining profit has to be reinvested within the following three years in other Qualifying Investments or, alternatively, distributed once the aforementioned reinvestment time period has run out); and (iii) at least 80% of the rest of the profit obtained, see “*Regulation—SOCIMI Regulations*”.

If the relevant dividend distribution resolution is not adopted in a timely manner, the Company will lose its SOCIMI status for the year in which the undistributed profits were obtained and the Company will be required to pay Spanish Corporate Income tax on the profits deriving from its activities at the standard rate (25% as at the date of this Prospectus) as from the relevant tax period in which the Company loses such status. In such case, the Company will not be eligible to become a SOCIMI (and benefit from its special tax regime) for three years.

Under such circumstances, the Company’s ability to make new investments could be limited, as it would only be able to apply a limited amount of its profits to the acquisition of new real estate assets (being required to distribute the majority of its profits to its Shareholders), which could hinder its ability to grow unless the Company were able to obtain new financing, and could have a negative impact on the liquidity and the working capital of the Company. If the Company elects to rely on equity financing, Shareholders’ interest in the Company may be diluted.

Furthermore, it is a possibility that the Company, despite obtaining a profit, is unable to carry out the payments and distributions in accordance with the legal requirements of the SOCIMI Regime due to not having immediately available cash (i.e., differences in timing between the receipt of cash and the recognition of the income and the effect of any potential debt amortisation payment). Should this happen, the Company might have to borrow, increasing its financing costs and reducing its debt capacity. This could have a materially adverse effect on the business, the results, the finances or the assets of the Group.

In any case, the payment of any such dividend or other distributions after the expiry of such period will largely depend on the Company’s ability to generate profits and cash flows and its ability to efficiently transfer such profits and cash flows to the Shareholders. It will also depend on a number of other factors, including the Company’s ability to acquire suitable investments, operating results, financial condition, current and anticipated cash needs, interest costs and net proceeds from the sale of its investments, legal and regulatory restrictions and such other factors as the Board of Directors may deem relevant from time to time.

In addition, the Company will be subject to a special 19% tax on the gross amount of dividends distributed to Shareholders who own at least 5% of the Company’s share capital (the “Substantial Shareholders”) and are exempt from taxation or subject to a tax rate below than 10% on such dividends, as described in the section entitled “*Regulation—SOCIMI Regulations*”.

Notwithstanding the above, the By-Laws of the Company include indemnity obligations of the substantial shareholders in favour of the Company. In particular the By-Laws require that in the event a dividend payment is made to a substantial shareholder, the Company will deduct an amount equivalent to the tax expenses incurred by the Company on such dividend payment from the amount to be paid to such substantial shareholder. However, these measures may not always be effective. If these measures are ineffective, the payment of dividends to a Substantial Shareholder may generate an expense for the Company and, thus, may result in a decrease in profits for the rest of the Shareholders.

#### **Actions by the Company or the Investment Manager or changes in UK tax law or the practice of the UK tax authority could affect whether the Company is regarded as an “offshore fund” for UK tax purposes**

Certain non-UK resident funds are categorised as “offshore funds” for UK tax purposes. If a fund is categorised as an offshore fund, that fund may elect to be a “reporting fund”, in which case UK investors in the Company could be subject to tax on income in respect to amounts distributed to them by the offshore fund and their respective proportions of the amount by which the fund’s “reportable income” exceeds distributions made by it. Accordingly, UK investors (whether individual or corporate) in reporting funds can suffer “dry” tax charges on undistributed income. Any capital gains realised on disposals of interests in a reporting fund (which will be treated as effectively reduced for UK tax purposes by such amount of the gain as is attributable to undistributed income which has already been taxed under the reporting fund regime) will however be respected as capital gains for UK tax purposes with the result that UK individual investors will be subject to tax on such gains at applicable capital gains tax rates (the highest current rate for capital gains tax is 28%) as opposed to income tax rates (the highest current rate for UK income tax is 45%). If the Company, as an offshore fund, does not elect to be a reporting fund, then UK investors in the Company would (subject to their tax status, including any applicable exemption) be taxed on amounts distributed to them by the offshore fund as income and any capital gains realised on disposal of their interests in the

offshore fund will be taxed as if those gains were income. Therefore, while investors in a non-reporting fund should not suffer “dry” tax charges, non-reporting fund status is particularly unattractive for individual UK investors because all returns on investment are taxed at UK income tax rates.

In broad terms, whether the Company should be categorised as an “offshore fund” is likely to depend on whether Shareholders would reasonably expect to be able to realise, at any particular time or within any particular time frame, all or part of an investment in the Company’s Shares on a basis calculated entirely or almost entirely by reference to the net asset value of the Company’s assets. The application of this test may be affected by actions of the Company or the Investment Manager from time to time, particularly in relation to any Value Return Proposal. See “—The Company’s investment horizon may differ from the expected investment *horizon of individual investors*”. Furthermore, the application of the test may be affected by the likelihood or perceived likelihood of any particular outcome of any general meeting vote on a Value Return Proposal. Moreover, it is possible that changes in UK tax law or in the practice of the UK tax authority could affect whether or not the Company should be regarded as an “offshore fund” in the future. Uncertainty over the Company’s status as an offshore fund may impact investor appetite among UK investors who would be affected, and so may affect the market for the Company’s Shares.

#### **The Company is not registered under the Investment Company Act of 1940**

The Company is not registered with the SEC as an investment company pursuant to the Investment Company Act of 1940, as amended (the “**Investment Company Act**”). The Company considers itself to be covered by the exemption from the obligation to register under Section 3(c)(5)(C) of the Investment Company Act, which is available to certain companies “primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate”, and Section 3(c)(6) which applies to (among other companies) certain companies primarily engaged directly or through majority-owned subsidiaries in 3(c)(5)(C) businesses. As a result, Shareholders do not have the protections associated with ownership of shares in a SEC registered investment company.

Moreover, in relying on these exemptions, the Company follows certain positions taken by the SEC’s Division of Investment Management through a series of no-action and interpretive letters. These interpretive letters are not binding except as they relate to the companies to whom they are addressed. In addition, the SEC issued a concept release in 2011 seeking views on the application of Section 3(c)(5)(C) and whether it should provide greater clarity, consistency or regulatory certainty with respect to Section 3(c)(5)(C). Although, to date, no further action has been taken in relation to the concept release by the SEC, the concept release could conceivably lead to a tightening of its positions in relation to Section 3(c)(5)(C).

In order to qualify for these exemptions, the Company has imposed certain restrictions on its Investment Strategy set out in the Investment Manager Agreement. See “Business—Investment Strategy—Restrictions”. As a result, the Company may be unable to significantly modify these restrictions in circumstances where the Company or the Investment Manager deem it advisable to do so given prevailing market conditions or other factors, unless the Company registers with the SEC or is able to rely on another exemption under the Investment Company Act.

If the SEC or a court of competent jurisdiction were to find that the Company were required, but in breach of the Investment Company Act had failed, to register as an investment company, possible consequences include, but are not limited to: (i) the SEC could take legal action against the Company; investors could sue the Company and seek recovery of any damages caused by the violation; and any contract to which the Company is a party would be unenforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than non-enforcement and would not be inconsistent with the purposes of the Investment Company Act.

In addition, if the Company were required to register as an investment company, the Company would be subject to costs relating to compliance, which may be significant, and any such registration may impose additional restrictions on the ability of the Company to implement its Investment Strategy.

The foregoing could have a material adverse effect on the Group’s financial condition, business, prospects and results of operations.

#### **The Investment Manager may be required to register as an investment adviser with the SEC**

The Investment Manager is not currently registered as an investment adviser with the SEC under the United States Investment Advisers Act of 1940, as amended (“**Investment Advisers Act**”). In the event that the Investment Manager were required to register as an investment adviser with the SEC in the future, such registration may result in a change in the operating procedures of the Investment Manager and its relationship with the Company and service providers and may impose restrictions on the investment

activities that the Investment Manager (and in turn the Company) may engage in. This would likely increase the on-going costs borne, directly or indirectly, by the Company by virtue of the contractual arrangements agreed between the Company and the Investment Manager. Any of the foregoing may have a material adverse effect on the Group's financial condition, business, prospects and results of operations.

In addition, if the Investment Manager were unable to meet the requirements necessary to be registered with the SEC, the Investment Manager may be unable to continue to manage the Company and a successor investment manager duly registered with the SEC would need to be appointed to perform these functions. There is no guarantee that a suitably qualified successor investment manager could be found or could be engaged on terms comparable to those applicable to the Investment Manager. See “—The Company may be unable to contract a *replacement investment manager on similar terms to the Investment Manager Agreement or at all*”.

#### **FATCA may affect payments received by the Company**

Sections 1471 through 1474 (including any agreements under Section 1471(b)) of the Code, certain intergovernmental agreements relating thereto, or laws implementing any of the foregoing (collectively, “**FATCA**”), has been enacted in the United States and generally requires entities that are classified as “foreign financial institutions” (“FFIs”) (which are broadly defined for this purpose and include investment vehicles and other entities that are not commonly considered financial institutions) to identify and provide information on certain accounts held by U.S. persons and certain other FFIs.

If an FFI does not comply with these requirements, the FFI generally may be subject to a 30% U.S. withholding tax on certain U.S.-source payments made to the FFI. In Spain, FATCA has been implemented through an intergovernmental agreement between Spain and the United States (the “IGA”). It is possible that the Company may be classified as an FFI under the IGA. The application of the IGA to real estate investment trusts like the Company is not entirely clear, and future regulations or guidance may modify the scope of FATCA. Under the IGA, equity interests in certain investment vehicles that are FFIs are generally considered accounts subject to the diligence and reporting requirements noted above. An exception is provided, however, for shares that are regularly traded on an established securities market, such as the shares of the Company. Therefore, the Company does not currently expect that the IGA will impose requirements on the Company with respect to investors in the Company's common stock.

If it is determined that the Company is an FFI under the IGA and the Company does not comply with the requirements described above, the Company generally may be subject to U.S. withholding tax on certain U.S.-source payments, if any, that it receives. These rules, including FATCA and the Spanish implementation of FATCA, are continuing to evolve. Prospective investors are urged to consult their own tax advisers regarding these rules and their effect on their investment in this Offering.

#### **The Company expects it and the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration) and certain other entities in which it may invest, directly or indirectly, to be passive foreign investment companies, which generally will have adverse tax consequences to investors that are subject to U.S. taxation**

The Company expects it, the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration) and certain other entities in which it may invest, directly or indirectly, to be passive foreign investment companies (“**PFICs**”) for U.S. federal income tax purposes. In general, a non-U.S. corporation will be considered a PFIC for a taxable year if, taking into account its proportionate share of the income and assets of 25% or more owned subsidiaries, either (1) at least 75% of its gross income is passive income or (2) at least 50% of the quarterly average value of its assets is attributable to assets that produce or are held for the production of passive income. Based on the Company's current and anticipated investments and activities, the Company expects that one or both of these conditions will be met both by it and by the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration) for the current and foreseeable future tax years. In addition, the Company and the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration) may invest, directly or indirectly, in equity interests of other entities which are PFICs. Treatment of the Company, the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration) or such other entities as PFICs generally will result in adverse U.S. tax consequences to investors that are subject to U.S. taxation. See “*Taxation—Certain United States Federal Income Tax Considerations—Passive Foreign Investment Company Rules*”.

## **RISKS RELATING TO THE OFFERING, THE NEW ORDINARY SHARES AND THE PREFERENTIAL SUBSCRIPTION RIGHTS**

### **The Offering may not proceed or may be revoked in certain circumstances, including termination of the Underwriting Agreement**

As further described in “*The Offering*”, the Company may choose to revoke and terminate the capital increase if the Underwriting Agreement for the Offering is terminated. The Underwriting Agreement contemplates the possibility for the Joint Bookrunners, to terminate the Underwriting Agreement until the time of registration of the capital increase deed with the Commercial Registry of Madrid under certain circumstances. These circumstances include the occurrence of certain material adverse changes in the Company’s condition (financial or otherwise), business affairs or prospects and certain changes in, among other things, certain national or international political, financial or economic conditions. In addition, the Underwriting Agreement is subject to certain customary conditions precedent. See “*Plan of Distribution*” for further details on the circumstances in which the Underwriting Agreement may be terminated. Should the Underwriting Agreement be early terminated or should the Joint Bookrunners fail to comply with their commitments under the Underwriting Agreement, the Offering may not be fully subscribed or revoked, which could have an adverse effect on the stock value and the value of the Preferential Subscription Rights as well as the New Ordinary Shares, regardless of the financial situation and the financial results of the Company.

If the capital increase is revoked and terminated, the Company would return the subscribers’ monies or record the amounts in their names at the Bank of Spain or the Spanish General Savings Deposit. However, any investors who acquire Preferential Subscription Rights in the Spanish Stock Exchanges during the preferential subscription period will not be reimbursed any amounts paid to Shareholders and/or the holders of Preferential Subscription Rights for the acquisition of such rights.

### **Shareholders and investors who exercise their Preferential Subscription Rights during the preferential subscription period will not be able to revoke their subscriptions**

The exercise of the Preferential Subscription Rights and orders relating to the request for additional New Ordinary Shares to be allocated in the additional allocation period described herein will be deemed to be firm, irrevocable and unconditional. Therefore, once such exercise or request has been made, Shareholders and investors will not be able to revoke or modify those subscriptions and requests and shall be obliged to subscribe for the New Ordinary Shares, even where the Underwriting Agreement does not become effective due to non-compliance of the conditions precedent or where the Underwriting Agreement is resolved. The foregoing, irrespective of whether or not the full amount of New Ordinary Shares requested by the relevant holder will be delivered in full. Also, requests for subscription of New Ordinary Shares in the discretionary allocation period described herein will also be deemed to be firm, irrevocable and unconditional except where the Underwriting Agreement does not become effective due to non-compliance of the conditions precedent or where the Underwriting Agreement is resolved. In such events, requests for subscription of New Ordinary Shares in the discretionary allocation period will be without effect. See “*The Offering—Procedures—Discretionary allocation and underwriting*”.

Notwithstanding the above, Shareholders and investors may be able to revoke the subscriptions and requests orders if between the date of registration with the CNMV of the Prospectus relating to the Offering and the date of delivery of the New Ordinary Shares any of the events provided for in Article 22 of the Spanish Royal Decree 1310/2005, of 4 November, takes place. In any of these events, a supplement to the Prospectus shall be filed and presented for the approval of the CNMV and, after its publication, Shareholders and investors who have already agreed to subscribe for New Ordinary Shares will have the right, exercisable within a period of not less than two Madrid Business Days after publication of such supplement, to withdraw their subscriptions, provided that the new factor, mistake or inaccuracy to which the supplement refers arose before the final closing of the Offering and the delivery of the New Ordinary Shares.

### **The Company cannot assure holders of Preferential Subscription Rights that an active trading market will develop for the Preferential Subscription Rights or that there will be sufficient liquidity for such rights**

The Preferential Subscription Rights to subscribe for New Ordinary Shares offered hereby do not have an established trading market. Although the Preferential Subscription Rights offered hereby will be admitted to trading on the Spanish Stock Exchanges through the AQS during the preferential subscription period described herein, the Company cannot assure holders of Preferential Subscription Rights that an active trading market will develop for these rights on the Spanish Stock Exchanges or that any

over-the-counter trading market in the Preferential Subscription Rights will develop or that there will be sufficient liquidity for such rights during such period.

Pursuant to the Offering, the Company is offering New Ordinary Shares that are fungible with the Company's Existing Ordinary Shares as of the date of the Prospectus. The New Ordinary Shares will be listed on the Spanish Stock Exchanges and will be quoted on the AQS. The owners of the New Ordinary Shares will be able to liquidate their investment through the sale on the respective trading markets. However, liquidity problems could arise and sell orders may not be promptly matched by adequate buy orders.

**A significant decline in the Company's Existing Ordinary Share price would likely have a material adverse effect on the value of the Preferential Subscription Rights**

Because the trading price of the Preferential Subscription Rights depends on the trading price of the Existing Ordinary Shares, a significant decline in such Existing Ordinary Share price would be likely to have material adverse effect on the value of the Preferential Subscription Rights. Accordingly, all of the risks that affect the market price of the Existing Ordinary Shares, including those risks described in this Prospectus, may also affect the trading price of the Preferential Subscription Rights. In addition, the Company cannot assure rightsholders that the trading price of the Existing Ordinary Shares will not decline below the Subscription Price after rightsholders elect to exercise their Preferential Subscription Rights. If that occurs, rightsholders will have committed to buy the New Ordinary Shares at a price above the prevailing market price, and will suffer an immediate unrealised loss as a result. Moreover, the Company cannot assure rightsholders that following the exercise of the Preferential Subscription Rights they will be able to sell their New Ordinary Shares at a price equal to or greater than the Subscription Price.

**The Existing Ordinary Shares or the Preferential Subscription Rights may be sold on the market during the subscription period (in the case of Preferential Subscription Rights), or during or after the subscription period (in the case of Existing Ordinary Shares), which may have an unfavourable impact on the value of the Preferential Subscription Rights or the market price of the Existing Ordinary Shares**

The Existing Ordinary Shares or the Preferential Subscription Rights may be sold on the market, or such sales may be anticipated, during the subscription period (in the case of Preferential Subscription Rights) or during or after the subscription period (in the case of Existing Ordinary Shares), which may have an unfavourable impact on the market price of the Existing Ordinary Shares or the value of the Preferential Subscription Rights. The Company cannot predict the possible effects on the value of the Preferential Subscription Rights or the market price of the Existing Ordinary Shares of any such sales by the Shareholders.

**Any delay in the admission to listing and trading of the New Ordinary Shares would affect their liquidity and would prevent their sale until they are so admitted**

The issuance of the New Ordinary Shares is subject to the registration of the capital increase in the Commercial Registry (*Registro Mercantil*). Although the relevant resolution by the Board of Directors in relation to the share capital increase is scheduled to be registered promptly with the Commercial Registry, such registration may, despite the Company's best efforts and for reasons beyond its control, not take place in time to enable the New Ordinary Shares to be admitted to listing on the Spanish Stock Exchanges or to trading on the AQS on the expected date (admission to listing expected on 8 June 2016, expected commencement of trading of the New Ordinary Shares on the Spanish Stock Exchanges on 9 June 2016). Any postponement of the admission to listing and/or trading of the New Ordinary Shares due to a delay in the registration of the capital increase with the Commercial Registry or for any other reason would affect the liquidity of the New Ordinary Shares and would make it more difficult for an investor to sell such New Ordinary Shares until they are admitted to listing and trading.

**Shareholders who do not exercise their Preferential Subscription Rights will have their interest in the Company diluted**

The Offering is designed to enable the Company to raise capital in a manner that gives the opportunity to existing Shareholders to subscribe for New Ordinary Shares. Preferential Subscription Rights not exercised during the preferential subscription period will lapse automatically. Shareholders (or investors who have acquired their rights from Shareholders) who do not exercise or sell their Preferential Subscription Rights during the preferential subscription period described herein (see "Summary—Expected Timetable of Principal Events") will lose them and will not receive any financial compensation for the same. In such event, Shareholders will have their equity interest diluted by approximately 31.2% with respect to their current holding, if all the New Ordinary Shares are subscribed for in full, by current Shareholders or other

investors exercising their Preferential Subscription Rights and/or subscribing for additional New Ordinary Shares in excess of their pro rata entitlement during the additional allocation period described herein, or by qualified institutional investors during the discretionary allocation period or by the Joint Bookrunners in accordance with the Underwriting Agreement.

Even where a Shareholder sells unexercised Preferential Subscription Rights, the consideration received by such Shareholders who elect to sell their Preferential Subscription Rights prior to the expiration of the preferential subscription period may not be sufficient to fully compensate them for the dilution of their percentage ownership of the Shares that may result from the Offering.

**A current minority Shareholder or a third party may acquire a significant shareholding in the context of the Offering or otherwise**

It is possible that a current minority Shareholder and/or a third party acquires a significant amount of New Ordinary Shares in the Offering or acquires Shares otherwise, which could potentially reduce the free float of the Shares which are available for trading on the open market, having an adverse effect on the liquidity of the Shares.

**The Preferential Subscription Rights must be exercised through the Iberclear member entity in whose book-entry registry such rights are registered and the Subscription Price must be paid for in euros**

The Preferential Subscription Rights will have to be exercised through the Iberclear member entity in whose book-entry registry such rights are registered. Such Iberclear member will be located in Spain. In addition, payment of the Subscription Price must be made in euros to such Iberclear member. As a result, it may be difficult for those Shareholders and investors who are located outside Spain to exercise the Preferential Subscription Rights they hold, request any additional allocation of New Ordinary Shares and pay the Subscription Price in respect thereof.

**The market price of the Shares may fluctuate widely in response to different factors**

The market price of the Shares may not reflect the value of the underlying investments of the Company, but may also be subject to wide fluctuations in response to many factors, including, among other things, variations in the Company's operating results, additional issuances or future sales of the Company's Shares or other securities exchangeable for, or convertible into, its Shares in the future, the addition or departure of members of the Company's or the Investment Manager's respective boards of directors or members of the Management Team, divergence in financial results from stock market expectations, changes in stock market analyst recommendations regarding the real estate sector as a whole, the Company or any of its assets, a perception that other market sectors may have higher growth prospects, general economic conditions, legislative changes in the Group's sector and other events and factors within or outside the Group's control.

The market value of a share may vary considerably from its underlying Net Asset Value and may decrease as well as increase. In this regard, there can be no guarantee that the market price of the New Ordinary Shares will remain equal to or higher than the Subscription Price. Moreover, the price of the Shares is generally subject to amplified volatility during the first days from implementation of a share capital increase. For example, during the period from 5 April 2016 to 5 May 2016, the price of an Existing Ordinary Share ranged from €12.16 to €13.06.

Spanish Stock Markets have from time to time experienced extreme price and volume volatility, which, in addition to general economic, political and other conditions, could adversely affect the market price of the Shares. To optimise returns, investors may need to hold the Shares until the Company is wound up and dissolved within the context of the execution of the Value Return Proposal.

**The sale, or the perception of such sale, of a substantial number of Shares of the Company after the share capital increase, or in the ordinary course of business, may have a negative impact on the listed price of the Shares**

The sale of a substantial number of the Company's Shares after the Offering, or the perception that such sales might occur, may have a negative impact on the listed price of the Shares. In this regard, subject to certain exceptions, as from the execution of the Underwriting Agreement and for a period of 90 days as from the admission to listing of the New Ordinary Shares of the Company in the Spanish Stock Markets, the Company shall not issue, sell or otherwise dispose of Shares of the Company.

Similarly, the future sale of a significant number of Shares may have a negative impact on the market for the Shares and on the Company's ability to raise additional funds through the issue of equity securities.

**Sales of Shares by the Company’s Directors, the members of the Management Team, the Investment Manager, the shareholders of the Investment Manager or the significant Shareholders of the Company or the possibility of such sales, may affect the market price of the Shares**

Sales of Shares or interests in Shares by the Management Team, the Investment Manager, minority shareholders of the Investment Manager, the Company’s Directors or the significant Shareholders of the Company could cause the market price of the Shares to decline. A substantial amount of Shares being sold, or the perception that sales of this type could occur, could depress the market price of the Shares. Both scenarios, occurring either individually or collectively, may make it more difficult for investors to sell the Shares at a time and price that they deem appropriate.

The members of the Management Team, the Investment Manager and Azora Altus may, following the expiry of a lock-up period of the earlier of (i) three (3) years from the Initial Admission or (ii) the termination of the Investment Manager Agreement (subject to certain customary exceptions) sell their Shares in the market. The Company is unable to predict whether substantial amounts of Shares will be sold in the open market following expiry of the lock-up arrangements or earlier if the relevant consents are provided.

**The interests of significant Shareholders may differ from those of other Shareholders**

One or more significant Shareholders may potentially possess sufficient voting power to have a significant influence on matters requiring Shareholders’ approval. The interests of one or more significant Shareholders may conflict with those of the other Shareholders. For example, a significant Shareholder may make investments in other businesses in the Spanish property market that may be, or may become, competitors of the Group. See “*Principal Shareholders*”.

**The acquisition of Shares does not guarantee the right to attend General Shareholders’ Meetings**

In accordance with Article 24 of the By-Laws, General Shareholders’ Meetings may only be attended by Shareholders who, individually or in a group, hold at least 1,000 shares, provided these are duly registered with the corresponding accounting record of book entries at least five (5) days before the date on which the General Shareholders’ Meeting is to be held, and provided that those Shareholders obtain, as required in the call, the corresponding attendance card certifying compliance with the established requirements. In the event a Shareholder does not reach such threshold and is unable to group its holdings with those of other Shareholders, such Shareholder will not be able to attend or vote at General Shareholders’ Meetings, whether in person or by proxy.

**The Company may in the future issue additional Shares or debt securities which may be convertible into Shares, which may dilute Shareholders’ equity**

If a share capital increase is approved excluding pre-emption rights, or if existing Shareholders choose not to subscribe for additional shares when offered, the issuance of such additional shares may be dilutive to such existing Shareholders’ shareholding and could have a material adverse effect on the market price of the Shares as a whole.

In accordance to the resolution approved by the Shareholders at the General Shareholders’ Meeting which took place on 29 June 2015, the Company may in the future, under the terms of such resolution, issue debt securities which may be convertible into Shares. If the Company decides to issue such convertible debt securities in the future, the subsequent conversion of such securities may cause the dilution of existing Shareholders’ equity.

**Shareholders outside Spain may be unable to subscribe for New Ordinary Shares in the Offering or to exercise their Preferential Subscription Rights**

The Company may not be able to offer the New Ordinary Shares to Shareholders in certain jurisdictions pursuant to the Preferential Subscription Rights or any New Ordinary Shares in any future share capital increase subject to preferential subscription rights, including to Shareholders in the United States, where unless a registration statement under the Securities Act is effective with respect to such Shares and preferential subscription rights, or an exemption from the registration requirements of the Securities Act is available, no such offer could be made. The Company is not obliged to file a registration statement relating to preferential subscription rights or Shares, and the Company has no present intention to do so. Preferential subscription rights (including the Preferential Subscription Rights) that are not exercised will lapse and Shareholders will not be compensated.

**It may be difficult for Shareholders outside Spain to serve process on or enforce foreign judgments against the Company or the Directors**

The Company is a public limited company (a *sociedad anónima* or S.A.) incorporated in Spain. The rights of the Shareholders are governed by Spanish law and by the By-Laws. These rights may differ from the rights of shareholders in non-Spanish corporations. All of the current Directors are resident in Spain and most of the assets of the Company are expected to be located in Spain. As a result, it may be difficult for Shareholders outside of Spain to serve process on or enforce foreign judgments against the Company or the Directors.

**It may be difficult for Shareholders to protect their interests due to differences in shareholders' rights and fiduciary responsibilities in different jurisdictions**

Shareholders may face difficulties in protecting their interests because of differences in shareholders' rights and fiduciary responsibilities between Spanish laws and the laws of other jurisdictions, including most U.S. states.

**Exchange rates may fluctuate, which could expose Shareholders to exchange rate risk**

All investments made by the Group are in euro. Furthermore, the Shares and Preferential Subscription Rights are priced in euro and any dividends or other eventual distributions to be paid in respect of them will be denominated in euro. Any investment in the New Ordinary Shares or Preferential Subscription Rights by an investor whose principal currency is not the euro exposes the investor to foreign currency exchange risk. Any depreciation of the euro in relation to such foreign currency will reduce the value of the New Ordinary Shares or any dividends or other eventual distributions as converted into such investor's principal currency.

**The assets of the Company could be deemed to be "plan assets" that are subject to certain requirements of ERISA and/or section 4975 of the Code, which could restrain the Company from making certain investments**

Under a regulation issued by the United States Department of Labor (29 C.F.R. section 2510.3-101) as modified by section 3(42) of ERISA (the "**Plan Asset Regulations**"), if interests held by Benefit Plan Investors (as defined in the section of this Prospectus entitled "*Certain ERISA Considerations*") are deemed to be "significant" within the meaning of the Plan Asset Regulations (broadly, if Benefit Plan Investors hold 25% or greater of any class of equity interest in the Company), then the assets of the Company may be deemed to be "plan assets" within the meaning of the Plan Asset Regulations. The Company is not able to control the acquisition of Shares by Benefit Plan Investors or to require Benefit Plan Investors to sell their Shares, and therefore there can be no assurance that Benefit Plan Investors do not currently and will not in the future hold 25% or greater of the Shares. If the Company's assets were deemed to constitute "plan assets" within the meaning of the Plan Asset Regulations, certain transactions that the Company might enter into in the ordinary course of business and operation might constitute non-exempt prohibited transactions under ERISA or the Code, resulting in the imposition of excise taxes and penalties. In addition, any fiduciary of a Benefit Plan Investor or a governmental, church, non-US or other plan which is subject to any other federal, state, local or non-US law that is similar to the prohibited transaction provisions of section 406 of ERISA and/or section 4975 of the Code that is responsible for such plans investment in the Shares could be liable for any ERISA fiduciary violations or violations of such other law relating to the Company. Investors should read the representations and warranties with respect to ERISA in the section entitled "*Transfer and Selling Restrictions*" and should read the section entitled "*Certain ERISA Considerations*".

**The Company may be considered an AIF under the laws of certain European Economic Area jurisdictions other than Spain**

Being a SOCIMI, the Company is not subject to the provisions of Law 22/2014. However, and even though the Company believes it is not an AIF within the meaning of the AIFMD, the Company may be considered an AIF under the laws of certain European Economic Area jurisdictions (where the AIFMD has been implemented) other than Spain. Accordingly, the securities may only be marketed or offered in such jurisdictions in compliance with and subject to the terms of such jurisdiction's implementation of the AIFMD, or any available exemption therefrom and any other laws and regulations applicable in such jurisdiction. Furthermore, if the Company was to be found in breach of the AIFMD, the Company would be subject to, among others, fines, administrative sanctions as well as future limitations on any placement of its Shares.



## USE OF PROCEEDS

The Company estimates that the Net Offering Proceeds will be approximately €222 million (based on the expected proceeds from the Offering after deducting approximately €9 million in commissions and other estimated fees, expenses and taxes payable by the Company in connection with the Offering).

The Company intends to use the Net Offering Proceeds received to fund future investment properties (both acquisitions (directly and indirectly) and capital expenditure on future property investments) which have already been identified or are currently being monitored and for the Group's general corporate purposes. The Company expects to commit the Net Offering Proceeds raised in the Offering within the next twelve (12) months from the day of full completion of the Offering.

As of the date of this Prospectus, the new investment opportunities are in real estate assets in accordance with the Investment Strategy (see "Business—Investment Strategy") which are in different execution stages: (i) "active deals" which are those opportunities that are being actively analysed and/or in early negotiated stages and (ii) "advanced deals" which are those deals which are already under due diligence process. Most of the investment opportunities are related to hotel investments reflecting the leading position achieved by the Company in this sector in recent times and the Company's intention to continue growing its hotel platform in order to achieve a large, unique and diversified portfolio with the intention to become the leading hotel portfolio in the Spanish tourism industry in the short-to-medium term, with a particular focus on the resort hotel segment. Additionally, the Company will continue to selectively invest in the office market of Madrid and Barcelona with high reversionary yield potential in order to complement and enhance its office portfolio and, to a lesser extent and only on an opportunistic basis, in residential rental properties in well consolidated and communicated residential neighbourhoods in large cities.

As of the date of this Prospectus, the Company's pipeline amounts to €1,540 million, including the expected initial capex associated with such investments and it is split as follows: hotel properties 76.0% and offices 24.0%; and more specifically, the "advanced deals" which amount to €172 million are all concentrated in hotel properties.

Notwithstanding the above, the pipeline is *per se* dynamic and variable in terms of nature, volumes and execution times. It is therefore possible that the Net Offering Proceeds raised could end up being invested in transactions that are not envisaged or in transactions currently being monitored by the Company but that are currently in too early of a stage to be classified as active deals as of the date of this Prospectus.

Given the current competitive environment, the Company believes that having the necessary financial resources is crucial to be able to deliver on its pipeline opportunities as well as on its repositioning plan and achieve its strategic objectives.

## DIVIDENDS AND DIVIDEND POLICY

Initially and as stated in the Initial Offering prospectus, the Company did not plan to distribute dividends until the later of (i) the third anniversary of the Initial Admission and (ii) the end of the Investment Period. However, in light of the faster than initially expected investment rhythm and the anticipated economic results, the Company expects to distribute approximately €40 million to its Shareholders (of which, €10.4 million will be paid against paid-in capital reserves (share premium) in July 2016, as approved by the General Shareholders' Meeting held on 5 May 2016 in a first call) with the remainder expected to be paid as an interim dividend in November 2016 and as a complementary dividend in 2017. The New Ordinary Shares will be eligible to receive the share premium distribution approved by the General Shareholders' Meeting on 5 May 2016. Therefore, such distribution would approximately represent €0.096 per ordinary share on a fully diluted basis (assuming full subscription of the Offering and depending on the number of treasury shares held on the date of distribution).

From 2016 onwards, the Company intends to establish a competitive Shareholders' remuneration policy targeting sustainable dividend levels overtime with two dividend distributions (an interim dividend in the fourth quarter and a complementary dividend post the annual General Shareholders' Meeting) which will reflect the Company's views on the outlook for sustainable recurring cash earnings, which are EBITDA plus financial income less the sum of financial cost, any eventual tax payment and any debt instalment. The Company does not aim to create reserves that are not available for distributions to Shareholders other than those required by existing regulations. The Board of Directors, within the scope of its powers, shall propose to the Shareholders what it deems most appropriate regarding the distribution of dividends in terms of size, payment of interim payments and forms at the General Shareholders' Meeting every time such distribution is to be made.

In addition to the above, as a result of the Company's conversion into a SOCIMI (approved at the General Shareholders' Meeting held on 5 May 2016), the Company is also required to comply with certain legal requirements in relation to the distribution of dividends. See "*Regulation—SOCIMI Regulations*".

### **Other information relating to dividends**

Dividends are paid *pro rata* according to the amounts paid up by the Company's Shareholders on the Shares. Dividends declared but not yet paid do not bear interest. Dividends paid on the Shares are subject to withholding tax. See "*Taxation*". Dividends may only be paid out of profits or distributable reserves, after meeting the requirements laid down by the law and in the By-Laws of the Company, if the value of the Company's equity is not, and as a result of the proposed distribution would not be, less than the Company's share capital. Under the Spanish Companies Act, the right to receive a dividend lapses and reverts back to the Company if it is not claimed within five (5) years after it becomes due. See "*—Description of Capital Stock*".

## DILUTION

The Eligible Shareholders will receive Preferential Subscription Rights to subscribe for New Ordinary Shares and, thus, in the event they exercise such rights in full, they will suffer no dilution of their holdings of the Company's share capital at the Record Date.

Eligible Shareholders who do not subscribe for the New Ordinary Shares in the percentage to which their Preferential Subscription Rights entitle them and do not participate in the additional or discretionary allocation of New Ordinary Shares, (further assuming that the New Ordinary Shares were entirely subscribed for by investors other than the Eligible Shareholders, or by the Joint Bookrunners) will see a dilution in ownership percentage of approximately 31.2% as the current holdings of the Eligible Shareholders would represent approximately 23.8% of the total number of the Shares following the Offering.

The table below sets forth the increase in the number of the Shares of the Company as a result of the Offering:

	<b>Prior to the Offering</b>		<b>Following completion of the Offering</b>	
Number of Shares outstanding immediately prior to the Offering .....	82,590,000	100%	82,590,000	76.2%
Number of New Ordinary Shares issued in the Offering <sup>(1)</sup> .....	0	0%	25,775,002	23.8%%
<b>Total number of Shares</b> .....	<b>82,590,000</b>	<b>100%</b>	<b>108,365,002</b>	<b>100%</b>

Notes:

(1) Assuming that the Underwriting Agreement is not terminated and the relevant conditions precedent for its effectiveness are complied with (and that, therefore, there is no "incomplete subscription" (*suscripción incompleta*)).

The Company may decide to carry out additional share capital increases in the future. In the event that share capital increases were effected, Shareholders could be diluted were they not to exercise their preferential subscription rights or in the event such share capital increase excluded preferential subscription rights for existing Shareholders in accordance with Spanish law. See "*Risk Factors—The Company may in the future issue New Ordinary Shares or debt securities which may be convertible into Shares, which may dilute shareholders' equity*".

## INDUSTRY OVERVIEW

### The Spanish economy

The Spanish economy experienced a decade-long expansionary cycle from 1996 to 2007, with annual GDP growth averaging 3.8% over the period and the unemployment rate falling to 7.95% in the second quarter of 2007 (Source: INE). During this period, GDP growth was underpinned by strong domestic demand, supported by the availability of cheap external credit and the wealth effect produced by rising house prices and a strong stock market.

As subsequently evidenced, this growth model generated a number of internal and external imbalances including, among others, (i) a strong reliance on the residential construction sector which accounted for 12.5% of GDP in 2006 (Source: Analistas Financieros Internacionales, INE), (ii) high levels of private debt which peaked at 215% of GDP in 2010 (Source: World Bank), (iii) a double-digit current account deficit which amounted to 10% of GDP in 2007 (Source: Bank of Spain) and (iv) a banking system overexposed to the real estate sector in general, and in particular to construction and property development.

As the global economy entered a contraction phase, the Spanish economy fell into a severe downturn in 2008. From the second quarter of 2008 to the third quarter of 2013, when the recession ended, GDP contracted at an annual rate of 1.5%. After the second quarter of 2013 to the second quarter of 2014, GDP grew at an annual rate of 1.5%. The unemployment rate decreased to 23.7% in the fourth quarter of 2014, representing a slight improvement compared to the fourth quarter of 2013, when it was 25.7% (Source: INE). With a weaker economy, the number of non-performing loans and real estate foreclosures increased on banks' balance sheets, triggering concerns over the solvency of the Spanish banking system.

The high deficit (as a percentage of the GDP) incurred by the Spanish government (11.0% in 2009 and 9.4% in 2010 compared to 5.8% in 2014) (Source: Eurostat), led to an increase of sovereign debt as a percentage of GDP (35.5% in 2007 to 97.7% in 2014) (Source: Bank of Spain), resulting in a downgrade of its sovereign credit rating from Standard and Poor's AA (Negative) in 2010 to BBB- (Negative) in 2012 and from Moody's Aaa (Stable) in 2010 to Baa3 (Negative) in 2012. As of today, both agencies have improved their rating of the Spanish sovereign debt to BBB+ (Stable) from Standard and Poor's and Baa2 (Stable) from Moody's. In this context, the Spanish risk premium over German 10-year sovereign bonds peaked at 639 basis points on July 2012 as compared to levels around 114 basis points on 31 December 2015 and 145 basis points as of 6 May 2016 (Source: Bloomberg).

The summer of 2012 was a turning point in the perception of Spain as a source of "systemic risk". The European Central Bank pledged to act to preserve the integrity of the euro as a common currency, and the European authorities granted the Spanish Fund for Orderly Bank Restructuring, or FROB, access to a financial assistance programme of up to €100 billion to recapitalise the Spanish banking sector (Source: European Stability Mechanism).

Although the Spanish economy is still not operating at full capacity, there are certain signs pointing to a stabilisation and potential recovery:

- after nine consecutive quarters of negative GDP growth, Spain officially ended the recession period in the fourth quarter of 2013; in 2015 real GDP grew by 3.2% (Source: Ministry of Economy and Competitiveness);
- nominal unit labour costs in Spain have decreased by approximately 6.3% between the peak in 2009 and 2015 (Source: Eurostat). This has increased the competitiveness of Spanish exports, which have reached 33.5% of GDP by the fourth quarter of 2015 from 21.9% in 2009 (Source: Ministry of Economy and Competitiveness);
- the implementation of austerity measures is resulting in a gradual improvement of public finances. According to the Ministry of Economy and Competitiveness, fiscal deficit reached 5.8% and 4.8% of GDP in 2014 and 2015, respectively (excluding the bank recapitalisation programme and one-offs) which is above the 4.2% deficit agreed with the European Commission, but in line with the 4.8% deficit estimated in February 2016 by the same entity for 2015. As a result, the 2016 estimated deficit as percentage of GDP has been adjusted to 3.4% from previous 3.2% whereas estimates for 2017 remain at 2.5%. (Source: Ministry of Economy and Competitiveness and International Monetary Fund). Debt to GDP ratio slightly declined in 2015 to 99.0% compared to 99.3% in 2014. This is the first year-on-year reduction in the ratio since 2007. (Source: Spanish Ministry of Economy and Competitiveness);

- since Spain received financial assistance from the Eurozone Member States (via the European Stability Mechanism) to recapitalise the financial sector, the banking industry is showing signs of stabilisation and has been able to access international capital markets normally;
- total domestic credit to private sector has decreased from 170% of GDP in 2008 to 129% in 2014 (Source: World Bank), indicating that the deleveraging process is making progress, with household debt/GDP ratio decreasing from 84.7% in the second quarter of 2010 to 67.5% by the fourth quarter of 2015 (Source: Ministry of Economy and Competitiveness); and
- domestic demand is expected to recover on the back of (i) the wealth effect (the IBEX-35 index grew 21.4% in 2013, 3.7% in 2014, but has shown certain volatility during 2015, in particular in the last quarter of the year, decreasing by 7.2%, and has continued decreasing in 2016 by 8.8% until the 6 May 2016 affected by the oil price volatility, the Chinese economic performance and the political uncertainty) (Source: Bloomberg) (ii) a normalisation of lending conditions (the loan-to-deposit ratio of Spanish banks decreased from 162% in 2008 to 119% in December 2015 (Source: Bank of Spain), (iii) a decrease in the unemployment rate (from 26.0% in the fourth quarter of 2013 to 20.9% in the fourth quarter of 2015) (Source: Ministry of Economy and Competitiveness), and (iv) an improvement of 63.1 points in consumer confidence in 2015, which was slightly offset by the 16.4 points decline from January to April 2016 (from 44.3 in December 2012 to 107.4 in December 2015) (Source: *Centro de Investigaciones Sociológicas*).

The Company believes that these improvements in economic conditions will underpin a return to economic growth, which could also potentially benefit the recovery of real estate prices in Spain.

## **Overview of the Spanish real estate market**

### ***Recent history of the real estate sector***

The Spanish real estate industry enjoyed a sustained period of growth between 1997 and early 2008. During this period, house prices almost tripled, and the number of completed new-builds increased 3.6 times between 1995 and 2008 (Source: Ministry of Public Works and Transport). Residential construction as a percentage of GDP doubled, peaking at 12.5% in 2006 as compared to 6% in 1995 (Source: *Analistas Financieros Internacionales, INE*).

After a period of strong growth between 1997 and 2005, the real estate sector saw the first signs of slowing down as interest rates rose from 3.5% in December 2005 to 5.3% in July 2007. However, it was not until the onset of the global economic and financial crisis that began in 2008 that credit contraction and macroeconomic instability led to a significant fall in prices across all real estate asset classes (Source: Bank of Spain).

The liquidity drought and downward price pressure on real estate assets quickly took a toll on real estate companies which were excessively leveraged and heavily exposed to capital-intensive assets such as the land and residential development sectors. As real estate companies and developers faced difficulties servicing and rolling over their debt, the real estate industry witnessed a number of large corporate insolvencies, restructurings and refinancings.

Other Spanish companies that had diversified into the real estate sector also suffered significant losses as a result of the sector adjustment. Similarly, closed-ended real estate funds were also affected by this value destruction trend and some funds had to be bailed out by their sponsoring banks.

As Spanish banks enforced their security over distressed assets, they gradually became the largest owners of real estate in Spain. As of December 2011, Spanish banks had an estimated €307 billion in real estate assets, of which approximately €184 billion was considered problematic (Source: European Commission). The existence of troubled assets on banks' balance sheets reduced confidence in the Spanish financial system, making access to funding increasingly more difficult for banks.

In order to accelerate the process of value adjustment of real estate assets, and with a view to restoring market confidence in Spanish financial institutions, the Spanish government adopted a series of measures in February and May 2012 which included, among other things, the adoption of more stringent accounting rules aimed at reducing the carrying cost of real estate assets on the balance sheets of Spanish banks (between 2008 and September 2012, banks increased their specific provisions by approximately €92 billion; source: European Commission).

Additionally, as part of the conditions imposed to obtain financial assistance from the Member States of the Eurozone, the Spanish government created the SAREB in 2012. With a majority of private capital, the purpose of SAREB was to take on troubled assets from certain banks which were experiencing difficulties in order to reduce their capital needs. By June 2013, SAREB had received assets at an aggregate transfer price of €51 billion and had a net book value of €107 billion, implying an average discount on acquisition costs of approximately 52%. Transferred assets included foreclosed assets (106,856 units with an aggregate net value of approximately €11.4 billion) and troubled financial assets (90,618 assets with an aggregate net value of approximately €39.4 billion) (Source: SAREB and Ministry of Economy and Competitiveness). SAREB has a mandate to liquidate its assets over a 15-year period, thereby becoming a large source of supply for real estate assets.

The Company believes that current real estate market conditions in Spain provide attractive investment opportunities.

### ***Current state of the real estate sector***

Following a number of years of sharp adjustment in volumes and prices, the Spanish real estate market is beginning to show signs of stabilisation, and in some instances, moderate recovery.

In the offices segment, the maximum prime and secondary rental rates in Madrid have shown a year-on-year increase of 6.9% and 6.8%, respectively, on the fourth quarter of 2015 in regards to the maximum rent levels registered in these areas. Despite the increase in CBD and secondary locations, rents are showing lower growth rates in the periphery of Madrid. This was also the case in Barcelona, where all areas have registered a significant increase in rental levels (11.5% on average) except for the peripheral locations which have remained in line. Overall vacancy rates have decreased from 12.1% and 12.8% in the fourth quarter of 2014 to 10.6% and 11.1% in the fourth quarter of 2015 in Madrid and Barcelona, respectively, and a stabilisation of occupancy levels is expected due in part to the small pipeline of new office stock in 2015 to 2017 (Source: JLLRM, Madrid & Barcelona Office Market Report, fourth quarter of 2014 and fourth quarter of 2015).

Residential real estate prices have suffered a significant price adjustment, having fallen by 33.2% (adjusted by Spanish CPI) from their peak in the second quarter of 2007 to their trough in the fourth quarter of 2015 (Source: INE). However, the residential market is starting to recover, which is reflected in the rise in prices, with a 4.2% recorded in the fourth quarter of 2015 as compared to the fourth quarter of 2014, and growth of 1.8% achieved over the same period in the previous year (Source: INE). In the most prosperous Spanish autonomous communities, increases in residential house prices (3.4% and 3.0% in the autonomous communities of Madrid and Catalonia, respectively, in the fourth quarter of 2015 as compared to the previous year (Source: INE) are testimony to the first signs of recovery.

In the hotel market, Spain surpassed the peak of 58.7 million international tourists recorded in 2007, after having recorded approximately 68 million international tourists in 2015, who were responsible for generating revenues of approximately €67.3 billion on the same year (Source: Spanish Institute of Tourism, *Movimientos Turísticos de Fronteras* and *Encuesta de Gasto Turístico* reports, both January 2016). This figure has been surpassed in 2015, with 68 million tourist arrivals from January through December, representing a 5% increase when compared to the same period of 2014 (Source: Frontur).

Demand for hotel keys (in terms of overnight stays) has increased steadily over the last 6 years, presenting a CAGR of 3.5% between 2009 and 2015 (Source: INE). This growth has been fuelled mainly by international tourists over the last five years, but domestic demand is expected to recover as the Spanish economy begins to show signs of growth. Moreover, overnight stays from Spanish residents already increased 5.3% from 2014 to 2015 and by 13.5% in the first quarter of 2016 compared to the same period of 2015 (Source: INE).

Lastly, it is notable that there are signs of increasing demand for Spanish real estate assets. During 2015, investors actively acquired Spanish real estate office assets for a total consideration that exceeded €3 billion, significantly above the entire investment volume of 2014, which amounted to around €2 billion (Source: JLLRM, Madrid & Barcelona Office Market Report, fourth quarter 2014 and fourth quarter of 2015).

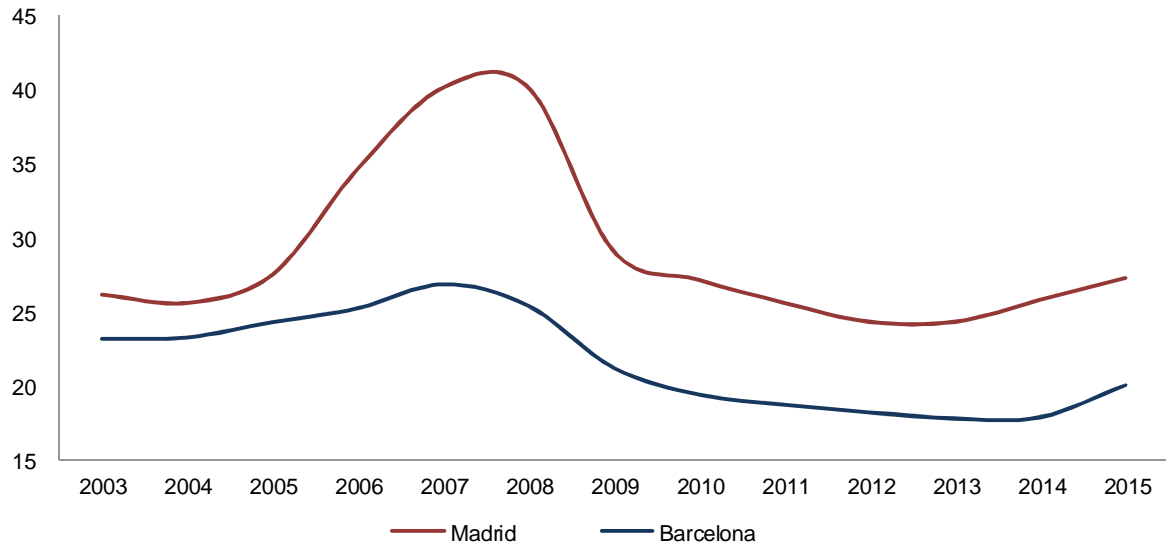
### ***Relevant data regarding the office real estate market***

The office real estate market in Spain experienced steady growth in the years preceding the onset of the economic crisis. Prime office yields in Madrid and Barcelona in 2007 were approximately 3.9%, and 4.0%, respectively, significantly lower than the levels of approximately 6.3% recorded in both cities in 2002

(Source: JLLRM, Madrid Office Market Profile Report, third quarter of 2013; and Barcelona Office Market Profile report, third quarter of 2013).

The graph below sets forth the evolution of the rental levels in the Madrid and Barcelona office sectors between 2003 and the fourth quarter of 2015:

**Prime rental levels in the Madrid and Barcelona office sector <sup>(1)</sup> 2003-Q4 2015**  
(€/square meter per month)



Notes:

(1) Refers to the central business districts of Madrid and Barcelona, respectively.

Source: JLLRM, Madrid and Barcelona Office Market Report, fourth quarter of 2015.

With the onset of the economic crisis, the office market in Spain began to experience difficulties as a result of, among other things, the scarcity of credit in the market, the gradual decline in business activity in Spain and the relocation of businesses to smaller but better-equipped offices as a cost-cutting measure. These factors led to a substantial and ongoing increase in available office space, thereby forcing a reduction in rental rates (Source: Knight Frank, Research materials, first half of 2013). The implications of this new situation in the office market affected the share price of listed companies operating in the sector whose value began to register aggressive discounts on net asset values, leading in certain circumstances to the delisting of the shares of certain of these companies.

After several years of economic difficulties, there are indicators of a reversal of this trend, at least for higher-quality assets in the office market. During 2015, take-up volume in the Madrid office market exceeded 470,000 square meters, 31% higher in 2014. During 2015, Barcelona achieved a take-up volume of 398,000 square meters, 41% higher than the take-up volume recorded during the same period in 2014 (Source: JLLRM, Madrid & Barcelona Office Market Report, fourth quarter of 2014 and fourth quarter of 2015).

The overall vacancy rate in the office sector presents a decrease from 12.1% in the fourth quarter of 2014 to 10.6% in Madrid (Source: JLLRM, Madrid & Barcelona Office Market Report, fourth quarter of 2014 and fourth quarter of 2015). Moreover, the overall vacancy rate in Barcelona decreased considerably to 11.1% in the fourth quarter of 2015 as compared to 12.8% in the fourth quarter of 2014 (Source: JLLRM, Madrid & Barcelona Office Market Report, fourth quarter of 2014 and fourth quarter of 2015).

However, there are considerable differences in demand for office space by location that directly affect the vacancy of space in the various sub-segments. There is a preference for central locations with good transport links, which is reflected in vacancy rates of approximately 7.0% and 5.8% in the Central Business District of Madrid (“CBD”) (Paseo de la Castellana) and secondary areas of Madrid, respectively, and approximately 7.3% and 10.1% in the central areas (Paseo de Gracia and Diagonal between Paseo de Gracia and Plaza Francesc Macià) and secondary areas of Barcelona, respectively (Source: JLLRM, Madrid & Barcelona Office Market Report, fourth quarter of 2015). These levels of vacancy rate differ significantly

from those in peripheral areas, where vacancy rates were approximately 12.7% and 28.5% in the periphery and satellite areas of Madrid, respectively, and approximately 11.2% and 14.8% in the new business areas and the periphery of Barcelona, respectively, in the fourth quarter of 2015 (Source: JLLRM, Madrid & Barcelona Office Market Report, fourth quarter of 2015).

Rental rates in the Madrid CBD in the fourth quarter of 2015 experienced a slight increase, reaching €27.25 per square meter per month, a 2.8% increase as compared to the third quarter of 2015. Maximum prices in the CBD have registered a growth of 6.9% year on year (fourth quarter of 2015 compared to the same quarter in the previous year), whereas secondary locations have increased by 6.8%. The upward pressure on office rental levels in Barcelona has shown in all areas, with rental levels in the CBD reaching €16.75 per square meter per month and €16.50 per square meter per month in the new business districts. In secondary areas of Madrid (referring to *Secundaria* districts), rental levels increased from €8.75 - €4.75 per square meter per month in the fourth quarter of 2014 (minimum and maximum rents) to €8.75 - €15.75 per square meter per month in the fourth quarter of 2015. In secondary areas of Barcelona (referring to *Nuevas Areas de Negocio* districts), the evolution of the minimum to maximum rental range also showed an increase from €8.25 - €14.75 to €9.00 - €16.50 per square meter per month. This represents a 7% and 12% year on year increase for maximum rents in Madrid and Barcelona, respectively (Source: JLLRM, Madrid & Barcelona Office Market Report, fourth quarter of 2014 and fourth quarter of 2015).

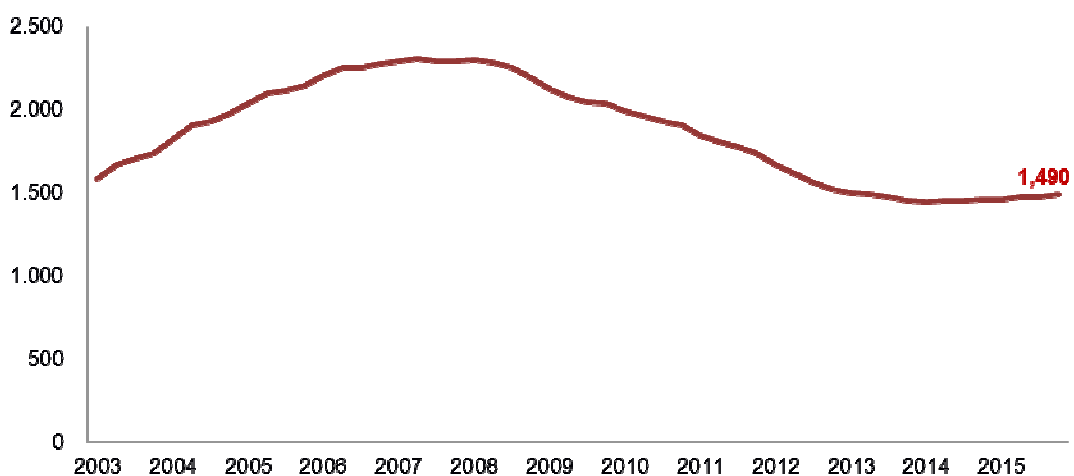
The office investment market is showing signs of recovery. In Madrid, the investment volume in 2015 exceeded €2.6 billion, more than double the €1 billion investment of 2014. In Barcelona, however, the investment market has slowed, with a total of €530 million invested in the 2015, down from the investment volume during the same period of 2014 amounting to €940 million. This is due to the lack of structured sale processes and large buildings for sale. Rental yields of offices in the CBD stabilised to levels of approximately 4.3% in the third and fourth quarter of 2015 compared to 5.0% in the fourth quarter of 2014 in Madrid, while in the Paseo de Gracia / Diagonal area of Barcelona, they decreased to 4.8% from 5.5% in the fourth quarter of 2014 (Source: JLLRM, Madrid & Barcelona Office Market Report, fourth quarter of 2015).

Overall, the Company believes that conditions in the Spanish office market will continue to provide investment opportunities in the short and medium term. The combination of rental rates towards the bottom of the cycle alongside attractive returns, a limited number of new construction projects, relatively stable rates of vacancy and the emerging recovery of the investment market, especially in the CBD, represent a promising backdrop to identify investment opportunities in quality office space.

**Relevant data regarding the residential real estate market**

Between 2001 and 2008, average new-built house prices, for both new and existing housing, increased at a CAGR of 12.4% (Source: Ministry of Public Works and Transport), and contribution to GDP from residential construction was consistently between three and five percentage points above the Eurozone average (Source: Eurostat).

**Non-subsidised house prices in Spain (2002-Q4 2015) (€/square meter)**





Source: Ministry of Public Works and Transport

As the Spanish economy expanded, the supply of new dwellings grew at a compound annual growth rate of 5.7% between 2001 and 2006 and peaked at 597,632 units in 2006 (Source: Ministry of Public Works and Transport). The growing supply was initially supported by a strong demand which resulted in an increase from 295,242 transactions involving newly-built homes and ongoing residential developments in 2004 to a maximum of 412,439 in 2007 (Source: Ministry of Public Works and Transport).

The increase in demand during this period can be explained by (i) easy access to credit, (ii) low costs of financing (when compared to historic levels) (Source: Bank of Spain), (iii) fiscal incentives for home ownership (such as a partial tax deductibility for first-time buyers), (iv) a cultural preference for home ownership over rental (in 2011, more than 75% of the population believed that buying a home was more attractive than renting one; source: Fotocasa, 2011); and (v) the wealth effect generated by rising real estate prices.

However, in the years that followed this period of growth, and as credit conditions and the economic outlook worsened, demand for new homes declined, falling from 412,439 transactions in 2007 to 54,863 in 2014 and 48,962 in 2015 (Source: Ministry of Public Works and Transport). Construction of new homes adjusted quickly, with the number of new non-subsidised housing starts declining by 95.5% in 2014 from the peak recorded in 2006 (Source: Ministry of Public Works and Transport).

As a result of years of oversupply, and despite the collapse in the number of new housing starts, unsold new-build stock totalled 649,780 units in 2009 (as compared to 535,734 in 2014) (Source: Ministry of Public Works and Transport). This unsold stock resulted in increased pressure on housing prices, which have fallen by an average of 33.2% (adjusted by Spanish CPI) since their peak between the third quarter of 2007 and the fourth quarter of 2015 (Source: INE).

While existing housing stock may take more than five or six years to be absorbed at current supply and demand levels (Source: European Commission), the quality, location and quantity of the assets are not consistent. Larger and more dynamic markets such as Madrid and Barcelona, which experienced a sharper adjustment and whose levels of oversupply are more limited, are already growing with prices standing at €2,102 per square meter in the Madrid region (3.4% year on year increase) and at €1,955 per square meter in Barcelona province (3.0% year on year increase) in the fourth quarter of 2015 (Source: Ministry of Public Works and Transport).

At the same time, financing conditions are improving as evidenced by the recovery in the number of housing mortgages constituted in Spain (250,778 for the twelve months ended February 2016 compared to 212,898 for the same period ended February 2015 or an 18% increase) (Source: INE). This could become a key catalyst for a stronger recovery in residential prices.

An important feature of the Spanish residential market is that the rental market remains underdeveloped as compared to other European countries: at the end of 2014 only 21.2% of the population lived in rented homes in Spain, as compared to an average of 29.9% in other countries of the EU (Source: Eurostat). Despite this gap between Spain and other European countries, the rental housing market in Spain has begun a slow process of expansion in recent years. Although only 21.2% of the Spanish population lived in rental housing in 2014, the same percentage did not exceed 19.4% in 2007, resulting in an increase of almost 2 percentage points in the last six years (Source: Eurostat).

The factors causing this overall increase in the rental housing market in Spain lie, among other things, in the regulatory initiatives undertaken by different public administrations to promote the rental market (such as Law 4/2013, from 4 June, on measures to increase flexibility and promote the rental market), establishing a more favourable framework to encourage landlords to increase supply, as well as the removal of fiscal incentives on property purchase (such as the VAT increase for new housing acquisitions). Social or economic factors also contributed to this trend, such as (i) difficulties in obtaining financing, (ii) a more uncertain outlook among the younger population and (iii) an increase in labour mobility.

This increase in demand and the recovery in housing prices are already having a positive effect in rental rates. In Barcelona city, average rental rates showed a strong 17% year-over-year growth in the first quarter 2016, up to €15.2 per square meter per month. In the last quarter of 2015, average rental rates of €15.3 per square meter exceeded peak figures showed in the first quarter of 2008 (Source: Idealista). Similarly, Madrid rental rates increased up to €129 per square meter per month (11% annual growth), although figures are still 6.4% below the peak reached in the second quarter of 2008 (Source: Idealista).

The Company believes that current market conditions allow for the acquisition of residential rental assets at attractive prices.

## Relevant data regarding the hotel real estate market

The Spanish hotel industry is emerging as one of the beneficiaries of Spain's leading position in the tourism sector. Spain is one of the most important tourism markets worldwide both by volume and revenues, hosting around 68 million foreign tourists in 2015, who were responsible for generating revenues of approximately €67.3 billion on the same year (Source: Spanish Institute of Tourism, Movimientos Turísticos en Fronteras and Encuesta de Gasto Turístico reports, both January 2016).

Demand for hotel keys, in terms of overnight stays, in Spain has increased steadily over the last 6 years, presenting a CAGR of 3.5% in the period between 2009 and 2015 (Source: INE). Furthermore, the number of stays in Spain was 13.4% up in 2015 compared to the peak seen in 2007 (308,186,515 overnight stays in 2015 versus 271,689,481 overnight stays in 2007). The increase in overnight stays between 2009 and 2015 is explained by the increase in international tourists in Spain over the period. The weight of international tourists in the Spanish hotel sector has increased from 57.1% in 2007 to 64.2% eight years later, in 2015. However, the aforementioned increase in international tourists has stabilised over the last year as domestic demand picked up in 2015 overnight stays (5.3% increase from 2014 to 2015 (Source: INE)). In the first quarter of 2016, total overnight stays reached approximately 53 million, compared to 46 million during the same period of 2015, representing a 13.5% increase (Source: INE).

The table below shows the increase in the number of overnight stays between 2009 and 2015 in Barcelona with a CAGR of 7.0% over the six-year period, Madrid with a CAGR of 4.6% and main coastal areas with a CAGR of 3.3%. It is important to note that accommodation is well spread across regions with Barcelona and Madrid cities representing 19% of total overnight stays in Spain.

	2009	2010	2011	2012	2013	2014	2015	2009-15 CAGR
	<i>(millions)</i>							
Barcelona.....	12.3	15.1	16.1	16.2	16.6	17.5	18.5	7.0%
% of Total	8%	9%	9%	9%	9%	9%	10%	
Madrid.....	13.7	15.2	16.4	15.5	14.8	16.5	17.8	4.6%
% of Total	9%	9%	9%	9%	8%	9%	9%	
Coastal areas <sup>(1)</sup> ..	128.5	134.5	148.2	147.6	150.5	152.6	155.8	3.3%
% of Total	83%	82%	82%	82%	83%	82%	81%	
<b>Total.....</b>	<b>154.4</b>	<b>164.8</b>	<b>180.7</b>	<b>179.2</b>	<b>182.0</b>	<b>186.6</b>	<b>192.1</b>	<b>3.7%</b>

Source: INE

While the number of tourists and overnight stays has increased steadily between 2009 and 2015, the number of open establishments has remained stable over the same period and throughout the financial crisis. In 2009, Spain had 14,824 establishments on average compared to 14,553 on average six years later (Source: INE).

The occupancy of Spanish hotels has improved from 51% on average in 2009 to 61% on average in 2015, above peak levels of 60% achieved in 2007. Occupancy levels have been higher and performed better in coastal areas, which present more exposure to international tourism, than in urban areas, characterised by a higher dependence on domestic and business clients. While the occupancy in 2015 was 81% on average in the Canary Islands compared to 65% in 2009, 67% on average in the Balearic Islands compared to 59% in 2009, and 70% on average in Barcelona in 2015 compared to 60% in 2009, it was 67% on average in Madrid compared to 54% in 2009. Occupancy in Madrid has increased by 20% over the last two years. It is also worth noting that the occupancy in Canary Islands is well above pre-crisis levels of 73% in 2006 (Source: INE). Occupancy has increased in all areas except Catalonia when comparing the first quarter of 2016 to the same period the previous year. Average occupancy in the first quarter of 2016 increased by 3 p.p. in the Canary Islands, by 5 p.p. in the Balearic Islands and by 4 p.p. in Madrid (Source: INE).

At the onset of the economic crisis, the decrease in occupancy forced hotels to reduce average daily rates ("ADRs") to support occupancy levels and compete in a tougher environment. As a consequence, ADRs bottomed in Spain in 2009 with an average level of €69 compared to €72 in 2008. National ADRs remained stable between 2009 and 2011 and have been increasing since then, reaching levels of €77 on average in 2015, which present higher ADRs than 2008. Similarly to occupancy, hotels in coastal areas have performed better than the ones in central urban centres. The Canary Islands, the Balearic Islands and Catalonia reached ADR levels of €86, €76 and €87 respectively on average in 2015, which show a significant improvement over 2009 levels of €72, €66 and €75 respectively. This compares with the evolution of Madrid ADRs, which have been suffering throughout the economic crisis and have not still recovered. ADRs in 2015 in Madrid were €77 on average compared to €84 in 2009 on average (Source:

INE). Average ADRs for the first quarter of 2016 in the Canary Islands, the Balearic Islands, Catalonia and Madrid were up 5%, 6% 5% and 3% respectively when compared to the same period the previous year (Source: INE).

Spanish revenues per available room (“RevPAR”) have increased as a result of higher occupancy levels throughout Spain and increasing ADRs in coastal areas. Average RevPARs in Spain have increased 33% since 2009 (€47 in 2015 compared to €35 in 2009) and are now at higher levels than in 2008. The story has been more attractive in coastal areas with average RevPARs in the Canary Islands, Balearic Islands and Catalonia improving by 48%, 44% and 37% respectively over 2009 levels. Even in Madrid RevPAR has recovered, growing by 15% between 2009 and 2015 thanks to the increase in occupancy levels and despite the fall in average ADRs. The increase in both occupancy and ADRs during the first quarter of 2016 has translated into an increase in RevPar in all regions. The first quarter of 2016 year-on-year increase amounted to 9% in the Canary Islands, 15% in the Balearic Islands, 9% in Catalonia and 10% in Madrid (Source: INE).

Despite the positive trends in recent years, the general deterioration in the financial position of a significant part of the Spanish hotel sector has continued. As a result, the sector found it necessary to undertake refinancings or to proceed to dispose of hotel assets in order to reduce the high levels of debt.

Investment volumes in Spanish hotel assets reached €2.2 billion in 2015, an increase of approximately 93% as compared to the same period in 2014 (during which year the volume increased 36.5% as compared to 2013). As of Q4 2015, hotel transaction volumes in Spain were 22% higher than those for the same period of 2014 (Source: CBRE). The recent increase in investment volumes have surpassed the €1.8 billion of investments recorded in 2006 (Source: *Radiografía del Mercado Hotelero en España 2014* by Irea).

## CAPITALISATION AND INDEBTEDNESS

The tables below set forth the Company's consolidated capitalisation and indebtedness on an actual basis as of 31 March 2016, derived from the 2016 Interim Financial Statements, and as of 31 December 2015, derived from the 2015 Audited Consolidated Annual Accounts.

The table below should be read in conjunction with the 2016 Interim Financial Statements and, the 2015 Audited Consolidated Annual Accounts included elsewhere in this Prospectus. Please also refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources".

	31 March 2016 (Unaudited)	31 December 2015
	(€ in thousands)	
<b>Capitalisation and Indebtedness</b>		
<b>A. Current liabilities</b> .....	<b>(79,212)</b>	<b>(71,529)</b>
Secured <sup>(*)</sup> <sup>(1)</sup> .....	(18,545)	(11,160)
Unsecured <sup>(**)</sup> <sup>(2)</sup> .....	(7,572)	(8,512)
Non-secured / Non-guaranteed <sup>(3)</sup> .....	(53,095)	(51,857)
<b>B. Non-current liabilities</b> .....	<b>(701,345)</b>	<b>(632,823)</b>
Secured <sup>(*)</sup> <sup>(4)</sup> .....	(614,959)	(526,078)
Unsecured <sup>(**)</sup> <sup>(5)</sup> .....	(1,144)	(22,106)
Non-secured / Non-guaranteed <sup>(6)</sup> .....	(85,242)	(84,639)
<b>C. Equity</b> <sup>(7)</sup> .....	<b>(1,015,932)</b>	<b>(1,018,448)</b>
Share capital .....	(82,590)	(82,590)
Profit for the period .....	(11,228)	(66,681)
Reserves and other .....	(922,114)	(869,177)
<b>TOTAL (A+B+C)</b> .....	<b>(1,796,489)</b>	<b>(1,722,800)</b>
<b>NET INDEBTEDNESS</b> .....		
Other payables <sup>(8)</sup> .....	(23,462)	(18,134)
Payables to Government Agencies <sup>(9)</sup> .....	(6,879)	(6,743)
<b>D. Total short-term debt</b> <sup>(10)</sup> .....	<b>(26,834)</b>	<b>(20,315)</b>
<b>E. Total long-term debt</b> <sup>(11)</sup> .....	<b>(626,102)</b>	<b>(558,183)</b>
<b>F. Cash and cash equivalents</b> .....	<b>181,962</b>	<b>220,690</b>
<b>TOTAL NET DEBT (D+E+F)</b> <sup>(12)</sup> .....	<b>(470,974)</b>	<b>(357,808)</b>

### Notes:

- (\*) All the secured liabilities are guaranteed
- (\*\*) Guaranteed current and non-current liabilities are mortgage loans and their corresponding accrued interests, except those corresponding to Leading Hospitality, S.L.U.
- (1) Current bank borrowings with hedge instruments in place, valuation of the hedge instruments in place, accrued interests pending to be paid corresponding to such borrowings and accrued interest pending to be paid derived from such hedging.
- (2) Current bank borrowings not hedged and accrued interest thereon pending to be paid.
- (3) Other current financial liabilities, trade payables and other liabilities, payables to government agencies, customer prepayments, current prepayments and accrued income, personnel remuneration payable and loans and credit policies that are not mortgage loans.
- (4) Non-current bank borrowings with hedge instruments in place and the valuation of the hedge instruments entered into.
- (5) Non-current bank borrowings without hedge instruments in place.
- (6) Other non-current provisions, other non-current liabilities, deferred tax liabilities and accruals and deferred income.
- (7) Consolidated equity including: own funds, valuation adjustments and non-controlling interests.
- (8) Trade and other payables, personnel remunerations, customer prepayments, current prepayments and accrued income.
- (9) Outstanding balances to be paid to public administrations.
- (10) Current bank borrowings (including accrued interests pending to be paid deriving from such debt and accrued interest pending to be paid deriving from the loan with Corporación Empresarial ONCE, S.A. (CEOSA), current valuation of hedge instruments in place and accrued interest pending to be paid derived from such hedging).
- (11) Non-current bank borrowings, loan with Corporación Empresarial ONCE, S.A. (CEOSA) and the non-current valuation of hedge instruments in place.
- (12) The conciliation of the Gross Financial Debt and Net Financial Debt is as follows:

	As at 31 March 2016 (unaudited)	As at 31 December 2015
	(€ in thousands)	
Loans from third parties .....	619,440	561,630
Interest in third party debt .....	1,283	499
Hedging derivatives .....	34,457	18,349
Outstanding hedging derivatives interest .....	876	353
Arrangement costs on borrowings .....	(13,340)	(12,478)
<b>Total bank debt</b> .....	<b>642,716</b>	<b>568,353</b>

Outstanding CEOSA debt <sup>(1)</sup> .....	10,000	10,000
Outstanding CEOSA interest.....	220	145
<b>Total Gross Financial Debt</b> .....	<b>652,936</b>	<b>578,498</b>
Cash and cash equivalents.....	181,962	220,690
<b>Total Net Financial Debt</b> .....	<b>470,974</b>	<b>357,808</b>

Notes:

(1) CEOSA refers to Corporación Empresarial ONCE, S.A.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Prospective Investors should read this "Management's Discussion and Analysis of Financial Condition and Results of Operations" in conjunction with "Presentation of Financial Information", "Industry Overview" and "Selected Financial Information on the Group". The following discussion and analysis of the Group's financial condition and results of operations is based on, and should be read in conjunction with, the Audited Consolidated Annual Accounts which are included elsewhere in this Prospectus. All financial information is taken or derived from such Audited Consolidated Annual Accounts, unless otherwise indicated.*

The Audited Consolidated Annual Accounts referred to in this discussion have been prepared in accordance with IFRS EU. Prospective investors should read the entire Prospectus and not just rely on the summary information set out below.

The following discussion of the Group's results of operations and financial condition contains forward-looking statements. The Group's actual results could differ materially from those that are discussed in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and *elsewhere in this Prospectus, particularly under "Risk Factors" and "Forward-Looking Statements". In addition, certain industry issues also affect the Group's results of operations and are described in "Industry Overview".*

### Factors affecting results of operations

#### BAY Asset Portfolio

On 14 April 2015, Hispania Real executed an investment agreement with the Barceló Entities (the "**Investment Agreement**") whereby Hispania Real committed to acquire a majority stake in BAY Hotels & Leisure, S.A. ("**BAY**"), a company previously forming part of the Barceló Group.

As a result of the execution of the aforementioned transactions, and following its acquisition of Hispania Real's subsidiaries, Hispania currently owns 76% of BAY (whilst Barceló Hotels Mediterráneo, S.L., a Barceló Entity, owns the remainder 24% of this company). Furthermore, BAY directly owns eleven (11) hotels and a small shopping centre as well as another five (5) hotels and a second small shopping centre, through its participation in Barceló Hotels Canarias, S.L.U. ("**BHC**") and Poblados de Vacaciones, S.A.U. ("**PDV**") (the "**BAY Asset Portfolio**"). Since Hispania Group has control over BAY, this is being fully consolidated in the Hispania Group.

	<b>Fair value recognised in the acquisition</b>
	<i>(€ thousands)</i>
Investment property.....	241,170
Loans to companies.....	1,622
Other current assets.....	22,766
Cash.....	5,241
<b>Total Assets</b> .....	<b>270,801</b>
Deferred tax liabilities.....	1,622
Derivative.....	10,866
Non-current borrowings.....	71,123
Current borrowings.....	3,612
Suppliers and related-party suppliers.....	20,244
<b>Total Liabilities</b> .....	<b>107,467</b>
<b>Total net assets at fair value</b> .....	<b>163,334</b>
Non-controlling interests.....	31,850
<b>Negative difference on consolidation</b> .....	<b>12,396</b>
<b>Purchase price</b> .....	<b>119,088</b>

This business combination involved the Group's acquisition of the hotels Barceló Cabo de Gata, Barceló Isla Cristina, Barceló Jandía Mar, Barceló Jandía Playa, Tegui Beach and Varadero, several commercial premises, three apartment buildings, a Spa and sports area and an administrative concession to operate the recreational port located on the island of Fuerteventura.

A series of deferred tax liabilities arose on this transaction as a result of the differences between the market and tax values of the real estate assets, which have been fully guaranteed by the seller (see note 13 of the 2015 Audited Consolidated Annual Accounts). Since the date of acquisition these assets do not generate deferred tax liabilities on the subsequent revaluations since the Company that owns the assets applies the SOCIMI tax regime (see note 4.11 of the 2015 Audited Consolidated Annual Accounts).

The negative difference on consolidation totalling €12,396 thousand arises from the difference between the total net assets of BAY at fair value (€163,334 thousand) and the purchase price paid to acquire a majority stake in BAY (€119,088 thousand) and deducting the Non Controlling Interest (€ 31,850 thousand).

The profit/(loss) contributed by the combination amounts to €35,291 thousand since its incorporation to the Group on 15 October 2015 which includes the Negative Difference on Consolidation plus the results of the IAS 40 revaluation plus the individual result of the company. The impact of having carried out this combination on 1 January 2016 cannot be quantified since the businesses received focused their activities on hotel operations while at the date of the combination they were being leased out.

#### **Acquisition of the BHC and PDV Optional Asset Portfolio**

In accordance with the provisions of the Investment and put option agreement dated 14 April 2015 and 15 October 2015, respectively, on 10 December 2015 the Barceló Group notified Hispania Group through its subsidiary BAY of the desire to exercise the Put Option set out in the investment agreement.

The price paid by BAY for 100% of the share capital of the companies BHC and PDV was set at €138,596 thousand and €14,303 thousand.

The assets and liabilities resulting from this acquisition and their consolidation in the consolidated annual accounts are as follows:

	<b>Fair value recognised in the acquisition</b>
	<i>(€ thousands)</i>
Investment property.....	269,311
Loans to companies.....	16,038
Deferred tax assets.....	1,205
Other assets.....	358
Other non-current assets.....	30,184
Other current assets.....	605
Non-current assets held-for-sale.....	12,507
Cash.....	7,710
<b>Total Assets.....</b>	<b>337,918</b>
Non-current liabilities held-for-sale.....	13,195
Deferred tax liabilities.....	40,296
Sureties.....	190
Derivatives.....	3,766
Non-current borrowings.....	114,033
Current borrowings.....	6,328
Suppliers and related-party suppliers.....	2,152
<b>Total Liabilities.....</b>	<b>179,960</b>
<b>Total net assets at fair value.....</b>	<b>157,958</b>
Non-controlling interests.....	-
<b>Negative difference on consolidation.....</b>	<b>5,059</b>
<b>Purchase price.....</b>	<b>152,899</b>

Through this transaction the Group acquired the hotels Barceló Castillo Beach Resort, Hotel Barceló Fuerteventura Thalasso Spa, Hotel Barceló Lanzarote, Hotel Barceló las Margaritas, Hotel Barceló Pueblo Park and a small shopping centre in Fuerteventura.

A series of deferred tax liabilities arose on this transaction as a result of the differences between the market and tax values of the real estate assets. These deferred tax liabilities have been partially guaranteed by the seller of BHC and PDV (see note 13 of the 2015 Audited Consolidated Annual Accounts).

The negative difference on consolidation totalling €5,059 thousand arises from the difference between the total net assets of BHC and PDV at fair value (€157,958 thousand) and the purchase price paid to acquire 100% of the shares of BHC and PDV (€152,899 thousand).

The price paid is subject to certain adjustments which depend on the net value recorded in the audited balance sheet of these companies on the relevant transaction date. As at the date of this Prospectus such adjustments are still pending calculation. However, the directors of Hispania consider that no significant differences will arise.

The profit/(loss) contributed by the combination amounts to €5,344 thousand since its incorporation to the Group on 10 December 2015, which includes the negative difference on consolidation plus the individual continuing operation results of BHC and PDV. The impact of having carried out this combination on 1 January 2016 cannot be quantified since the businesses received focused their activities on hotel operations while at the date of the combination they were being leased out.

The acquisition of the BAY Asset Portfolio is in line with the Company's Investment Strategy. The success of this investment depends on several factors, including the Company's ability to act quickly with regards to the assets contained within these portfolios. Hispania Real may be unable to make swift, unilateral actions due to its joint ownership with the Barceló Entities holding the remaining 24%. Pursuant to the Investment Agreement, Hispania is also subject to a number of put options that would allow certain assets in the BAY Asset Portfolio to be sold back to the Barceló Group in the event certain contingencies materialise and/or not take place within the agreed deadline.

Additionally, the management agreement entered into by BAY, the Barceló Entities, Hispania Real and the Investment Manager calls for the creation of an investment committee, comprising of members appointed by Hispania Real and the Barceló Entities depending on their interest held in BAY from time to time. The Investment Manager is limited in its ability to make independent decisions in certain reserved matters which calls for the approval of at least four-fifths (4/5) of the members of the investment committee. See "*—Management Agreement regarding BAY*" below.

Furthermore, certain entities of the Barceló Group and BAY, BHC or PDV (as the case may be) entered into lease agreements with the Barceló Group. The duration and rent of these certain lease agreements are tied to the corresponding hotel's EBITDAR (i.e., earnings before interest, taxes, depreciation, amortisation and rent charges). If the EBITDAR is not within the Company's expected forecast in the BAY business plan, the hotel's ability to retain tenants and collect rental income may suffer. See "*—Lease agreements regarding the assets of BAY*" below.

### **Rental activities and rental rates**

The amount of rental income generated by the Group's real estate assets depends on (i) the Group's ability to maintain the occupancy rates of currently leased space, (ii) to lease currently available, newly developed, refurbished or acquired space and space available from unscheduled lease terminations, and (iii) its ability to maintain or increase rental rates. To the extent the occupancy rates of the Group's properties were to decrease, whether due to a decrease in demand for commercial, residential, hotel or student accommodation real estate or due to certain of the Group's properties being unavailable for occupancy for a period of time (due to required maintenance, refurbishment or other reasons), this could cause a reduction in the Group's rental income. Conversely, an increase in occupancy rates would generally have a positive impact on the Group's rental income (subject to stability in other factors such as the total number of real estate assets owned by the Group and rental rates). Both occupancy/vacancy levels and the rental rates achievable by the Group on the real estate assets it currently owns and operates will be heavily influenced by economic conditions in Europe and, in particular, in the Spanish real estate market. To the extent the Group acquires real estate assets in other geographies, economic conditions in those other real estate market will also be relevant. See "*—Economic and Real Estate Market Conditions*" below.

### **Size and composition of the Group's assets**

The Company was incorporated on 23 January 2014. The Company's recent incorporation and ongoing deployment of investment funds have had a significant effect on the Company's revenue stream in the year ended 31 December 2015 and the eleven months and nine days ended 31 December 2014, as certain of the existing properties in the Portfolio were acquired at different points during those periods, and thus the Company began to collect rental income from those properties at different points during the respective period.

As of 31 March 2016, the total value of the assets of the Portfolio, which amounted to €1,463 million (considering (i) the Gross Asset Value as per the CBRE Valuation Report for the assets in the



Portfolio as of 31 December 2015, (ii) the acquisitions completed over the period (Las Agujas land plot, Hispanidad residential building and additional units from Hospitia), (iii) the capex implemented and the capitalised transaction cost incurred during the first quarter of 2016 and (iv) the disposal of eleven dwellings of Majadahonda as a consequence of the exercise of eleven call options as of 31 March 2016), was divided between three types of assets: 58.9% hotel properties, 28.0% offices and 13.1% residential rental properties.

The asset classes in the Portfolio, and the Company's strategy in regards to each, affect the Company's performance in different ways:

- *Hotels.* The Company aims to pursue resort hotels in the main Spanish tourist destinations, such as the Canary Islands and the Balearic Islands, as well as opportunities in prime locations of the urban hotel market in Madrid and Barcelona and, selectively, in other Spanish cities. Rent prices under the lease agreements executed by the Group with various hotel managers tend to include a fixed component and, in certain instances, an additional variable component. Furthermore, the Group sometimes seeks to change the management of certain hotel properties once the asset has been acquired. It is expected that rental income from the hotel segment will increase significantly given the quality of the hotel properties acquired by the Group as of the date of this Prospectus.
- *Offices.* The Company aims to acquire high-quality office assets in strategic locations. In particular, the Company intends to target office assets located in consolidated office areas of Madrid and Barcelona that present repositioning possibilities. Therefore, the Company targets office assets with such characteristics that may be acquired at reasonable acquisition prices in order to take advantage of its understanding of the market and its asset management capabilities. In such a way, it aims to reposition the asset, so that the quality and appearance of the property may be enhanced, rental prices can be set higher and the value of the property may increase. In certain cases, additional investment beyond the initial acquisition price may be necessary for these assets.
- *Residential.* The Company seeks out residential properties at attractive discounts from current market prices which represent opportunities with potential capital gains, as well as a source of steady rental income. In this regard, the Company targets high-quality private and government-sponsored housing assets aimed at the mass market and with comparatively affordable levels of rents. Such properties are typically located in urban areas with a consolidated, sustainable demand, primarily in certain specific micro-locations in the Madrid and Barcelona areas and, selectively, in other large cities in Spain. Although the Company intends to maximise income deriving from steady rental income, it is expected that the main source of value from residential assets will come from capital gains on the asset sale.

The rental income that the Group derives from the properties it acquires is determined by the leases in place with the tenant of the relevant property, some of which were in place prior to acquisition. The rental income receivable by the Group depends on the characteristics of the assets in the Portfolio, including the assets' size, location, surrounding area, use, condition and occupancy level. Real estate assets of a higher quality or in premium locations generally command higher acquisition prices but also achieve higher rental rates when leased to tenants. Additionally, assets which represent development or refurbishment opportunities generally command relatively lower acquisition costs but require additional costs in respect of redevelopment, after which the Company would typically expect rental rates on such assets to increase.

As of the date of this Prospectus, the Company is working on a number of transactions that are at advanced stages of negotiations (investments where Hispania is close to agreeing to terms, undergoing final due diligence and/or under exclusivity) for assets valued at approximately €172 million, all of them related to hotel assets. At the same time, the Company continues to actively identify attractive new investment opportunities that are in line with the Company's Investment Strategy relating to asset profile and expected returns, as the Company believes that there remain compelling acquisition opportunities in the Spanish real market, particularly in the hotel segment. In line with the Company's strategy to acquire high-quality assets at attractive prices, the majority of the transactions in the pipeline are being negotiated via a direct dialogue with the seller, rather than participating in a formal competitive selling process, which allows for more flexibility in negotiation and gives the Company more opportunities to obtain beneficial terms. See "*Business—Investment Strategy*" and "*Business—Investment Sourcing*".

This composition of assets in the pipeline is overweighted towards hotel assets. Of the total investment pipeline which amounts to €1,540 million as of the date of this Prospectus, approximately 76.0%

of the investment value of the assets pertains to the hotel segment and approximately 24.0% to the office segment.

The growth of the Company's business going forward will depend significantly on the Company's ability to identify and acquire suitable real estate assets that fit with the Investment Strategy and that are expected to contribute additional rental or other income to the Company.

### **Property values and valuation**

The value of the real estate assets that comprise the Portfolio has a significant effect on the Group's financial performance, both in terms of the Audited Consolidated Annual Accounts and the prices the Group will be able to achieve upon the disposal of any real estate assets.

The Company engages external, independent appraisers to value the Company's real estate assets at each reporting date. Valuations of the Company's real estate assets are made (i) as of 31 December of each year through a physical valuation, in accordance with the appropriate sections of the Red Book; and (ii) as of 30 June of each year through an external desktop valuation (a limited valuation which does not involve a physical inspection of the properties and is intended to update the previous 31 December valuation incorporating significant changes that may have taken place in market conditions and/or within the relevant assets (such as leases, capital expenditures, acquisitions or legal liabilities)).

Real estate valuation is inherently subjective, in part because all real estate valuations are made on the basis of assumptions which may prove to be inaccurate and in part because of the individual nature of each real estate asset. The Audited Consolidated Annual Accounts record the appraisal value of its assets rather than the acquisition costs, as is permitted under IFRS-EU, and thus any difference between the valuation of the Company's assets as determined in the valuation and the fair value of those assets as calculated in accordance with IAS 40 is recorded in the consolidated income statement as a gain or a loss in the "Revaluation of investment property" line item.

The CBRE Valuation Report for the assets in the Portfolio as of 31 December 2015 amounted to €1,425 million, which indicated an increase in the value of the Group's real estate investments of approximately €55 million, from the consolidated book value of the Portfolio as of 31 December 2015.

Furthermore, the consolidated European Public Real Estate Association (EPRA) NAV of the Company is based on the most recent valuation of the Company's real estate assets on a consolidated basis, and is calculated in accordance with IFRS-EU.

Finally, the Group may seek to dispose of real estate assets from time to time. The price which the Group will be able to realise upon the sale of any real estate asset will depend on, among other things, market conditions at the time of the sale and may not always correspond with the most recent valuation of such asset. The price achieved by the Group upon the sale of an asset will affect both the Group's income during the financial reporting period in which the asset is sold and the amount of proceeds the Group has available to redeploy for subsequent investments.

### **Economic and real estate market conditions**

Real estate markets are cyclical in nature and are affected by the condition of the economy as a whole. The Group's performance is subject to, among other things, the conditions of the commercial property market in Spain and Europe more generally, which will affect both the value of any properties that the Group has acquired or will acquire and the rental income those properties yield.

Although the Spanish economy continues to face challenges, such as current high levels of sovereign debt, Moody's upgraded Spain's sovereign credit rating in 2014 from Baa3 (stable) to Baa2 (positive) although the credit rating agency changed the outlook from positive to stable in February 2016; and Standard and Poor's from BBB- to BBB and a further improvement was announced from BBB to BBB+ in October 2015. Such change reflects the measures introduced by the Spanish government to rebalance the Spanish economy towards a more sustainable growth model, the progress made in implementing broad structural reforms and the improvement in the government's funding cost. Despite high unemployment rates (standing at 22.1% in the fourth quarter of 2015) and recovering private consumption levels, which have grown by 3.1% in 2015 after years of falling (Source: Spanish Ministry of Economy and Competitiveness), the Spanish financial markets have continued to strengthen in 2014, with spreads on sovereign and bank bonds decreasing significantly since the IMF program started in 2012 and with sovereign debt yields reaching record low levels. The real economy has also started to recover. According to INE, GDP at constant prices grew by 3.2% during 2015. According to the latest estimates published by the Spanish Ministry of Economy and Competitiveness on 29 April 2016, the real GDP is expected to grow by 2.7% and 2.4% in

2016 and 2017, respectively, and is expected to reach 2.5% growth in 2019. The unemployment rate, following the trend observed in 2014, continued to decline in 2015, although it remained at a high level of 20.9% at year-end (23.7% in 2013) (Source: INE). According to the Ministry of Economy and Competitiveness, the unemployment rate is expected to decrease to 14.0% in 2019. These factors impact the performance of the Spanish economy generally, and the Spanish real estate sector specifically. The level of economic activity in Spain in turn has an impact on the desire and ability of prospective tenants to rent the Group's properties, which in turn increases the Group's rental income. Furthermore, increased demand in the Spanish real estate market results in higher property valuations, because these valuations reflect the rental income-generating potential of the properties in question. Therefore, the level of demand in the Spanish real estate market drives the valuation of the Portfolio Value and, as a result, the Company's NAV.

### Tax treatment

The Company's results of operations are affected by the availability of the SOCIMI Regime for the Company and the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration). The SOCIMI Subsidiary opted for the application of the SOCIMI Regime with the corresponding tax effects from 2014, which is the tax year of its incorporation. In addition, the Company has opted for the application of the SOCIMI Regime with tax effects from 1 January 2016, provided that the option for the application of the SOCIMI Regime is duly filed with the Spanish tax authorities not later than 30 September 2016. The application of the SOCIMI Regime to the Company and to the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration) is conditional on compliance with certain requirements including, among others, the listing of the SOCIMI's shares, investment in "qualifying assets", the receipt of income from certain sources and the mandatory distribution of certain profits, as described in "*Regulation—SOCIMI Regulations*".

SOCIMIs are taxed at a rate of zero per cent on corporate income tax, except in the case of certain distributions to major shareholders. In addition, in the case of the acquisition of certain real estate assets by SOCIMIs (for example, the acquisition of residential assets), direct investment by a SOCIMI could, to the extent that certain requirements are met, benefit from a 95% tax relief (*bonificación del 95%*) on the Transfer Tax due upon acquisition. These tax benefits provide significant tax relief to the Company and to the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration) and therefore the Company, and in turn have a significant effect on the Company's overall financial performance.

### Comparability of reporting periods

The Company was incorporated on 23 January 2014 and except for the 2016 Interim Financial Statements, the 2014 Audited Consolidated Annual Accounts for the eleven months and nine days ended 31 December 2014 and the 2015 Audited Consolidated Annual Accounts for the financial year ended 31 December 2015, the Company does not have any other historical financial information or other meaningful operating or financial data. See "*Financial Information*". The results for the periods are not fully comparable given the significant increase in size of the Portfolio over the course of these periods under review.

### Results of operations

#### Financial performance

The table below sets forth certain information in relation to the financial performance of the Group for the three months ended 31 March 2016, for the year ended 31 December 2015, for the three months ended 31 March 2015 and for the eleven months and nine days ended 31 December 2014:

	Three months ended 31 March 2016 (unaudited)	Year ended 31 December 2015	Three months ended 31 March 2015 (unaudited)	Eleven months and nine days ended 31 December 2014
	(€ millions, unless otherwise indicated)			
Total revenues from assets <sup>(1)</sup>	29.7	37.8	5.2	9.0
Portfolio EBITDA <sup>(2)</sup>	23.7	26.0	3.7	4.9
EBITDA <sup>(3)</sup>	19.2	10.0	1.5	(2.5)
Net consolidated profit	14.2	73.4	0.6	17.5
Net profit attributable to the Company	11.2	66.7	0.6	17.1
Gross Financial Debt / Net Worth <sup>(4)</sup>	0.643	0.568	0.230	0.130
Gross Financial Debt / Total Assets <sup>(4)</sup>	0.363	0.336	0.183	0.112

**Basic earnings per share (€)<sup>(5)</sup>** **0.14** **0.90** **0.011** **0.31**

Notes:

- (1) Total revenues from assets is equivalent to the line items “Rental Income” and “Services Rendered” in the 2016 Interim Financial Statements and the 2015 Audited Consolidated Annual Accounts.
- (2) It refers to the sum of the EBITDA attributable specifically to each asset class (hotels, offices, residential rental properties and hotels under management). Refer to EBITDA reconciliation on pages 71 and 72).
- (3) EBITDA is a non-IFRS-EU measure.
- (4) As of 31 March 2016, 31 December 2015, 31 March 2015 and 31 December 2014, respectively. The tables below set forth the reconciliation of Gross Financial Debt as of 31 March 2016, 31 December 2015, 31 March 2015 and 31 December 2014:
- (5) Based on 82,477,074 weighted average number of shares outstanding for the three month period ended 31 March 2016, 73,726,643 weighted average number of shares outstanding for the period ended 31 December 2015, 55,060,000 weighted average number of shares outstanding for the three month period ended 31 March 2015 and 55,060,000 weighted average number of shares outstanding for the period ended 31 December 2014.

(€ thousand)	As of 31 March 2016 (unaudited)	As of 31 December 2015	As of 31 March 2015 (unaudited)	As of 31 December 2014
Loans from third parties	619,440	561,630	119,039	62,870
Interest in third party debt	1,283	499	106	55
Hedging derivatives	34,457	18,349	1,933	658
Outstanding hedging derivatives interest	876	353	25	8
Arrangement cost on borrowings	-13,340	-12,478	-2,499	-1,265
<b>Total bank debt</b>	<b>642,716</b>	<b>568,353</b>	<b>118,604</b>	<b>62,326</b>
Outstanding CEOSA(*) debt	10,000	10,000	10,000	10,000
Outstanding CEOSA interest	220	145	339	228
<b>Total Gross Financial Debt</b>	<b>652,936</b>	<b>578,498</b>	<b>128,943</b>	<b>72,554</b>

Notes:

- (\*) CEOSA refers to Corporación Empresarial ONCE, S.A.

EBITDA is calculated by adding back certain line items to “profit from operations”. EBITDA is a non-IFRS-EU metric, and as such it may not be comparable to similar metrics used by other companies. However, the Group believes that EBITDA is a useful metric for measuring the Group’s performance and is the primary metric that the Management Team uses in managing the Group.

The following tables set forth the reconciliation of the Company’s revenue from assets, EBITDA, and net consolidated profit for the three month period ended 31 March 2016, the year ended 31 December 2015, 31 March 2015 and for the eleven months and nine days ended 31 December 2014, divided by asset type:

	Three months ended 31 March 2016 (unaudited)					
	Offices	Residential	Hotels	Hotels under management	Other	Total
	(€ thousands)					
Total revenues from assets	4,469	1,449	21,199	2,560	0	<b>29,677</b>
Other operating income	156	150	119	7	0	<b>432</b>
Operating Costs	-1,276	-653	-1,310	-3,146	-4,501	<b>-10,886</b>
<b>EBITDA</b>	<b>3,349</b>	<b>946</b>	<b>20,008</b>	<b>-579</b>	<b>-4,501</b>	<b>19,223</b>
Net gain / (loss) on sales of assets	0	82	0	0	0	<b>82</b>
Revaluation of investment property	0	0	0	0	0	<b>0</b>
Negative difference on consolidation	0	0	0	0	0	<b>0</b>
Depreciation and amortisation	0	0	0	-283	-4	<b>-287</b>
Other results	0	0	17	0	0	<b>17</b>
Financial expenses	-1,194	-571	-2,978	-14	-57	<b>-4,814</b>
Financial income	0	0	0	0	61	<b>61</b>
Exchange differences	0	0	0	1	0	<b>1</b>
Income tax	-53	0	-5	-3	0	<b>-61</b>

<b>Net consolidated profit</b>	<b>2,102</b>	<b>457</b>	<b>17,042</b>	<b>-878</b>	<b>-4,501</b>	<b>14,222</b>
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**Year ended 31 December 2015**

	<b>Offices</b>	<b>Residential</b>	<b>Hotels</b>	<b>Hotels under management</b>	<b>Other</b>	<b>Total</b>
	<i>(€ thousands)</i>					
Total revenues from assets	12,147	4,666	16,691	4,294	-	<b>37,798</b>
Other operating income.....	375	389	144	3	-	<b>911</b>
Operating Costs.....	(2,934)	(1,689)	(1,387)	(6,707)	(15,978)	<b>(28,695)</b>
<b>EBITDA.....</b>	<b>9,588</b>	<b>3,366</b>	<b>15,448</b>	<b>(2,410)</b>	<b>(15,978)</b>	<b>10,014</b>
Net gain / (loss) on sales of assets.....	-	51	(15)	-	(13)	<b>23</b>
Revaluation of investment property.....	19,286	9,409	26,271	-	-	<b>54,966</b>
Negative difference on consolidation.....	-	-	18,978	4,485	-	<b>23,463</b>
Depreciation and amortisation..	-	-	-	-	(9)	<b>(9)</b>
Financial expenses.....	(1,870)	(1,849)	(1,769)	-	(887)	<b>(6,375)</b>
Financial income.....	-	-	-	-	2,086	<b>2,086</b>
Exchange differences.....	-	-	3	-	-	<b>3</b>
Income tax.....	(9,978)	17	(339)	-	(494)	<b>(10,794)</b>
<b>Net consolidated profit</b>	<b>17,026</b>	<b>10,994</b>	<b>58,577</b>	<b>2,075</b>	<b>(15,295)</b>	<b>73,377</b>

**Three-month period ended 31 March 2015**

	<b>Offices</b>	<b>Residential</b>	<b>Hotels</b>	<b>Hotels under management</b>	<b>Other</b>	<b>Total</b>
	<i>(€ thousands)</i>					
Total revenues from assets	2,690	798	1,760	-	-	<b>5,248</b>
Other operating income.....	44	92	-	-	-	<b>136</b>
Operating Costs.....	(660)	(396)	(584)	-	(2,239)	<b>(3,879)</b>
<b>EBITDA.....</b>	<b>2,074</b>	<b>494</b>	<b>1,176</b>	<b>-</b>	<b>(2,239)</b>	<b>1,505</b>
...						
Net gain / (loss) on sales of assets.....	-	-	-	-	-	<b>-</b>
Revaluation of investment property.....	-	-	-	-	-	<b>-</b>
Negative difference on consolidation....	-	-	-	-	-	<b>-</b>
Depreciation and amortisation.....	-	-	-	-	(2)	<b>(2)</b>
Financial expenses.....	(140)	(338)	(91)	-	(246)	<b>(815)</b>
Financial income.....	-	-	-	-	42	<b>42</b>
Exchange differences.....	-	-	-	-	-	<b>-</b>
Income tax.....	(53)	-	(56)	-	-	<b>(109)</b>
<b>Net consolidated profit</b>	<b>1,881</b>	<b>156</b>	<b>1,029</b>	<b>-</b>	<b>(2,445)</b>	<b>621</b>

**Eleven months and nine days ended 31 December 2014**

	<b>Offices</b>	<b>Residential</b>	<b>Hotels</b>	<b>Other</b>	<b>Total</b>
	<i>(€ thousands)</i>				
Total revenues from assets <sup>(1)</sup> .....	5,270	1,604	2,147	-	<b>9,021</b>
Other operating income.....	12	48	-	4	<b>64</b>
Operating Costs.....	(2,470)	(705)	(979)	(7,439)	<b>(11,593)</b>
<b>EBITDA.....</b>	<b>2,812</b>	<b>947</b>	<b>1,168</b>	<b>(7,435)</b>	<b>(2,508)</b>
Net gain / (loss) on sales of assets.....	-	45	-	-	<b>45</b>
Revaluation of investment property.....	4,451	6,652	2,946	-	<b>14,049</b>
Negative difference on consolidation.....	7,496	-	-	-	<b>7,496</b>
Depreciation and amortisation.....	-	-	-	(5)	<b>(5)</b>
Financial costs.....	(1,289)	(184)	-	(2,618)	<b>(4,091)</b>
Financial income.....	-	-	-	2,542	<b>2,542</b>
Exchange differences.....	-	-	-	-	<b>-</b>
Income tax.....	-	-	-	(2)	<b>(2)</b>
<b>Profit after tax.....</b>	<b>13,470</b>	<b>7,460</b>	<b>4,114</b>	<b>(7,518)</b>	<b>17,526</b>

Notes:

- (1) Total revenues from assets is equivalent to the line item "Rental Income" in the 2014 Profit and Loss table, as included in the 2014 Audited Consolidated Annual Accounts.

The Group's revenue from assets increased by €28.8million from €9.0 million in the eleven months and nine days ended 31 December 2014 to €37.8 million in the year ended 31 December 2015. This increase was due to the acquisition of additional properties in the Portfolio after 31 December 2014. These amounts were affected by the fact that the properties in the Portfolio were acquired at different points during the eleven months and nine days ended 31 December 2014 and during 2015 and thus the rental income derived from those properties does not necessarily reflect the rental income that would have been received for a full financial year. In addition, the rental income derived from properties during the eleven months and nine days ended 31 December 2014 and during 2015 were affected by the conditions of the leases that were in place for certain of the assets when the Company acquired them.

During the first quarter of 2016 the Group revenue from assets amounted to €29.7 million, these revenues are mostly due to the increase in the performance of the Hotel segment and by the fact that the hotels of Bay Hotels Canarias and Poblados de Vacaciones have only started to generate rental revenue from 1 January 2016 as stated in the investment agreement. For illustrative matters, the underlying hotel revenue generated by the BAY Asset Portfolio (excluding shopping centres) increased from €25.9 million in the three-month period ended 31 March 2015 to €34.3 million generated in the three-month period ended 31 March 2016 (including the increase in revenue for hotels located in the Canary Islands from €24 million to €31.2 million and in the Balearic Islands from €1.1million to €1.3 million for these periods).

Rentals in the office segment also increased during the first quarter of 2016 since (i) the occupancy rate increased from 77% as of 31 December 2015 to 81% as of 31 March 2016 (i.e. the occupancy rate increased for the Murano building from 0% as of 31 December 2015 to 37% as of 31 March 2016 and for the Cristalia building from 0% as of 31 December 2015 to 33% as of 31 March 2016) and (ii) the average monthly rent per square metre increased from €12.7 as of 31 December 2015 to €12.9 as of 31 March 2016 (from €12.9 as of 31 March 2015 to €13.9 as of 31 Mrch 2016 for the existing office portfolio as of 31 March 2015).

In the residential segment the increase in the revenues was a result of the property upgrades implemented in some of the dwellings which allowed to increase the rent (the average monthly rent per square metre increased from €9.3 as of 31 December 2015 to €9.5 as of 31 March 2016 (from €8.7 as of 31 March 2015 to €9.4 as of 31 March 2016 for the existing residential portfolio as of 31 March 2015). For example, during the first quarter of 2016 a further four dwellings were upgraded in Isla del Cielo (23 dwellings in total have now been upgraded). The average monthly rent of the upgraded dwellings increased by 82% when compared to the average monthly rent at the time of acquisition (May 2014). Furthermore, during the first quarter of 2016 a further 9 dwellings were upgraded in Sanchinarro (37 dwellings in total have now been upgraded). The average monthly rent of the upgraded dwellings increased by 38% when compared to the average monthly rent at the time of acquisition (March/June 2015).

The Group's EBITDA increased by €12.5 million from €(2.5) million in the eleven months and nine days ended 31 December 2014 to €10.0 million in the year ended 31 December 2015. This improvement was due to the low level of income in the eleven months and nine days ended 31 December 2014 as a result of the fact that the properties in the Portfolio were acquired during the second half of 2014 and in 2015. For the eleven months and nine days ended 31 December 2014, the Group recorded EBITDA of €(2.5) million, which is lower than what would have been expected for a subsequent, full financial year, as the properties in the Portfolio were acquired at different times during the period. As a result, the rental income derived from those properties does not accurately reflect the rental income that would have been received for a full financial year. In addition, the costs associated with the corporate transactions completed or begun in the eleven months and nine days ended 31 December 2014 and during 2015 had a significant effect on the Group's results, and are likely to be lower in coming years because the Company will have deployed the Net Proceeds Raised to acquire the Portfolio.

For the first quarter of 2016 the EBITDA amounted to €19.2 million (€19.7 million in terms of recurring EBITDA for this period, after certain adjustments for one-off items), almost double the 2015 EBITDA for the period ended 31 December 2015 as a result of the fact that the revenues from the Bay hotels were included in the Group income statement only during part of the last quarter of 2015. This improvement was due to the performance of the hotel segment increasing the ratios of ADR and RevPar, mainly in the Canary Islands.

The column "Other" includes the costs incurred by the Group that are not directly attributable to any of the segments and the Base Fee of the Investment Manager, compensation for the Board of Directors, audit and professional services, among others, associated with the Group.

The Group's other operating income amounted to €0.9 million in the year ended 31 December 2015 and €0.4 million for the first quarter of 2016, mainly due to the grants received on some residential mortgages, compensation for early cancellation of lease agreements and expenses re-invoiced to CEOSA previously paid by the Group.

For the three month period ended 31 March 2016, the line item "Operating costs" included €3.2 million relating to operating costs of the buildings under lease, €3.1 million due to the costs of the 3 hotels under management, €3.1 million corresponding to the Base Fee of the Investment Manager, €0.3 million due to the analysis and evaluation of the acquisition of new assets and €1.2 million corresponding to corporate expenses such as independent professional services and local taxes, the audit of the General Shareholders' Meeting and Board of Directors meetings and others. This amounted to total "Operating costs" of €10.9 million for the three month period ended 31 March 2016.

For the year ended 31 December 2015, the line item "Operating Costs" included €10.4 million corresponding to management company fees. The other €18.3 million corresponded to operating costs for all of the Group's buildings and to corporate expenses such as independent professional services. This amounted to the total "Operating costs" of €28.7 million. For the eleven months and nine days ended 31 December 2014, the line item "Operating Costs" included €7.7 million corresponding to independent professional services, relating mainly to the Base Fee of the Investment Manager in the amount of €4.4 million. It also included €4.2 million corresponding to operating costs for all of the Group's buildings under lease.

In the three month period ended 31 March 2016, 71% of the Group's revenue derived from the hotel segment, 15% from the office segment, 5% from the residential rental segment and the remaining 9% from the hotels under management segment.

In the year ended 31 December 2015, 44% of the Group's revenue from assets came from the hotel segment, 32% from the office segment, 12% from the residential rental segment, and the remaining 12% from the hotels under management segment. In the eleven months and nine days ended 31 December 2014, 24% of the Group's rental income came from the hotel segment, 58% from the office segment, and the remaining 18% from the residential rental segment.

In the year ended 31 December 2015, 35% (€11.7 million) of the total rental income was generated in Madrid, 31% (€10.6 million) in the Canary Islands, 21% (€7.1 million) in Barcelona, 6.5% (€2.2 million) in the Balearic Islands and 6.5% (€2.2 million) in Andalucía. In the eleven months and nine days ended 31 December 2014, 43% (€3.8 million) of the total rental income was generated in Madrid, 39% (€3.5 million) in Barcelona and 19% (€1.7 million) in Málaga and Tenerife.

### **Principal income statement line items**

#### ***Revenue***

Revenue consists of the income obtained from property rentals.

#### ***Other operating expenses***

Other operating expense consist of repairs and maintenance for the properties in the Portfolio; the fees paid to the Investment Manager pursuant to the Investment Manager Agreement; other independent professional services including, among others, costs relating to professional audit fees, valuations, legal advice, remuneration for the Board of Directors, insurance premiums, banking and similar services; advertising, publicity and public relations expenses; utilities; other services; taxes other than income tax; and write-downs of trade receivables.

#### ***Negative difference on consolidation***

Negative difference on consolidation through acquisition is primarily due to the business combination through BAY, and to a lesser extent, to business combinations of Leading Hospitality, S.L.U. and ECO Resort San Blas, S.L.U.

#### ***Revaluation of assets***

Revaluation of assets consists of a change in the value of the Group's investment property as a result of the difference in the fair value of the investment property as calculated in accordance with IAS 40 and as calculated by CBRE pursuant to its appraisal of the Portfolio upon such independent appraisal.

### *Financial income*

Financial income consists primarily to the reversion effect of certain financial liabilities registered in 2014, and the remainder due to the placement of surplus cash, mainly in bank deposits in interest-bearing current accounts.

### *Financial expenses*

Financial expenses consist of debt arrangement costs, interest payable, fees payable for guarantees and sureties and other costs.

### *Profit after tax*

Profit after tax consists of income tax expense and the differences between the carrying amount and tax base of investment property, offset by changes due to current tax assets and tax loss carry-forwards and other temporary differences recognised.

### *Three-month period ended 31 March 2016, year ended 31 December 2015 compared to the eleven months and nine days ended 31 December 2014*

The table below sets forth the consolidated income statement of the Company for the three month period ended 31 March 2016, the year ended 31 December 2015, for the three month period ended 31 March 2015 and for the eleven months and nine days ended 31 December 2014:

	Three months ended 31 March 2016 (unaudited)	Year ended 31 December 2015	Three months ended 31 March 2015 (unaudited)	Eleven months and nine days ended 31 December 2014
	(€ thousands)			
Total revenue from assets	29,677	37,798	5,248	9,021
Rental income	27,117	33,769	5,248	9,021
services rendered	2,560	4,029	-	-
Other operating income	432	911	136	64
operating costs	(10,886)	(28,695)	(3,879)	(11,593)
<b>EBITDA</b>	19,223	10,014	1,505	(2,508)
Depreciation and amortisation	(287)	(9)	(2)	(5)
Other results	17	-	-	-
Net gains on sale of assets	82	23	-	45
Revaluation of assets	-	54,996	-	14,049
Negative difference on consolidation	-	23,463	-	7,496
<b>EBIT</b>	19,035	88,457	1,503	19,077
Financial income	61	2,086	42	2,542
Financial expenses and exchange differences	(4,813)	(6,372)	(815)	(3,961)
Impairment losses and income from disposal of financial instruments	-	-	-	(130)
<b>Financial result</b>	(4,752)	(4,286)	(773)	(1,549)
<b>Profit before tax</b>	14,283	84,171	(730)	17,528
Income tax	(61)	(10,794)	(109)	(2)
<b>Profit after tax</b>	14,222	73,377	621	17,526
<b>Net profit attributed to non-controlling interests</b>	2,994	6,696	15	394
<b>Profit/(loss) for the period attributable to the parent company</b>	11,228	66,681	606	17,132



### Rental income

The Group's rental income increased by €24.7 million from €9.0 million in the eleven months and nine days ended 31 December 2014 to €33.8 million in the year ended 31 December 2015. This increase was due to the fact that the size of the Portfolio has significantly increased during 2015 due to the acquisitions done in 2015 which have added on significant rentals and income from hotel services to the income statement of the Company.

During the first quarter of 2016, the Group's rental income increased significantly compared with the last quarter of the 2015 mainly due to the increase in the performance of the hotel segment in terms of ADR and RevPar mainly in the Canary Islands and to the fact that the hotels of Bay Hotels Canarias and Poblados de Vacaciones were included in the Group at 10 December 2015. Rentals in the office segment also increased the rentals during the first quarter of 2016 since the occupancy rate increased from 77% to 81% and the three building acquired in December 2015 contributed additional rent. In the residential segment, the increase in the revenues came from the property upgrades implemented in some dwelling which have allow to increase the rent.

The following table sets forth the Group's rental income divided by segment for the three month period ended 31 March 2016, the year ended 31 December 2015 compared to the eleven months and nine days ended 31 December 2014:

	Three months ended 31 March 2016 (unaudited)	Year ended 31 December 2015	Eleven months and nine days ended 31 December 2014
	(€ thousands)		
Hotel leases	21,199	16,956	2,147
Offices	4,469	12,147	5,270
Residential	1,449	4,666	1,604
<b>Total Group</b>	<b>27,117</b>	<b>33,769</b>	<b>9,021</b>

In the three months ended 31 March 2016, 78% of the Group's rental income came from the hotel segment, 17% from the office segment, 5% from the residential rental segment.

In the year ended 31 December 2015, 36% of the Group's rental income came from the offices segment, 50% from the hotels segment and the remaining 14% came from the residential rental segment. In the eleven months and nine days ended 31 December 2014, 58% of the rental income came from the offices segment, 24% from the hotels segment and the remaining 18% from the residential rental segment.

During the first quarter of 2016 the Group's rental income amounted to €27.1 million which represents a significant increase compared with the last quarter of 2015 due to the performance of the hotel segment with a relevant increase in the ADR and RevPar of the hotel segment mainly in the Canary Islands.

The Group's rental income from the offices segment increased by €6.9 million from €5.3 million in the eleven months and nine days ended 31 December 2014 to €12.1 million in the year ended 31 December 2015. This increase was due to the fact that the Group acquired most of its office properties after 30 June 2014.

The Group's rental income from the residential segment increased by €3.1 million from €1.6 million in the eleven months and nine days ended 31 December 2014 to €4.7 million in the year ended 31 December 2015. This increase was due to the fact that the Group acquired most of its residential properties after 30 June 2014.

The Group's rental income from the hotels segment increased by €14.9 million from €2.1 million in the eleven months and nine days ended 31 December 2014 to €17.0 million in the year ended 31 December 2015. This increase was due to the fact that the Group acquired most of its hotel properties after 30 June 2014.

The following table sets forth the weight of each segment as a percentage of the Group's total assets in terms of investment property and rental income as of and for three month period ended 31 March 2016, the year ended 31 December 2015 and the eleven months and nine days ended 31 December 2014:

	Three months ended 31 March 2016 (unaudited)		Year ended 31 December 2015		Eleven months and nine days ended 31 December 2014	
	% of investment property <sup>(1)</sup>	% of rental income	% of investment property <sup>(1)</sup>	% of rental income	% of investment property	% of rental income
				(%)		
Hotels	57%	78%	57%	50%	22%	24%
Offices	29%	17%	30%	36%	54%	58%
Residential	14%	5%	13%	14%	24%	18%
<b>Total Group</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Notes:

(1) This does not include the Group's hotels under management as at 31 March 2016 and 31 December 2015.

### Other operating income

During the three months ended 31 March 2016 this item line amounted to €0.4 million, due to, among others, grants received on some residential mortgages as compensation for early cancellation of lease agreements. The Group's other operating income increased by €0.8 million from €0.1 million in the eleven months and nine days ended 31 December 2014 to €0.9 million in the year ended 31 December 2015. This increase was mainly due to the grants received on some residential mortgages and expenses re-invoiced to Ceosa previously paid by the Company.

### Operating Costs

For the three months ended 31 March 2016, the line item "Operating costs" included, € 3.2 million of the operating costs of the building under lease, €3.1 million were due to the costs of the 3 hotels under management, €3.1 million corresponding to the Base Fee of the Investment Manager and €0.3 million were due to the analysis and evaluation of the acquisition of new assets. Finally €1.2 referred to the corporate expenses such as independent professional services and local taxes, audit general meeting, Board of Directors and others. This amounted to the total "Operating costs" of €10.9 million.

The Group's operating costs increased by €17.1 million from €(11.6) million in the eleven months and nine days ended 31 December 2014 to €(28.7) million in the year ended 31 December 2015. The primary operating costs recorded for the eleven months and nine days ended 31 December 2014 were €4.41 million attributable to the fee accrued to the Investment Manager in accordance with the Investment Manager Agreement. For the year ended 31 December 2015, other operating expenses included €10.4 million attributable to the fee accrued to the Investment Manager in accordance with the Investment Manager Agreement, €6.7 million relating to hotel under management expenses, (including €2.2 million related to personnel expenses of the hotel under management staff), €6 million attributable to the building under lease and €5.6 million relating to costs of the investments performed through an acquisition of companies, expenses not directly attributable to any of the segments including, Board of Directors remuneration, audit and professional services, among others, associated with the Company.

### Depreciation and amortisation

The Group's depreciation and amortisation charge as of 31 March 2016 was approximately €287 thousand mainly due to the depreciation of the hotels under management which are the assets recorded under the line item "Property, plant and equipment". €9 thousand in the year ended 31 December 2015 and €5 thousand the eleven months and nine days ended 31 December 2014.

### Net gains on sales of assets

During the first quarter of 2016, 11 tenants in the government-subsidised dwellings in Majadahonda executed their purchase options over their dwellings. The total price for such dwelling amounted to €1,152 thousand and contributed a net gain of €82 thousand to the Group.

The Group's gains on sales of assets were approximately €23,000 for the year ended 31 December 2015 and €45,000 in the eleven months and nine days ended 31 December 2014.

### Revaluation of assets

For the three months ended 31 March 2016 there were no asset revaluations since the Group measured the value of its portfolio based on the appraisal conducted by CBRE as of 31 December 2015.

For the year ended 31 December 2015, the Group's revaluation of investment property resulted in a gain of approximately €55 million. As of 31 December 2015, the fair value of the Group's investment property was calculated based on the appraisals conducted by CBRE in accordance with the RICS Red Book.

For the eleven months and nine days ended 31 December 2014, the Group's revaluation of investment property resulted in a gain of €14.0 million. As of 31 December 2014, the fair value of the Group's investment property was calculated based on the appraisals conducted by CBRE in accordance with the RICS Red Book. As a result of this valuation, the Group recognised a gain of €14.0 million in its consolidated income statement corresponding to the difference between this valuation and the fair value of the investment property as calculated in accordance with IAS 40.

#### **Negative difference on consolidation**

For the three months ended 31 March 2016 there was no negative difference on consolidation.

For the year ended 31 December 2015, the Group's negative difference on consolidation was €23.5 million. This was primarily due to the business combination through BAY, and to a lesser extent, to business combinations of Leading Hospitality, S.L.U. and ECO Resort San Blas, S.L.U.

For the eleven months and nine days ended 31 December 2014, the Group's negative difference on consolidation was €7.5 million. This was the result of the inclusion of Hispania Fides in the Group's consolidated annual accounts for the eleven months and nine days ended 31 December 2014, which resulted in a negative difference on consolidation, which was recognised in the Group's income statement. The negative difference on consolidation is a result of the difference between the market value of the net assets contributed by Hispania Fides and the consideration paid for the 90% holding in Hispania Fides.

The property assets contributed by Hispania Fides have registered an increase in valuation with respect to the information reflected in its individual accounting records based on their market value. The tax credits contributed by Hispania Fides were considered recoverable in 2014 due to improved financial projections, mainly as a result of the agreement by which the Company invested in Hispania Fides. This agreement included long-term leases with the former sole shareholder of Hispania Fides, the settlement of the financial debt of Hispania Fides at above-market rates and organisational and management changes, among other things. In 2015 the Company recalculated the tax credits contributed by Hispania Fides, considering a new scenario in which Hispania Fides applies for the SOCIMI Tax Regime.

#### **Finance income**

For the three months ended 31 March 2016, the Group's finance income was €61 thousand.

For the year ended 31 December 2015, the Group's finance income was €2.1 million. This was attributable primarily to the reversion effect of certain financial liabilities registered in 2014, and the rest due to the placement of surplus cash, mainly in bank deposits, interest-bearing current accounts and fully liquid mutual funds.

For the eleven months and nine days ended 31 December 2014, the Group's finance income was €2.5 million. This was attributable primarily to interest earned on the Group's current account balances and fixed-term deposits.

#### **Finance costs**

For the three months ended 31 March 2016, the Group's finance costs were €4.8 million. This was attributable mainly to the cost of loans of companies in the Group, including the cost of interest-rate hedges.

For the year ended 31 December 2015, the Group's finance costs were €6.4 million. This was attributable mainly to the cost of loans of companies in the Group, including the cost of interest-rate hedges.

For the eleven months and nine days ended 31 December 2014, the Group's finance costs were €4.0 million. This was attributable primarily to the Group's debt arrangement costs, interest payable, fees payable for guarantees and sureties and other costs.

#### *Impairment losses and net losses on disposals of financial instruments*

For the three months ended 31 March 2016, the Group's impairment losses and income from disposal of financial instruments were nil.

For the year ended 31 December 2015, the Group's impairment losses and income from disposal of financial instruments was approximately nil.

For the eleven months and nine days ended 31 December 2014, the Group's impairment losses and net losses on disposals of financial instruments were €0.1 million. This was attributable primarily to an impairment recorded for a loan acquired as part of an asset transaction that the Company believes will not be recoverable.

### Income tax

For the three months ended 31 March 2016, the Group's income tax expense was €61 thousand.

For the year ended 31 December 2015, the Group's income tax charge was €10.8 million. This is based on the Group's analysis that it will be subject to the tax regime applicable to listed real estate investment companies (SOCIMI), which will reduce the tax rate applicable to future bases. It is therefore expected that certain negative tax bases recovered in the future will be at a tax rate of 0% compared with the 25% estimated in 2014.

For the eleven months and nine days ended 31 December 2014, the Group's income tax charge was €2 thousand. This was attributable primarily to the Group's income tax expense and the differences between the carrying amount and tax base of investment property, largely offset by changes due to current tax assets and tax loss carry-forwards and other temporary differences recognised.

### Liquidity and capital resources

#### Overview

The Group's primary sources of liquidity are cash flows from operations, bank borrowings, the issuance of securities and divestments of assets.

The Group's ability to make scheduled payments of principal of, or to pay the interest on, or to refinance indebtedness, or to fund planned capital expenditures and working capital, will depend on the future performance of the Group and its ability to generate cash in the future, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors that are beyond the control of the Group, as well as the factors discussed under "Risk Factors". The Group may use debt financing to undertake acquisitions and investments in the future which may increase its leverage and level of indebtedness.

#### Working Capital

The Company believes that, taking into account the available cash at the date of this Prospectus, the Net Proceeds to be received by the Company from the Offering, the cash generated from operations, the Company has sufficient working capital available for the Company's present requirements and for at least the next twelve months from the date of this Prospectus.

As at 31 December 2014 and 2015 and 31 March 2016, the working capital of the Group was as follows:

Date	Current Assets	Current Liabilities	Working Capital
		<i>(€ thousands)</i>	
31 December 2014.....	211,449	13,621	197,828
31 December 2015.....	251,381	71,529	179,852
31 March 2016.....	284,627	79,212	205,415

- Consolidated Statement of Cash Flows

The table below sets forth the Group's consolidated statement of cash flows for the three month period ended 31 March 2016, the year ended 31 December 2015 and for the eleven months and nine days ended 31 December 2014:

Three months ended 31 March 2016 (unaudited)	Year ended 31 December 2015	Eleven months and nine days ended 31 December 2014
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*(€ thousands, unless otherwise indicated)*

Net cash flows from operating activities	2,551	8,146	-3,546
Net cash flows from investing activities	-98,741	-668,691	-339,171
Net cash flows from financing activities	57,462	677,034	546,918
<b>Cash flows from continuing operations</b>	<b>-38,728</b>	<b>16,489</b>	<b>204,201</b>
Cash and cash equivalents at the beginning of the period from continuing operations	220,690	204,201	-
<b>Cash and cash equivalents at the end of the period</b>	<b>181,962</b>	<b>220,690</b>	<b>204,201</b>

- Net cash flows from operating activities

The Group's net cash flows from operating activities increased by €11.6 million from an outflow of €3.5 million in the eleven months and nine days ended 31 December 2014 to an inflow €8.1 million in the year ended 31 December 2015. This increase was primarily attributable an increase in EBITDA, higher interests paid and variation of current assets which mainly correspond to variances in the balances of customers, providers and Tax agencies from the ordinary course of business and which will be settle within one year.

- Net cash flows from investing activities

The Group's net cash flows from investing activities increased by €329.5 million from an outflow of €339.2 million in the eleven months and nine days ended 31 December 2014 to an outflow €668.7 million in the year ended 31 December 2015. These outflows were primarily attributable to higher disbursements in business units and real estate properties as a result of the increase in the investment activity.

- Net cash flows from financing activities

The Group's net cash flows from financing activities increased by €130.1 million from an inflow of €546.9 million in the eleven months and nine days ended 31 December 2014 to an inflow of €677.0 million in the year ended 31 December 2015. This increase was primarily attributable to more financing arrangements executed and signed and the issuance of equity instruments in the share capital increase at 2015 versus the Initial Offering in 2014.

- Capital expenditure

The following table sets forth a summary of the Group's capital expenditure for the three month period ended 31 March 2016, the year ended 31 December 2015 and 2014, as divided by segment:

	<b>Capital expenditure by segment in 2016 (unaudited)</b>	<b>Capital expenditure by segment in 2015</b>	<b>Capital expenditure by segment in 2014</b>
		<i>(€ thousands)</i>	
Total hotels .....	1,496	4,924 <sup>(1)</sup>	5
Total residential.....	1,193	4,544	97
Total offices .....	4,601	7,397	960
<b>Total.....</b>	<b>7,290</b>	<b>16,865</b>	<b>1,062</b>

Notes:

(1) Excluding BAY, BHC and PDV (these capital expenditures are included in the business combination figures).

In the three months ended 31 March 2016, the Company implemented capital expenditure in its assets in the Portfolio for an amount totalling €73 million. This amount was invested mainly in the repositioning process of some office buildings.

In the year ended 31 December 2015, the Company implemented capital expenditure in its assets in the Portfolio for an amount totalling €16.9 million of which 29.2% was implemented in the hotel segment.

In the eleven months and nine days ended 31 December 2014, the Company implemented capital expenditure in its assets in the Portfolio for an amount totalling €1.1 million, of which 90% was implemented in the office segment, 98% of which in turn was deployed to assets belonging to Hispania Fides.

As of the date of this Prospectus, the Group plans to implement repositioning capital expenditure in the Portfolio in an amount of approximately €194 million, in order to maximise value and optimise its operations. Of this amount, approximately 74.1% (€144 million, including the capital expenditure to be implemented in the assets comprising the portfolio of Dunas once the condition precedent for the effectiveness of the Investment Agreement with Dunas is fulfilled, as well as the repositioning capex to be implemented in the BAY Asset Portfolio and the expected capex to be implemented for Las Agujas land plot development) will be used to fully reposition certain hotels, such as, for example, the Guadalmina Hotel or the Holiday Inn, to make other improvements or overhauls. Approximately 22.7% (€44 million) will be deployed in the offices segment in order to achieve a commercial repositioning to bring the Group's office assets up to the same standard as, or in some cases a higher standard than, competing commercial offices that are similarly situated. The remaining 3.2%, equivalent to approximately €6 million, will be used to update common areas of assets in the residential portfolio as well as the upgrading of certain number of dwellings in Isla del Cielo and Sanchinarro in order to increase the quality and attractiveness of these assets, with the aim of increasing the rental income per square meter. It is expected that the occupancy rate of the residential and office assets, and in turn the rental income therefrom, will increase as a result of the capital expenditure implemented. Also, further capital expenditure in hotels will likely lead to an increase in the income received from hotel operators.

The table below sets forth the capital expenditure that the Group plans to implement in coming years in the context of the strategy to be followed as of the date of this Prospectus. Notwithstanding the foregoing, any planned repositioning capital expenditure included in the table below could be subject to change.

Segment	Full 2016 <sup>(1)</sup>	2017- 2020 <sup>(1)</sup>	Total
<b>Hotels</b> .....	<b>36.4</b>	<b>107.2</b>	<b>143.6</b>
% total.....	54.3%	84.7%	74.1%
<b>Offices</b> .....	<b>24.5</b>	<b>19.4</b>	<b>43.9</b>
% total.....	36.5%	15.3%	22.7%
<b>Residential</b> .....	<b>6.2</b>	<b>-</b>	<b>6.2</b>
% total.....	9.2%	0.0%	3.2%
<b>Total</b> .....	<b>67.1</b>	<b>126.5</b>	<b>193.6</b>
% total.....	100.0%	100.0%	100.0%

Notes:

(1) Estimated figures as of the date of this Prospectus.

The Group expects to finance the above mentioned capex using its own funds as well as, amongst others, bank debt within the Group's gearing limitations.

The expected total investment set forth in the table above refers to the total investment that the Group estimates it will incur in each segment from 1 January 2016.

### Financial Liabilities

Details of financial liabilities at 31 March 2016, 31 December 2015 and 31 December 2014 were as follows:

	Bank borrowings, derivatives and other		
	2016	2015	2014
<b>Non-current financial liabilities</b>	(€ thousands)		
Non-current bank borrowings	588,833	535,656	56,414
Hedging derivatives	27,269	12,527	658
Other non-current financial liabilities	22,119	21,645	13,722
	<b>638,221</b>	<b>569,828</b>	<b>70,794</b>
<b>Current financial liabilities</b>			
Bank borrowings	18,550	13,995	5,474

Hedging derivatives	8,064	6,175	8
Other current financial liabilities	22,258	26,482	814
Trade and other payables	21,127	15,510	5,782
Personnel remuneration payable	402	330	-
Customer prepayments	1,060	1,402	894
	<u>71,461</u>	<u>63,894</u>	<u>12,972</u>
	<u>709,682</u>	<u>633,722</u>	<u>83,766</u>

### Bank borrowings

The maturity schedules as at 31 March 2016, 31 December 2015 and 31 December 2014 for the Group's bank borrowings were as follows.

As of 31 March 2016, the table shows more than 82% of the bank borrowings of the Group with a maturity of more than 5 years, which will allow the Group to minimise the risk from the debt financial markets.

31 March 2016 (unaudited)	Current		Non-current				Total non-current	Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years		
<i>(€ thousands)</i>								
<b>Bank borrowings:</b>								
Loans from third parties .....	17,267	19,750	25,160	25,789	29,328	502,146	602,173	619,440
Interest in third party debt .....	1,283	-	-	-	-	-	-	1,283
Arrangement costs on borrowings .....	-	(3,273)	(1,593)	(1,543)	(1,482)	(5,449)	(13,340)	(13,340)
<b>Total .....</b>	<b>18,550</b>	<b>16,477</b>	<b>23,567</b>	<b>24,246</b>	<b>27,846</b>	<b>496,697</b>	<b>588,833</b>	<b>607,383</b>

For 2015, the table shows more than 83% of the bank borrowings of the Group with a maturity of more than 5 years.

31 December 2015	Current		Non-current				Total non-current	Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years		
<i>(€ thousands)</i>								
<b>Bank borrowings:</b>								
Loans from third parties .....	13,805	17,239	22,019	23,441	25,317	459,809	547,825	561,630
Interest in third party debt .....	499	-	-	-	-	-	-	499
Arrangement costs on borrowings .....	(309)	(3,097)	(1,487)	(1,439)	(1,388)	(4,758)	(12,169)	(12,478)
<b>Total .....</b>	<b>13,995</b>	<b>14,142</b>	<b>20,532</b>	<b>22,002</b>	<b>23,929</b>	<b>455,051</b>	<b>535,656</b>	<b>549,651</b>

31 December 2014	Current		Non-current				Total non-current	Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years		
<i>(€ thousands)</i>								
<b>Bank borrowings:</b>								
Loans from third parties .....	5,191	3,525	7,540	7,301	6,184	33,129	57,679	62,870
Interest in third party debt .....	55	-	-	-	-	-	-	55
Arrangement costs	-	(372)	(182)	(166)	(148)	(397)	(1,265)	(1,265)

on borrowings .....

<b>Total</b> .....	<b>5,246</b>	<b>3,153</b>	<b>7,358</b>	<b>7,135</b>	<b>6,036</b>	<b>32,732</b>	<b>56,414</b>	<b>61,660</b>
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In addition, as of 31 March 2016, more than 81% of the loans from third parties of the Group with a maturity of more than 5 years (from 2020 onwards).

### Loans and interest payable to third parties

During the first quarter of 2016, the Group obtained a credit line of €4 million which had not been drawn down. Additionally on 4 January 2016, the Group had drawn down €58.3 million of the Mortgage loan on Suites Hotel Atlantis Fuerteventura Resort and Gran Hotel Atlantis Bahía Real signed on 25 November 2015.

During the year ended 31 December 2015, the Group obtained or assumed loans with several financial institutions through the business combinations for an overall amount of €521.4 million at the close of the year. Most of the loans accrue an interest rate indexed to the Euribor, plus a spread.

Certain Group loans totalling €406,504 thousand at 31 December 2015 (€406,383 thousand at 31 March 2016) established minimum financial ratios (loan to value ratio, interest coverage ratio, debt service coverage ratio and net financial debt EBITDA ratio) that the Group must meet during their terms. If these ratios are not met, the lenders may demand early repayment of the principal amount of the loans. The Group meets the financial ratios and/or obligations associated with the loans received at the end of 2015 and at the end of the first quarter of 2016, and there is no expectation that any of them will not be met in the short-term.

Details of the various loans recognised by the Group at 31 March 2016, 31 December 2015 and 31 December 2014, by type of asset, are as follows:

		<b>31 March 2016 (unaudited)</b>		
		<i>(€ thousands)</i>		
<b>Company</b>	<b>Assets</b>	<b>Outstanding amount</b>	<b>Non-current</b>	<b>Current</b>
Hispania Real	Offices	115,764	114,883	881
Hispania Real	Residential	71,920	69,508	2,412
Hispania Real	Hotels	44,667	44,246	421
Hispania Fides	Offices	65,000	65,000	-
Hesperides Bay	Hotels	59,500	58,150	1,350
Bay subgroup	Hotels	234,000	229,541	4,459
Eco Resort	Hotels	21,490	20,845	645
Leading Hospitality	Hotels	6,601	-	6,601
Leading Hospitality	Non-mortgage loans and lines of credit	498	-	498
		<b>619,440</b>	<b>602,173</b>	<b>17,267</b>
Outstanding interest		1,283	-	1,283
Arrangement costs on borrowings		(13,340)	(13,340)	-
<b>Total</b>		<b>607,383</b>	<b>588,833</b>	<b>18,550</b>

		<b>31 December 2015</b>		
		<i>(€ thousands)</i>		
<b>Company</b>	<b>Assets</b>	<b>Outstanding amount</b>	<b>Non-current</b>	<b>Current</b>
Hispania Real	Offices	113,446	112,677	769
Hispania Real	Residential	72,417	70,811	1,606
Hispania Real	Hotels	47,178	46,712	466
Hispania Fides	Offices	65,000	65,000	-
Hesperides Bay	Hotels	1,000	-	1,000
Bay subgroup	Hotels	234,000	231,780	2,220
Eco Resort	Hotels	21,490	20,845	645
Leading Hospitality	Hotels	6,601	-	6,601
Leading Hospitality	Non-mortgage loans and lines of credit	498	-	498
		<b>561,630</b>	<b>547,825</b>	<b>13,805</b>
Outstanding interest		499	-	499
Arrangement costs on borrowings		(12,478)	(12,169)	(309)



<b>Total</b>	<b>549,651</b>	<b>535,656</b>	<b>13,995</b>
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**31 December 2014**

<b>Company</b>	<b>Assets</b>	<b>Outstanding amount</b>	<b>Non-current</b>	<b>Current</b>
		<i>(€ thousands)</i>		
Hispania Real .....	Residential .....	43,167	40,194	2,973
Hispania Fides.....	Offices .....	19,703	17,485	2,218
		<b>62,870</b>	<b>57,679</b>	<b>5,191</b>
Outstanding interest.....		55	-	55
Arrangement costs on borrowings .....		(1,265)	(1,265)	-
<b>Total.....</b>		<b>61,660</b>	<b>56,414</b>	<b>5,246</b>

At 31 March 2016, the Group maintained several available lines of credit for a total amount of €15,000 thousand, and no amount whatsoever had been drawn down.

At 31 December 2015, the Group maintained several available lines of credit for a total amount of €11,000 thousand, and no amount whatsoever had been drawn down at the year-end. There were no such lines of credit at 31 December 2014.

The Group's main financing operations in 2015 were as follows:

#### **BAY subgroup loans**

On 31 July 2015, Banco Bilbao Vizcaya Argentaria, S.A (agent bank), Banco de Santander, S.A. and Caixabank, S.A. granted syndicated financing to BAY in the amount of €116 million.

This financing is structured in two tranches. Tranche A is intended to repay BAY's debt with the Barceló companies and the expenses relating to the financing totalling €64 million; Tranche B is intended to partially finance the payment of the put or call option involving 100% of the shares in the companies BHC and PDV. The Group fully drew down Tranche A on 15 October 2015 and Tranche B was fully drawn down on 10 December 2015.

The same credit institutions granted syndicated financing indistinctly to PDV and BHC on 31 July 2015 for a maximum amount of €118 million. On 10 December 2015, PDV drew down €13 million and BHC drew down the remaining €105 million.

This financing has a term of 10 years and the first instalment payment is scheduled to be made on 25 October 2016. Of the total principal, 61.25% must be repaid in the last instalment (July 2025) while the remaining 38.75% must be repaid in 35 quarterly instalments of an increasing amount. The Group companies obtained interest rate hedges covering 100% of the debt represented by these loans.

#### **Hispania Fides loans**

Hispania Fides obtained a €65,000 thousand mortgage loan from ING Bank, N.V. Sucursal en España on 4 December 2015. The buildings mortgaged were Torre M-30, Murano, Ramírez Arellano, Mízar, Comandante Azcárraga, 5, Pechuán and Málaga Plaza, that at 31 December 2015 were owned by the Group.

This financing is in place for 7 years with no instalment payments. Hispania Fides obtained interest rate hedges covering 100% of the debt represented by these loans.

#### **Hespérides Bay loan**

Hespérides Bay obtained a €67.5 million mortgage loan from Banco de Sabadell on 25 November 2015, which falls due on 30 November 2030. The Group had drawn down one million euros at 31 December 2015, €58.5 million at 4 January 2016 and the rest will be drawn down during the first half of 2016.

#### **Hispania Real loans**

Hispania Real obtained mortgage loans in the amount of €233 million (€233 as of 31 March 2016) from several financial institutions. Banco Bilbao Vizcaya Argentaria, Bankinter, Banco Santander, Banco Popular, Abanca Corporación Bancaria, Banco Sabadell and Caixabank, in 2015 to finance the acquisition of hotel, office and residential properties. Please see “—Non-current financing arrangements” below for the main terms of the Hispania Real loans.

## Arrangement costs on borrowings

The mortgage loans concluded or assumed by the Group through business combinations as of March 2016 resulted in debt arrangement costs totalling €13,340 thousand (€12,478 thousand at 31 December 2015 and €1,265 at 31 December 2014).

## Guarantees provided

The Company must provide certain guarantees during its normal course of business and to finance its operations, but the Company does not expect the guarantees to give rise to any additional liability in these consolidated annual accounts.

## Non-current financial liabilities

"Non-current Financial Liabilities" includes the loan arranged between Corporación Empresarial Once, S.A. and the subsidiary Hispania Fides on 7 July 2014, by virtue of which the parties have agreed that the lender will grant financing to the Company at long term for €10,000 thousand. The maturity date of the loan was set at 60 months from the date the loan becomes available, i.e. 7 July 2019. The loan will incur annual interest at a fixed rate from the draw-down date to the maturity date.

## Financing arrangements

The table below sets forth the main terms of the current and non-current financing arrangements entered into by the Group:

Type of financing	Date of execution	Maturity	Principal outstanding amount as of 31 March 2016 (€ thousands)	Interest rate	GAV (€ thousands) <sup>(1)</sup>	LTV <sup>(2)</sup>	Years Fixed rate swap since date of financing arrangement
Loan with ICO <sup>(*****)</sup>	16 July 2013	23 December 2025	209	EURIBOR (ICO) + spread	-	N/A	-
Loan with ICO <sup>(*****)</sup>	22 November 2013	23 December 2025	88	Fixed	-	N/A	-
Loan with Corporación Empresarial ONCE, S.A. <sup>(**)</sup>	7 July 2014	7 July 2019	10,000	Fixed	-	N/A	-
Mortgage loan dwellings San Sebastián de los Reyes <sup>(*)</sup>	17 September 2014 <sup>(3)</sup>	14 June 2018	2,026	Linked to the housing plan 2002-2005 regulated by the Ministry of Development	15,175	13.4%	-
Mortgage loan Isla del Cielo <sup>(*)</sup>	14 November 2014	14 November 2024	37,938	Euribor (3 months) + margin	71,336	53.2%	5
Mortgage loan Hotel Hesperia Las Ramblas <sup>(*)</sup>	29 January 2015	4 February 2026	9,820	Euribor (3 months) + margin	18,750	52.4%	7
Mortgage loan ON Building <sup>(*)</sup>	17 February 2015	28 February 2027	9,800	Euribor (3 months) + margin	19,809	49.5%	5
Mortgage loan Hotel Melia Jardines del Teide <sup>(*)</sup>	5 March 2015	31 March 2027	22,000	Euribor (3 months) + margin	47,617	46.2%	7

Type of financing	Date of execution	Maturity	Principal outstanding amount as of 31 March 2016 (€ thousands)	Interest rate	GAV (€ thousands) <sup>(1)</sup>	LTV <sup>(2)</sup>	Years Fixed rate swap since date of financing arrangement
Mortgage loan Hotel NH Pacífico, Hotel NH San Sebastián de los Reyes & Poeta Rafael Morales Building <sup>(*)</sup>	18 March 2015	18 March 2029	9,324	Euribor (3 months) + margin	18,600	50.1%	5
Mortgage loan Hotel Vincci Málaga <sup>(*)</sup>	20 March 2015	4 April 2026	5,918	Euribor (3 months) + margin	10,915	54.2%	7
Mortgage loan Les Glories Building <sup>(*)</sup>	16 April 2015	16 April 2030	24,369	Euribor (3 months) + margin	45,700	53.3%	7
Mortgage loan Sanchinarro Dwellings <sup>(*)</sup> (4)	12 June 2015	12 June 2022	31,863	Euribor (3 months) + margin	68,737	46.4% <sup>(5)</sup>	5
Mortgage loan Sanchinarro Dwellings <sup>(*)</sup> (4)	24 May 2015	4 April 2016	93 <sup>(6)</sup>	Linked to the housing plan 2002-2005 regulated by the Ministry of Development	68,737	0.14%	-
Mortgage loan Príncipe de Vergara Building <sup>(*)</sup>	22 June 2015	22 June 2022	12,500	Euribor (3 months) + margin	28,572	43.7%	5
Mortgage loan Foster Wheeler & Cristalia Buildings <sup>(*)</sup>	31 July 2015	31 July 2030	27,000	Fixed until 31 October 2016 and as from such date onwards Euribor (3 months) + margin	57,730	46.8%	7
Mortgage loan BAY Assets <sup>(****)</sup>	31 July 2015	25 July 2025	116,000	Euribor (3 months) + margin	260,157	44.6%	10
Mortgage loan PDV and BHC assets <sup>(****)</sup>	31 July 2015	25 July 2025	118,000	Euribor (3 months) + margin	269,311	43.8%	10
Mortgage loan Suites Hotel Atlantis Fuerteventura Resort and Gran Hotel Atlantis Bahía Real <sup>(***)</sup>	25 November 2015	30 November 2030	59,500	Euribor (3 months) + margin	125,020	47.6%	7
Mortgage loan Pechúan, Comandante Azcárraga 5, Ramírez de Arellano,	4 December 2015	4 December 2022	65,000	Euribor (3 months) + margin	131,835	49.3%	7

Type of financing	Date of execution	Maturity	Principal outstanding amount as of 31 March 2016 (€ thousands)	Interest rate	GAV (€ thousands) <sup>(1)</sup>	LTV <sup>(2)</sup>	Years Fixed rate swap since date of financing arrangement
<b>NCR, Málaga Plaza, Murano and Mizar Building<sup>(**)</sup></b>							
<b>Mortgage loan</b>	17	17	39,700	Fixed until	64,902 <sup>(7)</sup>	61.2%	7
<b>Arcis, Talos, Avenida de Bruselas, Comandante Azcárraga 3 and Principe de Vergara – National Auditorium Buildings<sup>(*)</sup></b>	December 2015	December 2030		17 December 2016 and as from such date onwards Euribor (3 months) + margin			
<b>Mortgage loan</b>	22	23	21,490	Euribor (3 months) + margin	37,100	57.9%	10
<b>Hotel Sandos San Blas<sup>(*****)</sup></b>	December 2015	December 2025					
<b>Mortgage</b>	11	11	3,965	Euribor (ICO) + margin	22,393	17.7%	-
<b>Hotel Holiday Inn<sup>(*****)</sup></b>	December 2012	December 2019					
<b>Mortgage</b>	15 July	30 April	2,636	Euribor (12 months) + margin	1,800	146.5%	-
<b>Hotel Maza<sup>(*****)</sup></b>	2011	2031					
<b>Total</b>	-	-	<b>629,239</b>	-	-	-	-

Notes:

(\*) Borrower Hispania Real.

(\*\*) Borrower Hispania Fides.

(\*\*\*) Borrower Hespérides Bay.

(\*\*\*\*) Borrower BAY.

(\*\*\*\*\*) Borrower BHC and PDV.

(\*\*\*\*\*) Borrower Eco Resort.

(\*\*\*\*\*) Borrower Leading Hospitality, in insolvency proceedings with all financing arrangements early terminated.

(1) According to appraisals by CBRE as of 31 December 2015 + capex implemented during the first quarter of 2016.

(2) LTV (Loan to Value) = Principal amount outstanding / GAV.

(3) On the occasion of the purchase of the dwellings of San Sebastián de los Reyes, Hispania Real took on this loan agreement.

(4) There are two separate loans on the Sanchinarro dwellings.

(5) The LTV of the Sanchinarro dwellings is calculated over the principal outstanding total amount of all the loans, regardless of them being current or non-current.

(6) This mortgage loan was fully repaid on 4 April 2016.

(7) This figure includes the CBRE valuation as of 31 December 2015 in the amount of €64,450 thousand plus the capex implemented as of 31 March 2016 in the amount of €40 thousand and minus the €18 thousand relating to the depreciation of the incentive granted to the tenants as of 31 March 2016.

In addition, on 27 July 2015, 15 September 2015, 28 September 2015 and 14 March 2016 the Group signed 4 credit facilities for amounts up to €3, €5 €3 and €4 million, respectively, with certain Spanish financial institutions to meet its working capital requirements. These credit facilities have a maturity of one year and bear a variable interest rate referenced to three-month EURIBOR plus a spread. As of the date of this Prospectus, no amounts have been drawn. In addition, Leading Hospitality has signed a credit facility and as of 31 December 2015 €0.2 million had been drawn.

Finally, on 6 April 2016, the Group took on a mortgage loan maturing on 30 April 2021, which bears an interest rate indexed to Euribor 3 months plus margin. As of the date of this Prospectus, the principal outstanding amount of this loan was €7.8million.

The weighted average cost (including margin and costs of the swaps executed in relation to certain of the financing arrangements) regarding the financing arrangements described above amounted to 2.61% as of 31 March 2016. Concerning swaps entered in connection with financial arrangements, they cover the totality of the outstanding amount of each loan during their maturity period and have a maturity of between

3.6 and 9.3 years. They will be canceled together with the loan they cover. They are swaps of three-month Euribor in exchange for a fixed interest during the established period. As of 31 March 2016 and 31 December 2015, the fixed interest relating to these financing arrangements was 99% and 99%, respectively.

As of 31 March 2016 and 31 December 2015, the gross LTV (“**Loan to Value**”) regarding the financing arrangements described above was 43% and 39%. The net LTV was 27% and 24%, respectively.

The WAL (Weighted-Average Life) of the financing arrangements was 7.6 years as of 31 March 2016) (7.6 years as of 31 December 2015). The majority of the financing arrangements described in the table above, which, as of 31 March 2016, had a total principal amount outstanding of €629,441 thousand, are mortgage loans on various properties of the Group. Furthermore, payment obligations under the majority of the financing arrangements described above are guaranteed by customary pledges in this type of arrangements.

### Derivatives and other

The table below shows the Group’s financial liabilities classified in this category as of 31 March 2016, 31 December 2015 and 2014:

	<u>2016 (unaudited)</u>	<u>2015</u>	<u>2014</u>
	<i>(€ thousands)</i>		
<b>Non-current</b>			
Sureties and deposits received as a result of leases.....	9,685	9,551	3,651
Other long-term deposits.....	2,434	2,094	71
Non-current borrowings.....	10,000	10,000	10,000
Hedging derivatives.....	27,269	12,527	658
	<u><b>49,388</b></u>	<u><b>34,172</b></u>	<u><b>14,380</b></u>
<b>Current</b>			
Sureties and deposits received as a result of leases.....	1,563	1,209	814
Current borrowings.....	3,758	8,486	228
Sundry payables.....	38,064	32,297	5,717
Personnel remuneration pending payment.....	402	330	65
Customer prepayments.....	1,060	1,402	894
Hedging derivatives.....	8,064	6,175	8
	<u><b>52,911</b></u>	<u><b>49,899</b></u>	<u><b>7,726</b></u>

### Operating leases

As of 31 March 2016, 31 December 2015 and 31 December 2014, the Company was owed the following minimum payments from lessees pursuant to the lease agreements in force at that date, excluding the communal expenses passed onto the lessees, future increases in the CPI and discounting of contractually agreed-upon income:

	<b>As of 31 March 2016 (unaudited)</b>	<b>As of 31 December 2015</b>	<b>As of 31 December 2014</b>
	<i>(€ thousands)</i>		
Within one year	60,390	41,559	16,021
One to five years	193,036	197,865	27,729
More than five years	319,326	278,488	35,255
<b>Total</b>	<u><b>572,752</b></u>	<u><b>517,912</b></u>	<u><b>79,005</b></u>

See “*Business—Description of the Portfolio*” for information of the most relevant terms of the lease agreements of the Group.

### Off-balance sheet arrangements

The Group does not have material off-balance sheet arrangements, except for the following:

#### Working capital facility

On 27 July 2015, 15 September 2015, 28 September 2015 and 14 March 2016 Hispania Real signed 4 credit facilities for amounts up to €3, €5, €3 and €4 million, respectively, with certain Spanish financial institutions to meet its working capital requirements. These credit facilities have a maturity of one year and bear a variable interest rate referenced to three-month EURIBOR plus a spread. As of the date of this

Prospectus, no amounts have been drawn. In addition, Leading Hospitality has signed a credit facility and as of 31 December 2015 €0.2 million had been drawn.

### **Net Asset Value**

The Company publishes the Net Asset Value attributable to the Shares of the Company four times per year, at the time of the publication of the Company's interim financial statements, and the Net Asset Value is calculated in accordance with European Public Real Estate Association (EPRA) standards and IFRS-EU as further explained below on the basis of the most recent valuation of the Company's assets.

See "Business—Market value of assets as of 31 December 2015—Net Asset Value" for details regarding the Company's Net Asset Value.

### **Risk management**

#### *Credit risk*

The Group's credit risk is attributable mainly to the risk of tenants defaulting on their contractually agreed-upon rental payments. The Group manages this risk by screening tenants and negotiating lease agreements which envisage mandatory prepayments and guarantees that become enforceable in case of a payment default.

#### *Liquidity risk*

As of 31 December 2015, the Group did not consider its liquidity risk to be significant because its investment stage had not yet ended and there was sufficient liquidity to cover the obligations assumed.

#### *Market risk*

One of the primary risks faced by the Group is market risk arising from buildings that remain unoccupied or from decreased rental payments from renegotiated leases when a prior lease expires. Vacancy of the Group's rental assets or decreased rental payments would reduce the Group's income and have a negative effect on the value of its assets. The Group mitigates this risk through active marketing, the positioning of its rental properties and the screening of tenants.

#### *Critical accounting policies and estimates*

The Audited Consolidated Annual Accounts for the year ended 31 December 2015 included in this Prospectus have been prepared in accordance with IFRS-EU. See note 4 to the Audited Consolidated Annual Accounts for a summary of the accounting policies that the Company believes are critical to the preparation of the Group's Audited Consolidated Annual Accounts. The preparation of these Audited Consolidated Annual Accounts requires the Company to make estimates supported by objective information in order to measure certain assets, liabilities, income, expenses and obligations reported therein.

The main accounting policies used to prepare the Audited Consolidated Annual Accounts are as follows:

#### *Business combinations and goodwill*

Business combinations are accounted for using the acquisition method. The cost of acquisition is the aggregate of the consideration paid measured at the fair value on the date of acquisition and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Related acquisition costs incurred are expensed currently under "Administrative Costs". Hispania Fides and BAY are accounted for as fully consolidated with Group for the purposes of the Audited Consolidated Annual Accounts.

When the Group acquires a business, it assesses the financial assets and liabilities assumed in order to classify them in accordance with the relevant contractual terms, economic conditions and other relevant conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

For business combinations achieved in stages, the acquirer's previously-held interest in the acquiree is re-measured at fair value at the acquisition date and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration for transfer by the acquirer will be recognised at fair value at the acquisition date. Contingent considerations classified as financial assets or liabilities in accordance with IAS 39 Financial instruments: Recognition and Measurement are measured at fair value through profit or loss or

as changes to other comprehensive income. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS-EU standard. If the contingent consideration is classified as equity, it is not measured and any subsequent payment incurred is recognised in equity.

Goodwill is initially recognised at cost. Goodwill is the excess of the aggregate of the consideration transferred and the amount for non-controlling interests recognised in proportion to the net identifiable assets acquired and liabilities assumed. If the fair value of the acquired net assets exceeds the value of the consideration transferred, the Group re-assesses the amount to ensure that all of the assets acquired and obligations assumed have been identified correctly. It reviews the procedures applied to measure the amounts recognised at the acquisition date. If the re-assessment shows that the fair value of the net assets acquired is higher than the aggregate of the consideration transferred, the difference is recognised as a gain in the income statement.

Subsequently, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment tests, after the date of acquisition, goodwill acquired in a business combination is allocated to each of the cash-generating units of the Group that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to these units.

Where goodwill is part of a cash-generating unit and some of the operations within that unit are disposed of, the goodwill associated with the disposed operations is included in the carrying amount of the operation when calculating the resulting gain or loss. Goodwill disposed of in this manner is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

#### *Investment property*

Investment property is recognised at fair value at the reporting date and it is not depreciated. Investment property includes land, buildings or other structures held to earn rental income or for capital appreciation. Gains or losses arising from changes in the fair value of investment property are included in the income statement in the period in which they arise. Investment property under construction is transferred to “Investment Property” when the assets are ready for operation.

When the Group recognises the cost of a replacement asset as an increase in the fair value of the original asset representing the fair value, the Group reduces the fair value of the replaced asset by recognising the related effect in “Changes in the Value of Investment Property” in the consolidated statement of comprehensive income. Should it not be possible to identify the fair value of a replaced asset, it will be recognised by increasing the fair value of the property and subsequently measured on a regular basis using the appraisals by independent experts as a reference.

The properties are appraised on an individual basis, taking into account each of the leases in force at the end of the period. Buildings that contain areas that have not been leased are measured on the basis of estimated future income less a period for marketing.

In accordance with IAS 40, the Group calculates the fair value of its investment property on a regular basis. This fair value is calculated using as a reference the appraisals by CBRE as of the date of preparation of the consolidated statement of financial position and, therefore, at the end of each period the market value reflects the market conditions of the investment property at that date. The appraisal reports by independent experts only contain the usual warnings and/or limitations on the scope of the results of the appraisals, which refer to acceptance of the information provided by the Company as whole and correct.

The main methodology used to calculate the fair value of the Group’s investment property in as of 31 December 2015 was the discounted cash flows methodology, which is based on the estimate of future cash flows from the investment property using a suitable discount rate to calculate the present value of these cash flows. This rate considers the current market conditions and it reflects all of the forecasts and risks associated with cash flows and investments. The residual value of the asset over the final year of the projected cash flows is calculated by applying a net yield for outflow.

Other valuation methodologies are also used to a lesser extent, such as the residual static capitalisation approach or the income capitalisation approach.

## **Leases**

### ***Finance leases***

Finance leases are recognised when the economic conditions of the lease agreement indicate that substantially all of the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. As of 31 December 2015, all of the Group's leases were operating leases.

### ***Operating leases***

Income and expense from operating leases are recognised in the consolidated statement of comprehensive income for the period incurred. The acquisition cost of the leased assets is presented in the consolidated statement of financial position based on the nature of the asset, increased by the directly recognised agreement costs which are recognised over the term of the lease by applying the same method used to recognise income from leases.

Income and expense from operating leases are recognised in the consolidated statement of comprehensive income for the period incurred.

Lease payments should be recognised as an expense in the consolidated income statement over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern of the user's benefit.

## ***Income tax***

### **General**

The income tax expense is recognised in the consolidated income statement, unless it arises as a result of a transaction on which the gain or loss is recognised directly in equity, in which case the income tax expense is also recognised in equity. The income tax expense represents the sum of the current tax expense and the changes in the recognised deferred tax assets and liabilities. The income tax expense for the period is calculated on the basis of the current taxable profit (tax loss), which is different to the net profit (loss) recognised in the consolidated statement of comprehensive income because it excludes taxable income and deductible expenses from prior years and certain other non-taxable and non-deductible items. The Group's current tax liability is calculated using tax rates that have been approved by the date of the consolidated statement of financial position. The application of the SOCIMI Regime entails special tax treatment for the SOCIMI Subsidiary. See "*Regulation—SOCIMI Regulations*".

### **Deferred taxes**

Deferred tax assets or liabilities are taxes that are expected to be paid or recovered at the difference between the asset or liability balances accumulated in the Audited Consolidated Annual Accounts and the corresponding tax bases used to calculate taxable profit. They are recognised using the balance sheet liability method (i.e., at the difference of the carrying amount and tax base of assets and liabilities).

The rest of the deferred tax assets and liabilities associated with the buildings in Spain calculated as a result of the application of fair value in accordance with IAS 40 are calculated at the tax rate at which the deferred taxes are expected to be paid (recovered). The consolidated statement of financial position includes tax assets that are likely to be recovered in a reasonable period of time.

Deferred tax liabilities are related to gains allocated to real estate investments or changes in the fair value of a real estate investment.

### **Alternative Performance Measures**

Below is a discussion of certain non-IFRS-EU financial information. Such financial information is not defined under IFRS-EU, and other companies may calculate such financial information differently or may use such measures for different purposes than we do, limiting the usefulness of such measures as comparative measures. You should not consider such information in isolation, as alternatives to revenue, profit before tax or cash flows from operations calculated in accordance with IFRS-EU, as indications of operating performance or as measures of our profitability or liquidity. Such financial information must be considered only in addition to, and not as a substitute for or superior to, financial information prepared in accordance with IFRS-EU.

This Prospectus contains certain financial measures that are not defined or recognised under IFRS-EU, including gross asset value on a like-for-like basis; we describe each of these measures below. We include below for informative purposes financial information on a like-for-like basis. We use these measures as key performance indicators of our business, in order to, among other things,



evaluate the performance of our operations, develop budgets and measure our performance against those budgets. We find these measures to be useful supplemental tools to assist in evaluating operating performance. Further, we believe that these measures are commonly reported by comparable businesses and used by investors in comparing the performance of businesses on a consistent basis, which can vary significantly depending upon accounting methods.

We believe that this description follows and complies with the “European Securities and Markets Authority Guidelines on Alternative Performance Measures (APM)” dated 5 October 2015.

### Rationale for the use of alternative performance measures

The Company was incorporated on 23 January 2014. The Portfolio has been built (and grown substantially in size) during 2014, 2015 and the first quarter of 2016 thus, the performance of our Portfolio cannot be explained exclusively on reported figures as presented in the Audited Annual Consolidated Accounts and the 2016 Interim Financial Statements. This is why we believe that the like-for-like measures are necessary to be able to compare our financial and operating performance between periods and in order for them to be easy to understand. In addition, the like-for-like evolution building block represents the underlying performance of our business for a full year of operations, and can help to explain the evolution of the performance of our Portfolio from an operational perspective although certain stabilisation of the like-for-like assets is still foreseeable.

These measures are also customarily reported by our peers in the real estate sector, especially those with a similar growth profile, including a like-for-like comparison of results, permitting them to explain the performance of the “existing business”.

### Method of calculation for like-for-like measures

The like-for-like GAV compares the appraisal value of the existing portfolio of the Group as of 31 December 2014 (this means the resulting GAV from the CBRE valuation report as of 31 December 2014) with the appraisal value as of 31 December 2015 of that same portfolio (this means the resulting GAV from the CBRE valuation report as of 31 December 2015 for the existing portfolio as of 31 December 2014).

### Like-for-like Measures

#### GAV Like-for-like (GAV LFL)

The following table shows GAV like-for-like over the Group’s investments (including and excluding any capitalised transaction costs and capex implemented in the Portfolio as of 31 December 2015):

	Total Investment in assets for the period ended 31 December 2014 (€ millions)		GAV CBRE as of 31 December 2014 (€ millions)	Total aggregated investment in assets purchased in 2014 for the period ended 31 December 2015 (€ millions)		GAV CBRE of assets purchased in 2014 as of 31 December 2015 (€ millions)	Increase <sup>(1)</sup> (%)	
	With acquisition costs and capex invested	Without acquisition costs and capex invested		With acquisition costs and capex invested	Without acquisition costs and capex invested		With acquisition costs and capex invested	Without acquisition costs and capex invested
Hotels	90.9	89.0	93.8	97.1	90.5 <sup>(2)</sup>	106.7	9.9%	17.9%
Offices	224.8	221.1	229.3	232.3	221.1	250.3	7.7%	13.2%
Residential	92.6	89.9	99.3	95.7	89.9	107.2	12.0%	19.2%
<b>Total</b>	<b>408.3</b>	<b>400.0</b>	<b>422.4</b>	<b>425.1</b>	<b>401.5</b>	<b>464.2</b>	<b>9.2%</b>	<b>15.6%</b>

Notes:

(1) Accumulated increase since acquisition date of each of the assets.

(2) The difference between the total investment in assets for the period ended 31 December 2014 without acquisition costs and capex invested and the total aggregated investment in assets purchased in 2014 for the period ended 31 December 2015 without acquisition costs and capex invested results from the acquisition of furniture for the Hotel Guadalmina.

## BUSINESS

### History and corporate structure

On 23 January 2014, Azora Altus incorporated the Company with a share capital of €60,000 divided into 60,000 ordinary shares of €1.00 of par value each, fully subscribed and paid up.

On 18 February 2014, Azora Altus, at that time the sole shareholder of the Company, resolved to carry out a capital increase of €500 million by means of the issuance of 50,000,000 ordinary shares with a par value of €1.00 each and a share premium of €9.0 each, offering the newly issued shares in a public offering. In connection with the Initial Offering, the sole shareholder resolved to grant to Goldman Sachs International and UBS Limited, appointed as joint global coordinators for that process, an over-allotment option of 5,000,000 ordinary shares, to be exercised at a price of €10.00 per share. The Company raised net proceeds amounting to approximately €534 million in the Initial Offering. The 50,000,000 ordinary shares were admitted to listing on the regulated market of the Spanish Stock Exchanges and to trading on the AQS on 14 March 2014. On 25 March 2014, Goldman Sachs International and UBS Limited, as joint global coordinators, exercised the over-allotment option in full, resulting in the Company issuing the above-mentioned 5,000,000 ordinary shares, which were admitted to listing on 31 March 2014.

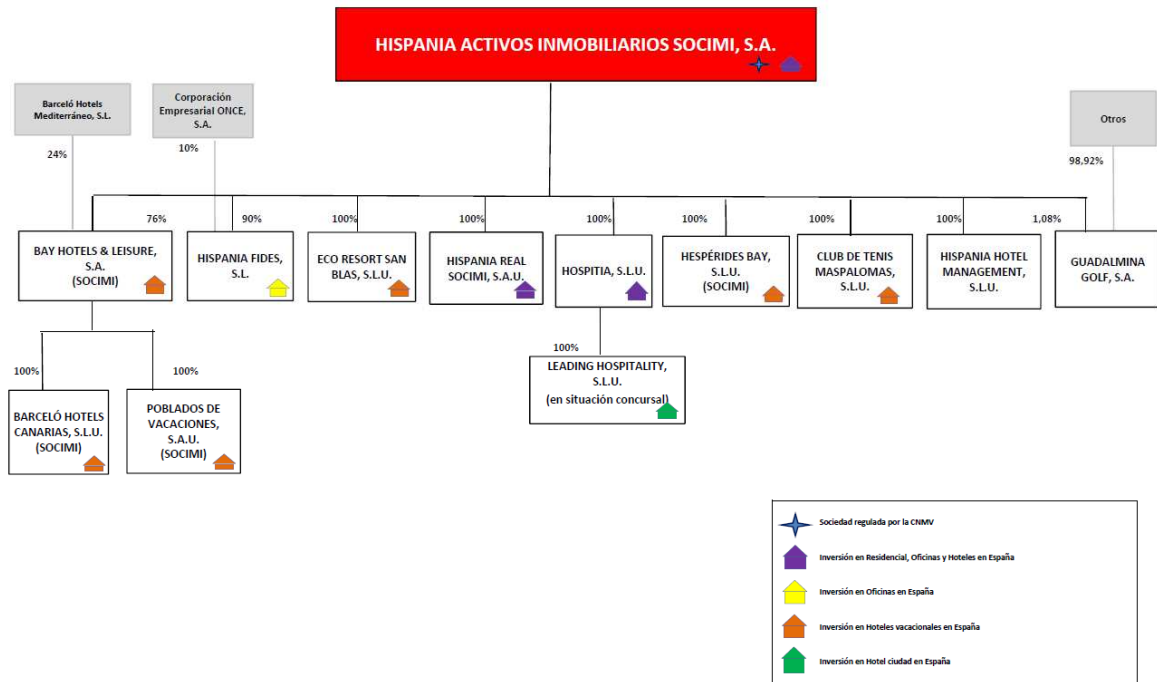
On 1 April 2014, the Company incorporated its wholly-owned subsidiary Hispania Real SOCIMI, S.A.U. (“**Hispania Real**” or “**SOCIMI Subsidiary**”), which on 7 May 2014 opted for the special tax regime applicable to real estate investment companies (*Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario*, “**SOCIMIs**”), with effect from 1 January 2014. The Group’s structure as a listed “non-SOCIMI” company and a 100% SOCIMI Subsidiary was conceived of with the aim of providing the Group with greater flexibility when investing and to benefit, at least in part, from the SOCIMI Regime for such part of its investments regarded as Qualifying Assets (as defined in “*Regulation—SOCIMI Regulations*”).

Notwithstanding the above, due to the fact that a sufficient amount of the Company’s current investments are considered to be Qualifying Investments for the purposes of the SOCIMI Act, the Company itself has opted for the application of the SOCIMI Regime at the General Shareholders’ Meeting held on 5 May 2016. At such General Shareholders’ Meeting the Shareholders have also voted in favour of a merger by absorption of Hispania Real by the Company, with the Company being the surviving SOCIMI entity (such merger being still subject to formalisation and registration) and its Existing Ordinary Shares continuing to be listed on the Spanish Stock Exchanges. See also “*Regulation—SOCIMI Regulations*” for a detailed summary of the requirements for the application of the SOCIMI Regime.

On 28 April 2015, the Company carried out a capital increase with gross proceeds of €337,242,500 by means of the issuance of 27,530,000 new ordinary shares with a par value of €1.00 each and a share premium of €11.25 each, offering the newly issued ordinary shares in an accelerated bookbuild offering to institutional investors.

The General Shareholders’ Meeting of the Company held on 5 May 2016 approved the merger by absorption of Hispania Real by the Company. As a result, once the merger is formalised and registered, Hispania Real will cease to exist. In the context of this merger, and in preparation thereof, Hispania also acquired the entire stake of all the companies previously owned by Hispania Real, which are now directly owned by Hispania.

The following chart sets forth the Group's corporate structure as of the date of this Prospectus:



The following chart sets forth the Group's subsidiaries as of the date of this Prospectus:

CORPORATE NAME	SHAREHOLDING PERCENTAGE	COUNTRY OF RESIDENCE
HISPANIA FIDES, S.L	90%	Spain
GUADALMINA GOLF, S.A.	1.08%	Spain
ECO RESORT SAN BLAS, S.L.U	100%	Spain
HISPANIA REAL SOCIMI, S.A.U	100%	Spain
CLUB DE TENIS MASPALOMAS, S.L.U.	100%	Spain
HISPANIA HOTEL MANAGEMENT, S.L.U.	100%	Spain
BAY HOTELS & LEISURE, S.A. (SOCIMI)	76%	Spain
HOSPITIA, S.L.U.	100%	Spain
HESPÉRIDES BAY, S.L.U. (SOCIMI).	100%	Spain
LEADING HOSPITALITY, S.L.U	100%	Spain
BAY HOTELS CANARIAS, S.L.U.	100%	Spain
POBLADOS DE VACACIONES, S.A.U	100%	Spain

## **Business strengths**

The Company believes it has the following key business strengths:

### **The Company or Group possesses a diversified Portfolio of real estate assets acquired at attractive prices**

The Company has a track record of successfully deploying the capital raised during its Initial Offering and subsequent capital increase by investing in attractively priced hotel properties, offices and residential rental properties in Spain. From its Initial Admission to 31 March 2016, the Group has invested in 60 assets for an aggregate consolidated amount of €1,335 million (including purchase price, associated capitalised acquisition costs as of 31 March 2016 and capital expenditures implemented as of 31 March 2016).

The Portfolio is diversified over different asset classes and locations within Spain. As of 31 March 2016, the total value of the assets of the Portfolio, which amounted to €1,463 million (in attributable terms, taking into account the stake the Company holds in various assets, approximately €1,322 million), was divided into the following three types of assets: 58.9% hotel properties, 28.0% offices and 13.1% residential rental properties. For the financial year ended 31 December 2015, 34.7% (€11.7 million) of the rental income from assets was generated in Madrid, 31.3% (€10.6 million) in the Canary Islands, 21.0% (€7.1 million) in Barcelona, 6.5% (€2.2 million) in the Balearic Islands and 6.5% (€2.2 million) in Andalucía. In addition, during 2015 the Company revenues from hotels under management were €4,029 thousand.

### **The Company benefits from the Investment Manager's expertise and know-how in real estate asset valuation, investment management and execution of investment transactions and from the depth, size and experience of its management platform**

The Investment Manager is part of the Azora Group. With over €3.8 billion as of 31 December 2015 of real estate assets under management (including Hispania's total value of its Portfolio), the Azora Group is one of the leading independent real estate asset managers in Spain with capacity to analyse, execute and manage investments. The Azora Group has positioned itself at the forefront of real estate investment and management in Spain over the past twelve years. Through its relationship with the Investment Manager, the Company expects to have access to the Azora Group's multidisciplinary investment and management platform comprising more than 340 professionals including, among others, real estate and financial experts, analysts and legal and accounting professionals. Through this strong and tested investment and management platform, the Company believes the Investment Manager has the necessary expertise to carry out detailed assessments of suitable investment on behalf of the Company and subsequently to execute and manage such investments efficiently.

The Company believes that the Investment Manager's significant expertise and know-how in the assessment of real estate opportunities, execution and management through its well-established asset and property management operations gives the Company an advantage over other potential competitors in the market.

The Company relies on active property management to maximise operating efficiency, profitability and value created at the property level, for example through repositioning and commercialisation strategies, which improve the return and profitability of the Portfolio. The Investment Manager has considerable experience in such undertakings, and as a result, the Company believes it is well placed to take advantage of optimisation opportunities in the assets it acquires.

### **The Azora Group has a successful track record in real estate investment and management and has established extensive and long-standing relationships with key decision-makers in the Spanish real estate market**

The Management Team as a whole has considerable expertise in real estate development, investment and management as well as consulting, investing, mergers and acquisitions and derivatives. They have a long and successful track record of creating value for investors by investing in and managing a wide range of real estate assets in Spain which has enabled them to establish, individually and as a team, close relationships with key decision-makers and market participants (including financial institutions, property funds, planning authorities, tenants, corporates and private investors) and they have experience in dealing with public administrations. For example, a large number of Spanish financial institutions are currently investors in investment vehicles managed by the Azora Group.

These relationships have enabled the Management Team to access attractive opportunities in the past, that were restricted and only available to a small number of potential investors. The Company believes

that the Management Team's relationships and experience provide the Company with access to investment opportunities meeting the Company's investment criteria, therefore providing the Company with a competitive advantage over other potential real estate investors and managers. Furthermore, the Company believes that the Azora Group's distinct knowledge of, and reputation within, the Spanish real estate market enables the Company to capitalise on the opportunities presented by current and expected market conditions.

The Management Team also possesses existing relationships with many domestic and international financing banks, which enable the Company to access debt financing on competitive terms from a diversified roster of institutions. This, in turn, affords the Company greater flexibility and capacity in its ability to finance the acquisitions of attractive assets.

**The governance of the Company, led by a highly experienced Board of Directors with a majority of independent Directors, has been designed to serve Shareholders' interests**

The Company's Board of Directors, led by Mr. Rafael Miranda Robredo as Chairman, is comprised of Directors who have considerable experience in the Spanish real estate investment and financial markets, including experience in the governance of publicly listed companies. The majority of the Company's Directors are independent of the Investment Manager or the Azora Group and the Company believes that this helps provide oversight of the Investment Manager's implementation of the Investment Manager Agreement (in particular, the Investment Strategy) and protect the interests of the Shareholders. Moreover, approval either at the level of the Board of Directors or by the Executive Committee is required, among other things, to allow the Company to invest in Non-Core Asset Classes or to allow investments or disposals exceeding certain thresholds. Furthermore, the Investment Manager is obliged to disclose to the Company any actual or potential conflict of interest. The Directors nominated by the Investment Manager do not take part in votes relating to matters where a potential conflict of interest has been identified. The Company believes that through these mechanisms it is able to mitigate conflicts of interest between the Investment Manager and the Company and help ensure that the interests of the Shareholders are protected.

**The Management Team, the Investment Manager and shareholders of the Investment Manager have significant capital invested in the Company, aligning its interests closely with those of other Shareholders**

As part of the Initial Offering, the individuals forming part of the Management Team acquired in aggregate 315,000 ordinary shares of the Company, representing 0.381% of the Existing Ordinary Shares, which are subject to lock-up arrangements whereby those shares may be sold during the period ending on the earlier of (i) the third anniversary of the Initial Admission and (ii) the termination of the Investment Manager Agreement, subject to customary exceptions. For further details on these arrangements, see "*Material Contracts—Management Commitments*".

In addition, (i) Azora Altus, a company 50% owned by Baztán Consultores, S.L. and the other 50% by Hermanos Bécquer 10, S.L. (holding companies owned by Ms. María Concepción Osácar Garaicoechea and Mr. Fernando Gumuzio Íñiguez de Onzoño, respectively) holds 60,000 ordinary shares of the Company; (ii) Azora Capital, S.L. ("**Azora Capital**"), a company 75% owned by Azora Altus, holds 715,000 ordinary shares of the Company; and (iii) the Investment Manager, a company wholly-owned by Azora Capital holds 50,000 ordinary shares of the Company, amounting to 0.999% of the existing voting rights of the Company. Azora Altus and the Investment Manager are also subject to certain lock-up arrangements. For further details on these arrangements, see "*Plan of Distribution—Lock-up*".

Similarly, as part of the Initial Offering, Tamerlane, S.à r.l., a related company of Canepa Management, S.A., subscribed for 3,000,000 ordinary shares of the Company. Canepa Management, S.A. subscribed for further ordinary shares in the Company's capital increase in April 2015 to maintain its relative holding in the Company. Canepa Management, S.A. specialises in investing in and managing assets in growing global markets, and includes Canepa Iberia Holding, S.à r.l. (SPF), a shareholder of Azora Capital, which, in turn, is the sole shareholder of the Investment Manager.

In light of the above, as well as of the Management Team's undertaking to exercise their Preferential Subscription Rights, the Company believes that the interests of the Management Team and of the Investment Manager are closely aligned with those of the other Shareholders.

Moreover, a significant proportion of the fees payable by the Company to the Investment Manager are linked to value and performance and have been designed to incentivise and reward the Investment Manager for enhancing the value of the Company's Portfolio. See "*Material Contracts—Investment Manager Agreement—Fees*".

## **The Investment Manager provides the Company with the opportunity to invest in certain real estate assets in accordance with the Investment Strategy**

Under the Investment Manager Agreement, the Investment Manager has granted the Company exclusivity with respect to investment opportunities in Spain that are in accordance with the Investment Strategy until the expiry of the Investment Period (the “**Exclusivity Period**”), subject to certain exceptions. Furthermore, upon expiry of the Exclusivity Period and until the third anniversary from the Initial Admission, the Company will have a right of first refusal over investment opportunities in Spain that are in accordance with the Investment Strategy, subject to certain exceptions. In addition, this exclusivity right and right of first refusal also apply to other members of the Azora Group and each member of the Management Team. See “*Material Contracts—Investment Manager Agreement—Exclusivity and conflicts of interest*” for further details on the exclusivity right and right of first refusal, including the relevant exceptions.

The Company believes that these agreements will allow the Company to benefit from the transaction flow of the Investment Manager and the Management Team, as well as ensure the time and dedication of the members of the Management Team, thereby mitigating any possible conflicts of interest.

### **Investment strategy**

#### **Background**

Since the Initial Offering, the Company has built a high-quality real estate portfolio by investing, directly or indirectly, in the Spanish real estate market and believes that there are further opportunities to increase the value of the Portfolio. During the time remaining in the Investment Period, the Company intends, through the services of the Investment Manager, to continue to identify and invest in any opportunities that may arise in order to increase shareholder value following a period of holding and actively managing the assets.

#### **Asset classes**

The Company intends to acquire, directly or indirectly, through the services of the Investment Manager, a high-quality real estate portfolio by investing primarily in hotel properties, offices and residential rental properties in Spain and, once the EnCampus investment period has expired, in Spanish student accommodation properties (the “**Core Asset Classes**”). In addition, the Company may also invest in retail, logistics and other real estate-related asset classes (the “**Non-Core Asset Classes**”) and in major development, construction or refurbishment opportunities (the “**Development Opportunities**”), subject, in each case, to the restrictions explained in “—*Restrictions*” below.

When considering assets for acquisition, development or refurbishment, the Investment Manager typically seeks targets with some of the following characteristics:

- (ii) located in the metropolitan areas of Madrid or Barcelona or, selectively, in other Spanish cities;
- (iii) located in prime resort locations, such as the Canary Islands (a leading 12-month holiday destination), the Balearic Islands and the Costa del Sol;
- (iv) completed, of high quality and located in central and well-connected locations and, selectively, near-completed;
- (v) potential to produce stable and diversified long-term cash flows and to significantly enhance rental and value prospects unrelated to market evolution;
- (vi) attractive entry valuations as of the moment the transaction is closed; and
- (vii) where value can be created through active management, including investment, repositioning or management of tenants/hotel operators.

#### **Hotels**

The Company aims to build a well-diversified hotel portfolio by acquiring resort hotels in key-Spanish consolidated tourist destinations, such as the Canary Islands, the Balearic Islands and Costa del Sol, among others, as well as opportunities in key urban locations, such as Madrid and Barcelona and, selectively, other Spanish cities. Under the Company’s Investment Strategy, assets are expected to be acquired at attractive entry points. Typically, the Company focuses its hotel investments on large hotels (and sometimes some selected smaller properties) with a 4\*-5\* category and potential for upside. The Company selects the best possible operators for its hotel portfolio, both Spanish and international operators, based on asset match and diversification criteria. Rent prices under the lease agreements executed by the Company with various

hotel managers tend to include a fixed component and, in certain instances, an additional variable component. Furthermore, the Company sometimes seeks to change the management of certain hotel properties once the asset has been acquired. It is expected that rental income from the hotel segment will increase significantly given the quality of the hotel properties acquired by the Company and the composition of the pipeline as of the date of this Prospectus.

### **Offices**

The Company aims to acquire high-quality office assets in business districts as well as in other consolidated strategic business areas. In particular, the Company intends to target office assets located in consolidated well-linked transport office areas of Madrid and Barcelona that present repositioning possibilities. Therefore, the Company targets office assets that may be acquired at reasonable acquisition prices in order to take advantage of its understanding of the market and its asset management capabilities. In such a way, it aims to reposition the asset, so that the quality and appearance of the property may be enhanced, helping to target high-quality tenants, set higher rental prices and increase the value of the property. In certain cases, additional investment beyond the initial acquisition price may be necessary for these assets.

### **Residential**

The Company seeks out residential rental properties at attractive discounts from current market prices which represent opportunities with potential capital gains, as well as a source of steady rental income. In this regard, the Company targets high-quality private and government-sponsored housing assets aimed at the mass market and with comparatively affordable levels of rents. Such properties are typically located in urban areas with a consolidated, sustainable demand, primarily in certain consolidated specific micro-locations in the Madrid and Barcelona areas and, selectively, in other large cities in Spain. Although the Company intends to maximise income deriving from steady rental income, it is expected that the main source of value from residential rental assets will come from capital gains on the asset sale.

### **Student accommodation**

The Company may also contemplate investing in student accommodation properties once the EnCampus investment period has expired (see “—Restrictions”).

### **Other real estate opportunities**

The Company may also consider investing in Non-Core Asset Classes, subject, in each case, to the restrictions explained in “—Restrictions” below.

### **Instruments**

The Company aims to structure its Portfolio principally through the direct or indirect acquisition of individual assets or portfolios that meet the investment criteria set forth above by way of asset or share deals (provided that, in the case of share deals, the Company acquires control of the company holding the relevant real estate assets). In addition, the Company may, subject to approval by the Board of Directors or the Executive Committee, undertake investments through the use of other instruments, such as minority equity stakes in companies holding real estate assets where the Company can exercise significant influence to protect the interest of Shareholders, or real estate-related income streams in the form of hybrid, mezzanine or senior debt instruments of real estate companies or with real estate collateral. See “—Restrictions” and “Material Contracts—Investment Manager Agreement—Reserved matters” below.

### **Restrictions**

While the Investment Manager is given a considerable degree of discretion in the implementation of the Company’s investment policy, the Investment Manager Agreement sets out certain parameters within which the Investment Manager has agreed to operate. There are certain situations in which the Investment Manager requires the prior consent of the Executive Committee or the Board of Directors to carry out investments or to make certain decisions relating to financing and management of assets.

The Company believes that this approach represents a suitable balance between prudent risk management and the preservation of Shareholders’ interests on the one hand, and granting the Investment Manager sufficient discretion to rapidly take advantage of attractive investment opportunities on the other hand. In addition, the Board of Directors may waive one or more of the investment restrictions for a particular transaction at the request of the Investment Manager and on the basis of a compliance plan addressing the specific actions to be undertaken (and the proposed calendar for their implementation) in order for the Company to become compliant with the relevant investment restriction(s) for which the waiver

has been requested. If the Company is unable to implement the compliance plan on which basis an investment restriction was waived, the Board shall propose to the first General Shareholders' Meeting that is held after the end of the implementation period whether or not it accepts to waive the corresponding investment restriction on a permanent basis. If the Shareholders do not accept to waive the corresponding investment restriction, the Company will be then obligated to carry out the actions necessary to become compliant with the corresponding investment restriction before the next General Shareholders' Meeting (including, in the case of a disposal of assets, by granting an irrevocable selling mandate to one or more real estate brokers).

### **Specific investment restrictions**

The specific investment restrictions agreed between the Company and the Investment Manager are set forth below:

- (i) the aggregate amount of acquisition all-in costs together with any expected or proposed initial capital expenditure in relation to investment opportunities falling into (i) the Non-Core Asset Classes, and (ii) the Development Opportunities may not exceed an amount equal to 20% of the sum of the Portfolio Value, plus the cash and any financial instrument allowed by the Cash Management Policy, immediately following the acquisition of any such investment opportunities, and any such investment shall be subject to the prior written approval of the Board of Directors;
- (ii) investments in non-controlling equity stakes in companies holding real estate assets may only be made in circumstances where the Company anticipates that it will be able to exercise significant influence to protect the interests of the Company's Shareholders and may only be made following approval by the Executive Committee or the Board of Directors;
- (iii) investments in real estate-related income streams in the form of equity, hybrid, junior, mezzanine, or senior debt of real estate companies or with real estate collateral may only be made following approval by the Executive Committee or the Board of Directors;
- (iv) investment in assets that, in the reasonable opinion of the Investment Manager or the Board of Directors, could be regarded as competing with similar assets already managed by existing funds owned or advised by any member of the Azora Group may only be made following approval by the Board of Directors;
- (v) investments in student accommodation opportunities may only be made following the expiry of the EnCampus investment period (which will occur no later than 8 October 2017);
- (vi) acquisition all-in costs together with any expected or proposed initial capital expenditure in relation to any Individual Investment Opportunity or any real estate-related income streams in the form of hybrid debt, junior debt, mezzanine debt or senior debt of real estate companies or with real estate collateral may not exceed an amount equal to €100 million of the Company's own funds;
- (vii) the amount outstanding under Company Financings as reflected in the consolidated accounts of the Company, net of any cash or any financial instrument allowed by the Cash Management Policy, immediately following any acquisition of investment opportunities or any new Company Financing withdrawn may not exceed an amount equal to 40% of the Portfolio Value ("**LTV Threshold**"), except when the Board of Directors of the Company, upon the proposal of the Investment Manager, decides to exceed the LTV Threshold and up to a maximum amount equal to 50% of the Portfolio Value, when it deems it appropriate, in light of existing economic conditions, costs related to debt and equity, the market value of the assets of the Company, growth and acquisition opportunities, as well as any other elements that the Board of Directors deems relevant. On 12 November 2015, the Board of Directors approved raising the LTV Threshold from 40% to 45% in attributable terms (i.e. only taking into account the asset value that results from the Group's shareholding in each of its subsidiaries). In addition, any Company Financing of any Group company in respect of an investment opportunity may not exceed an amount equal to 65% of the acquisition all-in costs together with any proposed or expected initial capital expenditure in relation to such investment opportunity, as calculated immediately prior to



signing the relevant documentation in respect of such investment, without the prior approval of the Board of Directors;

- (viii) real estate assets located in Spain must represent at least 90% of the acquisition all-in costs of such investment together with any proposed or expected initial capital expenditure of any acquired portfolio of assets, as calculated immediately prior to signing the relevant documentation in respect of any investment. This threshold may be lowered to 75% by the Board of Directors;
- (ix) notwithstanding the above, no investment or disposal may be undertaken where acquisition all-in costs together with any proposed or expected initial capital expenditure in relation to such investment (in the case of the acquisition of an investment opportunity) or the expected disposal gross proceeds (in the case of a proposed disposal of an asset) exceeds (i) €50 million without prior approval of the Executive Committee, and (ii) €75 million without prior approval of the Board of Directors;
- (x) no Company Financing may be entered into which exceeds (i) €50 million without prior approval of the Executive Committee, and (ii) €75 million without prior approval of the Board of Directors; and
- (xi) co-investments between the Company (or any other Group Company) and one or more third parties (including any member of the Azora Group) may only be made following approval by the Board of Directors.

For a full list of specific investment restrictions and other restrictions on the Investment Manager, see “*Material Contracts—Investment Manager Agreement—Reserved matters*” below.

#### **Restrictions on asset classes and instruments pursuant to the Investment Company Act**

The Shares of the Company may be offered, sold or otherwise transferred (i) within the United States only to QIBs (as defined in Rule 144A under the Securities Act) and in reliance on Section 4(a)(2) under the Securities Act, Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, or (ii) outside the United States in offshore transactions (as defined in, and in accordance with, Regulation S under the Securities Act) in reliance on Regulation S. Since neither the Company nor the Investment Manager are currently registered with the SEC as an investment company under the Investment Company Act or as an adviser under the Investment Advisers Act, and in order to rely on the exemptions from registration under Sections 3(c)(5)(C) and 3(c)(6) of the Investment Company Act, the Company and the Investment Manager agreed to the following allocation of asset classes and instruments within the Portfolio (excluding any Net Proceeds Raised that have not been invested and temporary holdings of cash and short-term instruments in accordance with the Cash Management Policy (see “*Cash Management Policy*”)):

- (i) at least 55% of the Portfolio is to be comprised of investments that are “qualifying assets” for the purposes of Section 3(c)(5)(C) of the Investment Company Act, which include, in broad terms, (i) direct investment in real estate (including freehold and leasehold interests); (ii) investments in loans that are at least 100% secured by mortgages over real estate (that is, where at least 100% of the market value of the loan is fully secured by reference to the appraised value of the underlying real estate at the time of the acquisition of the loan) and (iii) investments in loans that are at least 100% secured by charges over the shares of a special purpose company the only asset of which is real estate and where the purpose of the share charge is to provide the functional equivalent and the same economic experience as a mortgage over the relevant real estate;
- (ii) no more than 25% of the Portfolio is to be comprised of investments that are “real estate-related assets”, which include, in broad terms, investments in loans that are partially secured by mortgages over real estate; and
- (iii) no more than 20% of the Portfolio is to be comprised of investments which are neither “qualifying assets” nor “real estate-related assets”.

#### **Changes to the Company’s investment policy**

Any changes to the Company’s investment policy, including any modification, substitution or removal of the restrictions or thresholds to which the Investment Manager is subject, may only be made by way of an amendment of the Investment Manager Agreement, which is subject to prior approval by the

Shareholders. The Company will publish a significant information announcement (*hecho relevante*) setting out any amendments that may have been agreed in relation to the Investment Manager Agreement.

On 29 June 2015, the Investment Manager Agreement was amended, with the prior approval of the General Shareholders' Meeting of the Company held on 29 June 2015 to (i) clarify the operational and practical application of certain rules and regulations; (ii) align its content with the current conditions under which the Company operates; (iii) ease interpretation; and (iv) introduce a number of technical amendments. See "*Material Contracts—Investment Manager Agreement*".

### **Asset management**

The Company's intention is to improve the returns of, and add value to, its Portfolio through the Investment Manager's asset management techniques, which are summarised below in respect of the Core Asset Classes.

*Hotels:* The strategy regarding the management of hotel properties includes, among other things, the following:

- (i) enhancing asset value through smart capital expenditure investments;
- (ii) repositioning of assets and selecting the most appropriate hotel operator; and
- (iii) amending operational models and implementing "best practice" hotel property management procedures.

*Offices:* The strategy regarding the management of offices includes, among other things, the following:

- (i) increasing occupancy through an active approach to commercialisation;
- (ii) understanding tenants' needs in order to reduce renewal risk;
- (iii) reducing service charge costs and structuring leases on a triple net basis;
- (iv) improving the assets through selective capital expenditures; and
- (v) restructuring tenure in order to improve the profile of the tenant base.

*Residential:* The strategy regarding the management of residential rental assets includes, among other things, the following:

- (i) asset repositioning through selective capital expenditure;
- (ii) occupancy maximisation through an active approach to commercialisation;
- (iii) rents optimisation;
- (iv) efficient cost control management;
- (v) active incident managing;
- (vi) quality maintenance and enhancements; and
- (vii) actively managing delinquency.

Through the Investment Manager, the Company intends to implement a thorough and disciplined approach to asset management with a view to managing the risk profile of income streams and delivering attractive returns for shareholders, thereby following the approach adopted by the Management Team in the past.

### **Investment period**

The Company intends to, directly or indirectly, assemble, through the services of the Investment Manager, a high-quality real estate portfolio during an investment period which is initially expected to last until the third anniversary of the Initial Admission, although it may be extended or reduced under the following circumstances (the "**Investment Period**"):

*Early termination of the Investment Period:* The initial Investment Period will terminate on the date prior to the third anniversary of the Initial Admission when the Company has fully invested all the Net Proceeds Raised.

*Extension of the Investment Period:* The extension periods described below apply where, as of the third anniversary of the Initial Admission:

- (i) there remain less than €75 million of the Net Proceeds Raised available to be invested, in which case the Investment Manager may, in its sole discretion, decide to continue to invest in investment opportunities in accordance with the Investment Strategy for an additional period ending, at the latest, six months from the third anniversary of the Initial Admission; or
- (ii) there remain at least €75 million of the Net Proceeds Raised available to be invested, and where the Investment Manager reasonably believes, following due and careful diligence, that there are still investment opportunities that may be attractive for the Group within the terms of the Investment Strategy beyond the third anniversary of the Initial Admission, in which case the Investment Manager may propose to the Board of Directors in writing to continue to invest in investment opportunities in accordance with the Investment Strategy for an additional period specified by the Investment Manager. The Board of Directors will then call a General Shareholders' Meeting where the Company's shareholders will be given the opportunity to vote on such proposal.

The Investment Manager will actively manage the Portfolio until the third anniversary of the Initial Admission or, if extended, until the end of the Investment Period. During this period, the Investment Manager may also divest assets of the Portfolio, provided that the net proceeds obtained thereby are utilised in accordance with the terms of the Investment Strategy.

### **Value Return Proposal**

Upon or prior to the date of the third anniversary of the Initial Admission (in the event the Investment Period were to have terminated on or before this date) or, upon or prior to the date of termination of the Investment Period (in the event the Investment Period were extended), the Investment Manager is required under the Investment Manager Agreement to submit to the Board of Directors the Value Return Proposal.

The Value Return Proposal, the terms of which will be proposed and executed by the Investment Manager, may involve liquidating all of the Portfolio (together with any Net Proceeds Raised that have not been invested and any other available cash) or may alternatively contemplate extending the life of the investments and continuing to manage all or part of the Company's assets on an ongoing basis, as laid out below:

- (a) *Liquidating the Portfolio*: In the event that the Value Return Proposal contemplates liquidating the Portfolio and returning value to Shareholders, the Board of Directors will notify the Shareholders and make the terms of the Value Return Proposal available to them in a regulatory announcement (*hecho relevante*). In such case, the Investment Manager will proceed to execute the proposed liquidation, without the need to submit it for approval by the General Shareholders' Meeting, and will distribute to the Shareholders the results of such liquidation together with any available cash. The Investment Manager will also propose, and if necessary execute, measures (such as buying back shares, implementing tender offers or marketing ordinary shares to new investors) aimed at preserving adequate liquidity for the ordinary shares during the liquidation period.
- (b) *Managing all or part of the Portfolio on an ongoing basis*: Conversely, if the Value Return Proposal were to involve extending the life of the investments and continuing to manage all or part of the Portfolio on an ongoing basis, the Company and the Investment Manager will negotiate in good faith amendments to the Investment Manager Agreement (including the term, fees or exclusivity provisions) to adapt it to the new terms of the Investment Strategy. Once the terms of the amendment of the Investment Manager Agreement have been agreed, and in any event after 30 days from the date on which the Investment Manager submitted to the Board of Directors the Value Return Proposal, the Board of Directors will call a Shareholders' meeting in order to allow the Shareholders to vote on the Value Return Proposal and on the terms of the amended Investment Manager Agreement.

If the Shareholders were not to approve such Value Return Proposal and such new terms of the Investment Manager Agreement, the Investment Manager would then proceed with the liquidation of the Company's Portfolio during the period ending on the sixth anniversary of the Initial Admission and the results of such liquidation would be distributed to the Shareholders (together with any Net Proceeds Raised

that have not been invested and any other available cash and net of any accrued Performance Fee and any applicable taxation or transaction costs).

As of the date of this Prospectus, the Investment Manager has not yet formally decided on the Value Return Proposal to be submitted to the Board of Directors, although it has the intention to start discussions on the subject during 2016. These discussions will assess the convenience of managing the Portfolio on an ongoing basis (thus making the Company a permanent capital vehicle), including its potential long-term strategy and the future of the Investment Manager in light of the best interests of the Shareholders.

### **Gearing**

The Company intends to use gearing to enhance shareholder returns over the long-term. The level of gearing will be monitored carefully by the Company in light of the risk profile of a relevant asset, the availability of generally favourable lending conditions and the cost of borrowing. The Company also aims to use hedging where appropriate to mitigate interest rate risk. The level of gearing is required to be within the following limits: the amount outstanding under Company Financings as reflected in the consolidated accounts of the Company, net of any cash or any financial instrument allowed by the Cash Management Policy, immediately following any acquisition of investment opportunities or any new Company Financing may not exceed an amount equal to 45% in attributable terms of the Portfolio Value, except when the Board of Directors of the Company, upon receipt of a proposal from the Investment Manager, decides to exceed such LTV Threshold and up to a maximum amount equal to 50% of the Portfolio Value, when it deems it appropriate, in light of the existing economic conditions, costs related to debt and equity, the market value of the assets of the Company, growth and acquisition opportunities and any other elements that the Board of Directors deems relevant. In addition, any Company Financing in respect of an investment opportunity may not exceed an amount equal to 65% of the acquisition all-in costs together with any proposed or expected initial capital expenditure in relation to such investment opportunity, as calculated immediately prior to signing the relevant documentation in respect of such investment, without the prior approval of the Board of Directors.

The Company believes that appropriate levels of gearing are better obtained by financing each deal on a stand-alone basis and using the acquired asset as security for borrowing, although individual lenders may require full recourse to the Company's assets in certain circumstances.

The Company has complied at all times with the ratio of 65% referred to above, as well as with the aforementioned 45% LTV threshold limit in attributable terms.

### **Target Return**

The Target Return sought by the Company and the Investment Manager is a gross annual leveraged internal rate of return of 15% over Gross Proceeds Raised. This is only a target and not a profit forecast. There can be no assurance that this target can or will be met, and such target should not be seen as an indication of the Company's expected or actual results or returns. Accordingly, investors should not place any reliance on this Target Return in deciding whether to invest in the New Ordinary Shares or to exercise or acquire the Preferential Subscription Rights. The Target Return does not reflect actual performance and should not be relied upon as being necessarily indicative of future results.

None of the Company's nor the Investment Manager's independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the Target Return, nor have they expressed any opinion or any other form of assurance on the Target Return or its achievability, and such parties assume no responsibility for, and disclaim any association with, the Target Return. The ultimate achievability of the Target Return is also subject to numerous risks and uncertainties including, but not limited to, the risks and uncertainties described in this Prospectus.

The Target Return, while presented with numerical specificity, necessarily reflects numerous estimates and assumptions made by the Company and the Investment Manager with respect to industry performance, general business, economic, regulatory, market and financial conditions and other future events, as well as matters specific to the businesses, all of which are difficult or impossible to predict and many of which are beyond the Company's control. The Target Return reflects subjective judgments in many respects and thus is susceptible to multiple interpretations and periodic revisions based on actual experience and business, economic, regulatory, financial and other developments.

As such, the Target Return constitutes forward-looking information and is subject to risks and uncertainties that could cause actual results to differ materially from the Target Return, including, but not limited to, the Company's and the Investment Manager's performance, industry performance, general business and economic conditions, competition, adverse changes in applicable laws, regulations or rules, and

the various risks set forth in this Prospectus. See “*Forward-Looking Statements*”. None of the Company, the Board of Directors, the Investment Manager, the Joint Bookrunners or any of their respective affiliates, advisers, officers, directors or representatives can give any assurance that the Target Return will be realised or that actual results will not vary significantly from the Target Return. In addition, prior to making any investment decision, prospective investors should carefully consider the risk factors described in “*Risk Factors*” together with the entire content of this Prospectus.

#### **Periodic valuation and reporting policy**

The Company will procure valuations of its real estate assets in accordance with the appropriate sections of the Red Book. Such valuations will be undertaken by a suitably qualified independent valuation firm or firms. The Company will obtain a full valuation of all the assets in the Portfolio as of 31 December of each year and a more limited update as of 30 June of each year. See “*Business—Market value of assets as of 31 December 2015—Gross Asset Value*” for information on the valuation of the Portfolio conducted by CBRE as of 31 December 2015.

The Company will publish the Net Asset Value attributable to the ordinary shares of the Company four times per year at the time of publication of the Company’s interim financial statements, and the Net Asset Value will be calculated in accordance with European Public Real Estate Association (EPRA) standards on the basis of the consolidated accounts prepared under IFRS-EU. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operation—Factors Affecting Results of Operations—Property Values and Valuation*”.

See “*—Market value of assets as of 31 December 2015—Net Asset Value*” for information on the Net Asset Value of the Company as of 31 December 2015.

#### **Cash management policy**

Pursuant to the Investment Manager Agreement, the Investment Manager also manages the cash of the Company, as well as the Company’s cash needs for covering its ongoing operating expenses, in accordance with the Cash Management Policy set out by the Board of Directors. These guidelines require the Investment Manager to have such cash at all times invested across a diversified portfolio which will include various types of financial instruments with such instruments to be sufficiently liquid, obtained from credit-worthy counterparties and of short-term maturity. These include bank current accounts, cash deposits, term deposits, commercial paper, treasuries, bonds with short-term maturity, government securities, floating rate notes and mutual funds with low risk profile and less than twelve months’ duration, as well as other market instruments.

#### **Investment sourcing**

The Company expects that future investments will be sourced primarily through a combination of the following core avenues (of which the Investment Manager has extensive knowledge and expertise):

***Off-market transactions.*** The Company believes that a significant number of investment opportunities are expected to come from divestments made by individual investors or corporations which have not actively initiated a formal sale process but that would be willing to undertake a total or partial disposal of property assets given the attractive sale conditions and/or collaboration offered by the Company. In fact, most of the transactions closed as of the date of this Prospectus can be regarded as off-market transactions.

***Financial institutions.*** The excessive use of gearing in the purchase of Spanish real estate and the subsequent severe re-pricing in asset values have resulted in the past, and are still resulting, in many Spanish banking institutions which provided credit for such purposes having significant legacy exposure, both directly and indirectly, to Spanish real estate assets. A number of Spanish financial institutions are currently undertaking initiatives to reduce their real estate exposure, primarily through asset-backed loan sales or asset disposals, which have led to a significant increase in the number of investment opportunities becoming available. Assets may also become available directly from disposals by banks, from receivers appointed over the assets or from borrowers who are selling under the guidance of banks or receivers. The Investment Manager has close relationships with a large number of Spanish financial institutions, many of which are investors in existing investment vehicles managed by the Investment Manager or which have employed various members of the Management Team in the past.

***Public administration portfolios.*** The severe economic downturn in Spain in recent years and the resulting pressure on public finances have led to Spanish public administrations turning to large-scale asset disposals to offset reductions in tax income. The Company believes that through the local knowledge of the

Investment Manager and the experience it has in dealing with public administrations, the Investment Manager is well-placed to take advantage of opportunities deriving from such disposal programmes. The Azora Group advised various funds in the first-ever privatisation of social housing in Spain in 2010, taking over the management of the acquired portfolio. In 2013, the Azora Group acquired two student residences from the Spanish Ministry of Defence and, acting together with LQ Investors VIII, Ltd., a company belonging to the Goldman Sachs Group Inc., as co-investor, approximately 3,000 social housing units located in Madrid from the *Instituto de la Vivienda de Madrid* (“**IVIMA**”).

**Closed-ended investment funds and other institutional investors.** The Company believes that some of the assets that are likely to be disposed of by the closed-ended investment funds and financial institutions may present attractive investment opportunities. The Company believes the Investment Manager has built close relationships with many of these institutional investors and sponsors of investment funds in Spain.

**Large corporates and developers.** The recent economic downturn in Spain has adversely affected a large number of Spanish corporates, which are highly leveraged and which, as a result, are actively seeking to reduce their liabilities by selling assets. In addition, real estate developers in Spain have been experiencing a period of severe difficulty, with a deterioration in their financial situation, which led to such developers being required to sell assets in order to deleverage. The Company believes that this presents opportunities to acquire real estate assets at attractive valuations. In addition, the Azora Group has acquired in the past assets from large real estate developers and has close access to a large number of corporates.

The Company believes that these and other sources will present the Company with opportunities to acquire real estate assets which meet the Company’s investment criteria. In addition, the Company is of the view that the Investment Manager is well-positioned to secure the acquisition and management of such assets due to its extensive investment and management experience and well-established relationships with key decision-makers in the Spanish real estate market. The Company also believes that the Investment Manager and the Management Team have a reputation for a timely execution of agreed transactions.

## **Description of the Portfolio**

The Company focuses its activities on the hotel, office and residential rental segments, which are the basis on which the Company presents its information. The Company has acquired the assets comprising the Portfolio for an aggregate consolidated acquisition price of €1,335 million (including capitalised transaction costs and capital expenditure implemented as of 31 March 2016).

The Portfolio diversified over different asset classes and locations within Spain. As of 31 March 2016, the total value of the assets of the Portfolio, which amounted to €1,463 million (in attributable terms, taking into account the stake the Company holds in various assets, approximately €1,322 million), was divided into the following three types of assets: 58.9% hotels, 28.0% offices and 13.1% residential rental properties. The Portfolio is predominantly located in the Canary Islands, which accounts for 40.8% of the gross asset value of the Portfolio as of 31 March 2016. The assets in Madrid account for 33.4%, Barcelona – 11.9%, the Balearic Islands – 8.2% and Andalucía – 5.5% of the Portfolio value as of 31 March 2016.

As of 31 March 2016, the Portfolio EPRA net initial yield on GAV amounted to 6.2% (excluding (i) Guadalmina and Holiday Inn hotels, which are currently being internally operated and (ii) Las Agujas land plot as it is a development project). Likewise, the EPRA net reversion yield on cost of the Portfolio as of 31 March 2016 was 8.6% and the EPRA net reversion yield on GAV stood at 7.7% (including (i) Guadalmina and Holiday Inn hotels and (ii) Las Agujas land plot).

## **Property investment**

### **Hotel portfolio**

The Group’s hotel portfolio includes a total of 8,234 hotel keys distributed among 27 hotels (these figures exclude the Dunas hotel portfolio which is comprised of 4 hotels with 1,183 keys). Except for the two NH hotels (Hotel NH Pacífico and Hotel NH San Sebastián de los Reyes), the Hotel Holiday Inn Bernabéu in Madrid, the Hotel Hesperia Ramblas in Barcelona, the Hotel Maza in Zaragoza and the Hotel Vincci Málaga in Málaga, which target urban and business tourism, the remaining assets pursue a holiday approach and are located in consolidated Spanish tourist destinations. The hotels are subject to leases with well-known operators, including Barceló, Meliá, Vincci, Atlantis, Hesperia/NH and Sandos, except for the Hotel Guadalmina, the Hotel Maza and the Hotel Holiday Inn Bernabéu, which are operated by Gestión de Activos en Transición – Hoteles & Resorts, S.L. (“**Gestión de Activos**”) on an interim basis by means of short term management agreements. All of the hotels that are operated by the hotel operators are considered fixed lease agreements (except for the BAY Asset Portfolio and Hespérides Bay Portfolio lease agreements which contain significant variable components). The Group expects that 57% of all hotel rental revenue will be

generated from the fixed component of all the lease agreements in place as of 31 March 2016 for the period ending 31 December 2016.

The leases are contracts at market conditions, with an weighted average lease term (“WALT”) of 12.7-40.3 years and 4.0-5.6 years for the fixed and variable lease agreements and for the fixed lease agreements, respectively and with an occupancy rate of 93% as of 31 March 2016 (based on number of keys managed by hotel operators). The EPRA net reversion yield on GAV as of 31 March 2016 was 9.2% (5.8% being the gross minimum guaranteed yield on GAV) and the EPRA net reversion yield on cost was 10.3%. Finally, EPRA net initial yield on GAV and on cost as of 31 March 2016 was 9.0% and 10.3%, respectively (excluding Guadalmina and Holiday Inn hotels, which are currently being internally operated as well as Las Agujas land plot which is a development project).

The total value of the Group’s hotel portfolio amounted to €862 million as of 31 March 2016 (according to the Gross Asset Value set out in the CBRE Valuation Report for assets in the Portfolio as of 31 December 2015 together with the new acquisitions (Las Agujas land plot and the additional units from Hospitia) plus the capex implemented and the additional capitalised transaction costs registered over the first quarter of 2016), or €99 thousand per room (adjusted by the GAV attributed to retail premises that form part of certain of the hotel properties and the value attributed to the Las Agujas land plot), distributed geographically as follows: 69% of the hotel portfolio is located in the Canary Islands, 14% in the Balearic Islands, 8% in Andalucía, 6% in Madrid and 2% in Barcelona).

- (a) *Guadalmina Hotel*. On 15 April 2014, Hispania Real acquired the Guadalmina SPA & Golf Resort Hotel in Marbella, a four-star hotel with 178 keys located on the beach and with direct access to one of the best golf courses in the area, for a total amount of €22.5 million (including capitalised expenses associated with the acquisition but excluding the posterior acquisition of the furniture related to the hotel). This amount was paid entirely with Hispania’s own funds. As part of the transaction, Hispania Real acquired the mortgage loan on the hotel from a financial institution. CBRE valued the hotel at €28.1 million as of 31 December 2015, equivalent to €158 thousand per room which was increased to €28.2 million as of 31 March 2016, after considering the capex implemented and the acquisition of additional furniture during the first quarter of 2016. The hotel was subject to legal proceedings relating, amongst other claims, to an eviction case against the former tenant on the grounds of non-payment of rent. However, on 10 June 2015, the Group reached an agreement with the former tenant of the hotel, according to which the tenant handed back the possession of the hotel on 3 November 2015. As from such date, the Group has been directly managing Hotel Guadalmina, which has executed a management agreement with Gestión de Activos en Transición – Hoteles & Resorts, S.L. for the provision of various management services on an interim basis. The term for this agreement ends on 2 May 2016 but it automatically renews for three-month periods if the agreement is not ended by either of the parties with a month’s notice prior to the end of the initial term or any of its renewals. The Group’s initial intention was to implement an immediate repositioning strategy with respect to the hotel, with a new lease agreement and a new operator. However, considering the annulment of the definitive approval of Marbella’s 2010 General Plan of Urban Planning, Hispania is evaluating the scope of the refurbishment works to adjust it to the existing planning legal framework. See “—*Legal Proceedings*”.
- (b) *Hotel NH Madrid Sur (previously known as NH Pacífico, part of the IDL Hotel Portfolio)*. On 25 July 2014, Hispania Real acquired the three-star Hotel NH Madrid Sur as part of the portfolio acquired from IDL, for a total amount of €6.2 million (including capitalised expenses associated with the acquisition), fully paid with its own funds. Located in the Avenida Ciudad de Barcelona in Madrid, and valued by CBRE at €6.3 million as of 31 December 2015 equivalent to €102 thousand per room, (the value of the property was remained unchanged as of 31 March 2016), the Hotel NH Madrid Sur has 62 keys and is currently managed by the NH Group under a lease agreement expiring in November 2019, which may be extended for a maximum period of five more years by the lessee.
- (c) *Hotel NH San Sebastián de los Reyes (part of the IDL Hotel Portfolio)*. On 25 July 2014, Hispania Real acquired a hotel located in the Poeta Rafael Morales complex in San Sebastián de los Reyes, as part of the portfolio acquired by the Group from IDL, for a total amount of €7.1 million (including capitalised expenses associated with the acquisition), fully paid with its own funds. The three-star Hotel NH San Sebastián de los Reyes Hotel

has 99 keys and was valued by CBRE at a Gross Asset Value of €7.2 million as of 31 December 2015, equivalent to €73 thousand per room (the property was valued at €7.2 million equivalent to €73 thousand per room as of 31 March 2016 after considering the capex implemented during the first quarter of 2016). The NH Group currently operates the hotel under a lease agreement expiring in April 2019, which may be extended for a maximum period of five more years by the lessee.

- (d) *Hotel Meliá Jardines del Teide.* On 12 September 2014, Hispania Real acquired a four-star hotel with 299 keys located at Costa Adeje, the most exclusive area in South Tenerife (Canary Islands), for an amount of €37.2 million (including capitalised expenses associated with the acquisition), fully paid with its own funds. The hotel includes gardens of 12,000 square metres, three swimming pools with a solarium, bars and restaurants, three meeting keys that can hold up to 450 people, a nightclub and squash courts. The Gross Asset Value attributed to the hotel by CBRE amounts to €46.3 million as of 31 December 2015, equivalent to €155 thousand per room (the property was valued at €47.6 million equivalent to €159 thousand per room, as of 31 March 2016, after considering the capex implemented and the additional capitalised transaction cost registered over the first quarter of 2016). In January 2015, the Group also acquired the furniture linked to the hotel for €1 million, fully paid with its own funds. The hotel is currently operated by Meliá under a lease agreement for an initial term of ten years, expiring in January 2025; which may be extended by Meliá for a period of five additional years, followed by automatic extensions of five years each unless any of the parties notifies to the other party otherwise twelve months in advance. The current lease was renegotiated in April 2015, leading to an improvement in yield, based on an agreed refurbishment investment to be executed by Hispania, which has already been completed. The Meliá hotel group may freely terminate the lease agreement from December 2019 if the net operating income of the hotel is negative during two consecutive years. Meliá hotel group may also terminate the agreement at any time by paying compensation equal to the rent corresponding to the remaining period of the initial term or the extension in place.
- (e) *Hotel Hesperia Ramblas.* On 27 October 2014, Hispania Real acquired the Hotel Hesperia Ramblas, a three-star hotel with 70 keys located next to Las Ramblas, the most famous tourist area in Barcelona, and a few metres away from La Boquería market. The Hesperia Ramblas Hotel was acquired together with business premises of 190 square metres in the ground floor for a total amount of €17.9 million (including capitalised expenses associated with the acquisition) fully paid with its own funds. The hotel was valued by CBRE at a Gross Asset Value of €18.8 million (including €17.0 million for the hotel premises and €1.8 million for retail space), equivalent to €243 thousand per room (excluding the value attributed to the retail space) as of 31 December 2015 (the value of the property was remained unchanged as of 31 March 2016). The hotel is currently managed by the Hesperia Group under a lease agreement expiring in February 2026, although the Hesperia Group may terminate the lease at any time by paying a compensation equal to a decreasing percentage of the rent corresponding to the remaining period of the term (free termination as from June 2017).
- (f) *Hotel Vincci Málaga.* On 14 January 2015, Hispania Real acquired the Hotel Vincci Málaga for an amount of €10.6 million (including capitalised expenses associated with the acquisition but excluding the subsequent acquisition of the hotel furniture), fully paid with its own funds. Hotel Vincci Málaga is a four-star 105-room hotel located in the beach promenade in Málaga, targeted at tourists and business people. The hotel was valued by CBRE at €10.9 million as of 31 December 2015, equivalent to €104 thousand per room (the property was valued at €10.9 million equivalent to €104 thousand per room as of 31 March 2016 after considering the capex implemented over the first quarter of 2016). The hotel is currently managed by the Vincci Group under a lease agreement expiring in January 2021, such term being automatically extendable for consecutive extensions of two years each unless any of the parties notifies to the other party otherwise twelve months in advance.
- (g) *Gran Hotel Atlantis Bahía Real.* On 17 June 2015, Hespérides Bay, S.L.U. acquired the Gran Hotel Atlantis Bahía Real for an amount of €754 million (including capitalised



expenses associated with the acquisition and an amount of €9.6 million corresponding to the Group's estimation of the earn-out as of 31 December 2015, agreed with the seller in the context of the acquisition of the hotel and calculated on the basis of the results obtained by the operator of said hotel, which, as of the date of this Prospectus, is pending payment), fully paid with its own funds, and, also, agreed the assignment in its favour of an administrative concession for the occupation of public property sea-land destined for bathing areas on a stretch of coastline adjacent to the hotel and installation of a dock for €2.0 million. However, the acquisition of the concession is subject to compliance with a number of conditions, to the date of this Prospectus, have not been met. Gran Hotel Atlantis Bahía Real is a five-star GL 242-room hotel in Fuerteventura, in the Canary Islands, with direct beach access and located close to the natural park of Las Dunas de Corralejo. CBRE valued the hotel at €75.5 million as of 31 December 2015, equivalent to €312 thousand per room (the property was valued at €75.6 million equivalent to €312 thousand per room as of 31 March 2016 after considering the capex implemented and the additional capitalised transaction costs registered during the first quarter of 2016). The hotel is managed by Plazapain, S.A. (a company which is indirectly controlled by the Cebriá family) under a lease agreement expiring on 31 December 2018. However, the lease may be extended by the tenant for four successive periods of one year each, subject to certain conditions.

Subsequently, on 2 February 2016, Hispania Real acquired 100% of the shares of Club de Tenis Maspalomas, S.L. ("**Club de Tenis Maspalomas**") that owns 18,495 square meters of land with 200 meters of front beach adjoining the Gran Hotel Atlantis Bahía Real (known as "Las Agujas"). The acquisition price, which amounted to €12.0 million, was paid entirely with the Group's own funds. Hispania Real intends to use this plot of land to expand Gran Hotel Atlantis Bahía Real, creating a luxury area and up to 125 premium rooms. The expected net reversion yield on cost is 10.9% as of the date of this Prospectus.

- (h) *Suite Hotel Atlantis Fuerteventura Resort.* On 17 June 2015, Hespérides Bay, S.L.U. acquired the Suite Hotel Atlantis Fuerteventura Resort for an approximate amount of €46.4 million (including capitalised expenses associated with the acquisition and an amount of €5.9 million corresponding to the Group's estimation of the earn-out as of 31 December 2015, agreed with the seller in the context of the acquisition of the hotel and calculated on the basis of the results obtained by the operator of said hotel, which, as of the date of this Prospectus, is pending payment), fully paid with its own funds. Suite Hotel Atlantis Fuerteventura Resort is a four-star 383-room resort located to the north of Fuerteventura Island, in Corralejo, in the Canary Islands. It offers three restaurants, seven bars, a spa, seven outdoor swimming pools, three tennis courts and garden areas distributed over a surface of 50,400 square metres. CBRE valued the hotel at €49.2 million as of 31 December 2015, equivalent to €128 thousand per room (the property was valued at €49.4 million equivalent to €129 thousand per key as of 31 March 2016 after considering the capex implemented and the additional capitalised transactional cost registered over the first quarter of 2016). On 31 July 2015, Hespérides Bay, S.L.U. acquired from a third party additional rooms, common areas and furniture of the hotel, which were not acquired in the original transaction, for an amount of €2.4 million. As of the date of this Prospectus, Hespérides Bay has certain call options, expiring on 4 June 2016, for the acquisition of 6 additional rooms linked to the Suite Hotel Atlantis Fuerteventura Resort for an aggregate purchase price of €720 thousand. The hotel is currently managed by CH Gestión, S.L. under a long-term lease agreement expiring on 31 December 2018. However, the lease may be extended by the tenant for four successive periods of one year each, subject to certain conditions.
- (i) *Hotel Sandos San Blas.* On 19 November 2015, Hispania acquired all of the shares of the share capital of Eco Resort San Blas, S.L. ("**Eco Resort San Blas**"), the owner of the five-star hotel commercially known as "Sandos San Blas Nature Resort & Golf" in the south of Tenerife valued at €36.8 million. The hotel has 331 keys, 3,500 square metres of a sports club, 8 pools, more than 2,000 square metres of conference rooms, a spa, and 44,000 square metres of nature reserve. The hotel is currently managed by Hoteles Costamar, S.A. under a lease agreement that has an obligatory period of 5 years until October 2020. On 31

December 2015, CBRE valued the hotel at €37.1 million, equivalent to €112 thousand per room (the value of the property was remained unchanged as of 31 March 2016).

- (j) *Holiday Inn Bernabéu*. On 16 July 2015, Hospitia S.L.U. (“**Hospitia**”) acquired all the shares in Leading Hospitality, S.L.U. (“**Leading Hospitality**”), a company in bankruptcy (*concurso de acreedores*). See “—*Legal Proceedings— Insolvency of Leading Hospitality*”. The transaction was valued at approximately €24 million (including the amount of debt assumed). Leading Hospitality owns, among other assets (i) 131 of the 315 registered units (*fincas registrales*) comprising the Hotel Holiday Inn Bernabéu (which has 4 stars); as well as (ii) 4 registered units (*fincas registrales*), consisting in retail spaces, located in the complex that Hotel Holiday Inn Bernabéu forms part of (but not of the hotel itself).

Between October and December 2015, Hospitia acquired an additional package of 71 registered units (*fincas registrales*) in Hotel Holiday Inn Bernabéu, as well as a retail space in the complex that Hotel Holiday Inn Bernabéu forms part of (but not of the hotel itself), for an amount of €5.4 million (not including acquisition costs) paid entirely with their own funds. In January 2016, Hospitia acquired 33 registered units (*fincas registrales*) in Hotel Holiday Inn Bernabéu for an aggregate amount of €25 million (not including acquisition costs). In February 2016, Hospitia acquired 8 registered units (*fincas registrales*) in Hotel Holiday Inn Bernabéu for an aggregate amount of €06 million (not including acquisition costs). In April 2016, Hospitia acquired 6 registered units (*fincas registrales*) in Hotel Holiday Inn Bernabéu for an aggregate amount of €40,000 (not including acquisition costs).

Additionally, Hospitia acquired in April 2016 a registered unit (*finca registral*) consisting of three leased retail spaces located in the complex that Hotel Holiday Inn Bernabéu forms part of (but not of the hotel itself), for an amount of €1,975,000 (not including acquisition costs).

A total 118 registered units (*fincas registrales*) of the Hotel Holiday Inn Bernabéu are owned by Hospitia (excluding the retail spaces acquired in the rest of the complex that the Hotel Holiday Inn Bernabéu forms part of). An additional 8 registered units (*fincas registrales*) in Hotel Holiday Inn Bernabéu are expected to be acquired in the following months. Thus, the Group’s intention is to keep acquiring registered units (*fincas registrales*) in Hotel Holiday Inn Bernabéu owned by third parties and based in the offer made by Hospitia on 30 October 2015 as amended and extended on 27 November 2015, to end up holding the vast majority of the rooms of the hotel and all common areas.

As of the date of this Prospectus, there are 66 registered units (*fincas registrales*) comprising the Hotel which are not owned by the Group. Nevertheless, Leading Hospitality manages 60 of these 66 registered units (*fincas registrales*) under a long-term lease agreement, effective from 12 December 2012 and expiring on 11 December 2037. Under this lease agreement, Leading Hospitality has assumed an investment obligation amounting to €12 million for the refurbishment of all the facilities, furniture and decor of the hotel, to take place in a period no longer than 48 months. Furthermore, as of 12 December 2015, Leading Hospitality has made a commitment to allocate an amount equivalent to 3% of the total annual gross sales towards the replacement and maintenance of the hotel. Likewise, it has the right of first refusal and/or withdrawal in case of sale of the registered units managed by Leading Hospitality under the lease agreement.

As a result of the above, the Group does not manage or operate 6 registered units (*fincas registrales*) that are part of the hotel. Leading Hospitality, until recently, has been occupying these 6 units without valid title and two of the six owners have formally requested the return of possession of these units. According to the by-laws regulating the community of owners of said hotel, the units conforming the same are only allowed to be used as hotel and ancillary hotel services. Furthermore, in accordance with the tourism regulations, only one hotel operator is allowed to manage the hotel as a whole, without third parties being able to exploit the units themselves.

On 19 October 2015, Hospitia and Leading Hospitality executed a management agreement with Gestión de Activos en Transición – Hoteles & Resorts, S.L. for the management of the Hotel Holiday Inn Bernabéu, with effects as of 22 July 2015. The agreement has a term of three months, tacitly extendable by three-month periods if neither of the parties gives notice of not extending the agreement with a month's notice prior to the expiration of the initial term or any of its extensions. Gestión de Activos receives a fixed and a variable rate payment for these services.

As of 31 December 2015, Hotel Holiday Inn Bernabéu Madrid was valued by CBRE at €34.3 million, equivalent to €109 thousand per room (the property was valued at €37.6 million equivalent to €120 thousand per key as of 31 March 2016 after considering the acquisition of additional units over the period and additional capitalised transactional cost registered during the first quarter of 2016).

- (k) *Hotel Maza*. Upon acquiring the shares in Leading Hospitality, Hospitia also acquired the Hotel Maza in Zaragoza. On the same day, Hospitia signed a contract for the option to buy and the option to sell by which the counterparties of Hospitia have an option to buy and Hospitia has an option to sell over the production unit comprising the Hotel Maza. The effectiveness of this contract is subject to compliance with the condition that the creditors' agreement of Leading Hospitality is approved by a final judgment before 30 December 2016, or concluded for any other reason. Should the condition not be fulfilled by the aforementioned date, Hospitia will waive the condition so that the counterparties are able to exercise their option to buy. Hospitia may exercise the put option as long as the holders of call option have not exercised it in due form, whilst the options to buy and sell are free, the parties have agreed that the price of the Hotel Maza would, in either case, be approximately €2.6 million (from which the outstanding balance of the mortgage loan over this hotel and the amount in an account opened in the name of Leading Hospitality would be deducted).

On 22 December 2015, Hospitia and Leading Hospitality executed a service agreement with Gestión de Activos for the management of the Hotel Maza, with effects as of 3 August 2015. The agreement has a term of six months, tacitly extendable by six-month periods if neither of the parties gives notice of not extending the agreement with a month's notice prior to the expiration of the initial term or any of its extensions. Gestión de Activos receives a fixed and a variable rate payment for these services.

The table below summarises the composition of the Group's hotel portfolio as of 31 March 2016 (excluding the Hotel Maza, Las Agujas land plot and the BAY Asset Portfolio):

	<b>Guadalmina</b>	<b>NH Madrid Sur<sup>(4)</sup></b>	<b>NH San Sebastián de los Reyes</b>	<b>Meliá Jardines del Teide</b>	<b>Hesperia Las Ramblas</b>	<b>Vincci Málaga</b>	<b>Gran Hotel Atlantis Bahía Real</b>	<b>Suite Hotel Atlantis Fuerteventura Resort</b>	<b>Holiday Inn Beranbéu<sup>(6)</sup></b>	<b>Hotel Sandos San Blas</b>
Acquisition date	April 2014	July 2014	July 2014	September 2014	October 2014	January 2015	June 2015	June 2015	July 2015	November 2015
Total investment (€ millions) <sup>(1)</sup>	€23.1	€6.2	€7.1	€44.2	€17.9	€10.7	€75.5	€49.1	€31.1	€36.8
Total investment per key (€'000 per room) <sup>(1)</sup>	€130	€101	€72	€148	€230	€102	€312	€128	€99	€111
Seller	Family office	IDL	IDL	Family office	Family office	Financial Entity	Plazapain	CH Gestión	Others	Financial Entity
Location	Marbella	Madrid	Madrid	Tenerife	Barcelona	Málaga	Fuerteventura	Fuerteventura	Madrid	Tenerife
Category <sup>(9)</sup>	4*	3*	3*	4*	3*	4*	5* GL	4*	4*	5*
Keys (number.....)	178	62	99	299	70	105	242	383	314	331
Operator	GAT	NH	NH	Meliá	Hesperia	Vincci	Atlantis	Atlantis	GAT	Sandos

	Guadalmina	NH Madrid Sur <sup>(4)</sup>	NH San Sebastián de los Reyes	Meliá Jardines del Teide	Hesperia Las Ramblas	Vincci Málaga	Gran Hotel Atlantis Bahía Real	Suite Hotel Atlantis Fuerteventura Resort	Holiday Inn Bernabéu <sup>(6)</sup>	Hotel Sandos San Blas
Type of contract	n/a	Hotels Fixed rent + small variable	Hotels Fixed rent + small variable	Fixed rent	Fixed rent (with step-up in rents until 2019) + small variable	Fixed rent + small variable	Fixed rent (50% EBITDAR) + variable depending on results (up to 89% EBITDAR)	Fixed rent (50% EBITDAR) + variable depending on results (up to 89% EBITDAR)	n/a	Fixed Rent
Duration of contract	n/a	November 2019 + 5 year extension	April 2019 + 5 year extension	January 2015 + 5 year extension	February 2026	January 2021	December 2018 + 4 year extension	December 2018 + 4 year extension	n/a	October 2020
NIRY (%) <sup>(2)</sup>	11 %	6%	9%	8%	6%	8%	9%	10%	9%	6%
GAV (€ millions) <sup>(3)</sup>	€28.2	€6.3	€7.2	€47.6	€18.8	€10.9	€75.6	€49.4	€37.6	€37.1
GAV per room (€'000 per room) <sup>(5)</sup>	€158	€102	€73	€159	€243	€104	€312	€129	€120	€112

Notes:

- (1) Including acquisition price, capitalised transaction costs and implemented capital expenditure as of 31 March 2016.
- (2) Based on actual stabilised contracts signed (after agreed rental increases) and total book value as of 31 March 2016, except for Guadalmina, Holiday Inn Bernabéu and Meliá Jardines del Teide, increased by the total capex and contracts expected after the initial estimated capex implementation as at the date of this Prospectus has been completed.
- (3) According to RICS valuations by CBRE as of 31 December 2015 and including any capex implemented and any additional capitalised transaction costs registered during the first quarter of 2016.
- (4) Previously named NH Pacifico.
- (5) Only referring to the value associated to the hotel property, this means, excluding the retail space.
- (6) Hispania does not own 100% of the keys, however the remaining keys are currently being negotiated.

In addition, if the conditions are met, the acquisition of Dunas (see “*Material Contracts—Investment Agreement with the shareholders of Dunas Hotels & Resorts, S.L.*”), the hotel portfolio of the Group including the BAY Asset Portfolio will include a total of 9,417 hotel keys distributed among 31 hotels with a total value of €937 million, which is the result of adding together the hotel portfolio value as of 31 March 2016 of €862 million and the initial expected acquisition price of the Dunas hotel portfolio of €75 million.

## BAY Asset Portfolio

### Investment Agreement with the Barceló Group

On 14 April 2015, Hispania Real executed an investment agreement (the “**Investment Agreement**”) with the certain entities of the Barceló Group (the “**Barceló Entities**”) whereby Hispania Real committed to acquire a majority stake in BAY Hotels & Leisure, S.A. (“**BAY**”), a company previously forming part of the Barceló Group.

According to the Investment Agreement, Hispania Real’s investment in BAY was subject to a number of conditions precedent which, among others, included the contribution by the Barceló Group of eleven hotels and a small shopping centre to BAY. In addition, the Investment Agreement also provided for a put option whereby the Barceló Group would be entitled to sell to BAY, subject to a number of conditions precedent, the entire share capital of Barceló Hotels Canarias, S.L.U. (“**BHC**”) and Poblados de Vacaciones, S.A.U. (“**PDV**”), two wholly-owned subsidiaries (the “**Put Option**”).

As at the date of this Prospectus, Hispania Real and the Barceló Entities have fully implemented the above-mentioned investment and exercise of the Put Option phases under the Investment Agreement. As a result:

- on 15 October 2015, Hispania Real acquired 80.50% of the share capital of BAY, for an initial purchase price of €119 million (€95 million was anticipated in May 2015);

- on 9 December 2015, Hispania Real and Barceló Hotels Mediterráneo, S.L. agreed a share capital increase in the amount of €97 million in BAY in order to fund, in part, the acquisition by BAY of BHC and PDV shares. The amount paid by Hispania Real was €67 million. Therefore, this resulted in Hispania Real's stake in BAY being diluted to 76%; and
- on 10 December 2015, following the execution of the Put Option, BAY acquired 100% of the share capital of BHC and PDV for an initial cash price of approximately €153 million.

As a result of the execution of the aforementioned transactions, and following its acquisition of Hispania Real's subsidiaries, Hispania currently owns 76% of BAY (whilst Barceló Hotels Mediterráneo, S.L. owns the remainder 24% of this company). Furthermore, BAY directly owns eleven hotels and a small shopping centre as well as another five hotels and a second small shopping centre, through its participation in BHC and PDV (the "**BAY Asset Portfolio**"). The 2015 Audited Consolidated Annual Accounts contain a detailed description of these assets, which are also reflected in the consolidated balance sheet of the Company. As at 31 December 2015, these assets were valued by CBRE for a total of €529 million. The BAY Asset Portfolio value amounted to €529 million as of 31 March 2016 after considering the additional capex implemented during the first quarter of 2016 with a EPRA net reversion yield on cost of 11.4% as of 31 March 2016.

The disbursement made by Hispania Real to complete the whole transaction amounted to €186.2 million. This amount included payment for the acquisition of Hispania Real's original stake in BAY of €119 million, on 15 October 2015, as well as for the subscription of new ordinary shares in BAY issued in the capital increase on 9 December 2015 (Hispania Real subscribed for new ordinary shares worth €67.1 million out of the total capital increase of €97.1 million) The full price for BHC and PDV, €153 million, was paid using the funds from the capital increase mentioned previously plus funds obtained from a partial drawdown under the syndicated loan signed on 31 July 2015. The amount paid by Hispania Real for its stake in BAY and by BAY for BHC and PDV are both subject to certain adjustments which depend on the net value recorded in the audited balance sheet of these companies on the relevant transaction date. As at the date of this Prospectus such adjustments are still pending calculation.

The Investment Agreement includes customary mechanisms to compensate and correct a wide range of issues and potential contingencies that may arise in connection with the BAY Asset Portfolio, that were both identified in the due diligence carried out in relation thereto, and which might result in sanctions and/or regularisation obligations being levied upon BAY, BHC and/or PDV. These mechanisms include extensive representations and warranties, indemnities and post-closing undertakings from the Barceló Entities in relation to, among others, certain administrative and sectorial law, urban planning, licences, permits, authorisations, cadaster and registration issues that were identified. Following Hispania's acquisition of Hispania Real's stake in Bay, the rights of Hispania Real under these mechanisms were assigned to Hispania and Hispania is now fully entitled to exercise them.

In particular, the Barceló Entities must compensate Hispania and/or BAY where there is a breach or a defective performance of the obligations undertaken by them under the Investment Agreement and/or other ancillary documents executed in connection therewith (including obligations relating to corporate transactions completed in each of the transaction stages). The Investment Agreement likewise contains a specific liability scheme, subject to certain time and quantitative restrictions, regarding damages arising as a consequence of facts or circumstances that render the representations and warranties made by the Barceló Entities inaccurate, false or incorrect, either totally or partially (including, but not limited to, representations and warranties made by the Barceló Entities in favour of Hispania regarding, among others, title to the shares in BAY and in favour of BAY regarding the BAY Asset Portfolio). Furthermore, the Barceló Entities also agreed a specific indemnity scheme vis-à-vis Hispania and/or BAY, where appropriate, for certain amounts and time limits.

Additionally, the Investment Agreement provides for certain put options allowing certain assets in the BAY Asset Portfolio to be sold back to the Barceló Group in the event certain contingencies materialise and/or not take place within the agreed deadline. In particular, the put options refer to the following assets:

- *Barceló Jandía Playa Hotel and Barceló Jandía Mar Hotel.* As the current town plan for the locality where these two hotels are located has become null and void, there are a number of planning and administrative contingencies in relation to these two hotels which cannot be corrected until a new town planning is approved. If, in the meantime, such contingencies materialise in excess of certain amounts, BAY will be entitled to exercise a put option and sell back the referred hotels to the Barceló Group.

- *Barceló Isla Cristina Hotel.* As a result of a recent judgment by the Spanish Constitutional Court on the Spanish coastal law, the city centre of Isla Cristina (Huelva, Spain) is formally considered to be part of the public domain (thus affecting a portion of the land where this hotel is located). This situation may be reversed through certain administrative proceedings that must be undertaken by the Spanish Government. However, until such proceedings are initiated and resolved, registration of this hotel with the Land Registry in favour of BAY cannot take place. If such registration does not take place by 15 October 2018, BAY will be entitled to exercise a put option and sell back this hotel to the Barceló Group.
- *Barceló Teguiise Beach Hotel and Barceló Pueblo Ibiza Hotel.* If construction defects arise in these hotels as a result of the refurbishments undertaken and the Barceló Entities fails to pay BAY the agreed indemnity (provided such indemnity exceeds certain thresholds), BAY will be entitled to exercise a put option and sell back this hotel to the Barceló Group.
- *Sports port in Caleta de Fuste (Canary Islands).* The sports port in Caleta de Fuste currently services certain hotels within the BAY Asset Portfolio. If the Canary Ports Authority does not consent to the transfer of the concession over this sports port to BAY, or if it does not consent to the change of operator of this sports port, BAY will be entitled to exercise a put option and sell back this asset to the Barceló Group.

If BAY exercises its put options over the above-mentioned assets in the BAY Asset Portfolio, the sale price will be the higher of (i) the acquisition value of the relevant asset increased by any capital expenditures incurred in the asset since 1 January 2015 (both figures to be updated at 90% of the Spanish General Consumers Price Index) and (ii) twelve times the average net rent of the asset for the three years preceding the sale (as calculated pursuant to the relevant lease agreement). Exceptionally, in the case of the sports port in Caleta de Fuste, the sale price has been set at €2.5 million increased by any capital expenditures incurred in it since 1 January 2015 (both figures to be updated at 90% of the Spanish General Consumers Price Index).

The Investment Agreement also provides for compensatory payments to be made under certain circumstances. In particular, and among other circumstances:

- BAY will compensate the Barceló Entities for value increases in the BAY Asset Portfolio resulting from the decision to construct additional keys, common areas or catering facilities in one or more of the assets of the portfolio whenever such additional construction makes use of all or part of the buildable area that the parties agreed to allocate to the assets and that had to be proved by a certain date (in which case compensation will be paid, either in cash or as a discount in the rent for the lease of the relevant asset, in accordance with certain pre-established rules); and
- BAY will compensate the Barceló Entities with an amount equal to the amount that BHC might receive from the Public Administration as a result of certain reimbursement requests for undue revenues and appeals for tax self-assessments filed by this company prior to its acquisition by BAY.

Finally, in order to implement the agreements reached between Hispania Real, the Barceló Group and BAY, the parties executed a shareholders agreement, a management agreement and the relevant property lease agreements. See “—*Material Contracts*”).

## Description of the assets in the BAY Asset Portfolio

The table below summarises the composition of the BAY Asset Portfolio as of 31 December 2015:

Name	Type / Category	Rooms	Rooms % of total	Location
Barceló Jandía Playa.....	Hotel 4*	634	10.4%	Fuerteventura
Barceló Jandía Mar.....	Hotel 4*	485	8.0%	Fuerteventura
Barceló Teguisse Beach (La Galea) .....	Hotel 4*	305	5.0%	Lanzarote
Barceló Varadero <sup>(1)</sup> .....	Hotel 3*	312	5.1%	Tenerife
Barceló Cala Viñas.....	Hotel 4*	330	5.4%	Mallorca
Barceló Hamilton .....	Hotel 4*	158	2.6%	Menorca
Barceló Ponent Playa.....	Hotel 3*	432	7.1%	Mallorca
Barceló Pueblo Ibiza.....	Hotel 4*	346	5.7%	Ibiza
Barceló Pueblo Menorca.....	Hotel 4*	374	6.1%	Menorca
Barceló Isla Cristina .....	Hotel 4*	341	5.6%	Huelva
Barceló Cabo Gata.....	Hotel 4*	229	3.8%	Almería
Barceló Fuerteventura .....	Hotel 4*	486	8.0%	Fuerteventura
Barceló Lanzarote.....	Hotel 4*	426	7.0%	Lanzarote
Barceló Castillo Beach Resort.....	Hotel 4*	480	7.9%	Fuerteventura
Barceló Las Margaritas.....	Hotel 4*	484	7.9%	MasPalomas
Pueblo Park.....	Hotel 4*	275	4.5%	Mallorca
Barceló Centro Comercial El Castillo I.....	Shopping Centre			Fuerteventura
Barceló Centro Comercial El Castillo II .....	Shopping Centre			Fuerteventura
<b>Total.....</b>		<b>6,097</b>	<b>100.0%</b>	

Notes:

(1) Being currently updated to 4\*

Performance of the BAY Asset Portfolio benefits from the improvement of Spanish hotel occupancy rates (see “*Industry Overview – Relevant data regarding the hotel real estate market*”). As a result, as of 21 April 2016, the BAY Asset Portfolio showed a 34% increase in year-on-year bookings for the period April to June 2016 compared to the same period last year.

The following table shows the increases on year-on-year room bookings revenues of the BAY Asset Portfolio for the period May to July 2016 as at 6 May 2016:

	May 2016 vs. 2015	June 2016 vs. 2015	July 2016 vs. 2015
Total BAY Asset Portfolio .....	+33%	+35%	+32%
Canary Islands .....	+28%	+38%	+42%
Balearic Islands.....	+42%	+31%	+21%

### Office portfolio

The office portfolio of the Group consists of 25 buildings with a total GLA of 153,621 square metres of offices (including 1,883 square metres of retail space) and 3,021 parking spaces. Of the Group’s office portfolio, nine buildings with a total GLA of 46,414 square metres formed part of the portfolio acquired by the Company pursuant to its acquisition of the 90% shareholding interest in Hispania Fides. As of 31 March 2016, the office portfolio has an occupancy rate of 81% and the WALT for the office portfolio averages 4.6-6.1 years. The average monthly rent of the occupied office portfolio (excluding expenses) as of 31 March 2016 was €12.9 per square metre.

The EPRA net reversion yield on cost of the office portfolio as of 31 March 2016 was 6.7%. The EPRA net reversion yield on GAV as of 31 March 2016 was 6.1% and the EPRA net initial yield on GAV was 2.8%.

As of 31 March 2016, the total value corresponding to the assets in the office portfolio amounted to €410 million (according to the Valuation Report of CBRE for assets in the Portfolio as of 31 December 2015 and considering the capex implemented and the additional capitalised transaction cost registered over the first quarter of 2016), resulting in a GAV per square metre of €2,668, which is distributed geographically as follows: 77.6% in Madrid, 20.6% in Barcelona and the remaining 1.8% in Málaga.

Below is a detailed description of the assets comprising the office portfolio:

- (a) *Les Glòries Buildings.* On 27 June 2014, Hispania Real acquired two office buildings in the Plaza de Les Glòries zone at the intersection of Avenida Diagonal and Gran Vía de Les Corts Catalanes in Barcelona for €41.2 million (including capitalised expenses associated to the acquisition) paid entirely with its own funds. The complex is located in one of the city's main development areas of the service sector and, together with the business centre of Barcelona, is the district with the highest volume of new office rental contracts. The property includes a total GLA of 18,199 square metres including 728 square metres of retail space, as well as 4,700 square metres below ground level. The buildings form part of the same complex as the Les Glòries Shopping Centre, which is undergoing a complete renovation that is expected to increase the value of the surrounding buildings. The buildings were valued by CBRE at an aggregate value of €45.4 million as of 31 December 2015, equivalent to €2,492 per square metre (excluding the area below ground level). As of 31 March 2016, the properties were valued in aggregate at €45.7 million, equivalent to €2,511 per square metre (excluding the area below ground level), after consolidating the capex implemented over the first quarter of 2016.

On 6 October 2015, Hispania Real acquired another office building in the Plaza de Les Glòries zone that now means Hispania Real owns the entire set of the Les Glòries Buildings. Hispania Real paid a total amount of €83 million (including the capitalised expenses related to the acquisition) entirely with its own funds. The building has a GLA of 3,311 square metres. The asset was valued by CBRE at, 31 December 2015 at €8.3 million, equivalent to €2,495 per square metre which was increased to €2,497 per square metre as of 31 March 2016 after considering the capex implemented over the first quarter of 2016.

- (b) *Hispania Fides portfolio.* On 8 July 2014, the Company acquired a 90% interest in Hispania Fides for a total of €80.2 million after cash and in-kind contributions. The portfolio includes a total GLA of 46,414 square metres distributed across nine properties, located in well-established areas of Madrid (eight buildings) and next to the historic city centre in Málaga (one building). Hispania Fides also owns 790 parking spaces. According to the valuation of CBRE as of 31 December 2015, the buildings had a total Gross Asset Value of €134.6 million, equivalent to €2,900 per square metre which was increased to €2,970 per square metre (equivalent to €137.8 million) as of 31 March 2016 after considering the additional capex implemented over the first quarter of 2016. The Company has undertaken a repositioning project with respect to certain properties in the Hispania Fides portfolio. The single floors owned in the Avenida de Burgos Building and the Orense Building have been fully refurbished. Furthermore, the Murano Building has been refurbished to update its internal areas and infrastructure, as well as to integrate energy-efficient technologies. Finally, the Torre M-30 Building is currently undergoing refurbishment on its façade and internal areas, and this work is expected to end by the second half of 2016.
- (c) *Azcárraga 3.* On 9 July 2014, Hispania Real acquired an office building on Comandante Azcárraga number 3 in Madrid for a total amount of €15.4 million (including capitalised expenses associated to the acquisition), paid entirely with its own funds. The building was built in 2009 and has a modern design. The building is versatile in terms of potential uses, making it attractive for a single tenant (i.e., as corporate headquarters) or for several different tenants. This seven-story building has a GLA of 5,138 square metres and 202 parking spaces. The building was valued by CBRE at an aggregate value of €16.6 million as of 31 December 2015, equivalent to €3,231 per square metre which was increased to €3,248 per square metre equivalent to €16.7 million as of 31 March 2016 after considering the capex implemented over the first quarter of 2016.
- (d) *IDL office portfolio.* On 25 July 2014, Hispania Real acquired from the IDL Group an asset portfolio comprising four office buildings located in Madrid for a total amount of €29.7 million (including capitalised expenses associated to the acquisition), paid entirely with its own funds. The four buildings have a total GLA of 14,548 square metres and 387 parking spaces. The buildings were valued by CBRE at an aggregate value of €33.9 million as of 31 December 2015, equivalent to €2,331 per square metre which was increased to €2,361 per square metre equivalent to €34.3 million as of 31 March 2016 after considering the capex implemented over the first quarter of 2016.



- (e) *ON Building*. On 31 July 2014, Hispania Real acquired an office building in Lull number 321, Barcelona, from MEAG MUNICH ERGO KG MBH for a total of €18.7 million (including capitalised expenses associated to the acquisition), paid entirely with its own funds. The district is consolidating as the new research and development, technology and services district in Barcelona. The building has a GLA of 6,908 square metres and 134 parking spaces. It is strategically located in the Pujades-Llull-Diagonal triangle, an established area in great demand in the new 22@ business district (which is the main area of medium-term growth for the office market in Barcelona). The building was valued by CBRE at an aggregate value of €19.8 million as of 31 December 2015, equivalent to €2,866 per square metre which was increased to €2,87 per square metre as of 31 March 2016 after considering the capex implemented over the first quarter of 2016.
- (f) *Príncipe de Vergara 108*. On 27 March 2015, Hispania Real acquired an office building located on 108 Príncipe de Vergara street, Madrid, at the intersection with Joaquín Costa street, from an international property fund for an acquisition price of €25.5 million (including capitalised expenses associated with the acquisition), paid entirely with its own funds. This price is equal to €3,785 per square metre above ground. The building has a GLA of 6,724 square metres over 12 floors, including a retail space of 559 square metres and 68 underground parking spaces. The building was valued by CBRE at an aggregate value of €28.4 million as of 31 December 2015, equivalent to €4,216 per square metre which was increased to €4,249 per square metre as of 31 March 2016 after considering the capex implemented over the first quarter of 2016.
- (g) *Foster Wheeler Building*. On 25 June 2015, Hispania Real acquired an office building located on 2 Gabriel García Márquez Street, in Las Rozas, Madrid, from an international property fund (Deka Immobilien Cristalia S.L.) for an acquisition price of €23.8 million (including capitalised expenses associated with the acquisition), equal to €2,149 per square metre, paid entirely with its own funds. The building has a GLA of 11,058 square metres over three floors and 544 parking spaces (of which 211 are indoors). The building was valued by CBRE at an aggregate value of €25.7 million as of 31 December 2015, equivalent to €2,324 per square metre which was increased to €2,325 per square metre as of 31 March 2016 after considering the capex implemented and the additional capitalised transaction cost registered over the first quarter of 2016.
- (h) *Cristalia Play Building*. On 25 June 2015, Hispania Real acquired an office building located in north-east Madrid, for an acquisition price of €31.9 million (including capitalised expenses associated with the acquisition), equal to €2,916 per square metre, from an international property fund (Deka Immobilien Cristalia S.L.) paid entirely with its own funds. The building has a GLA of 10,928 square metres over seven floors, and 202 parking spaces, and includes a solar panel installation on the roof. The building was valued by CBRE at an aggregate value of €32.0 million as of 31 December 2015, equivalent to €2,928 per square metre which was increased to €2,90 per square metre as of 31 March 2016 after considering the capex implemented and the additional capitalised transaction cost registered over the first quarter of 2016. The building is a Class A building and has been certified as Gold by LEED.
- (i) *Príncipe de Vergara – National Auditorium*. On 30 September 2015, Hispania Real acquired an office building located next to the National Music Auditorium in Madrid for an acquisition price of €17.9 million (including capitalised expenses related to the acquisition) paid entirely with its own funds. The building has a GLA of 4,815 square metres spread over 6 floors of offices, 2 retail spaces on the ground floor and 95 parking spaces in 3 underground floors. The building was valued by CBRE as at 31 December 2015 at an aggregate amount of €18.9 million, equivalent to €3,925 per square metre which was increased to €3,928 per square metre as of 31 March 2016 after considering the capex implemented and the additional capitalised transaction cost registered over the first quarter of 2016.
- (j) *Altamar Building*. On 15 December 2015, Hispania Real acquired, as part of an office portfolio, an office building built in 2000 in Arroyo de la Vega, Alcobendas, Madrid, for €12.5 million (including capitalised expenses associated with the acquisition), equivalent

to €2,392 per square metre. The building has a GLA of 5,219 square metres and 151 parking spaces. CBRE as at 31 December 2015 valued the building at €12.5 million, equivalent to €2,395 per square metre as of 31 December 2015 which was increased to €2,405 square metre as of 31 March 2016 after considering the additional capitalised transaction cost registered over the first quarter of 2016.

- (k) *América Building.* On 15 December 2015, Hispania Real acquired, as part of an office portfolio, an office building built in 1994 in Madrid for €18.8 million (including capitalised expenses associated with the acquisition), equivalent to €2,028 per square metre. The building has a GLA of 9,272 square metres and 174 parking spaces. CBRE valued the building at €18.9 million, equivalent to €2,033 per square metre on 31 December 2015 which was increased to €2,037 square metre as of 31 March 2016 after considering the additional capitalised transaction cost registered over the first quarter of 2016.
- (l) *Cristal Building.* On 15 December 2015, Hispania Real acquired, as part of an office portfolio, an office building in Barbera del Vallés, Barcelona for €10.3 million (including capitalised expenses associated with the acquisition), equivalent to €915 per square metre. The building has a GLA of 11,088 square metres and 139 parking spaces. CBRE valued the building at €10.3 million, equivalent to €929 per square metre as of 31 December 2015 which was increased to €957 square metre as of 31 March 2016 after considering the capex implemented and the additional capitalised transaction cost registered over the first quarter of 2016.

The table below summarises the composition of the office portfolio as of 31 March 2016:

	Les Glòries Avd. Diagonal	Les Glòries Gran Vía	Les Glòries Ciutat de Granada	ON Building	Comandante Azcárraga 3	Avenida Bruselas Building	Arcis Building	Talos Building	Rafael Morales Building	Pechuán Building	Av. Burgos Building (single floor)
Acquisition date	June 2014	June 2014	October 2015	July 2014	July 2014	July 2014	July 2014	July 2014	July 2014	July 2014	July 2014
Total investment (€ millions) <sup>(2)</sup>	€22.1	€19.7	€8.3	€18.7	€16.4	€8.0	€11.1	€8.0	€4.1	12.7€	€1.8
Gross Leasable Area (square metres)	9,519 <sup>(1)</sup>	8,680	3,311	6,908	5,138	3,458	4,691	3,636	2,763	3,579	762
Total investment per square metre (€ per square metre) <sup>(2)</sup>	€2,317	€2,274	€2,496	€2,710	€3,196	€2,315	€2,377	2,211	€1,482	€3,561	€2,421
Seller	GE RE	GE RE	n/a	MEAG	Criteria Caixacorp	IDL Group	IDL Group	IDL Group	IDL Group	Ilunion Group	Ilunion Group
Location	Barcelona	Barcelona	Barcelona	Barcelona	Madrid	Alcobendas (Madrid)	Madrid	Madrid	San Sebastián de los Reyes (Madrid)	Madrid	Madrid
Monthly rent per square metre (€ per square metre) <sup>(3)</sup>	€12.5	€13.0	€13.0	€14.0	€14.6	€11.2	€11.9	€7.6	€9.3	€18.1	n/a
Occupancy (%)	91%	100%	100%	88%	78%	97%	30%	100%	64%	100%	0%
Main tenants	Atos Origin	Atento, Bull	Gore-tex	CINC	, Alpama, NCR	Bosch, Flir, IDL	Incadea Spain, Quental Technologies, Ed.Médica Panamérica	IDEO	Centro Genética Avanzada, Riso Ibérica	Grupo Ilunion	n/a
WALT (years) <sup>(4)</sup>	0.8-1.7	2.4-2.9	9.3-9.3	2.8-8.3	4.6-9.0	1.0-1.7	2.6-3.9	0.2-0.2	0.9-1.3	13.3-13.3	n/a
Net initial reversion yield (%) <sup>(6)</sup>	7.3%	7.4%	6.2%	6.4%	6.5%	7.3%	6.5%	6.5%	7.3%	6.3%	5.7%
GAV (€ millions) <sup>(5)</sup>	€24.5	€21.2	€8.3	€19.8	€16.7	€9.3	€11.4	€8.6	€5.0	14.8€	€1.9
GAV per square metre (€ per square metre) <sup>(5)</sup>	€2,575	€2,441	€2,497	€2,867	€3,248	€2,681	€2,437	2,363	€1,824	€4,135	€2,493

	<b>Murano Building</b>	<b>Orense Building (single floor)</b>	<b>Torre M-30 Building<sup>(7)</sup></b>	<b>Mizar Building</b>	<b>Comandante Azcárraga 5</b>	<b>Ramírez de Arellano Building</b>	<b>Málaga Plaza Building</b>	<b>108 Príncipe de Vergara</b>	<b>Foster Wheeler Building</b>	<b>Cristalia Play Building</b>	<b>Principe de Vergara – Auditorio Nacional</b>
Acquisition date	July 2014	July 2014	July 2014	July 2014	July 2014	July 2014	July 2014	March 2015	June 2015	June 2015	September 2015
Total investment (€ millions) <sup>(2)</sup>	€18.9	€3.4	€31.9	€22.2	€8.3	€22.0	€7.0	€25.7	€23.9	€31.9	€18.0
Gross Leasable Area (square metres)	7,574	1,535	11,417	7,348	3,547	6,364	4,288	6,724 <sup>(1)</sup>	11,058	10,928	4,815 <sup>(1)</sup>
Total investment per square metre (€ per square metre) <sup>(2)</sup>	€2,492	€2,186	€2,794	€3,019	€2,331	€3,464	€1,639	<del>829</del>	€2,163	€2,918	€3,729
Seller	Ilunion Group	Ilunion Group	Ilunion Group	Ilunion Group	Ilunion Group	Ilunion Group	Ilunion Group	International property fund	Deka Immobilien Cristalia Las Rozas (Madrid)	n/a	Family office
Location	Madrid	Madrid	Madrid	Madrid	Madrid	Madrid	Málaga	Madrid	Las Rozas (Madrid)	Madrid	Madrid
Monthly rent per square metre (€ per square metre) <sup>(3)</sup>	€14.2	n/a	€16.5 <sup>5)</sup>	€15.3	€11.7	€16.1	€10.8	€17.3	€11.8	€14.0	€13.1
Occupancy (%)	37%	0%	100% <sup>(7)</sup>	93%	100%	100%	74%	76%	100%	33%	82%
Main tenants	Veolia	n/a	Grupo Ilunion	Grupo Ilunion, Paramount	Grupo Ilunion	Publicis	Sequel, Deloitte, Integrated	Babel Sistemas de Información, Premier Tax Free	Foster Wheeler	Aegón	Tower Watson, Aegon
WALT (years) <sup>(4)</sup>	5.4-10.4	n/a	13.3-13.3	11.5-11.5	13.3-13.3	2.2-2.2	2.1-2.4	2.5-4.3	1.8-4.8	5.6-10.6	1.1-1.1
Net initial reversion yield (%) <sup>(6)</sup>	7.1%	7.9%	6.2%	6.2%	6.6%	5.4%	6.2%	6.1%	7.7%	6.2%	5.9%
GAV (€ millions) <sup>(5)</sup>	€19.1	€4.1	€34.9	€24.2	€8.9	€22.6	€7.4	€28.6	€25.7	€32.0	€18.9
GAV per square metre (€ per square metre) <sup>(5)</sup>	€2,522	€2,671	€3,053	€3,295	€2,509	€3,551	€1,718	<del>269</del>	€2,325	€2,930	€3,928

	<u>Altamar Building</u>	<u>América Building</u>	<u>Cristal Building</u>
Acquisition date .....	December 2015	December 2015	December 2015
Total investment (€ millions) <sup>(2)</sup> .....	€12.5	€18.8	€10.5
Gross Leasable Area (square metres) .....	5,219	9,272	11,088
Total investment per square metre (€ per square metre) <sup>(2)</sup> .....	€2,401	€2,032	€944
Seller .....	International Property Fund	International Property Fund	International Property Fund
Location.....	Alcobendas (Madrid)	Madrid	Barberá del Vallés (Barcelona)
Monthly rent per square metre (€ per square metre) <sup>(3)</sup> .....	€11.7	€11.3	€7.0
Occupancy (%).....	84%	73%	91%
Main tenants .....	TNT, Banesto, Banca March	La Razón, Planeta	ACS/Xerox
WALT (years) <sup>(4)</sup> .....	3.3-3.3	0.7-3.7	2.3-5.3
Net initial reversion yield (%) <sup>(6)</sup> .....	7.3%	8.1%	8.2%
GAV (€ millions) <sup>(5)</sup> .....	€12.5	€18.9	€10.6
GAV per square metre (€ per square metre) <sup>(5)</sup> .....	€2,405	€2,037	€957

Notes:

- (1) Includes 728 square metres of retail space of Glories-Diagonal, 559 square metres of P.Vergara 108 and 596 square metres of P.Vergara Auditorio
- (2) Including acquisition price, capitalised transaction costs and implemented capital expenditure as of 31 March 2016 and incentives granted to the tenants as at 31 March 2016.
- (3) Rent of the office area and retail space without reimbursed expenses as of 31 March 2016.
- (4) Weighted average lease term from 31 March 2016 until first break option and total contract duration.
- (5) According to RICS valuations by CBRE as of 31 December 2015 plus any implemented capex and additional capitalised transaction cost registered over the first quarter of 2016.
- (6) Based on 100% occupancy rate with current net market rents and book value as of 31 March 2016.
- (7) Building currently under full refurbishment. Tenant will occupy 100% of the GLA once works are completed. Completion is expected to be in the second half of 2016.

### Residential rental portfolio

As of 31 March 2016, the Company's residential rental portfolio includes five assets, one in Barcelona and four in Madrid. The Company's total portfolio of residential rental assets contains 764 units as of 31 March 2016 (200 in Barcelona and 564 in Madrid), which were 87% occupied (92% occupancy rate adjusted by the dwellings under refurbishment as of 31 March 2016) with an average monthly rent of €9.5 per square metre as of 31 March 2016. The Gross Asset Value of the assets comprising the residential rental portfolio amounted to €191.4 million as of 31 March 2016 (according to the CBRE Valuation Report for assets in the Portfolio as of 31 December 2015 plus the acquisition of Hispanidad in March 2016 subtracting the dwellings sold in Majadahonda as a consequence of the execution of a number of call options and the capex implemented and the additional capitalised transaction cost registered over the period), resulting in a GAV per square metre of €2,619 (adjusted by the GAV attributed to the retail space that forms part of the Sanchinarro). As of 31 March 2016, 37% of this value corresponds to assets located in Barcelona and the remaining 63% to assets located in Madrid.

The EPRA net reversion yield on cost of the residential rental portfolio was 4.4%, the EPRA net reversion yield on GAV was 3.9% and the EPRA net initial yield on GAV was 2.2% as of 31 March 2016.

- (a) *Isla del Cielo*. On 12 May 2014, Hispania Real acquired 213 private-market dwellings in two residential towers (Tower A, with 17 floors and 63 dwellings in total, and Tower B, with 22 floors and 150 dwellings in total) in the Isla del Cielo residential complex in Parque Diagonal Mar in Barcelona. The acquisition cost (including capitalised expenses associated with the acquisition) amounted to €65.1 million and was paid entirely with its own funds. The acquisition also included 237 parking spaces located in the complex. Subsequently, 13 dwellings and 14 parking spaces, over which third parties had purchase options, were sold for a total amount of €3.8 million. The acquisition price after disposal of the 13 dwellings and 14 parking spaces amounted to €613 million as of 31 December 2015 (including capitalised acquisition costs), representing a discount of 25% on the estimated market price for this location at the time. The total GLA amounts to 22,772 square metres. The assets were valued by CBRE at an aggregate value of €71.0 million as of 31 December 2015, equivalent to €3,118 per square metre which was increased to €3,133 per square metre as of 31 March 2016 after considering the capex implemented over the first quarter of 2016.

- (b) *San Sebastián de los Reyes*. On 17 September 2014, Hispania Real acquired 84 government-subsidised dwellings in two buildings in San Sebastián de los Reyes (Madrid) for a total investment of €13.5 million (including capitalised expenses associated with the acquisition), of which approximately €10 million was paid with its own funds and the remaining amount was paid by means of the subrogation of Hispania Real in a loan linked to the properties, representing a discount of 23% on the estimated market price for this location at the time. The acquisition also included 112 underground parking spaces and 84 storage rooms. The 84 dwellings, which were built in 2007, have two- or three-bedroom layouts with an average surface area of 100 square metres. The dwellings will be considered as “government-subsidised dwellings” for letting until March 2017, when the protection regime ends. The total GLA amounts to 8,375 square metres. According to the CBRE Valuation Report for assets in the Portfolio as of 31 December 2015, the aggregated value of the buildings was €15.2 million as of 31 December 2015, equivalent to €1,809 per square metre which was increased to €1,812 per square metre as of 31 March 2016 after considering the capex implemented and the additional capitalised transaction cost registered over the first quarter of 2016.
- (c) *Majadahonda*. On 29 October 2014, Hispania Real acquired a residential complex of 115 government-subsidised dwellings in Majadahonda (Madrid) across four buildings, for a price of €17.9 million (including capitalised expenses associated with the acquisition), paid with its own funds, representing a discount of 22% on the estimated market price for this location at the time. The complex, built in 2006, includes 115 underground parking spaces and 115 storage rooms. The average surface area of the dwellings is 84 square metres and each has two bedrooms. The dwellings were considered “government-subsidised dwellings” for letting until February 2016, when the protection regime ended. The total GLA amounts to 9,695 square metres. CBRE valued these assets at of €21.1 million as of 31 December 2015, equivalent to €2,176 per square metre.

Between November 2015 and February 2016, twenty tenants of the government-subsidised dwellings in Majadahonda communicated their intention to execute their purchase options over their dwellings. The tenants had a period of sixty days to formalise the sale and purchase deeds, this period started on 9 February 2016. As of 31 March 2016, eleven tenants exercised their purchase options reducing Hispania Real’s investment cost and investment value in the property by €1.7 million and €1.0 million, respectively. As a result, the adjusted acquisition price (including capitalised transaction costs) amounted to €16.9 million equivalent to €1,850 per square metre and the adjusted appraisal value (including the capex implemented and the additional capitalised transaction cost over the first quarter of 2016) was €20.1 million, equivalent to €2,293 per square metre as of 31 March 2016.

From 31 March 2016 to the date of this Prospectus, Hispania owns 95 dwellings, as it sold the remaining nine dwellings.

- (d) *Sanchinarro*. In two phases, on 30 March 2015 and 11 June 2015, the Company acquired a residential complex in Sanchinarro (Madrid) with a total GLA of 24,948 square metres distributed across 285 dwellings with two and three bedroom layouts and 1,083 additional square metres of retail space which is currently occupied by a major supermarket chain. The acquisition also included 312 parking spaces, 285 storage units and the parking spaces attached to the retail space. The total purchase price amounted to €61.9 million (including capitalised expenses associated with the acquisition) and has been fully paid, representing a discount of 19% on the market price for this location at the time. The purchase price of all of the dwellings, excluding the retail space and parking spaces attached to the retail space, is equivalent to €2,275 per square metre (including capitalised expenses associated with the acquisition). Originally, the total 285 dwellings were classified as social housing dwellings for rent. As of 31 March 2016, only 84 of the 285 dwellings are still under a protection regime which expires on 4 April 2016. As at the date of this Prospectus, no dwellings are under the protection regime. CBRE valued these assets (including the retail space) at €67.9 million as of 31 December 2015, equivalent to €2,608 per square metre (including the retail space) which was increased to €2,641 per square metre as of 31 March 2016 equivalent to €68.7 million after considering the capex implemented over the first quarter of 2016.
- (e) *Hispanidad*. On 18 March 2016, the Company acquired a residential complex located in the Avenida de la Hispanidad, 3, Madrid. It has a total GLA of 11,041 square metres across 91 apartments distributed in 1 and 2 bedrooms (6,296 square metres) and 146 parking spaces (4,745 square metres below ground), outdoor pool and spacious gardens. All the apartments are high quality and in good condition. The complex is located in the northwest of the capital city, in the neighbourhood of Alameda de Osuna, a consolidated and well communicated area next to the airport Adolfo Suarez Madrid Barajas and with

direct access to the M-40. The purchase price (including a capitalised transaction cost of 31 March 2016) was €16.1 million equivalent to €2,555 per square metre representing a discount of 14% on the estimated market price for this location at the time.

The table below summarises the composition of the residential rental portfolio as of 31 March 2016:

	<b>Isla del Cielo</b>	<b>S.S. Reyes</b>	<b>Majadahonda</b>	<b>Sanchinarro</b>	<b>Hispanidad</b>
Acquisition date	May 2014	September 2014	October 2014	March 2015 and June 2015	March 2016
Total investment (€ millions) <sup>(1)</sup>	€64.6	€13.5	€16.9	€64.3	€16.1
Gross Leasable Area (square metres)	22,772	8,375	8,762	24,948 <sup>(2)</sup>	6,296
Total investment per square metre (€ per square metre) <sup>(1)</sup>	€2,839	€1,614	€1,850	€2,374 <sup>(3)</sup>	2,555
Seller	SAN-Banif FII	Developer	Developer	Developer	Investment fund
Location	Barcelona	Madrid	Madrid	Madrid	Madrid
Dwellings (#)	200	84	104	285	91
Parking spaces (#)	223	112	104	312	146
Storage rooms (#)	-	84	104	285	-
Average gross monthly rent per square metre (€ per square metre)	€11.1	€7.5	€6.3	€9.7 <sup>(4)</sup>	10.3
Occupancy (%)	92%	94%	88%	79% <sup>(2)</sup>	93%
NIRY (%) <sup>(4)</sup>	4.2%	4.6%	5.5%	4.2%	4.3%
GAV (€ millions) <sup>(5)</sup>	€71.3	€15.2	€20.1	€68.7	€16.1
GAV per square metre (€ per square metre) <sup>(5)</sup>	€3,133	€1,812	€2,293	€2,551	€2,555

Notes:

- (1) Including acquisition price, capitalised transaction costs and implemented capital expenditure as of 31 March 2016 and considering the sale of 11 dwellings of Majadahonda.
- (2) Excludes 1,083 square metres of retail space.
- (3) Excluding the retail space and the parking slots attached to the retail space.
- (4) Yield on book value as of 31 March 2016, excluding the retail space and the parking spaces of the retail space for the Sanchinarro asset.
- (5) According to RICS valuations by CBRE as of 31 December 2015 plus capex implemented and any capitalised transaction cost registered over the first quarter of 2016, except for Hispanidad which refers to the acquisition price plus the capitalised transaction cost incurred as of 31 March 2016 and considering the sale of 11 dwellings of Majadahonda.

### Investment in property assets, maintenance and refurbishments

The Company strives to maintain the condition of its property assets to the highest level. The Company works to maximise the value of its properties by carrying out necessary improvements and refurbishments and by adapting its properties to the technological and business needs of current and potential future tenants. The Company employs teams of experienced and recognised architects who are able to perform the necessary renovations to enhance or maintain the quality of the properties. The Company strives to ensure the safety of its tenants and other users of its buildings. The Company employs resources (including expert technicians and the Management Team) to ensure that its property assets comply with technical, municipal and environmental standards at all times.

In the year ended 31 December 2015, the Group implemented capital expenditure in its assets in the Portfolio for an amount totalling €16.9 million (excluding BAY, HHC and PDV), of which 29.2% was implemented in the hotels segment. Likewise, in the eleven months and nine days ended 31 December 2014, the Company implemented capital expenditure in its assets in the Portfolio for an amount totalling €1.1 million, of which 90% was implemented in the offices segment, 98% of which in turn was deployed to assets belonging to Hispania Fides. Following the Group's strategy of repositioning and refurbishing most of its Portfolio, the Group undertook investments in capex for a total aggregate amount of €7.3 million during the first quarter of 2016 of which 63% was implemented in the office portfolio.

From 2016 onwards, and as of the date of this Prospectus, the Group plans to implement capital expenditure in the Portfolio in an amount of approximately €194 million, in order to maximise value and optimise its operation. Of this amount, approximately 74.1% (€144 million, including the capex to be implemented in the Dunas portfolio whose closing is subject to finally completed as well as the capex to be implemented in the BAY Asset Portfolio and the initial expected capex to be deployed in Las Agujas land plot) will be used to fully reposition certain hotels, such as, for example, the Guadalmina Hotel or the Holiday Inn, to make other improvements or overhauls. Approximately 22.7% of the capital expenditure (€43.9 million) will be deployed in the offices segment in order to achieve a commercial repositioning to bring the Company's office assets up to the same level as, or in some cases a higher level than, competing commercial offices that are similarly situated (this would include, among others, the repositioning of Torre M-30 during 2016). The remaining 3.2%, equivalent to approximately €6.2 million, will be used to update common areas of assets in the

residential rental portfolio as well as the upgrading of certain number of dwellings in Isla del Cielo and Sanchinarro in order to increase the quality and attractiveness of these assets, with the aim of increasing the rental income per square meter. It is expected that the occupancy rate of the residential and office assets, and in turn the rental income therefrom, will increase as a result of the capital expenditure implemented. The Company expects to stabilise the occupancy of the office and residential assets during 2016 beyond the 90% occupancy level. Also, further capital expenditure in hotels will likely lead to an increase in the income received from hotel operators.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations— Liquidity and capital resources—Capital expenditure”.

### **Breakdown of total revenues from assets by segment and location**

For the three-month period ended 31 March 2016, 80.1% (€23.8 million) of the Group’s total revenues from assets came from the hotel segment, 15.1% (€4.5 million) from the offices segment, and the remaining 4.9% (€1.4 million) from the residential rental segment. For the financial year ended 31 December 2015, 55.5% (€21.0 million) of the Group’s total revenues from assets came from the hotel segment, 32.1% (€12.1 million) from the offices segment, and the remaining 12.3% (€4.7 million) from the residential rental segment. In the eleven months and nine days ended 31 December 2014, 23.8% of the Group’s rental revenues from assets came from the hotel segment, 58.4% from the offices segment, and the remaining 17.8% from the residential rental segment.

For the three-month period ended 31 March 2016, 15.5% (€4.2 million) of rental income from assets was generated in Madrid, 60.1% (€16.3 million) in the Canary Islands, 8.2% (€2.2 million) in Barcelona, 11.1% (€3.0 million) in the Balearic Islands and 5.1% (€1.4 million) in Andalucía. For the financial year ended 31 December 2015, 34.7% (€11.7 million) of rental income from assets was generated in Madrid, 31.3% (€10.6 million) in the Canary Islands, 21.0% (€7.1 million) in Barcelona, 6.5% (€2.2 million) in the Balearic Islands and 6.5% (€2.2 million) in Andalucía. In the eleven months and nine days ended 31 December 2014, 42.7% (€3.8 million) of the rental income from assets was generated in Madrid, 38.7% (€3.5 million) in Barcelona and 18.6% (€1.7 million) in Málaga and Tenerife. In addition, as of 31 March 2016 and 31 December 2015 the Company’s revenues from hotels under management were €2,560 thousand and €4,029 thousand, respectively.

For more detailed information about the breakdown of the Group’s total revenues from assets and EBITDA by asset type and location, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations— Results of operations—Financial performance*”.

### **Equity Instruments**

The Company has a minority interest in the Spanish company Guadalmina Golf S.A.

### **Moveable assets**

The Group also owns the technical facilities and the furniture of the Guadalmina Hotel and the furniture of the Hesperia Ramblas Hotel, the Vincci Málaga Hotel, the Meliá Jardines del Teide Hotel, the Gran Hotel Atlantis Bahía Real and the Suite Hotel Atlantis Fuerteventura Resort.

### **Market value of assets as of 31 December 2015 and 31 March 2016**

#### **Gross Asset Value**

The Company procures valuations of its real estate assets in accordance with the appropriate sections of the Red Book. Such valuations are undertaken by a suitably qualified independent valuation firm or firms. The Company requests a full valuation of all of the assets of the Portfolio as of 31 December of each year and a more limited desktop update as of 30 June of each year.

In accordance with the above, the Company instructed CBRE to value the Portfolio as of 31 December 2015. As of that date, and in accordance with the Valuation Report, the Gross Asset Value of the assets in the Portfolio at that time amounted to €1,425.2 million on a consolidated basis (which includes the full value of the assets of Hispania Fides, in which the Company has a 90% equity stake and the full value of the hotel properties of BAY, in which the Company has a 76% equity stake) which was increased to €1,463 million as of 31 March 2016 mainly after (i) the acquisitions undertaken over the period (Las Agujas land plot, Hispanidad residential building and additional units from Hospitia), (ii) the capex implemented and the capitalised transaction cost registered over the first quarter of 2016 and (iii) the disposal of eleven dwellings of Majadahonda as a consequence of the exercise of eleven of the call options as of 31 March 2016. In attributable terms, taking into account the stake that the Company actually holds in these assets, this was approximately €1,285 million as of 31 December 2015 and €1,322 million as of 31 March 2016.

The Valuation Report sets out the market value of the properties according to the Professional Valuation Standards contained in the Red Book, which is defined as the “estimated amount for which an asset or liability should



exchange on the date of valuation between a willing buyer and a willing seller in an arms' length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

The table below sets forth the Gross Asset Value of the Portfolio divided by geographic area and segment as of 31 March 2016 and 31 December 2015:

As of 31 March 2016 (unaudited)						
	Madrid	Barcelona	Balearic Islands	Canary Islands	Other	Total
	<i>(€ millions)</i>					
Hotel.....	51.2	18.8	120.2	597.5	74.3	862.0
Office .....	318.1	84.4	-	-	7.4	409.9
Residential .....	120.1	71.3	-	-	-	191.4
<b>Total GAV .....</b>	<b>489.4</b>	<b>174.5</b>	<b>120.2</b>	<b>597.5</b>	<b>81.7</b>	<b>1,463.3</b>
As of 31 December 2015						
	Madrid	Barcelona	Balearic Islands	Canary Islands	Other	Total
	<i>(€ millions)</i>					
Hotel.....	47.8	18.7	120.2	583.9	74.3	844.9
Office .....	314.2	83.7	-	-	7.2	405.1
Residential .....	104.2	71.0	-	-	-	175.2
<b>Total GAV .....</b>	<b>466.2</b>	<b>173.4</b>	<b>120.2</b>	<b>583.9</b>	<b>81.5</b>	<b>1,425.2</b>

The Group's office portfolio was valued by CBRE at €405 million (consolidated Gross Asset Value including 100% of Hispania Fides) as of 31 December 2015, which represents an increase of 5.6% compared to the consolidated book value of €229.3 million as of 31 December 2014 like-for-like plus the additional capitalised transaction costs and capex implemented in the like-for-like portfolio during 2015. As of 31 December 2015, the Gross Asset Value of the Group's offices portfolio was distributed geographically as follows: 77.6% was located in Madrid, 20.7% in Barcelona and the remaining 1.8% in Málaga. Over the first quarter of 2016, the Group has continued implementing its repositioning strategy, investing €4.6 million of capex in the office buildings which has increased the value of the office portfolio to €410 million as of 31 March 2016 (including additional capitalised transaction costs registered over the first quarter of 2016) which geographically was divided as follows: 77.6% Madrid, 20.6% Barcelona and 1.8% Málaga.

The Group's residential rental portfolio was valued by CBRE at €175.2 million as of 31 December 2015, which represents an increase of 4.9% compared to the consolidated book value amounting to €99.3 million as of 31 December 2014 like-for-like plus the additional capitalised transaction costs and capex implemented in the like-for-like portfolio during 2015. Based on the Valuation Report, as of 31 December 2015, 41% of this value corresponded to assets located in Barcelona and the remaining 59% to assets located in Madrid. Over the first quarter of 2016, the Group executed the acquisition of Hispanidad residential building for €16.1 million (including capitalised transaction costs as of 31 March 2016), they undertook capex investments of €1.2 million and sold eleven dwellings in Majadahonda for €1.15 million as a consequence of the exercise of eleven purchase options. As a result of this, the residential portfolio value amounted to €191.4 million as of 31 March 2016, geographically divided as follows: 63% Madrid and 37% Barcelona.

The Group's hotel portfolio was valued by CBRE at a Gross Asset Value of €845 million as of 31 December 2015, which represents an increase of 6.6% compared to the consolidated book value of €93.8 million as of 31 December 2014 like-for-like plus the additional capitalised transaction costs and capex implemented in the like-for-like portfolio during 2015 (including the acquisition of the furniture related to the Guadalmina and Meliá Jardines del Teide hotels). As of 31 December 2015, the Gross Asset Value of the Group's hotel portfolio was distributed geographically as follows: 69% was located in the Canary Islands, 14% in the Balearic Islands, 9% in Andalucía, 6% in Madrid and 2% in Barcelona. Over the first quarter of 2016, the Group executed the acquisition of (i) Las Agujas land plot for €12 million and (ii) additional units from Hospitia for €3 million and deployed €1.5 million in capex, increasing the value of the hotel portfolio to €862 million as of 31 March 2016 (including additional capitalised transaction costs registered over the first quarter of 2016) which is geographically split as follows: 69% Canary Islands, 14% Balearic Islands, 8% Andalucía, 6% Madrid and 2% Barcelona.

## Net Asset Value

The Company publishes the Net Asset Value attributable to the ordinary shares of the Company four times per year, at the time of the publication of the Company's interim financial statements, and the Net Asset Value is calculated in accordance with EPRA standards and IFRS-EU as further explained below on the basis of the most recent valuation of the Company's assets.

The following table shows the calculation of the EPRA NAV of the Company as of 31 March 2016, 31 December 2015, 31 March 2016 and 31 December 2014, which is a non-IFRS-EU figure calculated in accordance with the guidelines propagated by EPRA:

	As of 31 March 2016 (unaudited) (€ thousand)	As of 31 December 2015 (€ thousand)	As of 31 March 2016 (unaudited) (€ thousand)	As of 31 December 2014 (€ thousand)
NAV per the 2015 Audited Consolidated Annual Accounts and per the 2016 Interim Financial Statements for the period ended 31 March 2016.....	1,015,932	1,018,448	559,585	560,238
Effect of exercise of options, convertibles and other equity interests (diluted basis).....	(79,425)	(78,582)	(10,152)	(10,137)
Diluted NAV, after the exercise of options, convertibles and other equity interests.....	936,507	939,866	549,433	550,101
Include:				
(i.a) Revaluation of investment properties (if IAS 40 cost option is used).....	-	-	-	-
(i.b) Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used).....	-	-	-	-
(i.c) Revaluation of other non-current investments.....	-	-	-	-
(ii) Revaluation of tenant leases held as finance leases.....	-	-	-	-
(iii) Revaluation of trading properties.....	-	-	-	-
Exclude:				
(iv) Fair value of financial instruments.....	17,673	3,701	1,933	658
(v.a.) Deferred tax related to asset revaluation .....	18,800	22,079	4,252	4,143
(v.b) Goodwill as a result of deferred tax.....	-	-	-	-
Include/exclude:				
Total adjustments (i) to (v).....	36,473	25,780	6,185	4,801
EPRA NAV <sup>(1)</sup> .....	972,980	965,646	555,618	554,902
EPRA NAV per share (€).....	11.80	11.69	10.09	10.08

Notes:

- (1) In accordance with EPRA, the deferred tax assets linked to the revaluation of the balance should be reintegrated in the NAV calculation, as the NAV does not take into consideration deferred tax assets.

	Fourth term 2014	Second term 2015	Fourth term 2015	First term 2016
GAV <sup>(1)(*)</sup>	422 <sup>(2)</sup>	710 <sup>(2)</sup>	1,425 <sup>(2)</sup>	1,463.3
EPRA NAV <sup>(3)(**)</sup>	555	894	966	973
EPRA NAV/share <sup>(4)</sup>	10.08	10.82	11.69	11.80

Notes:

- (1) Gross Asset Value.  
(2) Calculated by CBRE in accordance with the Professional Valuation Standards published by the Royal Institute of Chartered Surveyors (RICS) of Great Britain.  
(3) Net Asset Value, calculated in accordance with the EPRA standards based on the Audited Consolidated Annual Accounts under IFRS-UE and 2016 Interim Financial Statements.  
(4) Based on the outstanding number of shares at the end of each period.  
(\*\*) NAV exceeds GAV given the positive cash balance.  
(\*) The following table shows the evolution of the portfolio by asset class during the three month period ended 31 March 2016 and the year ended 31 December 2015 when compared to the same portfolio in 2014, as well as the GAV contribution of the assets acquired during 2015 and the three month period ended 31 March 2016:

€(millions)	GAV 2014	Inc. like-for-like 2015	GAV 2015 like-for-like	2015 acquisitions	GAV 2015
Offices	229.3	21.0	250.3	154.8	405.1
Residential	99.3	7.9	107.2	68.0	175.2
Hotels	93.8	12.9	106.7	738.2	844.9
<b>Total</b>	<b>422.4</b>	<b>41.8</b>	<b>464.2</b>	<b>961.0</b>	<b>1,425.2</b>
€(millions)	GAV 2015	Inc. like-for-like March 2016	GAV March 2016 like-for-like	March 2016 acquisitions/disposals	GAV March 2016
Offices	405.1	4.8	409.9	-	409.9

Residential	175.2	1.2	176.4	15.0	191.4
Hotels	844.9	1.8	846.7	15.3	862.0
<b>Total</b>	<b>1,425.2</b>	<b>7.8</b>	<b>1,433.0</b>	<b>30.3</b>	<b>1,463.3</b>

## Employees

As of 31 March 2016, the Group has 166 employees. The Group personnel mainly engage in the operation of hotel services at the assets under the direct management of the Group.

All of the day-to-day management and administration of the Company's affairs are provided by the Investment Manager and/or companies of the Azora Group (e.g., Azzam Vivienda, S.L.U.), in accordance with the Investment Manager Agreement.

## Legal proceedings

The companies within the Group are currently involved in certain legal disputes, most of them arising in the ordinary course of business.

The legal proceedings that are not related to the ordinary course of business are described below.

### Hotel Guadalmina - Planning Permission and the General Plan of Urban Planning

On 31 October 2014, the Administrative Chamber of the Andalusian High Court (*Tribunal Superior de Justicia*) passed Judgment No. 2103/2014 annulling a construction permit awarded on 4 September 1998, which authorized the partial reform of Hotel Guadalmina finalised in 1999. The works consisted on an extension of the Hotel. The possible outcomes and implications of the Judgment annulling the construction permit remain uncertain. The claimant has not yet requested the enforcement of the Judgment.

Notwithstanding the foregoing, Hispania has started jointly with the City Council the proceedings to regularise the situation by obtaining a new construction permit which covers the extension works of 1999. This new permit shall be granted under the Urban General Plan of Marbella currently in force, which is the one passed in 1986 (the Urban General Plan of Marbella of 1986 came back into force as a result of the annulment of the 2010 Order of the regional Minister by which a new Marbella urban planning legislation had been passed —*Orden de 25 de febrero de 2010, del Consejero de Vivienda y Ordenación del Territorio de la Junta de Andalucía, por la que se aprobó definitivamente la Revisión del Plan General de Ordenación Urbana de Marbella*—).

Hispania is evaluating the scope of the refurbishment works to adjust the Hotel to the existing planning legal framework and working on the drafting of the technical documentation necessary to apply for the construction permit and to start the corresponding administrative procedure.

## Insolvency of Leading Hospitality

Leading Hospitality was declared in voluntary bankruptcy (*concurso de acreedores voluntario*) on 9 February 2015, that is, before Hospitia, S.L.U acquired its shares, under proceeding number 40/2015 before the Commercial Court No. 9 in Madrid. As a result of the voluntary basis of the proceedings, Leading Hospitality retains, in principle, the powers of managing and disposing of its assets. However, the exercise of these powers is subject to the prior authorisation or conformity of the insolvency receiver.

As of the date of this Prospectus, the end of the common phase of the insolvency process is pending.

The definitive creditors list (issued by the insolvency administrator on 2 October 2015), lists the following credits: (i) €6,979,562.82 specially privileged; (i) €1,626,287.89 generally privileged; (iii) €4,373,522.44 ordinary; (iv) €1,473,317.07 subordinated; (v) €202,479.32 contingent; and (vi) €2,484,950.82 excluded. Before its acquisition by Hospitia, S.L.U, Leading Hospitality, filed an appeal for the resolution, in the interest of the bankruptcy proceedings, of all contracts with IHG HOTELS LIMITED (in particular: (i) the franchise agreement; (ii) the Holidex access and systems agreement; and (iii) the trade mark user agreement, of 11 December 2012.) The appeal was suspended in order to reach an agreement between the parties, which, at the time of this Prospectus has been signed. On 9 May 2016, the parties of the agreement filed a petition for the homologation of the agreement by the Court. The core terms of this agreement are (i) modification of the term of the franchise, reducing it to a term ending on 31 January 2017 with the possibility of two extensions of 6 months by Leading Hospitality; (ii) payment of €1,143,740 by Leading Hospitality to IHG HOTELS LIMITED for shortening the term of the contract, which was meant to last 25 years from December 2012; (iii) payment of a sum of €359,397.43 by Leading Hospitality to IHGHOTELS LIMITED for credits against the estate accrued since the declaration of bankruptcy until 1 November 2015 as well as of the credits accrued afterwards; (iv) adhesion of IHG HOTELS LIMITED to the creditor's composition agreement of Leading Hospitality (it is foreseen that the proposal to be presented will include a debt relief of 50% of the creditors debt and a payment deferment of 6 months following the

approval of the creditor's agreement); and (v) a guarantee by Hospitia, S.L.U of the payment obligations of Leading Hospitality of the amounts deferred.

### Employment regulation of Leading Hospitality

In the context of the insolvency proceedings, Leading Hospitality submitted a redundancy scheme for the approval of the Commercial Court No. 9 in Madrid and was admitted on 25 June 2015. After the required consultation period and legal regulations were complied with, the court approved the termination of 66 employment relationships on 9 September 2015. On 22 October 2015 the term for submission of challenges ended. As of the date of this Prospectus, the following claims challenging the individual termination of the claimants were received: (i) a claim filed by 5 employees before the Commercial Court No. 9 in Madrid and through SMAC (the registry of mediation and alternative dispute resolution); and (ii) a claim filed by a further individual before SMAC. On top of that, 3 claims were received with regard to the right to the loyalty bonus as established in the sector wide collective agreement of 27 workers affected by the redundancy scheme.

To attend to the payment obligations that Leading Hospitality has towards the employees, Hispania Real extended a credit of €1.7 million on 11 September 2015 that is due to terminate on 31 December 2018 with a tacit renewal for additional periods of 12 months. As at the time of this Prospectus, the credit stands at €1.55 million. Hospitia, S.L.U holds the credit rights against Leading Hospitality.

Leading Hospitality, S.L.U. currently has 69 permanent employees and 1 temporary employee as a result of the termination of the employment relationship of 66 former employees as part of a redundancy scheme, approved by a judgment of the Commercial Court No. 9 in Madrid on 9 September 2015.

### Insurance

The Group maintains insurance cover which it believes is adequate for its activities in line with industry practice and standards and, in any case, pursuant to its commitments under any lease agreement over its properties.

### Cash and Cash Equivalents

The cash and cash equivalents balance of the Group amounted to €220.7 million and €204.2 million as of 31 December 2015 and 31 December 2014, respectively.

As of 31 December 2015, some of the Group's bank accounts in which payment of rents deriving from the lease of certain assets is made were pledged as security for compliance with the obligations under certain financing agreements. However, the Group is entitled to use the balance of those accounts in its ordinary course of activities unless a notice relating to the early termination of the relevant agreement is received.

See “—Indebtedness—Bank Financing”.

### Indebtedness

As of 31 December 2015, the Company's financial liabilities totalled €633.7 million, of which €549.7 million correspond to debts with financial institutions and €84 million correspond to liabilities arising from current debts incurred in the ordinary course of business of the Group and a financing arrangement with Corporación Empresarial ONCE, S.A., among others.

The table below sets forth information regarding current and non-current financial liabilities of the Group as of 31 March 2016 and 31 December 2015:

	As of 31 March 2016 (unaudited)		
	Bank borrowings	Derivatives and other	Total
	<i>(€ thousands)</i>		
<i>Non-current financial liabilities</i> .....	588,833	49,388	638,221
Loans and payables.....	588,833	22,119	610,952
Hedging derivatives.....	-	27,269	27,269
<i>Current financial liabilities</i> .....	18,550	52,911	71,461
Loans and payables.....	18,550	44,847	62,937
Hedging derivatives.....	-	8,064	8,064
<b>Total</b> .....	<b>607,383</b>	<b>102,299</b>	<b>709,682</b>

As of 31 December 2015			
	Bank borrowings	Derivatives and other (€ thousands)	Total
<i>Non-current financial liabilities</i> .....	535,656	34,172	569,828
Loans and payables.....	535,656	21,645	557,301
Hedging derivatives.....	-	12,527	12,527
<i>Current financial liabilities</i> .....	13,995	49,899	63,894
Loans and payables.....	13,995	43,724	57,719
Hedging derivatives.....	-	6,175	6,175
<b>Total</b> .....	<b>549,651</b>	<b>84,071</b>	<b>633,722</b>

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations— Liquidity and capital resources—Indebtedness” for more detailed information on the Group’s indebtedness and sources of financing.

### The Investment Manager

Pursuant to the Investment Manager Agreement, the Company is managed by Azora Gestión S.G.I.I.C., S.A.U. (the “**Investment Manager**”). The Investment Manager has been registered with the CNMV since 2012 as a manager of collective investment (*Sociedad Gestora de Instituciones de Inversión Colectiva*) with number 236.

The Investment Manager was formed in 2012 by Azora Altus, the parent company of the Azora Group, and began its activities in 2013. In that year, as part of the corporate reorganisation of the Azora Group, Azora Capital, as main shareholder of the companies of the Azora Group dedicated to asset management, acquired all of the shares of the Investment Manager. See “—*The Azora Group—History*”.

The business of the Investment Manager involves the management of collective investments, as well as the management of subscriptions and redemptions of real estate collective investment schemes, the management of investment portfolios including pension funds and marketing of collective investment schemes (*instituciones de inversión colectiva*). The Investment Manager has recently amended its programme of activities in order to include the marketing of collective investment schemes and pension plans. The Investment Manager is in the process of amending it further to also include the discretionary management of such instruments. Apart from the Company, the Investment Manager currently manages Lazora, Sociedad de Inversión Inmobiliaria, S.A., (“**Lazora**”) and Siresa Campus Sociedad de Inversión Inmobiliaria, S.A., a collective investment scheme and up to mid-September 2015 it also managed Colón Viviendas SOCIMI, S.A., (“**Colón**”) a former collective investment scheme which was converted to a SOCIMI in mid-September 2015 and which is currently managed by Azora Capital.

The Investment Manager currently has 25 employees and provides the management services to the Company under the Investment Manager Agreement either directly or by drawing on and using the resources of other companies of the Azora Group. Azora Capital, the sole shareholder of the Investment Manager, has undertaken to make available all of its resources (and those of its affiliates) to the Investment Manager and the Company as are reasonably required to execute the Investment Manager Agreement. See “*Material Contracts—Investment Manager Agreement—Scope of appointment*”.

### The Azora Group

#### History

The Azora Group was founded by Mr. Fernando Gumuzio Iñíguez de Onzoño and Ms. María Concepción Osácar Garaicoechea in 2003 in order to identify untapped investment opportunities in real estate assets where there was potential to create value through active management. Since then, the Azora Group has developed a multidisciplinary investment and management platform with more than 340 professionals, and has been able to position itself as one of the main real estate management groups in Spain, with more than €3.8 billion (including Hispania’s Portfolio as of 31 December 2015 of assets under management in Spain, other European countries and the United States.

The shareholders of Azora Altus, the parent company of the Azora Group, are Hermanos Bécquer, 10, S.L. and Baztán Consultores, S.L. (each holding 50% of the shares), without any of them having control in accordance with Spanish law. Hermanos Bécquer 10, S.L. is a holding company controlled by Mr. Gumuzio and his wife, while Baztán Consultores, S.L. is a holding company controlled by Ms. Osácar.

Certain information on the portfolio of assets managed by the Azora Group (including the Company) is set forth in the table below:

Investment vehicle	Year Management commenced	Type of investment	Investment period
Lazora SII, S.A. (previously Lazora, S.A.) <sup>(1)</sup>	2004	Social and student housing	Closed (2011)
Lazora SII, S.A. (previously Lazora II, S.A.) <sup>(1)</sup>	2007	Social and student housing	
Azora Europa I, S.A.	2007	Offices in Central Europe	Closed (2014)
Carey Value Added, S.L. <sup>(2)</sup>	2011	Hotels in Europe and U.S.	n/a

<b>Investment vehicle</b>	<b>Year Management commenced</b>	<b>Type of investment</b>	<b>Investment period</b>
EnCampus Residencias de Estudiantes, S.A.	2012	Student housing	Open
Colón Viviendas SOCIMI, S.A.	2013	Social housing in Barcelona	n/a
Encasa Cibeles, S.L. <sup>(3)</sup>	2013	Social housing in Madrid	n/a <sup>(4)</sup>
Hispania Activos Inmobiliarios, SOCIMI, S.A.	2014	Residential, offices and hotels	Open
Selección de Inmuebles, S.A. <sup>(5)</sup>	2015	Private market housing in Spain	
Siresa Campus SII, S.A.	2015	Student housing	

Notes:

- (1) Lazora I and Lazora II merged in 2012.
- (2) Vehicle already constituted but the management of which was attributed to the Azora Group in 2011.
- (3) Joint investment vehicle in which various funds of Goldman Sachs Group Inc. and the Azora Group invested, with the Azora Group also responsible for the prior due diligence and management of the assets.
- (4) Portfolio acquired in one sole transaction on the year of its incorporation.
- (5) The only management services provided by the Azora Group to this company are the Property Management Services provided through Azzam Vivienda, S.L.

As set forth in the above table, the investment period of most of the vehicles managed by the Azora Group has already expired, except for EnCampus Residencias de Estudiantes, S.A. (“**EnCampus**”) and the Company. The Company believes that potential conflicts of interest on the Azora Group’s side vis-à-vis the Company are limited because (i) the assets in which the vehicles have invested are incompatible with the Investment Strategy (either because of the asset class or because of their geographic location (excluding restricted housing)); (ii) the Investment Period of the Company and the divestment periods of the vehicles do not necessarily coincide (although some may); and (iii) the Investment Manager Agreement contains provisions to mitigate potential conflicts of interest (including the requirement for necessary approval by the Board of Directors, which is comprised of a majority of independent directors).

### **Track record of the Azora Group**

The Azora Group is led by highly-experienced executives in real estate management, development, investments and asset management, mergers and acquisitions, finance and derivatives, with relevant experience in the Spanish, European and U.S. markets.

Set forth below is certain information with regard to the track record of the Azora Group (apart from its current management of the Group) for each of the Core Asset Classes (including student accommodation):

#### **Residential**

The Azora Group’s residential team is led by Mr. Javier Rodríguez-Heredia and is made up of 126 professionals as of 31 March 2016, including the management platform, who currently manage 126 buildings in major cities in Spain, which represent close to 11,208 housing units (excluding Hispania’s residential rental assets).

The Company believes that the Azora Group has showed great ability to successfully anticipate market trends in the Spanish real estate sector. In 2004, during the beginning of the Spanish real estate boom, the Azora Group became aware of the rapid increase of housing prices in Spain (which would make the acquisition of real estate assets infeasible for a substantial part of the population) while at the same time the rental market remained underdeveloped. Therefore, in order to take advantage of the needs for rental housing without facing a large exposure to land value, the Azora Group launched the Lazora I fund in 2004 to invest in social housing. The main investors included saving banks, pension funds and private individuals. In 2007 the Lazora II fund was launched.

The Lazora S.I.I., S.A. fund currently represents one of the largest privately-owned portfolios of rented residential assets in Spain. In 2012, Lazora I and Lazora II merged and, in 2013, transformed into a SII (*Sociedad de Inversión Inmobiliaria*), a regulated property investment company. As of 31 December 2015, their assets were composed of 6,914 housing units across 63 buildings in major cities in Spain. As of 31 December 2015, the aggregate appraisal value of the assets was €934 million.

Two new companies were created in 2013, Colón Viviendas SOCIMI, S.A. and Encasa Cibeles, S.A., both dedicated to investment in social housing. Colón Viviendas SOCIMI, S.A. is a former regulated investment fund of the Azora Group whose SOCIMI status was approved by its shareholders at a shareholders’ meeting on 27 July 2015. Colón Viviendas SOCIMI, S.A. acquired 298 social housing units in four buildings from Regesa, a company owned by the Barcelona local government, with an appraisal value of €26 million as of 31 December 2015.

In November 2013, the Azora Group, together with a company owned by the Goldman Sachs Group, acquired close to 3,000 social housing units located in Madrid for €201 million (excluding transaction costs).

On 21 April 2015, Selección de Inmuebles, S.A.U. (“**Selección de Inmuebles**”), a company forming part of the Goldman Sachs group, as owner, and Azora Capital, S.L., as manager, signed a property management agreement to provide the following services in respect of a portfolio of 27 residential buildings located in Spain (i) initial on-site

inspections, evaluations and set-up services; (ii) property management services and (ii) asset management services of a residential asset located at Torrejón de Ardoz (Madrid), subject to the social housing regime.

The duration is for an initial period of eighteen (18) months, which began on 14 January 2015 and can be automatically renewed for successive one year periods unless the owner notifies the manager of his intention to terminate the agreement with a written notice three months prior to the end of the initial period.

As of 31 December 2015, the portfolio of Selección de Inmuebles comprised of 1,267 housing units across twenty seven (27) buildings with an aggregate value of €398 million.

### *Hotels*

The Azora Group's hotel team is led by Mr. Javier Arús and currently comprises thirteen (13) professionals as of 31 March 2016. The team conducts the analysis of potential investments, the asset management and the finance, accounting, reporting and legal management, as well as the corporate governance, of the hotels (although the hotels are managed or leased to hotel operators).

In 2011, after having been approached by the investors of Carey, many of which were investors of vehicles already managed by the Azora Group, the Azora Group undertook the management of Carey. At that time, Carey had filed for a pre-insolvency process. Carey suffered deadlock in its refinancing process and was subject to several ongoing lawsuits, the outcome of which was critical in determining the future of the fund. Within two years of managing the fund, the Azora Group was able to conclude all major litigation favourably, refinance and reduce Carey's debts, raise approximately €20 million in new investments and remove the fund from the pre-insolvency process, leading to the continued viability of the fund. Moreover, the Investment Manager successfully renegotiated operating contracts with different hotel operators, which the Investment Manager believes has enhanced the value of the assets.

In 2014, one of Carey's main assets was sold (Harrington Hall), providing important capital gains for Carey.

As of 31 December 2015, the fund owned 8 hotels with more than 1,482 rooms in premium locations in major cities in Europe, as well as in New York City and Washington, D.C., with a total appraisal value of €35 million as of 31 December 2015.

The Company believes that the successful turnaround of Carey demonstrates the Azora Group's execution and restructuring capabilities to create value for investors in highly complex situations.

### *Offices*

The Azora Group's office team is led by Mr. Jean Marc Parnier and Mr. Javier Rodríguez-Heredia and currently comprises eight (8) employees of the Azora Group as of 31 March 2016. They manage a fund, Azora Europa I, S.A., which owns an aggregate of eight (8) office buildings in Poland and the Czech Republic with a combined surface of approximately 110,000 square metres and with an appraisal value of €269.5 million as of 31 December 2015. This fund was created in 2007, when investors from other funds within the Azora Group gave the Azora Group a broad mandate to invest across different asset classes in the European Union, with a special emphasis on Eastern Europe. After an extensive analysis of European office markets, the Azora Group identified assets in Poland and the Czech Republic as attractive investment opportunities. The office portfolio managed by the Azora Group currently consists of state-of-the-art offices with Building Research Establishment Environmental Assessment Method (BREEAM) certifications, with over 90% occupancy and with high-quality tenants.

### *Student accommodation*

The Azora Group's student accommodation team is led by Ms. Mónica Garay and is currently made up of one hundred and sixty five (165) professionals as of 31 March 2016 who manage the largest private portfolio of student accommodation in Spain (Source: DBK, as of March 2015) through the company Siresa. This portfolio, comprising twenty five (25) buildings, was valued as of 31 December 2015 at €151 million. In addition, the Azora Group manages EnCampus, which, as of 31 December 2015, had five (5) operating assets valued at €29 million as of 31 December 2015, one (1) asset under construction and one (1) asset under refurbishment.

## **The Management Team**

The Management Team, who will manage the Company through the Investment Manager, consists of property and finance professionals who have extensive experience in the Spanish real estate market and a long and successful track record of creating value for investors throughout the economic cycle by investing in and managing properties in a wide range of real estate asset classes. The Company believes that the Management Team is one of the most experienced real estate management teams in Spain. In addition, the individual members of the Management Team have established close working relationships in a variety of positions held by them prior to joining the Investment Manager or the Azora Group.

Biographical information for each of the members of the Management Team, including a brief description of each member's business experience, is presented below:

*Ms. María Concepción Osácar Garaicoechea*

She is a founding partner of the Azora Group and is a director of Azora Capital and its subsidiaries, and chairwoman of Azora Gestión, S.G.I.I.C. In particular, she is a member of the Board of Directors and Executive Committee of Lazora S.I.I., S.A. and Azora Europa I, S.A., Director of Carey Value Added, S.L., Director of Residencias de Estudiantes, S.A. and Siresa Campus S.I.I., S.A. She is also a member of the Editorial Board of the Vocento Group, the Advisory Board of Think Tank Institución Futuro and Trustee of the ICO Foundation and member of the Governing Board of APD.

Before founding the Azora Group, she was Vice Chairwoman and Executive Director of Santander Central Hispano Activos Inmobiliarios, S.A. SGIIC, Chairwoman of BANIF Gestión, S.A. SGIIC (Grupo Central Hispano), Chairwoman of the Board and Ethics Committee of Inverco and director of Caja Navarra.

Ms. Osácar has a law degree from the *Universidad Autónoma of Madrid*, an MBA from the *IE* and a PhD from IESE (*Universidad de Navarra*).

*Mr. Fernando Gumuzio Iñíguez de Onzoño*

Mr. Gumuzio is a founding partner of the Azora Group and member of the Board of Azora Capital and its subsidiaries. He is also Chairman of Grupo Taper, S.A. and a director of Zelnova, S.A. and Genómica, S.A., all companies operating in the field of bio-medical research.

Before founding the Azora Group, Mr. Gumuzio was Chief Executive responsible for the Asset Management, Private Banking and Insurance division of Grupo Santander and, until March and April 2015, respectively, member of its Management Committee. He also sat on the boards of several Santander Group companies. He has also been a director of the Caixa Geral bank, chairman of the Board of Directors of Sample Test, Executive Vice Chairman of Corporación Eólica CESA, chairman of Transmol Logística and a director of Cortefiel and of Zeltia.

Mr. Gumuzio has a degree in law and economics from Deusto University.

*Mr. Juan del Rivero*

Mr. del Rivero is the current chairman of the board of directors of Azora Capital. He is also a director and member of the Advisory Board (*Consejo Asesor*) of Uría Menéndez and member of the Investment Committee for Alternative Investments of, and senior adviser to, the Omega Capital Group. He is also a senior adviser to StormHarbour.

Prior to joining the Azora Group in May 2012, he worked for 23 years at Goldman Sachs, becoming Head of Investment Banking for Spain and Portugal, Head of Marketing for Europe (1994), Chairman for Spain and Portugal and partner from 2002. During this time, Goldman Sachs became one of the leading investment banks in Spain, taking the lead role in privatisations, banking and corporate finance and mergers and acquisitions. Prior to joining Goldman Sachs, he led the asset management area of *Banco Santander de Negocios* (Banco Santander Group) and was an Executive Director at Chase Manhattan Bank.

Mr. del Rivero has a law degree from Deusto University and a business degree from *Universidad Pontificia Comillas* (ICADE).

*Ms. Cristina García-Peri*

Ms. García-Peri is the managing director in charge of business development of the Azora Group and the acting general manager of the Company. She is also an independent member of the board of EVO Banco and secretary of the board of trustees of the non-governmental organisation Plan International in Spain.

Prior to joining the Azora Group in 2011, Ms. García-Peri worked for 16 years in the banking sector both at Merrill Lynch (two years) and JP Morgan (14 years). She started her career in investment banking at J.P. Morgan, where she held, during four years, various positions in mergers and acquisitions, and during ten years she was Managing Director responsible for corporate equity derivatives for Europe, the Middle East and Africa. Her last two years in investment banking were at Merrill Lynch where, aside from continuing to lead corporate equity derivatives for Europe, the Middle East and Africa, she was responsible for equity capital markets for Spain and Portugal. Throughout her career, she has been involved in the sale and purchase of companies, debt and equity structured finance, the sale and purchase of shares and hedges with large financial institutions and corporates in European, African and Middle Eastern countries. Ms. García-Peri started her professional career at McKinsey & Co. in Spain.

Ms. García-Peri obtained a *summa cum laude* business administration degree from *Universidad Pontificia de Comillas* (ICADE) and has an MBA from Harvard Business School.

*Mr. Javier Picón*

Javier Picón is Head of Residential Investments.

He was the first team member of the group in 2003. Javier has been very active within the Group, contributing to the development of the largest institutional portfolio of residential rental properties in Spain, with an investment of over €1 billion. This portfolio consists of turnkey projects and assets acquired from large property developers.



Javier Picón is, as well, responsible for the property management subsidiary of Grupo Azora, in charge of the daily management of the residential portfolio. Formerly, he was a senior banker at Atlas Investment Bank for four years and worked in the consultancy area of PricewaterhouseCoopers for a year.

*Mr. Jean Marc Parnier*

Jean Marc Parnier is co-head of the office segment of the Azora Group. During his career, Jean Marc has led sales to institutional investors of nearly 200,000 sqm of retail and office space. Since joining the Azora Group, he has led the acquisition of over 100,000 sqm of office space in Europe.

Jean Marc Parnier joined the Azora Group in May 2007 to lead the investment and management of Azora Europa. Prior to joining the Azora Group, Mr. Parnier worked during 15 years for the Bouygues Immobilier Group, a French developer. He started as regional director for Catalonia, later becoming chief executive officer for Bouygues Inmobiliaria, the subsidiary of the group for Spain and Portugal. In 2005, he was appointed chief officer for Europe of Bouygues Immobilier. He started his professional career in 1986 in the international construction company SAE.

Mr. Parnier graduated from *École Supérieure de Commerce d'Amiens* (France) and has an International Master degree from INSEAD.

*Mr. Javier Rodríguez-Heredia*

Mr. Rodríguez-Heredia is co-head of the office segment of the Azora Group and portfolio manager of Azora Europa and Canepa Green Energy. He specialises in offices and retail real-estate assets. Recently, he was involved in transactions with unique characteristics, such as the acquisition from SAREB of a €437 million stake in two syndicated loans of a Spanish real estate company.

Prior to joining the Azora Group in 2007, Mr. Rodríguez-Heredia had 15 years of professional experience across different industries, working in management consulting (McKinsey & Co.), in the automotive industry (as President of the Spanish Automotive Distribution Sector) and in the energy sector (as managing director of the Business Development and International divisions of *Corporación Eólica Cesa*).

Mr. Rodríguez-Heredia obtained a business administration degree from the *Colegio Universitario de Estudios Financieros* (CUNEF) and an MBA from the Wharton School of Business at the University of Pennsylvania.

*Mr. Javier Arús*

Mr. Arús is the portfolio manager of Carey and specialises in hotels and corporate restructurings.

Javier Arus has been responsible for the restructuring of the Carey fund since its management by Azora. This restructuring has led to the successful conclusion of the majority of existing litigation, refinancing of the investment vehicle and reducing debts, pulling the fund from the pre-bankruptcy situation prior Azora's management, and thus allowing viability.

Prior to joining the Azora Group in 2010, he worked for 15 years at Banco Santander, where he held various positions in Investment Banking, Asset Management and Private Banking. In 2004, Mr. Arús was appointed chief executive officer of Banco Santander Suisse and, in 2007, chief executive officer of the Santander Private Banking International Division.

Mr. Arús obtained a business and a law degree with honours from *Universidad Pontificia de Comillas* (ICADE) and an MBA from the Wharton School of Business at the University of Pennsylvania.

*Ms. Mónica Garay*

Mónica Garay is responsible for the Azora Group's Student Accommodation asset class with 8,000 beds in Spain and project development in Spain, Mexico, Colombia and Continental Europe. She was involved in the launch and management of the Azora Group's energy fund.

Ms. Garay has broad experience in the banking sector, having worked for 21 years in corporate finance, corporate banking, credit risk, asset management and private banking. Prior to joining the Azora Group in 2010, she was the CEO of UBS Spain for seven years and worked for fourteen years at Banco Santander where she held senior positions.

Ms. Garay studied industrial engineering at *Universidad Politécnica de Madrid* and has an MBA from IESE (*Universidad de Navarra*).

## MATERIAL CONTRACTS

### Investment Manager Agreement

The following is a summary of the main terms of the Investment Manager Agreement entered into by the Company, the Investment Manager and Azora Capital on 21 February 2014. On 29 December 2014, the Investment Manager Agreement was amended, with the prior approval of the General Shareholders' Meeting of the Company held on 26 December 2014, in respect of the LTV Threshold. On 29 June 2015, the Investment Manager Agreement was again amended, with the prior approval of the General Shareholders' Meeting of the Company held on 29 June 2015 in respect of (i) modifications and clarifications of the functioning and interpretation of the investment restrictions under section 1 of Schedule 3 ("Investment Restrictions") of the Investment Manager Agreement; (ii) modifications and clarifications on matters requiring the prior approval of the Company's Executive Committee or Board of Directors under paragraphs 2 and 3, respectively, of Schedule 3 ("Investment Restrictions") of the Investment Manager Agreement; (iii) other modifications and clarifications to facilitate the interpretation of the Investment Manager Agreement, clarify the operation of certain of its rules and regulations and introduce a number of corrections; and (iv) modification of the terms of the general power of attorney granted by the Company to the Investment Manager.

### Scope of appointment

Pursuant to the Investment Manager Agreement, the Investment Manager has been appointed to (i) acquire and dispose of properties on behalf of the Company, including entering into any financing necessary for these acquisitions, (ii) manage the Company's assets and properties on behalf of the Company, (iii) provide, or procure and supervise the provision of, various accounting, administrative, registration, reporting, record-keeping, investor relations and other services to the Company (the "**Services**") and (iv) act on behalf of the Company in the performance of the Services under, and the conduct of material contractual dealings pursuant to, and in accordance with, the Investment Manager Agreement, in each case, subject to certain reserved matters as described under "*—Reserved matters*" below.

The Investment Manager is required, in providing its Services, to use all reasonable care and skill and act diligently in, and devote sufficient time and attention to, the performance of its duties under the Investment Manager Agreement. The Investment Manager has full discretionary authority to enter into transactions in respect of the Services for and on behalf of the Company, subject to certain reserved matters which require the consent of the Board of Directors or the Executive Committee. The Company has agreed to assist and co-operate with the Investment Manager in the performance of its obligations under the Investment Manager Agreement.

The Investment Manager is entitled, at its discretion, to draw on and use any and all resources of the Azora Group in providing the Services provided under the Investment Manager Agreement and to delegate any of its duties to any of its affiliates. In such circumstances, the Investment Manager will continue to be held primarily liable to the Company for the provision of these Services in accordance with the Investment Manager Agreement. In addition, Azora Capital has agreed with the Company to cause its affiliates to make available such resources for the Company as are reasonably required to provide the Services, including making available to the Investment Manager and the Company the services of the Management Team, subject only to compliance with applicable law and any contractual arrangements by which any such affiliate is bound as of the date of the Investment Manager Agreement.

The Investment Manager may contract the Property Management Services (which are not part of the Services) from any third party, including any company of the Azora Group, subject to prior approval by the Executive Committee or the Board of Directors. See "*—Reserved matters*" below.

### Business plan

The Investment Manager is required under the terms of the Investment Manager Agreement to prepare, not less than thirty (30) days prior to the commencement of a financial year, an annual business plan setting forth the Investment Manager's strategy for the Company for approval by the Board of Directors. The Board of Directors will examine the business plan proposed by the Investment Manager and may make any modifications as it deems necessary or appropriate (acting reasonably and without prejudice to Investment Manager's expertise and market know-how) and/or pursuant to market conditions or other reasonably applicable and relevant circumstances and shall delegate (or procure such delegation) to the Investment Manager such authority sought by the Investment Manager which is reasonably necessary for the Investment Manager to implement the Business Plan.

### Reserved matters

Pursuant to the Investment Manager Agreement, prior Board of Directors approval is required for the matters set forth below:

- (i) any investment in Non-Core Asset Classes and Development Opportunities;
- (ii) any investment in investment opportunities that, in the reasonable opinion of the Investment Manager or the Board of Directors, could reasonably be regarded as competing with similar assets already managed by existing funds owned or advised by any member of the Azora Group;

- (iii) any joint or co-investment between the Company (or any other Group Company) and one or more third parties (including, for these purposes, any member of the Azora Group);
- (iv) any investment in a portfolio of assets where real estate assets located in Spain represent at least 75% but less than 90% of acquisition all-in costs together with any proposed or expected initial capital expenditure of such acquired portfolio of assets, as calculated immediately prior to signing the relevant documentation in respect of such investment;
- (v) any investment or disposal where the acquisition all-in costs together with any expected or proposed initial capital expenditure (in the case of the acquisition of an investment opportunity) or the expected disposal gross proceeds (in the case of a proposed disposal of an asset) exceeds €75 million;
- (vi) any Company Financing for an amount exceeding €75 million;
- (vii) any Company Financing of an investment opportunity in excess of 65% of the acquisition all-in costs together with any expected or proposed initial capital expenditure in respect of such investment opportunity;
- (viii) the entering into hedging or derivatives transactions, unless such hedging transactions are related to the hedging of an external financing;
- (ix) the entering into any agreement with any third party (including in relation to the Property Management Services) with value per outsourcing contract exceeding €1.5 million. This amount will be increased to €5 million for any agreement with third party providers entered into in connection with capital expenditures;
- (x) the entering into any agreement or transaction with an affiliate of the Investment Manager; and
- (xi) the constitution, amendment or cancellation of any deposit or any other security, other than in connection with a Company Financing for an amount exceeding €5 million.

Pursuant to the Investment Manager Agreement, prior approval by the Executive Committee is required for the matters set forth below:

- (i) any investment in other instruments, such as minority equity stakes in companies holding real estate assets where the Company can exercise significant influence to protect the interests of the Shareholders or real estate-related income streams in the form of hybrid, junior, mezzanine or senior debt of real estate companies or with real estate collateral (together, the “**Non-Core Instruments**”);
- (ii) any investment or disposal where the acquisition all-in costs together with any expected or proposed initial capital expenditure (in the case of the acquisition of an investment opportunity) or the expected disposal gross proceeds (in the case of a proposed disposal of an asset) exceeds €50 million but does not exceed €75 million;
- (iii) any Company Financing for an amount exceeding €50 million but not exceeding €75 million;
- (iv) the entering into of any agreement with any third party (including in relation to the Property Management Services) with a value per outsourcing contract exceeding €500,000 but not exceeding €1.5 million. These amounts will be increased to €3million and €5 million, respectively, for any agreement with any third party entered into in connection with capital expenditures; and
- (v) the constitution, amendment or cancellation of any deposit or any other security, other than in connection with a Company Financing for an amount exceeding €2 million but not exceeding €5 million.

#### **Director appointment rights**

Pursuant to the Investment Manager Agreement, the Investment Manager is entitled to nominate two (2) candidates for appointment to the Board of Directors and request that the Company shall appoint such candidates, subject always to (i) compliance with the By-Laws and Spanish company law, (ii) the suitability of such candidates and (iii) the subsequent prior recommendation by the Appointments and Remuneration Committee. In addition, the Investment Manager is also entitled to nominate one (1) of the Investment Manager’s Directors as a member of the Executive Committee.

The Company has agreed to all actions reasonably necessary to procure the appointment to the Board of Directors or the Executive Committee, as the case may be, of each candidate nominated by the Investment Manager and, should the Investment Manager so notify the Company, the Company has agreed to take all actions reasonably necessary, and at all times complying with applicable law and the relevant corporate governance recommendations, to procure the removal of any such person from the Board of Directors or the Executive Committee and the appointment of another candidate nominated by the Investment Manager in his or her place.

No Director nominated by the Investment Manager will be paid any fee or remuneration by the Company for his or her services as a Director. The first Directors appointed to the Board of Directors upon nomination of the Investment Manager are Ms. Osácar and Mr. Gumuzio.

### Property management services

The Investment Manager may appoint one or more property managing agents to manage the Company's properties on a day-to-day basis. Any outsourcing contract of these services with an annual value exceeding €500,000 will require the approval of the Executive Committee, while in the event the amount exceeds €1.5 million such approval will need to be granted by the Board of Directors. These amounts will be increased to €3 million and €6 million, respectively, for any agreement with third party providers entered into in connection with capital expenditures. If these services are provided by any company of the Azora Group, consent from the Board of Directors will be required, irrespective of the value of the contract. The fees of any such property managing agents will be at arm's length commercial terms and payable by the Company.

### Insurance

The Investment Manager is required to maintain at its own cost appropriate professional indemnity insurance in an amount not less than €3 million for each and every claim under the Investment Manager Agreement (and for a minimum aggregate amount of €35 million), such insurance cover to remain in place at least until the date which is three (3) years after termination of the Investment Manager Agreement.

### Term and termination

The Investment Manager Agreement has a term of six (6) years from the Initial Admission. This term may be extended at any time prior to the sixth anniversary of the Initial Admission by mutual agreement, following approval by the Shareholders, in particular in the context of a Value Return Proposal that involves extending the life of all or part of the Portfolio and continuing to manage all or part of the Portfolio thereafter. If the Value Return Proposal involves extending the life of all or part of the investments, the Investment Manager will present at the same time, to be voted by the Shareholders, amendments to the key terms of the Investment Manager Agreement, including but not limited to its term, fees payable to the Investment Manager and exclusivity and conflicts of interests.

The Company, by means of a resolution by the Shareholders, may terminate the Investment Manager Agreement:

- (i) if either of Ms. Osácar and Mr. Gumuzio (or any person that replaces them as approved by the Board of Directors; the "**Manager Principals**") ceases to be significantly involved in the delivery of the Services under the Investment Manager Agreement during the first three (3) years from the Initial Admission or, after the expiry of such period, both of the Manager Principals cease to be significantly involved, unless the Board of Directors approves the replacement of any such Manager Principal during the six-month period following such ceasing to be significantly involved; and
- (ii) within the month after the effective date on which Ms. Osácar and Mr. Gumuzio and their families cease to own individually or together, and whether directly or indirectly, at least 50.01% of the shares in the Investment Manager ("**Investment Manager Change of Control**").

The Investment Manager is entitled to terminate the Investment Manager Agreement where:

- (i) the Directors nominated by the Investment Manager are removed from the Board of Directors unless in the case that the Investment Manager has requested such removal;
- (ii) where there is a subsequent offering of new ordinary shares of the Company (by way of a capital increase or otherwise) or where the Group acquires assets, in each case, without the approval of Directors nominated by the Investment Manager; and
- (iii) where a single shareholder or shareholders acting in concert are required to launch a mandatory takeover offer pursuant to Spanish applicable law in respect of the Company ("**Company Change of Control**"),

save that within five (5) Business Days from receipt of such notice, the Company shall be entitled to request, and the Investment Manager shall agree, that the Investment Manager continues to provide the Services under the Investment Manager Agreement for a period of no more than three (3) months following the occurrence of any of the matters set out in (i) to (iii) above in order to assist with the orderly transition of the new investment manager or the internalisation of the Company's management, in which case this Agreement shall terminate on the last day of such period.

The Investment Manager Agreement will automatically terminate on:

- (i) the date when the Company completes the disposal of all of its assets;

- (ii) the occurrence of any change in law to which the parties are subject and which renders unlawful the provision of the Services or the business of the Company as contemplated under the terms of the Investment Manager Agreement, unless the impact of any such change of law is remedied by the Company and the Investment Manager agreeing on any measure necessary within 30 days from any such change of law becoming effective;
- (iii) the date on which the Investment Manager fails or ceases to have all required regulatory authorisations, licences and/or approvals, except where the Investment Manager has delegated its duties to an affiliate which has such authorisations licences and/or approvals;
- (iv) the Company's Shares not being admitted to trading on the Spanish Stock Exchanges on or prior to sixty (60) days from the date of the Investment Manager Agreement; and
- (v) such other date as may be agreed in writing between the parties (in the case of the Company, following a vote by the Shareholders).

Either the Company or the Investment Manager may terminate the Investment Manager Agreement at any time if the other party:

- (i) fails or becomes unable to pay its debts as they fall due;
- (ii) is in material breach of any of its material obligations under the Investment Manager Agreement, which breach is either (A) incapable of remedy or (B) has not been remedied to the reasonable satisfaction of the non-defaulting party within one (1) month of such party giving written notice to the defaulting party specifying the breach;
- (iii) has an administrator or similar officer or an administrative receiver appointed over, or any person takes possession of, the whole or any significant part of its undertaking or assets; or
- (iv) passes a resolution for winding up (otherwise than for the purpose of a bona fide scheme for solvent amalgamation or reorganisation).

## Fees

Under the terms of the Investment Manager Agreement, the Investment Manager is entitled to the payment by the Company of a base fee (the "**Base Fee**") and a performance fee (the "**Performance Fee**") during the term of the Investment Manager Agreement as well as, in certain early termination events, a termination fee (the "**Termination Fee**"), and together with the Base Fee and the Performance Fee, the "**Fees**"). In addition, the Investment Manager is entitled to additional fees to be agreed with the Company in respect of the provision of any additional agreed services.

### Base Fee

The Base Fee will be payable to the Investment Manager quarterly in arrears. The Base Fee in respect of each quarter will be calculated by reference to 1.25% per annum (0.3125% quarterly) of the latest reported EPRA NAV of the Company as calculated by the Investment Manager as of the end of the relevant quarter on the basis of the most recently calculated Portfolio Value. See "*—Periodic Valuation and Reporting Policy*" and "*—Market value of assets as of 31 December 2015*".

For those periods shorter than three (3) months, the Base Fee shall be adjusted accordingly.

The Base Fee (together with any applicable VAT) will be paid by the Company to the Investment Manager in cash by wire transfer within ten (10) Business Days following the receipt by the Company of the notification for payment.

If, in connection with any Co-Investment, the Investment Manager receives any base fee, management fee or similar fee for asset or portfolio management services or any performance fee which is separate from the fees due under the Investment Manager Agreement, the Investment Manager has agreed to grant the Company a credit right equal to the Company's *pro rata* share (based on the Company's ownership interest in the relevant Co-Investment) of the amount of any such fee received by the Investment Manager and, accordingly, the Company shall be entitled to offset an amount equal to such credit right against the fees under the Investment Manager Agreement. For the avoidance of doubt, the above will apply in relation to the fees payable to the Investment Manager for the services rendered to BAY under the management agreement described below. See "*—BAY—Management Agreement regarding BAY*".

In relation to the Base Fee, the Company has been informed of the Investment Manager's decision to unilaterally waive part of the Base Fee it would be entitled to in the following situations:

- (i) where the latest reported NAV of the Company exceeds €1.2bn, the Base Fee payable to the Investment Manager for any such excess shall be calculated by reference to 1.00% per annum (0.25% quarterly); and

- (ii) where, as at the last Business Day of the relevant quarter, less than 50% of the Net Offering Proceeds has been committed, the Base Fee payable to the Investment Manager for the Net Offering Proceeds shall be calculated by reference to 0.625% per annum (0.15625% quarterly).

### Performance Fee

The Performance Fee has been designed to incentivise and reward the Investment Manager for creating value for shareholders. Instead of being calculated over an accounting metric or being based on the Company's unrealised capital gains, the Performance Fee is contingent on actual cash distributions paid out to Shareholders.

In particular, the mechanics of the Performance Fee guarantee that:

- (i) the Investment Manager only starts accruing a Performance Fee after the Company has returned to its Shareholders an amount equal to 100% of the Gross Proceeds Raised increased by a 10% annual internal rate of return; and
- (ii) the accumulated Performance Fee for the Investment Manager is capped at an amount equal to 25% of any Capital Distributions made by the Company to its Shareholders in excess of the Gross Proceeds Raised (i.e., 20% of the cash available for distribution between the Shareholders and the Investment Manager in excess of the Gross Proceeds Raised).

Under the terms of the Investment Manager Agreement, the Performance Fee will be contingent on the amount of Total Capital Distributions from time to time and calculated immediately after a Capital Distribution (the "**Relevant Capital Distribution**") is made (a "**Capital Distribution Date**"). The Investment Manager shall only be entitled to the Performance Fee if, as of such Capital Distribution Date, the Relevant Capital Distribution exceeds the Hurdle. For these purposes, the "**Hurdle**" shall mean the aggregate amount of:

- (i) the Gross Proceeds Raised compounded annually (on the basis of 365 days/year) at 10% from the day they were raised until the Capital Distribution Date, less
- (ii) the amount of Total Capital Distributions (without taking into account the Relevant Capital Distribution) compounded annually (on the basis of 365 days/year) at 10% from the day they were made until the Capital Distribution Date.

If, on a Capital Distribution Date, the Relevant Capital Distribution exceeds the Hurdle, the Investment Manager shall be entitled to the Performance Fee, which will accrue and be equal to the smaller of:

- (i) the amount by which the Relevant Capital Distribution exceeds the Hurdle; and
- (ii) the amount which is equal to the difference between
  - (a) 25% of the amount by which Total Capital Distributions exceed Gross Proceeds Raised as of the relevant Capital Distribution Date; and
  - (b) 25% of the amount by which Total Capital Distributions exceed Gross Proceeds Raised at the immediately preceding Capital Distribution Date.

For the purposes of this section, "**Total Capital Distributions**" means the aggregate amount of all Relevant Capital Distributions declared and paid from time to time and "**Capital Distributions**" means any gross dividends, distributions, share buybacks or similar transactions involving a cash or in kind payment to shareholders.

The Performance fee will be paid by the Company in cash by wire transfer within ten (10) Business Days of any Capital Distributions being approved by the Board of Directors or the shareholders, as applicable, and paid.

Before proposing to the Board of Directors to make any Capital Distributions, the Investment Manager shall ensure that following any such Capital Distributions (and taking into account any Performance Fee that may be payable as a result of such Capital Distributions), the Company has adequate cash reserves to (i) pay any taxes which may be related to the payment of either such Capital Distributions or the Performance Fee; (ii) comply with its ongoing payment obligations, including under the current Business Plan and (iii) meet any contingent liabilities which may materialise in the future in respect of any disposed assets.

If any change in the taxation of any Group Company may have a material adverse impact on the amount of the Performance Fee that is or may be payable, the Company has agreed that it will negotiate in good faith with the Investment Manager to amend the terms of the Performance Fee in order to mitigate that material adverse impact to the greatest extent possible in accordance with applicable law.

In the event that the Shareholders were to decide to extend the term of the Company beyond the initial six-year period from the Initial Admission, including in the context of a vote on the Value Return Proposal, the Performance Fee could be subject to amendment, along with any other necessary amendments to the provisions in the Investment Manager Agreement pertaining to the fees. It is foreseeable that in this event the Performance Fee will be renegotiated and adapted in line with prevailing market rates for investment management services of a comparable portfolio of assets at that time.

For information purposes only, set forth below is an example of the calculation of the Performance Fee:

Concept	Assumptions	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Initial Offering (€m)—YE	500						
Additional Offering (€m)—YE			150				
Gross Proceeds Raised (€m)—YE (“GPR”)	500	500	650	60	650	650	650
Relevant Capital Distributions (€m)—YE (“RCD”)					600	400	400
Total Capital Distributions (€m)—YE (“TCD”)					600	1000	1400
<b>Hurdle Calculations (€m)</b>							
Initial Hurdle (€m)		500	550	755	831	314	(55)
Capitalisation of Initial Hurdle at 10% (€m)		50	55	76	83	31	(6)
Additional Offering (€m)—YE		0	150	0	0	0	0
Hurdle Before Capital Distributions (€m)		550	755	831	914	345	0
Relevant Capital Distributions (€m)—YE (“RCD”)		0	0	0	(600)	(400)	(400)
Final Hurdle (€m)		550	755	831	314	0	0
<b>Performance Fee Payable</b>							
Relevant Capital Distributions (€m)—YE (“RCD”)		0	0	0	600	400	400
Hurdle Before Capital Distributions (€m).....		550	755	831	914	345	0
Right to Performance Fee		No	No	No	No	Yes	Yes
<b>Performance Fee Limits and Calculation</b>							
<b>First Limit: Amount by which the RCD exceeds de Hurdle</b>							
Relevant Capital Distributions (€m)—YE (“RCD”)		0	0	0	600	400	400
Hurdle Before Capital Distributions (€m).....		550	755	831	914	345	0
Excess over Hurdle (€m)		0	0	0	0	55	400
Amount by which the RCD exceeds de Hurdle (€m)		0	0	0	0	55	400
<b>Second Limit: Amount which is Equal to the Difference between 25% of Excess of TCD over GPR</b>							
Total Capital Distributions (€m)—YE (“TCD”)		0	0	0	600	1.000	1.400
Gross Proceeds Raised (€m)—YE (“GPR”)		500	650	650	650	650	650
Excess (Deficit) of TCP over GPR (€m)		(500)	(650)	(650)	(50)	350	750
25% of the Excess of TCP over GPR (€m) .....		0	0	0	0	88	188
Difference between 25% of Excess of TCP over GPR (€m)		0	0	0	0	88	100
<b>Performance Fee Calculation</b>							
Amount by which the RCD exceeds de Hurdle (€m)		0	0	0	0	55	400
Difference between 25% of Excess of TCP over GPR (€m)		0	0	0	0	88	100
Performance Fee (€m)		0	0	0	0	55	100
Accumulated Performance Fee (€m)		0	0	0	0	55	155
<b>Summary of Capital Distributions and Performance Fee (€m)</b>							
TCD and Accumulated Performance Fee (€m)		0	0	0	600	1.055	1.555
Accumulated Performance Fee (€m)		0	0	0	0	55	155
Total Capital Distributions (€m)—YE (“TCD”)		0	0	0	600	1.000	1.400
TCD and Accumulated Performance Fee (%)		NA	NA	NA	100%	100%	100%
Accumulated Performance Fee (%)		NA	NA	NA	0%	5%	10%
Total Capital Distributions (%)		NA	NA	NA	100%	95%	90%
Excess (Deficit) of TCD and Accumulated Performance Fee (€m) over GPR		(500)	(650)	(650)	(50)	405	905
Accumulated Performance Fee (%)		0%	0%	0%	0%	14%	17%
Excess of TCD over GPR (%)		100%	100%	100%	100%	86%	83%

The calculations set forth in the example above are for illustrative and information purposes only and do not reflect a business plan or strategy of the Company or the Investment Manager. For the avoidance of doubt, the fees in this example have not been grossed up with the corresponding VAT and applicable taxes.

The Base Fee of the Investment Manager in the eleven months and nine days ended 31 December 2014 amounted to €4.4 million and €10.4 million for theyear ended 31 December 2015. The Base Fee for the three-month period ended 31 March 2016 amounted to €3.1 millionand has been paid as of the date of this Prospectus.

### Termination Fee

In the event the Investment Manager Agreement is terminated prior to the end of its term by the Investment Manager (see “—Term and termination”) or automatically due to a breach by the Company of a material term which has not been remedied, the Investment Manager will have the right to receive (i) a make-whole of the Base Fee until the end of the term and (ii) the Performance Fee that the Investment Manager would be entitled to, if all the assets of the Company were sold and all the cash proceeds arising from the disposal (net of transactions costs and outstanding liabilities) were available for distribution between Shareholders and the Investment Manager (the “Termination

**Performance Fee**”). Whereas the make-whole of the Base Fee that would arise in an event of early termination will be calculated by the Investment Manager, the Termination Performance Fee that would arise in such an event will be calculated by an independent expert.

In the event that the Investment Manager Agreement is terminated by the Company as a result of the Manager Principals not being significantly involved in the delivery of the Services due to the incapacity or death of the relevant Manager Principal, as set out in the Investment Manager Agreement, or as a result of a change of control of the Investment Manager, the Investment Manager will have the right to receive the Termination Performance Fee, if any.

### **Expenses**

The Company bears all legal, accounting, investment banking and other organisational expenses incurred in the formation of the Group as well as any fees, costs and expenses relating to the listing of the Company on the Spanish Stock Exchanges.

In addition, the Company is responsible for all costs, fees and expenses relating to the business of the Company, including without limitation:

- (i) fees, cost and expenses (including those of the banks and legal advisers involved) related to the development, preparation and execution of the Offering and, as the case may be, the offering of shares of any Group Company;
- (ii) ongoing listing fees and expenses;
- (iii) applicable taxes, fees, costs and expenses relating to the acquisition of investment opportunities (including where such acquisition does not complete), including the cost of structural and environmental studies and all other third-party due diligence exercises;
- (iv) remuneration of the Company’s Directors (or any other Group Company’s directors) and the Secretary of the Board of Directors (or such other Group Company’s board of directors);
- (v) brokerage fees relating to the acquisition of investment opportunities;
- (vi) reasonable out-of-pocket expenses incurred by the Investment Manager in investment opportunities acquisition processes;
- (vii) applicable taxes, fees, costs and expenses relating to the disposition of assets (including where such disposition does not complete), including the cost of any vendor’s due diligence exercises;
- (viii) brokerage fees relating to the disposition of assets;
- (ix) reasonable out-of-pocket expenses incurred by the Investment Manager in disposition processes related to assets;
- (x) applicable taxes, fees, costs and expenses relating to the holding of assets (including, duties, fees or other governmental charges of any nature whatsoever levied against and/or relating to the assets);
- (xi) insurance expenses relating to the assets (indemnification expenses and costs);
- (xii) fees, costs and expenses relating to advertisement and marketing;
- (xiii) fees, costs and expenses of third party providers (including, but not limited to, Property Management Services and fees, costs and expenses relating to value enhancement, development, renovation, construction and refurbishment of assets);
- (xiv) interest on and charges and expenses of arranging, and arising out of all third-party financings (including agency fees);
- (xv) taxes, duties, fees or other governmental charges of any nature whatsoever levied against any Group Company;
- (xvi) insurance expenses relating to the members of the Board of Directors (indemnification expenses and costs);
- (xvii) fees, costs and expenses incurred and/or related to special reporting to U.S. investors in relation to the Company being a PFIC;
- (xviii) fees, costs and expenses incurred and/or related to setting up and updating the web page of the Group;
- (xix) fees, costs and expenses related to roadshows and other events in respect of the investor relations activities of the Group (including public relations, marketing and advertising, reporting, publications, courier, portage, telecommunications, etc.);
- (xx) all subscriptions of the Company (and any Group Company) to associations or other bodies representing the interests of the Company/Group;



- (xxi) all other expenses reasonably incurred by the Investment Manager under the Investment Manager Agreement on behalf of, or for the account of, the Group.

## **VAT**

All charges and fees referred to in the Investment Manager Agreement (including, for the avoidance of doubt, the Base Fee, the Performance Fee and the Termination Fee) are expressed to be exclusive of VAT, and accordingly the relevant Group Company is required under the Investment Manager Agreement, against delivery of an appropriate invoice, in addition to making payment of any such charge or fee, pay to the Investment Manager an amount equal to the applicable VAT at the rate from time to time prescribed by applicable law at the same time as the relevant charge or fee is paid by the relevant Group Company.

## **Expenses not covered**

The Company or any member of the Group will not bear any expenses in relation to (i) the Investment Manager's (or its affiliates') general overheads, including salaries, wages, bonuses and other employee benefits of the Investment Manager's (or its affiliates') employees, postage, telephone, telecopying, faxing and cable; (ii) any advisory fees or remuneration payable to persons to whom the Investment Manager has delegated any of its duties or obligations under the Investment Manager Agreement; (iii) any office facilities, office or executive staff or office equipment of the Investment Manager (or its affiliates); and (iv) any general legal and accounting fees relating to the organisation and running of the Investment Manager and its affiliates.

## **Indemnities**

The Company will indemnify and hold harmless the Investment Manager, its affiliates and any of their respective agents, directors, officers or employees from and against any claims, liabilities, actions, costs, damages, demands or proceedings or (and associated losses, expenses and liabilities), including legal fees, incurred by them by reason of the activities or Services in their capacity as Investment Manager they render on behalf of the Company, except where the same arises as a result of the gross negligence, wilful misconduct, wilful default or fraud of the Investment Manager, such affiliate of the Investment Manager or any of its/their respective directors, officers or employees or to liability attributable to the Investment Manager acting outside the scope of its authority under the Investment Manager Agreement.

## **Exclusivity and conflicts of interest**

The Investment Manager has agreed to grant the Company an exclusivity right covering any Relevant Opportunity during the period ending on the expiry of the Exclusivity Period, subject to certain exceptions set forth below. Furthermore, upon expiry of the Exclusivity Period and during the period commencing upon the expiry of the Exclusivity Period and ending on the third anniversary of the Initial Admission, the Company will have a right of first refusal over such Relevant Opportunities, subject to certain exceptions set forth below. In addition, this exclusivity right and right of first refusal also apply to other members of the Azora Group and each member of the Management Team.

Pursuant to the exclusivity right, the Investment Manager has agreed, during the Exclusivity Period, to submit (on behalf of itself, any of its affiliates or any members of the Management Team, as applicable) any Relevant Opportunity to the Board of Directors for consideration as a potential investment of the Group and the Investment Manager, its affiliates or any members of the Management Team (for its own account or on behalf of a third party) may only proceed with such Relevant Opportunity following written consent of the Board of Directors for any of them to pursue it.

Following the expiry of the Exclusivity Period and until the third anniversary of the Initial Admission (the "**Right of First Refusal Period**"), where the Board of Directors declines to take up such Relevant Opportunity for the Group or fails to respond within fourteen (14) days of the notice, the Investment Manager, its affiliates and the members of the Management Team may proceed to invest in such Relevant Opportunity without the need for express consent by the Board of Directors. In the event that, during the Right of First Refusal Period, the Investment Manager has proposed in writing to the Board of Directors that the Company carry out a capital increase and such proposal is either rejected by the Board of Directors or the Shareholders within two months or the Investment Manager receives no response from the Board of Directors within one month following receipt of the notice, the Right of First Refusal Period shall terminate.

The exclusivity right and right of first refusal do not apply to:

- (i) any Relevant Opportunity where the relevant asset would be for (i) the personal use of the relevant member of the Management Team or any members of their families or (ii) the use as office space for the Investment Manager or any of its affiliates, provided that in the case of (i), the estimated acquisition all-in costs for such opportunities do not exceed an aggregate of €5 million (per member of the Management Team) during the six-year period from the Initial Admission;
- (ii) any dealings by the Investment Manager or any of its affiliates in respect of any assets owned (in whole or in part) and/or managed by it or any of its affiliates as of the date of the Investment Manager Agreement;

- (iii) any dealings involving investment opportunities falling in the student accommodation category until the expiry of the EnCampus investment period;
- (iv) any dealings involving investment opportunities falling in the fitness centre and/or healthcare management business categories; and
- (v) any dealings arising after the Investment Manager Agreement has been terminated.

In addition, the Investment Manager or any of its affiliates may continue to act (or agree to act) as investment manager or investment adviser for other persons or provide asset, property and/or corporate management services or other services for other clients without making the same available to the Group, in each such case provided that:

- (i) the provision of such services is done pursuant to (i) an existing arrangement or an existing agreement which, in each case, is in place with the Investment Manager or its relevant affiliate as of the date of the Investment Manager Agreement, or (ii) an arrangement for the provision of some or all of such services to an assignee, transferee or successor of any person who, as of the date of the Investment Manager Agreement, is a counterparty to such an existing arrangement or existing agreement (whether such assignment, transfer or succession relates to an existing arrangement or agreement or to some or all of the loans or real estate properties to which an existing agreement relates), the opportunity to enter into which arises in the context of those existing arrangements or agreements; or
- (ii) such work relates to real estate properties which are subject to such an existing arrangement or existing agreement referred to the preceding paragraph.

### **Dispute resolution**

Pursuant to the Investment Manager Agreement, any dispute or difference between the Investment Manager and the Company in relation to any fees that may be payable to the Investment Manager under the Investment Manager Agreement will be referred to an independent expert. The expert will be appointed from one of the “big four” accounting and professional services firms.

### **Governing law and arbitration**

The Investment Manager Agreement is governed by Spanish law and any dispute which may arise out of or in connection with the Investment Manager Agreement will be resolved, subject to the referral to an independent expert explained in “—*Dispute resolution*” above, through arbitration in the Spanish language in Madrid. The arbitration court, which will follow the Civil and Mercantile Court of Arbitration (CIMA) Arbitration Rules, will be composed of three arbitrators and will be resolved in accordance with Spanish law.

### **Management Commitments**

In the context of the Initial Offering, the members of the Management Team executed commitment letters by virtue of which:

- (i) they undertook that where they identify a Relevant Opportunity which they or a body corporate or other person or entity that is controlled by them, whether directly or indirectly, intends to participate in, they will, before proceeding to effect such participation or the acquisition of the property the subject of that Relevant Opportunity, present the Relevant Opportunity to the Company by notice in writing for consideration as a possible investment by the Company instead. This undertaking will end on the earlier of: (i) the expiry of the Exclusivity Period or, if later, the Right of First Refusal Period; (ii) the date of termination of the Investment Manager Agreement; (iii) the date on which the relevant member of the Management Team ceases to be directly or indirectly involved with the Investment Manager; or (iv) the date on which a resolution of the shareholders is passed to cease the business and operations of the Company; and
- (ii) undertook that without the prior written consent of the Company, they will not, until the earlier of (i) three years following the Initial Admission and (ii) the termination of the Investment Manager Agreement, directly or indirectly, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of any of the Company’s ordinary shares they acquired in the context of the Initial Offering or any shares convertible into or exercisable or exchangeable for the Company’s ordinary shares, enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences or ownership of those ordinary shares acquired in the context of the Initial Offering; provided, however, the foregoing restrictions shall not apply (i) to transfer such ordinary shares in favour of the direct family members (being a parent, brother, sister, spouse or civil partner or a lineal descendant of any of the foregoing) of the relevant member of the Management Team, provided that any such transferee shall agree to be bound by the lock-up obligations; (ii) in the event of the whole or partial takeover of the issued share capital of the Company which has been recommended by the Board of Directors; (iii) the implementation of a scheme of arrangement in respect of the sale of the Shares of the Company that has been recommended by the

Board of Directors; (iv) a scheme of reconstruction of the Company which has been recommended by the Board of Directors; (v) any buy back by the Company of Shares on identical terms to the terms offered to all Shareholders; or (vi) any sale in respect of which the Company has granted its prior consent.

#### **Co-Investment Agreement with Quantum Strategic Partners Ltd.**

On 21 February 2014, the Company and the Investment Manager entered into a co-investment agreement (the “**Co-Investment Agreement**”), with Quantum Strategic Partners Ltd. (“**Quantum Strategic Partners**”), a Cayman Islands exempted limited company that agreed to purchase shares of the Company as part of the Initial Offering. Soros Fund Management LLC is the principal investment manager to Quantum Strategic Partners. Pursuant to the Co-Investment Agreement, the Company granted Quantum Strategic Partners certain co-investment rights.

Pursuant to the Co-Investment Agreement, if within the Investment Period the Company, or the Investment Manager on behalf of the Company, is actively considering an investment opportunity which would constitute a Potential Company Opportunity (as defined below), Quantum Strategic Partners shall have a right of first offer to participate together with the Company in any such Potential Company Opportunity, subject to, and in accordance with the terms of the Co-Investment Agreement.

For the purposes of the Co-Investment Agreement, “**Potential Company Opportunity**” means any investment opportunity which falls within the parameters of the Investment Strategy and is being considered by the Company, or the Investment Manager on behalf of the Company, as a potential investment and (i) the investment opportunity conflicts with the investment restrictions under the Investment Manager Agreement and where such conflict could only be avoided by pursuing such investment opportunity with a third party investor or (ii) the Investment Manager (at its discretion or as directed and approved by the Board of Directors) determines that co-investing with a third party is necessary or desirable.

Notwithstanding the foregoing, the Company shall have no obligation to offer to the Quantum Strategic Partners investment opportunities which (i) have been offered by a third-party investor (other than Quantum Strategic Partners) to the Company or the Investment Manager as a potential exclusive co-investment between such third-party investor and the Company and (ii) the Investment Manager and the Board of Directors have determined, in their reasonable and good faith opinion, that such investment opportunity would more likely be awarded to the Company if it pursued with such third-party investor(s). The Company and the Investment Manager shall (a) use reasonable efforts for Quantum Strategic Partners to participate in such investment opportunity (either alongside the Company only or alongside the Company and any third-party investor) and (b) diligently inform Quantum Strategic Partners about any investment opportunity as soon as possible after it has been pursued by the Company with a third party (and whether it has completed or not), providing sufficient information for Quantum Strategic Partners to assess that the investment opportunity is not a Potential Company Opportunity, subject always to compliance by the Company and the Investment Manager with any confidentiality obligations it may have towards such third party.

Where Quantum Strategic Partners rejects such Potential Company Opportunity or where it has failed to respond, the Investment Manager and the Company shall be free to pursue such Potential Company Opportunity with any third-party investor(s) (other than Quantum Strategic Partners), provided that the terms offered to such third-party investor(s) in relation to such Potential Company Opportunity shall be no more favourable to such third-party investor(s) than those offered to Quantum Strategic Partners in the investment proposal provided to Quantum Strategic Partners by the Investment Manager.

Quantum Strategic Partners’ right of first offer to participate together with the Company in any Potential Company Opportunity as shall cease to apply and be of no effect:

- (i) after the expiry of the Investment Period; and
- (ii) where the Co-Investment Agreement has terminated in accordance with its terms.

This Co-Investment Agreement grants exclusive rights to Quantum Strategic Partners and, accordingly, the Company and the Investment Manager have undertaken not to enter into any co-investment agreement with any third party, save that the Company and the Investment Manager shall not be prevented to pursue any investment opportunity with a third party in accordance with the Co-Investment Agreement.

The Company’s rights and obligations in respect of the right of first offer provisions pursuant to the Co-Investment Agreement shall also apply to any other Group Company.

Quantum Strategic Partners has agreed not to compete, directly or indirectly, with the Company in respect of any investment in relation to which Quantum Strategic Partners has received an investment proposal from the Investment Manager in accordance with the Co-Investment Agreement. However, this undertaking shall not apply where Quantum Strategic Partners:

- (i) has itself identified such Potential Company Opportunity prior to receipt of the relevant Investment Proposal;

- (ii) has decided to pursue such Potential Company Opportunity on its own or with any third-party investor(s) (other than the Company); and
- (iii) has notified the Investment Manager of such fact, provided that it is allowed to disclose such information under the confidentiality and regulatory provisions that may apply to Quantum Strategic Partners.

In the event of any subsequent capital increase of the Company, Quantum Strategic Partners (and/or any of its affiliates) shall in order to maintain its co-investment right:

- (i) irrevocably offer to subscribe, and agree to hold, at least such number of shares of the Company which is equal to the amount resulting from multiplying the Subscription Percentage by the total number of Shares offered in the capital increase; and
- (ii) agree to subscribe and pay for such number of Shares as the Company shall, in its absolute discretion, allocate to Quantum Strategic Partners in the context of, and pursuant to, such capital increase, provided that the Company may not allocate to Quantum Strategic Partners, and Quantum Strategic Partners shall not be obliged to subscribe and pay for, any Shares in excess of the number of Shares which Quantum Strategic Partners has offered to subscribe for.

“**Subscription Percentage**” means at any time the amount resulting from multiplying the Hispania Interest held by Quantum Strategic Partners immediately following the most recent capital increase by 0.5; and

“**Hispania Interest**” means the proportion (expressed as a percentage) that the aggregate number of Shares from time to time held by Quantum Strategic Partners, directly or indirectly, bears to the total aggregate number of Shares in issue from time to time;

For the avoidance of doubt:

- (i) nothing in the Co-Investment Agreement shall require Quantum Strategic Partners to subscribe any capital increase of the Company, such decision to be taken by Quantum Strategic Partners at its entire discretion;
- (ii) non-subscribing a capital increase will not be considered a breach by Quantum Strategic Partners of any obligation under the Co-Investment Agreement; and
- (iii) in the event that Quantum Strategic Partners (or any Co-Investor Affiliate) does not subscribe for and subsequently hold shares in accordance with the Co-Investment Agreement, the obligations of the Company and Investment Manager to grant Quantum Strategic Partners the co-investment rights will (x) apply to any Potential Company Opportunity that would not require the Company investing more funds than those available to the Company prior to the capital increase, and (y) not apply to any Potential Company Opportunity that would require the Company investing more funds than those available to the Company prior to the capital increase and, if this Potential Company Opportunity is effectively completed by the Company, nor to any Potential Company Opportunity thereafter.

The Company has undertaken to Quantum Strategic Partners that where the Company enters into any Potential Company Opportunity with a third-party investor (other than Quantum Strategic Partners), the base fee and performance fee payable by such third-party investor(s) to the Investment Manager in respect of such Potential Company Opportunity (a “**Third Party Hispania Co-Investment**”) shall not be higher than:

- (i) any fees agreed in respect of any and all co-investments between Quantum Strategic Partners and the Company completed prior to such Third Party Hispania Co-Investment, if any; or
- (ii) in respect of any Third Party Hispania Co-Investments entered into prior to the co-investment between Quantum Strategic Partners and the Company, the base fee and performance fee payable by the Company to the Investment Manager pursuant to the Investment Manager Agreement,

save that the Company’s undertaking shall not apply in relation to a particular Potential Company Opportunity if: (i) Quantum Strategic Partners has notified the Investment Manager that it does not wish to participate in such Potential Company Opportunity on the terms set forth in the relevant investment proposal; (ii) Quantum Strategic Partners has failed to respond to the Investment Manager in respect of such investment proposal or (iii) Quantum Strategic Partners has itself identified such Potential Company Opportunity prior to receipt of the relevant Investment Proposal and has decided to pursue such Potential Company Opportunity on its own or with any third-party investor(s) (other than the Company).

Quantum Strategic Partners and the Company have agreed that the Investment Manager shall be appointed to provide investment management services in respect of each co-investment and company management services in respect of each co-investment vehicle, which shall, in each case, be equivalent to the Services. The Investment Manager shall be entitled to the payment of a base fee and a performance fee (the “**Co-Investment Fees**”) for the provision of the Co-Investment Services in respect of each co-investment. Such Co-Investment Fees shall be negotiated in good faith by the

parties for each Co-Investment and shall be payable to the Investment Manager by the co-investment vehicle. In addition, (i) the level of Co-Investment Fees for the first co-investment shall not be higher than the fees under the Investment Manager Agreement and the level of fees for subsequent co-investments will not be higher than the fees agreed upon with Quantum Strategic Partners for previous co-investments, and (ii) the relevant agreement in respect of such a co-investment will include a mechanism to calculate performance fees across the entire co-investment portfolio, such performance fees to be paid on the basis of cash distributions once Quantum Strategic Partners receives invested capital back plus Quantum Strategic Partners' agreed upon IRR and including a hold-back/claw-back mechanism to be reasonably agreed upon by the Company, the Investment Manager and Quantum Strategic Partners; the above without prejudice to the fees that the Investment Manager may be entitled to receive from the Company in accordance with the Investment Manager Agreement.

The Investment Manager shall also be entitled to the payment of expenses incurred in relation to the provision of its services, subject to a previous budget to be approved by Quantum Strategic Partners and the Company having regard to the provisions Investment Manager Agreement, with such expenses to be paid to the Investment Manager by the co-investment vehicle or, failing which, by the participants in such co-investment *pro rata* to their respective ownership interests.

Quantum Strategic Partners shall have the right to remove the Investment Manager as provider of the co-investment Services where (i) the Company is entitled to remove the Investment Manager as investment manager under the Investment Manager Agreement (by way of termination of the Investment Manager Agreement or otherwise, irrespectively of whether the Company exercises that right) or (ii) the Company has sold all or majority of its ownership interest in the relevant co-investment vehicle. In such circumstances, the Investment Manager shall not be entitled to any compensation, save for any Co-Investment Fees accrued prior to the date of such termination in accordance with the specific terms of each co-investment.

The Co-Investment Agreement also agrees customary rights for the transfer of ownership interests in a co-investment vehicle, including a right of first offer, a tag-along and (after the earlier of (i) the third anniversary of the entry into any relevant co-investment and (ii) the expiry of the Investment Period) a drag-along right.

The Co-Investment Agreement shall terminate on the sixth anniversary of the Initial Admission or where (i) Quantum Strategic Partners has failed to respond to the Investment Manager during the corresponding response periods in respect of three consecutive investment proposals; and (ii) where the Quantum Strategic Partners (in the aggregate with any of its affiliates) ceases to hold, directly or indirectly, at least the number of shares subscribed by the Quantum Strategic Partners in the Initial Offering in the context of the Initial Admission.

#### **Agreements entered into in respect of the BAY Asset Portfolio**

##### **Shareholders' agreement regarding BAY**

Within the context of Hispania Real's investment in BAY, Hispania Real, some of the Barceló Entities and BAY entered into a shareholders' agreement on 15 October 2015 and subsequently amended and restated on 10 December 2015, aiming to regulate, *inter alia*: (i) the relationship between BAY shareholders; (ii) the governance, administration, organisation and functioning of BAY; (iii) regulation of the transfer of shares in BAY; (iv) dividends policy of BAY; (v) investment, disinvestment and financing policy of BAY; and (vi) other aspects considered to be of interest for BAY's successful performance. Following Hispania's acquisition of Hispania Real's stake in BAY, Hispania Real has assigned Hispania all its rights and obligations under the shareholders' agreement regarding BAY.

The main terms contained in the aforementioned shareholders' agreement are the following:

- (i) *Exclusivity.* Any investment that Hispania or the parent company of the Barceló Group intend to make for the purposes of acquiring real estate property in the holiday market segment in Spain, mainly under a lease regime, will be carried out through BAY, respecting the obligation to present to the latter for its consideration all investment projects being contemplated in the aforementioned market segment.
- (ii) *Obligation to refrain from promoting other joint venture vehicles.* Hispania and the parent company of the Barceló Group undertake not to promote, finance, provide advice to or manage, directly or indirectly, other investors or collective or individual joint venture vehicles in the Spanish holiday market segment; nor to participate or invest in the latter, except with prior consent from the other party, until seven (7) years after the date of the shareholders' agreement.
- (iii) *Corporate governance of BAY.* The shareholders' agreement, as is usual practice with this kind of agreement, foresees a specific corporate governance scheme for BAY, linked to the shareholding interest of the parties in BAY, which is applicable both to the general shareholders' meeting and the Board of Directors.
- (iv) *General shareholders' meeting.* The ordinary majority and necessary quorum to pass resolutions applies for the shareholders' meetings; however, there are certain exceptions where at least 76.01% of the share capital of BAY must vote in favour in order to approve a resolution on certain reserved matters.

- (v) *Board of directors.* The board of directors of BAY will consist of five (5) members. The members of the board of directors will be appointed according to a specific scale (guaranteeing that Hispania will always have the right to appoint at least three (3) directors as long as it holds more than 50% of the joint stake of both shareholders in BAY's capital). Furthermore, Hispania has the right to appoint the chairman and the non-director secretary whereas the entities within the Barceló Group holding shares in BAY from time to time have the right to appoint the vice-chairman of the board of directors. In order for the board of directors to pass a resolution, a majority of at least three member of the board of directors is required. Notwithstanding the above, in order to pass resolutions on certain reserved matters, a majority of at least four members of the board of directors is required, depending on the matter.
- (vi) *Finance policy.* The shareholders' agreement places certain limits on the indebtedness levels that BAY can reach, which replicate those of Hispania.
- (vii) *Regulation of the transfer of shares in BAY.* The transfer of shares in BAY is regulated as follows:
  - (a) Both shareholders will have a preferential right of acquisition over the shares the other party wishes to transfer. Moreover, those Barceló Group entities that hold shares in BAY from time to time will have, between the date of the shareholders' agreement and a potential listing of BAY on the stock market, a preferential right of transfer vis-à-vis Hispania where a third party wishes to acquire shares in BAY and communicates its intention to the shareholders.
  - (b) Before 31 December 2018 (or, exceptionally, before 31 December 2019 if so agreed by the board of directors), the parties intend to list the whole of BAY's share capital on a regulated stock market.
  - (c) If such listing does not occur, Barceló Group entities holding shares in BAY may communicate to Hispania, as long as Hispania holds at least 51% of BAY's share capital, their intention to sell their stakes in BAY. In such case, Hispania (i) may make an offer for the acquisition of the Barceló Group entities' stake; or (ii) initiate a sale of its stake to a third party, in which case Hispania will have a drag-along right over the Barceló Group entities' stake and the Barceló Group entities' will have a tag along right over the totality of their interest in BAY (as long as it is equal to or higher than 10%) or the proportional amount of such interests (as long as the interest is equal to or higher than 10%). Where a year has passed since the start of the sale by Hispania and the Barceló Group entities have not succeeded in selling their stake, the Barceló Group entities, as long as they hold at least 10% of the share capital of BAY, may initiate a sale on their own and will have a right to drag-along Hispania's stake. Where the Barceló Group entities do not have that right by reason of holding a stake of less than 10% of the share capital in BAY or where, even if they have the drag-along right, Hispania does not wish to be dragged along, the Barceló Group entities holding shares in BAY may request that BAY (and, if applicable, Hispania, for the amount exceeding the treasury stock threshold) purchase their stake. Consideration for this stake will be paid by BAY with the transfer of one or more hotels and, in respect of Hispania, with cash payment.
- (viii) *Change of control.* A party may terminate the shareholders' agreement early where there is a change of control of the other party.
- (ix) *Special incentives for the Barceló Entities.* The parent company of the Barceló Group will have an incentive for success linked to the IRR generated by the BAY Asset Portfolio jointly, calculated from the time of the investment until the listing of the shares of BAY or when Hispania transfers at least 15% of its interest in BAY to third parties. The amounts of this incentive will depend on the excess generated over a 15% IRR and will be, as a general rule, equal to 32.5% of this excess.

### **Management agreement regarding BAY**

Within the context of Hispania Real's investment in Bay, the Investment Manager, BAY, some of the Barceló Entities and Hispania Real entered into a management agreement on 15 October 2015, aiming to regulate, *inter alia*, (i) the conditions under which the Investment Manager will provide certain management services (except for real estate management services) and (ii) agreements relating to the investment committees of BAY. The main terms of the aforementioned management agreement are as follows:

- (i) *Services.* The services provided will be along the lines of those which the Investment Manager already provides to the Company pursuant to the Investment Manager Agreement.
- (ii) *Consideration.* Until the listing of BAY on the stock market, and as long as a third party does not previously acquire a stake in BAY's share capital, the Investment Manager will be paid an amount equal to 0.1% of the gross value of BAY's assets. Once BAY is listed on the stock market, payments

made in consideration for the services provided will be modified according to the current terms in the Investment Manager Agreement, namely a fixed payment of 1.25% of the assets' net value (calculated in accordance with the relevant sections of the Red Book, and an incentive payment where performance exceeds 10%).

By virtue of the existing agreements between the Investment Manager and the Company, and in order to avoid duplication of fees, the Investment Manager will grant to the Company a credit right over the fees to be received by the Investment Manager in accordance with the Investment Agreement equal to the proportional shareholding interest of Hispania in BAY and, consequently, the Company will have a set-off right against the fees to be paid under the Investment Agreement in an amount equal to such credit right.

- (i) *Investment committee.* The management agreement of BAY provides for the creation of an investment committee comprising Hispania and those Barceló Group entities that hold shares in BAY, depending on their interest held in BAY from time to time. The number of members appointed by the Barceló Group entities holding shares in BAY may be reduced in proportion to the percentage stake these companies hold at each point in time. The investment committee aims to analyse and approve or reject the Investment Manager's actions on certain occasions as long as that approval is not an issue reserved by contract or by-laws to the board of directors. In order to pass a resolution on certain reserved matters, the approval of at least four-fifths (4/5) of the members of the investment committee is required.
- (ii) *Duration.* The contract has an initial duration of five (5) years, which may be tacitly renewed for additional periods of one (1) year. In any case, should an early termination take place, the Investment Manager is entitled to a compensatory payment on similar terms to those provided in the Investment Manager Agreement.

#### **Lease agreements regarding the assets of BAY**

Within the context of Hispania Real's investment in BAY, certain entities of the Barceló Group (as tenants) and BAY, BHC or PDV (as the case may be) (as owner) entered into certain lease agreements, aiming to regulate the conditions under which the Barceló Group will continue to operate the hotels acquired by BAY. The main terms of the agreements are as follows:

- (i) *Duration.* A minimum compulsory initial term of fifteen years, with three additional terms of ten years each, successively, unless the tenant gives attested notice that it wishes the next additional period not to take place at least twelve months before the initial period expires or the additional period expires. Once the initial term has ended, BAY will have the right to unilaterally terminate each of the hotel agreements if the EBITDAR of the corresponding hotel's business (i.e., earnings before interest, taxes, depreciation, amortisation and rent charges) in (i) two consecutive years, or (ii) three alternate years within a period of five years, does not reach at least 50% of the EBITDAR forecast in the Business Plan.
- (ii) *Rent.* The rent will consist of a fixed element and a variable element:
  - (a) *Fixed element:* until 31 December 2019, the fixed element will amount to 50% of the EBITDAR in the relevant annuity as forecast in the Business Plan for each hotel, except for the Barceló "Teguse Beach" and Barceló "Pueblo Ibiza", to which 60% and 62% will apply, respectively. For the remaining years of the term of the contract, it will be updated on an annual basis at a rate of 90% of the variation (upwards or downwards) in the CPI. The fixed component of the rent will be paid by the tenant monthly in advance, in an amount corresponding to each annuity divided by twelve months.
  - (b) *Variable element:* the variable element will amount to 89.2% of the EBITDAR effectively obtained by the tenant in each annuity, reduced by the amount of the fixed element of the rent. The variable element of the rent will be provisionally calculated on the basis of the accounts for each hotel as of 30 June and 31 December. Regarding the accounts as of 30 June, the variable element will be the result of deducting from the 89.2% of the EBITDAR effectively obtained as of 30 June the fixed component of the rent until that date. If the result is negative, the variable element will be deemed to be zero. Similarly, regarding the accounts as of 31 December, the variable element will be calculated as the 89.2% of the EBITDAR effectively obtained in the corresponding year less the fixed element of the rent. The result of the calculations for the 31 December accounts will be reduced by the amount paid corresponding to the calculation for the accounts as of 30 June. Additionally, the lease agreement offers Hispania a certain degree of protection by means of an owner's priority scheme that increases the said 89.2% in case the EBITDAR forecast in the Business Plan for each hotel is not met.

As an incentive to the tenant, the rent will be reduced in line with the excess of the net operating income effectively obtained by the tenant over the net operating income forecast in the basic Business Plan.

#### **Investment Agreement with the shareholders of Dunas Hotels & Resorts, S.L.**

On 30 September 2015, the Company executed an investment agreement with the shareholders of Dunas Hotels & Resorts, S.L. (“**Dunas Hotels & Resorts**”), as amended on 31 March 2016 (the “**Investment Agreement with Dunas**”) to acquire four hotels in the Canary Islands. Hispania’s total investment will amount to approximately €75 million, and an additional investment of more than €9 million for upkeep is expected, of which €5.5 million will go towards the Dunas Don Gregory Hotel.

- (iii) *Description of the assets subject to the transaction.* The transaction consists in the acquisition of a spin-off of Dunas Hotels & Resorts, denominated Sahara PropCo, S.L. (“**Sahara PropCo**”), which, after the execution of certain actions, will own the following hotels: Dunas Mirador Hotel (3\* and 436 keys), Dunas Don Gregory (4\* and 241 keys), Dunas Suites & Villas (4\* and 301 keys) and Dunas Bangalows Maspalomas (4\* and 205 keys). Dunas Hotels & Resorts is currently in a state of insolvency (*concurso de acreedores*).
- (iv) *Structure of the transaction.* As a condition precedent for the effectiveness of the Investment Agreement entered into with Dunas, Dunas Hotels & Resorts must acquire its own shares from its shareholder, Dunas Canteras, S.L., by means of a simultaneous reduction and increase of capital to be passed by 30 April 2016 at the latest. In turn, to pass these resolutions, the relevant Court authorisations need to be granted, given the state of insolvency of both Dunas Hotels & Resorts and Dunas Canteras, S.L. Once this condition precedent is satisfied, the following actions, among others, will take place:
  - (a) The current shareholders of Dunas Hotels & Resorts will pass corporate resolutions to spin-off Dunas Hotels & Resorts into two companies (x) Sahara Propco and (z) Dunas Resorts, S.L. Sahara Propco will acquire the aforementioned four hotels in Gran Canaria as well as the related assets and liabilities, including the insolvency credits as listed in the definitive creditors list issued by the insolvency administrator. Dunas Resorts, S.L. will acquire the remaining assets which will allow it to continue with the management of the hotels acquired by Sahara Propco;
  - (b) Hispania and the current shareholders of Dunas Hotels & Resorts will execute a sale and purchase agreement of all the shares of Sahara Propco for €1.5 million; and
  - (c) a capital increase in Sahara Propco will be passed, in order to offset any credits of secured creditors who choose to do so under the creditors’ agreement of Dunas Hotels & Resorts to be approved. Hispania will inject the necessary funds into Sahara Propco so that it may satisfy the payment obligations assumed under the creditor’s agreement.

The execution of the aforementioned actions is subject, in turn, to certain conditions in each case, including, (i) in the case of the spin-off, the court approval of the creditor’s agreement; (ii) in the case of the sale and purchase agreement, the registration of the spin-off of Dunas Hotels & Resorts with the relevant Commercial Registry; and (iii) in the case of the capital increase, the registration of the spin-off of Dunas Hotels & Resorts with the Commercial Registry.

On 4 December 2015, the Commercial Court No. 2 of Las Palmas de Gran Canaria authorized the referred resolutions regarding the transfer of the shares held by Dunas Canteras, S.L. in Dunas Hotels & Resorts which effectiveness is pending the resolution of an appeal filed by the Tax Administration State Agency.

On 31 March 2016, and with the prior acceptance by the shareholders of Dunas Hotels & Resorts, Hispania acquired from certain financial institutions and for an amount of approximately €60 million paid with own funds, certain credits against Dunas Hotels & Resorts for the aggregate nominal amount of approximately €91 million. Such credits, which are guaranteed with mortgages over the referred above hotels, are recognized as specially privileged credits in the definitive creditors list issued by the insolvency administrator.

In the event that the condition precedent for the effectiveness of the Investment Agreement with Dunas is not satisfied on or before 30 April 2016, the Investment Agreement with Dunas foresees that the parties will carry out the transaction with the same structure as described above but with the adjustments deriving from the presence of Dunas Canteras, S.L. as shareholder of Dunas Hotels & Resorts. On 4 May 2016, the corresponding judicial authorisation for the acquisition and subsequent cancellation of Dunas Canteras, S.L. shares in Dunas Hotels & Resorts was notified and on 5 May 2016 the condition precedent was fulfilled through the acquisition of such shares by Dunas Hotels &



Resorts and the execution of the corresponding resolutions of capital reduction and increase. On 9 May 2016 the Commercial Court No. 1 of Las Palmas de Gran Canaria responsible for the insolvency proceeding of Dunas Hotels & Resorts resolved to conduct the proceeding regarding the creditors' agreement in writing. The final date to file a proposal of creditors' agreement has been set for 9 June 2016. Following fulfilment of the condition precedent, Hispania and the shareholders of Dunas Hotels & Resorts expect to execute the transactions described under paragraphs (a), (b) and (c) above in the coming weeks.

- (v) *The lease of the hotels.* As part of the investment a series of separate lease agreements for each of the aforementioned hotels will be entered into, at the time the sale and purchase agreement of all the shares of Sahara Propco becomes effective, by and between Dunas Resorts, S.L., as tenant, and Sahara Propco, as the landlord. Exceptionally, Hotel Dunas Suite & Villas and Hotel Dunas Bungalows Maspalomas will be included in a single lease agreement, which will also include the sublease of the land plots owned by third parties, in respect of which, Sahara Propco will have become the lessee as a result of the spin-off of Dunas Hotels and Resorts. These lease agreements will be executed in a single act as part of the entry into effect of the contract of sale of the shares of Sahara Propco. The lease agreements will stipulate the conditions under which the current shareholders of Dunas Hotels & Resorts will continue to indirectly manage the hotels acquired by Sahara Propco through Dunas Resorts, S.L.

The main terms have been agreed as follow:

- (a) *Duration.* The lease agreements will have a duration of 10 years binding on both parties, without the possibility of early termination, and two possible extensions of 15 years each, provided that some conditions are met (as defined in the lease agreement).
- (b) *Rent.* The rent will consist of a fixed element and a variable element, which may be reduced depending on the excess in net operating income of the lessor.
- a. Fixed element: until 31 December 2020 the fixed element will be equivalent to 50% of EBITDAR of the business (as defined in the lease agreements) of the corresponding annuity as forecast in the business plan. For the remaining years of the term of the contract, the fixed income component will be updated on an annual basis, at a rate of 100% of the variation in the CPI for the twelve month period immediately proceeding the first day of the corresponding year.

Additionally, Sahara Propco will be entitled to receive extraordinary fixed rent. As of 1 January 2016, this amount is €550 thousand a month until the date in which all of the lease agreements are signed.

- b. Variable element: will amount to 95% of the adjusted EBITDAR obtained in each annuity, reduced by the amount of the fixed element of the rent. The variable element cannot, in any circumstances, be negative on an annual basis (i.e. the lessor will charge, as a minimum, the fixed rent element).

The rent may be reduced based on the Net Operating Income obtained by the landlord over the NOI planned in the business plan.

- (vi) *Investments.* It is the obligation of the lessor to invest in the refurbishment of each hotel as per the business plan. Furthermore, the lessor is financially responsible for maintenance capex, the maximum annual amount of which corresponds to 3% of the revenue set out in the business plan for each hotel. The hotel Dunas Don Gregory is an exception, as the maximum annual amount for 2016 will be 1%, gradually increasing up to 3% starting from 2019.

For the period that the hotel Don Dunas Gregory receives investments for refurbishments, the accrual of the fixed element of the rent will be suspended in proportion to the number of keys that are not available.

- (vii) *Right of first offer.* The lessee will have a right of first offer in the event that the lessor decides to sell each hotel individually to a third party that does not form part of the lessor's group. Additionally, the lessor will not be allowed to sell at a price lower than that offered to the lessee for a period of six months.

## REGULATION

The Company is incorporated in Spain as a limited liability company (*sociedad anónima*) and, as such, is governed by the Spanish Companies Act. The Company believes that it is in material compliance with all applicable laws, regulations and policies. However, the Company cannot predict the effect of changes to existing laws, regulations and policies.

### SOCIMI regulations

On 1 April 2014 the Company incorporated Hispania Real SOCIMI, S.A.U., which on 7 May 2014 applied for SOCIMI status (effective as from tax year 2014) and is carrying out the necessary procedures in order to comply with all the requirements of the current SOCIMI Regime. Regulations expressly establish that the SOCIMI Regime may apply even where certain requirements are not complied with from the outset, provided that they are complied with within the two years following the date on which the application for election of the SOCIMI Regime was made. A brief description of the legal and tax regime regarding SOCIMIs is set forth below.

The Board of Directors of the Company and the sole administrator of the SOCIMI Subsidiary approved a merger proposal between the Company and the SOCIMI Subsidiary on 2 March 2016 (“**Merger Proposal**”). The Merger Proposal was made available on the Company’s website ([www.hispania.es](http://www.hispania.es)) on 2 March 2016 and published in the BORME (*Official Gazette of the Mercantile Registry*) on 17 March 2016. The Merger Proposal was deposited with the Commercial Registry of Madrid on 8 March 2016. The General Shareholders’ Meeting held on 5 May 2016 approved the Merger Proposal, being the Company surviving the SOCIMI entity and its Existing Ordinary Shares continuing to be listed on the Spanish Stock Exchanges. As of the date of this Prospectus, the Merger Proposal is still pending formalisation and registration, upon which it will become fully effective and Hispania Real will cease to exist.

At such General Shareholders’ meeting, the Company opted for the application of the SOCIMI Regime. The Company applies this regime with effect as from 1 January 2016, provided that the option for the application of the SOCIMI Regime is duly filed with the Spanish tax authorities not later than 30 September 2016. In the context of the Company’s application of the SOCIMI Regime, the Board of Directors also submitted for the approval of the General Shareholders’ Meeting mentioned above, the amendment of the By-laws of the Company for the purposes, among others, of establishing a series of additional obligations that would be attached to the Company’s shares, in connection with the provision of information and/or documentation to the Company. These ancillary obligations apply to: (i) Shareholders holding significant stakes so the Company knows whether it is required to pay the special tax of 19% established in Article 9.2 of the SOCIMI Act; and (ii) Shareholders subject to special regimes in relation to pension plans or profit plans, with the aim of avoiding any losses that may derive for the Company itself or for its Shareholders under current regulations governing pension plans or profit plans that may affect them in their respective jurisdictions.

SOCIMIs are entities whose activity is to acquire, renovate or develop urban real estate assets in order to lease them and that may also hold an interest in other real estate investment entities (such as other SOCIMIs, collective real estate investment funds (*Instituciones de Inversión Colectiva Inmobiliarias*, or IICIs), certain foreign real estate funds and others). SOCIMIs are required to distribute the majority of their revenues as dividends. The legal regime relating to SOCIMIs is set out in Law 11/2009 of 26 October, as amended by (i) Law 16/2012 of 27 December and (ii) by Law 27/2014, of 27 November, passing the Corporate Income Tax Act.

SOCIMIs are the result of transposing into Spanish law a type of real estate investment trusts (“**REITs**”), which are real estate investment companies that are usually listed on the international capital markets. The aim of the Spanish SOCIMI Regime is to create an investment instrument directed at the real estate lease market, not merely in respect of residential real estate but of all kinds of urban real estate, in order to encourage the leasing of urban real estate by attracting investors to a more stable subsector of the real estate market and enabling owners of real estate to obtain liquidity from their real estate assets.

The most significant aspects of the SOCIMI Regime are summarised below:

*Corporate matters.* SOCIMIs have the legal form of a public limited company, a minimum share capital of €5 million and a single class of shares in registered form.

*Mandatory activity.* SOCIMIs are required to have, as their main activity, the acquisition, development or renovation of urban real estate assets for lease. Such assets may be held directly or indirectly through an interest in other SOCIMIs, REITs, IICIs or other real estate investment entities under certain conditions.

*Allowed assets.* At least 80% of a SOCIMI’s assets are required to be invested in: (i) urban real estate for leasing purposes (in Spain or in a country which has signed a tax information exchange agreement with Spain) or plots of land for the development of such real estate provided that such development is commenced within three years following acquisition (“**Qualifying Real Estate**”); or (ii) interests in the share capital or assets of other non-resident SOCIMIs or REITs, unlisted SOCIMIs, unlisted non-resident entities entirely owned by a SOCIMI or REIT, IICIs or other entities, irrespective of whether they are resident in Spain (provided that such foreign country has signed a tax information exchange agreement with Spain), which have as their main corporate purpose the acquisition of urban real estate assets for their lease and which are governed by the same regime established for SOCIMIs as regards legal or statutory mandatory profit distribution and investment policies (“**Qualifying Holdings**”, and together with Qualifying Real Estate,

“Qualifying Assets”). Only 20% of a SOCIMI’s assets may consist of assets which do not comply with these requirements.

*Source of income.* In line with the requirement in respect of allowed assets discussed in the preceding paragraph, at least 80% of a SOCIMI’s income for the taxable year, excluding income derived from the transfer of Qualifying Assets once the holding period to which the following paragraph refers has ended, are required to be derived from the lease of Qualifying Real Estate and/or dividends obtained from Qualifying Holdings and is to be measured from the date of acquisition/incorporation.

*Holding period of assets.* Qualifying Real Estate acquired or developed by a SOCIMI must be leased for at least three years. For calculation purposes, the time during which the real estate asset has been offered for lease may be added to the time the asset was leased, with a maximum of one year. This holding period of three years is also applicable to the Qualifying Holdings.

*Distribution policy.* In each financial year, a SOCIMI is required to distribute among its shareholders (i) 100% of the profits deriving from dividends received from Qualifying Holdings; (ii) at least 50% of the profits arising from the transfer of Qualifying Assets carried out once the holding period described in the preceding paragraph has ended (in which case the remainder of such profits is required to be reinvested within the subsequent three years in other Qualifying Assets or otherwise distributed once such reinvestment period has ended); and (iii) at least 80% of the remainder of profits received.

*Admission to trading.* The shares of a SOCIMI are required to be listed on a regulated market or multilateral trading facility in Spain or any other EU or EEA country, or on a regulated market of any other country which has a tax information exchange agreement with Spain.

*Tax regime.* SOCIMIs are taxed at a rate of zero per cent. on corporate income tax. However, where profits distributed to a shareholder who owns at least 5% of the SOCIMI’s share capital are exempt from taxation or subject to a taxation of less than 10% in the hands of such shareholder, such SOCIMI will be subject to a special charge of 19% on the gross amount of the dividends distributed to such shareholder.

Furthermore, the breach of the requirement regarding the minimum holding period of Qualifying Assets referred to above result in: (i) all income derived from Qualifying Real Estate in all tax periods where the SOCIMI Regime would have been applicable being taxed in accordance with the general corporate income tax regime and at the general corporate income tax rate; and (ii) capital gains arising from the transfer of Qualifying Holdings being taxed in accordance with the general corporate income tax regime and at the general corporate income tax rate.

In addition, SOCIMIs benefit from the application of a 95% Transfer Tax (*Impuesto sobre Transmisiones Patrimoniales y Actos Jurídicos Documentados*) relief in relation to the acquisition of residential real estate assets intended for letting (or plots of land for the development of housing intended for letting), provided that, in both cases, the minimum holding period of such assets referred to above is complied with.

*Information obligations.* In the report of its annual accounts, SOCIMIs are obliged to include a paragraph under the heading “Information requirements derived from the status of SOCIMI, Law 11/2009”, which contains certain information regarding, among other things, the reserves and dividends distributed by the SOCIMI as well as the Qualifying Assets acquired by it. In addition, SOCIMIs are required to provide, at the relevant tax authority’s request, detailed information on the calculations carried out in order to determine the result of the allocation of the expenses among its different sources of income obtained. Non-compliance with these information obligations constitutes a serious breach by a SOCIMI, resulting in financial penalties and, where such breach is material and not remedied in the report of the immediately following financial year, in the loss of such SOCIMI’s special tax regime.

*Electing SOCIMI status.* In order to benefit from the special tax regime applicable to SOCIMIs, a resolution of the general shareholders’ meeting of a company is required, which must subsequently be communicated to the competent State Tax Administration Agency (*Delegación de la Agencia Estatal de Administración Tributaria*) to which the company is subject in accordance with its tax domicile. Such communication must be made within three months prior to the expiry of the tax year in which the SOCIMI Regime will start to apply. The regulations expressly provide that electing SOCIMI status is possible even where certain of the requirements discussed above are not complied with from the outset, provided they are complied with within the two years following the date on which the election for application of the SOCIMI Regime was made.

### **Alternative Investment Fund Managers Directive**

On 8 June 2011, the AIFMD was adopted. The AIFMD regulates entities involved in the management of alternative investment funds in the EU and aims to create an effective regulatory and supervisory framework for the managers of such funds.

The AIFMD was implemented in Spain by means of Law 22/2014. The Company believes that it is not subject to Law 22/2014.

The Company may, however, be considered an AIF under the laws of certain European Economic Area jurisdictions other than Spain (where the AIFMD has been implemented). Accordingly, the securities may only be

marketed or offered in such jurisdictions in compliance with and subject to the terms of such jurisdiction's implementation of the AIFMD, or any available exemption therefrom and any other laws and regulations applicable in such jurisdiction.

## MANAGEMENT AND BOARD OF DIRECTORS

### Board of Directors

The Spanish Companies Act provides that a company's board of directors is responsible for the management, administration and representation of a company in all matters concerning the business of a company, subject to the provisions of such company's by-laws (*estatutos sociales*) and the powers granted by shareholders' resolutions.

The Company's By-Laws provide for a Board of Directors consisting of between five (5) and fifteen (15) members. In accordance with the resolutions passed by the Company's Shareholders in general meeting on 18 February 2014, its Board of Directors is currently comprised of six (6) members. Directors are elected by the Company's Shareholders to serve for a term of two years and may be re-elected to serve for an unlimited number of terms, save in the case of independent Directors, who may only be re-elected to serve for five (5) additional terms after their initial appointment. If a Director does not serve out his or her term, the Board of Directors may fill the vacancy by appointing a replacement Director to serve until the next General Shareholders' Meeting. In the event of a vacancy in the Board of Directors between the time on which the General Shareholders' Meeting has been convened and the meeting, the Board of Directors may designate a Director until the next General Shareholders' Meeting takes place. Any natural or legal person may serve on the Board of Directors, except those persons specifically prohibited by applicable law. A director may be removed from office by the Shareholders at a General Shareholders' Meeting.

In all cases, the Board of Directors is required to assume on a non-delegable basis those faculties that are legally reserved for its direct attention, and those necessary for the diligent supervision of affairs. For example, the responsibilities of the Board of Directors which may not be delegated include, without limitation: (a) the appointment and renewal of the positions within the Board of Directors and of the members of the Executive Committee, the Audit Committee and the Nomination and Remuneration Committee (together the "**Committees**"); (b) the appointment of Directors by co-optation and submitting proposals to the General Shareholders' Meeting regarding appointments, ratifications, re-elections or removals of Directors; (c) formulating the annual accounts, the management report and the proposal for distributions, and also, if applicable, the consolidated annual accounts and management report; (d) preparing the Annual Report on Corporate Governance for its submission to the General Shareholders' Meeting and preparing the Directors' Remuneration Report; (e) approval of annual budgets; (f) calling the General Shareholders' Meeting, and publishing the corresponding public announcements; (g) executing the Company's policy on the treasury shares pursuant to the authorisations given by the General Shareholders' Meeting; (h) making a declaration on any takeover bid made over the securities issued by the Company; (i) delegating powers to any of its members pursuant to the terms established by Spanish law and the By-Laws, and the revocation of such powers; (j) the approval of the decision regarding the periodic evaluation of the functioning of the Board of Directors and its Committees; and (k) the approval and amendment of the Company's Board of Directors Regulations (*Reglamento del Consejo de Administración*).

In addition, the Board of Directors has exclusive power to approve, among other things: (i) any investment in Non-Core Asset Classes and Development Opportunities; (ii) any investment in Investment Opportunities that, in the reasonable opinion of the Investment Manager or the Board of Directors, could reasonably be regarded as competing with similar assets already managed by existing funds owned or advised by any member of the Azora Group; (iii) any joint or co-investment between the Company (or any other Group Company) and one or more third parties (including, for these purposes, any member of the Azora Group); (iv) any investment in a portfolio of assets where real estate assets located in Spain represent at least 75%, but less than 90%; (v) any investment or disposal where the acquisition all-in costs together with any expected or proposed initial capital expenditure (in the case of a proposed acquisition of an investment opportunity) or the expected disposal gross proceeds (in the case of a proposed disposal of an investment opportunity) exceeds €75 million; (vi) any Company's financing for an amount exceeding €75 million; (vii) any Company's financing of an individual asset in excess of 65% of the acquisition all-in costs together with any expected or proposed initial capital expenditure in respect of such asset; (viii) the entering into hedging or derivatives transactions, unless such hedging transactions are related to the hedging of an external financing; (ix) the entering into any agreement with any third party with a value per outsourcing contract exceeding €1.5 million or €5 million for any agreement with third party providers entered into in connection with capital expenditures; and (x) the entering into any agreement or transaction with an affiliate of the Investment Manager. See "*Material Contracts—Investment Manager Agreement—Reserved Matters*".

With regard to the remuneration of the Directors, Directors will be entitled to the remuneration established by the Board of Directors in accordance with the remuneration system set out in the By-Laws and in accordance with the remuneration policy in force at each time. The Board of Directors is required to ensure that any such remuneration is reasonable with respect to market practice. In particular, the Board of Directors is required to adopt any measures at its disposal in order to ensure that the remuneration of the Directors is in compliance with the following guidelines: (a) the remuneration is adequate and sufficient to attract and retain the Directors with the correct profile and remunerate the effective dedication, qualification and responsibility of the Directors, without compromising the independence of non-executive directors, with the aim to foster the attainment of the corporate interest, incorporating the mechanisms required to avoid excessive risk taking and rewarding of adverse results; and (b) the remuneration is in line with the remuneration of Directors of similar listed companies and takes into account the importance of the Company and its economic situation at all times.

In addition, pursuant to the Company's Board of Directors Regulations, and with a view to achieving the highest possible efficiency and optimising their management, Directors must tender their resignation to the Board of Directors and the Board of Directors may accept such resignation, at its discretion, under the following circumstances: (i) when the relevant Director ceases to hold the executive officer position to which such Director's appointment to the Board of Directors was related; (ii) when the participation of such Director on the Board of Directors is contrary to applicable law for reasons of ineligibility or incompatibility; (iii) when such Director has been indicted for an allegedly criminal act or is subject to a disciplinary proceeding for serious or very serious misdemeanor by supervisory authorities; (iv) when the Director's participation on the Board of Directors may be contrary to the Company's interests or when the reasons for such Director's appointment cease to exist, such as where a Director represents a shareholder that has sold its shares or where a shareholder disposes of a part of its shareholding which requires the removal of one or more of its nominated Directors in proportion to such disposal; (v) when there is a significant change in the professional standing of the Director or in the conditions by virtue of which the Director was appointed; or (vi) when for reasons attributable to the Director, the continued participation of that Director on the Board of Directors may, in the opinion of the Board of Directors, damage the value of the Company's equity or reputation.

The Board of Directors is responsible for the Company's management and establishes its strategic, accounting, organisational and financing policies. The Board of Directors Regulations provide that the Chairman of the Board of Directors shall be elected from among the Directors. The Secretary of the Board of Directors does not need to be a Director. Moreover, the Board of Directors is entrusted with preparing shareholders' meetings and carrying out shareholders' resolutions.

The Board of Directors Regulations provide that the Chairman may call a meeting whenever he or she considers such meeting necessary or suitable. The Chairman is also required to call a meeting at the request of (i) one-third (1/3) of the Directors, (ii) the lead independent Director (iii) or any two (2) or more independent Directors. The Board of Directors is required to meet at least once a quarter, one of which meetings must be held within three (3) months of the end of the financial year. The Board of Directors met on sixteen (16) occasions during the twelve months ended 31 December 2015 and on seven (7) occasions from 31 December 2015 to the date of this Prospectus.

Meetings of the Board of Directors shall be considered validly held, without the need for a call, if all of its members are present or represented by proxy and they agree unanimously to hold the meeting and concur on the items on the agenda. The By-Laws provide that an absolute majority of Directors (represented in person or by proxy by another Director) constitutes a quorum. Except as otherwise provided by law or specified in the By-Laws, resolutions of the Board of Directors are passed by an absolute majority of the Directors present or represented at a meeting of the Board of Directors. The Chairman has a casting vote in the event of a tie.

## Directors

The following table sets forth the name, date of first appointment, title, nature of the title and professional address of each Director as of the date of this Prospectus:

Name	Date of first appointment <sup>(1)</sup>	Title	Nature of the title	Professional address
Rafael Miranda Robredo	18 February 2014	Chairman	Non-executive Independent	Madrid. Serrano 30, 2nd floor left
José Pedro Pérez-Llorca y Rodrigo	18 February 2014	Vice-Chairman <sup>(2)</sup>	Non-executive Independent	Madrid. Serrano 30, 2nd floor left
Joaquín Ayuso García	18 February 2014	Director	Non-executive Independent	Madrid. Serrano 30, 2nd floor left
Luis Mañas Antón	18 February 2014	Director	Non-executive Independent	Madrid. Serrano 30, 2nd floor left
María Concepción Osácar Garaicoechea	18 February 2014	Director	Non-executive Other external <sup>(3)</sup>	Madrid. Serrano 30, 2nd floor left
Fernando Gumuzio Iñiguez de Onzoño	18 February 2014	Director	Non-executive Other external <sup>(3)</sup>	Madrid. Serrano 30, 2nd floor left
Joaquín Hervada Yañez	18 February 2014	Secretary non-director	N/A	Madrid. Serrano 30, 2nd floor left

Notes:

- (1) The dates of first appointment of each director refer to the General Shareholders' Meeting at which each of the corresponding appointments was agreed for the first time.
- (2) Vice-Chairman as of 5 May 2016

- (3) Ms. María Concepción Osácar Garaicoechea and Mr. Fernando Gumuzio Íñiguez de Onzoño's do not satisfy the conditions to be considered proprietary directors, as they are not significant Shareholders, nor do they satisfy the conditions to be considered independent directors, as they are related to the Investment Manager. Consequently, applying article 529(k)(4) of the Spanish Companies Act and article 5(3)(c) of the Board of Directors regulations, the status of each of the aforementioned Directors is "Non-Executive Other external" Directors.

Since all Directors were appointed for a two year term (which expired on 18 February 2016), their renewal for a new two year term was approved at the General Shareholders' Meeting held on 5 May 2016.

None of the Directors have service contracts with the Company or any of its subsidiaries providing for benefits upon termination of employment.

### **Biographical information**

The descriptions below provide a profile of each of the Company's Directors, as regards their qualifications and management experience:

#### **Mr. Rafael Miranda Robredo**

Mr. Miranda is the chairman of the Hispania Board of Directors. He has extensive entrepreneurial and institutional experience in Spain, Europe and Latin America. He is currently chairman of Acerinox, S.A., of APD (Spanish Association for Management Progress), of the Social Board of the University of Burgos, and of the Spanish Board of INSEAD Business School (Fontainebleau), and he is also Honorary President of Eurelectric (Union of the European Electricity Industry).

Mr. Miranda is also a member of a number of boards of directors and advisory boards of both Spanish and international companies, such as SAICA, S.A., Brookfield Infrastructure Partners of Canada, A.T. Kearney and Banco de Sabadell Urquijo.

He has more than 40 years of business experience, 23 of which were at ENDESA, where he served as both Managing Director and Chief Executive Officer between 1987 and 2009. He previously held executive positions at TUDOR, S.A. (11 years) and Campofrío (3 years). He has held a large number of posts as chairman and chief executive of companies and institutions in Spain, Europe and Latin America.

He graduated with a degree in industrial engineering from Comillas University in 1973. He later earned a master's degree in management science from the industrial organization institute E.O.I.

#### **Mr. José Pedro Pérez-Llorca y Rodrigo**

Mr. Pérez-Llorca is the Vice-Chairman of the Hispania Board of Directors. He is a well-known arbitrator and lawyer in national and international proceedings and in transactions affecting Spanish and multinational companies.

Mr. Pérez-Llorca has played a prominent role in Spanish politics. He was one of the seven framers of the Spanish Constitution of 1978 (the so-called "fathers of the Constitution") and was Minister of the Presidency of the Government and Parliamentary Relations, Minister of Territorial Relations and Minister of Foreign Affairs with the governments of the UCD party. Whilst serving as Minister of Foreign Affairs, he began the negotiations on Spain's accession to the then European Economic Union (today EU). He also played a key role in the signing of a new treaty with the United States and was the driving force behind Spain's accession to NATO.

After retiring from politics, he founded the Pérez-Llorca law firm in 1982, where he primarily practices law in the field of arbitration.

Mr. Pérez-Llorca is a member of a number of official bodies, including the Arbitration Court of the Madrid Chamber of Commerce (CACCM), the Civil and Commercial Arbitration Court (CIMA), the International Chamber of Commerce (CCI), the Institute of Private Law of Amsterdam, the London Court of International Arbitration (LCIA) and the American Arbitration Association (AAA). He is also Chairman of the Royal Trust of the Prado Museum.

He graduated from the *Universidad Complutense*, Madrid, with a bachelor's degree in law in 1963 (with a National Prize).

#### **Mr. Joaquín Ayuso García**

Mr. Ayuso has been a member of the Board of Directors of Ferrovial since 2002, and is currently the company's vice-chairman. He has more than 30 years of experience in the Ferrovial Group, having held a number of positions in the company, from managing director to chief executive officer and vice-chairman of Cintra.

Mr. Ayuso is also a member of the Board of Bankia and of the National Express Group, and sits on the Advisory Board of the Instituto Universitario de Investigación en Estudios Norteamericanos Benjamin Franklin attached to the University of Alcalá de Henares of Madrid, and on the Advisory Board of Transyt (*Centro de Investigación del Transport de la E.T.S.I. Caminos, Canales y Puertos*). He also sits on the Board of Directors of the Círculo de Empresarios business circle and is a member of the Advisory Board for Spain of A.T. Kearney, S.A. He has also been a director at Holcim España, S.A., BAA (UK), Budimex (Poland) and ETR 407 (Canada).

Mr. Ayuso García graduated in Civil Engineering from the Madrid Polytechnical University.

#### **Mr. Luis Mañas Antón**

Since 2006, Mr. Mañas has managed various companies of the Arbitrage Group, a financial and energy sector consulting and advising and asset management firm. He has also advised the Mexican government (through the Secretariat of Treasury and Public Credit) and Pemex since 2007 in relation to the oil sector reform.

He is an independent director and member of the Delegate Committee of Tubos Reunidos. He is also a member of the Board of MAB-listed companies Promocinver SICAV, ARCA Select SICAV and Fermat 2016 SICAV, and independent director of insurance company Aviva España.

Mr. Mañas worked for almost 20 years at Repsol, where he served as CFO and member of the Executive Committee, and held positions such as Head of Planning. Previously, he worked as an economist in Washington for the International Monetary Fund and the World Bank, and in the Spanish Ministry of Economy and Finance.

He graduated from the *Universidad Autónoma*, Madrid, with a degree in law in 1983 and in Economics in 1983 (with a National Prize).

#### **Ms. María Concepción Osácar Garaicoechea**

Ms. Osácar is a founding partner of the Azora Group and is a director of Azora Capital and its subsidiaries, and chairwoman of Azora Gestión, S.G.I.I.C. In particular, she is a member of the Board of Directors and Executive Committee of Lazora S.I.I., S.A. and Azora Europa I, S.A., Director of Carey Value Added, S.L., Director of Residencias de Estudiantes, S.A. and Siresa Campus S.I.I., S.A. She is also a member of the Editorial Board of the Vocento Group, the Advisory Board of Think Tank Institución Futuro and Trustee of the ICO Foundation and member of the Governing Board of APD.

Before founding the Azora Group, she was Vice Chairwoman and Executive Director of Santander Central Hispano Activos Inmobiliarios, S.A. SGIIC, Chairwoman of BANIF Gestión, S.A. SGIIC (Grupo Central Hispano), Chairwoman of the Board and Ethics Committee of Inverco, General Manager for Spain of Group Pelloux (*Société Civile de Placement Immobilier*), director of Neinver and director of Caja Navarra.

Ms. Osácar has a law degree from the *Universidad Autónoma de Madrid*, an MBA from the *IE* and a PhD from IESE (*Universidad de Navarra*).

Mr. Fernando Gumuzio Iñíguez de Onzoño

Mr. Gumuzio is a founding partner of the Azora Group and member of the Board of Azora Capital and its subsidiaries. He is also Chairman of Grupo Taper, S.A. and, until March and April 2015, respectively, a director of Zelnova, S.A. and Genómica, S.A, all companies operating in the field of bio-medical research.

Before founding the Azora Group, Mr. Gumuzio was Chief Executive responsible for the Asset Management, Private Banking and Insurance division of Grupo Santander and member of its Management Committee. He also sat on the boards of several Santander Group companies. He has also been a director of the Caixa Geral bank, chairman of the Board of Directors of Sample Test, Executive Vice Chairman of Corporación Eólica CESA, chairman of Transmol Logística and a director of Cortefiel and of Zeltia.

Mr. Gumuzio has a degree in law and economics from Deusto University.

None of the Directors named above, except for Mr. Ayuso, has, in the five (5) years prior to the date of this Prospectus: (i) been convicted in relation to any fraud; (ii) in his capacity as a director or senior manager, been involved in, or associated with, any bankruptcies, receiverships or liquidations; or (iii) been the subject of any official public censure and/or sanctions by any statutory or regulatory authority (including any designated professional body) or been disqualified by a court from acting as a member of the administrative, management or supervisory body of any issuer, or from acting in the management or conduct of the affairs of any issuer. Furthermore, there are no family bonds between the Directors. Mr. Ayuso is a director of Inversora Autopistas de Levante, S.L., Autopista de Madrid Levante, Concesionaria Española, S.A., Autopista Madrid Sur, Concesionaria Española, S.A. and Inversora Autopistas del Sur, S.L.

#### **Independent Directors**

Four (4) of the Company's current Directors qualify as "independent directors" pursuant to the Board of Directors Regulations which incorporate the definitions set out in the Spanish Companies Act, as provided for in Law 31/2014: Mr. Miranda, Mr. Ayuso, Mr. Pérez-Llorca and Mr. Mañas.

#### **Committees of the Board of Directors**

In compliance with the By-Laws and Board of Directors Regulations, the Board of Directors has established an Executive Committee, an Audit Committee and a Nomination and Remuneration Committee.



In fulfilling their duties, the Board of Directors Committees are entitled to (i) access any corporate records they consider necessary, (ii) seek the cooperation and advice of members of the Management Team and (iii) retain the services of external professionals when the committee considers such services necessary to obtain advice or independent counsel which may not be adequately obtained internally.

The following is a brief description of the Committees of the Board of Directors:

### **Executive Committee**

The By-Laws and Board of Directors Regulations provide for the establishment of an Executive Committee, with general decision-making powers over matters which are not reserved for consideration by the Board of Directors pursuant to applicable law and the By-Laws.

The Executive Committee must have between three (3) and five (5) members, with the majority of them being independent Directors. Members of the Executive Committee are elected by the Board of Directors with the favourable vote of two-thirds (2/3) of its members. The Chairman of the Board of Directors is required to be a member of the Executive Committee. The Executive Committee is currently comprised of three (3) Directors: Mr. Rafael Miranda Robredo, who serves as chairman, Mr. Fernando Gumuzio Iñiguez de Onzoño and Mr. Joaquín Ayuso García. Mr. Joaquín Hervada is the Secretary of the Executive Committee.

The adoption of the following decisions requires approval by the Executive Committee: (i) any investment in minority equity stakes in companies holding real estate assets where the Company can exercise significant influence or in real estate-related income streams in the form of hybrid, junior, mezzanine or senior debt of real estate companies or with real estate collateral; (ii) any investment or disposal where the acquisition all-in costs together with any expected or proposed initial capital expenditure (in the case of a proposed acquisition of an investment opportunity) or the expected disposal gross proceeds (in the case of a proposed disposal of an asset) exceeds €50 million but does not exceed €75 million; (iii) any Company Financing which exceeds €50 million but does not exceed €75 million; (iv) the entering into any agreement with third party providers with a value per outsourcing contract exceeding €500,000 but not exceeding €1.5 million (or exceeding €3 million but not exceeding €5 million, in the event of entering into an agreement with third party providers in connection with capital expenditures); and (v) the constitution, amendment or cancellation of any deposit or any other security, other than in connection with a Company Financing, for an amount exceeding €2 million but not exceeding €5 million.

The meetings of the Executive Committee are chaired by the chairman of the Board of Directors and, failing that, by a member Director of the Executive Committee. The Secretary of the Board of Directors will act as secretary of the Executive Committee and, failing this, the Director elected by the Executive Committee by its attending members will do so.

The resolutions of the Executive Committee are approved by an absolute majority of its members attending in person or by proxy. In the event of a tie, the chairman of the Executive Committee will not have a casting vote. The chairman of the Executive Committee reports to the Board of Directors on the issues discussed and the decisions adopted at its meetings.

The Executive Committee met on eight (8) occasions during the twelve months ended 31 December 2015 and on three (3) occasions from 31 December 2015 to the date of this Prospectus.

### **Audit Committee**

The Board of Directors has established an Audit Committee in compliance with Article 44 of the By-Laws and Article 37 of the Board of Directors Regulations. The regulations applicable to the Audit Committee are set forth in the above referenced articles.

The Audit Committee must be composed of non-executive Directors and has a minimum of three (3) and a maximum of five (5) members. The Audit Committee is elected by the Board of Directors, the majority being independent Directors, taking into account the appointees' knowledge and experience.

The chairman of the Audit Committee is selected by the Audit Committee from among its members for an initial term of a maximum period of two years, which can be extended for an additional period of two years, after which, the chairman may only be re-elected one year after completing the initial two-year term or the additional two-year extended period. The chairman of the Audit Committee must be an independent Director. The Audit Committee appoints a secretary who does not need to be a member of the Audit Committee.

The Audit Committee is currently comprised of three (3) Directors: Mr. Luis Mañas, who serves as chairman, Mr. Joaquín Ayuso García and Mr. José Pedro Pérez -Llorca y Rodrigo. Mr. Joaquín Hervada is the secretary of the Audit Committee.

The Audit Committee is responsible for, among other things, the following basic functions:

- (a) to inform in the General Shareholders' Meeting on issues of its competence brought up by Shareholders in relation to the areas of the Audit Committee's competence;

- (b) to perform an analysis and issue a prior report on the operations of structural and corporate modifications of which it may be informed about its economic conditions and accounting effect and, especially, where applicable, about the proposed exchange equation;
- (c) to bring before the Board of Directors for submission by the Board of Directors to the General Shareholders' Meeting the proposed selection, appointment, re-election and replacement of the Company's external auditors and their terms of engagement, the scope of their professional mandate and, where appropriate, revocation or non-renewal; and to seek from the external auditors information on the audit plan and its execution as well as to preserve independence in the exercise of their duties;
- (d) to monitor the effectiveness of the Company's internal control and its internal audit and risk management systems, including tax-risk management systems, and to discuss with the Company's auditors any significant weaknesses detected in the internal control system during the audit;
- (e) to ensure that the external auditor's compensation does not compromise his/her quality nor his/her independence;
- (f) to supervise that the Company communicates as a relevant fact to the CNMV the changing of an auditor together with a statement of the eventual existence of disagreements with the outgoing auditor and, where applicable, of their contents;
- (g) to ensure that the external auditor holds an annual meeting with the entire Board of Directors to inform them of the work performed and of the evolution of the accounting and risk situation of the Company;
- (h) to ensure that the Company and the external auditor respect the effective standards on the provision of services different from auditing services, the restrictions on the focus of the auditor's business and, in general, other standards on the independence of auditors;
- (i) to examine the circumstances that motivate the resignation of the external auditor;
- (j) to ensure the independence and effectiveness of the internal auditing function and verifying the adequacy and integrity thereof, helping to support the Audit Committee in its supervision of the internal control system;
- (k) to propose the selection, appointment and substitution of the person responsible for the internal auditing services; to propose the budget for such services; to approve the focus and plans of his/her work, ensuring that his/her activity is mainly focused on the relevant risks of the Company; to receive periodic information in relation to its activities and verify that the members of the Management Team take into account the conclusions and recommendations included in its reports;
- (l) to act as a channel of communication between the Board of Directors and the auditors, evaluating the results of each audit and supervising the responses of the Management Team to the recommendations of the external auditors and mediating in the event of discrepancies between the two in relation to the principles and criteria applicable in the preparation of the financial statements and, where appropriate, investigating the circumstances giving rise to the resignation of the auditors;
- (m) to review, on a regular basis, the internal control and risk management systems of the Company and in particular, the correct design of the internal control system on the financial information (SCIIF), in order to duly identify, manage and give notice of the main risks;
- (n) to approve the internal auditing plan for the evaluation of SCIIF and receiving regular information of the outcome of its work, as well as of the action plan for dealing with the identified deficiencies;
- (o) to establish relationships with the external auditors in order to receive information about any matters that might jeopardise such auditors' independence and any other matters related to the audit process and other communications as provided in laws regarding the auditing and technical standards applied to auditing;
- (p) to monitor compliance with the terms of the auditors' engagement and ensuring that the audit opinion in respect to the Company's financial statement is clearly and precisely formulated;
- (q) to supervise the preparation and presentation process of the accounts and periodic financial information furnished by the Board of Directors to the securities regulatory authorities and the regulatory bodies of

the stock exchanges on which the Company's shares are traded, ensuring that the Company is in compliance with the rules and regulations of such regulatory authorities and that it is correctly applying generally accepted accounting principles and reporting on any proposals for modification of the Company's accounting principles and criteria suggested by its senior management;

- (r) to issue annually, prior to the audit report, a report on the independence of the external auditors;
- (s) to inform the Board of Directors, prior to the adoption of a decision, on the creation and acquisition of shares of special purpose vehicles or with domicile in countries considered tax havens, as well as any other transaction of a similar nature that, due to its complexity, might damage the transparency of the Group;
- (t) to supervise compliance with regard to related party transactions regulations, conflicts of interest and the other matters referred to in Chapter IX of the Board of Directors Regulations and communicating as appropriate with the regulatory authorities in relation to such matters; and
- (u) to establish and supervise the mechanisms that allow employees to confidentially communicate financial and accountancy irregularities within the Company, if applicable.

The resolutions of the Audit Committee must be approved by a majority of its members attending in person or by proxy. In the event of a tie, the chairman of the Audit Committee has a deciding vote. The chairman of the Audit Committee reports to the Board of Directors on the issues discussed and the decisions adopted at its meetings.

The Audit Committee met on nine (9) occasions during the twelve months ended 31 December 2015 and on one four (4) occasions from 31 December 2015 to the date of this Prospectus.

#### **Nomination and Remuneration Committee**

The composition, responsibilities and rules of the Nomination and Remuneration Committee are governed by Article 45 of the By-Laws and Article 38 of the Board of Directors Regulations.

The Nomination and Remuneration Committee must be composed of a majority of independent Directors, with such number of members determined by the Board of Directors, with a minimum of three (3) and a maximum of five (5). The members of the Nomination and Remuneration Committee are designated by the Board of Directors.

The chairman of the Nomination and Remuneration Committee is selected by the Nomination and Remuneration Committee from among its members for a maximum term of two (2) years, and may be re-elected as chairman one or more times for periods of equal duration. The chairman of the Nomination and Remuneration Committee must be an independent Director. The Nomination and Remuneration Committee appoints a secretary who does not need to be a member of the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee is currently comprised of three (3) Directors: Mr. José Pedro Pérez-Llorca, who serves as chairman, Ms. María Concepción Osácar Garaicoechea and Mr. Rafael Miranda Robredo. Mr. Joaquín Hervada is the secretary of the Nomination and Remuneration Committee.

Notwithstanding other duties which may be assigned thereto by the Board of Directors, the Nomination and Remuneration Committee has the following basic responsibilities:

- (a) to evaluate the competence, knowledge and experience required of the Directors. For those purposes, it will define the functions and necessary aptitudes in candidates to fill each vacancy, and evaluate the time and dedication necessary to perform their duties effectively;
- (b) to bring before the Board of Directors the proposals for appointment, re-election or removal of independent Directors in order for the Board of Directors to proceed to appoint them (co-optation) or take on such proposals for submission to the decision of the General Shareholders' Meeting, and to report on the proposals for appointment of the remaining Board members to be appointed by co-optation or for submission to the decision of the General Shareholders' Meeting and the proposals for re-election or removal by the General Shareholders' Meeting;
- (c) to report on the appointment of the Chairman, Vice-Chairman, Secretary and Vice-Secretary of the Board of Directors;
- (d) to report on the proposed appointment of the members of the Audit Committee;
- (e) to report to the Board of Directors on the performance by the Chairman of his or her duties;

- (f) to examine and organise the succession of the Chairman and, as the case may be, the chief executive officer, and to make proposals to the Board of Directors such that the succession is done in an orderly manner;
- (g) to report on the proposed appointment and removal of senior management and the basic terms of their contracts;
- (h) to report to the Board of Directors on matters of gender diversity;
- (i) to set up and supervise an annual evaluation and review programme of qualification, development and, if necessary, independence, as well as to maintain the conditions of respectability, capability, expertise, competence, availability and commitment to their duties that must be satisfied in order to serve as Director and as a member of a committee, and propose to the Board of Directors such measures as it deems advisable in this regard, while collecting any information or documentation that it deems necessary or appropriate for such purposes;
- (j) to consider the suggestions by the Chairman, the Directors, the managers or Shareholders of the Company;
- (k) to regularly review the remuneration policy of senior management and propose its modification and update to the Board of Directors;
- (l) to regularly review the Directors' remuneration and to propose its modification and update to the Board of Directors to be submitted to the General Shareholders' Meeting as well as the annual remuneration of the directors;
- (m) to propose executive directors' annual remuneration and the remaining basic terms their contracts to be approved by the Board of Directors, including the potential compensation that could be settled in the event of early dismissal from its duties and the amounts to be paid by the Company by way of insurance premiums or contributions to saving schemes, in any case pursuant to the internal regulations of the Company and, in particular, in accordance with the remuneration policy approved by the General Shareholders' Meeting;
- (n) to inform, prior to the approval by the competent corporate body, the remunerations established for the independent directors of other companies of the group;
- (o) to inform and submit to the Board of Directors the proposals of the Chairman of the Board of Administrators or the chief executive officer, in connection with the remuneration structure of senior management and the basic terms of their contracts, including the eventual remuneration of compensations that may be settled in the case of removal;
- (p) to monitor observance of the remuneration programmes established by the Company;
- (q) to report on the documents to be approved by the Board of Directors for their public disclosure in connection with the information on remuneration, including the Annual Report on Directors' Remuneration of the Directors and the corresponding sections of the Annual Corporate Governance Report of the Company; and
- (r) to supervise the compliance with the internal code of conduct and the rules of corporate governance.

The Nomination and Remuneration Committee meets each time it is convened by its chairman, who must do so whenever the Board of Directors or the Chairman of the Board of Directors requests the issuance of a report or the adoption of proposals and, in any case, whenever expedient for the proper fulfillment of its functions.

The Nomination and Remuneration Committee is to be convened by the chairman of the committee, either at his own initiative or at the request of the Chairman of the Board of Directors or of two (2) members of the Nomination and Remuneration Committee itself.

The Nomination and Remuneration Committee is validly assembled when the majority of its members attend in person or by proxy. The resolutions of the Nomination and Remuneration Committee will be approved by the majority of its members attending in person or by proxy. In the event of a tie, the chairman of the Nomination and Remuneration Committee has a casting vote. All the agreements adopted shall be drawn-up in the minutes, which the entire Board of Directors shall be informed of, and a copy of the minutes shall be forwarded or submitted to all the members of the Board of Directors.

The Nomination and Remuneration Committee met on three (3) occasions during the twelve months ended 31 December 2015 and on three (3) occasions from 31 December 2015 to the date of this Prospectus.

### **Internal Code of Conduct and corporate governance recommendations**

In compliance with the fourth additional provision of Law 44/2002, of 22 November, on Financial System Reform Measures and former Article 80.2 (now Article 225.2) of the Securities Market Act, the Board of Directors, at its meeting held on 18 February 2014, approved the Internal Code of Conduct (*Código Interno de Conducta en materias relativas a los Mercados de Valores*) (the “**Internal Code of Conduct**”), which contains standards of conduct in relation to the securities issued by the Company which are traded on organised markets. On 29 June 2015, the Board of Directors amended Article 5(b)(i) of the Internal Code of Conduct to reduce the restricted activity period prior to the publication of periodical information from 20 to 15 days.

The Internal Code of Conduct regulates, among other things, the Directors’ conduct with regard to the treatment, use and disclosure of the Company’s material information. The Internal Code of Conduct applies to, among other persons, all Directors, to the Company’s external advisers when they handle material non-public information and any other person who may have access to such material non-public information.

The Internal Code of Conduct, among other things:

- (a) establishes the restrictions on and conditions for the purchase or sale of the securities or the Company’s other financial instruments by persons subject to the Internal Code of Conduct and by those who possess material non-public information;
- (b) provides that persons subject to the Internal Code of Conduct shall not engage in market manipulation with respect to the Company’s securities or its other financial instruments;
- (c) provides that the Company shall not engage in open market purchases with a view to manipulating the market price of its securities or its other financial instruments, or to favouring any particular shareholder(s); and
- (d) provides that persons who have a conflict of interest shall act in good faith and with loyalty toward the Company and its Shareholders and without regard to such person’s individual interests. Accordingly, such persons shall (i) not act in their own interest at the Company’s expense, or in the interest of particular Shareholders at the expense of other Shareholders, (ii) not participate in decisions that may affect other persons or entities with whom such person has a conflict of interest, and (iii) report potential conflicts of interest to the Company’s regulatory compliance unit.

As at the date of this Prospectus, the Company believes it substantially complies with the vast majority of the recommendations of the Good Governance Code for Listed Companies (*Código de Buen Gobierno de las Sociedades Cotizadas*). In particular, the Company complies with the guidelines, recommendations and corporate governance practices of the Corporate Governance Code, except as described below:

- Recommendation 6 (regarding publication of reports on the independence of the auditors, the functioning of the Audit Committee and Nomination and Remuneration Committee, the operations of the Audit Committee and the corporate social responsibility): the Company partially complies with this recommendation as the Company will provide a report on the corporate social responsibility in 2016;
- Recommendation 7 (regarding the direct transmission of the General Shareholders’ Meetings via the Company’s webpage): given the technical complexity and the cost of directly transmitting the General Shareholders’ Meetings, the Company did not consider that this was necessary for the last General Shareholders’ Meeting, although it will consider each General Shareholders’ Meeting individually and may transmit them in the future;
- Recommendation 18 (regarding the publication of the biographies, other directorships, shareholdings in the Company and dates of appointment of the Directors on the Company’s webpage): the Company partially complies with the recommendation in so far as it partially makes information on the other directorships of the Directors publicly available; and
- Recommendation 55 (regarding reporting the corporate social responsibility policies instated by the Company): the Company will provide a report on the corporate social responsibility in 2016.

The Company is committed to following strict corporate governance policies. Similarly, the Company’s website is updated according to the requirements of the relevant capital markets regulations to allow its Shareholders access to information, as well as to disclose all relevant and material information. See the Company’s Annual Report on Corporate Governance (*Informe Anual de Gobierno Corporativo*) for 2015 which is incorporated by reference in, and forms part of, this Prospectus.

## Conflicts of Interest

As a general rule, in accordance with Articles 228 and 229 of the Spanish Companies Act, directors are obliged to refrain from participating in the deliberation and voting on agreements or resolutions in which he or any of his affiliates have direct or indirect conflicts of interest, as well as to take appropriate measures to avoid situations in which his or her interests, whether to his or her own benefit or on behalf of third parties, may conflict with the Company's interests and his or her duties as Director. For this purpose, Directors must refrain from:

- (a) entering into transactions with the Company, except for ordinary transactions performed under the standard conditions for clients and of limited relevance, understood as those transactions whose details are not necessary to give a faithful picture of the Company's equity, financial situation and results;
- (b) using the name of the Company or the position as Director to unduly influence the performance of private transactions;
- (c) using corporate assets, including confidential information of the Company; with a private purpose;
- (d) taking advantage of the business opportunities of the Company;
- (e) obtaining benefits or remuneration from a third party outside the Company and its affiliates that is associated with the performance of his duties, except in the case of mere courtesy attentions;
- (f) performing activities for his or her own account, or for others, involving effective competition, whether actual or potential, with the Company, or which would otherwise lie within a permanent conflict with the Company's interests.

In any case, Directors must communicate to the other Directors and the Board of Directors at large any situation of conflict with the Company's interest, whether direct or indirect, that they or any affiliate may enter. Additionally, in accordance with Article 24 of the Board of Directors Regulations, Directors should abstain from voting on a resolution in connection with which they may have a personal interest, whether direct or indirect.

The Company may grant an exemption on the prohibitions set out above, authorising, on an individual basis, entering into transactions with the Company, the use of certain corporate assets, taking advantage of a certain business opportunity or obtaining benefits or remuneration from a third party. As a general rule, the exemption will be granted by the Board of Directors provided that the independence of the board members is guaranteed and that the specific transaction does not damage or harm the net worth of the Company or, if applicable, that the transaction is at arm's length and the transparency of the decision-making process. However, the exemption will need to be granted by the General Shareholders' Meeting when it involves the authorisation to obtain benefits or remuneration from a third party or when it involves a transaction that has a value that exceeds 10% of the assets of the company.

Similarly, the non-compete obligation foreseen in Article 229 of the Spanish Companies Act may only be subject to exemption through an express and separate resolution of the General Shareholders' Meeting provided that no damage to the Company is expected to occur or in the event that the benefits from such exemption offset the damages that may take place.

The former sole shareholder of the Company waived, in respect of Mr. Gumuzio and Ms. Osácar, the prohibition to undertake, on their behalf or on behalf of a third party, businesses with the same, analogous or complementary objects to the corporate object of the Company, subject to the terms and conditions of the Investment Manager Agreement, and in particular in order to allow them to undertake the matters falling outside of the exclusivity and right of first offer provisions set forth in the Investment Manager Agreement. See "*Material Contracts—Investment Manager Agreement—Exclusivity and conflicts of interest*".

Mr. Gumuzio and Ms. Osácar, together with the rest of members of the Management team, have individually provided an undertaking that if they identify a Relevant Opportunity which they intend to participate in, they shall, before proceeding to effect such participation or acquisition of the property subject of that Relevant Opportunity, present the Relevant Opportunity to the Company for consideration as a possible investment by the Company instead. See "*Material Contracts—Management Commitments*".

## Shareholdings of Directors and Management Team

The Directors hold an aggregate of 30,000 Existing Ordinary Shares, representing 0.036% of the Existing Ordinary Shares, as follows:

Name	Shares		
	Total no. of Existing Ordinary Shares held directly	Total no. of Existing Ordinary Shares held indirectly	% of total voting rights held
Rafael Miranda Robredo .....	10,000	0	0.012%
Joaquín Ayuso García .....	10,000	0	0.012%
José Pedro Pérez-Llorca .....	0	0	0%
Luis Mañas .....	10,000	0	0.012%
María Concepción Osácar Garaicoechea <sup>(1)</sup> .....	0	0	0%
Fernando Gumuzio Iñíguez de Onzoño <sup>(1)</sup> .....	0	0	0%
Joaquín Hervada.....	0	0	0%
<b>Total (Existing Ordinary Shares held by Directors).....</b>	<b>30,000</b>	<b>0</b>	<b>0.036%</b>

Notes:

- (1) Both María Concepción Osácar Garaicoechea and Fernando Gumuzio Iñíguez de Onzoño are Directors and, at the same time, indirect shareholders through their holding companies, of Azora Altus S.L. Azora Altus S.L. holds a minority direct shareholding in the Company amounting to 60,000 ordinary shares and an indirect shareholding amounting to 765,000 ordinary shares through Azora Capital S.L. (715,000 ordinary shares) and Azora Gestión S.G.I.I.C., S.A. (50,000 ordinary shares), amounting to 0.999% of the existing voting rights of the Company. There are no controlling shareholders in Azora Altus S.L. in accordance with the stated in the Securities Market Act.

The individuals forming part of the Management Team hold an aggregate of 315,000 Existing Ordinary Shares, representing 0.381% of the Existing Ordinary Shares, as follows:

Name	Shares		
	Total no. of Existing Ordinary Shares held directly	Total no. of Existing Ordinary Shares held indirectly	% of total voting rights held
Ms. María Concepción Osácar Garaicoechea <sup>(1)</sup>	0	0	0
Mr. Fernando Gumuzio Iñíguez de Onzoño <sup>(1)</sup>	0	0	0
Mr. Juan del Rivero .....	75,000	0	0.091%
Ms. Cristina García-Peri .....	100,000	0	0.121%
Mr. Javier Picón .....	25,000	0	0.030%
Mr. Jean Marc Parnier .....	25,000	0	0.030%
Mr. Javier Rodríguez Heredia	25,000	0	0.030%
Mr. Javier Arús .....	25,000	0	0.030%
Ms. Mónica Garay.....	40,000	0	0.048%
<b>Total (Existing Ordinary Shares held by Directors).....</b>	<b>315,000</b>	<b>0</b>	<b>0.381%</b>

Notes:

- (1) Both María Concepción Osácar Garaicoechea and Fernando Gumuzio Iñíguez de Onzoño are Directors and, at the same time, indirect shareholders through their holding companies, of Azora Altus S.L. Azora Altus S.L. holds a minority direct shareholding in the Company amounting to 60,000 ordinary shares and an indirect shareholding amounting to 765,000 ordinary shares through Azora Capital S.L. (715,000 ordinary shares) and Azora Gestión S.G.I.I.C., S.A. (50,000 ordinary shares). There are no controlling shareholders in Azora Altus S.L. in accordance with the stated in the Securities Market Act.

The members of the Management Team have committed to exercise in full their Preferential Subscription Rights (including those corresponding to Azora Altus, S.L., to Azora Capital, S.L. and to the Investment Manager and except for 9 Preferential Subscription Rights, which they have undertaken not to exercise nor to sell in order to allow for the exchange ratio agreed for the Offering to consist of whole numbers). As a result, the Management Team will be subscribing for 356,245 New Ordinary Shares in the Offering (for a total of €3,188,392.75).

## Director compensation

According to the provisions of Article 37 of the By-Laws of the Company, only independent directors will be entitled to receive remuneration for their service on the Board of Directors, which will consist of a fixed annual amount either monetary or in kind. The annual maximum amount to be distributed among the Directors as remuneration for their service on the Board of Directors shall not exceed the amount determined by the Shareholders at the General Shareholders' Meeting. The Board of Directors determines for each financial year the specific amount to be received by each of its eligible members as remuneration, being able to adjust the amounts received by each of them depending on whether they are members of the delegated bodies of the Board of Directors, the positions held on such bodies, and, in general, their dedication to administrative tasks or their service to the Company.

On 29 June 2015, the General Shareholders' Meeting of the Company approved under item thirteen of the Agenda, that the maximum annual amount payable to eligible Directors in their capacity as such will be €380,000 for years 2015, 2016 and 2017. This amount will remain in force until the General Shareholders' Meeting resolves to amend it.

Without prejudice to the foregoing, the Company will reimburse any documented travel expenses incurred by Directors in order to attend Board of Directors meetings and meetings of the Board of Directors Committees on which they serve, and has taken out civil liability insurance policies for its Directors.

There are no amounts set aside or accrued by the Group to provide pension, retirement or similar benefits.

The total individual remuneration paid to the Directors for the financial year ended 31 December 2015 and the financial year ended 31 December 2014 were as follows:

Director	Salary	Fixed Remuneration	Fixed remuneration for being a member of a Committee of the Board of Directors	Total	Total year ended 31 December 2014
	year ended 31 December 2015				(€ thousand)
					(€ thousand)
Mr. Fernando Gumuzio Iñiguez de Onzoño	0	0	0	0	0
Ms. M <sup>a</sup> Concepción Osácar Garaicoechea	0	0	0	0	0
Mr. Joaquín Ayuso García	0	50	20	70	56
Mr. José Pedro Pérez-Llorca	0	50	20	70	56
Mr. Luis Alberto Mañas Antón	0	50	20	70	56
Mr. Rafael Miranda Robredo	0	120	40	160	128

The Annual Report on the Directors' Remuneration of Public Limited Companies (*Informe Annual Sobre Remuneraciones de los Consejeros de Sociedades Anonimas Cotizadas*) is incorporated by reference in, and forms part of, this Prospectus.

### Other Directorships and Partnerships

Save as set out below, the Directors have not held any directorships of any company in the same sector of activity of the Company, or been a partner in a partnership in any such sector, at any time during the five years prior to the date of the Prospectus.

Director	Company	Position	Status
<b>Rafael Miranda Robredo</b>	Enersis, S.A. (Chile)	Director	Until April 2013
	Saica, S.A.	Director	Current
<b>Joaquín Ayuso García</b>	Parkia, S.A.	Director	Current
	Acerinox, S.A.	Chairman	Current
	BIP (Brookfield Infrastructure Partners)	Director	Current
	Isagen, S.A. (Bogotá)	Director	Current
	Bankia, S.A.	Director	Current
	Ferrovial, S.A.	Vice-Chairman	Current
	Ferrovial Agromán, S.A.	Chairman	Until December 2012
	Ausol, S.A.	Director	Current
	Autopista de Madrid Levante, Concesionaria Española, S.A. (in insolvency proceedings)	Chairman	Until March 2013
	Inversora Autopistas de Levante, S.L. (in insolvency proceedings)	Chairman	Until March 2013
	Autopista Madrid Sur, Concesionaria Española, S.A. (in insolvency proceedings)	Director	Until March 2013
Inversora Autopistas del Sur, S.L. (in insolvency proceedings)	Director	Until March 2013	
Autopista Alcalá O'Donnell, S.A.	Chairman	Until March 2013	
National Express, Plc	Director	Current	



<b>Director</b>	<b>Company</b>	<b>Position</b>	<b>Status</b>
	Holcim España, S.A.	Director	Until November 2012
<b>José Pedro Pérez-Llorca</b> <b>Luis Alberto Mañas Antón</b>	Pérez Llorca Abogados, S.L.P.	Sole Administrator	Current
	I.A.G. International Airlines Group	Director	Current
	Tubos Reunidos, S.A.	Independent Director and member of the Delegated Committee	Current
	Arbitrage Capital SICAV, S.A.	Director	Until June 2014
	Promocinver SICAV, S.A.	Director	Current
	Arca Select SICAV, S.A.	Director	Current
	Diversity Inversiones SIL (until the merger into Adlar Capital SICAV in 2013)	Director	Until June 2013
	Aviva España, S.A.	Director and Chairman of the Risk and Investment Committee	Current
	Subsidiaries of Petróleos Mexicanos in Spain: PMI Holdings España, S.A.; Pemex Internacional España, S.A.; PPO Cadena Productiva, S.L.; PMI Field Management Resources, S.L.	Director	Current
<b>María Concepción Osácar</b> <b>Garaicoechea</b>	Fermat 2006 SICAV, S.A.	Director	Current
	Casco Antiguo de Logroño, S.L.	Socia / consejera	Until 2010
	Vialeste, S.L.	Director	Until 2010
	Edma World, S.L.	Director	Until March 2010
	Caja Navarra	Director	Until July 2012
	Viding Fitness, S.L.	Individual Representative of a Director	Until 2013
	Azora Altus, S.L. <sup>(1)</sup>	Shareholder/ Individual Representative of a Director	Current
<b>Fernando Gumuzio Iñiguez de Onzoño</b>	Lazora, S.I.I., S.A.	Chairman	Current
	Azora Europa I, S.A.	Chairman	Current
	Encampus, Residencias de Estudiantes, S.A.	Director	Current
	Herome Inversiones 2011, S.A.	Director	Current
	Carey Value Added, S.L.	Director	Current
	Banco Santander, S.A.	Director of Asset Management, Private Banking and Insurance	Until July 2012
	Inser Robótica, S.A.	Chairman	Until July 2012
	Banco Caixa Geral	Independent Director	Until December 2013
	Zelnova, S.A.	Director	Until March 2015
	Genómica, S.A.	Director	Until April 2015
	Azora Altus, S.L. <sup>(1)</sup>	Shareholder/ Individual Representative of a Director	Current
	Lazora, S.I.I., S.A.	Director	Current
	Azora Europa I, S.A.	Director	Current
	Encampus, Residencias de Estudiantes, S.A.	Chairman	Current
	Encasa Cibeles, S.L.	Chairman	Current
	Carey Value Added, S.L.	Chairman	Current
	Grupo Taper, S.A.	Chairman	Current
	Ecovent Parc Eolic, S.A.	Chairman	Current
	Energías Ambientales de Outes, S.A.	Chairman	Current
	Canepa Green Energy España, S.L.	Chairman	Current
	Green Energy Noroeste, S.L.	Chairman	Current

Notes:

- (1) Both María Concepción Osácar Garaicoechea and Fernando Gumuzio Iñiguez de Onzoño are Directors and, at the same time, indirect shareholders through their holding companies, of Azora Altus S.L. Azora Altus S.L. holds a minority direct shareholding in the Company amounting to 60,000 ordinary shares and an indirect shareholding amounting to 765,000 ordinary shares through Azora Capital S.L. (715,000 ordinary shares) and Azora Gestión S.G.I.I.C., S.A. (50,000 ordinary shares). There are no controlling shareholders in Azora Altus S.L. in accordance with the stated in the Securities Market Act.

In respect of the companies described above, within the period of five (5) years preceding the date of this Prospectus, and save as disclosed below, none of the Directors:

- has had any convictions in relation to fraudulent offences;
- has been associated with any bankruptcy, receivership, or liquidation while acting in the capacity of a director or senior manager (save for the cases mentioned in the table above); or
- has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

Save as discussed above, there are no arrangements or understandings with major shareholders, members, suppliers or others pursuant to which any Director was selected.

There are no family relationships between any of the Directors.

## TAXATION

The following summary describes certain Spanish and U.S. federal income tax consequences of the ownership or disposition. This summary is based on the laws as of the date of this Prospectus and is subject to changes to those laws subsequent to the date of this Prospectus. You should consult your own advisors as to the tax consequences of the acquisition, ownership and disposition of the Shares in light of your particular circumstances, including, in particular, the effect of any state, regional or local tax laws.

### Spanish Tax Considerations

#### General

The following is a summary of the material Spanish tax consequences of the subscription, acquisition, ownership and disposition of the Shares by **Holders** (as defined below). This summary is not a complete analysis or listing of all the possible tax consequences of such transactions and does not address all tax considerations that may be relevant to all categories of potential investors, some of whom may be subject to special rules. In particular, this tax section does not address the Spanish tax consequences applicable to “look-through” entities (such as trusts or estates) that may be subject to the tax regime applicable to such non-Spanish entities under the Spanish Non-Resident Income Tax Act, to individuals who acquire the Shares by reason of employment or to pension funds or collective investment in transferrable securities (UCITS) or to companies applying the SOCIMI Regime.

Similarly, this information does not take into account specific regulations established in Navarra or in the historic territories of the Basque Country or the specialties in place in other autonomous communities of Spain (including the cities of Ceuta and Melilla).

Accordingly, prospective investors in the Shares should consult their own tax advisers as to the applicable tax consequences of their subscription, purchase, ownership and disposition of the Shares, including the effect of tax laws of any other jurisdiction, based on their particular circumstances.

The description of Spanish tax laws set forth below is based on Spanish state law as of the date of this Prospectus and on administrative interpretations of Spanish law. As a result, this description is subject to any changes in such laws or interpretations occurring after the date hereof, including changes having retroactive effect.

As used in this “Spanish Tax Considerations” section, the terms:

(a) “**Spanish Holder**” means a beneficial owner of the Shares: (i) who is an individual or corporation resident for tax purposes in Spain; or (ii) who is an individual or corporation not resident for tax purposes in Spain but whose ownership of shares is effectively connected with a permanent establishment in Spain through which such holder carries on or has carried on business or with a fixed base in Spain from which such holder performs or has performed independent personal services.

(b) “**Non-Spanish Holder**” means a beneficial owner of the Shares: (i) who is an individual or corporation resident for tax purposes in any country other than Spain; and (ii) whose ownership of Shares is not effectively connected with a permanent establishment in Spain through which such holder carries on, or has carried on, business or with a fixed base in Spain from which such holder performs, or has performed, independent personal services;

Hereinafter, Spanish Holders and Non-Spanish Holders, would be jointly referred as “**Holders**”.

### Spanish taxation of Holders in the Company as long as the Company is not subject to the SOCIMI Regime

Spanish Holders

(A) Indirect taxation

#### Spanish Transfer Tax

Subscription, acquisition and transfers of the Shares will be exempt from Spanish Transfer Tax (*Impuesto sobre Transmisiones Patrimoniales Onerosas y Actos Jurídicos Documentados*) and Spanish Value Added Tax, in accordance with the exceptions provided in article 314 of the Spanish Securities Market Act and the corresponding articles of the Spanish regulations of the referred taxes. Additionally, no Spanish Stamp Duty will be levied on such subscription, acquisition and transfers.

(B) Direct taxation

Individuals, Income tax on individuals

#### Taxation of Dividends

According to the Spanish Income Tax on Individuals (Impuesto sobre la Renta de las Personas Físicas) (“**IIT**”) Law (Ley 35/2006, de 28 de noviembre, del Impuesto sobre la Renta de las Personas Físicas y de modificación parcial de las leyes de los Impuestos sobre Sociedades, sobre la Renta de no Residentes y sobre el Patrimonio) (“**IIT Law**”), income received by a Spanish Holder in the form of dividends, shares in profits, consideration paid for attendance at

shareholders' meetings, income from the creation or assignment of rights of use or enjoyment of the Shares and any other income received in his or her capacity as shareholder are considered, inter alia, gross capital income.

Administration and custody expenses are deductible for IIT, except those incurred in individualized portfolio management. Capital income is allocated to the Spanish Holder's savings IIT taxable base. Savings IIT taxable base is taxed at a flat rate of 19% for the first €6,000, 21% between €6,001 and €50,000, and 23% for any amount in excess of €50,000, without any dividend tax credit being applicable.

Any amount received as a consequence of a share premium distribution by companies listed on a regulated market as defined under the Directive 2004/39EC of April 21 (recasted by Directive 2014/65/EU, of May 15), will reduce the acquisition cost of the Shares in respect of such share premium received. Any share premium in excess of the basis is treated as a dividend for IIT purposes, being taxed as described in the preceding paragraph.

The payment to Spanish Holders of dividends or any other distribution is generally subject to a withholding tax (such withholding to be carried out by the Company) on account of final IIT at the rate of 19% on its gross amount. Such withholding tax is fully creditable from the net IIT due (*cuota líquida*); any amount withheld in excess of the amount of the IIT payable is refundable by the Spanish tax authorities.

### **Taxation of capital gains.**

Transfer of the Shares may trigger capital gains or losses. The taxable amount equals the difference between the Shares' tax basis and their transfer value; Spanish IIT Law considers as transfer value the listed value of the Shares as of the transfer date or, if higher, the agreed transfer price. Costs and expenses effectively borne on the acquisition and disposal of the Shares are taken into account for the calculation.

Capital gains or losses arising from the transfer of Shares are included in the individual's savings IIT taxable base corresponding to the period when the transfer takes place. Savings IIT taxable base is taxed, during at a flat rate of 19% for the first €6,000, 21% between €6,001 and €50,000 and 23% for any amount in excess of €50,000.

Where the taxpayer owns other equivalent securities, the acquisition price of the transferred shares is based on the principle that those acquired first are sold first (FIFO).

Capital gains deriving from the transfer of Shares are not subject to withholding tax on account of IIT.

Please note that losses deriving from the transfer of Shares admitted to trading on certain official stock exchanges are disregarded if securities of the same kind (Shares) have been acquired during the period between two months before and two months after the date of the transfer which originated the loss. In these cases, capital losses will be included in the IIT taxable base when the transfer of the remaining Shares of the taxpayer takes place.

### **Subscription Rights.**

Until 31 December, 2016, if a Spanish Holder sells any rights received, the sale proceeds reduce the tax basis of the Shares to which they pertain. Any excess over the tax basis is treated as a capital gain for IIT purposes without being subject to withholding in Spain.

However, as from 1 January, 2017, if a Spanish Holder sells any rights received, the sale proceeds will be treated (in full) as capital gain for IIT purposes and should be subject to withholding tax.

In any case such capital gains should be allocated to the Spanish Holder's savings IIT taxable base (to be sheltered only with income allocated to such savings IIT taxable base) and would be subject to the flat rate of 19% for the first €6,000, 21% between €6,001 and €50,000 and 23% for any amount in excess of €50,000.

The exercise of the rights generally is not a taxable event under Spanish law.

### **Spanish Wealth Tax.**

Individual Spanish Holders are subject to Spanish Wealth Tax (*Impuesto sobre el Patrimonio*) on all their assets (such as the Shares) owned every 31 December irrespective of where the assets are located.

Spanish Wealth Tax Law (*Ley 19/1991, de 6 de junio, del Impuesto sobre el Patrimonio*) exempts from taxation the first €700,000 of net wealth owned by an individual Spanish Holder (some additional exemptions may apply on specific assets; those exemptions do not generally apply to the Shares); the rest of the net wealth is taxed at rates ranging between 0.2% to 2.5%. However, this taxation may vary depending on the Spanish autonomous community of residence of the corresponding Spanish Holder.

Spanish individual Holders subject to Spanish Wealth Tax filing obligations will be obliged to include reference (in the corresponding tax form) to the Shares yearly owned at 31 December. These Shares should be reported at their average market value of the Shares during the last quarter of the year. The Spanish Ministry of Finance and Taxation publishes annually such market value for the purposes of the Spanish Wealth Tax.

Furthermore, in accordance with article 66 of the Law 48/2015, of October 29, on Spanish General Budget for year 2016 (*Ley de Presupuestos Generales del Estado para el año 2016*), as from year 2017, a full exemption on Spanish

Wealth Tax would apply (*bonificación del 100%*), and therefore from year 2017 Spanish individual Holders will be released from formal and filing obligations in relation to this Spanish Wealth Tax, unless the derogation of the exemptions is extended again.

### **Spanish Inheritance and Gift Tax.**

Individuals resident in Spain for tax purposes who acquire Shares by inheritance or gift are subject to Spanish Inheritance and Gift Tax ("*Impuesto sobre Sucesiones y Donaciones*") ("**IGT**") in accordance with the IGT Law (*Ley 29/1987, de 18 de diciembre, del Impuesto sobre Sucesiones y Donaciones*; "**IGT Law**"), without prejudice to the specific legislation applicable in each autonomous community. The effective tax rate, after applying all relevant factors, ranges from 7.65% to 81.6%. Some tax benefits may reduce the effective tax rate.

### **Corporations; Corporate Income Tax**

#### **Taxation of Dividends.**

According to the Corporate Income Tax (*Impuesto sobre Sociedades*) ("**CIT**") Law (*Ley 27/2014, de 27 de noviembre, del Impuesto sobre Sociedades*) ("**CIT Law**") dividends deriving from the Shares or a share of our profits received by corporate Spanish Holders reduced by any expenses inherent to holding the Shares, are included in the CIT taxable base in accordance with article 10 of the CIT Law. The general CIT tax rate is currently 25%. No tax exemption or tax credits for the avoidance of double taxation will apply in relation to dividends paid out of profits taxed under the SOCIMI Regime.

Spanish Holders that are CIT taxpayers are generally subject to withholding (such withholding to be carried out by the Company) on account of final CIT liability at a rate of 19% on the gross amount of the distributed profits. Such withholding tax is fully creditable from the CIT payable, and if the amount of tax withheld exceeds the final CIT payable, the taxpayer is entitled to a refund in accordance with article 127 of the CIT Law.

#### **Share premium distribution**

Any amount received as a consequence of a share premium distribution by companies listed on a regulated market under the Directive 2004/39/EC of April 21 (recasted by Directive 2014/65/EU, of May 15), will reduce the acquisition cost of the Shares in respect of such share premium received. Any share premium in excess of the basis is treated as a dividend for CIT purposes, being taxed as described in the preceding paragraph.

Share premium distributions will not be subject to withholding tax on account of CIT.

#### **Income deriving from transfers of the Shares.**

The gain or loss deriving from the transfer of the Shares is included in the tax base of CIT taxpayers, being taxed generally at a rate of 25%. No tax exemption or tax credit for the avoidance of double taxation will apply in relation to income obtained on the transfer of the Shares on the basis that the Company is taxed under the SOCIMI Regime.

Please note that, among other restrictions, if the acquirer of the Shares is an entity within the same group of companies of the transferor, any losses triggered are not CIT deductible until (i) the Shares are transferred to a third party, alien to the corresponding group of companies; or (ii) the acquirer or the transferor leaves the corresponding group of companies.

The impairment of the Shares is not deductible for CIT purposes. Gains deriving from the transfer of the Shares are not subject to withholding on account of CIT.

#### **Other Spanish Taxes.**

Spanish Holders that are subject to CIT are not subject to Spanish Net Wealth Tax, nor to IGT. However, Spanish Holders that are subject to CIT should include the fair market value of the Shares received by inheritance or gift in their taxable CIT income.

#### **Non-Spanish Holders**

##### **(A) Indirect taxation**

#### **Spanish Transfer Tax**

Subscription, acquisition and transfers of the Shares will be exempt from Spanish Transfer Tax (*Impuesto sobre Transmisiones Patrimoniales Onerosas y Actos Jurídicos Documentados*) and Spanish Value Added Tax, in accordance with the exceptions provided in article 314 of the Spanish Securities Market Act and the corresponding articles of the Spanish regulations of the referred taxes. Additionally, no Spanish Stamp Duty will be levied on such subscription, acquisition and transfers.

## **(B) Direct taxation**

### **Taxation of Dividends**

Under Spanish law, dividends paid by a Spanish resident company, such as the Company, to a Shareholder are subject to Spanish Non-Resident Income Tax (the “**NRIT**”) as regulated by the Spanish Non-Resident Income Tax Act, approved by Royal Legislative Decree 5/2004 of 5 March (the “**NRIT Act**”) withheld at source on the gross amount of dividends, currently at a tax rate of 19% unless otherwise provided under a DTT.

In addition, dividends distributed by the Company to a Non Spanish Holder resident in a EU Member or to a permanent establishment of the latter located in a EU Member (i) holding a participation of at least 5% in the share capital of the Company or with an acquisition value of at least €20 million; and (ii) whose participation is held during at least one year (either prior or after the dividend deriving from the Shares is received) would generally be exempt from NRIT. This exemption would be subject to certain requirements, among others, (i) an anti-abuse provision where the exemption would as a general rule not be applicable, if the EU Non Spanish Holder is controlled by persons not resident in a EU Member State or (ii) the recipient of the dividends being a company listed in the relevant Annex of companies and subject to and not exempt from taxation of profits under any of the taxes mentioned under article 2.c of the Council Directive 2011/96/EU.

The aforesaid exemption will also be applicable, subject to compliance with similar requirements, to dividends distributed to certain corporate Holders resident in a Member State of the European Economic Area with which Spain has ratified an effective exchange of information under the terms described in the Spanish Act 36/2006.

Holders claiming the applicability of such exemption that have not met a minimum one-year holding period as of a given dividend distribution date (but who could meet such requirement afterwards) should be aware that the NRIT Act requires the Company to withhold the applicable NRIT on such dividends, and that such Holders will need to request a direct refund of such withholding tax from the Spanish tax authorities pursuant to the Spanish refund procedure described below under “—*Spanish refund procedure*”.

In respect of any Spanish source dividends received annually by Shareholders who are resident in an EU Member State or in the European Economic Area and has an effective agreement for the exchange of fiscal information with Spain and who are not acting through a tax haven, administration and custody expenses may be deducted from the gross amount of dividends.

Shareholders resident in certain countries may benefit from a reduced tax rate (e.g., 15% under the current wording of the U.S.-Spain DTT) or an exemption under an applicable DTT with Spain, subject to the satisfaction of any conditions specified in the relevant DTT, including providing evidence of the tax residence of the Shareholder by means of a valid certificate of tax residence duly issued by the tax authorities of the country of tax residence of the Shareholder or, as the case may be, the equivalent document specified in the Order applicable to such DTT.

In order to request the refund of the amount withheld in excess of the rate provided in the applicable DTT, Shareholders could use any of the two procedures available under Spanish tax law: (i) the quick refund procedure or (ii) the standard refund procedure.

### **Spanish Quick Refund Procedure**

According to the Order dated 13 April 2000 of the Ministry of Economy and Finance, upon distribution of a dividend, the Company, directly or through its paying agent, will withhold from the dividend an amount equal to the tax required to be withheld according to the general rules set forth in relation to NRIT (i.e., applying the current general withholding tax rate) and will transfer the net dividend to the custodian entities.

The custodian entities are the financial institutions with which the Shareholders have entered into a custodian or management agreement with respect to the Shares. If the custodian is resident, domiciled or represented in Spain and it timely provides the Company with evidence of the Shareholder’s right to obtain the DTT reduced rate or exemption, the Company will immediately transfer, directly or through its paying agent, to the custodian entity the surplus amount withheld in respect of such Shareholder. For these purposes, the relevant certificate of tax residence must be provided before the tenth day following the end of the month in which the dividends were paid. To satisfy this requirement, Shareholders must provide a certificate of tax residence issued by the relevant tax authorities of the Shareholder’s country of residence stating that, to the best knowledge of such authorities, the Shareholder is, for tax purposes, a resident of such country within the meaning of the relevant DTT or, if applicable, an equivalent document provided for in the Order applicable to such DTT. This tax certificate is, as a general rule, valid only for a period of one year from the date of issue. Immediately after, the custodian entity should pay the Shareholder the amount withheld in excess of the applicable rate under the relevant DTT received from the Company.

If this certificate of tax residence or, if applicable, the equivalent document referred to above, is not provided within this time period or if the depository of the Shareholder is not resident, domiciled or represented in Spain, the Shareholder may subsequently obtain a refund of the excess amount withheld from the Spanish tax authorities, following the Standard Refund Procedure established by Royal Decree 1776/2004, dated 30 July 2004, and an Order dated 17 December 2010, as described below.

## Spanish Standard Refund Procedure

If the certificate of tax residence or, if applicable, the equivalent document referred to above, is not provided within this time period or if the custodian entity of the Shareholder is not resident, domiciled or represented in Spain, the Shareholder may subsequently obtain a refund from the Spanish tax authorities of the excess amount withheld, following the standard refund procedure established by Royal Decree 1776/2004, of 30 July 2004, and an Order dated 17 December 2010.

For this purpose, the Shareholder should file:

- (i) the applicable Spanish tax form (i.e., currently Form 210)<sup>2</sup>;
- (ii) the certificate of tax residence or equivalent documented (see “—*Taxation of Dividends*”);
- (iii) documentary evidence of the Spanish tax withheld by the Company; and
- (iv) documentary evidence of the bank account in which the excess amount withheld should be paid.

For the purposes of this standard refund procedure, a Shareholder would need to file a Form 210 (together with the corresponding documentation) from the 1st February following the year in which the NRIT was withheld, and up to the four-year period after the end of the corresponding filing period in which the Company reported and paid such withholding taxes. The Spanish Revenue Office must make the refund within the six-month period after the filing of the refund claim. If such period elapses without the Shareholder receiving the corresponding refund, the Shareholder would be entitled to receive interest for late payment on the amount of the refund claimed.

For further details, prospective Holders should consult their tax advisers.

### Share premium distribution

Share premium distribution will not be subject to withholding tax in Spain.

Distribution of share premium by the Company (provided that the Shares are admitted to trading on a regulated market as defined in the Directive 2004/39/EC of the European Parliament and the Council of April 21) should reduce the tax base cost of the Shares of the Shareholder until offsetting it. Any excess over the acquisition value would be treated for tax purposes as dividends (see “—*Taxation of Dividends*” above) and the Shareholder will be obliged to file a NRIT tax return in Spain in relation to such excess.

### Taxation of Capital Gains

Capital gains derived from the transfer, exchange, redemption or sale of the Shares will be deemed to be income arising in Spain, and, therefore, taxable in Spain. The Spanish tax rate currently applicable is 19%. However, capital gains obtained by Shareholders will not be subject to withholding tax in Spain.

Capital gains and losses will be calculated separately for each transaction. It is not possible to offset losses against capital gains.

Capital gains derived from the transfer, exchange, redemption or sale of the Shares will be exempt from taxation in Spain in either of the following cases:

- (i) Capital gains realised by non-residents of Spain who benefit from a DTT that provides for taxation only in the Shareholder’s country of residence.
- (ii) Capital gains derived from the transfer of the Shares on an official Spanish secondary stock market (such as the Spanish Stock Exchanges on which the Shares of the Company are expected to be listed) by any Shareholder, who is a resident of a country that has entered into a DTT with Spain containing an exchange of information clause (domestic exemption provided in article 14.1.i) of the NRIT Act). However, this exemption is not applicable to (i) capital gains obtained by a Shareholder where it holds its Shares (and obtains the income) through a country or territory that is defined as a tax haven under Spanish regulations and (ii) capital gains obtained by a Shareholder holding at least 5% of the share capital of the Company.

According to the Order of 17 December 2010, Holders will be obliged to submit a Spanish tax form (currently Form 210) within:

- (i) the first 20 calendar days of April, July, October and January, if there is a tax payment to be made; or
- (ii) the first 20 calendar days of January of the year following that in which the relevant capital gain is accrued, if no tax is due (i.e., if qualifying for a tax exemption).

In order for the exemptions mentioned above to apply, the Shareholder must provide a certificate of tax residence or equivalent document as described under “—*Taxation of Dividends*” above, together with the Spanish tax

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<sup>2</sup> Spanish tax form available at [www.agenciatributaria.gob.es](http://www.agenciatributaria.gob.es)

form. The Shareholder's tax representative in Spain and the custodian of the Shares are also entitled to carry out such filing on a Holder's behalf.

The certificate of tax residence mentioned above will generally be valid for a period of one year from its date of issuance.

### **Subscription Rights**

Until 31 December 2016, if a Shareholder sells any rights received, the sale proceeds are reduced by the acquisition cost of the Shares to which they pertain. Any excess over the acquisition cost generally is deemed as a capital gain for NRIT purposes, subject to the NRIT implications in the manner described under “—*Taxation of Capital Gains*” above. The exercise of the rights generally is not a taxable event under Spanish law.

However, from 1 January 2017, if a Shareholder sells any rights received, the sale proceeds will be treated (in full) as capital gain for NRIT purposes.

Pursuant to the NRIT Act, capital gains obtained by Shareholders will not be subject to withholding in Spain. The Shareholder will therefore be obliged to submit the relevant tax form and, if applicable pay the corresponding liability (such filing and payment obligation may also be fulfilled by the Shareholder's tax representative or by the custodian of the Shares in accordance with the proceeding and tax form provided for under Order EHA/3316/2010, of 17 December).

### **(C) Wealth Tax**

Unless otherwise provided under an applicable DTT, pursuant to Law 19/1991, of 6 June on Wealth Tax (as amended by Royal Decree-Law 13/2011 of 16 September), and for the tax period 2016, Wealth Tax is levied on the ownership by a non-Spanish tax resident individual of rights or assets in excess of €700,000 located in Spain or that may be exercised in Spain. The Spanish tax authorities are of the view that the shares of a Spanish company (such as the Shares of the Company) should be considered assets located in Spain.

The Wealth Tax return must report the assets and rights existing at the value they have as of 31 December of the relevant year (for example, 31 December 2016). Non-Spanish tax resident individuals whose net worth is above €700,000 and who hold Shares on the last day of any year would therefore be subject to Wealth Tax for such year at marginal rates varying between 0.2% and 2.5% of the average market value of the Shares during the last quarter of such year. Each year the Ministry of Finance and Taxation will publish such average market value of the Shares.

Shareholder who benefit from a DTT that provides for taxation only in the Shareholder's country of residence will not be subject to Wealth Tax.

In accordance with article 66 of the Law 48/2015, of 29 October on Spanish General Budget for the year 2016 (*Ley de Presupuestos Generales del Estado para el año 2016*), from the year 2017, a full exemption on Wealth Tax would apply (*bonificación del 100%*).

Shareholders tax resident in a State of the European Union or of the European Economic Area may be entitled to apply the specific regulation of the autonomous community where their most valuable assets are located and which trigger this Spanish Wealth Tax due to the fact that they are located or are to be exercised within the Spanish territory. Investors should consult their own advisers in this regard.

Shareholders who are non-Spanish resident corporations are not subject to Spanish Wealth Tax.

### **(D) Spanish Inheritance and Gift Tax**

Unless otherwise provided under an applicable inheritance DTT, acquisitions of shares upon death and by gift by individuals not resident in Spain for tax purposes are subject to Spanish Inheritance and Gift Tax if the shares are located in Spain (as is the case with the Shares of the Company) or the rights attached to such shares are exercisable in Spain, regardless of the residence of the heir or the beneficiary. The effective tax rate, after applying all relevant factors, ranges between 7.65% and 81.6%.

Generally, non-Spanish tax resident individuals are subject to Spanish Inheritance and Gift Tax according to the rules set forth in the common law. However, if the deceased or the donee are resident in an EU or European Economic Area Member State, the applicable rules will be those corresponding to the relevant autonomous regions according to the law. As such, prospective investors should consult their tax advisers.

Non-Spanish resident corporations are not taxpayers of the Spanish Inheritance and Gift Tax and income inherited or obtained by gift (*a título lucrativo*) will generally be subject to NRIT, as capital gains, unless otherwise provided under an applicable DTT.

For further details, prospective Shareholders should consult their tax advisers.



## Certain United States Federal Income Tax Considerations

The following discussion is a summary of certain material U.S. federal income tax considerations under present law of the receipt, exercise and disposition of Preferential Subscription Rights pursuant to the Offering, as well as the acquisition, ownership and disposition of the New Ordinary Shares by a U.S. Holder (as defined below). This summary deals only with U.S. Holders who are Eligible Shareholders who will receive Preferential Subscription Rights in the Offering, who use the U.S. dollar as their functional currency and who will hold the Preferential Subscription Rights and New Ordinary Shares as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to the receipt, exercise or disposition of Preferential Subscription Rights or the acquisition, ownership or disposition of the New Ordinary Shares by particular investors, and does not address state, local, foreign or other tax laws, or matters other than U.S. income taxes (such as estate or gift taxes). In particular, this summary does not address tax considerations applicable to investors that own (directly, indirectly or constructively) 10% or more by vote or value of the Company's equity interests, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws, including banks and certain other financial institutions, insurance companies, regulated investment companies, investors liable for the alternative minimum tax, certain U.S. expatriates, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities, securities traders that elect mark-to-market treatment, investors that will hold the New Ordinary Shares as part of a straddle, hedging, conversion or other integrated financial transaction, real estate investment trusts or investors that will hold the New Ordinary Shares in connection with a trade or business conducted outside of the United States.

This discussion is based on the tax laws of the United States in effect as of the date of this Prospectus, including the Code, U.S. Treasury regulations in effect or, in some cases, proposed as of the date of this Prospectus, as well as judicial and administrative interpretations thereof, in each case as in effect and available as of the date of this Prospectus. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below, and there can be no assurance that the U.S. Internal Revenue Service ("IRS") or U.S. courts will agree with the tax consequences described in this summary.

As used herein, the term "U.S. Holder" means a beneficial owner of Preferential Subscription Rights or the New Ordinary Shares that is for U.S. federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation, or other business entity treated as a corporation, created or organised under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

If a business entity or arrangement treated as a partnership for U.S. federal income tax purposes holds Preferential Subscription Rights or New Ordinary Shares, the U.S. federal income tax treatment of a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships and their partners should consult their own tax advisers concerning the U.S. federal income tax consequences to their partners of the receipt, exercise and disposition of Preferential Subscription Rights or the acquisition, ownership and disposition of the New Ordinary Shares.

### Passive Foreign Investment Company Rules

The taxation of U.S. Holders will depend on whether the Company is treated for U.S. federal income tax purposes as a passive foreign investment company ("PFIC"). Based on the Company's currently anticipated investments and activities, the Company expects that the Company, the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration) and BAY Hotels & Leisure, S.A. will each be treated as PFICs for the current and foreseeable future taxable years. The Company and the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration) may also own, directly or indirectly, equity interests in other entities which are PFICs (together with the SOCIMI Subsidiary –whilst its absorption by the Company is pending formalisation and registration– and BAY Hotels & Leisure, S.A., "Lower-tier PFICs"). A non-U.S. corporation is a PFIC in any taxable year in which either (i) at least 75% of its gross income is "passive income" or (ii) at least 50% of the quarterly average market value of its assets is attributable to assets that produce or are held to produce "passive income." In applying these tests, the Company would be treated as holding its proportionate share of the assets and receiving its proportionate share of the income of any other corporation in which the Company owns at least 25% by value of the shares. Passive income for this purpose generally includes dividends, interest, royalties, rent and capital gains. However, rents and gains derived in the active conduct of a trade or business in certain circumstances are considered active income. The Company does not expect that rents and gains from any real property that it holds directly or that is held directly by the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration) or BAY Hotels & Leisure, S.A. will qualify as active income, since such property will not be managed by the Company's, the SOCIMI Subsidiary's (whilst its absorption by the Company is pending formalisation and registration) or BAY Hotels & Leisure, S.A.'s own employees but rather by an independent manager. Whether an entity is a PFIC is determined annually, and its status could change based on changes in its assets, income, activities and the structure through which it holds property.

Unless the U.S. Holder made a qualified electing fund (“QEF”) election or mark-to-market election with respect to such U.S. Holder’s New Ordinary Shares (each election as described below), the U.S. Holder generally would be subject to additional taxes (including taxation at ordinary income rates and an interest charge) under the PFIC excess distribution rule on any “excess distributions” received from the Company and on any gain realised from a sale or other disposition of such New Ordinary Shares, regardless of whether the Company continues to be a PFIC in the year such distribution is received or gain is realised. For this purpose, a pledge of the New Ordinary Shares as security for a loan may be treated as a disposition. The U.S. Holder would be treated as receiving an excess distribution in a taxable year to the extent that distributions on the New Ordinary Shares during that year exceed 125% of the average amount of distributions received during the three preceding taxable years (or, if shorter, the U.S. Holder’s holding period). To compute the tax on excess distributions or on any gain, (i) the excess distribution or gain would be allocated ratably over the U.S. Holder’s holding period, (ii) the amount allocated to the current taxable year and any year before the Company became a PFIC would be taxed as ordinary income in the current year, (iii) the amount allocated to other taxable years would be taxed at the highest applicable marginal rate in effect for each such year and (iv) an interest charge would be imposed to recover the deemed benefit from the deferred payment of the tax attributable to each year described in (iii). Gain on the disposition of the New Ordinary Shares will be subject to taxation in the same manner as an excess distribution, described immediately above. Under proposed Treasury regulations, gain on the disposition of Preferential Subscription Rights will be treated in the same manner as gain on the disposition of the New Ordinary Shares. The holding period for a New Ordinary Share acquired on the exercise of a Preferential Subscription Right will begin on the date a U.S. Holder receives the Preferential Subscription Rights.

A U.S. Holder under proposed Treasury regulations would be subject to tax under the rules described above on (i) distributions by a Lower-tier PFIC and (ii) a disposition of shares of a Lower-tier PFIC, in each case as if the U.S. Holder held such shares directly, even though the U.S. Holder has not actually received the proceeds of those distributions or dispositions. As noted above, the Company expects that the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration) and BAY Hotels & Leisure, S.A. will each be treated as a Lower-tier PFIC and the Company and the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration) may hold equity interests in other entities which are Lower-tier PFICs. Thus, if these proposed regulations are finalised in their current form, U.S. Holders of the Company’s New Ordinary Shares would, unless a QEF election is made with respect to the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration), BAY Hotels & Leisure, S.A. or any other Lower-tier PFIC, be subject to tax under the PFIC rules described above if the Company or the entity owning the shares of such Lower-tier PFIC were to receive distributions from, or dispose of the shares of, the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration) or such other Lower-tier PFIC. However, the proposed regulations are not currently in effect, and the treatment of distributions with respect to and dispositions of shares of a Lower-tier PFIC is not certain, and U.S. Holders should consult their tax advisers as to how to treat distributions by, and dispositions of shares of, a Lower-tier PFIC.

A U.S. Holder may avoid the excess distribution rules described above by electing to treat the Company, the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration) and BAY Hotels & Leisure, S.A. (for the first taxable year in which the U.S. Holder owns New Ordinary Shares) and any other Lower-tier PFIC (for the first taxable year in which the U.S. Holder is treated as owning an equity interest in such Lower-tier PFIC) as QEFs. The Company will provide any U.S. Holder who notifies the Company that it has made or intends to make a QEF election with the information required for such an election, with respect to the New Ordinary Shares of the Company, with respect to interests in the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration) and, to the extent the Company has control of them, in any other Lower-tier PFICs. If the U.S. Holder makes a QEF election, the U.S. Holder will be required to include in gross income each year, whether or not the Company makes distributions, as capital gains, its *pro rata* share of the Company’s net capital gains and, as ordinary income, its *pro rata* share of the Company’s net earnings in excess of its net capital gains. Such inclusions will increase the U.S. Holder’s tax basis in its New Ordinary Shares. Amounts recognised by a U.S. Holder making a QEF election generally are treated as income from sources outside the United States. Because the U.S. Holder has already paid tax on them, distributions of amounts previously included in income will not be subject to tax when they are distributed to the U.S. Holder, but will decrease their tax basis in the New Ordinary Shares. An electing U.S. Holder’s tax basis in the New Ordinary Shares will increase by any amounts the holder includes in income currently and decrease by any amounts not subject to tax when distributed. A U.S. Holder that makes a QEF election may recognise taxable income in amounts significantly greater than the distributions received from the Company. A U.S. Holder that wants to avoid the possible application of the excess distribution rules (including the interest charge and treatment of gain as ordinary income) with respect to interests in the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration) and in any other Lower-tier PFICs will be required to make a separate QEF election with respect to each such Lower-tier PFIC. A U.S. Holder making a QEF election other than in respect of the first taxable year in which it owns (or is treated as owning) an equity interest in a PFIC (including the New Ordinary Shares and any equity interest in a Lower-tier PFIC) would continue to be subject to the excess distribution rules described above as well as the QEF rules with respect to such PFIC, unless the U.S. Holder makes a “deemed sale” election in the taxable year the QEF election is made and recognises gain taxed under the “excess distribution” regime described above for the relevant equity interest’s appreciation before the year for which the QEF election is made.

## **U.S. HOLDERS ARE STRONGLY ADVISED TO CONSULT WITH THEIR TAX ADVISERS WITH RESPECT TO MAKING A QEF ELECTION.**

As an alternative to a QEF election, a U.S. Holder may also be able to avoid the PFIC excess distribution rules described above with respect to the New Ordinary Shares by electing to mark the New Ordinary Shares to market annually if the New Ordinary Shares are “marketable stock”. The New Ordinary Shares will be “marketable stock” if they are “regularly traded” on a “qualified exchange”. The New Ordinary Shares will be treated as “regularly traded” in any calendar year in which more than a *de minimis* quantity of the New Ordinary Shares are traded on a qualified exchange on at least 15 days during each calendar quarter. A foreign exchange is a “qualified exchange” if it is regulated by a governmental authority in the jurisdiction in which the exchange is located and with respect to which certain other requirements are met. The IRS has not identified specific foreign exchanges that are “qualified” for this purpose. Although the Company expects the Spanish Stock Exchanges, on which the New Ordinary Shares will be listed, would be considered qualified exchanges, no assurance can be given as to whether the Spanish Stock Exchanges are qualified exchanges or that the New Ordinary Shares will be traded in sufficient frequency and quantity to be considered “marketable stock” for purposes of the PFIC mark-to-market election. U.S. Holders should consult their tax advisers as to whether the Spanish Stock Exchanges are qualified exchanges for this purpose. If a U.S. Holder makes the mark-to-market election, any gain from marking the New Ordinary Shares to market or from disposing of them would be ordinary income. Any loss from marking the New Ordinary Shares to market would be recognised only to the extent of net gains previously included in income. Loss from marking the New Ordinary Shares to market would be ordinary, but loss on disposing of them would be capital loss except to the extent of mark-to-market gains previously included in income. U.S. Holders will not be able to make mark-to-market elections with respect to the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration) or other Lower-tier PFICs. Each U.S. Holder should ask its own tax adviser whether a mark-to-market election is available or desirable with respect to the New Ordinary Shares.

Each U.S. Holder generally will be required to file a separate annual information return with the IRS with respect to the Company, the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration), BAY Hotels & Leisure, S.A. and any other Lower-tier PFIC.

U.S. Holders should consult their own tax advisers concerning the Company’s PFIC status and the consequences to them of treatment of the Company, the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration) and BAY Hotels & Leisure, S.A. and entities in which the Company or the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration) hold equity interests as PFICs for any taxable year.

### **Preferential Subscription Rights**

#### **Receipt**

A U.S. Holder should be entitled to treat the receipt of Preferential Subscription Rights as a non-taxable distribution with respect to its Existing Ordinary Shares, and the following discussion assumes the distribution is not taxable. Were the distribution to be treated as a taxable distribution, subject to the PFIC rules discussed below, the holder could recognise dividend income equal to the fair market value of the rights (likely determined by the price at which they initially trade).

If the fair market value of the Preferential Subscription Rights when received by a U.S. Holder is less than 15% of the fair market value of the Existing Ordinary Shares with respect to which Preferential Subscription Rights are received, the Preferential Subscription Rights will have no basis unless the U.S. Holder elects to allocate its adjusted tax basis in its Existing Ordinary Shares between the shares and the Preferential Subscription Rights in proportion to their relative fair market values on the date the Preferential Subscription Rights are received. A U.S. Holder must make this election on its tax return for the year in which the Preferential Subscription Rights are received, and such election is irrevocable.

If the fair market value of the Preferential Subscription Rights when received by a U.S. Holder is 15% or greater than the fair market value of the shares with respect to which the Preferential Subscription Rights are received, a U.S. Holder’s adjusted tax basis in its shares must be allocated between the shares and the Preferential Subscription Rights in proportion to their relative fair market values on the date the Preferential Subscription Rights are received.

#### **Exercise**

A U.S. Holder will not recognise taxable income when it receives New Ordinary Shares by exercising the Preferential Subscription Rights. The holder will have a tax basis in the New Ordinary Shares equal to its tax basis in the Preferential Subscription Rights exercised plus the U.S. dollar value of the euro Subscription Price determined at the exchange rate on the exercise date (or in the case of a cash basis or electing accrual basis holder, the settlement date).

If a U.S. Holder pays the subscription price with previously acquired euro, any foreign currency gain or loss on the exchange of the euro for New Ordinary Shares will be U.S. source ordinary income or loss.

## Disposition

Subject to the PFIC rules discussed above, a U.S. Holder will recognise capital gain or loss on the sale or other disposition of the Preferential Subscription Rights in an amount equal to the difference between the U.S. Holder's adjusted tax basis in the Preferential Subscription Rights and the U.S. dollar value of the amount realised from the disposition. Any gain or loss generally will be treated as arising from U.S. sources. The gain or loss will be long-term capital gain or loss if the holder held the Preferential Subscription Rights for more than one year. The U.S. Holder's holding period in the Preferential Subscription Rights will include its holding period in the Existing Ordinary Shares with respect to which the Preferential Subscription Rights were distributed. Deductions for capital loss are subject to limitations.

## Expiration

If a U.S. Holder allows the Preferential Subscription Rights to expire without selling or exercising them, the Preferential Subscription Rights should be deemed to have no tax basis. The U.S. Holder therefore should not recognise any loss upon expiration of the Preferential Subscription Rights. Any tax basis that was allocated from the Existing Ordinary Shares to the Preferential Subscription Rights will remain with the Existing Ordinary Shares.

## New Ordinary Shares

### Dividends

Subject to the PFIC rules discussed above, distributions with respect to the New Ordinary Shares, including taxes withheld therefrom, if any, generally will be included in a U.S. Holder's gross income as dividends to the extent paid out of the Company's current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because the Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that distributions received by U.S. Holders generally will be reported as dividends. A dividend will be included in a U.S. Holder's income as ordinary income on the date the U.S. Holder receives it, and it will be treated as foreign-source dividend income. The dividends will not be eligible for the dividends received deduction generally allowed to U.S. corporations. Because the Company expects to be a PFIC, it is expected that any dividends it pays will not be eligible for the preferential tax rate applicable to "qualified dividend income" received by individuals and certain other non-corporate U.S. Holders.

Dividends paid in euro will be includable in income in the U.S. dollar amount calculated by reference to the exchange rate in effect on the day the dividends are actually or constructively received by the U.S. Holder, regardless of whether the euro are converted into U.S. dollars at that time. A U.S. Holder will have a basis in the euro received equal to the U.S. dollar value on the date of receipt. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend is includable in the income of the U.S. Holder to the date such payment is converted into U.S. dollars (or the U.S. Holder otherwise disposes of the euro) will be exchange gain or loss and will be treated as U.S. source ordinary income or loss for foreign tax credit limitation purposes. If dividends received in euro are converted into U.S. dollars on the day the dividends are received, the U.S. Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income.

A U.S. Holder may claim a deduction or a foreign tax credit (subject to applicable limitations) for tax withheld from dividends at a rate not in excess of the maximum rate applicable to such U.S. Holder after applying any available reductions, including reduced rates available under the U.S.-Spain income tax treaty (the "**Treaty**"). Limitations on credibility or deductibility of foreign taxes are complex and U.S. shareholders should consult their tax advisers.

### Sale or Other Disposition

A U.S. Holder generally will recognise gain or loss for U.S. federal income tax purposes on the sale, exchange or other disposition of the New Ordinary Shares equal to the difference, if any, between the amount realised on the sale, exchange or other disposition and the U.S. Holder's adjusted tax basis in such New Ordinary Shares, each determined in U.S. dollars. Gains would be taxed in the manner described under "*—Passive Foreign Investment Company Rules*" above, and losses would generally be long-term capital loss if the U.S. Holder's holding period in the New Ordinary Shares exceeds one year. The deductibility of capital losses is subject to limitations. A U.S. Holder's adjusted tax basis in the New Ordinary Shares generally will be its U.S. dollar cost, except to the extent its basis has been increased as a result of inclusion of undistributed earnings under a QEF election, or is adjusted as a result of a mark-to-market election. A U.S. Holder that pays Spanish tax on gain from a disposition of the New Ordinary Shares may, due to treatment of such gain as U.S. source income under U.S. domestic law rules and the absence of an express rule in the Treaty requiring the U.S. to treat such gain as foreign source, be unable to claim credit for such Spanish tax. Limitations on creditability or deductibility of foreign taxes are complex and U.S. shareholders should consult their tax advisers.

If a U.S. Holder receives euro (or other currency other than U.S. dollars) upon a sale, exchange or other disposition of the New Ordinary Shares, such U.S. Holder generally will realize an amount equal to the U.S. dollar value of the euro (or other non-U.S. currency) received at the spot rate of exchange on the date of disposition (or, if the New Ordinary Shares become traded on an established securities market and a U.S. Holder is a cash-basis or electing accrual basis taxpayer, at the spot rate of exchange on the settlement date). A U.S. Holder will have a tax basis in the currency received equal to the U.S. dollar value of the currency on the date of disposition (or the settlement date of the disposition,

if the U.S. Holder is a cash-basis or electing accrual basis taxpayer and the New Ordinary Shares are traded on an established securities market). Any currency gain or loss realised on the settlement date or recognised on the subsequent sale, conversion or other disposition of the euro (or other non-U.S. currency) for a different U.S. dollar amount generally will be U.S. source ordinary income or loss for foreign tax credit limitation purposes.

### **Medicare Surtax on Net Investment Income**

Non-corporate U.S. Holders whose income exceeds certain thresholds generally will be subject to a 3.8% surtax on their “net investment income” (which generally includes, among other things, dividends on, and capital gain from the sale or other taxable disposition of, the New Ordinary Shares). Although it is not entirely clear how the Medicare surtax should apply with respect to distributions by, and gains from the sale of shares of, Lower-tier PFICs (such as the SOCIMI Subsidiary (whilst its absorption by the Company is pending formalisation and registration) and BAY Hotels & Leisure, S.A.), a non-corporate U.S. Holder should generally expect that such distributions and gains would be included in the holder’s “net investment income” when subject to U.S. federal income tax, even though the holder did not receive the proceeds of such distributions or gains. Non-corporate U.S. Holders should consult their own tax advisors regarding the possible effect of such tax on their ownership and disposition of the New Ordinary Shares, in particular the applicability of this surtax with respect to a non-corporate U.S. Holder which makes a QEF or mark-to-market election in respect of their New Ordinary Shares.

### **Backup Withholding and Information Reporting**

Payments of dividends and other proceeds with respect to the New Ordinary Shares, by a U.S. paying agent or other U.S. intermediary, or made into the United States, will be reported to the IRS and to the U.S. Holder as may be required under applicable Treasury regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status. Certain U.S. Holders (including, among others, corporations) are not subject to backup withholding or information reporting. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder will be refunded (or credited against such U.S. Holder’s U.S. federal income tax liability, if any), provided the required information is furnished to the IRS. Prospective investors should consult their own tax advisers as to their qualification for exemption from backup withholding and the procedure for establishing an exemption.

Certain U.S. Holders may be required to report to the IRS information with respect to their investment in the New Ordinary Shares not held through an account with certain financial institutions. Investors who fail to report required information could become subject to substantial penalties. Prospective investors are encouraged to consult with their own tax advisers regarding information reporting requirements with respect to their investment in the New Ordinary Shares.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. ALL SHAREHOLDERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF RECEIVING, EXERCISING OR DISPOSING OF PREFERENTIAL SUBSCRIPTION RIGHTS OR ACQUIRING, HOLDING OR DISPOSING OF THE NEW ORDINARY SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

## ERISA

### Certain ERISA Considerations

ERISA and Section 4975 of the Code impose certain requirements and restrictions on (a) employee benefit plans (as defined in Section 3(3) of ERISA) that are subject to Title I of ERISA, (b) plans (as defined in Section 4975(e)(1) of the Code) that are subject to Section 4975 of the Code, including individual retirement accounts and Keogh plans, (c) any entities whose underlying assets include plan assets by reason of an investment described (a) or (b) in such entities (each of (a), (b) and (c), a “**Benefit Plan Investor**”) and (d) persons having certain relationships to such Benefit Plan Investors (such persons referred to as “Parties in Interest” under ERISA or “Disqualified Persons” under the Code. Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Benefit Plan Investor, unless a statutory or administrative exception or exemption is applicable to the transaction. A Party in Interest who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

Governmental plans, certain church plans and certain non-U.S. plans, while not subject to the fiduciary responsibility and prohibited transaction provisions of ERISA or the provisions of section 4975 of the Code, may nevertheless be subject to similar rules under federal, state, local or non-U.S. laws (“**Similar Laws**”), and may be subject to the prohibited transaction rules of section 503 of the Code. Fiduciaries of any such plans should consult with their counsel before authorising an investment of plan assets for the purchase of Shares.

Under ERISA and the Plan Asset Regulations, if a Benefit Plan Investor (as defined below) invests in an “equity interest” of an entity that is neither a “publicly offered security” (which requires registration with the SEC) nor a security issued by an investment company registered under the Investment Company Act, the Benefit Plan Investor’s assets are generally deemed to include both the equity interest and an undivided interest in each of the entity’s underlying assets, unless it is established (a) that the entity is an “operating company” as that term is defined in the Plan Asset Regulations, or (b) equity participation by Benefit Plan Investors is not “significant”.

Under the Plan Asset Regulations, equity participation in an entity by Benefit Plan Investors is significant on any date if, immediately after the most recent acquisition of any equity interest in the entity, 25% or more of the total value of any class of equity interest in the entity is held by Benefit Plan Investors (the “**25% Limitation**”). For purposes of the 25% Limitation, the value of any equity interests held by persons (other than Benefit Plan Investors) with discretionary authority or control with respect to the assets of the entity or who provide investment advice for a fee with respect to such assets, and their respective affiliates is disregarded, which in the case of the Company will include equity interests held by the Investment Manager and its affiliates.

If the underlying assets of the Company are deemed to be plan assets under the Plan Asset Regulations, the obligations and other responsibilities of the plan sponsors, plan fiduciaries and plan administrators and of Parties in Interest Title I of ERISA and section 4975 of the Code, as applicable, may be expanded, and there may be an increase in their liability under these and other provisions of ERISA and the Code. In addition, various providers of fiduciary or other services to the Company, and any other parties with authority or control with respect to the Company, could be deemed to be plan fiduciaries or otherwise parties in interest or disqualified persons by virtue of their provision of such services (and there could be an improper delegation of authority to such providers).

The Plan Asset Regulations defines an “equity interest” as any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and that has no substantial equity features. The New Ordinary Shares may be considered “equity interests” for purposes of the Plan Asset Regulations. In order to avoid having the Company’s assets treated as plan assets under the Plan Asset Regulations, the Company intends to prohibit investments by Benefit Plan Investors in Shares in the Offering.

If you are a purchaser in the Offering, you will be required to and will be deemed to represent, warrant and agree that (i) you are not, and are not acting on behalf of, a Benefit Plan Investor and (ii) if you are a governmental, church, non-U.S. or other plan you are not, and for so long as you hold Shares or interest therein will not be, subject to any federal, state, local, non-U.S. or other laws or regulations that could cause the underlying assets of the Company to be treated as assets of a shareholder by virtue of your interest in the Shares and thereby subject the Company (or any persons responsible for the investment and operation of the Company’s assets) to Similar Laws and/or laws or regulations that provide that the assets of the Company could be deemed to include “plan assets” of such plan and (iii) you will not transfer your interest in such Shares to any person that cannot make the representations, warranties and agreements set out in clauses (i) and (ii) above.

Although it is contemplated that the assets of the Company will not be deemed to be plan assets under the Plan Asset Regulations, no assurance can be given that the such treatment can be avoided after the New Ordinary Shares become publicly traded and that the fiduciary and prohibited transaction provisions of ERISA and the Code would not become applicable to investments made and transactions entered into by the Company.

## PRINCIPAL SHAREHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of the Existing Ordinary Shares prior to the Offering, as published on the CNMV website.

Name	Total	
	Number of shares	% of share capital
APG Asset Management N.V.	3,483,741	4.148%
BW Gestao De Investimentos LTDA <sup>(1)</sup>	3,010,111	3.645%
CBRE Clarion Securities, LLC.	2,934,905	3.554%
Fidelity Investment Trust	5,300,716	6.418%
FMR LLC. <sup>(2)</sup>	8,216,009	9.948%
Paulson & Co. Inc. <sup>(3)</sup>	8,138,930	9.855%
Soros Fund Management llc <sup>(4)</sup>	13,769,980	16.673%
Tamerlane, S.à r.l. <sup>(5)(6)</sup>	4,949,619	5.449%

Notes:

- (1) Through Novo Viseu Fundo de Investimento Multimercado.
- (2) Through FMR Co, Inc.
- (3) Through PAC Credit Fund Limited (100% owned by PAC Credit Fund), owner of a direct shareholding interest of 4.932% and PAC Recovery Fund Limited (100% owned by PAC Recovery Fund), owner of a direct shareholding interest of 4.365% of the share capital.
- (4) Through QP SFM Capital Holdings Ltd.
- (5) Fund associated with Grupo Canepa, which holds 25% of Azora Capital, S.L.
- (6) Information on number of shares and % of share capital provided by Tamerlane, S.à r.l. to the Company.

Both Soros Fund Management llc (through QP SFM Capital Holdings Ltd.) and Tamerlane, S.à r.l. have notified the Company of their current intention to purchase their pro rata allocation of 4,303,118 New Ordinary Shares (for a total of €38,512,906.10) and 1,546,755 Ordinary Shares (for a total of €13,843,457.25) in the Offering, respectively. However, neither QP SFM Capital Holdings Ltd. nor Tamerlane, S.à r.l. have entered into a legally binding agreement and therefore both QP SFM Capital Holdings Ltd and Tamerlane, S.à r.l. may, in their sole discretion, decide not to execute their investment in New Ordinary Shares, in part or in full.

In addition to the above, the Management Team has undertaken to exercise in full their Preferential Subscription Rights (except for 9 Preferential Subscription Rights, which they have undertaken not to exercise nor to sell in order to allow for the exchange ratio agreed for the Offering to consist of whole numbers) and subscribe for 356,245 New Ordinary Shares in the Offering (for a total of €3,188,392.75).

For a description of certain transactions with certain of the shareholders listed above, see “*Related Party Transactions*”.

### Lock-up Arrangements

See “*Plan of Distribution*” for a discussion of certain lock-up arrangements.

## RELATED PARTY TRANSACTIONS

In accordance with Article 33.3(I)(d) of the By-Laws and Article 32 of the Regulations of the Board of Directors, among the powers of the Board of Directors is to approve the transactions that the Company, directly or indirectly, carries out with related parties. For the purposes of those provisions, related parties are considered: (i) the Directors; (ii) the principal shareholders of the Company (being considered as principal those shareholders holding a stake which, directly or indirectly, is equal to or higher than 3% of the Company's share capital); (iii) shareholders that have appointed a member to the Board of Directors, regardless of whether they are considered principal shareholders; and (iv) related parties to the persons identified in (i), (ii) and (iii) above. In such a case, the Board of Directors shall resolve, as the case may be, the approval of the related party transaction with a prior favourable report of the Audit Committee the Board of Directors.

However, the authorisation of the Board of Directors' referred to above in connection with the approval of related party transactions shall not be required if case the following three conditions are met: (i) that the transactions are carried out under contracts with standardised conditions that are generally applicable to many customers; (ii) that the transactions are carried out at prices or rates generally established by the supplier of the goods or the provider of services; and (iii) their amount does not exceed 1% of the annual income of the Company.

The Audit Committee shall be responsible for monitoring compliance with regulations with respect to related party transactions and shall, in particular, ensure that the information on these transactions is made available to the market in accordance with the provisions of Ministerial Decree EHA/3050/2004, of 15 September.

All related party transactions carried out during the twelve (12) months ended 31 December 2015 and from 31 December 2015 to the date of this Prospectus have been carried out at arm's length within the ordinary course of business. Transfer pricing is adequately documented.

As stated in the 2015 Audited Consolidated Annual Accounts, the value of related party transactions of the Company for the financial year ended 31 December 2015 totalled €10.7 million, of which €10.4 million corresponded to the Base Fee of the Investment Manager under the Investment Manager Agreement, and €328 thousand to the fee to be paid in relation to property services rendered to the Group by Azzam Gestión Inmobiliaria, S.L., a limited company (sociedad limitada) ("**Azzam Gestión Inmobiliaria**") in which Azora Capital holds a shareholding of 51% as at the date of this Prospectus. As of 31 December 2015, payment of €3.0 million and €44 thousand to the Investment Manager and to Azzam Gestión Inmobiliaria, respectively, was still outstanding.

In addition, as of 31 December 2015, the Company guarantees full performance and compliance by Hispania Real of its obligations under the mortgage loan executed in connection with the acquisition of the Isla del Cielo complex.



## MARKET INFORMATION

The Existing Ordinary Shares are currently listed on the Spanish Stock Exchanges and are quoted on the AQS of the Spanish Stock Exchanges. The table below sets forth, for the periods indicated, the high and low sale prices for the Existing Ordinary Shares, as reported on the AQS.

	Share Price	
	High	Low
	(€)	
<b>Monthly</b>		
January 2016	12.96	10.74
February 2016.....	11.81	10.72
March 2016.....	13.49	11.87
April	13.06	12.15
May 2016 (through 6 May 2016).....	12.75	12.37
<b>Annual</b>		
2014.....	11.05	9.55
2015.....	15.00	10.68
<b>Quarterly 2016</b>		
First Quarter.....	13.49	10.72

Source: Bloomberg

On 11 May 2016, the trading day prior to the date of this Prospectus, the closing price of the Existing Ordinary Shares on the AQS was €12.74 per Existing Ordinary Share. Application has been made for the New Ordinary Shares to be admitted to listing and trading on the Spanish Stock Exchanges and to have the New Ordinary Shares quoted through the AQS of the Spanish Stock Exchanges.

### **The Automated Quotation System (AQS or SIBE)**

The AQS, or *Mercado Continuo*, also known as SIBE, links the four Spanish Stock Exchanges, providing those securities listed on it with a uniform continuous market that eliminates certain of the differences among the local exchanges. The principal feature of the system is the computerised matching of buy and sell orders at the time of entry of the order. Each order is executed as soon as a matching order is entered, but can be modified or cancelled until executed. The activity of the market can be continuously monitored by investors and brokers. The AQS is operated and regulated by *Sociedad de Bolsas. S.A.* (“**Sociedad de Bolsas**”), a company owned by the company that manages the Spanish Stock Exchanges. All trades on the AQS must be placed through a brokerage firm, a dealer firm or a credit entity that is a member of a Spanish Stock Exchange.

In a pre-opening session held from 8:30 a.m. to 9:00 a.m. CET each trading day, an opening price is established for each security traded on the AQS based on a real-time auction in which orders can be entered, modified or cancelled but are not executed. During this pre-opening session, the system continuously displays the price at which orders would be executed if trading were to begin. Market participants only receive information relating to the auction price (if applicable) and trading volume permitted at the current bid and offer price. If an auction price does not exist, the best bid and offer price and associated volumes are shown. The auction terminates with a random period of 30 seconds in which share allocation takes place. Until the allocation process has finished, orders cannot be entered, modified or cancelled. In exceptional circumstances (including the inclusion of new securities on the AQS) and after giving notice to the CNMV, Sociedad de Bolsas may establish an opening price without regard to the reference price (the previous trading day’s closing price), alter the price range for permitted orders with respect to the reference price or modify the reference price.

The computerised trading hours are from 9:00 a.m. to 5:30 p.m. CET. During the trading session, the trading price of a security is permitted to vary up to a maximum so-called “static” range of the reference price, provided that the trading price for each trade of such security is not permitted to vary in excess of a maximum so-called “dynamic” range with respect to the trading price of the immediately preceding trade of the same security. If, during the trading session, there are matching bid and ask orders for a security within the computerised system which exceed any of the above ‘static’ and/or ‘dynamic’ ranges, trading on the security is automatically suspended and a new auction is held where a new reference price is set, and the ‘static’ and ‘dynamic’ ranges will apply over such new reference price. The ‘static’ and ‘dynamic’ ranges applicable to each particular security are set up and reviewed periodically by Sociedad de Bolsas. From 5:30 p.m. CET to 5:35 p.m. CET orders can be entered, modified and cancelled, but no trades can be made. In addition, during the trading session from 9:00 a.m. CET to 5:30 p.m. CET trades may occur outside of the general trading system without prior authorisation of Sociedad de Bolsas in the form of block trades provided that certain requirements are met in terms of maximum spread of trade price or the spot price of the security on the general trading system and minimum volume of trade.

Between 5:30 p.m. and 8:00 p.m. CET, trades may occur outside the computerised matching system without prior authorisation of Sociedad de Bolsas (provided such trades are communicated to Sociedad de Bolsas), at a price within the range of 5% above the higher of the average price and closing price for the day and 5% below the lower of the average price and closing price for the day if there are no outstanding bids or offers, respectively, on the system matching

or bettering the terms of the proposed off-system transaction and, if, among other things, the trade involves more than €300,000 and more than 20% of the average daily trading volume of the stock during the preceding three months. These trades must also relate to individual orders from the same person or entity and be reported to Sociedad de Bolsas before 8:00 p.m. CET. At any time trades may take place (with the prior authorisation of Sociedad de Bolsas) at any price if:

- the trade involves more than €1.5 million and more than 40% of the average daily trading volume of the stock during the preceding three months;
- the transaction derives from a merger or spin-off, or from the reorganisation of a group of companies;
- the transaction is executed for the purpose of settling litigation or completing a complex set of contracts; or
- Sociedad de Bolsas finds other appropriate cause.

Information with respect to the computerised trades between 9:00 a.m. and 5:30 p.m. CET is made public immediately, and information with respect to trades outside the computerised matching system is reported to the Sociedad de Bolsas by the end of the trading day and published in the Stock Exchange Official Gazette (*Boletín de Cotización*) and on the computer system by the beginning of the next trading day.

### **Clearance and Settlement System**

The Spanish clearing, settlement and recording system has been recently adapted by Act 11/2015, of 18 June 2015, on the recovery and resolution of credit institutions and investment firms (*Ley 11/2015, de 18 de junio, sobre recuperación y resolución de entidades de crédito y empresas de servicios de inversión*) and Royal Decree 878/2015, of 2 October 2015, (*Real Decreto 878/2015, de 2 de octubre, sobre compensación, liquidación y registro de valores negociables representados mediante anotaciones en cuenta, sobre el régimen jurídico de los depositarios centrales de valores y de las entidades de contrapartida central y sobre requisitos de transparencia de los emisores de valores admitidos a negociación en un mercado secundario oficial*) to the provisions set forth in Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July, 2014, on improving securities settlement in the European Union and on central securities depositories, amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012. Following this reform, which is expected to be implemented by 18 September 2017 in the Spanish clearing, settlement and registry procedures of securities transactions will allow the connection of the post—trading Spanish systems to the European system Target 2 Securities.

However, as of 27 April 2016, transactions carried out for equity securities on the AQS will be cleared through BME Clearing, S.A., as central clearing counterparty (CCP), and settled and recorded through Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (“Iberclear”), as central securities depository. Only participating entities of Iberclear are entitled to use it, and access to become a participating entity is restricted to authorised members of the Spanish Stock Exchanges, the Bank of Spain (when an agreement, approved by the Spanish Ministry of Economy, is reached with Iberclear) and, with the approval of the CNMV, other brokers not members of the Spanish Stock Exchanges, banks, savings banks and foreign settlement and clearing systems. Iberclear is owned by *Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.* (Spanish Exchanges and Markets, Holding Company of Markets and Financial Systems), a holding company which holds a 100% interest in each of the Spanish official secondary markets and settlement systems.

Iberclear manages the central registry, which will reflect (i) one or several proprietary accounts which will show the balances of the participating entities’ proprietary accounts; (ii) one or several general third-party accounts that will show the overall balances that the participating entities hold for third parties; (iii) individual accounts opened in the name of the owner, either individual or legal person; and (iv) individual special accounts of financial intermediaries which use the optional procedure of settlement of orders. Each participating entity, in turn, will maintain the detail records of the owners of such shares.

As a result of the above, Spanish law shall consider the owner of the shares to be:

- the participating entity appearing in the records of Iberclear as holding the relevant shares in its own name;
- the investor appearing in the records of the participating entity as holding the shares; or
- the investor appearing in the records of Iberclear as holding shares in a segregated individual account.

Obtaining legal title to shares of a company listed on a Spanish Stock Exchange requires the participation of a Spanish official stockbroker, broker-dealer or other entity authorised under Spanish law to record the transfer of shares. To evidence title to shares, at the owner’s request the relevant participating entity must issue a certificate of ownership. If the owner is a participating entity, Iberclear is in charge of the issuance of the certificate with respect to the shares held in the participating entity’s name.

BME Clearing will in turn be the CCP in charge of the clearing of transactions closed on the Spanish Stock Exchanges. BME Clearing will interpose itself on its own account as seller in every stock purchase and as buyer in every stock sale. It will calculate buy and sell positions vis-à-vis the participants designated in such buy or sell instructions. The CCP will then generate and send to Iberclear the relevant settlement instructions. The settlement and registration platform managed by Iberclear (operating under the trade name of ARCO), will receive the settlement instructions from BME Clearing and forward them to the relevant Iberclear participating entities involved in each transaction. ARCO will operate under a “T+3 Settlement Standard” and it is expected that from 27 June 2016 under a “T+2 Settlement Standard”, by which any transactions must be settled within two stock-exchange business days following the date on which the relevant transaction was completed.

### **Euroclear and Clearstream, Luxembourg**

Shares deposited with depositories for Euroclear Bank. S.A./N.V., as operator of the Euroclear System (“**Euroclear**”), and Clearstream Banking, *société anonyme* (“**Clearstream**”) and credited to the respective securities clearance account of purchasers in Euroclear or Clearstream against payment to Euroclear or Clearstream will be held in accordance with the Terms and Conditions Governing Use of Euroclear and Clearstream, the operating procedures of the Euroclear System, as amended from time to time, and the Management Regulations of Clearstream and the instructions to Participants of Clearstream as amended from time to time, as applicable. Persons on whose behalf accounts at Euroclear or Clearstream are maintained and to which shares have been credited (“investors”) shall have the right to receive the number of shares equal to the number of shares so credited, upon compliance with the foregoing regulations and procedures of Euroclear or Clearstream.

With respect to the shares that are deposited with depositories for Euroclear or Clearstream, such shares will be initially recorded in the name of Euroclear or one of its nominees or in the name of Clearstream or one of its nominees, as the case may be. Thereafter, investors may withdraw shares credited to their respective accounts if they wish to do so, upon payment of the applicable fees described below, if any, and obtaining the relevant recording in the book-entry registries kept by the members of Iberclear.

Under Spanish law, only the record holder of the shares according to the registry kept by Iberclear is entitled to receive dividends and other distributions and to exercise voting, pre-emptive and other rights in respect of such shares. Euroclear or its nominee or Clearstream or its nominee will be the sole record holder of the shares that are deposited with the depositories for Euroclear and Clearstream, respectively, until such time as investors exercise their rights to withdraw such shares and cause them to obtain the recording of the investor’s ownership of the shares in the book-entry registries kept by the members of Iberclear.

Cash dividends or cash distributions, as well as stock dividends or other distributions of securities, received in respect of the shares that are deposited with the depositories for Euroclear and Clearstream will be credited to the cash accounts maintained on behalf of the investors at Euroclear and Clearstream, as the case may be, after deduction for applicable withholding taxes, in accordance with the applicable regulations and procedures of Euroclear and Clearstream. See “*Taxation*”.

Each of Euroclear and Clearstream will endeavour to inform investors of any significant events of which they have notice affecting the shares recorded in the name of Euroclear or its nominees and Clearstream or its nominees and requiring action to be taken by investors. Each of Euroclear and Clearstream may, at its discretion, take such action as it shall deem appropriate in order to assist investors to direct the exercise of voting rights in respect of the shares. Such actions may include (i) acceptance of instructions from investors to execute, or to arrange for the execution of, proxies, powers of attorney or other similar certificates for delivery to the Company or its agent, or (ii) voting of such shares by Euroclear or its nominees and Clearstream or its nominees in accordance with the instructions of investors.

If the Company offers or causes to be offered to Euroclear or its nominees and Clearstream or its nominees, as the record holders of the shares that are deposited with the depositories for Euroclear and Clearstream, respectively, any rights to subscribe for additional shares or rights of any other nature, each of Euroclear and Clearstream will endeavour to inform investors of the terms of any such rights issue of which it has notice in accordance with the provisions of its regulations and procedures referred to above. Such rights will be exercised, insofar as practicable and permitted by applicable law, according to written instructions received from investors, or such rights may be sold and, in such event, the net proceeds will be credited to the cash account maintained on behalf of the investor with Euroclear or Clearstream.

### **Tender Offers**

Tender offers are governed in Spain by the Securities Market Act (whose Consolidated Text was approved by Royal Legislative Decree 4/2015, of 23 October and the Royal Decree 1066/2007, which have implemented European Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004.

- A bidder must make a mandatory tender offer in respect of 100% of the issued share capital or other securities that might directly or indirectly give a right to subscription thereto or acquisition thereof (including convertible and exchangeable bonds) of a target company at an equitable price and not subject to any conditions if:

- it acquires an interest in shares or other securities that might directly or indirectly give a right to subscription thereto or acquisition thereof which (taken together with shares in which persons acting in concert with him are interested or other situations with equivalent effect as provided in the regulations) carry 30% or more of the voting rights of the target company;
- it acquires an interest in shares or other securities that might directly or indirectly give a right to subscription thereto or acquisition thereof which (taken together with shares in which persons acting in concert with him are interested or other situations with equivalent effect as provided in the regulations) carry less than 30% of the voting rights but, within the period of 24 months following the acquisition, the bidder has appointed, together with those already appointed, a majority of the members of the target company's board of directors.
- Voluntary tender offers may be launched when a mandatory offer is not required. Voluntary offers are subject to the same rules established for mandatory offers except for the following:
  - they might be subject to certain conditions, provided that such conditions can be met before the end of the acceptance period of the offer; and
  - they may be launched at any price, regardless of whether it is lower than the above mentioned "equitable price".
- The Board of Directors of a target company is exempt from the rule prohibiting board interference with a tender offer (the "passivity rule") provided that, within 18 months from the date of announcement of the tender offer, it has been released from the passivity rule by the general shareholders' meeting vis-à-vis bidders with a registered office outside Spain the boards of directors of which are not subject to an equivalent passivity rule.
- Defensive measures included in a listed company's by-laws and transfer and voting restrictions included in agreements among a listed company's shareholders will remain in place whenever the company is the target of a tender offer unless the general shareholders' meeting resolved otherwise (in which case any shareholders whose rights are diluted or otherwise adversely affected may be entitled to compensation).

### **Change in Control**

As at the date of this Prospectus, there are no statutory provisions or internal regulations which provide for the delay, deferral or prevention of a change in control of the Company. However, there are termination rights under the Investment Management Agreement in case of change in control. In particular, the Investment Manager has the right to terminate the Investment Management Agreement if a sole shareholder or various shareholders acting jointly are obligated to launch a public obligatory acquisition offer in the terms of Law 14/1988, of 28 July, of the Capital Markets (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) and the Royal Decree 1066/2007, of 27 July, on the regime of public offers of share acquisitions (*Real Decreto 1066/2007, de 27 de julio, sobre el regimen de las ofertas públicas de adquisición de valores*).

## DESCRIPTION OF CAPITAL STOCK

The following summary provides information concerning the capital stock of the Company and briefly describes certain significant provisions of the Company's By-Laws (*Estatutos Sociales*) and the Spanish Companies Act. This summary does not purport to be complete and is qualified in its entirety by reference to the By-Laws and the Spanish Companies Act. Copies of the Company's By-Laws are available at its principal executive offices.

### General

The Company's issued share capital as of 31 December 2015 was €82,590,000, represented by 82,590,000 Existing Ordinary Shares in book entry form with a nominal value of €1.00 each. All of the shares are fully paid up and non-assessable. Non-residents of Spain may hold and vote the shares of the Company, subject to the restrictions described under "*Restrictions on Foreign Investment*".

The Existing Ordinary Shares are admitted to trading on the Spanish Stock Exchanges and are quoted through the AQS.

The following table shows the evolution of the capital stock of the Company:

Date	Description	Nominal Value (Euros)	Issue Price per Share (Euros/Share)	Gross Proceeds (Euros)	Number of Shares prior to the increase	Number of Shares Issued	Number of Shares following completion of the increase	Capital Stock (Euros)
January 2014	Incorporation	60,000	€1	€60,000	0	60,000	60,000	60,000
March 2014	Capital Increase/Subscription Offer	50,000,000	€10 (€1 nominal value)	€500,000,000	60,000	50,000,000	50,060,000	50,060,000
March 2014	Capital Increase/Subscription Option	5,000,000	€10 (€1 nominal value)	€50,000,000	50,060,000	5,000,000	55,060,000	55,060,000
April 2015	Capital Increase (accelerated bookbuilding offering)	27,530,000	€12.25 (€1 nominal value)	€337,242,500	55,060,000	27,530,000	82,590,000	82,590,000

On 30 June 2015, the Company announced that it had signed a liquidity agreement with Beka Finance, S.V., S.A. ("**Beka Finance**") with the aim of improving liquidity in transactions and regulating the trading of its shares. The liquidity agreement has a term of twelve (12) months and, as of 31 December 2015, there were 81,978 Existing Ordinary Shares in the share account linked to the agreement and €979,471 deposited in the cash account linked to the agreement.

### Dividend and liquidation rights

Payment of dividends is proposed by the Board of Directors and must be authorised by the shareholders of the Company at a general shareholders' meeting. Holders of shares participate in such dividends each year from the date such dividends are agreed by a general shareholders' meeting. Spanish law requires each company to contribute at least 10% of its net income each year to a legal reserve until the balance of such reserve is equivalent to at least 20% of such company's issued share capital, except when the net worth of the Company is below to the company's share capital, in which case, the net income shall be used to offset losses. A company's legal reserve is not available for distribution to its shareholders except upon the company's liquidation. According to Spanish law, dividends may only be paid out of profits or distributable reserves (after meeting the requirements laid down by law and in the by-laws of the company) if the value of the Company's net worth is not, and as a result of distribution would not be, less than the Company's share capital. Also, distribution of dividends is prohibited unless the amount of the distributable reserves is at least equal to the company's research and development expenses included in the balance sheet. In accordance with Article 947 of the Spanish Commercial Code, the right to a dividend lapses and reverts to the Company if it is not claimed within five (5) years after it becomes payable.

The general meeting of shareholders and the Board of Directors are also entitled to declare interim dividends, provided the following requirements are met: (i) the Board of Directors must prepare an accounting statement that evidences that there is sufficient liquidity to proceed with the distribution. This statement is then incorporated in the notes to the annual accounts of the company for the year in which the interim distribution was made; and (ii) the amount to be distributed may not exceed the profit obtained since the end of the immediately preceding financial year, less: (a) the accumulated losses from preceding years; (b) the amounts to be allocated to legal reserves or any other reserves provided for in the By-Laws; and (c) an estimation of the taxes to be paid on the profit obtained since the end of the immediately preceding financial year.

All of the Company's shares are ordinary shares and as such do not attach a right to receive a minimum dividend.

Dividends payable by the Company to non-residents of Spain are subject to Spanish withholding tax at the rate of 19%. However, residents of certain countries will be entitled to the benefits of a Double Taxation Convention. See "*Taxation—Spanish Tax Considerations—Taxation of Dividends*".

Dividends payable by the Company are subject to the limitations set out in the Investment Manager Agreement. See "*Dividends and Dividend Policy*".

Upon the liquidation of the Company, the shareholders would be entitled to receive proportionately any assets remaining after the payment of the debts and taxes and expenses of the liquidation.

### **Shareholders' meetings and voting rights**

Pursuant to the Company's By-Laws, regulations of the general shareholders' meeting and the Spanish Companies Act, the annual ordinary General Shareholders' Meeting of the Company is held during the first six (6) months of each fiscal year on a date fixed by the Board of Directors. Shareholders' meetings may be called by the Board of Directors whenever the Board of Directors deems it appropriate or at the request of shareholders representing at least 3% of the share capital of the Company. As a general rule, shareholders' meetings must be called at least one (1) month before the date on which the meeting will be held. However, until the next ordinary shareholders' meeting of the Company takes place, extraordinary shareholders' meetings may be convened at twenty (20) days' notice, provided that the Company gives shareholders an effective opportunity to vote by electronic media accessible to all of them. Notices of all shareholders' meetings are published, at least, in the following: (i) in the Commercial Registry's Official Gazette (*Boletín Oficial del Registro Mercantil*) or in a local newspaper of wide circulation in Spain; (ii) on the CNMV's website; and (iii) on the Company's website. Meetings are generally called at least one (1) month prior to the meeting.

Action is taken at ordinary shareholders' meetings on the following matters: the approval of the management of the Company by the Directors during the previous fiscal year; the approval of the annual accounts from the previous fiscal year; and the application of the previous fiscal year's income or loss. All other matters can be considered at either an extraordinary shareholders' meeting or at an ordinary shareholders' meeting if the matter is within the authority of the meeting and is included in the agenda, except for the dismissal of Directors and the corporate action to demand liability from Directors, which can be considered even if not included in the agenda.

In general, each share entitles the holder to one vote and there is no limit as to the maximum number of voting rights that may be held by each shareholder or by companies of the same group. In accordance with the By-Laws of the Company, shareholders may have the right to attend the general shareholders' meeting if they hold, either individually or in conjunction with other shareholders, a minimum of 1,000 shares of the Company. However, shareholders who do not reach this threshold may group their shareholdings so as to reach the minimum number of shares required and grant their representation to one of their number or delegate the representation of their shares to a shareholder with the right to attend the meeting. In the event a shareholder does not reach such threshold and is unable to group its holdings with those of other shareholders, such shareholder will not be able to attend or vote at shareholders' meetings, whether in person or by proxy.

Subject to the minimum share requirements and aggregation rules described in the preceding paragraph, only shareholders duly registered in the book-entry records maintained by Iberclear and its member entities at least five (5) days prior to the day on which a shareholders' meeting is scheduled may, in the manner provided in the notice for such meeting, attend such meeting.

Any shareholder having the right to attend a general shareholders' meeting may also be represented by proxy. Proxies must be granted in writing or in electronic form acceptable under the regulations of the general shareholders' meeting and are valid for only one shareholders' meeting. Proxies may be given to any person and may be revoked, either expressly or by attendance by the shareholder at the meeting.

In accordance with article 190 of the Spanish Companies Act, one of the Company's shareholders may not be able to exercise its votes when the resolution is related, among other things, to:

- (a) freeing such shareholder from an obligation or granting a right to such shareholder;
- (b) granting financial assistance or giving guarantees in its favour; or
- (c) freeing such shareholder from its loyalty obligations (*deberes de lealtad*).

The By-Laws provide that, on the first call of an ordinary or extraordinary general shareholders' meeting, the presence in person or by proxy of shareholders representing at least 25% of the Company's voting capital will constitute a quorum. If on the first call a quorum is not present, the meeting can be reconvened by a second call, which according to the Spanish Companies Act requires no quorum. However, a resolution in a shareholders' meeting to increase or decrease the share capital, issue bonds, suppress or limit the pre-emptive subscription right over New Ordinary Shares, transform,

merge, spin-off, globally assign the assets and liabilities, transfer the registered address abroad or otherwise modify the By-Laws, requires on first call the presence in person or by proxy of shareholders representing at least 50% of the voting capital of the Company and on second call the presence in person or by proxy of shareholders representing at least 25% of the voting capital of the Company. On first call, such resolutions may only be passed upon the affirmative vote of an absolute majority, when the attending shareholders (whether in person or by proxy) hold more than 50% of the share capital. On second call, such resolutions may only be passed upon the affirmative vote of shareholders representing two-thirds of the capital present or represented at such meeting provided that shareholders representing less than 50% and more than 25% of the voting capital attend the meeting in person or by proxy. The interval between the first and the second call for a shareholders' meeting must be at least 24 hours. Resolutions in all other cases are passed by a simple majority of votes of the shareholders present or represented (i.e., when there are more votes in favour than against, out of the voting capital present or represented).

Voting on the resolutions included in the agenda of a shareholders' meeting may be exercised by shareholders by post or electronic means before the general shareholders' meeting is held, and provided that the identity of the shareholder who exercises his right to vote is duly verified and the formalities determined by the Board of Directors through resolution and subsequent notification in the call announcement of the shareholders' meeting are complied with. Voting via electronic means is only permitted when the Board of Directors so resolves, notifying its decision in the announcement of the call to the general shareholders' meeting in question.

Under the Spanish Companies Act, shareholders who voluntarily aggregate their shares so that the capital stock so aggregated is equal to or greater than the result of dividing the total capital stock by the number of directors have the right, provided there are vacancies on the Board of Directors, to appoint a corresponding proportion of the Directors (disregarding fractions). Shareholders who exercise this right (in person or by proxy) may not vote on the appointment of other Directors.

A resolution passed at a general shareholders' meeting is binding on all shareholders. As a general rule, and subject to certain exceptions provided for in the Spanish Corporations Law, a resolution passed at a general shareholders' meeting may be contested if such resolution is (i) contrary to Spanish law or the By-Laws of the Company or the Regulations of the general shareholders' meeting or prejudicial to the interest of the Company (being included also in this concept when such resolution is adopted by the majority in its own interest and is detrimental to the remaining shareholders, regardless of such resolution not causing damage to the company's net worth or not) and is beneficial to one or more shareholders or third parties, or (ii) contrary to the public order. In the case of resolutions referred to in section (i) above, the right to contest is extended to all shareholders representing at least 0.1% of the share capital (provided that they were shareholders at the time when the relevant resolution was adopted), directors and interested third parties. In the case of resolutions referred to in section (ii), such right is extended to all the shareholders (even if they become shareholders once the relevant resolution has been adopted), directors and interested third parties. In certain circumstances (such as a significant modification of corporate purpose or change of the corporate form or transfer of domicile to a foreign country), the Spanish Companies Act gives dissenting or absent shareholders the right to withdraw from the Company. If this right were exercised, the Company would be obliged to purchase the relevant shareholding(s) in accordance with the procedures established under the Spanish Corporations Law.

### **Changes in the rights of holders of the Shares**

Changes in the rights of holders of the Shares will require the appropriate amendment of the By-laws. In the case that this only affects a portion of the Shares and involves discriminatory treatment among them, the appropriate amendment to the By-laws must be approved by the majority of the Shares affected. The By-laws do not provide for any specialty with respect to the provisions of the Spanish Companies Act.

### **Shareholders' right of information**

Shareholders have the right of information foreseen in the Spanish Corporations Law, as well as any other rights which, as special manifestations of this right of information, are gathered in the Spanish Securities Market Act and in Law 3/2009, of 3 April, on structural changes in corporations (*Ley 3/2009, de 3 de abril, sobre modificaciones estructurales de las sociedades mercantiles*).

### **Shareholder suits**

Under the Spanish Companies Act, Directors are liable to the Company, Shareholders and Company creditors for acts or omissions that are illegal or violate the By-Laws and for failure to carry out their legal duties with due diligence. Under Spanish law, Shareholders must generally bring actions against the Directors in the city where the Company is domiciled (currently Madrid, Spain).

The liability of the Directors is joint and several, except to the extent any Director can demonstrate that he or she did not participate in decision-making relating to the transaction at issue, was unaware of its existence or being aware of it, did all that was possible to mitigate any damages or expressly disagreed with the decision-making relating to the transaction.

## Registration and transfers

The Company's shares are in registered book-entry form and are indivisible. Joint holders of one share must designate a single person to exercise their shareholders' rights, but they are jointly and severally liable to the Company for all the obligations relating to their status as shareholders, such as the payment of any pending capital calls. Iberclear, which manages the Spanish clearance and settlement system of the Spanish Stock Exchanges, maintains the central registry reflecting the number of shares held by each of its member entities (*entidades participantes*) as well as the amount of these shares held by beneficial owners and by such entities for their own account. Each member entity, in turn, maintains a registry of the owners of such shares. The shareholders and holders of limited real rights or encumbrances on the shares may obtain legitimation certificates (*certificados de legitimación*) as provided for under the laws governing shares represented by book entries.

As a general rule, transfers of shares quoted on the Spanish Stock Exchanges must be made through or with the participation of a member of a Spanish Stock Exchange. Brokerage firms, official stockbroker or dealer firms, Spanish credit entities, investment services entities authorised in other EU member states and investment services entities authorised by their relevant authorities and in compliance with Spanish regulations are eligible to be members of the Spanish Stock Exchanges. See "*Market Information*". The transfer of Shares may be subject to certain fees and expenses.

## Restrictions on foreign investment and exchange control regulations

### Restrictions on foreign investment

Exchange controls and foreign investments were, with certain exceptions, completely liberalised by Royal Decree 664/1999, of 23 April 1999, in conjunction with the Spanish Foreign Investment Law (Ley 18/1992), bringing the existing legal framework on foreign investments in line with the provisions of the Treaty of the European Union.

According to Royal Decree 664/1999 on Foreign Investments and Law 18/1992, and subject to the restrictions described below, foreign investors may invest freely in shares of Spanish companies as well as transfer invested capital, capital gains and dividends out of Spain without limitation (subject to applicable taxes and exchange controls). For foreign investors who are not resident in a tax haven, notification is only required to be given to the Spanish Registry of Foreign Investments following an investment or divestiture, and such notification is solely for statistical, economic and administrative purposes. Where the investment or divestiture is made in shares of a Spanish company listed on any of the Spanish Stock Exchanges, the duty to provide notice of a foreign investment or divestiture lies with the relevant entity with whom the shares (in book-entry form) have been deposited or which has acted as an intermediary in connection with the investment or divestiture.

If the foreign investor is a resident of a tax haven, notice must be provided to the Spanish Registry of Foreign Investments prior to making the investment, as well as after the transaction has been completed. However, prior notification is not necessary in the following cases:

- investments in listed securities, whether or not such securities are trading on an official secondary market;
- investments in participations in investment funds registered with the CNMV; and
- foreign shareholdings that do not exceed 50% of the capital of the Spanish company in which the investment is made.

Investments in certain industries are subject to additional regulation to that described above, but there is no such additional regulation for companies operating in the real estate market. These restrictions do not apply to investments made by EU residents, other than investments by EU residents in activities relating to the Spanish defence sector or the manufacturing and sale of weapons and explosives for non-military use.

The Spanish Council of Ministers, acting on the recommendation of the Ministry of Economy, may suspend the aforementioned provisions relating to foreign investments for reasons of public policy, health or safety, either generally or in respect of investments in specified industries, in which case any proposed foreign investments falling within the scope of such suspension would be subject to prior authorisation from the Council of Ministers, acting on the recommendation of the Ministry of Economy.

Finally, in addition to the notices relating to significant shareholdings that must be sent to the relevant company, the CNMV and the relevant Spanish stock exchanges, as described in this section under "*—Reporting Requirements*", foreign investors are required to provide these notices to the Spanish Registry of Foreign Investments.

### Exchange control regulations

Pursuant to Royal Decree 1816/1991 of 20 December 1991, relating to economic transactions with non-residents, and EC Directive 88/361/EEC, charges, payments or transfers between non-residents and residents of Spain must be made through a registered entity, such as a bank or other financial institution registered with the Bank of Spain and/or the CNMV (*entidades registradas*), through bank accounts opened abroad with a foreign bank or a foreign branch



of a registered entity, in cash, or by check payable to bearer. All charges, payments or transfers which exceed €6,010, if made in cash or by check payable to bearer, must be notified to the Spanish exchange control authorities.

### **Pre-emptive rights and increases of share capital**

Pursuant to the Spanish Companies Act, Shareholders have pre-emptive rights to subscribe for any New Ordinary Shares issued by the Company in any capital increase via monetary contributions and bonds convertible into shares. Such pre-emptive rights may be waived under special circumstances by a resolution passed at a meeting of shareholders or the Board of Directors (when the Company is listed and the General Shareholders' Meeting delegates to the Board of Directors the right to increase the share capital and to waive pre-emptive rights) in accordance with the Spanish Corporate Act. Furthermore, pre-emptive rights, in any event, will not be available in connection with an increase in share capital to meet the requirements of a convertible bond issue or a merger in which shares are issued as consideration.

Pre-emptive rights are transferable, may be traded on the AQS and may be of value to existing Shareholders because New Ordinary Shares may be offered for subscription at prices lower than prevailing market prices. In the case of a share capital increase charged to reserves, the same rule applies to the free allocation rights.

### **Reporting requirements**

Pursuant to Royal Decree 1362/2007 of 19 October 2007, any individual or legal entity who, by whatever means, purchases or transfers shares which grant voting rights in a company for which Spain is listed as the home state (*Estado Miembro*) (as defined therein) and which is listed on a secondary official market or other regulated market in the EU, must notify the relevant issuer and the CNMV, if, as a result of such transaction, the proportion of voting rights held by that individual or legal entity reaches, exceeds or falls below a 3% threshold of the company's total voting rights. The notification obligations are also triggered at thresholds of 5% and multiples thereof (excluding 55%, 65%, 85%, 95% and 100%).

The individual or legal entity obliged to carry out the notification must serve the notification by means of the form approved by the CNMV from time to time for such purpose, within four Business Days from the date on which the transaction is acknowledged (the Royal Decree deems a transaction to be acknowledged within two Business Days from the date on which such transaction is entered into). Should the individual or legal entity effecting the transaction be a non-resident of Spain, notice must also be given to the Spanish Registry of Foreign Investments maintained by the General Bureau of Commerce and Investments (a department of the Ministry of Economy and Competitiveness).

The reporting requirements apply not only to the purchase or transfer of shares, but also to those transactions in which, without a purchase or transfer, the proportion of voting rights of an individual or legal entity reaches, exceeds or falls below the threshold that triggers the obligation to report as a consequence of a change in the total number of voting rights of a company on the basis of the information reported to the CNMV and disclosed by it.

Regardless of the actual ownership of the shares, any individual or legal entity with a right to acquire, transfer or exercise voting rights granted by the shares, and any individual or legal entity who owns, acquires or transfers, whether directly or indirectly, other securities or financial instruments relating to the Company's shares, will also have an obligation to notify the company and the CNMV of the holding of a significant stake in accordance with the regulations.

Should the individual or legal entity effecting the transaction be resident in a tax haven (as defined by applicable Spanish regulations), the threshold that triggers the obligation to disclose the acquisition or disposition of the Company's Shares is reduced to 1% (and successive multiples thereof).

The Company will be required to report to the CNMV any acquisition of its own shares which, aggregated with all other acquisitions since the last notification, reaches or exceeds 1% of the Company's share capital (irrespective of whether it has sold any of its own shares in the same period). In such circumstances, the notification must include, among others, the number of shares acquired since the last notification (detailed by transaction), the number of shares sold (detailed by transaction) and the resulting net holding of treasury shares.

All Directors must report to both the Company and the CNMV the percentage and number of voting rights in the Company held by them at the time of becoming or ceasing to be a Director. Furthermore, all Directors must report any change in the percentage of voting rights they hold, regardless of the amount, as a result of any acquisition or disposition of the Company's shares or voting rights, or financial instruments which carry a right to acquire or dispose of shares which have voting rights attached, including any stock based compensation that they may receive pursuant to any of the Company's compensation plans.

Members of the Company's senior management must also report any stock-based compensation that they may receive pursuant to any of the Company's compensation plans or any subsequent amendment to such plans. Royal Decree 1362/2007 refers to the definition given by Royal Decree 1333/2005, of 11 November 2005, developing the Stock Market Act, regarding market abuse, which defines senior management (*directivos*) as those "high-level employees in positions of responsibility with regular access to insider information (*información privilegiada*) related, directly or indirectly, to the issuer and that, furthermore, are empowered to adopt management decisions affecting the future development and business perspectives of the issuer".

In addition, pursuant to Royal Decree 1333/2005 of 11 November 2005 (implementing European Directive 2004/72/EC), any member of the Company's Board of Directors and any of the Company's senior management or any parties closely related to any of them, as such terms are defined therein, must report to the CNMV any transactions carried out with respect to the Company's Shares or derivatives or other financial instruments relating to its shares within five Business Days of such transaction. The notification of the transaction must include particulars of, among others, the type of transaction, the date of the transaction and the market in which the transactions were carried out, the number of shares traded and the price paid.

The Securities Market Act (whose Consolidated Text was approved by Royal Legislative Decree 4/2015, of 23 October) and the Spanish Companies Act (whose Consolidated Text was approved by Royal Legislative Decree 1/2010, of 2 July) require parties to disclose certain types of shareholders' agreements that affect the exercise of voting rights at a general shareholders' meeting or contain restrictions or conditions on the transferability of shares or bonds that are convertible or exchangeable into shares. If the Company's Shareholders enter into such agreements with respect to the Company's Shares, they must disclose the execution, amendment or extension of such agreements to the Company and the CNMV and file such agreements with the appropriate commercial registry. Failure to comply with these disclosure obligations renders any such shareholders' agreement unenforceable and constitutes a violation of the Securities Market Act.

Such a shareholders' agreement has no effect with respect to the regulation of the right to vote in general meetings and restrictions or conditions on the free transferability of shares and bonds convertible or exchangeable into shares until such time as the aforementioned notifications, deposits and publications are made.

### **Disclosure on net short positions**

In accordance with Regulation (EU) No. 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps (as further supplemented by several delegated regulations regulating technical aspects necessary for its effective enforceability and to ensure compliance with its provisions), net short positions in shares falling below 0.2% of the share capital of the issuer and subsequent increases and decreases above 0.1% must be notified to the competent authority of the market on which the shares are traded (or to the regulator of the most relevant market in terms of liquidity, if listed in several Member States). Details of any net short position falling below 0.5% of the share capital, as well as subsequent increases and decreases above 0.1%, must be publicly disclosed.

Notifications must be made by 3:30 p.m. (local time) of the trading day following the day when the relevant threshold was reached, exceeded or fallen below. Notification is mandatory even if the same position has been already notified to the domestic regulator in compliance with transparency obligations previously in force in that jurisdiction.

The information to be disclosed is set out in Table 1 of Annex I of Delegated Regulation 826/2012, according to the format approved as Annex II of this Regulation. The information will be published, where appropriate, on a webpage operated or supervised by the corresponding authority.

Upon request by the interested parties, the CNMV may waive the requirement to report, deposit and publish the agreement when publishing the shareholders' agreement could cause harm to the Company.

### **Share repurchases**

Pursuant to the Spanish Companies Act, the Company may only repurchase its own shares within certain limits and in compliance with the following requirements:

- the repurchase must be authorised by the General Shareholders' Meeting in a resolution establishing the form of acquisition, the maximum number of shares to be acquired, the minimum and maximum acquisition price and the duration of the authorisation, which may not exceed five (5) years from the date of the resolution (which, in the case of the Company, was passed at the General Shareholders' Meeting of 29 June 2015); and
- the repurchase, including the shares already acquired and currently held by the Company, or any person or company acting in its own name but on behalf of the Company, must not bring the Company's net worth below the aggregate amount of its share capital and legal or unavailable statutory reserves. For these purposes, net worth means the amount resulting from the application of the criteria used to draw up the annual accounts, subtracting the amount of profits directly imputed to that net worth, and adding the amount of share capital subscribed but not called and the share capital nominal and issue premiums recorded in the Company's accounts as liabilities. In addition:
- the aggregate nominal value of the shares directly or indirectly repurchased, together with the aggregate nominal value of the shares already held by the Company and its subsidiaries, must not exceed 10% of the Company's share capital;

- the shares repurchased must be fully paid-up and free of ancillary obligations. A repurchase shall be considered null and void if (i) the shares are partially paid-up, except in the case of free repurchase, or (ii) the shares entail ancillary obligations.

Treasury shares do not have voting rights or economic rights (e.g., the right to receive dividends and other distributions and liquidation rights) (except the right to receive bonus shares) which will accrue proportionately to all of the Company's shareholders. Treasury shares are counted for purposes of establishing the quorum for shareholders' meetings and majority voting requirements to pass resolutions at shareholders' meetings.

The following table shows the Company's treasury shares as at 31 December 2014, 31 December 2015, and 31 March 2016 (a date no earlier than 90 days prior to the date of approval of this Prospectus):

<u>Date</u>	<u>Number of treasury shares</u>	<u>Nominal value (Euros)</u>	<u>Average share price (Euros)</u>
31 December 2014	0	0	0
31 December 2015	81,978	81,978	13.27
31 March 2016	114,750	114,750	12.28

Directive 2003/6/EC of the European Parliament and the European Council of 28 January 2003 on insider dealing and market manipulation establishes rules in order to ensure the integrity of European Community financial markets and to enhance investor confidence in those markets. Article 8 of this Directive establishes an exemption from the market manipulation rules regarding share buyback programmes by companies listed on a stock exchange in an EU member state. European Commission Regulation No. 2273/2003, of 22 December 2003, implemented the aforementioned Directive with regard to exemptions for buyback programme. Article 3 of this Regulation states that in order to benefit from the exemption provided for in Article 8 of the Directive, a buyback programme must comply with certain requirements established under such Regulation and the sole purpose of the buyback programme must be to reduce the share capital of an issuer (in value or in number of shares) or to meet obligations arising from either of the following:

- debt financial instruments exchangeable into equity instruments; or
- employee share option programmes or other allocations of shares to employees of the issuer or an associated company.

In addition, on 19 December 2007 the CNMV issued Circular 3/2007 setting out the requirements to be met by liquidity contracts entered into by issuers with financial institutions for the management of their treasury shares to constitute an accepted market practice and, therefore, be able to rely on a safe harbour for the purposes of market abuse regulations.

## PLAN OF DISTRIBUTION

### Underwriting Agreement

On 11 May 2016, the Company, the Investment Manager and the Joint Bookrunners entered into an underwriting agreement governed by New York law with respect to the Offering.

In consideration of the Joint Bookrunners entering into the underwriting agreement and providing the services as agreed thereunder, the Company has agreed to pay certain commissions. The Company has also agreed to pay certain expenses of the Joint Bookrunners incurred in connection with the Offering. The Company estimates that its total expenses (including the commissions and expenses payable to the Joint Bookrunners) will be approximately €9 million. The Company expects to receive approximately €221 million from the Offering, net of, among other things, the Joint Bookrunners' expenses, fees and commissions.

Subject to specified conditions, each Joint Bookrunner, acting severally and not jointly or jointly and severally, has agreed to procure subscribers for any New Ordinary Shares that are not subscribed for during the preferential subscription period or by the Management Team, and, subject to the terms of the Underwriting Agreement, to subscribe for the maximum number of New Ordinary Shares set forth opposite its name in the following table if any New Ordinary Shares remain unsold after a discretionary allocation period. If all of the New Ordinary Shares offered are subscribed for by Shareholders or institutional investors in the preferential subscription period, the additional allocation period and the discretionary allocation period, as the case may be, the Joint Bookrunners will not be required to subscribe for any New Ordinary Shares.

<b>Joint Bookrunners</b>	<b>Maximum Number of New Ordinary Shares Pursuant to Underwriting Commitments</b>	<b>% of total Underwriting Commitments</b>
UBS Limited .....	9,532,034	37.5%
Goldman Sachs International .....	9,532,034	37.5%
Morgan Stanley & Co. International plc .....	6,354,689	25.0%
<b>Total</b> .....	<b>25,418,757</b>	<b>100.0%</b>

A majority of the Joint Bookrunners may terminate the underwriting agreement by written notice to the Company at any time at or prior to the time of granting of the notarial deed of the capital increase before a Spanish notary public and registration thereof with the Madrid Commercial Registry in certain specified circumstances. These circumstances include the occurrence of certain material adverse changes in the Company's condition (financial or otherwise), business affairs or prospects and certain changes in, among other things, certain national or international political, financial or economic conditions. In addition there are certain customary conditions precedent that must be complied with. If any such conditions are not satisfied or any of the specified circumstances arises, or the underwriting agreement is otherwise terminated, then the subscription of New Ordinary Shares by investors or the Joint Bookrunners, as applicable, will not occur. However, holders of Preferential Subscription Rights who have exercised such Preferential Subscription Rights and/or who have applied to subscribe for additional New Ordinary Shares during the preferential subscription period will not be able to revoke such commitments.

The Company and the Investment Manager have given customary representations and warranties to the Joint Bookrunners, including in relation to the Company's business and legal compliance, the Existing Ordinary Shares and the New Ordinary Shares and the contents of this Prospectus. The Company and the Investment Manager have given customary indemnities to the Joint Bookrunners in connection with the Offering.

The New Ordinary Shares and the Preferential Subscription Rights have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered, sold or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws.

The Joint Bookrunners have advised the Company that during the discretionary allocation period, any unsubscribed New Ordinary Shares would only be offered and sold (i) within the United States only to QIBs (as defined in Rule 144A) and in reliance on Section 4(a)(2) under the Securities Act, Rule 144A or on another exemption from, or a in a transaction not subject to, the registration requirements of the Securities Act and only by persons that have executed and timely returned an investor letter to the Company in the form set forth in Appendix 1 to this Prospectus, or (ii) outside the United States in offshore transactions (as defined in, and in accordance with, Regulation S) in reliance on Regulation S.

In addition, until 40 days after the later of the commencement of the Offering and the original issue or sale date of the New Ordinary Shares and the Preferential Subscription Rights, any offer or sale of New Ordinary Shares and the Preferential Subscription Rights within the United States by a dealer (whether or not participating in the Offering) may

violate the registration requirements of the Securities Act if made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

### **Stamp Taxes**

Subscribers of New Ordinary Shares and Preferential Subscription Rights may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the Subscription Price.

### **Relationships between the Company and the Joint Bookrunners**

From time to time certain of the Joint Bookrunners and their respective affiliates may have provided the Company or the Investment Manager or their affiliates with investment banking, commercial banking and other advisory services, including in connection with certain of the Company's outstanding financings and derivatives. They may provide the Company or the Investment Manager or their affiliates with similar or other services, and engage in similar activities, in the future. In connection with the Offering, each Joint Bookrunner and any affiliate acting as an investor for its own account may take up New Ordinary Shares and in that capacity may retain, purchase or sell such New Ordinary Shares (or related investments), for its own account and may offer or sell such New Ordinary Shares (or other investments) otherwise than in connection with the Offering.

In particular, Selección de Inmuebles, a company forming part of the Goldman Sachs group, as owner, and Azora Capital, S.L. (an entity pertaining to the Azora Group and controlling the Investment Manager), as manager, provides certain property management services in respect of a portfolio of 27 residential buildings located in Spain.

### **Lock-up**

The Company has agreed that, without the prior written consent of a majority of the Joint Bookrunners it will not, during the period commencing on the date on which the underwriting agreement is signed and ending 90 days following the date of the Admission, directly or indirectly, issue, offer, pledge, sell or contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, pledge or otherwise transfer or dispose of, directly or indirectly, the Company's Shares or any securities convertible into or exercisable or exchangeable for the Company's Shares or file any registration statement under the Securities Act with respect to any of the foregoing, or enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequences of ownership of the Company's Shares; provided however, the foregoing restrictions shall not apply to the issue and/or sale and offer of the Preferential Subscription Rights and the New Ordinary Shares pursuant to the Offering.

In connection with the Initial Admission, each member of the Management Team agreed that without the prior written consent of the Company, they will not, during the period beginning on 12 March 2014 and ending on the earlier of (A) three years following the date of the Initial Admission and (B) the termination of the Investment Manager Agreement, directly or indirectly, (i) offer, pledge, sell, announce an intention to or contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, pledge or otherwise transfer or dispose of any of the Company's Shares acquired in the Initial Offering or any securities convertible into or exercisable or exchangeable for the Shares acquired by such member of the Management Team in the Initial Offering, (ii) enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences or ownership of the Shares acquired by such member of the Management Team in the Initial Offering, whether any such swap or transaction described in (i) or (ii) above is settled by delivery of Shares acquired by such member of the Management Team in the Initial Offering or any securities convertible into or exercisable or exchangeable for Shares acquired in the Initial Offering, in cash or otherwise. The foregoing restrictions shall not apply to (i) transfers of such Shares in favour of the direct family members (being a parent, brother, sister, spouse or civil partner or a lineal descendant of any of the foregoing) of the relevant member of the Management Team, provided that any such transferee shall agree to be bound by the lock-up obligations set forth above; (ii) in the event of the whole or partial takeover of the issued share capital of the Company which has been recommended by the Board of Directors, (iii) the implementation of a scheme of arrangement in respect of the sale of the Shares of the Company that has been recommended by the Board, (iv) a scheme of reconstruction of the Company which has been recommended by the Board, (v) any buyback by the Company of Shares on identical terms to the terms offered to all shareholders, or (vi) any sale in respect of which Goldman Sachs International and UBS Limited have granted their prior consent.

Since certain members of the Management Team, Mr. Gumuzio and Ms. Osácar, participated in the Initial Offering indirectly through the Investment Manager, the Investment Manager also entered into a lock-up agreement with the Company similar to the lock-up agreement of the members of the Management Team. Furthermore, in connection with the Initial Admission, Azora Altus also entered into a lock-up commitment with the Company similar to the commitment of the members of the Management Team with the Company. The Company agreed in the purchase agreement signed in connection with the Initial Admission not to waive such lock-ups from the Management Team, Azora Altus and the Investment Manager without the prior written consent of Goldman Sachs International and UBS Limited.

## THE OFFERING

### General

The New Ordinary Shares will be issued pursuant to (i) a resolution of the General Shareholders' Meeting of the Company dated 29 June 2015 delegating to the Board of Directors the faculty to approve a share capital increase of up to 50% of the share capital of the Company as of that date and (ii) a resolution of the Board of Directors of the Company dated 11 May 2016 approving the share capital increase for a nominal amount of €25,775,002 on the basis of the delegation under the resolution of the General Shareholders' Meeting. The possibility of incomplete subscription has been expressly foreseen.

The Offering will be in respect of 25,775,002 New Ordinary Shares at a Subscription Price of €8.95 per New Ordinary Share. The Company currently expects that the date the Company announces the Offering in the Spanish Commercial Registry Official Gazette (*Boletín Oficial del Registro Mercantil*) for the Offering will be on or about 13 May 2016 and that the dates for other actions to occur in connection with the Offering will be as provided below. However, these dates are indicative only and actual dates for the Offering and such other actions may vary from the indicative dates set forth below. The Company will communicate significant developments in the Offering via a regulatory information notice (*hecho relevante*) filed with the CNMV in accordance with Spanish law. Information will also be made available on the Company's website ([www.hispania.es](http://www.hispania.es)).

The Company is granting Eligible Shareholders (that is, the Shareholders of the Company (other than the Company) who acquire their shares until the day 13 May 2016 and whose transactions are settled until the day 18 May 2016 in Iberclear Preferential Subscription Rights. Each Existing Share held by the Eligible Shareholders entitles its holder to receive one Preferential Subscription Right. The exercise of sixteen (16) Preferential Subscription Rights entitles the exercising holder to subscribe for five (5) New Ordinary Shares against payment of the Subscription Price in cash.

The Subscription Price, which must be paid in euros, is €8.95 per New Ordinary Share. The Subscription Price represents an implied discount of 24.4% on the theoretical ex-rights price (TERP) (€11.83 based on the closing price of €12.74 as of 11 May 2016).

The Offering, if all the New Ordinary Shares are fully subscribed, will result in an increase of 25,775,002 issued Shares from 82,590,000 Shares to 108,365,002 Shares, corresponding to an increase of 31.2%. Eligible Shareholders who do not participate in the Offering will have their ownership interest diluted. See "*Dilution*".

On 11 May 2016, in order not to alter the exchange ratio agreed for the Offering, the Company agreed with Beka Finance the temporary suspension of the liquidity agreement by the parties until 16 May 2016. After the suspension of the contract liquidity, and to the extent that the Company has not carried out any transactions relating to the trading of its own shares, as at the date of this Prospectus, Hispania has a total of 109,991 treasury Shares representing 0.133% of its capital stock. Also, the Management Team has agreed not to exercise nor to sell 9 Preferential Subscription Rights in order to allow for the exchange ratio agreed for the Offering to consist of whole numbers.

### Subscription Rights and New Ordinary Shares

The Offering provides Eligible Shareholders with pre-emptive Preferential Subscription Rights to subscribe New Ordinary Shares in order to, among other things, maintain their current level of ownership in us, if they so choose. The Preferential Subscription Rights are options to subscribe for and purchase the New Ordinary Shares and may be sold, subject to applicable laws, to third parties, which the Company refers to as purchasers of Preferential Subscription Rights. In accordance with Section 306.2 of the Spanish Companies Act, the Preferential Subscription Rights will be freely transferable on the same terms as the New Ordinary Shares in respect of which they are exercisable and will be tradable on the Spanish Stock Exchanges. Eligible Shareholders may, therefore, subscribe for New Ordinary Shares at the Subscription Price or sell their Preferential Subscription Rights through banks or brokers in Spain, subject, in each case, to applicable laws. See "*Transfer and Selling Restrictions*" for a description of certain selling and transfer restrictions in selected jurisdictions.

The Existing Ordinary Shares are listed and traded on the Spanish Stock Exchanges under the symbol "HIS". The Company expects the New Ordinary Shares issued in the Offering to start trading on the Spanish Stock Exchanges from on or around 9 June 2016. When issued, the New Ordinary Shares will rank *pari passu* with the Existing Ordinary Shares, including in respect of the right to receive dividends approved by the Shareholders after the date on which ownership of such New Ordinary Shares is registered in the book-entry registries of Iberclear, which, in accordance with the envisaged timetable, is expected to take place in July 2016. See "*Dividends and Dividend Policy*".

### Trading in Rights

Trading in Preferential Subscription Rights will take place on the AQS of the Spanish Stock Exchanges during the period from 8:30 (Madrid time) on 16 May 2016 to 17:30 (Madrid time) on 27 May 2016, both inclusive.

Securities institutions that possess the required licences will provide brokerage services for the sale and purchase of Preferential Subscription Rights. During the preferential subscription period, other investors aside from the Shareholders may acquire Preferential Subscription Rights in the market in the required proportion and subscribe for the

corresponding New Ordinary Shares. If an Eligible Shareholder or a holder of Preferential Subscription Rights does not exercise or sell any or all of the Preferential Subscription Rights until 28 May 2016, such Preferential Subscription Rights to subscribe for New Ordinary Shares will lapse automatically with no value and the holder will not be entitled to compensation.

The provisional ISIN code for the Preferential Subscription Rights is ES0605019910 and the provisional ISIN code for the New Ordinary Shares is ES0105019055. Notwithstanding the foregoing, once the New Ordinary Shares are listed, all Shares of the Company will be assigned the same ISIN code.

### Subscription of New Ordinary Shares

The Company has established a three-staged procedure for the subscription of the New Ordinary Shares:

- *The preferential subscription period.* This period will last 15 calendar days and go from 14 May 2016 through 28 May 2016, in each case inclusive of the start and end dates, during which the Eligible Shareholders may exercise their Preferential Subscription Rights during the AQS Trading Days of this period. In accordance with the envisaged timetable, the AQS Trading Days are expected to begin on and include 8:30 (Madrid time), 16 May 2016 and end on and include 17:30 (Madrid time) on 27 May 2016, referred to by the Company as the preferential subscription period. Alternatively, Eligible Shareholders may sell their Preferential Subscription Rights in the market during the AQS Trading Days of this period, and purchasers of those Preferential Subscription Rights may subscribe for the corresponding number of New Ordinary Shares, in each case, in compliance with applicable laws and regulations. During the preferential subscription period, Eligible Shareholders or purchasers of Preferential Subscription Rights may exercise or sell their Preferential Subscription Rights, in whole or in part. Those having exercised their Preferential Subscription Rights in full may confirm their agreement to subscribe for additional New Ordinary Shares in excess of their *pro rata* entitlement during the additional allocation period described below.

Subscriptions for New Ordinary Shares received during the preferential subscription period will be deemed irrevocable, firm and unconditional and may not be cancelled or modified by holders of Preferential Subscription Rights (except where a supplement to this Prospectus is published, in which case investors who have already agreed to subscribe for New Ordinary Shares will have the right, exercisable within not less than two AQS Trading Days after publication of such supplement, to withdraw their subscriptions, provided that the new factor, mistake or inaccuracy to which the supplement refers arose before the closing of the Offering and delivery of the New Ordinary Shares).

Subscribers must make payment in full of the Subscription Price, comprising the nominal value and premium value, upon subscription for each New Ordinary Share subscribed for during the preferential subscription period. Subscribers should make payment to the Iberclear member through which they have filed their subscription orders. Applications for New Ordinary Shares in exercise of Preferential Subscription Rights for which payment is not received in accordance with the foregoing shall be deemed not to have been made. Preferential Subscription Rights not exercised or sold during the preferential subscription period will lapse automatically and holders will not be compensated.

During the preferential subscription period, other investors aside from the Shareholders may acquire Preferential Subscription Rights in the market in the required proportion and subscribe for the corresponding New Ordinary Shares.

- *The additional allocation period.* To the extent that at the expiration of the preferential subscription period there are New Ordinary Shares that have not been subscribed for, Banco Santander, S.A. (the “**Agent Bank**”) will allocate them to holders of Preferential Subscription Rights that have exercised their Preferential Subscription Rights in full and have indicated their agreement to subscribe for additional New Ordinary Shares in excess of their *pro rata* entitlement. This is currently expected to take place by no later than 17:00 (Madrid time) on 3 June 2016, which the Company refer to as the additional allocation period. The Agent Bank will allocate any additional New Ordinary Shares in accordance with the procedures described in “—*Procedures—Additional allocation*” below. Depending on the number of New Ordinary Shares taken up in the preferential subscription period and the applications received for additional New Ordinary Shares in the additional allocation period, holders of Preferential Subscription Rights may receive fewer additional New Ordinary Shares than they have requested or none at all (but, in any event, not more additional New Ordinary Shares than those requested by them).

If there are no New Ordinary Shares remaining unsubscribed at the end of the additional subscription period, the discretionary allocation period will therefore not open, the Agent Bank will notify the Iberclear members no later than by 18:00 (Madrid time) of 3 June 2016. Promptly after the end of the additional allocation period, the Company will publicly announce, via a regulatory information notice (*hecho relevante*), the results of subscriptions during the preferential subscription period and, as applicable, the number of additional New Ordinary Shares subscribed during the additional allocation period, and if the discretionary allocation period shall commence or not.

- *The discretionary allocation period.* If any New Ordinary Shares remain unsubscribed following the close of the additional allocation period, the Joint Bookrunners have agreed, subject to the terms and conditions of the Underwriting Agreement, to use reasonable efforts to procure subscribers during a discretionary allocation period and, failing which, to subscribe and pay for such unsubscribed New Ordinary Shares at the Subscription Price. The discretionary allocation period is expected to begin at any time after the end of the additional allocation period and end no later than 11.00 (Madrid time) on 7 June 2016 unless the Joint Bookrunners and the Company jointly decide to not open the discretionary allocation period, without prejudice to the ability of the Joint Bookrunners to terminate it early once open.
- If there is a discretionary allocation period, unsubscribed underwritten Shares will be allocated in accordance with the allocation process described in “—Procedures—Discretionary allocation and underwriting” below. The transfer to qualified institutional investors of New Ordinary Shares allocated during the discretionary allocation period shall be effected by the Joint Bookrunners by means of a “special transaction” (*operación bursátil especial*). In accordance with the envisaged timetable, it is expected that such special transaction will be executed on 8 June 2016 and settled on 13 June 2016.

Promptly after the end of the discretionary allocation period, if any, the Company will publicly announce the final results of the Offering via a regulatory information notice (*hecho relevante*), specifying the number of New Ordinary Shares taken up or allocated in each period.

The Company expects the New Ordinary Shares subscribed in the preferential subscription period and additional allocation period to be delivered on 8 June 2016, and the New Ordinary Shares placed in the discretionary allocation period (which the Company expects to be delivered on 13 June 2016) through the book-entry facilities of the Spanish securities clearance and settlement system, Iberclear.

The procedures for the Offering are described in detail under “—Procedures” below. This description of the Offering should be read in conjunction with the other sections of this Prospectus, including but not limited to, the “Forward—Looking Statements” and “Risk Factors” sections and the financial information included in this Prospectus.

Allocations of New Ordinary Shares made during the discretionary allocation period will be deemed irrevocable and unconditional, unless the Underwriting Agreement is terminated before the execution of the public deed of share capital increase (which, in accordance with the envisaged timetable, is expected to take place on 7 June 2016), in which case all such allocations will be automatically cancelled.

### Expected Timetable of Principal Events

The summary timetable set forth below lists certain important dates relating to the Offering:

<b>Principal event</b>	<b>On or about</b>
Registration of the Prospectus with the CNMV.....	12 May 2016
Announcement of the Offering in the BORME.....	13 May 2016
Commencement of the preferential subscription period and the period to request New Ordinary Shares to be allocated (if applicable) during the additional allocation period.....	14 May 2016
First date of the New Ordinary Shares without rights (ex-date) and first date of the Preferential Subscription Rights trading of the Preferential Subscription Rights.....	16 May 2016
Record Date (the date on which those persons or entities registered as Shareholders become Eligible Shareholders)	18 May 2016
End of trading of the Preferential Subscription Rights.....	27 May 2016
End of the preferential subscription period and the period to request New Ordinary Share allocation (if applicable) during the additional allocation period.....	28 May 2016
Additional allocation period (if applicable).....	3 June 2016
Filing of regulatory information notice announcing results of the preferential subscription period and additional allocation period (if applicable).....	3 June 2016
Commencement of the discretionary allocation period (if applicable).....	From 3 June 2016
End of the discretionary allocation period (if applicable).....	7 June 2016
Filing of regulatory information notice announcing results of the Offering and number of New Ordinary Shares subscribed for in each period.....	7 June 2016
Payment by the participating entities of Iberclear to the Agent Bank of the New Ordinary Shares subscribed for during the preferential subscription period and additional allocation period (if applicable).....	7 June 2016
Payment (pre-funding) by the Joint Bookrunners of the New Ordinary Shares subscribed for in the discretionary allocation period (if applicable).....	7 June 2016
Approval of the resolution regarding the capital increase to be closed and executed.....	7 June 2016



<b>Principal event</b>	<b>On or about</b>
Execution of the notarised deed of capital increase before a public notary .....	7 June 2016
Registration with the Commercial Registry of the notarised deed of capital increase .....	8 June 2016
Filing of regulatory information notice announcing registration of notarised deed of capital increase with the Commercial Registry .....	8 June 2016
Registration of the New Ordinary Shares with Iberclear .....	8 June 2016
Execution of the special transaction for the transfer of New Ordinary Shares allocated during the discretionary allocation period (if applicable) .....	8 June 2016
Admission to listing and trading of the New Ordinary Shares by the CNMV and the Spanish Stock Exchanges .....	8 June 2016
Expected commencement of trading of the New Ordinary Shares on the Spanish Stock Exchanges .....	9 June 2016
Settlement of the special transaction ( <i>operación bursátil especial</i> ) .....	13 June 2016

The specific dates for actions to occur in connection with the Offering that are set forth above and throughout this Prospectus are indicative only. There can be no assumption that the indicated actions will, in fact, occur on the cited dates or at all.

### **Shareholders resident in certain unauthorised jurisdictions**

No action has been taken, or will be taken, in any jurisdiction that would permit a public offering of the Shares, the Preferential Subscription Rights or the New Ordinary Shares, or possession or distribution of any Prospectus or other offering or publicity materials issued in connection with this offering, in any country or jurisdiction where for that purpose action is required.

Accordingly, the Preferential Subscription Rights and the New Ordinary Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering or publicity materials issued in connection with this Offering may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

### **Right to Dividends**

The New Ordinary Shares carry rights to dividends for the first time on the first dividend record date occurring after the registration of the New Ordinary Shares with Iberclear. The New Ordinary Shares will have the same right to dividends as the Existing Ordinary Shares. For a description of the Company's dividend policy, see "*Dividends and Dividend Policy*".

### **Procedures**

#### **Notice**

The Company expects to announce the commencement of the Offering on 13 May 2016 in the BORME and the Spanish Stock Exchanges Official Gazette. The Company will communicate significant developments in the Offering via a regulatory information notice (*hecho relevante*) through the CNMV website in accordance with Spanish law. Information will also be made available on the Company's website ([www.hispania.es](http://www.hispania.es)).

#### **Record Date and time**

Eligible Shareholders (that is, the Shareholders of the Company (other than the Company) who acquire their shares until 13 May 2016 and whose transactions are settled until 18 May 2016 in Iberclear are entitled to Preferential Subscription Rights. Such Eligible Shareholders will be allocated one right for each Share owned.

### **Preferential subscription**

To exercise Preferential Subscription Rights, Eligible Shareholders and purchasers of Preferential Subscription Rights during the preferential subscription period should contact the Iberclear member in whose register such securities are registered, indicating (i) their intention to exercise some or all of their Preferential Subscription Rights, and (ii) if they have elected to exercise their Preferential Subscription Rights in full, indicating whether they request additional New Ordinary Shares in the additional allocation period and, if so, specifying the whole number (see "*—Additional allocation*" below). In accordance with the envisaged timetable, the preferential subscription period is expected to commence on 14 May 2016 and end on and include 28 May 2016. The Preferential Subscription Rights are expected to be traded on the AQS during the period from and including 08:30 (Madrid time) on 16 May 2016 to 17:30 (Madrid time) on 27 May 2016.

Orders to take up New Ordinary Shares received during the preferential subscription period and requests to subscribe for additional New Ordinary Shares during the additional allocation period will be deemed irrevocable, firm and unconditional and may not be cancelled or modified by holders of Preferential Subscription Rights (except where a supplement to this Prospectus is published, in which case investors who have already agreed to subscribe for New Ordinary Shares will have the right, exercisable within two AQS Trading Days after publication of such supplement, to

withdraw their subscriptions, provided that the new factor, mistake or inaccuracy to which the supplement refers arose before the closing of the Offering and delivery of the New Ordinary Shares). Rightsholders may exercise all or part of their Preferential Subscription Rights at their discretion.

During the preferential subscription period, the Iberclear members will notify the Agent Bank of the aggregate total number of New Ordinary Shares subscribed in accordance with the exercise of Preferential Subscription Rights by shareholders and the number of additional New Ordinary Shares requested since the start of the preferential subscription period on each day of the Offering, no later than 17:00 (Madrid time) by email or fax.

The Iberclear members should communicate to the Agent Bank, on behalf of their clients or in their own name (as applicable), the aggregate amount of subscription orders for New Ordinary Shares received by them in accordance with the preferential subscription and, separately, the total volume of additional New Ordinary Shares requested, no later than 9:00 (Madrid time) on 3 June 2016 in accordance with the operative instructions established by the Agent Bank.

The communications to be sent by the Iberclear members to the Agent Bank containing the details of the New Ordinary Shares subscribed for during the preferential subscription period and of the request for additional New Ordinary Shares in the additional allocation period must comply with the Guidance Handbook on Corporate Events set by the Spanish Bank Association (AEB) and the Spanish Savings Bank Confederation (CECA) (*La Guía Práctica de Actuación de Eventos Corporativos Elaborada por AEB-CECA*), published by Iberclear on 10 March 2016. Such communications must be received by the Agent Bank not later than 10:00 (Madrid time) on 3 June 2016.

The Agent Bank is entitled to not accept communications from the Iberclear members that are submitted after the relevant deadline, or which do not comply with relevant current legislation or the relevant requirements set out in this Prospectus. If this occurs, neither the Agent Bank nor the Company accepts any responsibility, without prejudice to the potential responsibility of the relevant Iberclear participant towards parties who have submitted their orders within the required timeframe or in the correct format.

Once the preferential subscription period has ended and in the event that all New Ordinary Shares are fully subscribed for during such preferential subscription period, the Company may early terminate the Offering.

#### **Additional allocation**

Rightsholders that have exercised all of their Preferential Subscription Rights in the preferential subscription period may request the allocation of additional New Ordinary Shares in excess of their *pro rata* entitlement in the additional allocation period at the time they exercise their Preferential Subscription Rights. Rightsholders' requests are not subject to any maximum number of additional New Ordinary Shares. While requests for additional New Ordinary Shares may not be satisfied in full or at all, such requests shall nevertheless be considered firm and unconditional.

To request additional New Ordinary Shares, holders of Preferential Subscription Rights should contact the Iberclear member with whom their Preferential Subscription Rights are deposited. The Iberclear members will be responsible for verifying that each shareholder taking up additional New Ordinary Shares has exercised his Preferential Subscription Rights in respect of all of the shares deposited by such Shareholder with such Iberclear member.

On 3 June 2016, the Agent Bank will determine the number of New Ordinary Shares that have not been taken up in the preferential subscription period. The Agent Bank will allocate the New Ordinary Shares not taken up on the date of the additional allocation period (in accordance with the envisaged timetable, this would be 3 June 2016) subject to the following allocation criteria:

- If the number of additional New Ordinary Shares requested by holders who have exercised in full their Preferential Subscription Rights is equal to or less than the additional New Ordinary Shares available, then the additional New Ordinary Shares will be assigned to the holders of Preferential Subscription Rights who requested additional New Ordinary Shares until their requests are fully satisfied.
- If the number of additional New Ordinary Shares requested by holders who have exercised in full their Preferential Subscription Rights is greater than the additional New Ordinary Shares available, the Agent Bank will apply the following *pro rata* allocation:
- The number of shares will be allocated *pro rata* to the volume of additional New Ordinary Shares requested by each holder of Preferential Subscription Rights. To this end, the Agent Bank will calculate the percentage, which will be rounded down to three decimals, of the number of additional New Ordinary Shares a given holder of Preferential Subscription Rights has requested, divided by such aggregate.
- The Agent Bank will then allocate to the holders of Preferential Subscription Rights the number of additional New Ordinary Shares that this percentage represents, rounded down to the nearest whole number of additional New Ordinary Shares.
- If after the *pro rata* allocation, all available additional New Ordinary Shares have not been allocated due to rounding, the Agent Bank will allocate these remaining additional New Ordinary Shares, one by

one, starting with the holder of Preferential Subscription Rights who has solicited the greatest number of additional New Ordinary Shares. If two or more holders of Preferential Subscription Rights have requested the same number of additional New Ordinary Shares, the Agent Bank will determine allocations by alphabetical order, taking the first letter of the field “name and last name or corporate name”.

Allocation of the additional New Ordinary Shares will take place by no later than 17:00 (Madrid time) on 3 June 2016. The Agent Bank will inform the relevant Iberclear members of the definitive allocation of the additional New Ordinary Shares during the additional allocation period on the day of the additional allocation period (which, in accordance with the envisaged timetable, is expected to take place on 3 June 2016). If there are no New Ordinary Shares remaining unsubscribed at the end of the additional subscription period, the discretionary allocation period will therefore not open, the Agent Bank will notify the Iberclear members no later than by 18:00 (Madrid time) on such date. Any additional New Ordinary Shares allocated to holders of Preferential Subscription Rights during the additional allocation period will be deemed subscribed during the additional allocation period, not the preferential subscription period. In no circumstances shall more additional New Ordinary Shares be assigned to Eligible Shareholders or investors than those they have requested.

### **Discretionary allocation and underwriting**

The Company entered into an Underwriting Agreement with the Joint Bookrunners in respect of all of the New Ordinary Shares not subscribed for in full during the Discretionary Allocation Period (except for the 356,245 New Ordinary Shares that the Management Team has undertaken to subscribe for). The Joint Bookrunners will use reasonable efforts to procure subscribers for any underwritten New Ordinary Shares that remain unallocated after the additional allocation period during the discretionary allocation period (the “**Rump Shares**”), failing which they will purchase the Rump Shares themselves at the Subscription Price *pro rata* to their respective underwriting commitments. The commitment of the Joint Bookrunners is subject to the satisfaction of certain conditions precedent, and the Underwriting Agreement and its underwriting commitments may be terminated by the Joint Bookrunners in certain circumstances. See “*Plan of Distribution*”.

If, following the preferential subscription period and the additional allocation period, underwritten New Ordinary Shares remain unsubscribed, the Agent Bank will notify the Joint Bookrunners by no later than 17:45 (Madrid time) on the date of the additional allocation period (which, in accordance with the envisaged timetable, is expected to take place on 3 June 2016) of the number of Rump Shares to be allocated during the discretionary allocation period. The discretionary allocation period, if any, will commence no later than at any time after the end of the additional allocation period and will end no later than 11.00 (Madrid time) on 7 June 2016, without prejudice to the ability of the Joint Bookrunners to terminate it prior to such time.

The Company will announce the commencement of the discretionary allocation period in a regulatory information notice (*hecho relevante*).

During the discretionary allocation period, those persons who have the status of qualified investors in Spain, as this term is defined in article 39 of Royal Decree 1310/2005, of November 4, and those persons who have the status of qualified investors outside Spain pursuant to the applicable legislation in each country (so that complying with the relevant regulations, the subscription and payment of the Rump Shares do not require registration or approval of any kind) may submit proposals to the Joint Bookrunners to subscribe for Rump Shares.

The subscription proposals must be firm, unconditional and irrevocable and shall include the number of Rump Shares that each investor is willing to subscribe at the Subscription Price, except where the Underwriting Agreement does not become effective due to non-compliance of the conditions precedent or where the Underwriting Agreement is resolved. In such events, requests for subscription of New Ordinary Shares in the discretionary allocation period will be without effect.

The Joint Bookrunners receiving proposals to subscribe for Rump Shares must communicate to the Board, on behalf of the submitting parties, the total volume of Rump Shares subscription proposals received by them in accordance with the Underwriting Agreement. The Company shall determine after consultation with the Joint Bookrunners the definitive allocation of the Rump Shares to subscribers on the basis of their subscription requests notified by the Joint Bookrunners (acting reasonably, provided that the Company may only reject allocations to investors in the book for the Rump Shares so long as the Joint Bookrunners would not be forced as a result of any such rejection to purchase any such Rump Shares), which shall be communicated to the Joint Bookrunners and the Agent Bank not later than 21:00 (Madrid time) on 6 June 2016.

Notwithstanding the above, the Joint Bookrunners and the Company may agree to terminate the discretionary allocation period at any time prior to its end, provided that the capital increase has been fully subscribed.

The underwriting commitment, if applicable, will be fulfilled by means of submission by the Joint Bookrunners at the end of the discretionary allocation period, in their own names, of an irrevocable subscription proposal for New Ordinary Shares at the Subscription Price, in proportion to their respective underwriting commitments.

Furthermore, the Joint Bookrunners shall send the Agent Bank the communications containing the proposals for subscription of Rump Shares allocated, no later than 12:00 (Madrid time) on the first date of trading following the date of execution of the Special Transaction (as defined further below, which is expected to take place on 9 June 2016).

### **Method of Subscription and Payment**

#### **New Ordinary Shares subscribed during the preferential subscription period**

Subscribers must make payment in full of the Subscription Price, comprising the nominal value and premium, upon subscription for each New Ordinary Share subscribed for during the preferential subscription period. Subscribers should make payment to the Iberclear member through which they have filed their subscription orders. **Applications for New Ordinary Shares in exercise of Preferential Subscription Rights for which payment is not received in accordance with the foregoing shall be deemed not to have been made.**

The Iberclear member with whom orders for the subscription of New Ordinary Shares in exercise of Preferential Subscription Rights have been placed, shall pay to the Agent Bank all amounts payable with respect to such New Ordinary Shares, for same-day value, by no later than 11:00 (Madrid time) on 7 June 2016. The Agent Bank shall pay to the Company such amounts by no later than 11:15 (Madrid time) on such date.

If any Iberclear member that has made the payment in full of the Subscription Price subsequently fails to confirm to the Agent Bank the list of subscribers on behalf of whom such payment has been made, the Agent Bank shall allocate the New Ordinary Shares subscribed to such Iberclear member, without any liability whatsoever for the Agent Bank and the Company, without prejudice to any claim the holder of Preferential Subscription Rights(s) in question may have against the defaulting Iberclear member.

#### **New Ordinary Shares subscribed during the additional allocation period**

Full payment of the Subscription Price for each New Ordinary Share allocated during the additional allocation period will be made by each holder of Preferential Subscription Rights allocated additional New Ordinary Shares not later than 11:00 (Madrid time) on 7 June 2016, via the Iberclear member through which such holder of Preferential Subscription Rights solicited the additional New Ordinary Shares. **Applications for additional New Ordinary Shares in respect of which payment is not received in accordance with the foregoing will be deemed not to have been made.**

Notwithstanding the above, Iberclear members may require that holders of Preferential Subscription Rights requesting additional New Ordinary Shares fund in advance the Subscription Price of the additional New Ordinary Shares requested by them at the time of such request. If a requesting holder of Preferential Subscription Rights prefunds and the number of additional New Ordinary Shares finally allocated to such requesting holder of Preferential Subscription Rights is less than the number of additional New Ordinary Shares requested and prefunded by them, the Iberclear member will return to such holder of Preferential Subscription Rights, without deduction for expenses and fees, the amount corresponding to the excess subscription monies or, as the case may be, the whole Subscription Price for any additional New Ordinary Shares the subject of such a revocation, all in accordance with the procedures applicable to such Iberclear member.

The Iberclear members receiving requests for additional New Ordinary Shares shall pay to the Agent Bank all amounts payable, for same-day value, by no later than 11:00 (Madrid time) on 7 June 2016. The Agent Bank shall pay to the Company such amounts by no later than 11:15 (Madrid time) on such date.

If any Iberclear member that has made the payment in full of the Subscription Price subsequently fails to confirm to the Agent Bank the list of subscribers on behalf of whom such payment has been made, the Agent Bank shall allocate the New Ordinary Shares subscribed to such Iberclear member, without any liability whatsoever for the Agent Bank or the Company, without prejudice to any claim the holder of Preferential Subscription Rights(s) in question may have against the defaulting Iberclear member.

#### **New Ordinary Shares allocated during the discretionary allocation period**

Full payment of the Subscription Price for each New Ordinary Share allocated during the discretionary allocation period shall be made by the qualified institutional investors that have subscribed for such New Ordinary Shares by no later than the Settlement Date (as defined below) through the Joint Bookrunners.

For operational purposes, to allow the admission of the New Ordinary Shares to listing to take place as soon as possible, the Joint Bookrunners have agreed to subscribe for and prefund in full the subscription monies corresponding to the Rump Shares allocated to qualified institutional investors during the discretionary allocation period or otherwise to be acquired by the Joint Bookrunners pursuant to their underwriting commitments, subject to the satisfaction of the conditions contained in the Underwriting Agreement. Such prefunded subscription monies must be received by the Company, without deduction of any underwriting or other commissions and expenses, by no later than 11:00 (Madrid time) on 7 June 2016.

## **Payment**

Assuming execution of the capital increase deed (*escritura pública*) takes place no later than 7 June 2016, admission of the New Ordinary Shares to listing on the Spanish Stock Exchanges is, in accordance with the envisaged timetable, expected to take place on 8 June 2016 and settlement of the New Ordinary Shares allocated during the discretionary allocation period (via a special transaction) is, in accordance with the envisaged timetable, expected to take place on 13 June 2016. Payments in respect of New Ordinary Shares must be made by final subscribers:

- in relation to New Ordinary Shares subscribed during the preferential subscription period, upon subscription via the Iberclear member through which such holder of Preferential Subscription Rights solicited the New Ordinary Shares. Subscribers must make payment in full of the Subscription Price, comprising the nominal value and premium value, upon subscription for each New Ordinary Share subscribed for during the preferential subscription period;
- in relation to additional New Ordinary Shares subscribed during the additional allocation period by no later than 11:00 (Madrid time) of 7 June 2016 (or such earlier time as required by the rules of the particular Iberclear member), via the Iberclear member through which such additional New Ordinary Shares were solicited;
- in relation to New Ordinary Shares allocated during the discretionary allocation period, no later than 11:00 (Madrid time) on 13 June 2016.

Settlement in respect of New Ordinary Shares allocated during the discretionary allocation period to qualified institutional investors is expected to take place via a special transaction, to be executed on 8 June 2016 and to be settled on 13 June 2016. If the special transaction is not executed on such date, payment by qualified institutional investors of the Subscription Price for New Ordinary Shares allocated during the discretionary allocation period must be made no earlier than the date on which the special transaction is executed and by no later than the third AQS Trading Day following such date, which the Company refers to as the settlement date.

## **Registrations, delivery, admission to trading and commencement of trading in Spain of the New Ordinary Shares**

Following receipt of subscription monies due, the Company shall declare the share capital increase complete (fully or partially, as the case may be) and proceed to the granting of the corresponding capital increase deed before a Spanish public notary for its subsequent registration with the Commercial Registry of Madrid.

Registration of the capital increase with the Commercial Registry of Madrid is, in accordance with the envisaged timetable, expected to take place on 8 June 2016. Following the registration, the capital increase deed will be delivered to the CNMV, Iberclear and the Madrid Stock Exchange, as the lead stock exchange for the listing of the Shares. New Ordinary Shares issued as a result of exercising Preferential Subscription Rights and pursuant to the allocation of shares in the additional allocation period and the discretionary allocation period will be registered with Iberclear as soon as practicable after registration of the capital increase deed with the Commercial Registry.

The Company will request admission to trading of the New Ordinary Shares on the Spanish Stock Exchanges and on the AQS (which, in accordance with the envisaged admission timetable is expected to take place on 8 June 2016). Iberclear will notify the Eligible Shareholders and investors of the book-entry references of their respective holdings of New Ordinary Shares (subscribed during the preferential subscription period and the additional allocation period) via the Iberclear members. Iberclear will also notify the Joint Bookrunners, on a temporary basis, of the book-entry references of their holdings of New Ordinary Shares (allocated during the discretionary allocation period), in accordance with their pre-funding obligations or underwriting commitments, as applicable. The Company expects the New Ordinary Shares issued in the Offering to start trading on the Spanish Stock Exchanges from on or around 9 June 2016.

Following the transfer of New Ordinary Shares allocated during the discretionary allocation period from the Joint Bookrunners to the investors or the Joint Bookrunners as the case may be, the Agent Bank will notify Iberclear via the Spanish Stock Exchanges of the information relating to the entities that have been allocated New Ordinary Shares, so that registration is made in accordance with the information received from the Joint Bookrunners.

## **Announcement of the result of the Offering**

The Company expects to announce the outcome of the Offering on or around 6 June 2016.

## **Termination**

The Company may choose to revoke and terminate the capital increase if the Underwriting Agreement for the Offering is terminated. If the capital increase is revoked and terminated, the monies paid by subscribers will be returned to them. However, any investors who acquired Preferential Subscription Rights from existing rightsholders would not be reimbursed any amounts paid for such Preferential Subscription Rights by the Company and would be required to seek to recover any such amounts from the sellers of such Preferential Subscription Rights.

## ADDITIONAL INFORMATION

### Information on the Company

The Company was incorporated on 23 January 2014 pursuant to the Spanish Companies Act as a public limited company (a *sociedad anónima* or S.A.) under the name Hispania Activos Inmobiliaria, S.A. The commercial name of the Company is Hispania.

The Company is registered with the Madrid Commercial Registry at volume (Tomo) 31,898, sheet (Folio) 205 and page (Hoja) M-574126.

The principal legislation under which the Company operates, and under which the Shares were created, is the Spanish Companies Act and the regulations made thereunder.

The registered office of the Company is at c/ Serrano 30, 2nd floor, 28001 Madrid, Spain. The financial year end of the Company is 31 December.

The Company is domiciled in Spain and resident in Spain for tax purposes.

### The Corporate Purpose of the Company

The Company's main corporate purpose, provided for in Article 2 of the By-laws of the Company, consists of the pursuit of the following activities, whether in Spain or abroad:

*“(a) the acquisition and development of urban real estate for its lease;*

*(b) the holding of stakes in the capital of other listed corporations for investment in the real estate market (SOCIMIs) or in other entities not resident in Spain with the same corporate purpose as such corporations and which are subject to a regime similar to that established for SOCIMIs as regards the mandatory income distribution policy, pursuant to the law or bylaws;*

*(c) the holding of stakes in the capital of other entities, resident in Spain or otherwise, the main corporate purpose of which is the acquisition of urban real estate for lease and which are subject to the same regime established for SOCIMIs as regards the mandatory income distribution policy, pursuant to the law or bylaws, and which meet the investment requirements established for such companies; and*

*(d) the holding of shares or interests in real estate collective investment undertakings regulated under Collective Investment Undertaking Law 35/2003, of November 4, 2003.*

*Additionally, the Company may pursue real estate activities of all kinds and, consequently, the acquisition, holding, management, exploitation, restoration, disposal and encumbrance of all types of real estate, as well as the acquisition, holding, involvement, transfer or disposal of debt instruments in the form of privileged debt, ordinary or subordinated, with or without mortgage security, of all types of companies and, in particular, companies with an analogous or identical corporate purpose.*

*The activities comprising the corporate purpose may be indirectly pursued by the Company, in whole or in part, by means of the holding of shares or interests in companies with an analogous or identical corporate purpose.*

*The direct exercise, and indirect exercise where applicable, of all activities reserved under special legislation is excluded. If statutory provisions require any professional qualification, prior administrative authorization, registration at public registries or any other requirement for the pursuit of any of the activities included within the corporate purpose, such activities may not be commenced until the professional or administrative requirements imposed have been met.”*

### Documents on Display

Copies of the documents referred to below will be available for inspection in physical form at the Company's registered office up to admission to listing:

- (i) the deed of incorporation of the Company;
- (ii) the By-laws of the Company (which are also available at the webpage of the Company ([www.hispania.es](http://www.hispania.es)));
- (iii) Regulations of the General Shareholders' Meeting, Regulations of the Board of Directors, and Regulations of Internal Conduct in the Capital Markets (which are also available at the webpage of the CNMV ([www.cnmv.es](http://www.cnmv.es)) and at the webpage of the Company ([www.hispania.es](http://www.hispania.es)));
- (iv) the Annual Report on the Directors' Remuneration of Public Limited Companies (*Informe Annual Sobre Remuneraciones de los Consejeros de Sociedades Anónimas Cotizadas*) (which are also

available at the webpage of the CNMV ([www.cnmv.es](http://www.cnmv.es)) and at the webpage of the Company ([www.hispania.es](http://www.hispania.es));

- (v) the Annual Report on Corporate Governance (*Informe Anual de Gobierno Corporativo*);
- (vi) this Prospectus (which are also available at the webpage of the CNMV ([www.cnmv.es](http://www.cnmv.es)) and at the webpage of the Company ([www.hispania.es](http://www.hispania.es)));
- (vii) the Audited Individual Annual Accounts (which are also available at the webpage of the CNMV ([www.cnmv.es](http://www.cnmv.es)) and at the webpage of the Company ([www.hispania.es](http://www.hispania.es))); and
- (viii) the Audited Consolidated Annual Accounts (which are also available at the webpage of the CNMV ([www.cnmv.es](http://www.cnmv.es)) and at the webpage of the Company ([www.hispania.es](http://www.hispania.es))).

### Company's Investment Capacity

The initial investment capacity as at the date of this Prospectus is as follows (this analysis does not take into account any non-recovery expense incurred by the Company):

#### Adjusted theoretical initial investment capacity analysis

Metric	(€ million)
IPO net proceeds .....	533.7
Accelerated book build net proceeds .....	327.1
<b>Total net proceeds raised</b> .....	<b>860.8</b>
Treasury shares (committed) .....	(2.0)
<b>Total net proceeds to invest</b> .....	<b>858.8</b>
Assets currently no subject to be levered .....	(50.8) <sup>(1)</sup>
<b>Total net proceeds subject to leverage</b> .....	<b>808.0</b>
LTV (%) .....	45%
Investment capacity (including leverage) .....	1,469.1
Invested assets currently no subject to be levered .....	50.8 <sup>(1)</sup>
<b>Total current max theoretical investment capacity</b> .....	<b>1,519.9</b>
Total investments 2014 and 2015 .....	(1,175.2)
Las Agujas – acquisition closed in February 2016 .....	(38.5) <sup>(2)(3)</sup>
Hispanidad - acquisition closed in March 2016 .....	(16.1) <sup>(2)</sup>
Others <sup>4</sup> .....	2.2
Dunas + Hospitia 2016 + Guadalmina .....	(80.6)
<b>Current remaining investment capacity</b> .....	<b>211.6</b>
<b>Total investment committed</b> .....	<b>(157.9)</b>
Estimated committed capex (2016 and onwards) .....	(131.7)
<i>hotel capex (excl. BAY and Las Agujas and incl. Dunas)</i> .....	(82.6)
<i>offices capex</i> .....	(43.0)
<i>residential capex</i> .....	(6.2)
BAY capex committed (repositioning) .....	(26.2)
<b>Remaining investment capacity</b> .....	<b>53.7</b>

#### Notes:

- (1) Guadalmina hotel and Holiday Inn Bernabéu hotel.
- (2) Including capitalised transaction costs as of 31 March 2016.
- (3) Including initial expected capex of €26.5 million.
- (4) Majadahonda purchase options exercise impact on investment value (assuming the exercise of the 20 call options), furniture acquisition and further capitalised transaction costs in the first quarter of 2016.

The remaining investment capacity together with the Net Offering Proceeds raised in this Offering are expected to be committed in the short-term in new investment opportunities in accordance with the Investment Strategy. The pipeline which, as of the date of this Prospectus is being analysed by the Company, amounts to €1,540million and it is split as follows: (i) advanced investment opportunities (€172 million, all of them related to hotel assets); and (ii) active investment opportunities (€1,368 million which is split into 73.0% hotel assets and the remaining 27.0% in office assets).

Notwithstanding the above, the pipeline is *per se* dynamic and variable in terms of nature, volumes and execution times. It is therefore possible that the Net Offering Proceeds raised could end up being invested in transactions that are not envisaged at this point or in transactions currently being monitored by the Company but in stages too early to be classified as active deals as of the date of this Prospectus.

With the aim to give a view on the current pipeline analysed by the Company, some investment opportunities that are in an advanced stage are briefly described below on an illustrative basis.

	<b>Overview</b>	<b>Strategic analysis</b>	<b>Investment Analysis</b>
Advanced Deal A	4* and front beach hotel located in the Teguisse area (Lanzarote), with 372 keys recently renovated	<ul style="list-style-type: none"> <li>• Opportunity to integrate an existing hotel owned by Hispania creating a unique 800+ room beach front resort</li> <li>• Optimisation of operational leverage</li> </ul>	<p>Acquisition price of €28 million<sup>(1)</sup> (€75.3 thousand per key)</p> <p>Expected capex of €3.7 million</p>
Advanced Deal B	Acquisition of 3 hotels in Ibiza, with 484 keys in total, located in a unique environment	<ul style="list-style-type: none"> <li>• Strengthens Hispania's presence in Ibiza, a key location in Spain and one of the most consolidated touristic destinations in Europe</li> </ul>	<p>Acquisition price of €29.4 million<sup>(1)</sup> (€60.7 thousand per key)</p> <p>Expected capex of €35.4 million</p>

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Notes:

(1) Excluding acquisition transaction costs



## TRANSFER AND SELLING RESTRICTIONS

### Transfer and Selling Restrictions

Persons in the United States who wish to exercise Preferential Subscription Rights must execute and timely return an investor letter to the Company in the form set forth in Appendix 1 to this Prospectus in which they must confirm their status as a QIB and assume certain obligations with respect to the Preferential Subscription Rights and New Ordinary Shares, among other things.

Because of the following restrictions, purchasers of the New Ordinary Shares or Preferential Subscription Rights are advised to consult legal counsel prior to making any offer for, or resale, pledge or other transfer of, the New Ordinary Shares or Preferential Subscription Rights.

Terms used in this section that are defined in Rule 144A or in Regulation S are used herein as defined therein. The New Ordinary Shares and Preferential Subscription Rights have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold or otherwise transferred within the United States except to QIBs in reliance on Rule 144A or on another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, or outside the United States in offshore transactions in accordance with Regulation S.

The Preferential Subscription Rights may only be exercised (i) within the United States by QIBs in reliance on Section 4(a)(2) under the Securities Act and only by persons that have executed and timely returned an investor letter to the Company in the form set forth in Appendix 1 to this Prospectus, or (ii) outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S. In addition, the Joint Bookrunners, directly or through their US broker-dealer affiliates, may arrange for the offer and sale of New Ordinary Shares that are not subscribed for during the preferential subscription period or the additional allocation period (i) within the United States only to persons they reasonably believe are QIBs and in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, or (ii) outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S. Terms used above have the same meaning given to them by Regulation S and Rule 144A.

In addition, until 40 days after the later of the commencement of the Offering and the original issue or sale date of the New Ordinary Shares, any offer or sale of Preferential Subscription Rights or New Ordinary Shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

Each purchaser of the New Ordinary Shares or Preferential Subscription Rights offered hereby will be deemed to have represented and agreed as follows:

- (1) Either (A) the purchaser (a) is a QIB, (b) is aware, and each beneficial owner of such New Ordinary Shares and Preferential Subscription Rights has been advised, that the sale of the New Ordinary Shares or Preferential Subscription Rights to it is being made in reliance on Section 4(a)(2) of the Securities Act, Rule 144A or another exemption from the registration requirements of the Securities Act, (c) is acquiring the New Ordinary Shares or Preferential Subscription Rights for its own account or for the account of a QIB, (d) understands that the New Ordinary Shares and Preferential Subscription Rights have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be reoffered, resold, pledged or otherwise transferred except (x) (i) to a person whom the purchaser and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) and (y) in accordance with all applicable securities laws of the states of the United States and (e) acknowledges that the New Ordinary Shares and Preferential Subscription Rights offered and sold in accordance with Rule 144A are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of the New Ordinary Shares; or (B) the purchaser is outside the United States and acquiring the New Ordinary Shares or Preferential Subscription Rights in an offshore transaction in accordance with Regulation S;
- (2) (i) it is not, and is not acting on behalf of, a Benefit Plan Investor; (ii) if it is a governmental, church, non-U.S. or other plan it is not, and for so long as it holds Shares or interest therein will not be, subject to any federal, state, local, non-U.S. or other laws or regulations that could cause the underlying assets of the Company to be treated as assets of a shareholder by virtue of its interest in the Shares and thereby subject the Company (or any persons responsible for the investment and operation of the Company’s assets) to laws or regulations that are similar to the prohibited transaction provisions of section 406 of ERISA or section 4975 of the Code and/or laws or regulations that provide that the assets of the Company could be deemed to include “plan assets” of such plan; and (iii) it agrees not to

transfer its interest in the New Ordinary Shares or Preferential Subscription Rights to any person that cannot make the representations, warranties and agreements set out in clauses (i) and (ii) above;

- (3) the Company, the Joint Bookrunners and their respective directors, officers, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing representations and agreements; and
- (4) if any of the representations or agreements made by it are no longer accurate or have not been complied with, it will immediately notify the Company and the Joint Bookrunners, and if it is acquiring any New Ordinary Shares or Preferential Subscription Rights as a fiduciary or agent for one or more accounts, it has sole investment discretion with respect to each such account and it has full power to make such foregoing representations and agreements on behalf of each such account.

## **Selling Restrictions Applicable to Specific Jurisdictions**

### **European Economic Area**

Directive 2011/61/EU of the European Parliament and of the Council on Alternative Investment Fund Managers (the “AIFMD”) was approved on 8 July 2011 and was implemented in Spain by means of Law 22/2014, of 12 November, on venture capital entities, other closed-ended collective investment schemes and their management companies and the amendment of Law 35/2003 on Collective Investment Schemes (the “Law 22/2014”).

Being a SOCIMI, the Company is not subject to the provisions of Law 22/2014. In addition, the Company believes that it is not an AIF within the meaning of the AIFMD. However, it is uncertain whether the same conclusion could be reached in all the member states of the European Economic Area (“EEA”) according to the relevant legislative instruments that have implemented the AIFMD in each such jurisdictions. Accordingly, Shares or Preferential Subscription Rights may only be marketed or offered in such jurisdictions in compliance with and subject to the terms of such jurisdiction’s implementation of the AIFMD, or any available exemption therefrom, and any other laws and regulations applicable in such jurisdiction. For the purposes of the AIFMD, “marketing” means a direct or indirect offering or placement at the initiative of the Company or on behalf of the Company of Shares to or with investors domiciled or with a registered office in the EEA.

Furthermore, investors domiciled in EEA jurisdictions that have implemented the AIFMD by subscribing New Ordinary Shares either within the preferential subscription period (through the exercise of their Preferential Subscription Rights), the additional allocation period or the discretionary allocation period, will be deemed to have represented for the benefit of the Company and the Joint Bookrunners that such subscription complies with all applicable legislation, including relevant legislative instruments implementing the AIFMD, in such jurisdiction. The Company and the Joint Bookrunners may require additional representations from investors resident in EEA jurisdictions that have implemented the AIFMD.

In addition to the above, in relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a “**Relevant Member State**”), with effect from and including the date on which the Prospectus Directive was implemented in that Relevant Member State (the “relevant implementation date”), each Joint Bookrunner has severally represented, warranted and agreed that it has not made and will not make an offer of New Ordinary Shares or Preferential Subscription Rights to the public in that Relevant Member State prior to the publication of a prospectus in relation to the New Ordinary Shares and Preferential Subscription Rights which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in the Relevant Member State, all in accordance with the Prospectus Directive, except that with effect from and including the relevant implementation date, it may make an offer of New Ordinary Shares or Preferential Subscription Rights to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- (i) to any legal entity which is a qualified investor, as defined in the Prospectus Directive, as implemented in the Relevant Member State;
- (ii) to fewer than 100, or if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in such Relevant Member State subject to obtaining the prior consent of the Joint Bookrunners for any such offer; or
- (iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive.

provided that no such offer of New Ordinary Shares or Preferential Subscription Rights shall result in a requirement for the publication by the Company or any Joint Bookrunner of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires any New Ordinary Shares or Preferential Subscription Rights or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Joint Bookrunners and the Company that it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive. For this purpose, the expression “an offer of any New Ordinary Shares to the public” in relation to

any New Ordinary Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and any New Ordinary Shares to be offered so as to enable an investor to decide to purchase any New Ordinary Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State. The expression “**Prospectus Directive**” means Directive 2003/71/EC (and any amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

### **United Kingdom**

Each Joint Bookrunner has severally represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”)) received by it in connection with the issue or sale of any Shares or Preferential Subscription Rights in circumstances in which section 21(1) of the FSMA does not apply to the selling shareholders or the Company; and
- (b) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the New Ordinary Shares or Preferential Subscription Rights in, from or otherwise involving the United Kingdom.

### **Hong Kong**

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. The Shares and Preferential Subscription Rights may not be offered or sold in Hong Kong by means of any document other than (a) to “professional investors” as defined in the securities and futures ordinance (cap 571 of the laws of Hong Kong) (“**SFO**”) and any rules made under that ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the companies ordinance (cap 32 of the laws of Hong Kong) of Hong Kong or which do not constitute an offer to the public within the meaning of that ordinance. No person may issue, or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the New Ordinary Shares or Preferential Subscription Rights, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Ordinary Shares or Preferential Subscription Rights which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under that ordinance.

### **Singapore**

This Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the New Ordinary Shares or Preferential Subscription Rights may not be circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”); (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (iii) where the transfer is by operation of law; (iv) as specified in Section 276(7) of the SFA or (v) pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

### **Switzerland**

The New Ordinary Shares and Preferential Subscription Rights may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (“**SIX**”) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Ordinary Shares or Preferential Subscription Rights or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company or the New Ordinary Shares or the Preferential Subscription Rights have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the offer of the New Ordinary Shares or Preferential Subscription Rights has not been and will not be authorised under the Swiss Federal Act on Collective Investment Schemes (“**SCISA**”). The investor protection afforded to acquirers of interests in collective investment schemes under the SCISA does not extend to acquirers of New Ordinary Shares or Preferential Subscription Rights.

## Canada

The New Ordinary Shares may be sold only to purchasers in the Canadian provinces other than Manitoba and Newfoundland and Labrador purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the New Ordinary Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("NI 33-105"), the Joint Bookrunners are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

### Buyer's Representation

Each person in a Relevant Member State other than, in the case of paragraph (a), persons receiving offers contemplated in this Prospectus in Spain who receives any communication in respect of, or who acquires any shares or rights under, the offers contemplated in this Prospectus will be deemed to have represented, warranted and agreed to and with each manager and the Company that:

(a) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(b) in the case of any shares or rights acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the shares or rights acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Joint Bookrunners has been given to the offer or resale; or (ii) where shares or rights have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those shares or rights to it is not treated under the Prospectus Directive as having been made to such persons;

For the purposes of this representation, the expression an "offer of shares to the public" in relation to any shares or rights in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares or rights to be offered so as to enable an investor to decide to purchase or subscribe for the shares or rights, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

## **ENFORCEMENT OF CIVIL LIABILITIES**

The Company is a Spanish company and substantially all of its assets are expected to be located in Spain and, to a lesser extent, other jurisdictions outside of the United States. In addition, all of the Directors reside or are located in Spain. As a result, investors may not be able to effect service of process outside Spain upon the Company or these persons or to enforce judgments obtained against the Company or these persons in foreign courts predicated solely upon the civil liability provisions of the securities laws of the United States.

Furthermore, there is doubt that a lawsuit based upon United States federal or state securities laws, or the laws of any non-Spanish jurisdiction, could be brought in an original action in Spain and that a foreign judgment based upon such laws would be enforceable in Spain.

## **LEGAL MATTERS**

The validity of the Company's Shares and certain matters governed by Spanish, United States federal and New York state law will be passed on for the Company by Freshfields Bruckhaus Deringer LLP, the Company's Spanish and United States counsel.

Certain matters governed by United States federal and New York state law will be passed on for the Joint Bookrunners by Shearman & Sterling (London) LLP, United States counsel to the Joint Bookrunners and certain matters governed by Spanish law will be passed on for the Joint Bookrunners by Uría Menéndez Abogados, S.L.P., Spanish counsel to the Joint Bookrunners.

## **INDEPENDENT AUDITORS**

The registered office of Ernst & Young, S.L. is at Plaza Pablo Ruiz Picasso, 1, 28020 Madrid. Ernst & Young, S.L. is registered with the Official Auditors Registry (*Registro Oficial de Auditores de Cuentas*) with number S0530 and the Madrid Commercial Registry at volume (Tomo) 12,749, sheet (Folio) 215, section (Sección) 8, and page (Hoja) M-23123. The tax identification number of Ernst & Young is B-78970506.

The Company's financial information included elsewhere in this Prospectus has been audited by Ernst & Young, S.L., independent public accountants, as stated in their reports appearing elsewhere in this Prospectus. The reports contain favourable opinions without exceptions.

Professional fees for auditing services and non-auditing services contracted by the Company with Ernst & Young, S.L. for the period from 23 January 2014 to 31 December 2014 were €283 thousand and the professional fees for auditing services and non-auditing services contracted by the Company with Ernst & Young, S.L. for the period ended 31 December 2015 were €633 thousand.

## CERTAIN TERMS AND CONVENTIONS

Unless the context requires otherwise, the following terms used throughout this Prospectus shall have the meanings set forth below.

“**2014 Audited Consolidated Annual Accounts**” refers to the Company’s audited consolidated annual accounts for the eleven months and nine days ended 31 December 2014, which have been prepared in accordance with IFRS-EU;

“**2015 Audited Consolidated Annual Accounts**” refers to the Company’s audited consolidated annual accounts as of and for the year ended 31 December 2015, which have been prepared in accordance with IFRS-EU;

“**2016 Interim Financial Statements**” refers to the Company’s unaudited interim consolidated financial statements for the three-month period ended 31 March 2016.

“**ADR**” refers to average daily rate;

“**Agent Bank**” refers to Banco Santander, S.A. in its capacity as the agent bank;

“**AIF**” refers to an Alternative Investment Fund under Law 22/2014;

“**AIFMD**” refers to Directive 2011/61/EU of the European Parliament and of the Council on Alternative Investment Fund Managers;

“**AQS**” refers to the Automated Quotation System of the Spanish Stock Exchanges (*Sistema de Interconexión Bursáti o Mercado Continuo*);

“**Articles**” or “**By-Laws**” refers to the articles of association (*Estatutos Sociales*) of the Company, as amended from time to time;

“**Audited Consolidated Annual Accounts**” refers to the 2014 Audited Consolidated Accounts together with the 2015 Audited Consolidated Annual Accounts;

“**Audited Individual Annual Accounts**” refers to the Company’s audited individual annual accounts as of and for the year ended 31 December 2015 together with the Company’s audited individual annual accounts as of and for the eleven months and nine days ended 31 December 2014;

“**Azora Altus**” refers to Azora Altus, S.L. (previously named Azora Gestión, S.L.);

“**Azora Capital**” refers to Azora Capital, S.L.;

“**Azora Group**” refers to the Investment Manager and its affiliates;

“**Azzam Gestión Inmobiliaria**” refers to Azzam Gestión Inmobiliaria S.L., a limited society (*sociedad limitada*) in which Azora Capital, S.L. holds a 51% shareholding;

“**Barceló Entities**” refers to the companies within the Barceló Group that entered into with Hispania Real the Investment Agreement;

“**Barceló Group**” refers to Barceló Corporación Empresarial, S.A. together with all the companies belonging to its group, pursuant to Article 42 of the Spanish Commercial Code, as amended;

“**Base Fee**” refers to the payment of a base fee to the Investment Manager under the terms of the Investment Manager Agreement;

“**BAY Asset Portfolio**” refers to the eleven hotels and a small shopping centre directly owned by BAY, as well as another five hotels and a second small shopping centre that BAY owns through its participation in BHC and PDV;

“**Benefit Plan Investor**” has the meaning set forth in the ERISA considerations section of this Prospectus;

“**BHC**” refers to Barceló Hotels Canarias;

“**Board of Directors**” or “**Board**” refers to the board of directors of the Company;

“**BORME**” refers to the Spanish Commercial Registry Official Gazette (*Boletín Oficial del Registro Mercantil*);

“**Business Day**” refers to a day (other than a Saturday or Sunday) on which commercial banks are open for general commercial business in Madrid, Spain;

“**Business Plan**” refers to the business plan prepared annually by the Investment Manager and approved by the Company in accordance with the Investment Manager Agreement;

“**CAGR**” refers to the compound annual growth rate;

“**Capital Distribution**” refers to any gross dividends, distributions, share buybacks or similar transactions involving a cash or in kind payment to Shareholders;

“**Capital Distribution Date**” refers to the date when a Capital Distribution is made;

“**Cash Management Policy**” refers to the policy approved by the Board of Directors from time to time that sets forth the guidelines that the Investment Manager must follow when managing the Company’s cash as well as the Company’s cash needs for covering its ongoing operating expenses. These guidelines require the Investment Manager to have such cash at all times invested across a diversified portfolio. This portfolio may include various types of sufficiently liquid financial instruments, obtained from credit-worthy counterparties and of short-term maturity. These include bank current accounts, cash deposits, term deposits, commercial paper, treasuries, bonds with short-term maturity, government securities, floating rate notes as well as mutual funds with low risk profile and less than twelve months’ duration and other market instruments;

“**CBD**” refers to Central Business District;

“**CBRE**” refers to CB Richard Ellis Valuation, an external independent real estate appraiser;

“**Chairman**” refers to the chairman of the Board of Directors;

“**CNMV**” refers to *Comisión Nacional del Mercado de Valores* (the Spanish Securities and Exchange Commission);

“**Code**” refers to the U.S. Internal Revenue Code of 1986, as amended;

“**Co-Investment Agreement**” refers to the co-investment agreement entered into by the Company, the Investment Manager and Quantum Strategic Partners Ltd. on 21 February 2014;

“**Consolidated Directors’ Reports**” refers to the 2014 Consolidated Directors’ Report and the 2015 Consolidated Directors’ Report;

“**Committees**” refers to the committees of the Board of Directors of the Company, namely the Executive Committee, the Audit Committee and the Nomination and Remuneration Committee;

“**Company**” refers to Hispania Activos Inmobiliarios, SOCIMI, S.A.;

“**Core Asset Classes**” refers to hotels, offices and residential rental properties in Spain and, following the expiry of the EnCampus investment period, student accommodation properties;

“**Corporate Income Tax Act**” refers to Spanish Law 27/2014, of 27 November 2014, regulating the Spanish Corporate Income Tax, as amended from time to time;

“**Development Opportunities**” refers to investments in major development, construction or refurbishment opportunities;

“**Directors**” refers to the directors of the Company, as applicable from time to time;

“**DTT**” refers to a double taxation treaty between two countries;

“**EBIT**” refers to profit from operations after revaluation and asset disposals;

“**EBITDA**” refers to profit from operations before depreciation and amortisation charge and gain from a bargain purchase;

“**EBITDAR**” refers to profit from operations before amortisation, gain from a bargain purchase and any rent costs;

“**EEA**” refers to the European Economic Area;

“**Eligible Shareholders**” refers to the Shareholders as of 23:59 (Madrid time) on the date of publication of the Offering in the Spanish Commercial Registry Official Gazette (*Boletín Oficial del Registro Mercantil*) except as otherwise provided herein;

“**EnCampus**” refers to EnCampus Residencias de Estudiantes, S.A., a company currently managed by the Azora Group;

“**EnCampus investment period**” refers to the investment period of EnCampus, which will expire on the earlier of (i) 8 October 2017 and (ii) the date on which the board of directors of EnCampus has unconditionally and irrevocably committed EnCampus’s total initial proceeds;

“**EPRA**” refers to European Public Real Estate Association. Further information on the EPRA, as well as the EPRA Reporting Best Practice Recommendations are available at [www.epra.com](http://www.epra.com);

“**EPRA Net Initial Yield on GAV**” refers to annual income from net cash flows of non-recoverable operational costs derived from the rental of the Portfolio, with respect to the market value of the Portfolio increased by estimated transaction costs. Net cash flows have been calculated by annualising net income obtained in the first quarter of 2016, following methods recommended by EPRA (excluding non-recurrent first quarter costs and income). In the hotel segment, the assets under management and in development (Hotel Holiday Inn Bernabéu, Hotel Guadalmina Golf, Hotel Maza and Las Agujas) are excluded;

“**EPRA Net Reversion yield on GAV**” refers to annual income from net cash flows of non-recoverable operational costs derived from the rental of the Portfolio, with respect to the market value of net income of the Portfolio on the date of the calculation, in relation to the market value of the Portfolio increased by estimated transaction costs. With regard to the office and residential portfolios, net income is estimated for each asset considering its nature and its location. The triple net contract hypothesis is used, meaning that it is assumed that the operational costs will be reassigned to the tenants. With regard to the hotel portfolio, the Group considers that the EPRA net reversion yield on GAV is equivalent to the EPRA Net Initial Yield on GAV for those hotels that are currently leased out to an operator which does not form part of the Group because there are no comparable market references for the hotel assets of the Group. EPRA net reversion yield on GAV includes the best estimate of annual net cash flow income of the assets in development or currently managed internally by the Group, calculated over the gross estimated investment of such assets once the development is finalised and the planned repositioning work completed;

“**EPRA Net Reversion Yield on Cost**” refers to the estimated annual net cash flow income of non-recoverable operational costs derived from the rental of the Portfolio, using the market value of the net income of Portfolio on the date of the calculation, in relation to the investment amount of the Portfolio. With regard to the office and residential portfolios, net income is estimated for each asset considering its nature and its location. The triple net contract hypothesis is used, meaning that it is assumed the operational costs will be reassigned to the tenants. With regard to the hotel portfolio, the Group considers that the EPRA net reversion yield on cost is equivalent to the EPRA net initial yield on cost for those hotels that are currently leased out to an operator which does not form part of the Group because there are not comparable market references for the hotel assets of the Group. EPRA net reversion yield on cost includes the best estimate of annual net cash flow income of the assets in development or currently managed internally by the Group, calculated over the gross estimated investment of such assets once the development is finalised and the planned repositioning work completed;

“**ERISA**” refers to the U.S. Employee Retirement Income Security Act of 1974, as amended;

“**EU**” refers to the European Union;

“**Eurozone**” refers to the region comprising member states of the EU that have adopted the euro as the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;

“**Exchange Act**” refers to the United States Securities Exchange Act of 1934, as amended;

“**Exclusivity Period**” refers to the period beginning on the Initial Admission and ending on the expiry of the Investment Period;

“**Executive Committee**” refers to the executive committee of the Company;

“**Existing Ordinary Shares**” refers to the Company’s ordinary shares outstanding that are listed on the Spanish Stock Exchanges and quoted on the AQS immediately prior to this Offering;

“**FATCA**” refers to Sections 1471 through 1474 (including any agreements under Section 1471(b)) of the Code, certain intergovernmental agreements relating thereto or laws implementing any of the foregoing;

“**Fees**” refers to, collectively, the Termination Fee, Base Fee and the Performance Fee;

“**FFIs**” refers to Foreign Financial Institutions;

“**FSMA**” refers to the Financial Services and Markets Act 2000, as amended;

“**GAV**” refers to Portfolio Value;

“**GDP**” refers to gross domestic product;

“**General Shareholders’ Meeting**” refers to the general shareholders’ meeting of the Company;

“**GIRY**” refers to gross initial reversion yield, meaning the yield generated by a property acquired by the Company assuming 100% occupancy at current gross market rents, divided by book value;

“**GLA**” refers to gross leasable area, which is the amount of floor space in property assets available to be rented and for which a tenant pays rent;

“**Gross Financial Debt**” refers to the gross debt of the Group, which consists of bank debt, including loans from third parties, interest in third party debt, hedging derivatives, outstanding hedging derivatives interest and arrangement costs on borrowings, as well as outstanding Ceosa debt and interest;

“**Gross Proceeds Raised**” refers to the gross proceeds received by the Company from the Offering together with any gross proceeds received by the Company from the Initial Offering and from subsequent offerings of shares (by way of a capital increase or otherwise);

“**Group**” refers to the Company and its subsidiaries;



“**Group Company**” refers to any member of the Group;

“**Hispania Fides**” refers to Hispania Fides, S.L.;

“**Hispania Real**” refers to Hispania Real SOCIMI, S.A.U.;

“**Hurdle**” refers to the aggregate amount of:

- (i) the Gross Proceeds Raised compounded annually (on the basis of 365 days/year) at 10% from the day they were raised until the Capital Distribution Date, less
- (ii) the amount of Total Capital Distributions (without taking into account the Relevant Capital Distribution) compounded annually (on the basis of 365 days/year) at 10% from the day they were made until the Capital Distribution Date;

“**Iberclear**” refers to the book-entry facilities of the Spanish securities, clearance and settlement system (*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.*);

“**IFRS-EU**” refers to the International Financial Reporting Standards, the principles-based accounting standards, interpretations and the framework adopted by the International Accounting Standards Board, as adopted by the EU (as amended);

“**IGA**” refers to the intergovernmental agreement between Spain and the United States;

“**IMF**” refers to the International Monetary Fund;

“Independent Appraiser” refers to CBRE;

“**Individual Investment Opportunity**” means (i) in the case of a direct acquisition of any real estate asset which constitutes an independent business unit, capable of generating its own cash flows and which is physically independent from other real estate assets, such real estate asset; and (ii) in the case of an acquisition of shares in a company, each of the underlying real estate assets which constitutes an independent business unit, capable of generating its own cash flows and which is physically independent from other real estate assets owned by such company;

“**INE**” refers to the Spanish National Institute of Statistics (*Instituto Nacional de Estadística*);

“**Initial Admission**” refers to the initial admission of the Initial Offering to listing and trading on the Spanish Stock Exchanges, which occurred on 14 March 2014;

“**Initial Offering**” refers to the initial offering of 55,000,000 ordinary shares;

“**Investment Advisers Act**” refers to the United States Investment Advisers Act of 1940, as amended;

“**Investment Agreement**” refers to the investment agreement entered into on 14 April 2015 with Barceló Entities whereby Hispania Real acquired a 80.5% stake in BAY;

“**Investment Company Act**” refers to the United States Investment Company Act of 1940, as amended;

“**Investment Manager**” refers to Azora Gestión S.G.I.I.C., S.A.U.;

“**Investment Manager Agreement**” refers to the agreement entered into between the Company, the Investment Manager and Azora Capital on 21 February 2014, as amended on 29 December 2014 and 29 June 2015;

“**Investment Opportunity**”, for purposes of the Co-Investment Agreement, refers to any investment opportunity that falls within the parameters of the Investment Strategy;

“**Investment Period**” refers to the period beginning on the Initial Admission and ending on the earlier of (i) the date on which the Net Proceeds Raised have been fully invested and (ii) either the third anniversary of the Initial Admission or, in the event such period is extended in accordance with the Investment Manager Agreement, the last Business Day of the relevant extension period;

“**Investment Strategy**” refers to the Company’s investments, instruments and leverage criteria set forth in the Investment Manager Agreement;

“**Irea**” refers to IREA Investment Real Estate Associates, a Spanish financial and strategic adviser to middle market companies;

“**IVIMA**” refers to *Instituto de la Vivienda de Madrid*, a Madrid regional government agency engaged in the promotion of social housing in the Madrid region;

“**JLLRM**” refers to Jones Lang LaSalle Research Materials;

“**Joint Bookrunners**” refers to Goldman Sachs International, Morgan Stanley & Co. International plc and UBS Limited and “Joint Bookrunner” refers to any of them;

“**Law 22/2014**” refers to Law 22/2014, of 12 November, implementing AIFMD;

“**Lazora**” refers to Lazora, Sociedad de Inversión Inmobiliaria, S.A.;

“**Lower-tier PFICs**” refers to lower-tier passive foreign investment companies;

“**LTV**” refers to loan to value;

“**LTV Threshold**” refers to the maximum loan to value threshold, calculated as consolidated net financial debt over the Portfolio Value, in accordance with the Investment Strategy;

“**MAB**” refers to the *Mercado Alternativo Bursátil*, the Spanish listing market for small cap companies with a growing profile;

“**Manager Principals**” refers to Mr. Fernando Gumuzio Iñíguez de Onzoño and Ms. María Concepción Osácar Garaicoechea or any person that replaces any of them in accordance with the Investment Manager Agreement;

“**Management Team**” refers to the group of persons employed or otherwise used by the Investment Manager to implement the Investment Strategy from time to time;

“**Minimum gross yield on Cost**” refers to the annual gross fixed income from the hotels, in accordance with the lease agreements signed with the operators, excluding such assets that are internally managed by the Group or that are being developed as at 31 March 2016, in relation to the investment amount of such assets. Therefore, the gross variable income of the hotels managed by an operator is not included for the calculation of this ratio;

“**Ministry of Economy and Competitiveness**” refers to the Spanish *Ministerio de Economía y Competitividad*;

“**Ministry of Public Works and Transport**” refers to the Spanish *Ministerio de Fomento*;

“**NAV**” or “**Net Asset Value**” refers to the net asset value attributable to the Company from time to time in accordance with EPRA standards and IFRS-EU on the basis of the corresponding Portfolio Value (unless otherwise agreed between the Company and the Investment Manager);

“**Net Offering Proceeds**” refers to the proceeds received by the Company from the Offering net of fees and expenses payable by the Company in connection with the Offering;

“**Net Proceeds Raised**” refers to the Net Offering Proceeds together with any net proceeds received by the Company from the Initial Offering and from subsequent offerings of shares (by way of a capital increase or otherwise);

“**New Ordinary Shares**” refers to up to 25,775,002 new ordinary shares of the Company with a nominal value of €1.00 each offered in the Offering;

“**Non-Core Asset Classes**” refers to retail, logistics and other real estate asset classes other than Core Asset Classes;

“**Non-Core Instruments**” refers to other instruments, such as minority equity stakes in companies holding real estate assets where the Company believes it can exercise significant influence to protect the interests of the Shareholders or real estate-related income streams in the form of hybrid, junior, mezzanine or senior debt of real estate companies or with real estate collateral;

“**NRIT Act**” refers to the recast text of the Spanish Non-Resident Income Tax Act, approved by Royal Legislative Decree 5/2004 of 5 March;

“**NRIT**” refers to the Spanish Non-Resident Income Tax Act (BOE 12 March 2004);

“**Offering**” refers to the capital increase of up to 25,775,002 New Ordinary Shares of the Company, each with a nominal value of €1.00 including Preferential Subscription Rights;

“**Order**” refers to the UK Financial Securities and Markets Act 2000 (Financial Promotion) Order 2005;

“**PDV**” refers to Poblados de Vacaciones;

“**Performance Fee**” refers to the performance fee under the terms of the Investment Manager Agreement;

“**PFICs**” refers to passive foreign investment companies;

“**Plan Asset Regulations**” refers to U.S. Department of Labor Regulation 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA);

“**Portfolio**” refers to the Group’s portfolio of assets, from time to time, assembled by the Investment Manager in accordance with the Investment Strategy;

“**Portfolio EBITDA**” refers to the sum of the EBITDA attributable specifically to each asset class (hotels, offices, residential rental properties and hotels under management), meaning the sum of the operating revenues generated by the assets comprising the Portfolio of the Company less the operating costs attributable to the assets comprising the Portfolio of the Company;

**“Portfolio Value”** refers to the aggregate of the most recent valuations of the Portfolio performed by CBRE, calculated in accordance with the Red Book, from time to time, or, as otherwise agreed between the Board of Directors and the Investment Manager from time to time plus any implemented capex, additional capitalised transaction costs, new acquisitions during 2016 (such as Hispanidad and Las Agujas land plot) and sales on investment property incurred during the three-month period ended 31 March 2016; this valuation was recognised as at 31 March 2016 in the 2016 Interim Financial Statements on the following captions: “Investment Property” for a total amount of €1,395,380 thousand, “Property Plant & Equipment” for an amount of €67,564 thousand and “Prepayments and Accrued Income” for €390 thousand. As of 31 December 2015 in the 2015 Audited Consolidated Annual Accounts, the Portfolio Value was recognised on the following captions: “Investment Property” for a total amount €1,360,613 thousand, “Property, Plant and Equipment” for a total amount of €64,200 thousand and “Prepayments and Accrued Income” for €407 thousand. As of 31 December 2014, the Portfolio Value was recognised on the caption “Investment Property” for a total amount of €422,365 thousand;

**“Potential Company Opportunity”** refers to any investment opportunity which falls within the parameters of the Investment Strategy and is considered by the Company, or the Investment Manager on behalf of the Company, as a potential investment and (i) the investment opportunity conflicts with the investment restrictions under the Investment Manager Agreement and where such conflict could only be avoided by pursuing such investment opportunity with a third-party investor or (ii) the Investment Manager (at its discretion or as directed and approved by the Board of Directors) determines that co-investing with a third party is necessary or desirable;

**“Preferential Subscription Rights”** refers to the transferable subscription rights the Company is granting to the Eligible Shareholders;

**“Property Management Services”** refers to all services in relation to the day-to-day management or ordinary course operation of the Group’s properties, including leasing services, managing property and suppliers services (including renovation, repairs, janitors, disinfestations, pest control, utilities, cleaning, security, gardening and refurbishment works), insurances, rent billing and collection, managing technical services (including maintenance, conservation and inspections required), incidents management, administrative management and filing;

**“Prospectus Directive”** refers to the EU Directive 2003/71/EC, as amended;

**“QEF”** refers to qualified electing fund;

**“QIBs”** refers to qualified institutional buyers as defined in Rule 144A;

**“Qualifying Holdings”** refers to interests in the share capital or assets of other non-resident SOCIMIs or REITs, unlisted SOCIMIs, unlisted non-resident entities entirely owned by a SOCIMI or REIT, IICIs or other entities, irrespective of whether they are resident in Spain (provided that such foreign country has signed a tax information exchange agreement with Spain), which have as their main corporate purpose the acquisition of urban real estate assets for their lease and which are governed by the same regime established for SOCIMIs as regards legal or statutory mandatory profit distribution and investment policies;

**“Qualifying Investments”** refers to investments that qualify for the SOCIMI Regime;

**“Qualifying Real Estate”** refers to urban real estate for leasing purposes (in Spain or in a country which has signed a tax information exchange agreement with Spain) or plots of land for the development of such real estate provided that such development is commenced within three years following acquisition;

**“Quantum Strategic Partners”** refers to Quantum Strategic Partners Ltd., a Cayman Islands exempted limited company that agreed to purchase shares of the Company pursuant to a cornerstone investment agreement as part of the Initial Offering. Soros Fund Management LLC is the principal investment manager to Quantum Strategic Partners Ltd.;

**“Record Date”** refers to the date on which those persons or entities registered as Shareholders become Eligible Shareholders, 18 May 2016, according to the expected timetable;

**“Red Book”** refers to the RICS Valuation—Professional Standards January 2014 (or if it has been replaced, its equivalent) published by the Royal Institute of Chartered Surveyors of Great Britain and in accordance with the International Valuation Standards;

**“REIT”** refers to real estate investment trusts;

**“Regulation S”** refers to Regulation S under the Securities Act;

**“Relevant Capital Distribution”** refers to the amount of a specific Capital Distribution made on a certain date;

**“Relevant Member State”** refers to each member state of the European Economic Area that has implemented the Prospectus Directive;

**“Relevant Opportunity”** refers to any opportunity to invest in, acquire or participate in a transaction related to any asset which meets the investment criteria specified in the Investment Strategy, and which the Investment Manager, any of its affiliates or any member of the Management Team proposes or contemplates to pursue, whether directly or

indirectly, and whether on its own account or on behalf of any third party, save that the term “Relevant Opportunity” shall not include any such opportunity where the relevant asset would be for (i) the personal use of the relevant member of the Management Team or any of its related persons or (ii) the use as office space for the Investment Manager or any of its affiliates, provided that in the case of (i) the estimated acquisition all-in-costs for such opportunity do not exceed €95 million (per member of the Management Team) during the period ending on the third anniversary of the Initial Admission;

“**RevPAR**” refers to revenue per available room;

“**Right of First Refusal Period**” refers to the period between the expiry of the Exclusivity Period and the third anniversary of the Initial Admission;

“**Rule 144A**” refers to Rule 144A under the Securities Act;

“**SAREB**” refers to *Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria* (the Spanish company for the management of assets proceeding from the restructuring of the banking system);

“**SCISA**” refers to the Swiss Federal Act on Collective Investment Schemes;

“**SEC**” refers to the United States Securities and Exchange Commission;

“**Securities Act**” refers to the United States Securities Act of 1933, as amended;

“**Services**” refers to the services to be provided by the Investment Manager to the Group pursuant to the Investment Manager Agreement;

“**SFA**” refers to institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore;

“**SFO**” refers to professional investors as defined in the securities and futures ordinance (cap 571 of the laws of Hong Kong);

“**Shareholders**” refers to the shareholders, from time to time, of the Company;

“**Shares**” refers to the ordinary shares of the Company, including the Existing Ordinary Shares and the New Ordinary Shares;

“**Similar Laws**” has the meaning set forth in the ERISA considerations section of this Prospectus;

“**SIX**” refers to the SIX Swiss Exchange;

“**SOCIMI**” refers to Spanish real estate investment companies (*Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario*), as defined in the SOCIMI Act;

“**SOCIMI Act**” refers to Spanish Law 11/2009, of 26 October 2009, on listed real estate investment companies, as amended from time to time;

“**SOCIMI Regime**” refers to the special tax regime applicable to SOCIMIs pursuant to the Spanish SOCIMI Act;

“**SOCIMI Subsidiary**” refers to Hispania Real SOCIMI, S.A.U.;

“**Sole Global Coordinator**” refers to UBS Limited;

“**Spanish Companies Act**” refers to the Spanish Companies Act, whose consolidated text was approved by Royal Legislative Decree 1/2010 of 2 July;

“**Spanish Stock Exchanges**” refers to the Madrid, Barcelona, Bilbao and Valencia stock exchanges;

“**Subscription Price**” refers to the offering price of €8.95 per New Ordinary Share;

“**Target Return**” refers to the target return sought by the Company of a gross annual leveraged internal rate of return of 15% over Gross Proceeds Raised;

“**Termination Fee**” refers to the amount that the Investment Manager would be entitled to receive in the event that the Investment Manager Agreement is terminated prior to the end of its term, comprising (i) upon certain events, a make-whole payment of the Base Fee up to the end of the term, as well as the Termination Performance Fee; or (ii) upon certain events, the Termination Performance Fee only;

“**Termination Performance Fee**” refers to the amount equal to the Performance Fee that the Investment Manager would be entitled to receive in the event that the Investment Manager Agreement is terminated prior to the end of its term, assuming that all of the assets of the Company had been sold immediately preceding the relevant termination date at the latest available Portfolio Value (net of transaction costs) and all of the cash proceeds from the sales (net of the estimated outstanding liabilities in relation to the assets, as well as of the corresponding Performance Fee and tax charge) had been distributed to the Shareholders as Capital Distributions;

“**Third Party Hispania Co-Investment**” refers to a third-party investor in relation to any Potential Company Opportunity;

“**Total Capital Distributions**” refers to the aggregate amount of all Relevant Capital Distributions declared and paid from time to time;

“**Treaty**” refers to the U.S.-Spain income tax treaty;

“**United States**” or “**U.S.**” refers to the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

“**U.S. Holder**” refers to a beneficial owner of the New Ordinary Shares for U.S. federal income tax purposes;

“**Valuation Report**” refers to the valuation report prepared by CBRE for the Portfolio as of 31 December 2015;

“**Value Return Proposal**” refers to the strategy to be proposed to the Board of Directors by the Investment Manager of the Company under the terms of the Investment Manager Agreement with a view of maximising value for Shareholders;

“**VAT**” refers to value added tax levied pursuant to applicable law; and

“**WALT**” refers to the weighted average lease term from 31 March 2016 until the first break option and the total contract length taking into account the leased area (in the particular case of hotels this includes potential extensions and excludes the commercial premises of Hesperia Ramblas).

**APPENDIX 1: FORM OF INVESTOR LETTER FOR UNITED STATES  
INVESTORS**

*You must review, sign and return this Investor Letter to the addresses set forth below by fax or e-mail.*

*HISPANIA ACTIVOS INMOBILIARIOS, SOCIMI, S.A.*

*Calle Serrano 30,*

*2º izquierda,*

*28001 Madrid*

*Spain*

*E-mail:            [●]*

*Attention:        [●]*

*[Note: the subscription period closes on [●] 2016 but [●] 2016 falls on a Saturday, which is not a business day in Spain, and therefore, Preferential Subscription Rights cannot be exercised on that date. In addition, your custodian may have an earlier cut-off date.]*

*[Letterhead of Qualified Institutional Buyer]*

To: HISPANIA ACTIVOS INMOBILIARIOS, SOCIMI, S.A.

Calle Serrano 30,

2º izquierda,

28001 Madrid

Spain

The Managers named in the Prospectus dated \_\_\_\_\_ 2016

Ladies and Gentlemen:

In connection with our proposed exercise of any preferential subscription rights (*derechos de suscripción preferente*) (“**Subscription Rights**”) with respect to the new ordinary shares (the “**New Shares**”, and together with the Subscription Rights, the “**Securities**”) of HISPANIA ACTIVOS INMOBILIARIOS, SOCIMI, S.A. (the “**Company**”), we confirm that:

1. We, and any account for which we are exercising the Subscription Rights, are, and at the time of any such exercise of Subscription Rights and receipt of New Shares by us will be, a “qualified institutional buyer” (a “**QIB**”) within the meaning of Rule 144A under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”).
2. We understand and acknowledge that the Securities have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and that they may not be offered, sold, subscribed for, pledged or otherwise transferred, or exercised, as applicable, directly or indirectly, in the United States, other than in accordance with paragraph 4 below.
3. As a purchaser in a private placement of securities that have not been registered under the Securities Act, we are exercising the Subscription Rights for our own account, or for the account of one or more other

QIBs for which we are acting as duly authorised fiduciary or agent with sole investment discretion with respect to each such account and with full authority to make the acknowledgments, representations and agreements herein with respect to each such account, in each case for investment and not with a view to any resale or distribution (within the meaning of the U.S. securities laws) of any Securities.

4. If, in the future, we or any such other QIB for which we are acting, as described In paragraph 3 above, or any other fiduciary or agent representing such investor, decide to offer, sell, pledge or otherwise transfer any Securities, we and it will do so only (i) pursuant to an effective registration statement under the Securities Act, (ii) to a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States pursuant to Rule 904 under Regulation S (“**Regulation S**”) under the Securities Act in an “offshore transaction” as defined in, and in accordance with Regulation S (and not in a pre-arranged transaction resulting in the resale of such Securities into the United States) or (iv) in accordance with Rule 144 under the Securities Act and, in each case, in accordance with any applicable securities laws of any state or territory of the United States and of any other jurisdiction. We understand that no representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for the resale of Securities. We also shall notify such subsequent transferee of the transfer restrictions set out in this paragraph, paragraphs 1 and 2 above and paragraph 5 below.
5. We understand that for so long as the Securities are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, no such Securities may be deposited into any American depository receipt facility established or maintained by a depository bank, other than a restricted depository receipt facility, and that such Securities will not settle or trade through the facilities of the Depository Trust Company or any other U.S. exchange or clearing system.
6. No portion of the assets used by us to purchase, and no portion of the assets used by us to hold, the New Shares or any beneficial interest therein constitutes or will constitute the assets of (i) an “employee benefit plan” that is subject to Title I of the US Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), (ii) a plan, individual retirement account or other arrangement that is subject to section 4975 of the US Internal Revenue Code of 1986, as amended (the “**US Tax Code**”), (iii) entities whose underlying assets are considered to include “plan assets” of any plan, account or arrangement described in preceding clause (i) or (ii), or (iv) any governmental plan, church plan, non-US plan or other plan whose purchase or holding of New Shares would be subject to any state, local, non-US or other laws or regulations similar to Title I of ERISA or section 4975 of the US Tax Code or that would have the effect of the regulations issued by the US Department of Labor set forth at 29 CFR section 2510.3101, as modified by section 3(42) of ERISA (the “**Plan Asset Regulations**”) (each entity described in preceding clause (i), (ii), (iii) or (iv), a “**Plan Investor**”).
7. We understand and acknowledge that no transfers of the New Shares or any interest therein to a person using assets of a Plan Investor to purchase or hold such securities or any interest therein are permitted and we agree that we will not make any such transfer.

8. We have received a copy of the Prospectus dated 12 May 2016 (the “**Prospectus**”) and have had access to such financial and other information concerning the Company as we have deemed necessary in connection with making our own investment decision to exercise Subscription Rights. We acknowledge that neither the Company nor the Managers nor any person representing the Company or the Managers has made any representation to us with respect to the Company or the offering, sale, exercise of or subscription for any Securities other than as set forth herein or in the Prospectus which has been delivered to us, and upon which we are relying solely in making our investment decision with respect to the Securities. We have held and will hold any offering materials we receive directly or indirectly from the Company or the Managers in confidence, and we understand that any such information received by us is solely for us and not to be redistributed or duplicated by us. We acknowledge that we have read and agreed to the matters stated in the heading “[*The Offering*]” and “[*Transfer and Selling Restrictions*]” in the Prospectus.
9. We are not an affiliate (as defined in Rule 501(b) under the Securities Act) of the Company, and we are not acting on behalf of an affiliate of the Company.
10. We, and each other QIB, if any, for whose account we are exercising Subscription Rights in the normal course of business, invest in or purchase securities similar to the Securities, have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of purchasing such Securities and are aware that we must bear the economic risk of an investment in any Securities for an indefinite period of time and are able to bear such risk for an indefinite period.
11. We acknowledge that the Company and its affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. We understand that the Company is relying on this letter in order to comply with the Securities Act and other U.S. state securities laws. We irrevocably authorize any account operator, which includes any nominee, custodian or other financial intermediary through which we hold our Subscription Rights and shares in the Company, to provide the Company with a copy of this letter and such information regarding our identity and holding of shares in the Company (including pertinent account information and details of our identity and contact information) as is necessary or appropriate to facilitate our exercise of the Subscription Rights. We irrevocably authorize the addressees to produce this letter to any interested party in any administrative or legal proceedings or official enquiry with respect to the matters covered herein.
12. We are empowered, authorized and qualified to exercise the Subscription Rights and to receive the New Shares, and the person signing this letter on our behalf has been duly authorized by us to do so.

We undertake promptly to notify the addressees if, at any time prior to [●] 2016, any of the foregoing ceases to be true.

Terms used herein but not otherwise defined have the meanings given to them by Regulation S under the Securities Act.



THIS LETTER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

*[Insert Name of Qualified Institutional Buyer in the United States]*

Name:

By: \_\_\_\_\_

Title:

Address:

Telephone number:

Date:

*Please note that this investor letter does not represent an order to subscribe for or purchase the New Shares. To exercise your Subscription Rights to subscribe for the New Shares, please contact your financial intermediary.*

## **APPENDIX 2: CBRE VALUATION REPORT**

# VALUATION REPORT

## PROPERTY PORTFOLIO

HISPANIA ACTIVOS INMOBILIARIOS, S.A.

*Hispania Activos Inmobiliarios, S.A.*

*Calle Serrano, 30, 2º izquierda*

*28001 Madrid*

**Date of Valuation: 31<sup>st</sup> December 2015**

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The contents of this Report may only be relied upon by:

- (i) Addressees of the Report; or
- (ii) Parties who have received prior written consent from CBRE in the form of a reliance letter.

This Report is to be read and construed in its entirety and reliance on this Report is strictly subject to the disclaimers and limitations on liability on the last paragraph in section "1 – Valuation Report". Please review this information prior to acting in reliance on the contents of this Report. If you do not understand this information, we recommend you seek independent legal counsel.

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# 1

## VALUATION REPORT

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# VALUATION REPORT



CBRE Valuation Advisory S.A.  
Edificio Castellana 200  
Pº de la Castellana, 202 8º  
28046 Madrid  
Switchboard +34 91 598 19 00  
Fax + 34 91 556 96 90

<b>Report Date</b>	1 <sup>th</sup> April 2016
<b>Addressee</b>	HISPANIA ACTIVOS INMOBILIARIOS, S.A. Calle Serrano, 30- 2º izquierda. 28001 Madrid ATTN. Mrs. Cristina García- Peri Director of Corporate Development
<b>The Property</b>	This report covers the valuation of the fifty-nine properties that form part of the portfolio of Hispania Activos Inmobiliarios, S.A.
<b>Property Description</b>	The property portfolio is located in Spain, and comprises a mix of office, hotel, shopping centre and residential use.
<b>Ownership Purpose</b>	Investment
<b>Instruction</b>	To inspect and value on the basis of Market Value the properties that comprise the portfolio of Hispania Activos Inmobiliarios, S.A, as at the 31 <sup>st</sup> December 2015 in accordance with your letter of instruction dated 22 <sup>nd</sup> September 2014.
<b>Valuation Date</b>	31st December 2015
<b>Capacity of Valuer</b>	External
<b>Purpose</b>	Capital Raise
<b>Market Value</b>	<p style="text-align: right;"><b>€1,425,220,000</b></p> <p style="text-align: center;"><b>(ONE THOUSAND FOUR HUNDRED AND TWENTY FIVE MILLION, TWO HUNDRED AND TWENTY THOUSAND EUROS)</b></p> <p style="text-align: right;">Exclusive of VAT</p>



Our opinion of Market Value is based upon the Scope of Work and Valuation Assumptions attached, and has been primarily derived using comparable recent market transactions on arm's length terms.

We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

### Estimation of ownership

In those cases in which the percentage of ownership of Hispania Activos Inmobiliarios, S.A is lower than 100%, the value of the ownership is the result of multiplying the percentage of ownership times our market value estimation for the whole property.

We wish to point out that the result of this mathematical calculation does not necessarily have to result with the market value of such percentage of ownership.

**€1,284,689,600**

**(ONE THOUSAND TWO HUNDRED AND EIGHTY FOUR MILLION, SIX HUNDRED AND EIGHTY NINE THOUSAND, SIX HUNDRED EUROS)**

Exclusive of VAT

### Acquisition Costs

For valuation purposes, we have estimated the acquisition costs for the properties belonging to the portfolio of Hispania Activos Inmobiliarios, S.A. taking into account its gross market value. We have deducted such costs to each property, resulting therefore in a net market value.

The following table reflects the acquisition costs assumed for each property taking into account its gross market value:

Lower than 5 million euros	5-10 million euros	10-20 million euros	20-50 million euros	50-100 million euros	100-200 million euros	Higher than 200 million euros
4.57%	4.07%	3.57%	3.07%	2.57%	2.32%	2.07%

These acquisition costs include stamp duty, legal, agency and registry fees.

For residential properties, we have assumed acquisition costs of 2% for valuation purposes. These costs are in compliance with those assumed by our Client.

## Limitations

As regular valuers of the portfolio of Hispania Activos Inmobiliarios, S.A., the properties have been inspected upon acquisition by the company, and for the purposes of the regular six-monthly valuations CBRE performs.

All of the properties have been inspected during the last year, with exception to the Hotel Guadalmina. Following our Clients instructions, this property has not been inspected internally due to legal matters. We have therefore undertaken a drive-by inspection.

We have checked the documentation revising that the information in the rent rolls provided by our Client are accurate and correspond with the information included in the following documents:

- **Tenure (Purchase Deeds):** We have analysed the tenure of 100% of the properties included in this portfolio through the purchase deeds. For the assets belonging to Hispania Fides, we have checked the purchase deed of the company shares, through which they acquire the ownership percentage of the properties.
- **Property scale plans:** We have been provided with the scale plans of 80% of the properties comprising this portfolio. We have undertaken random measurements of some modules or floors in order to check if the information in the rent roll is faithful with the scale plans provided. We have not undertaken in any case a complete measurement of each property. The client has provided copy of various technical due diligence reports produced by independent third parties and in these cases we have assumed the information within to be correct.
- **Lease Agreements:** We have analysed the existing lease agreements. For the residential properties, we have analysed a random sample of lease agreements in order to check that the information provided is faithful with the lease agreements. For the hotel valuations we have assumed that the projections provided by the client are correct.
- **Licenses:** We have analysed the licenses provided by our Client to determine if the properties have the necessary licenses in order to carry out their activity.
- **Energy performance certificate:** Our client has provided the energy performance certificates available. We must point out that not all the properties have an energetic performance certificate as they are requested when necessary, following the new legislation.



- Authorisation for Tourism: Our client has provided the authorization for tourism available.

Asset 23-B has been valued within the hotel to which it relates (ref. 23), although the client has asked for a theoretical breakdown of the total property value, differentiating the part of the value that corresponds to the hotel and that which relates to Talaso.

### **Compliance with Valuation Standards**

The valuation has been prepared in accordance with The RICS Valuation – Professional Standards January 2014 (“the Red Book”).

We confirm that we have sufficient current local and national knowledge of the particular property market involved, and have the skills and understanding to undertake the valuation competently. Where the knowledge and skill requirements of The Red Book have been met in aggregate by more than one valuer within CBRE, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of The Red Book.

### **Special Assumptions**

None

### **Consideraciones**

The property details on which each valuation is based are as set out in this report. We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.

If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.

### **Variation from Standard Assumptions**

For valuation purposes we have taken into account the information provided by the Client with respect to surface areas and lease agreements, which have been checked with the legal documentation provided. On the other hand, we have not been provided with a breakdown of recoverable and non-recoverable costs for each property. For valuation purposes we have assumed that the costs are reverted to the tenants in the proportion of the area they occupy, following normal market standards.

**Market Conditions** The values stated in this report represent our objective opinion of Market Value in accordance with the definition set out above as of the date of valuation. Amongst other things, this assumes that the properties had been properly marketed and that exchange of contracts took place on this date.

Going forward, we would draw your attention to the fact that the current volatility in the global financial system has created a significant degree of turbulence in commercial real estate markets across the world. Furthermore, the lack of liquidity in the capital markets means that it may be very difficult to achieve a sale of property assets in the short-term. We would therefore recommend that the situation and the valuations are kept under regular review, and that specific marketing advice is obtained should you wish to effect a disposal.

**Verification** We recommend that before any financial transaction is entered into based upon these valuations, you obtain verification of the information contained within our report and the validity of the assumptions we have adopted.

We would advise you that whilst we have valued the Properties reflecting current market conditions, there are certain risks which may be, or may become, uninsurable. Before undertaking any financial transaction based upon this valuation, you should satisfy yourselves as to the current insurance cover and the risks that may be involved should an uninsured loss occur.

**Valuer** The Property has been valued by a valuer who is qualified for the purpose of the valuation in accordance with the RICS Valuation – Professional Standards (The Red Book).

**Independence** The total fees, including the fee for this assignment, earned by CBRE Valuation Advisory S.A. (or other companies forming part of the same group of companies within Spain) from the Addressee (or other companies forming part of the same group of companies) are less than 5.0% of the total Spain revenues.

**Conflicts of Interest** We confirm that no conflict of interest exists.

- 
- Reliance** This report is for the use only of the party to whom it is addressed for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents.
- Limit of Indemnity** The responsibility of CBRE Valuation Advisory with relation to this instruction, in case of offence or negligence, is limited to the established in our Policy of Professional Indemnity valid until the 15<sup>th</sup> September of 2016, in the amount of 15,000,000 euros.
- Publication** Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

Such publication of, or reference to this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the Royal Institution of Chartered Surveyors Valuation – Professional Standards or the incorporation of the special assumptions referred to herein.

CBRE Valuation Advisory expressly consents and approves the use and inclusion of this report and any information herein in the Prospectus.

Yours faithfully



Fernando Fuente  
MRICS  
RICS Registered Valuer  
**Vice-president**

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W: www.cbre.es

Project Reference: VA16-0013

## SCHEDULE OF MARKET VALUE

REF. CBRE	PROPERTY	CITY	PROVINCE	COMPANY	% ownership Hispania Activos Inmobiliarios	Market Value 100% Hispania Activos Inmobiliarios 31 December 2015	Estimation of ownership Hispania Activos Inmobiliarios 31 December 2015
<b>INVESTMENT PROPERTIES</b>							
<b>HOTEL ASSETS</b>							
1	Hotel Guadalmina	Marbella	Málaga	Hispania Real Socimi	100%	€ 28,100,000	€ 28,100,000
2	NH Pacífico	Madrid	Madrid	Hispania Real Socimi	100%	€ 6,340,000	€ 6,340,000
3	NH SSdR	San Sebastián de los Reyes	Madrid	Hispania Real Socimi	100%	€ 7,200,000	€ 7,200,000
4 (A)	Hesperia Las Ramblas (hotel)	Barcelona	Barcelona	Hispania Real Socimi	100%	€ 17,000,000	€ 17,000,000
4 (B)	Hesperia Las Ramblas (local)	Barcelona	Barcelona	Hispania Real Socimi	100%	€ 1,750,000	€ 1,750,000
5	Jardines del Teide	Tenerife	Santa Cruz de Tenerife	Hispania Real Socimi	100%	€ 46,300,000	€ 46,300,000
6	Vincci Málaga	Málaga	Málaga	Hispania Real Socimi	100%	€ 10,900,000	€ 10,900,000
7	Atlantis Bahía Real	Fuerteventura	Las Palmas	Hesperides Bay SLU	100%	€ 75,500,000	€ 75,500,000
8	Suite Atlantis	Fuerteventura	Las Palmas	Hesperides Bay SLU	100%	€ 49,200,000	€ 49,200,000
9 (A)	Holiday Inn (hotel)	Madrid	Madrid	Hospitia SLU	100%	€ 34,100,000	€ 34,100,000
9 (B)	Holiday Inn (local)	Madrid	Madrid	Hospitia SLU	100%	€ 200,000	€ 200,000
10	Maza	Zaragoza	Zaragoza	Leading Hospitality S.L.U.	100%	€ 1,800,000	€ 1,800,000
11	Cabo Gata	Almería	Almería	Bay Hotels & Leisure	76%	€ 18,400,000	€ 13,984,000
12	Cala Viñas	Mallorca	Baleares	Bay Hotels & Leisure	76%	€ 16,700,000	€ 12,692,000
13	Hamilton	Menorca	Baleares	Bay Hotels & Leisure	76%	€ 15,000,000	€ 11,400,000
14	Isla Cristina	Huelva	Huelva	Bay Hotels & Leisure	76%	€ 15,100,000	€ 11,476,000
15	Jandía Playa	Fuerteventura	Las Palmas	Bay Hotels & Leisure	76%	€ 36,700,000	€ 27,892,000
16	Jandía Mar	Fuerteventura	Las Palmas	Bay Hotels & Leisure	76%	€ 24,700,000	€ 18,772,000
17	Ponent Playa	Mallorca	Baleares	Bay Hotels & Leisure	76%	€ 18,100,000	€ 13,756,000
18	Pueblo Ibiza	Ibiza	Baleares	Bay Hotels & Leisure	76%	€ 14,500,000	€ 11,020,000
19	Pueblo Menorca	Menorca	Baleares	Bay Hotels & Leisure	76%	€ 26,000,000	€ 19,760,000
20	Teguise Beach (antiguo La Galea)	Lanzarote	Las Palmas	Bay Hotels & Leisure	76%	€ 33,900,000	€ 25,764,000
21	Varadero	Tenerife	Tenerife	Bay Hotels & Leisure	76%	€ 22,000,000	€ 16,720,000
22	Castillo	Fuerteventura	Las Palmas	Bay Hotels Canarias	76%	€ 67,200,000	€ 51,072,000
23	Fuerteventura	Fuerteventura	Las Palmas	Bay Hotels Canarias	76%	€ 86,431,000	€ 65,687,560
23- B	Talasso	Fuerteventura	Las Palmas	Bay Hotels & Leisure	76%	€ 1,069,000	€ 812,440
24	Lanzarote	Lanzarote	Las Palmas	Bay Hotels Canarias	76%	€ 25,200,000	€ 19,152,000
25	Margaritas	Gran Canaria	Las Palmas	Bay Hotels Canarias	76%	€ 49,000,000	€ 37,240,000
26	Pueblo Park	Mallorca	Baleares	Poblados de Vacaciones	76%	€ 29,900,000	€ 22,724,000
27	Sandos Eco San Blas	Tenerife	Tenerife	ECO Resort San Blas SLU	100%	€ 37,100,000	€ 37,100,000
<b>TOTAL HOTELS</b>						<b>€ 815,390,000</b>	<b>€ 695,414,000</b>

REF. CBRE	PROPERTY	CITY	PROVINCE	COMPANY	% ownership Hispania Activos Inmobiliarios	Market Value 100% Hispania Activos Inmobiliarios 31 December 2015	Estimation of ownership Hispania Activos Inmobiliarios 31 December 2015
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**INVESTMENT PROPERTIES****OFFICES ASSETS**

28	Avda.Diagonal,188-218	Barcelona	Barcelona	Hispania Real Socimi	100%	€ 24,200,000	€ 24,200,000
29	GranVía,866-872	Barcelona	Barcelona	Hispania Real Socimi	100%	€ 21,150,000	€ 21,150,000
30	Málaga Plaza	Málaga	Málaga	Hispania Fides	90%	€ 7,200,000	€ 6,480,000
31	Edificio Murano (Emilio Vargas, 2)	Madrid	Madrid	Hispania Fides	90%	€ 19,100,000	€ 17,190,000
32	Avenida de Burgos, 8	Madrid	Madrid	Hispania Fides	90%	€ 1,900,000	€ 1,710,000
33	Orense 81	Madrid	Madrid	Hispania Fides	90%	€ 4,100,000	€ 3,690,000
34	Comandante Azcárraga, 5	Madrid	Madrid	Hispania Fides	90%	€ 8,900,000	€ 8,010,000
35	Pechuán, 1	Madrid	Madrid	Hispania Fides	90%	€ 14,800,000	€ 13,320,000
36	Ramírez Arellano, 21	Madrid	Madrid	Hispania Fides	90%	€ 22,600,000	€ 20,340,000
37	NCR (Albacete 3)	Madrid	Madrid	Hispania Fides	90%	€ 31,800,000	€ 28,620,000
38	MIZAR (Albacete 3)	Madrid	Madrid	Hispania Fides	90%	€ 24,200,000	€ 21,780,000
39	Edificio en Comandante Azcárraga, 3	Madrid	Madrid	Hispania Real Socimi	100%	€ 16,600,000	€ 16,600,000
40	Avda. de Bruselas, 15	Alcobendas	Madrid	Hispania Real Socimi	100%	€ 9,000,000	€ 9,000,000
41	Edificio Arcis	Las Tablas- Madrid	Madrid	Hispania Real Socimi	100%	€ 11,350,000	€ 11,350,000
42	Edificio Talos	Las Tablas- Madrid	Madrid	Hispania Real Socimi	100%	€ 8,600,000	€ 8,600,000
43	Edificio de oficinas Complejo Rafael Morales	San Sebastián de los Reyes	Madrid	Hispania Real Socimi	100%	€ 4,960,000	€ 4,960,000
44	Edificio ON (Calle Llul, 321)	Barcelona	Barcelona	Hispania Real Socimi	100%	€ 19,800,000	€ 19,800,000
45	Príncipe de Vergara 108	Madrid	Madrid	Hispania Real Socimi	100%	€ 28,350,000	€ 28,350,000
46	Edificio Foster Wheeler	Las Rozas	Madrid	Hispania Real Socimi	100%	€ 25,700,000	€ 25,700,000
47	Cristalia	Madrid	Madrid	Hispania Real Socimi	100%	€ 32,000,000	€ 32,000,000
48	Príncipe de Vergara- Auditorio	Madrid	Madrid	Hispania Real Socimi	100%	€ 18,900,000	€ 18,900,000
49	Plaza Les Glories	Barcelona	Barcelona	Hispania Real Socimi	100%	€ 8,260,000	€ 8,260,000
50	Edificio Altamar	Alcobendas	Madrid	Hispania Real Socimi	100%	€ 12,500,000	€ 12,500,000
51	Edificio América	Madrid	Madrid	Hispania Real Socimi	100%	€ 18,850,000	€ 18,850,000
52	Edificio Cristal	Barberà del Vallès	Barcelona	Hispania Real Socimi	100%	€ 10,300,000	€ 10,300,000
<b>TOTAL OFFICES</b>						<b>€ 405,120,000</b>	<b>€ 391,660,000</b>

**SHOPPING CENTRE**

53	Centro Comercial El Castillo	Fuerteventura	Las Palmas	Bay Hotels & Leisure	76%	€ 13,200,000	€ 10,032,000
54	Centro Comercial Fuerteventura	Fuerteventura	Las Palmas	Bay Hotels Canarias	76%	€ 11,580,000	€ 8,800,800
55	Centro Comercial La Marina- Inmobiliaria- Fuerteventurc	Fuerteventura	Las Palmas	Bay Hotels & Leisure	76%	€ 4,780,000	€ 3,632,800
<b>TOTAL SHOPPING CENTRE</b>						<b>€ 29,560,000</b>	<b>€ 22,465,600</b>

REF. CBRE	PROPERTY	CITY	PROVINCE	COMPANY	% ownership Hispania Activos Inmobiliarios	Market Value 100% Hispania Activos Inmobiliarios 31 December 2015	Estimation of ownership Hispania Activos Inmobiliarios 31 December 2015
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**INVESTMENT PROPERTIES****RESIDENTIAL ASSETS**

56	Diagonal Mar	Barcelona	Barcelona	Hispania Real Socimi	100%	€ 71,000,000	€ 71,000,000
57	Majadahonda	Majadahonda	Madrid	Hispania Real Socimi	100%	€ 21,100,000	€ 21,100,000
58	San Sebastián de los Reyes	San Sebastián de los Reyes	Madrid	Hispania Real Socimi	100%	€ 15,150,000	€ 15,150,000
59	Edificio Atrium (Sanchinarro)	Madrid	Madrid	Hispania Real Socimi	100%	€ 67,900,000	€ 67,900,000

<b>TOTAL RESIDENTIAL</b>						<b>€ 175,150,000</b>	<b>€ 175,150,000</b>
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<b>TOTAL PROPERTY PORTFOLIO HISPANIA ACTIVOS INMOBILIARIOS, S.A.</b>						<b>€ 1,425,220,000</b>	<b>€ 1,284,689,600</b>
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## SCOPE OF WORK & SOURCES OF INFORMATION

### Sources of Information

We have carried out our work based upon information supplied to us by our Client, which we have assumed to be correct and comprehensive at the same time that we have checked the documentation for the purpose of the report. Hispania Activos Inmobiliarios, S.A. has provided us the necessary information for the valuation, which includes the following:

- Surface area summary
- Rent rolls
- Property register details
- Copy of the lease agreements.
- Breakdown of costs per property
- Deadlines for completion of the qualification of residential units subject to a protection regime.
- Profit and loss accounts and lease agreements for each hotel.
- Licences and energy efficiency certificates where available.

### The Property

The report includes a brief summary of the details of the properties under valuation in which we have based our valuation.

### Inspection

As regular valuers of the portfolio of Hispania Activos Inmobiliarios, S.A., the properties have been inspected upon acquisition by the company, and for the purposes of the regular six-monthly valuations CBRE performs.

All of the properties have been inspected during the last year, with exception to the Hotel Guadalmina. Following our Clients instructions, this property has not been inspected internally due to legal matters. We have therefore undertaken a drive-by inspection.

### Areas

Check measurements have been made with plans provided, which correspond to 80% of the property portfolio, although these measurements have been limited to spot checks. In no case have we carried out a full measurement of the property.



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<b>Environmental Matters</b>	<p>We have not received an environmental report relating to the properties. Additionally, we have not carried out any investigation into the past or present uses of the Property, nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.</p>
<b>Repair and Condition</b>	<p>We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Property. We are unable, therefore, to give any assurance that the Property is free from defect.</p>
<b>Town Planning</b>	<p>We have not carried out town planning investigations, relying upon the information provided by the client. This has related to licences (work, occupation, activity, functioning...) and classification of social housing.</p>
<b>Titles, Tenures and Lettings</b>	<p>Details of title/tenure under which the Property is held and of lettings to which it is subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser.</p> <p>We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.</p>

## VALUATION ASSUMPTIONS

### Capital Values

The valuation has been prepared on the basis of "Market Value" which is defined as:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal. Acquisition costs have not been included in our valuation.

No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charges.

No account has been taken of the availability or otherwise of capital based Government or European Community grants.

### Rental Values

Rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes nor do they necessarily accord with the definition of Market Rent.

### The Property

Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building.

Landlord's fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations.

Process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded from our valuations.

All measurements, areas and ages quoted in our report are approximate.

**Environmental Matters**

In the absence of any information to the contrary, we have assumed that:

(a) the Property is not contaminated and is not adversely affected by any existing or proposed environmental law;

(b) any processes which are carried out on the Property which are regulated by environmental legislation are properly licensed by the appropriate authorities.

**Repair and Condition**

In the absence of any information to the contrary, we have assumed that:

(a) there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the property;

(b) the Property is free from rot, infestation, structural or latent defect;

(c) no currently known deleterious or hazardous materials or suspect techniques, including but not limited to Composite Panelling, have been used in the construction of, or subsequent alterations or additions to, the Property; and

(d) the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the Property. Comments made in the property details do not purport to express an opinion about, or advise upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

**Title, Tenure, Planning and Lettings**

Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that:

(a) the Property possesses a good and marketable title free from any onerous or hampering restrictions;

- (b) all buildings have been erected either prior to planning control, or in accordance with planning permissions, and have the benefit of permanent planning consents or existing use rights for their current use;
- (c) the Property is not adversely affected by town planning or road proposals;
- (d) all buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations;
- (e) only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each Property to comply with the provisions of the relevant disability discrimination legislation;
- (f) there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;
- (g) tenants will meet their obligations under their leases;
- (h) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;
- (i) where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required; and
- (j) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy.

## LEGAL NOTICE

This valuation report (the "**Report**") has been prepared by CBRE Valuation Advisory S.A. ("**CBRE**") exclusively for Hispania Activos Inmobiliarios, S.A. (the "**Client**") in accordance with the terms of the instruction letter dated 22nd September 2014 ("the **Instruction**"). The Report is confidential and it must not be disclosed to any person other than the Client without CBRE's prior written consent. CBRE has provided this report on the understanding that it will only be seen and used by the Client and no other person is entitled to rely upon it, unless CBRE has expressly agreed in writing. Where CBRE has expressly agreed that a person other than the Client can rely upon the report then CBRE shall have no greater liability to any party relying on this report than it would have had if such party had been named as a joint client under the Instruction.

CBRE's maximum aggregate liability to all parties, howsoever arising under, in connection with or pursuant to reliance upon this Report, and whether in contract, tort, negligence or otherwise shall not exceed €15,000,000 (FIFTEEN MILLION EUROS).

CBRE shall not be liable for any indirect, special or consequential loss or damage howsoever caused, whether in contract, tort, negligence or otherwise, arising from or in connection with this Report. Nothing in this Report shall exclude liability which cannot be excluded by law.

**APPENDIX 3: HISTORICAL AUDITED ANNUAL ACCOUNTS FOR HISPANIA ACTIVOS  
INMOBILIARIOS, SOCIMI, S.A. AND ITS SUBSIDIARIES FOR THE ELEVEN MONTHS AND  
NINE DAYS ENDED 31 DECEMBER 2014 AND THE YEAR ENDED 31 DECEMBER 2015 AND  
THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH  
2016**

**Independent Audit Report**

**HISPANIA ACTIVOS INMOBILIARIOS, S.A. AND SUBSIDIARIES  
Consolidated Financial Statements and  
Consolidated Management Report  
for the period of eleven months and nine days ended  
December 31, 2014**

Translation of a report and consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 18)

## INDEPENDENT AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Hispania Activos Inmobiliarios, S.A.:

### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Hispania Activos Inmobiliarios, S.A. (the parent company) and its subsidiaries (the Group), which comprise consolidated statement of financial position at December 31, 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto for the period of eleven months and nine days then ended.

#### *Directors' responsibility for the consolidated financial statements*

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the consolidated equity and consolidated financial position and the consolidated results of Hispania Activos Inmobiliarios, S.A. and its subsidiaries, in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

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

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

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

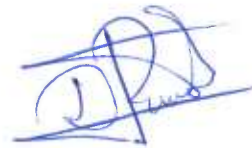
### *Opinion*

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of Hispania Activos Inmobiliarios, S.A. and its subsidiaries at December 31, 2014, and its consolidated results and consolidated cash flow for the period of eleven months and nine days then ended, in accordance with IFRS, as adopted by the EU, and other provisions in the regulatory framework for financial information applicable in Spain.

### **Report on other legal and regulatory requirements**

The accompanying consolidated 2014 management report contains such explanations as the directors of Hispania Activos Inmobiliarios S.A. consider appropriate concerning the situation of the Group, the evolution of its business and other matters; however, it is not an integral part of the consolidated financial statements. We have checked that the accounting information included in the aforementioned consolidated management report agrees with the 2014 consolidated financial statements. Our work as auditors is limited to verifying the consolidated management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the accounting records of Hispania Activos Inmobiliarios, S.A. and its subsidiaries.

ERNST & YOUNG, S.L.



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David Ruiz-Roso Moyano

February 23, 2015



**HISPANIA ACTIVOS INMOBILIARIOS, S.A.  
AND SUBSIDIARIES**

**Consolidated annual accounts  
for the eleven months and nine days ended  
31 December 2014 prepared in accordance with  
International Financial Reporting Standards**

**HISPANIA ACTIVOS INMOBILIARIOS, S.A. AND SUBSIDIARIES**  
Consolidated statement of financial position  
at 31 December 2014

(Thousands of Euros)	Note	31 December 2014		Note	31 December 2014
<b>ASSETS</b>			<b>EQUITY AND LIABILITIES</b>		
Intangible assets		34	Share capital	10	55,060
Investment property	7	422,365	Share premium	10	478,074
Equity instruments	8	350	Shareholder contributions	10	540
Non-current financial assets	8	2,556	Reserves		(47)
Deferred tax assets	12	13,210	Profit for the period		17,132
<b>NON-CURRENT ASSETS</b>		<b>438,515</b>	<b>Valuation adjustments</b>	11	(658)
			<b>Non-controlling interests</b>		10,137
			<b>EQUITY</b>		<b>560,238</b>
			Long-term provisions		398
			Non-current bank borrowings	11	56,414
			Hedging derivatives	11	658
			Other non-current financial liabilities	11	13,722
			Deferred tax liabilities	12	4,913
			<b>NON-CURRENT LIABILITIES</b>		<b>76,105</b>
Inventories		32	Bank borrowings	11	5,474
Trade and other receivables	8	2,150	Hedging derivatives	11	8
Tax receivable	12	2,719	Other current financial liabilities	11	814
Other current financial assets	8	2,097	Trade and other payables	11	5,782
Prepayments and accruals		250	Tax payable	12	532
Cash and cash equivalents	9	204,201	Advances from customers	11	894
			Deferred income and accruals		117
<b>CURRENT ASSETS</b>		<b>211,449</b>	<b>CURRENT LIABILITIES</b>		<b>13,621</b>
<b>TOTAL ASSETS</b>		<b>649,964</b>	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>649,964</b>

The accompanying Notes 1 to 17 are an integral part of the consolidated statement of financial position for the eleven months and nine days ended 31 December 2014.

# HISPANIA ACTIVOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

Consolidated income statement  
for the eleven months and nine days  
ended 31 December 2014

(Thousands of Euros)	Note	2014
Rental income	13.1	10,262
Other operating income		64
Other operating costs	13.2	(12,834)
Depreciation and amortisation charge		(5)
Gain from a bargain purchase	13.5	7,496
<b>Profit from operations</b>		<b>4,983</b>
Net gains on sales of assets	7	45
Revaluation of investment property	7	14,049
<b>Profit from operations after revaluation and asset disposals</b>		<b>19,077</b>
Finance income	13.3	1,122
Finance costs	13.4	(3,961)
Impairment losses and net losses on disposals of financial instruments		(130)
Changes in fair value of financial instruments	13.3	1,420
<b>Profit before tax</b>		<b>17,528</b>
Income tax	12	(2)
<b>Net consolidated profit from continuing operations</b>		<b>17,526</b>
<b>Net profit for the period attributable to the Parent company</b>		<b>17,132</b>
<b>Net profit attributable to non-controlling interests</b>		<b>394</b>
		-
Basic earnings per share (Euros)		0.31
Diluted earnings per share (Euros)		0.31
<b>Other comprehensive income</b>		
<b>Net consolidated profit</b>		<b>17,526</b>
<b>Other items of comprehensive income recognised directly in equity</b>		-
Net gain (loss) on cash flow hedges		(683)
		-
<b>Transfers to comprehensive income</b>		25
<b>Gain (Loss) on hedging instruments</b>		-
<b>Consolidated comprehensive income</b>		<b>16,868</b>
<b>Global profit for the period attributable to the Parent company</b>		<b>16,474</b>
<b>Global profit attributable to non-controlling interests</b>		<b>394</b>
Basic earnings per share paid out of comprehensive income (Euros)		0.29
Diluted earnings per share paid out of comprehensive income (Euros)		0.29

The accompanying Notes 1 to 17 to the consolidated annual accounts are an integral part of the consolidated income statement for the eleven months and nine days ended 31 December 2014.

**HISPANIA ACTIVOS INMOBILIARIOS, S.A. AND SUBSIDIARIES**  
 Consolidated statement of changes in equity  
 for the eleven months and nine days  
 ended 31 December 2014

(Thousands of Euros)	Note	Share capital	Share premium	Shareholder contributions	Reserves	Gain (Loss) attributable to shareholders of the Parent	Cash flow hedges	Non-controlling interests	Total equity
<b>Balance at 23 January 2014</b>	-	-	-	-	-	-	-	-	-
Total income and expense recognised in the period	-	-	-	-	-	17,132	(658)	394	16,868
Other changes	-	-	-	-	(47)	-	-	-	(47)
Business combinations	-	-	-	-	-	-	-	9,743	9,743
Incorporation	10	60	-	-	-	-	-	-	60
Transaction costs	10	-	(16,926)	-	-	-	-	-	(16,926)
Capital increase	10	55,000	495,000	-	-	-	-	-	550,000
Shareholder contributions	10	-	-	540	-	-	-	-	540
<b>Balance at 31 December 2014</b>		<b>55,060</b>	<b>478,074</b>	<b>540</b>	<b>(47)</b>	<b>17,132</b>	<b>(658)</b>	<b>10,137</b>	<b>560,238</b>

The accompanying Notes 1 to 17 to the consolidated annual accounts are an integral part of the consolidated statement of changes in equity for the eleven months and nine days ended 31 December 2014.

# HISPANIA ACTIVOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

Consolidated statement of cash flows  
for the eleven months and nine days  
ended 31 December 2014

(Thousands of Euros)	Note	2014
<b>CASH FLOWS FROM CONTINUING OPERATIONS</b>		
<b>1. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period before tax		17,528
Adjustment to profit (loss)		
Depreciation and amortisation charge (+)		5
Impairment losses (+/-)		941
Gain from a bargain purchase		(7,496)
Gains (Losses) from derecognition and disposals of non-current assets (+/-)		(45)
Gains (Losses) from derecognition and disposals of financial instruments (+/-)		130
Finance income (-)		(1,122)
Finance costs (+)		2,684
Change in fair value of financial instruments		(1,420)
Increase in fair value of investment property		(14,049)
<b>Adjusted profit (loss)</b>		<b>(2,844)</b>
Interest received (+)		2,447
Other collections/payments (+/-)		(24)
Increase (Decrease) in current assets and liabilities		
Increase (Decrease) in accounts receivable		(3,122)
Increase (Decrease) in other current assets		(3,016)
Increase (Decrease) in accounts payable		2,033
Increase (Decrease) in other liabilities		624
Increase (Decrease) in other non-current liabilities		356
<b>Total net cash flows from operating activities</b>		<b>(3,546)</b>
<b>2. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments in (-)		
Intangible assets		(39)
Investment property		(288,516)
Other financial assets		(375,000)
Business unit		(80,188)
		<b>(743,743)</b>
Divestments (+)		
Investment property		3,844
Other financial assets		372,650
Business unit		28,078
		<b>404,572</b>
<b>Total net cash flows from investing activities</b>		<b>(339,171)</b>
<b>3. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Proceeds from and payments for equity instruments</b>		
Proceeds from issuance of equity instruments (+)		533,674
<b>Proceeds from and payments for financial liability instruments</b>		
Bank borrowings issued (+)		37,005
Repayment of bank borrowings		(23,761)
<b>Total net cash flows from financing activities</b>		<b>546,918</b>
<b>4. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>		
<b>Cash flows from continuing operations</b>		<b>204,201</b>
Cash and cash equivalents at beginning of period from continuing operations		-
Cash or cash equivalents at end of period		204,201

The accompanying Notes 1 to 17 to the consolidated annual accounts are an integral part of the consolidated statement of cash flows for the eleven months and nine days ended 31 December 2014.

## **HISPANIA ACTIVOS INMOBILIARIOS, S.A. AND SUBSIDIARIES**

Notes to the consolidated financial statements  
for the eleven months and nine days ended 31 December 2014.

### **1. INTRODUCTION AND GENERAL COMPANY INFORMATION**

Hispania Activos Inmobiliarios, S.A. and Subsidiaries ("the Group" or "Hispania Group") is a consolidated group of companies which mainly engages in the following:

- Acquisition and development of urban real estate for subsequent rental.
- Holdings in listed real estate investment trusts ("SOCIMI") or in other non-resident entities in Spain which have the same corporate purpose as SOCIMI and are subject to a similar regime as the one for SOCIMI with respect to the mandatory profit distribution policy enforced by law or by the Articles of Association.
- Holdings in other entities which are resident or non-resident in Spain and whose corporate purpose is the acquisition of urban real estate for subsequent rental. These entities are subject to the same regime as the one for SOCIMI with respect to the mandatory profit distribution policy enforced by law or by the Articles of Association and they comply with the investment requirements for these companies; and
- Shareholdings or other equity instruments in collective real estate investment vehicles regulated by Collective Real Estate Investment Vehicle Law 35/2003, of 4 November.

The Group may carry on real estate business of all kinds as well as the simultaneous acquisition, holding, management, operation, renovation, disposal and taxation of all manner of real estate assets and the acquisition, holding, investment, transfer or disposal of shareholdings or other equity investments and debt instruments (whether it is senior, ordinary or subordinated debt secured by a mortgage loan or not) in all manner of companies, particularly, companies with the same or similar corporate purpose and at all times within the limits set out by the SOCIMI regime.

The Group's Parent is Hispania Activos Inmobiliarios ("the Parent"), which is a public limited liability company on calle Serrano, número 30, 2º izquierda, Madrid, which was incorporated on 23 January 2014 with the company name Azora Hispania, S.A. The Company has had the current name Hispania Activos Inmobiliarios, S.A. since 17 February 2014.

On 1 April 2014 Hispania Real, S.A. was incorporated (now known as Hispania Real SOCIMI, S.A.U.) ("Hispania Real"). The Parent is the sole shareholder of this company at the date of preparation of these consolidated financial statements. The subsidiary's registered office is on calle Serrano, número 30, 2º izquierda, Madrid. On 7 May 2014 a request was made to include this company in the SOCIMI tax regime, beginning 1 January 2014 (See Note 4.10).

On 8 July 2014 the Parent acquired 90% of the shares of Oncisa, S.L. The latter company is now known as Hispania Fides, S.L. ("Hispania Fides"). The subsidiary's registered office is on calle Serrano, número 30, 2º izquierda, Madrid.

The Parent and the two companies above form the Group at 31 December 2014.

The shares representing the share capital of Hispania Activos Inmobiliarios, S.A. have been listed on the electronic trading platforms in Madrid, Barcelona, Bilbao and Valencia since 14 March 2014.

On 21 February 2014 the Parent entered into a management agreement with Azora Gestión, S.G.I.I.C., S.A. ("the Manager") to delegate the ordinary management of the Group to the Manager for an initial period of six years and, accordingly, at the date of these annual accounts the Company does not have any staff.

The Management Agreement regulates the operations and objectives of the Group, establishing an initial period of investment currently under way at the Company which will end on the date that all of the proceeds obtained from the capital increases made since the admission to trading of the Parent's shares have been invested or three years from this date. Once the investment period has ended the Manager must have prepared and presented an investment strategy to the Parent's Board of Directors aimed at maximising the shareholders' value ("value added strategy"), which makes it possible to dispose of the Group's investments and give value back to shareholders within the six years following the trading date or, otherwise, maintain and actively manage all or part of the Group's investments beyond that date. If the proposed value added strategy envisages the maintenance and active management of all or part of the Group's investments, the Parent and the Manager will negotiate in good faith the novation of certain terms and conditions of the Management Agreement. As soon as it is reasonably possible the Parent's Board of Directors will call the General Meeting and, accordingly, the shareholders may make a decision on the proposed value added strategy and the novation terms of the Management Agreement.

The Group's aim is to have a quality real estate portfolio, investing mainly in residential properties, offices and hotels in Spain. Although the Manager has a considerable degree of discretion when drafting the Group's investment policy, the management agreement lays down certain parameters within which the Manager has agreed to operate. Accordingly, the Manager will require prior approval from the Executive Committee of the Board of Directors or the Shareholders' General Meeting in certain situations.

As a result of the Group's activities, it does not have any environmental expenses, assets, provisions or contingencies that might have a material effect on its equity, financial position or results. Therefore, there are no environmental disclosures in these consolidated annual accounts.

## **2. BASIS OF PRESENTATION OF THE CONSOLIDATED ANNUAL ACCOUNTS**

### **a) a) Basis of presentation**

The consolidated annual accounts of Hispania Activos Inmobiliarios, S.A. and Subsidiaries for the eleven months and nine days ended 31 December 2014 were prepared on the basis of the accounting records of the Parent and the entities composing the Hispania Group. The Parent's directors approved these consolidated annual accounts in the Board meeting held on 23 February 2015.

The accompanying consolidated annual accounts present fairly the consolidated equity and the consolidated financial position of Hispania Activos Inmobiliarios, S.A. and its subsidiaries at 31 December 2014, and the consolidated results of their operations as well as the changes in consolidated equity and the consolidated cash flows for the eleven months and nine days ended thereon.

The consolidated annual accounts for the eleven months and nine days ended 31 December 2014 were prepared in accordance with International Financial Reporting Standards adopted by the European Union, issued by Commission Regulation (EC) ("EU-IFRS"), obligatory for the years beginning on or after 1 January 2014, taking into consideration all the mandatory accounting policies and principles and valuation principles as well as the Spanish Code of Commerce, the Spanish Limited Liability Companies Law and the Spanish Securities Market Law.



However, since the accounting policies and valuation principles used to prepare the Group's consolidated financial statements at 31 December 2014 may differ from those used by certain Group companies, adjustments and reclassifications required to standardise these policies and valuation principles were made on consolidation, bringing them into line with EU-IFRS. In order to ensure the uniform presentation of the various items composing the consolidated financial statements, the accounting policies and valuation principles used by the Parent were applied to all the companies included in the scope of consolidation.

## **b) Adoption of International Financial Reporting Standards**

### **Standards and interpretations issued by the IASB not applicable in the period**

The Group intends to adopt any standards, interpretations and amendments issued by the IASB for which application is not mandatory in the European Union at the date of preparation of these consolidated annual accounts when they enter into force. The Group is currently analysing the effect of the above. Based on the analyses to date, the Group considers that first-time application of these standards and interpretations will not have a material effect on the consolidated annual accounts.

## **c) Functional currency**

These consolidated annual accounts are presented in the Group's functional currency (the Euro) since this is the currency of the main economic area in which it operates.

## **d) Responsibility for the information and accounting estimates and judgements made**

The information in these consolidated annual accounts is the responsibility of the Parent's directors. The Parent has made estimates supported by objective information in order to measure certain assets, liabilities, income, expenses and obligations reported herein. Estimates and measurement bases refer basically to:

- The recovery of tax losses carryforwards and deferred tax assets recognised in the consolidated statement of financial position (See Note 12).
- The fair value of investment property (See Note 7).
- Compliance with the requirements of the SOCIMI tax regime by Hispania Real SOCIMI, S.A.U. (See Note 4.10).

Although these estimates were made on the basis of the best information available at the date of preparation of these consolidated annual accounts, events that take place in the future might make it necessary to change these estimates (upwards or downwards). Changes would be made prospectively, recognising any effects of the changes in the relevant consolidated statement of comprehensive income.

**e) Consolidation principles**

The main consolidation principles and measurement bases used by the Group to prepare the consolidated annual accounts were as follows:

1. The consolidated annual accounts were prepared on the basis of the accounting records of Hispania Activos Inmobiliarios, S.A. and the companies under its control. The control is considered exercised by the parent when it holds effective control in accordance with Point 6 below.
2. The results of subsidiaries for the period have been consolidated from the effective date of their acquisition or incorporation.
3. All accounts receivable and payable and other transactions between consolidated companies were eliminated on consolidation.
4. The annual accounts of the subsidiaries are adjusted as necessary to bring the accounting policies used into line with the policies used by the Group's Parent.
5. The interest of non-controlling shareholders is stated at the proportion of the fair values of the identifiable assets and liabilities recognised. Holdings of non-controlling interests in:
  - a. The equity of its investees: presented in "Equity - Non-controlling Interests" in the consolidated statement of financial position.
  - b. Results for the period: presented in "Global Profit or Loss attributable to Non-controlling Interests" in the consolidated income statement.
6. The following consolidation methods are applied to the Group companies as follows:

Full consolidation:

- Applied to subsidiaries which are defined as all companies in which the Group is able to control financial and operating policies, a position which is generally accompanied by an ownership interest entitling it to more than half of the voting rights. The Group determines whether it controls another company by considering the existence and effect of potential voting rights that are exercisable or convertible at the end of the reporting period.

- Subsidiaries are recognised using the acquisition method of accounting. Acquisition cost is the fair value of assets delivered, the equity instruments issued or the liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and identifiable liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date irrespective of the scope of the non-controlling interests. Any excess of the cost of acquisition over the fair values of the Group's investment in the identifiable net assets acquired is recognised as goodwill. If the acquisition cost is lower than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly in the consolidated statement of comprehensive income for the period.

At 31 December 2014 the subsidiaries are all recognised using the full consolidation method.

**g) *Comparative information***

There is no comparative information in these consolidated annual accounts since the Parent and the Group were only incorporated in 2014.

**3. ALLOCATION OF THE LOSS OF THE PARENT**

The directors' propose that the Parent's loss for the eleven months and nine days ended 31 December 2014 is allocated in full to "Prior Years' Losses" for offset in future periods.

**4. ACCOUNTING AND VALUATION PRINCIPLES**

The main accounting and valuation principles bases used to prepare the consolidated annual accounts, in accordance with the International Financial Reporting Standards (IFRS) and the interpretations in force when preparing the consolidated annual accounts are as follows:

**4.1 Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of acquisition is the aggregate of the consideration transferred, measured at the fair value on the date of acquisition and the amount held by any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Related acquisition costs incurred are expensed currently under "Administrative Costs."

When the Group acquires a business, it assesses the financial assets and liabilities assumed in order to classify and designate them correctly in accordance with the contractual terms, economic conditions and other relevant conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

For business combination achieved in stages, the acquirer's previously held interest in the acquiree is re-measured at fair value at the acquisition date and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration for transfer by the acquirer will be recognised at fair value at the acquisition date. Contingent considerations classified as financial assets or liabilities in accordance with IAS 39 Financial instruments: Recognition and Measurement. Measured at fair value through profit or loss or as changes to other comprehensive income. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. If the contingent consideration is classified as equity, it is not measured and any subsequent payment incurred is recognised in equity.

Goodwill is initially recognised at cost. Goodwill is the excess of the aggregate of the consideration transferred and the amount for non-controlling interest recognised in proportion to the net identifiable assets acquired and liabilities assumed. If the fair value of the acquired net assets exceeds the value of the consideration transferred, the Group re-assesses the amount to ensure that all of the assets acquired and obligations assumed have been identified correctly. It reviews the procedures applied to measure the amounts recognised at the acquisition date. If the re-assessment shows that the fair value of the net assets acquired is higher than the aggregate of the consideration transferred, the difference is recognised as a gain in the income statement.

Subsequently goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment tests, after the date of acquisition, goodwill acquired in a business combination is allocated to each of the cash-generating units of the Group that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to these units.

Where goodwill is part of a cash-generating unit and some of the operations within that unit are disposed of, the goodwill associated with the disposed operations is included in the carrying amount of the operation when calculating the resulting gain or loss. Goodwill disposed of in this manner is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

## 4.2. Investment property

Investment property is recognised at fair value at the reporting date and it is not depreciated. Investment property includes land, buildings or other structures held to earn rental income or for capital appreciation.

Gains or losses arising from changes in the fair value of investment property are included in the income statement in the period in which they arise.

Investment property under construction is transferred to "Investment Property" when the assets are ready for operation.

When the Group recognises the cost of a replacement asset as an increase in the fair value of the original asset representing the fair value, the Group reduces the fair value of the replaced asset by recognising the related effect in "Changes in the Value of Investment Property" in the consolidated statement of comprehensive income. Should it not be possible to identify the fair value of a replaced asset, it will be recognised by increasing the fair value of the property and subsequently measured on a regular basis using the appraisals by independent experts as a reference.

The properties were appraised on an individual basis, taking into account each of the leases in force at the end of the period. Buildings that contain areas that have not been leased were measured on the basis of estimated future income less a period for marketing.

In accordance with IAS 40, the Group calculates the fair value of its investment property on a regular basis. This fair value is calculated using as a reference the appraisals by independent experts at the date of preparation of the consolidated statement of financial position (CBRE Valuation Advisory, S.A.) and, therefore, at the end of each period the market value reflects the market conditions of the investment property at that date. The appraisal reports by independent experts only contain the usual warnings and/or limitations on the scope of the results of the appraisals, which refer to acceptance of the information provided by the Company as whole and correct. The appraisals were performed in accordance with the Professional Valuation Standards of the Royal Institute of Chartered Surveyors at January 2014.

The main methodology used to calculate the fair value of the Group's investment property in 2014 is the discounted cash flows methodology, which is based on the estimate of estimated future cash flows from the investment property using a suitable discount rate to calculate the present value of these cash flows. This rate considers the current market conditions and it reflects all of the forecasts and risks associated with cash flows and investments. The residual value of the asset over the final year of the projected cash flows is calculated by applying a net yield for outflow.

Other valuation methodologies were also used to a lesser extent, such as the residual static capitalisation approach or the income capitalisation approach.

The detail of the net yield for outflows considered for the period ended 31 December 2014 is as follows:

<i>Net yields for outflow (%)</i>	<b>31 December 2014</b>
Offices	6.09%-6.75%
Hotels	6.5%-8.5%
Residential	N/A

The valuation of the residential assets does not consider net yield for outflow since it was estimated that they would be sold upon expiry of the current leases.

A change of 0.25% in the net yields on outflows and a 10% variation in the estimated rises in income would have the following effect on the methods used by the Company to calculate the fair value of assets (offices and hotels) recognised under "Investment Property" in the accompanying consolidated statement of financial position:

Sensitivity to changes of 0.25% in net yield for outflow	Thousands of Euros		
	Valued at	Decrease of 0.25%	Increase of 0.25%
Offices	229,250	6,410	(6,880)
Hotels	93,815	3,513	(3,475)

Sensitivity to changes of 0.25% in net yield for outflow	Thousands of Euros		
	Valued at	Decrease of 10%	Increase of 10%
Offices	229,250	(24,165)	22,245
Hotels	93,815	(10,040)	9,799

Fluctuations of 5% in the sales prices of residential assets would have an effect on the methods used by the Group to calculate the value of these assets, resulting in an increase of EUR 4,730 thousand and a decrease of EUR 4,725 thousand depending on whether the sale price were to rise or fall, respectively, at the above rate.

### **4.3 Leases**

Finance leases are recognised when the economic conditions of the lease agreement indicate that substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At 31 December 2014 all of the Group's leases are operating leases.

### *Operating leases*

Income and expense from operating leases are recognised in the consolidated statement of comprehensive income for the period incurred. The acquisition cost of the leased assets is presented in the consolidated statement of financial position based on the nature of the asset, increased by the directly recognised agreement costs which are recognised over the term of the lease by applying the same method used to recognise income from leases.

Income and expense from operating leases are recognised in the consolidated statement of comprehensive income for the period incurred.

Lease payments should be recognised as an expense in the consolidated income statement over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern of the user's benefit.

## **4.4 Financial instruments (excluding derivative financial instruments)**

### **Financial assets**

#### *Initial measurement*

Financial assets are initially measured at the fair value of the consideration given plus directly attributable transaction costs.

#### *Subsequent classification and measurement*

The Group's financial assets are classified as follows:

- Available-for-sale financial assets are measured at fair value. Any changes in fair value are recognised directly in equity until the asset is disposed of or has become impaired, at which point the accumulated gains or losses recognised in equity to date are recognised in the consolidated statement of other comprehensive income.
- Loans and other receivables: includes loans granted to third parties and associates which have been recognised at their nominal amount and classified as current or non-current based on their maturity date. Loans and receivables also include the non-current deposits and guarantees relating mainly to deposits made in accordance with current legislation at Official Agencies, i.e. deposits received from lessees.
- Non-derivative financial assets: includes current and non-current fixed-income securities generally held to maturity recognised at amortised cost. Current fixed-income securities are recognised under "Other Current Financial Assets." Interest income is recognised in the period earned using the interest method.

## **Financial liabilities**

Financial liabilities include basically bank borrowings and are recognised at amortised cost.

Amounts payable are initially recognised at the fair value of the consideration received, adjusted for directly attributable transaction costs. These liabilities are subsequently carried at amortised cost.

Financial liabilities are derecognised when the obligations that gave rise to them cease to exist. When the Group exchanges debt instruments with a third party for which the conditions are substantially different, it derecognises the original financial liability and recognises the new financial liability. The difference between the carrying amount of the original liability and the consideration paid including the attributable transaction costs are recognised in the consolidated statement of comprehensive income for the period.

The Group considers that the conditions of the financial liabilities are substantially different when there is more than a 10% difference between the present value of cash flows discounted under the new terms using the original effective interest rate, including any fees paid net of any fees received, and the present discounted value of the cash flows remaining on the original financial liability.

### **4.5. Receivables**

The balances receivable are recognised at the recoverable value, i.e. less any adjustments made to cover balances of a certain age which are in a situation that could reasonably give rise to their classification as a doubtful debt. At 31 December 2014 the Group did not have any significant bad debts that had not been written down.

### **4.6 Cash and cash equivalents**

"Cash and Cash Equivalents" include the cash, demand deposits and other short-term highly liquid investments that can be turned into cash quickly and have a minimum risk of changes in their value.



## **4.7 Financial derivatives**

The Group uses financial derivatives to manage its exposure to changes in interest rates. All the derivative financial instruments whether designated as hedges or not were recognised at fair value, i.e. the fair value for the quoted instruments or, in the case of unquoted instruments, valuations based on appraisal models of options or discounted cash flows. The following measurement bases were used to recognise each of the following:

- Cash flow hedges: Upward or downward changes in the value of the effective portion of the transactions that qualify for hedge accounting are recognised, net of tax, directly in equity until the committed or expected transaction arises at which point it is reclassified to the income statement. Any upward or downward changes that might arise in the ineffective portion are recognised directly in the consolidated statement of comprehensive income.
- Recognition of instruments not allocated to any liability or that are not recognised as a hedge for accounting purposes: any upward or downward changes in the fair value of these financial instruments are recognised directly in the consolidated statement of comprehensive income.

The Parent's directors estimated the credit risk for the derivative portfolio. No significant effect arose as a result at 31 December 2014.

Hedge accounting is no longer applicable when the hedging instrument matures, is sold or exercised or no longer qualifies for hedge accounting. Any accumulated gains or losses on the hedge instrument recognised in equity is unrealised until the transaction is completed. On the completion date the Group's accumulated gain or loss in equity is transferred to the consolidated statement of comprehensive income for the period.

## **4.8 Current and non-current classification**

The ordinary operating cycle is defined as the period from the acquisition of the assets used to carry on the Group's lines of business to the date that they are turned into cash or cash equivalents. The Group's main business is real estate and the ordinary operating cycle for this business is considered to be the calendar year. Accordingly, assets and liabilities that mature within twelve months are classified as current. Assets and liabilities maturing over twelve months are classified as non-current.

Bank borrowings are classified as non-current when the Group has the irrevocable duty to repay them over a period of over twelve months from the end of the reporting period.

#### **4.9 Provisions and contingent liabilities**

The Parent's directors made a distinction between the following when preparing the consolidated financial statements:

- Provisions: credit balances covering present obligations arising from past events, the settlement of which is likely to cause an outflow of economic resources, but which are uncertain as to their amount and/or timing.
- Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group.

The consolidated financial statements include all the provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated annual accounts but rather are disclosed in the explanatory notes to the extent that they are not considered to be remote.

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

#### **4.10 Income tax**

##### General regime

The income tax expense is recognised in the consolidated income statement, unless it arises as a result of a transaction on which the gain or loss is recognised directly in equity, in which case the income tax expense is also recognised in equity. The income tax expense represents the sum of the current tax expense and the changes in the recognised deferred tax assets and liabilities. The income tax expense for the period is calculated on the basis of the current taxable profit (tax loss), which is different to the net profit (loss) recognised in the consolidated statement of comprehensive income because it excludes taxable income and deductible expenses from prior years and certain other non-taxable and non-deductible items. The Group's current tax liability is calculated using tax rates that have been approved by the date of the consolidated statement of financial position.

##### SOCIMI regime

The subsidiary Hispania Real SOCIMI, S.A.U. opted to apply the special tax regime for real estate investment trusts (SOCIMI) from 1 January 2014 onwards. On 7 May 2014 it notified the tax authorities of this decision.

In Spain a SOCIMI is similar to a real estate investment trust (REIT) in Europe. The purpose of these firms is the acquisition, remodelling and development of urban real estate for subsequent lease during at least three years. They are also permitted to hold shares in other property investment vehicles (such as other SOCIMI, real estate investment funds (FII), real estate investment firms (SII) and overseas real estate funds, etc.) and must distribute most of the income earned as dividends.

SOCIMI are regulated in Law 11/2009, of 26 October, as amended by Law 16/2012, of 27 December (SOCIMI Law).

The most important aspects of SOCIMI regulation are summarised as follows:

- a) Company elements. SOCIMI must have (i) public limited liability, (ii) a minimum share capital of EUR 5 million and (iii) a single class of registered shares.
- b) Mandatory activity. SOCIMI must be mainly engaged in the acquisition, development or remodelling of urban real estate for its subsequent lease whether directly or indirectly via holdings in other SOCIMI, REIT, collective real estate investment vehicles (IICI) and other real estate investment firms under certain terms and conditions.
- c) Permitted assets. SOCIMI must have invested at least 80% of its assets in: (i) urban real estate for rental (in Spain or in another country with which Spain has signed an effective tax information exchange agreement) or land for development of this real estate provided that the development begins within the three years after the acquisition (qualifying buildings); or (ii) shareholdings or other equity investments in other non-resident SOCIMI or non-resident REIT, unlisted SOCIMI, non-resident unlisted firms wholly owned by SOCIMI or REIT, IICI or other entities resident or non-resident in Spain whose corporate purpose is the acquisition of urban real estate for its subsequent rental, regulated by the SOCIMI regime envisaged for the mandatory, legal or by-law stipulated dividend distribution and investment requirements policy ("Qualifying Investments" which together with the "Qualifying Buildings" are the "Qualifying Assets"). Only 20% of their assets may be comprised of real estate assets that do not meet these requirements.
- d) Source of income. In line with the above requirement, 80% of the income from SOCIMI for the tax period for each year, excluding the income from the transfer of Qualifying Assets once the holding period referred to in Paragraph (e) below has passed, must be earned on the leases of the Qualifying Buildings and/or dividends or profit sharing from "Qualifying Investments."

- e) Holding period. Qualifying Buildings acquired or developed by SOCIMI must be leased for a minimum of three years. For calculation purposes the period for which the buildings have been available through leases is added to a maximum of one year. Qualifying Investments must also be held for at least three years.
- f) Distribution policy Each period, SOCIMI are required to pay its unit holders (i) 100% of the profit obtained as dividends or profit sharing from Qualifying Investments, (ii) at least 50% of the profits from the transfer of Qualifying Assets at the end of the holding period described in paragraph (e) above, (the rest of the profits must be reinvested in other Qualifying Assets within three years or, if there are no Qualifying Assets, the rest of the profits must be distributed after the aforementioned reinvestment period has elapsed); and (iii) at least 80% of the rest of the profit obtained.
- g) Admission to trading. SOCIMI shares must be listed on a regulated market or a multilateral trading system in Spain, an EU country or the European Economic Area (EEA) or a regulated market in any other country with which there is an effective exchange of tax information with Spain.
- h) Tax regime. SOCIMI are taxed at a rate of 0%. However, if the profits distributed to unit holders that hold at least 5% of the share capital are exempt from taxation or pay tax at a rate of 10% or less SOCIMI will pay tax on the full amount of the dividends or other profit sharing paid out to unit holders at a special rate of 19%.

A breach of the minimum holding period included in Paragraph (e) required for Qualifying Assets will be considered: (i) in the case of Qualifying Buildings: tax on the total income earned by these buildings in all of the tax periods in which the special tax regime for SOCIMI would have applied, pursuant to the general regime and the general rate of corporation tax; and (ii) in the case of Qualifying Investments: tax on the portion of the income earned on the transfer in accordance with the general regime and the general rate of corporation tax.

SOCIMI receive tax relief of 95% on the amounts of property transfer tax and stamp duty payable for buy-to-let properties (or land acquired for the development of buy-to-let properties) provided that the minimum lease period for these assets, referred to in Paragraph (e) above, is upheld.

Under Transitional Provision One of Law 11/2009 regulating listed public limited liability real estate investment firms, the latter may opt to pay tax under the special tax regime under the terms of Article 8 of this Law even when it does not meet the requirements therein provided that these requirements are met within two years of the date of the decision to pay tax under this regime. Hispania Real SOCIMI, S.A.U. only meets some of the requirements established in the above Law at the date of these consolidated annual accounts. However, the directors consider that processes have been put into place to ensure that all of the requirements are met before the end of the period established.

### Deferred taxes

Deferred tax assets or liabilities are taxes that are expected to be paid or recovered at the difference between the asset or liability balances accumulated in the financial statements and the corresponding tax bases used to calculate taxable profit. They are recognised using the balance sheet liability method, i.e. at the difference of the carrying amount and tax base of assets and liabilities.

The rest of the deferred tax assets and liabilities associated with the buildings in Spain calculated as a result of the application of fair value in accordance with IAS 40 were calculated at the tax rate at which the deferred taxes are expected to be paid (recovered).

The accompanying consolidated statement of financial position includes tax assets that are expected likely to be recovered in a reasonable period of time.

Deferred tax liabilities are related to gains allocated to real estate investments or changes in the fair value of a real estate investment.

### **4.11 Income and expenses**

Income and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

However, based on the principles included in the conceptual IFRS framework the Group recognises the income earned and the total associated costs. Sales are recognised upon delivery and transfer of ownership of the assets.

Profits earned on dividends from financial assets are recognised when the unit holders are entitled to receive the dividends.

#### **4.12 Consolidated statement of cash flows (indirect method)**

The following terms are used in the consolidated statement of cash flows with the meanings specified:

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

#### **4.13 Related party transactions**

The Company carries out all related party transactions on an arm's length basis. Transfer pricing is adequately documented and, accordingly, the Company's directors consider that there are no significant risks that could give rise to material tax liabilities in the future.

### **5. EARNINGS PER SHARE**

Basic earnings per share amounts are calculated by dividing net profit attributable to the Parent's shareholders (after tax and non-controlling interests) by the weighted average number of shares outstanding during this period.

Diluted earnings per share are calculated in a similar way as basic earnings per share, but the weighted average number of shares outstanding is adjusted to take into account the potential dilutive effect of any convertible bonds outstanding at the end of the reporting period.

The following table reflects the income and information of shares used for calculating basic and diluted earnings per share:

	<b>31 December 2014</b>
	<b>Thousands of Euros</b>
Gain (Loss) attributable to ordinary shareholders of the Parent	16,474
Continuing operations	16,474
From discontinued operations	-
<b>Global profit attributable to ordinary shareholders of the Parent used in the calculation of basic earnings per share</b>	<b>16,474</b>
Interest from convertible preferred shares	-
<b>Global profit attributable to ordinary shareholders of the Parent adjusted for the effect of diluted earnings</b>	<b>16,474</b>

	<b>31 December 2014</b>
Weighted average number of ordinary shares used in the calculation of basic earnings per share	55,060,000
Effects of dilution due to:	
Share options	-
Convertible preferred shares	-
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>	<b>55,060,000</b>

## **6. SEGMENT INFORMATION**

### **Basis of segmentation**

Segment reporting is based on the different areas of the Group's business.

The business lines described below were established on the basis of the Group's organisational structure at 31 December 2014 which was used to analyse the financial performance of the various operating segments.

The Group focuses its activities on the following major lines of business, which are the basis on which the Group presents the information on its operating segments:

- Investment activity in office properties.
- Investment activity in residential properties.
- Investment activity in hotel properties.

All the Group's activities are carried on in Spain.

## Basis and methodology for business segment reporting

The segment reporting below is based on monthly reports prepared by Group managers and is generated using the same computer application as that used to obtain all the Group's accounting information.

The segment's ordinary revenue relates to the ordinary revenue directly attributable to the segment and income from sales of investment property. Ordinary revenue from each segment does not include interest or dividend income.

The expenses of each segment are calculated on the basis of the expenses arising from the segment's directly attributable operating activities and any losses on sales of investment property. The allocated expenses do not include interest or the income tax expense or general administration expenses relating to general services which are not directly allocated to each business segment and, therefore, cannot be distributed on a reasonable basis.

The assets and liabilities of the segments are directly related to their activity and operations.

The following table includes the segment information by activity.

Thousands of Euros	Offices	Residential	Hotels	Other	Total Group
<b>Income and expense</b>					
By lease	6,444	1,671	2,147	-	<b>10,262</b>
Net gain (loss) on sales of assets	-	45	-	-	<b>45</b>
Other operating income	12	48	-	4	<b>64</b>
Operating expenses	(3,644)	(772)	(979)	(7,439)	<b>(12,834)</b>
Amortisation and depreciation charge	-	-	-	(5)	<b>(5)</b>
Gain from a bargain purchase	7,496	-	-	-	<b>7,496</b>
Finance costs	(1,289)	(184)	-	(2,618)	<b>(4,091)</b>
Finance income	-	-	-	2,542	<b>2,542</b>
Gains (Losses) from changes in the value of investment properties (Note 7)	4,451	6,652	2,946	-	<b>14,049</b>
Income tax	-	-	-	(2)	<b>(2)</b>
<b>Total at 31 December 2014</b>	<b>13,470</b>	<b>7,460</b>	<b>4,114</b>	<b>-7,518</b>	<b>17,526</b>

Thousands of Euros	Offices	Residential	Hotels	Other	Total Group
<b>Assets</b>					
Intangible assets	-	-	12	22	<b>34</b>
Investment property (Note 7)	229,147	99,397	93,821	-	<b>422,365</b>
Non-current financial assets	2,065	254	237	-	<b>2,556</b>
Other non-current assets	-	-	350	-	<b>350</b>
Deferred tax assets	-	-	-	13,210	<b>13,210</b>
Inventories	32	-	-	-	<b>32</b>
Trade receivables and other current assets	1,926	49	425	209,017	<b>211,417</b>
<b>Total at 31 December 2014</b>	<b>233,170</b>	<b>99,700</b>	<b>94,845</b>	<b>222,249</b>	<b>649,964</b>



Thousands of Euros	Offices	Residential	Hotels	Other	Total Group
<b>Liabilities</b>					
Long-term provisions	398	-	-	-	<b>398</b>
Non-current financial liabilities	12,419	977	326	-	<b>13,722</b>
Bank borrowings	19,593	40,170	-	2,125	<b>61,888</b>
Hedging derivatives	-	666	-	-	<b>666</b>
Deferred tax liabilities	4,835	42	36	-	<b>4,913</b>
Current financial liabilities	214	-	600	-	<b>814</b>
Operating liabilities	1,723	1,000	40	4,562	<b>7,325</b>
<b>Total at 31 December 2014</b>	<b>39,182</b>	<b>42,855</b>	<b>1,002</b>	<b>6,687</b>	<b>89,726</b>

## 7. INVESTMENT PROPERTY

The changes in "Investment Property" in the eleven months and nine days ended 31 December 2014 were as follows:

2014	Thousands of Euros			
	Offices	Residential	Hotels	Closing balance
<b>Opening balance</b>	-	-	-	-
Acquisitions as a result of business combinations	118,790	-	-	118,790
Acquisition and additions of assets	106,009	96,411	90,869	293,289
Losses on disposals of assets	-	(3,763)	-	(3,763)
Gains on changes in value of assets	4,451	6,652	2,946	14,049
<b>Closing balance</b>	<b>229,250</b>	<b>99,300</b>	<b>93,815</b>	<b>422,365</b>

On 8 July 2014 the Group subscribed two capital increases of Hispania Fides S.L. (formerly Oncisa S.L., "Hispania Fides") through a monetary contribution of EUR 75,838 thousand and a non-monetary contribution of EUR 4,350 thousand. As a result, it gained a holding of 90% in the aforementioned company, which owned certain investment property with a market value of EUR 118,790 thousand.

Other additions in 2014 relating to acquisitions of assets, including the associated non-recoverable expenses and non-refundable tax are as follows:

- On 15 April 2014 the Group acquired Hotel Guadalmina SPA & Golf Resort ("Hotel Guadalmina") in Marbella for EUR 22,527 thousand.
- On 12 May 2014 the Group acquired 213 homes on the Isla del Cielo residential complex on Parque Diagonal del Mar in Barcelona. The acquisition cost amounted to EUR 65,105 thousand. The acquisition includes 237 parking spaces located in the complex.

- On 27 June 2014 the Group acquired two office buildings in the Plaza de Les Glòries zone (Avenida Diagonal and Gran Via) in Barcelona for EUR 41,125 thousand.
- On 9 July 2014 the Group acquired an office building on Comandante Azcárraga número 3 in Madrid for EUR 15,422 thousand.
- On 25 July 2014 the Group acquired a property portfolio consisting of four office buildings and two hotels in the Madrid region for EUR 43,020 thousand.
- On 31 July 2014 the Group acquired an office building in Barcelona for EUR 18,683 thousand.
- On 12 September 2014 the Company acquired the Meliá Jardines del Teide Hotel with 300 rooms on Costa Adeje in the south of Tenerife for EUR 37,217 thousand.
- On 17 September 2014 the Group acquired 84 government subsidised homes in a building in San Sebastián de los Reyes (Madrid) for EUR 13,485 thousand to subsequently rent out. The lease ends on 1 March 2017.
- On 29 October 2014 the Group acquired 115 government subsidised homes in a residential complex in Majadahonda (Madrid) for EUR 17,822 thousand to subsequently rent out. The lease ends on 8 February 2016.
- On 27 October 2014 the Group acquired the Hesperia Ramblas Hotel in Barcelona for EUR 17,855 thousand. The hotel has 70 rooms.

In 2014, 13 homes and 14 parking spaces were sold in the Isla del Cielo residential complex in Barcelona for a total of EUR 3,808 thousand. The Group obtained a profit of EUR 45 thousand on the sale of these properties.

At the end of the period, the Group calculated the fair value of its investment property in accordance with IAS 40. The fair value, calculated on the basis of the appraisals of independent experts (CB Richard Ellis Valuation), amounts to EUR 422,365 thousand and, therefore, gave rise to changes in the value of the investment property totalling EUR 14,049 thousand which were recognised in the consolidated statement of comprehensive income at 31 December 2014. The appraisal was conducted in accordance with the Valuation and Assessment Standards published by the Royal Institute of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS).

## Operating leases

At the end of 2014 the Group's was owed the following minimum payments from lessees as stated in the leases in force at this date, excluding the communal expenses passed on to the lessees, future increases in the CPI and discounting of contractually agreed-upon income:

	<b>31 December 2014</b>
	<b>Thousands of Euros</b>
Within one year	16,021
One to five years	27,729
More than five years	35,255
<b>Total</b>	<b>79,005</b>

## Other information

The Group's investment property is located in Spain.

The properties in the Isla del Cielo residential complex and in the building in San Sebastián de los Reyes (Madrid), and the three office buildings owned by the Hispania Fides subsidiary are all mortgaged at 31 December 2014 to provide security for loans and other payables for EUR 60,745 thousand. At 31 December 2014 the carrying amount of these buildings is EUR 122,850 thousand.

The Group has arranged insurance policies to cover the carrying amount of its investment property.

At 31 December 2014 the Group had real estate investment commitments of EUR 15.5 million, of which EUR 1 million materialised in 2015.

At 31 December 2014 no financial costs had been capitalised.

## 8. FINANCIAL ASSETS

The detail of the financial assets at 31 December 2014 is as follows:

	Thousands of Euros			
	Investments	Debt securities	Loans, derivatives and other financial assets	Total
Non-current financial assets				
Available-for-sale financial assets	350	-	-	350
Loans and receivables	-	-	2,556	2,556
	350	-	2,556	2,906
Current financial assets				
Held-to-maturity investments	-	2,000	-	2,000
Loans and receivables	-	97	2,150	2,247
	-	2,097	2,150	4,247
	<b>350</b>	<b>2,097</b>	<b>4,706</b>	<b>7,153</b>

These amounts are included in the following items in the statement of financial position:

	Thousands of Euros			
	Investments	Debt securities	Loans, derivatives and other financial assets	Total
Non-current financial assets				
Long-term investments	350	-	-	350
Deposits	-	-	2,556	2,556
	350	-	2,556	2,906
Current financial assets				
Other current financial assets	-	2,097	-	2,097
Trade and other receivables	-	-	2,150	2,150
	-	2,097	2,150	4,247
	<b>350</b>	<b>2,097</b>	<b>4,706</b>	<b>7,153</b>

### Investments

In 2014 the Parent acquired a non-controlling interest in Guadalmina Golf, S.A. for EUR 350 thousand.

### Held-to-maturity investments

"Held-to-maturity Investments" includes mainly investments in deposits which the Parent is able to convert into cash at short term and which earn interest at market rates.

### Loans and receivables

#### Deposits

"Deposits" includes basically the amounts deposited with the corresponding Public Agencies for the guarantees received for leases arranged by the Group.

### Trade and other receivables

At 31 December "Trade and Other Receivables" relates to the trade receivable for leases on investment property amounting to EUR 2,150 thousand.

"Trade and Other Receivables" is presented net of any impairment losses recognised in the year for EUR 941 thousand.

## **9. CASH AND CASH EQUIVALENTS**

"Cash and Cash Equivalents" includes the current accounts held by the Group that earn interest at market rates.

At 31 December 2014 there are restrictions on the availability of these balances of EUR 157,709 thousand relating to the guarantee on the maximum price of the public bid launched by Grupo Hispania Real to purchase the shares of Realia Business, S.A. ("Realia") from its shareholders as described in Note 16.2. This restriction will remain in force until Hispania Real fulfils the obligations arising from this offer or until the offer is cancelled or settled.

The Group has agreements in which the current accounts have been pledged as security in relation to the collection of rent of certain mortgaged assets. It may draw down and use the balance of the current accounts in its ordinary activities unless notification of early repayment of the secured obligations has been given.

The Company's cash and liquid assets is generally held at highly creditworthy financial institutions.

## **10. EQUITY**

### **Share capital**

#### *Incorporation*

On 23 January 2014 Azora Altus, S.L. incorporated the Parent with share capital of 60,000 fully subscribed and paid shares each with a par value of EUR 1.

### *Capital increases*

On 18 February 2014 the Parent's then sole shareholder Azora Altus, S.L. agreed a capital increase of EUR 500,000,000 via the issuance of 50,000,000 ordinary shares with a par value of EUR 1 each and a share premium of EUR 9 each, offering the newly issued shares in an Offer for Subscription. The aforementioned sole shareholder agreed to request the admission to trading of the shares on the stock markets in Madrid, Barcelona, Bilbao and Valencia as well as their incorporation on the Spanish electronic trading platform (continual market). Goldman Sachs International and UBS Limited were appointed as the global co-ordinators within this process. It was also resolved to grant the coordinating entities with a green shoe option of 5,000,000 shares, which was approved for issue on the same date at the above par value and premium.

The prospectus relating to the Subscription Offer and Admission to Trading of the aforementioned shares was approved by the Spanish National Securities Markets Commission and registered in its official records on 3 March 2014. The capital increase was approved and registered on 31 March 2014.

On 12 March 2014 the Parent closed the subscription period early. On 13 March it was executed in a public deed, the capital increase completed and the shares allocated at the offer price of EUR 10 per share. The new shares were admitted for trading on 14 March 2014.

Lastly, on 25 March 2014 Goldman Sachs and UBS reported the execution of the green shoe subscription option in full.

At 30 June 2014, the share capital comprised 55,060,000 fully subscribed and paid shares with a par value of EUR 1 each. All of the shares are registered.

The costs of these issuances totalled EUR 16,926 thousand.

Based on the reports on the number of corporate investments to the Spanish National Securities Markets Commission, the Parent's indirect and direct significant shareholders at 31 December 2014 are as follows:

Name or company name of shareholder:	% of ownership		
	Direct	Indirect	Total
Soros Fund Management LLC	-	16.709	16.709
Paulson & Co. Inc.	-	16.709	16.709
Tamerlane, S.A.R.L.	5.449	-	5.449
Cohen & Steers, Inc.	-	4.071	4.071
APG Asset Management N.V.	4.148	-	4.148

The Parent has no knowledge of any other shareholdings under the percentages indicated that would allow the holder to exercise significant influence over the Company.

### Legal reserve

Pursuant to the consolidated Spanish Companies Law, companies must transfer 10% of profits for the year to a legal reserve until it is equivalent to at least 20% of the share capital.

The legal reserve may be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, the legal reserve can only be used to offset losses when it is equivalent to more than 20% of share capital or there are no other reserves available for this purpose.

### Shareholder contributions

On 17 February 2014 Azora Altus, S.L. decided to make a monetary contribution to the Parent's equity, amounting to EUR 540 thousand in cash.

### Adjustments to equity for changes in the value of financial instruments

"Adjustments to Equity for Changes in the Value of Financial Instruments" in the accompanying consolidated statement of financial position includes the net amount of the changes in value of derivative financial instruments designated as cash-flow hedges.

The changes in the balance of "Adjustments to Equity for Changes in the Value of Financial Instruments" in 2014 were as follows:

	Thousands of Euros			
	Opening balance	Revenue (Expense)	Transfers to profit or loss (Note 9.2)	Closing balance
<b>2014</b>				
Cash flow hedges	-	(683)	25	(658)

## 11. FINANCIAL LIABILITIES

The detail of the financial liabilities at 31 December 2014 is as follows:

	Thousands of Euros		
	Bank borrowings	Derivatives and other	Total
Non-current financial liabilities			
Loans and payables	56,414	13,722	70,136
Hedging derivatives	-	658	658
	56,414	14,380	70,794
Current financial liabilities			
Loans and payables	5,474	7,490	12,964
Hedging derivatives	-	8	8
	5,474	7,498	12,972
	<b>61,888</b>	<b>21,878</b>	<b>83,766</b>

These amounts are included in the following items in the statement of financial position:

	Thousands of Euros		
	Bank borrowings	Derivatives and other	Total
Non-current financial liabilities			
Non-current bank borrowings	56,414	-	56,414
Hedging derivatives	-	658	658
Other non-current financial liabilities	-	13,722	13,722
	56,414	14,380	70,794
Current financial liabilities			
Bank borrowings	5,474	-	5,474
Hedging derivatives	-	8	8
Other current financial liabilities	-	814	814
Trade and other payables	-	5,782	5,782
Advances from customers	-	894	894
	5,474	7,498	12,972
	<b>61,888</b>	<b>21,878</b>	<b>83,766</b>

### 11.1 Bank borrowings

The detail of "Bank Borrowings" at 31 December 2014 is as follows:



	Thousands of Euros								
	Current	Non-current						Total, non-current	Total
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years			
<b>2014</b>									
<b>Bank borrowings:</b>									
Loans from third parties	5,191	3,525	7,540	7,301	6,184	33,129	57,679	62,870	
Interest on third party debt	283	-	-	-	-	-	-	283	
Arrangement costs on borrowings	-	(372)	(182)	(166)	(148)	(397)	(1,265)	(1,265)	
<b>Total</b>	<b>5,474</b>	<b>3,153</b>	<b>7,358</b>	<b>7,135</b>	<b>6,036</b>	<b>32,732</b>	<b>56,414</b>	<b>61,888</b>	

### *Loans and interest payable to third parties*

On 17 September the subsidiary Hispania Real was subrogated to a mortgage loan that a financial institution had granted to the former owner of the homes in San Sebastián de los Reyes (Madrid) which were acquired by the Company on the same date. At 31 December 2014 the outstanding amount on the loan was EUR 3,104 thousand. The mortgages on the financed land and buildings were pledged as security for repayment of this loan. Final maturity is on 14 June 2018. The interest rate is tied to the 2002-2005 housing plan regulated by the Ministry of Public Works. At 31 December 2014 the finance cost incurred was EUR 21 thousand, of which EUR 3 thousand were payable at the end of the period.

At the date of subrogation of the loan, the subsidiary incorporated a tangible security over the collection rights from the leases on these homes to secure the obligations and liabilities arising from the aforementioned mortgage loan.

On 14 November 2014 the subsidiary Hispania Real took out a mortgage loan with a financial institution to finance the acquisition of land and structures relating to the housing on the Isla de Cielo residential complex in Barcelona. At 31 December 2014 the amount payable on this loan was EUR 37,938 thousand. The mortgages on the financed land and buildings were pledged as security for repayment of this loan. Final maturity is on 24 November 2024. To date there is no grace period for repayment of principal until 14 November 2016. It bears interest at a fixed rate until 14 February 2015. Subsequently, the rate of interest will be 3-month Euribor plus a spread. At 31 December 2014 the finance cost incurred was EUR 120 thousand, of which EUR 40 thousand were payable at the end of the period.

At the date of arrangement of the loan, the subsidiary incorporated a tangible security over the collection rights from the leases on these homes to secure the obligations and liabilities arising from the above mortgage loan (See Note 9).

The detail of the Group's bank borrowings relating to acquisition of the Hispania Fides business (See Note 13.5) is as follows:

Facility	Arrangement date	Maturity	Non-current	Current
Mortgage loans: properties under leases	28/02/2002	04/01/2019	3,348	916
	25/07/2006	01/01/2023	6,755	878
	30/01/2009	01/01/2024	7,382	423
<b>Total</b>			<b>17,485</b>	<b>2,217</b>

On 30 January 2009 the subsidiary Hispania Fides (formerly Oncisa, S.L.) took out a mortgage loan with a financial institution. The principal of the loan amounts to EUR 9 million. At 31 December 2014 the outstanding amount of the loan was EUR 7,805 thousand. The mortgages on certain financed land and buildings of the subsidiary were pledged as security for repayment of this loan. The final maturity date is 1 January 2024 and there is a schedule for the repayment of principal up to this date. The loan bears interest at Euribor + spread.

On 28 February 2002 the subsidiary Hispania Fides (formerly Oncisa, S.L.) took out a mortgage loan with a financial institution. The principal of the loan amounts to EUR 12 million. The outstanding amount on the loan was EUR 4,264 thousand at 31 December 2014. The mortgages on certain financed land and buildings of the subsidiary were pledged as security for repayment of this loan. The final maturity date is 4 January 2024 and there is a schedule for the repayment of principal up to this date. The loan bears interest at Euribor + spread.

"Current Payables" includes a payable of EUR 2,125 thousand relating mainly to the costs required to obtain guarantees and sureties that will ensure the consideration offered for the acquisition bid made to Realia shareholders (as described in Note 16.2) is paid properly as are any obligations paid out of it. The above costs amounted to EUR 2,500 thousand at 31 December 2014.

#### ***Debt arrangement costs***

The mortgage loan entered into by the subsidiary Hispania Real in 2014 generated debt arrangement costs of EUR 933 thousand, of which EUR 18 thousand had been repaid at 31 December 2014 (See Note 13.4). The debt arrangement costs on the loans assumed following the business combination amounted to EUR 350 thousand at 31 December 2014.

### *Guarantees given*

At 31 December 2014 the Group's Parent is the guarantor of payment obligations and liabilities incurred by Grupo Hispania Real SOCIMI, S.A.U. as a result of the mortgage loan of EUR 37,938 thousand entered into on 14 November 2014.

### **11.2 Derivatives and other**

The detail of the financial liabilities included in “Derivatives and Other” at 31 December is as follows:

	<b>2014</b>
	<b>Thousands of Euros</b>
Non-current	
Sureties and deposits received as a result of leases	3,651
Other long-term deposits	71
Non-current payables	10,000
Hedging derivatives	658
	<b>14,380</b>
At short term	
Sureties and deposits received as a result of leases	814
Sundry payables	5,717
Remuneration payable	65
Advances from customers	894
Hedging derivatives	8
	<b>7,498</b>

#### Non-current payables

"Non-current Payables" includes the loan arranged between Corporación Empresarial Once, S.A. and the subsidiary Hispania Fides on 7 July 2014 by virtue of which the parties agree that the lender will grant financing to the company at long term for EUR 10,000 thousand. The maturity date of the loan was set at 60 months from the date the loan becomes available, i.e. 7 July 2020. The loan will incur annual interest at a fixed rate from the draw down date to the maturity date.

#### Hedging derivatives

On 14 November 2014 the subsidiary Hispania Real arranged a cash flow hedge to hedge the interest rate risk attached to 100% of the mortgage loan arranged to finance the homes in the Isla de Cielo residential complex in Barcelona.

The notional amount of this financial swap, which at 31 December 2014 is EUR 37,938 thousand, is reduced in a similar way to the above mortgage loan principal and the date of final maturity is 14 November 2019. Under the terms of the swap, the Company pays monthly interest at a fixed rate of 0.59% and receives interest at a floating rate of 3-month Euribor. The terms and conditions of the hedging instrument are the same and, accordingly, the hedge is considered effective.

The cash flows from the swap are expected to occur (liquidated on a monthly basis) and affect the income statement in the following periods:

2014	Thousands of Euros								
	Current	Non-current						Total, non-current	Total
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years			
Hedging derivative	171	201	159	94	33	-	487	658	
<b>Total</b>	<b>171</b>	<b>201</b>	<b>159</b>	<b>94</b>	<b>33</b>	<b>-</b>	<b>487</b>	<b>658</b>	

In 2014 the Group transferred a negative amount of EUR 25 thousand from equity to the income statement for the effect of the interest rate hedge. These amounts and the hedged item were recognised as finance cost. EUR 8 thousand were outstanding at 31 December 2014.

## 12. INCOME TAX MATTERS

Income tax for the period differs from the tax base for the period, which in turn is different from the net profit or loss presented in the consolidated income statement because it excludes certain taxable revenues and deductible expenses from prior years and certain other non-taxable or non-deductible items. The Group's current tax assets and liabilities are calculated using tax rates that have been approved at the date of the consolidated statement of financial position.

The detail of the tax payable or receivable in the accompanying consolidated statement of financial position is as follows:

	<b>31 December 2014</b>
	<b>Thousands of Euros</b>
Deferred tax assets	13,210
Tax receivable	2,719
Value added tax	2,186
Withholdings and payments on account	533
<b>Total accounts receivable</b>	<b>15,929</b>
Deferred tax liabilities	4,913
Tax payable	532
Income tax payable	22
Tax withholdings payable	510
<b>Total accounts payable</b>	<b>5,445</b>

### *Income tax*

The detail of "Income Tax" in the consolidated income statement for the period ended 31 December 2014 is as follows:

	<b>31 December 2014</b>	
	<b>Thousands of Euros</b>	
	<b>Income statement</b>	<b>Equity</b>
Income tax expense	(25)	-
Changes due to current tax assets	780	-
Tax loss carryforwards and other temporary differences recognised	491	-
Differences between carrying amount and tax base of investment property	(1,248)	-
<b>Income tax</b>	<b>(2)</b>	<b>-</b>

The reconciliation between income tax expense (revenue) and the result of taxing the total recognised income and expenses by the applicable rates is as follows:

	<b>31 December 2014</b>		
	<b>Thousands of Euros-</b>		
	<b>Income statement</b>	<b>Equity</b>	<b>Total</b>
<b>Profit before tax</b>	<b>17,528</b>	<b>528</b>	<b>18,056</b>
Theoretical tax payable (at 30%)	5,258	158	5,416
Income taxed under the SOCIMI regime	1,446	(158)	1,288
Tax rate difference	19		19
Consolidation adjustments without a tax effect	(6,721)		(6,721)
<b>Effective tax expense (revenue)</b>	<b>2</b>	<b>-</b>	<b>2</b>

The detail of the various items comprising deferred tax assets and deferred tax liabilities and the changes therein are as follows:

(Thousands of Euros)	Opening balance	Additions due to business combinations	As per the income statement	Balance at 31 December 2014
<b>Deferred assets</b>				
Tax loss and tax credit carryforwards recognised	-	11,939	1,271	13,210
<b>Deferred liabilities</b>				
Gains (Losses) on changes in value of assets	-	(3,665)	(1,248)	(4,913)
<b>Total</b>	-	<b>7,301</b>	<b>23</b>	<b>7,582</b>

Deferred tax assets relate to the tax loss and tax credit carryforwards that the Group expects to recover within a reasonable period of time and to the positive temporary differences available for offset of the negative temporary differences arising on recognition of investment property at market value should they arise.

### 13. INCOME AND EXPENSES

#### 13.1 Rental income

Revenue from the Company's ordinary activities is concentrated mainly in Madrid, Barcelona, Malaga and Tenerife. The detail of revenue, by business is as follows:

Activity	2014
	Thousands of Euros
Office building leases	6,443
Residential leases	1,671
Hotel leases	2,148
<b>Total</b>	<b>10,262</b>

Geographical markets	2014
	Thousands of Euros
Barcelona	3,835
Madrid	4,747
Malaga	1,109
Tenerife	571
<b>Total</b>	<b>10,262</b>

#### 13.2. Other operating expenses

The detail of "Other Operating Expenses" is as follows:

	<b>2014</b>
	<b>Thousands of Euros</b>
Repairs and maintenance	494
Independent professional services	7,697
Insurance premiums	105
Banking and similar services	10
Advertising, publicity and public relations	56
Utilities	387
Other services	2,125
Taxes other than income tax	1,019
Write downs of trade receivables	941
<b>Total, other operating expenses</b>	<b>12,834</b>

Independent professional services relate mainly to the management fee of EUR 4,408 thousand paid to Azora Gestión, S.G.I.I.C., S.A.

### 13.3 Finance income

The finance income for the period relates mainly to the interest earned on the Group's current account balances and the fixed-term deposits, totalling EUR 1,122 thousand; finance income from the change in value of the investment funds held by the Parent in the period of EUR 1,420 thousand which had been collected in full at 31 December 2014.

### 13.4 Finance costs

The detail of "Finance Costs" is as follows:

	<b>2014</b>
	<b>Thousands of Euros</b>
Debt arrangement costs (Note 11.1)	18
Interest payable and fees payable for guarantees and sureties	3,581
Other	362
<b>Total</b>	<b>3,961</b>

### 13.5. Business combinations

On 8 July 2014 the Group subscribed two capital increases at Hispania Fides S.L. (formerly Oncisa S.L., "Hispania Fides") through a monetary contribution of EUR 75,838 thousand and a non-monetary contribution of EUR 4,350 thousand. As a result, it gained a holding of 90% in the aforementioned company.

The Company owns several assets which it rents out as offices. The acquisition of these assets means that it has access to management of 46,416 m<sup>2</sup> of offices across 9 buildings. Eight of the assets are in Madrid and one is in Malaga.

Assets acquired and liabilities assumed:

	<b>Fair value recognised in the acquisition</b>
Investment property	118,790
Non-current financial assets	967
Deferred tax assets	11,939
Trade receivables	99
Current financial assets	2
Cash	28,078
	159,875
Long-term provisions	(2,148)
Non-current payables	(42,653)
Deferred tax liabilities	(3,665)
Guarantees	(233)
Non-current payables	(10,000)
Current payables	(3,517)
Trade payables	(232)
	(62,448)
Total net assets at market value	97,427
Non-controlling interests	9,743
Gain from a bargain purchase	7,496
Amount paid	80,188

The gain from a bargain purchase of EUR 7,496 thousand is a result of the deferred tax assets and deferred tax liabilities recognised at fair value following the restructured financial position of Hispania Fides completed to become part of the Hispania Group, upon which it could recognise its tax loss carryforwards. These tax loss carryforwards are recognised on the basis of the best estimates of the related recoverable amounts in a reasonable period of time in accordance with the leases entered into by the Group with respect to these assets.

Since the acquisition date, Hispania Fides contributed income of EUR 3,383 thousand to the Group, profits of EUR 685 thousand from continuing operations and a gain on the changes in the fair value of its investment property of EUR 3,120 thousand.

### **13.6. Related party transactions**

The Group has related party transactions associated with the management fee of EUR 4,408 thousand paid to Azora Gestión, S.G.I.I.C. (See Note 13.2) and with the management services from Azzam Gestión Inmobiliaria S.L. amounting to EUR 74 thousand. The amounts outstanding on these fees are EUR 1,734 thousand and EUR 74 thousand, respectively.



### 13.7 Profit (Loss) by company

The contributions by each company included in the scope of consolidation to the consolidated profit (loss) for the period are as follows:

	<b>31 December 2014</b>
	<b>Thousands of Euros</b>
Hispania Activos Inmobiliarios, S.A.	(3,969)
Hispania Real, S.A.U.	10,055
Hispania Fides S.L.	11.440
<b>Total</b>	<b>17,526</b>

## 14. REMUNERATION AND OTHER BENEFITS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

### Directors' remuneration

In 2014 the remuneration earned by the current members of the Board of Directors for wages and salaries, incentives, per diems and other by-law stipulated emoluments amounted to EUR 352 thousand. The detail of this remuneration is as follows:

	<b>31 December 2014</b>
<b>Remuneration paid to directors</b>	<b>Thousands of Euros</b>
Director remuneration <sup>(1)</sup>	248
Additional remuneration of the Executive Committee	40
Additional remuneration of the Audit and Control Committee	40
Additional remuneration of the Nomination and Remuneration Committee	24
<b>Total</b>	<b>352</b>

<sup>1)</sup> Including remuneration of the non-director Secretary at the Company

At 31 December 2014 the joint and several directors had not been granted any loans or advances and they have not received any security pledged for obligations assumed by them.

Pursuant to the requirements of Article 229 of the Spanish Limited Liability Companies Law, the following list includes conflicts of interest with the Company reported by the Company's directors.

- a) Performance, as an independent person or employee, of activities that are effectively in competition with the Company or which put it in continual conflict with the Company's interests.

Director/Related	Company	% of direct and/or indirect ownership	Position
Concepción Osácar Garaicoechea	Azora Altus, S.L.	35.00%	Representing the Director-Chairperson
	Azora Capital, S.L.	26.25%	Representing the Director-Deputy Chairperson
	Azora Gestión, S.G.I.I.C., S.A.	26.25%	Representing the Director-Chairperson
	Residencias de Estudiantes, S.A.	8.98%	Director
	Azora International Management, Sp Z.o.o	17.53%	Director
	Siresa Campus, S.A.	-	Chairperson
	Siresa Salmantina, S.A.	-	Director
	Siresa Hernán-Cortés, S.A.	-	Director
	Lazora, S.I.L., S.A.	-	Director
	Encampus Residencias de Estudiantes, S.A.	-	Chairman of the Board of Directors
	Colón Viviendas, S.I.L., S.A.	22.75%	Director
	Carey Property, S.L.	-	Director
	Carey Value Added, S.L.	-	Director
	Hispania Fides S.L.	-	Chairperson
	Azzam Gestión Inmobiliaria, S.L.	-	Director
Azzam Vivienda, S.L.U.	-	Deputy chairperson	
Fernando Gumuzio Íñiguez	Azora Altus, S.L.	24.50%	Representing the Director-Chairperson
	Azora Capital, S.L.	18.38%	Representing the Director-Chairperson
	Azora Gestión, S.G.I.I.C., S.A.	18.38%	Representing the Director-Chairperson
	Residencias de Estudiantes, S.A.	8.38%	Director
	Azora International Management, Sp Z.o.o	16.34%	Chairperson of the Board
	Siresa Campus, S.A.	-	Director
	Lazora, S.I.L., S.A.	-	Director
	Encampus Residencias de Estudiantes, S.A.	-	Chairperson of the Board
	Encasa Cibeles, S.L.	-	Chairperson of the Board
	Colón Viviendas, S.I.L., S.A.	15.92%	Director
	Carey Property, S.L.	-	Director
	Carey Value Added, S.L.	-	Director
Hispania Fides, S.L.	-	Director	
Joaquín Ayuso García	Ferrovial, S.A.	0.02%	Deputy chairperson of the Board
José Pedro Pérez-Llorca y Rodrigo	-	-	-
Luis Alberto Mañas Antón	-	-	-
Rafael Miranda Robredo	Hispania Real SOCIMI, S.A.U.		Sole director

- b) There are no other direct or indirect conflicts of interest with the Company

## 15. RISK MANAGEMENT POLICY

The financial risk management policies in the sector in which the Group operates are determined mainly through the analysis of investment projects, the management of the buildings and the state of the financial markets:

- Credit risk: the Group's credit risk is due mainly to the risk of lessees defaulting on their contractually agreed-upon rent payments. The Group manages this risk by screening lessees and the type of leases arranged which envisage upfront rental payments and legal and additional financial guarantees that will cover any non-payment.
- Liquidity risk: At 31 December 2014 this risk is not considered to be significant since the investment stage has not yet ended and there is sufficient liquidity to cover the obligations assumed so far.
- Market risk: One of the main risk faced by the Group is market risk arising from buildings that are not occupied or renegotiations downwards when a lease expires. This risk would reduce the Group's income and have a negative effect on the value of the assets. This risk is mitigated at the Group through active property management aimed at obtaining the most value possible for the buildings by implementing an investment policy that will ensure the best possible positioning of these buildings, as well as active marketing and screening lessees.

## 16. OTHER INFORMATION

### 16.1 Audit fees

Audit fees paid during the period for financial audit services are as follows:

	<b>2014</b>
	<b>Thousands of Euros</b>
Audit Services for Annual Accounts and Interim Financial Statements	170
Other audit and assurance services	83
Other services	30
<b>Total</b>	<b>283</b>

## 16.2 Public takeover bid

On 21 November 2014 the Group decided to make a friendly public takeover bid for the total shares representing the share capital of Realía Business, S.A. ("Realía" or "the Company Affected") .The prospectus was submitted to the Spanish National Securities Market Commission for authorisation therefrom on 17 December 2014.

The main characteristics of the bid are as follows:

- The cash consideration for the bid is EUR 0.49 per share.
- The bid for the total 321,854,379 shares of Realía is the sum of the existing share capital of the Company Affected (i.e. 307,370,932 shares) and the maximum 14,483,447 new shares that could be subscribed by Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. ("Sareb") before the end of the acceptance deadline for the Bid. If the bid were to be accepted by all the targeted shareholders, the total consideration for the Bid would amount to EUR 157,708,645.71.
- The success of the bid depends upon:(i) its acceptance by at least 52.525% of the maximum underlying share capital in Realía; (55% of Realía's current share capital) and (ii) the shareholders in the General Meeting lifting certain investment restrictions and limitations in the Management Agreement. The last condition was fulfilled and it was approved by the shareholders of Hispania Activos Inmobiliarios (the Company's sole shareholder) at the General Meeting held on 26 December 2014.
- The Company also entered into an agreement with the parties to the syndicated financing agreement entered into by Realía for approximately EUR 793 million to acquire 50% of the above financing amounting to EUR 312.75 million. This sale depends upon the successful outcome of the public takeover bid.

If the public takeover bid is successful and in accordance with the agreement:

1. Hispania would acquire 50% of the above financing for EUR 312.75 million, which represents a discount of approximately 21%.
2. The existing creditors have committed not to exercise their right to early repayment envisaged in the provisions of the financing agreement relating to a change in control.
3. Hispania undertakes a capital increase (with pre-emption rights at the same price as the bid) for EUR 800 million. It will be underwritten in full by Hispania and other parties to the syndicated loan via capitalisation of the loan for the amount not covered by the rest of Realía's shareholders.

The consideration for the bid was financed in full by funds from Hispania Real. Hispania Real was granted a bridge loan of up to EUR 250 million which it would use to purchase the above financing. It will be repaid via a capital increase of up to 44 million shares, approved by the Hispania Activos Inmobiliarios shareholders at the General Meeting on 26 December 2014. Use of the loan is dependent upon the success of the Realia bid.

### **16.3 Disclosures on the average payment period to suppliers**

The average payment period to suppliers in the period was under 7 days.

## **17. SUBSEQUENT EVENTS**

On 14 January 2015 Hispania Group announced that it had acquired the Vincci Malaga Hotel for EUR 10.4 million which was paid in full out of Hispania's own funds. The hotel which has 105 rooms is situated on the promenade in Malaga.

The Group is continuing to analyse investment transactions in accordance with its investment policy.

## **18. ADDITIONAL NOTE FOR ENGLISH TRANSLATION**

These consolidated financial statements were originally prepared in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

## HISPANIA ACTIVOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

### Consolidated directors' report for the eleven months and nine days ended 31 December 2014.

#### 1. Macroeconomic situation

1.1 There was still significant weakness across the **global economy** in 2014. Japan, China and the Euro zone, three of the main players of the global economy, did not gain the momentum that it needed to in 2014 and, consequently, the growth of the global economy was based mainly on growth in the US.

In the latest scenario suggested by the International Monetary Fund ("IMF"), world growth would have reached 3.3% in 2014 and it will rise to 3.5% in 2015. The reactivation of the advanced economies will trigger the biggest rise in growth around the world.

1.2 The situation **in the Euro zone** was very uneven in 2014. Certain countries such as Italy and France found it difficult to increase their economic activity while other countries continued to grow. GDP growth in the Euro zone rose to 0.8% in 2014 and the IMF forecasts for 2015 and 2016 put it at 1.2% and 1.4%, respectively.

The significant fall in oil prices and the monetary expansionist policies that the ECB began to implement should continue to raise expectations for the Euro zone.

1.3 In 2014 **the Spanish economy** consolidated the growth from the last half of 2013, which was reflected in the rises in GDP over each quarter this period. The National Statistics Institute ("INE") estimated that GDP for 2014 as a whole was 1.4%, which is the first year-on-year growth for GDP over the last six years. However, the unemployment rate continues to mirror the difficult situation faced, in general by the Spanish economy, and in particular by the labour market, remaining above 23.5%.

Although risk factors and uncertainty will persist in 2015, other events such as the significant changes in oil prices and the depreciation of the Euro should encourage further production and consumption in Spain. The consensus of international analysts is that Spain will be one of the best-performing economies in 2015. In its latest report, the IMF forecasts growth of 2% for 2015.

#### *Residential market*

The end of the recession and the beginning of the economic recovery have been translated into the residential market in 2014 as an increase in house sales and a slight recovery in sales having achieved the minimum level of sales in 2013. Some of the factors that were stalling activity in the residential market have eased over the last few months and will continue to do so in 2015. These factors included mainly the following:

- Practical inexistence of a financing market for acquisition of housing and a fiscal policy lacking in incentive for house buyers (VAT hike, end to tax relief on the purchases of primary homes)
- High rate of unemployment, especially among first-time jobseekers

- Reduced purchasing power in households and uncertainty as to the future of the economy
- General opinion that sales prices would continue to fall

The housing prices over the last 12 months (3Q13-3Q14) continued to fluctuate although at residual rates of 2%-3% based on information from the Ministry of Public Works and, accordingly, they have practically stabilised now. Based on the information provided by the INE, the prices over the last 12 months (3Q13-3Q14) would have stabilised and would have even been up slightly under 1%.

The rental market continues to gain momentum although it is still a long way from other countries in our area. Based on information from Eurostat, in Spain 77.7% of the population are home owners compared to an average 66% in the Euro zone. In 2007 this figure stood at 80.6% and has fallen three percentage points in the last seven years.

### ***Hotel market***

In 2014 tourism was still the main driver of the economy in Spain. The GDP from tourism was up 2.9% overall in the year (Exceltur information), which was much higher than 1.4% estimated for the Spanish economy as a whole. The hotel market has continued to grow, reflected in the increasing number of tourists and overnight stays, up 4.5% and 2.9%, respectively, on 2013 based on INE information from their Hotel Occupancy Survey. Overall, based on this survey the annual number of tourists is up from 83,820,919 (42,569,374 Spanish and 41,251,545 non-Spanish) in 2013 to 87,599,030 (44,535,268 Spanish and 43,063,762 non-Spanish) in 2014.

The rise was a consequence of the positive effect from demand outside Spain and a nascent recovery in domestic demand in line with a general consumer recovery, supported by a brighter economic forecast and an increase in disposable income. Demand from outside of Spain has continued to perform well in 2014. For another year running it has fared very well as a result of the geopolitical problems across Mediterranean holiday destinations.

### ***Office market***

The continual improvement in the Spanish economy in 2014 was reflected in the performance of Madrid and Barcelona, the two main national office markets. The main variables behind it continued to improve on both markets in 2014. Particularly significant was the rise in the hiring levels, increase in the rental income across the Business District and practical stabilisation in the remaining areas as well as the continual downward trend in the rate of unoccupied spaces.

In Barcelona and Madrid the availability of leasable space began to fall, which generally caused a slight stabilisation in income and an increase in income from the best assets on prime locations in both markets.

Due to the lack of "for sale" supply and the substantial increase in investment volumes, yields on deposits contracted significantly mainly in the prime locations.

## **2. The Group's organisational structure and operations**

The Group is managed externally on the basis of the agreement entered into with Azora Gestión SGIIC, S.A. in 2014.

See Section C of the Corporate Governance Report, "Group Management Structure"

### **3. Changes in the Group business**

#### **Corporate transactions**

On 14 March 2014 the Parent of the Group (Hispania Activos Inmobiliarios, S.A.) began to trade on the Spanish electronic trading platform with initial share capital of EUR 500,000 thousand to take advantage of the opportunity on the Spanish real estate market by creating high-quality real estate, investing principally in the office, hotel and residential sectors.

On 1 April 2014 Hispania Activos Inmobiliarios, S.A. incorporated its wholly-owned subsidiary Hispania Real SOCIMI, S.A.U. via the execution of a public deed. The subsidiary availed of the special tax regime for listed real estate investment trusts (SOCIMI).

On 8 July 2014 Hispania Activos Inmobiliarios, S.A. acquired 90% of the share capital in Hispania Fides, S.L. (formerly Oncisa, S.L.) by subscribing to a share capital increase of EUR 80.2 million which were paid in full out of the equity of Hispania Activos Inmobiliarios, S.A.

On 21 November 2014 the Group decided to make a friendly public takeover bid for all of the shares representing the share capital of Realia Business, S.A. through Hispania Real Socimi, S.A.U. The prospectus was submitted to the Spanish National Securities Market Commission for its authorisation on 17 December 2014. See Note 16.2 of the consolidated financial statements of Hispania Activos Inmobiliarios, S.A.

#### **Profit for the period**

The Group obtained profit after tax of EUR 17,526 thousand.

This profit is a result of the income obtained from leases on the Group's real estate assets and the excellent acquisition business in the period, resulting in:

- A negative consolidation difference of EUR 7,496 thousand from the business combination with Hispania Fides, S.L., which led to a 90% holding in this company and its concomitant take over.

This negative consolidation difference is a result of the difference between the assets and liabilities acquired at market value and the consideration delivered for these assets and liabilities.

- The appraisal of the Group's real estate assets by CBRE under RICS methodology at 31 December 2014 resulted in the recognition of a gain of EUR 14,049 thousand in the income statement.

Operating costs related to the management and operating costs of the real estate assets and the Group's own operating costs including the management fee paid to Azora Gestión SGIIC, S.A. and the costs associated with the investment process which were recognised as an



increase in the aforementioned assets. The investment related costs include the costs of preparing the friendly takeover bid for shares of Realia Business, S.A.

The Group's financial loss of EUR -1,549 thousand us a result of the net financial assets arising from the Group's investment of surplus cash and financing costs, including the costs incurred to take out the bridge loan of up to EUR 250 million which was used to finance part of the transaction that includes the friendly takeover bid over Realia Business, S.A.

At the date of this report, the Group is continuing to work on approval of the documentation relating to the bid submitted to the Spanish National Securities Markets Commission.

#### **4. Outlook for the market and for the Group**

##### ***Residential market***

In 2015 previous difficulties faced by demand for housing in previous years are expected to gradually ease. Improved economic forecasts and a mild recovery in the labour market as well as an expected increase in access to financing will have a steady positive effect on the sales figures.

Prices will continue to fluctuate on the residential markets on the outskirts of cities, where there will be more available housing, and on less well located holiday markets. Prices on residential markets in cities/municipalities (urban quarter) and better located holiday markets will stabilise.

Although the construction business continues its steep downward trend, the foundations are being laid for the start of new residential projects. Particularly noteworthy are the sales of packages of "short listed" land by Sareb to investors and developers, the commencement of new developments by financial institutions or Sareb's aim of completing approximately 100 developments.

The rental market is continuing to grow. Home ownership continues to prove very difficult for significant pockets of the population, mainly first-time buyers. As a result, many of them are turning to the rental market.

##### ***Hotel market***

Projections for 2015 are positive, with tourism still essential to the Spanish economy's recovery. Demand from foreigners for holidays is expected to slow down slightly due to the gradual stabilisation of other alternative destinations in the Mediterranean. However, factors such as the fall in oil prices and the depreciation of the Euro could encourage visits from tourists from in key countries such as the UK and the US. However, increases in disposable income will continue to boost local tourism

##### ***Office market***

Based on the lack of supply of office buildings and the accelerated growth in the economy and employment, 2015 is expected to see higher levels of absorption which will result in a reduction in rental space and increased revenue.

For yields, we forecast that the current conditions will remain the same in terms of huge investor appetite and a lack of "for sale" stock, which together with the current situation of all-time interest rate lows, will contribute to smaller yields.

Demand is forecast to gradually improve on the Madrid market in 2015, reaching levels of around 485,000 m<sup>2</sup>. Average rent prices will continue to increase in the Business District and the trend will be towards stabilisation in the other areas. Lastly, the rate of availability will continue its downwards trend as a result of the future lack of supply and increased level of demand.

The forecast performance for the Barcelona market over the coming months is expected to be positive, with consolidated gross occupancy of 300,000 m<sup>2</sup> in light of the macro economic outlook in the short term and the medium term. Average income is expected to show a moderate upward trend in the best areas of the market in 2015. Rental income in the rest of the market will continue to rise based on the levels of availability and the changes in occupancy in each area.

In view of the forecast trends in the sectors in which the Group operates, the following effects are forecast for 2015:

In 2015, the Group expects to have invested all of the funds raised as a result of its admission to trading on the stock market based on the plans included in its strategy. The Group will continue to develop a portfolio of balanced-quality assets with established locations to obtain critical masses of residential, hotel and office assets.

The Group is expected to continue to detect and analyse on an active basis by using the capabilities of its management team and seizing attractive investment opportunities. Hispania's detailed knowledge of the Spanish real estate market and ability to suggest transactions that have a certain complexity as well as the Group's possibility to actively manage the property that will be gradually included in the portfolio will continue to be key to implementing its investment strategy.

Appropriate implementation of the investment plan to make the necessary improvements and reposition for each acquired building will be one of the main focal points of the Group in 2015 to achieve the required level of occupancy, income and concomitant increase in the value of its investments.

Lastly, the Group expects an accelerated rate of financing of certain assets in the investment portfolio which can be leveraged under the right conditions. It should be mentioned that although the available financing conditions on the market are increasingly attractive, due to the fact that many of the assets acquired by the Group must be remodelled and repositioned so as to optimise them and ensure a steady and transparent generation of future cash flows, only some of them will receive financing in 2015.

## **5. Disclosures on the average payment period to suppliers**

At the end of 2014 the Group had an amount payable of EUR 1,054 thousand over more than 60 days. These amounts payable are due mainly to invoices for incomplete advisory projects which will be paid upon completion of this work. The Group does not consider it necessary to take additional measures since these amounts arise on specific agreements that are not

expected to be recurrent, as evidenced by the fact that the weighted average payment period was 0 days in 2014.

#### **6. Risk control and management systems**

See Section E of the Annual Corporate Governance Report for 2014 and Note 15 to the consolidated financial statements of Hispania Activos Inmobiliarios, S.A.

#### **7. Research and development activities**

As a result of the Group's lines of business and its structure, it does not perform any research and development activities.

#### **8. Treasury shares**

The Group does not have any treasury shares and it did not perform treasury share transactions in 2014.

#### **9. Subsequent Events**

See Note 17 of the consolidated financial statements of Hispania Activos Inmobiliarios, S.A. for 2014.

#### **10. Annual Corporate Governance Report**

Pursuant to Article 540 of the Spanish Companies Law the Annual Corporate Governance Report for 2014 is part of this Directors' Report, included as a separate section herein.

## **Certificate of authorisation for issue of the consolidated financial statements**

On 23 February 2015, pursuant to the Spanish Companies Law, the Board of Directors of Hispania Activos Inmobiliarios, S.A. authorised for issue the consolidated financial statements (consolidated statement of financial position, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements) and the directors' report for the eleven months and nine days ended 31 December 2014 included on 99 pages of ordinary paper all of which have been authorised by the Secretary to the Board.

Pursuant to RD 1362/2007, of 19 October, (Art 8.1.b) and Article 10), the undersigned directors of Hispania Activos Inmobiliarios, S.A. hereby state:

That, as far as we are aware, the consolidated financial statements for the eleven months and nine days ended 31 December 2014 were prepared in accordance with the applicable accounting standards and provide a fair presentation of the equity, the financial position and the results of the issuer and of the Group companies taken as a whole.

In witness whereof, the directors have signed below:

**MR. RAFAEL MIRANDA ROBREDO**  
Chairperson of the Board  
Chairperson of the Executive Committee  
Member of the Nomination and Remuneration

**MR. JOAQUIN AYUSO GARCÍA**  
Member of the Board  
Member of the Executive Committee  
Member of the Audit Committee

**MR. JOSE PEDRO PÉREZ-LLORCA Y  
RODRIGO,**  
Member of the Board  
Member of the Audit Committee  
Chairperson of the Nomination and

**LUÍS ALBERTO MAÑAS ANTÓN.**  
Member of the Board  
Chairperson of the Audit Committee

MS. M<sup>a</sup> CONCEPCIÓN OSÁCAR  
GARAICOECHEA.

Member of the Board  
Member of the Nomination and Remuneration

MR. FERNANDO GUMUZIO  
ÍÑIGUEZ DE OZOÑO

Member of the Board  
Member of the Executive Committee

**Independent Audit Report**

**HISPANIA ACTIVOS INMOBILIARIOS, S.A. AND SUBSIDIARIES**  
**Consolidated Annual Accounts and**  
**Consolidated Director's Report**  
**for the year ended**  
**December 31, 2015**

Translation of a report and consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

## INDEPENDENT AUDIT REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

To the Shareholders of Hispania Activos Inmobiliarios, S.A.:

### **Report on the consolidated financial statements**

We have audited the accompanying consolidated annual accounts of Hispania Activos Inmobiliarios, S.A. (the parent company) and its subsidiaries (the Group), which comprise consolidated statement of financial position at December 31, 2015, the consolidated comprehensive income statement, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto for the year then ended.

#### *Directors' responsibility for the consolidated financial statements*

The directors of the parent company are responsible for the preparation of the accompanying consolidated annual accounts so that they give a true and fair view of the consolidated equity and consolidated financial position and the consolidated results of Hispania Activos Inmobiliarios, S.A. and its subsidiaries, in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

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

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

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

### *Opinion*

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of Hispania Activos Inmobiliarios, S.A. and its subsidiaries at December 31, 2015, and its consolidated results and consolidated cash flow for the year then ended, in accordance with IFRS, as adopted by the EU, and other provisions in the regulatory framework for financial information applicable in Spain.

### **Report on other legal and regulatory requirements**

The accompanying consolidated 2015 Director's Report contains such explanations as the directors of the parent company consider appropriate concerning the situation of the Group, the evolution of its business and other matters; however, it is not an integral part of the consolidated annual accounts. We have checked that the accounting information included in the aforementioned consolidated Director's Report agrees with the 2015 consolidated annual accounts. Our work as auditors is limited to verifying the consolidated Director's Report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the accounting records of Hispania Activos Inmobiliarios, S.A. and its subsidiaries.

ERNST & YOUNG, S.L.  
(Registered in the Official Register of  
Auditors under No. S0530)

*(Signed on the original)*

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David Ruiz-Roso Moyano

February 17, 2016



*Translation of consolidated financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

**HISPANIA ACTIVOS INMOBILIARIOS, S.A.  
AND SUBSIDIARIES**

**Consolidated annual accounts  
for the year ended  
31 December 2015 prepared in accordance  
with International Financial Reporting Standards.**

**HISPANIA ACTIVOS INMOBILIARIOS, S.A. AND SUBSIDIARIES**  
Consolidated Statement of Financial Position  
at 31 December 2015

*Translation of consolidated financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

(Thousand euros)	Note	31 December 2015	31 December 2014		Note	31 December 2015	31 December 2014
<b>ASSETS</b>				<b>LIABILITIES AND EQUITY</b>			
				Share capital	11	82,590	55,060
				Share premium	11	777,666	478,074
				Shareholder contributions	11	540	540
				Treasury shares	11	(1,088)	-
Intangible assets		59	34	Reserves		46	(47)
Property, plant and equipment	7	64,200	-	Prior year losses		(3,970)	-
Investment property	8	1,360,613	422,365	Reserves in consolidated companies		21,102	-
Equity instruments	9	350	350	Profit for the period		66,681	17,132
Non-current financial assets	9	38,173	2,556	<b>Valuation adjustments</b>	11	<b>(3,701)</b>	<b>(658)</b>
Non-current deferred tax assets	13	8,024	13,210	<b>Non-controlling interests</b>	11	<b>78,582</b>	<b>10,137</b>
<b>NON-CURRENT ASSETS</b>		<b>1,471,419</b>	<b>438,515</b>	<b>EQUITY</b>		<b>1,018,448</b>	<b>560,238</b>
				Non-current provisions		878	398
				Bank borrowings	12	535,656	56,414
				Hedging derivatives	12	12,527	658
				Other non-current financial liabilities	12	21,645	13,722
				Deferred tax liabilities	13	53,544	4,913
				Accruals and deferred income		8,573	-
				<b>NON-CURRENT LIABILITIES</b>		<b>632,823</b>	<b>76,105</b>
				Bank borrowings	12	13,995	5,246
Inventories		1,786	32	Hedging derivatives	12	6,175	8
Trade and other receivables	9	22,407	2,150	Other current financial liabilities	12	26,482	1,042
Receivables from government agencies	13	5,489	2,719	Trade and other payables	12	15,510	5,782
Other current financial assets	9	206	2,097	Personnel remuneration payable	12	330	-
Prepayments and accrued income		803	250	Payables to government agencies	13	6,743	532
Cash and cash equivalents	10	220,690	204,201	Customer prepayments	12	1,402	894
				Current prepayments and accrued income		892	117
<b>CURRENT ASSETS</b>		<b>251,381</b>	<b>211,449</b>	<b>CURRENT LIABILITIES</b>		<b>71,529</b>	<b>13,621</b>
<b>TOTAL ASSETS</b>		<b>1,722,800</b>	<b>649,964</b>	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,722,800</b>	<b>649,964</b>

The accompanying Notes 1 to 19 are an integral part of the consolidated statement of financial position for the year ended 31 December 2015

# HISPANIA ACTIVOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

## Consolidated Comprehensive Income Statement

for the year ended 31 December 2015 and the eleven months and nine days ended 31 December 2014

Translation of consolidated financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

(Thousand euros)	Note	2015	2014
Rental income	14.1	33,769	9,021
Services rendered	14.2	4,029	-
Other operating income		911	64
Supplies		(1,010)	-
Personnel costs	14.3	(2,228)	-
Other operating costs	14.4	(25,749)	(11,593)
Depreciation and amortisation charge		(9)	(5)
Allocation of non-financial asset and other subsidies		12	-
Excess provisions		280	-
Negative difference on consolidation	15	23,463	7,496
<b>Profit from operations</b>		<b>33,468</b>	<b>4,983</b>
Net gains on sales of assets		23	45
Revaluation of investment property	8	54,966	14,049
<b>Profit from operations after revaluation and after disposals (EBIT)</b>		<b>88,457</b>	<b>19,077</b>
Finance income	14.5	2,086	1,122
Finance costs	14.6	(6,375)	(3,961)
Impairment losses and net losses on disposals of financial instruments		-	(130)
Changes in the fair value of financial instruments		-	1,420
Exchange differences		3	-
<b>Profit before tax</b>		<b>84,171</b>	<b>17,528</b>
Income tax	13	(10,794)	(2)
<b>Net consolidated profit from continuing operations</b>		<b>73,377</b>	<b>17,526</b>
<b>Net profit for the year attributed to the Parent Company</b>		<b>66,681</b>	<b>17,132</b>
<b>Net profit attributed to non-controlling interests</b>		<b>6,696</b>	<b>394</b>
Basic earnings per share (Euros)		0.90	0.31
Diluted earnings per share (Euros)		0.90	0.31
<b>Other comprehensive income</b>			
<b>Net consolidated profit</b>		<b>73,377</b>	<b>17,526</b>
<b>Other items of comprehensive income recognised directly in equity</b>		<b>(4,165)</b>	<b>(683)</b>
Net gain/(loss) on cash flow hedges	11	(4,165)	(683)
<b>Transfers to comprehensive income</b>		<b>1,122</b>	<b>25</b>
Gain/(loss) on hedging instruments	11	1,122	25
<b>Total recognised income and expense or Total comprehensive profit</b>		<b>70,334</b>	<b>16,868</b>
<b>Comprehensive profit for the year attributed to the Parent Company</b>		<b>63,638</b>	<b>16,474</b>
<b>Comprehensive profit attributed to non-controlling interests</b>		<b>6,696</b>	<b>394</b>

The accompanying Notes 1 to 19 to the consolidated annual accounts are an integral part of the consolidated income statement for the year ended 31 December 2015 and the eleven months and nine days ended 31 December 2014.

## HISPANIA ACTIVOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

### Consolidated statement of changes in equity for the year ended 31 December 2015 and the eleven months and nine days ended 31 December 2014

*Translation of consolidated financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

(Thousand euros)	Note	Share capital	Share premium	Shareholder contributions	Parent Company prior year losses	Reserves in consolidated companies	Reserves	Profit attributable to Parent Company shareholders	Treasury shares	Cash flow hedges	Non-controlling interests	Total equity
<b>Balance at 23 January 2014</b>	-	-	-	-	-	-	-	-	-	-	-	-
Total recognised income and expense during the period	-	-	-	-	-	-	-	17,132	-	(658)	394	16,868
Other movements	-	-	-	-	-	-	(47)	-	-	-	-	(47)
Business combination	-	-	-	-	-	-	-	-	-	-	9,743	9,743
Incorporation	11	60	-	-	-	-	-	-	-	-	-	60
Transaction costs	11	-	(16,926)	-	-	-	-	-	-	-	-	(16,926)
Share capital increase	11	55,000	495,000	-	-	-	-	-	-	-	-	550,000
Shareholder contributions	11	-	-	540	-	-	-	-	-	-	-	540
<b>Balance at 31 December 2014</b>		<b>55,060</b>	<b>478,074</b>	<b>540</b>	<b>-</b>	<b>-</b>	<b>(47)</b>	<b>17,132</b>	<b>-</b>	<b>(658)</b>	<b>10,137</b>	<b>560,238</b>
Total recognised income and expense during the period	-	-	-	-	-	-	-	66,681	-	(3,043)	6,696	70,334
Other movements	-	-	-	-	-	-	14	-	-	-	-	14
Business combination	11	-	-	-	-	-	-	-	-	-	31,850	31,850
Distribution of profit	11	-	-	-	(3,970)	21,102	-	(17,132)	-	-	-	-
Transaction costs	11	-	(10,121)	-	-	-	-	-	-	-	-	(10,121)
Share capital increase	11	27,530	309,713	-	-	-	-	-	-	-	-	337,243
Other transactions with non-controlling interests	11	-	-	-	-	-	-	-	-	-	29,899	29,899
Treasury share portfolio	11	-	-	-	-	-	79	-	(1,088)	-	-	(1,009)
<b>Balance at 31 December 2015</b>		<b>82,590</b>	<b>777,666</b>	<b>540</b>	<b>(3,970)</b>	<b>21,102</b>	<b>46</b>	<b>66,681</b>	<b>(1,088)</b>	<b>(3,701)</b>	<b>78,582</b>	<b>1,018,448</b>

The accompanying Notes 1 to 19 to the consolidated annual accounts are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2015

# HISPANIA ACTIVOS INMOBILIARIOS, S.A. AND SUBSIDIARIES

Consolidated cash flow statement  
for the year ended 31 December 2015  
and the eleven months and nine days ended 31 December 2014

Translation of consolidated financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

(Thousand euros)	Note	2015	2014
<b>CASH FLOWS FROM CONTINUING OPERATIONS</b>			
<b>1. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the period before tax		84,171	17,528
<b>Adjustment to profit/(loss)</b>			
Depreciation and amortisation charge (+)		9	5
Impairment losses (+/-)		-	941
Negative difference on consolidation	15	(23,463)	(7,496)
Gain/(loss) on derecognition and disposals of assets (+/-)		-	(45)
Gain/(loss) on derecognition and disposals of financial instruments (+/-)		-	130
Finance income (-)	14.5	(2,086)	(1,122)
Finance costs (+)	14.6	6,375	2,684
Change in the fair value of financial instruments		-	(1,420)
Change in the fair value of investment property	8	(54,966)	(14,049)
Adjusted profit/(loss)		<b>10,040</b>	<b>(2,844)</b>
Interest received (+)		2,086	2,447
Interest paid (-)		(4,841)	-
Other collections/payments (+/-)		29	(24)
Increase/decrease in current assets and liabilities			
(Increase)/decrease in inventories		(1,751)	-
(Increase)/decrease in accounts receivable		6,557	(3,122)
(Increase)/decrease in other current assets		(3,055)	(3,016)
Increase/(decrease) in accounts payable		(891)	2,033
Increase/(decrease) in other current liabilities		1,816	624
Increase/decrease in non-current assets and liabilities (+/-)		(1,844)	356
<b>Total net cash flows from operating activities</b>		<b>8,146</b>	<b>(3,546)</b>
<b>2. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investments in (-)			
Intangible assets		(25)	(39)
Investment property	8	(363,801)	(288,516)
Other financial assets		-	(375,000)
Business unit	15	(306,727)	(80,188)
		<b>(670,553)</b>	<b>(743,743)</b>
Divestments (+)			
Investment property		-	3,844
Other financial assets		1,862	372,650
Business unit		-	28,078
		<b>1,862</b>	<b>404,572</b>
<b>Total net cash flows from investing activities</b>		<b>(668,691)</b>	<b>(339,171)</b>
<b>3. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Proceeds from and payments for equity instruments</b>			
Proceeds from issuance of equity instruments (+)		327,122	533,674
Acquisition of treasury shares (+)	11	(1,009)	-
Other transactions with non-controlling interests (+)		29,899	-
<b>Proceeds from and payments for financial liability instruments</b>			
Bank borrowings issued (+)		324,863	37,005
Other borrowings (+)		19,168	-
Repayment of bank borrowings (-)		(23,009)	(23,761)
<b>Total net cash flows from financing activities</b>		<b>677,034</b>	<b>546,918</b>
<b>4. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>			
<b>Cash flows from continuing operations</b>		<b>16,489</b>	<b>204,201</b>
Cash and cash equivalents at beginning of period from continuing operations		204,201	-
Cash and cash equivalents at end of period		220,690	204,201

The accompanying Notes 1 to 19 to the consolidated annual accounts are an integral part of the consolidated cash flow statement for the year ended 31 December 2015

## **HISPANIA ACTIVOS INMOBILIARIOS, S.A. AND SUBSIDIARIES**

Notes to the consolidated annual accounts for the year ended 31 December 2015

### **1. INTRODUCTION AND GENERAL COMPANY INFORMATION**

Hispania Activos Inmobiliarios, S.A. and Subsidiaries ("the Group" or "Hispania Group") is a consolidated group of companies that mainly engages in the following:

- The acquisition and development of urban real estate for subsequent rental.
- Holdings in listed real-estate investment trusts (SOCIMI) or in other non-resident entities in Spain that have the same corporate purpose as SOCIMI and are subject to a similar regime as the one for SOCIMI with respect to the mandatory profit distribution policy enforced by law or the Articles of Association.
- Holdings in other entities that are resident or non-resident in Spain and whose corporate purpose is the acquisition of urban real estate for subsequent rental. These entities are subject to the same regime as the one for SOCIMI with respect to the mandatory profit distribution policies enforced by law or by the Articles of Association and they comply with the investment requirements for these companies; and
- Shareholdings or other equity instruments in collective real-estate investment vehicles regulated by Collective Real Estate Investment Vehicle Law 35/2003, of 4 November.

The Group may also carry on real estate business of all kinds as well as the simultaneous acquisition, holding, management, operation, renovation, disposal and encumbering of all manner of real estate assets and the acquisition, holding, investment, transfer or disposal of shareholdings or other equity investments and debt instruments (whether it is senior, ordinary or subordinated debt secured by a mortgage loan or not) in all manner of companies, particularly, companies with the same or similar corporate purpose, and at all times within the limits set out by the SOCIMI regime.

The Group's Parent is Hispania Activos Inmobiliarios ("the Parent"), which is a public limited liability company on calle Serrano, número 30, 2º izquierda, Madrid, which was incorporated on 23 January 2014 with the company name Azora Hispania, S.A. The Company has had the current name Hispania Activos Inmobiliarios, S.A. since 17 February 2014.

On 1 April 2014 Hispania Real, S.A. was incorporated (now known as Hispania Real SOCIMI, S.A.U.) ("Hispania Real"). The Parent is the sole shareholder of this company at the date of preparation of these consolidated financial statements. On 7 May 2014 a request was made to include this company in the SOCIMI tax regime, beginning 1 January 2014 (See Note 4.11).

On 8 July 2014 the Parent acquired 90% of the shares of Oncisa, S.L. The latter company is now known as Hispania Fides, S.L. ("Hispania Fides").

On 2 June 2015 the subsidiary Hispania Real acquired 100% of the shares of the company Hespérides Bay, S.L.U. ("Hespérides Bay").

On 26 June 2015 Hispania Real incorporated the companies Hospitia, S.L.U. and Dunas Bay Resorts, S.L.U. (now known as Hispania Hotel Management, S.L. ("Hispania Hotel Management")), and the subsidiary Hispania Real is the sole shareholder of those companies at the date the consolidated annual accounts were prepared.

On 16 July 2015 the subsidiary Hospitia, S.L.U. acquired 100% of the shares in the company Leading Hospitality, S.L., a company in voluntary bankruptcy proceedings since 9 February 2015.

On 14 April 2015 the then sole shareholder of Bay Hotels & Leisure, S.A. ("BAY"), Barceló Corporación Empresarial, S.A. together with some of its subsidiaries (Barceló companies) concluded an investment agreement with the company Hispania Real as an investor. By virtue of this agreement, and once certain conditions are met, the Barceló companies will contribute certain properties and hotel businesses to BAY through several corporate transactions in order to allow the entry of Hispania Real as the majority shareholder of BAY (the "Investment Agreement").

On 15 October 2015 the subsidiary Hispania Real acquired 80.5% of the share capital of BAY from the Barceló companies. On 9 December 2015 a resolution was adopted to increase BAY's share capital by EUR 32,850 thousand through the creation of 32,849,500 new shares with a par value of EUR 1 each, fully subscribed and paid in through cash contributions. The issue price for the new shares was EUR 2.956 per share, consisting of a par value of EUR 1 euro and a share premium of EUR 1.956. This transaction resulted in Hispania Real and the Barceló companies attaining interests in BAY of 76% and 24%, respectively. On 10 December 2015 BAY acquired all of the shares in Bay Hotels Canarias, S.L.U. ("BHC", formerly Barceló Hotels Canarias, S.L.) from the Barceló companies together with all of the shares in Poblados de Vacaciones, S.A. ("PDV").

On 19 November 2015 the Company acquired all of the shares of Eco Resort San Blas, S.L. ("Eco Resort"), which owns the Hotel Sandos San Blas Nature Resort & Golf ("Hotel San Blas").

The Parent and these companies make up the scope of consolidation at 31 December 2015.

*Translation of consolidated financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

The list of companies that are included in the scope of consolidation at 31 December 2015 and their main characteristics are as follows:

<b>Company</b>	<b>Parent</b>	<b>Address</b>	<b>Primary Business</b>	<b>Direct</b>	<b>Indirect</b>	<b>Auditor</b>	<b>Consolidation Method</b>	<b>Functional Currency</b>
Hispania Real SOCIMI, S.A.U.	Hispania Activos Inmobiliarios, S.A.	Calle Serrano, 30 2º izquierda, Madrid	The acquisition and development of urban real estate for subsequent rental.	100%	-	EY	Full	euro
Hispania Fides, S.L.	Hispania Activos Inmobiliarios, S.A.	Calle Serrano, 30 2º izquierda, Madrid	The acquisition and development of urban real estate for subsequent rental.	90%	-	EY	Full	euro
Eco Resort San Blas, S.L.U.	Hispania Activos Inmobiliarios, S.A.	Calle Serrano, 30 2º izquierda, Madrid	The acquisition and development of urban real estate for subsequent rental.	100%	-	PWC	Full	euro
Hespérides Bay, S.L.U.	Hispania Real SOCIMI, S.A.U.	Calle Serrano, 30 2º izquierda, Madrid	The acquisition and development of urban real estate for subsequent rental.	-	100%	EY	Full	euro
Hospitia, S.L.U.	Hispania Real SOCIMI, S.A.U.	Calle Serrano, 30 2º izquierda, Madrid	The acquisition and development of urban real estate for subsequent rental.	-	100%	EY	Full	euro
Hispania Hotel Management, S.L.U.	Hispania Real SOCIMI, S.A.U.	Calle Serrano, 30 2º izquierda, Madrid	Operation under an industrial or management lease and the administration of lodging and food establishments.	-	100%	EY	Full	euro
Bay Hotels & Leisure, S.A	Hispania Real SOCIMI, S.A.U.	Calle Serrano, 30 2º izquierda, Madrid	The acquisition and development of urban real estate for subsequent rental.	-	76%	EY	Full	euro
Leading Hospitality, S.L.U.	Hospitia, S.L.U.	Calle Serrano, 30 2º izquierda, Madrid	Rendering of lodging, restaurant and other related services.	-	100%	EY	Full	euro
Poblado de Vacaciones, S.A.U.	Bay Hotels & Leisure, S.A	Calle Serrano, 30 2º izquierda, Madrid	The acquisition and development of urban real estate for subsequent rental.	-	76%	EY	Full	euro
Bay Hotels Canarias, S.L.U.	Bay Hotels & Leisure, S.A	Calle Serrano, 30 2º izquierda, Madrid	The acquisition and development of urban real estate for subsequent rental.	-	76%	EY	Full	euro



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The list of companies that are included in the scope of consolidation at 31 December 2014 and their main characteristics are as follows:

<b>Company</b>	<b>Address</b>	<b>Primary Business</b>	<b>Direct</b>	<b>Indirect</b>	<b>Auditor</b>	<b>Consolidation Method</b>	<b>Functional Currency</b>
Hispania Real SOCIMI, S.A.U.	Calle Serrano, 30 2º izquierda, Madrid	The acquisition and development of urban real estate for subsequent rental.	100%	-	EY	Full	euro
Hispania Fides, S.L.	Calle Serrano, 30 2º izquierda, Madrid	The acquisition and development of urban real estate for subsequent rental.	90%	-	EY	Full	euro

The shares representing the share capital of Hispania Activos Inmobiliarios, S.A. have been listed on the electronic trading platforms in Madrid, Barcelona, Bilbao and Valencia since 14 March 2014.

On 21 February 2014 the Parent entered into a management agreement with Azora Gestión, S.G.I.I.C., S.A. ("the Manager") to delegate the ordinary management of the Group to the Manager for an initial period of six years and, accordingly, at 31 December 2014 the Company did not have any staff. As a result of the changes to the scope of consolidation (see Note 2.h) at 31 December 2015 the Group had staff primarily engaged in the operation of two hotel management operations.

The Management Agreement regulates the operations and objectives of the Group, establishing an initial period of investment currently under way at the Company which will end on the date that all of the proceeds obtained from the capital increases made since the admission to trading of the Parent's shares have been invested or three years from this date. Once the investment period has ended the Manager must have prepared and presented an investment strategy to the Parent's Board of Directors aimed at maximising the shareholders' value ("value added strategy"), which makes it possible to dispose of the Group's investments and give value back to shareholders within the six years following the trading date or, otherwise, maintain and actively manage all or part of the Group's investments beyond that date. If the proposed value added strategy envisages the maintenance and active management of all or part of the Group's investments, the Parent and the Manager will negotiate in good faith the novation of certain terms and conditions of the Management Agreement. As soon as it is reasonably possible the Parent's Board of Directors will call the General Meeting and, accordingly, the shareholders may make a decision on the proposed value added strategy and the novation terms of the Management Agreement.

The Group's aim is to have a quality real estate portfolio, investing mainly in residential properties, offices and hotels in Spain. Although the Manager has a considerable degree of discretion when drafting the Group's investment policy, the management agreement lays down certain parameters within which the Manager has agreed to operate. Accordingly, the Manager will require prior approval from the Executive Committee, the Board of Directors or the Shareholders' General Meeting in certain situations.

As a result of the Group's activities, it does not have any environmental expenses, assets, provisions or contingencies that might have a material effect on its equity, financial position or results. Therefore, there are no environmental disclosures in these consolidated annual accounts.

The Group's consolidated annual accounts for the eleven months and nine days ended 31 December 2014 were approved by shareholders at a General Meeting of the parent on 29 June 2015.

## **2. BASIS OF PRESENTATION OF THE CONSOLIDATED ANNUAL ACCOUNTS**

### **a) Basis of presentation**

The consolidated annual accounts of Hispania Activos Inmobiliarios, S.A. and Subsidiaries for the year ended 31 December 2015 were prepared on the basis of the accounting records of the Parent and the entities composing the Hispania Group. The Parent's directors approved these consolidated annual accounts at the Board meeting held on 17 February 2016.

The accompanying consolidated annual accounts present fairly the consolidated equity and the consolidated financial position of Hispania Activos Inmobiliarios, S.A. and its subsidiaries at 31 December 2015, and the consolidated results of their operations as well as the changes in consolidated equity and the consolidated cash flows for the year then ended.

The consolidated annual accounts for the year ended 31 December 2015 were prepared by the Directors of the Parent in accordance with International Financial Reporting Standards adopted by the European Union, issued by Commission Regulation ("EU-IFRS"), obligatory for the years beginning on or after 1 January 2015, taking into consideration all the mandatory accounting policies and principles and measurement bases as well as the Spanish Code of Commerce, the Spanish Limited Liability Companies Law and the Spanish Securities Market Law.

However, since the accounting policies and measurement bases used to prepare the Group's consolidated financial statements at 31 December 2015 may differ from those used by certain Group companies, adjustments and reclassifications required to standardise these policies and measurement bases were made on consolidation, bringing them into line with EU-IFRS. In order to ensure the uniform presentation of the various items composing the consolidated annual accounts, the accounting policies and measurement bases used by the Parent were applied to all the companies included in the scope of consolidation.

### **b) Standards and interpretations approved by the European Union and applied for the first time this year**

The accounting policies used to prepare these consolidated annual accounts are the same as those applied to the consolidated annual accounts for the year ended 31 December 2014, since none of the changes to the standards or interpretations that are applicable for the first time this year has an impact on the Group.

**b) Adoption of International Financial Reporting Standards**

**Standards and interpretations issued by the IASB not applicable in the period**

The Group intends to adopt any standards, interpretations and amendments issued by the IASB, whose application is not mandatory in the European Union at the date of preparation of these consolidated annual accounts, when they enter into force, and if applicable. The Group is currently analysing the effect of the above. Based on the analyses to date, the Group considers that their first-time application will not have a material effect on the consolidated annual accounts.

**d) Functional currency**

These consolidated annual accounts are presented in the Group's functional currency (euros) since this is the currency of the main economic area in which it operates.

**e) Responsibility for the information and accounting estimates and judgements made**

The information in these consolidated annual accounts is the responsibility of the Parent's directors. The Parent has made estimates supported by objective information in order to measure certain assets, liabilities, income, expenses and obligations reported herein. Estimates and measurement bases refer basically to:

- The recovery of tax loss carryforwards and deferred tax assets recognised in the consolidated statement of financial position (See Note 13).
- The fair value of property, plant and equipment and investment property (See Notes 7 and 8).
- Compliance with the requirements of the SOCIMI tax regime by the subsidiaries subject to that regime. (See Note 4.11).
- Definition of the transactions carried out by the Group as a business combination in accordance with IFRS 3 or as an acquisition of assets (see Note 15).

Although these estimates were made on the basis of the best information available at the date of preparation of these consolidated annual accounts, events that take place in the future might make it necessary to change these estimates (upwards or downwards). Changes would be made prospectively, in accordance with IAS 8, recognising any effects of the changes in the estimate in the consolidated statement of comprehensive income.

**f) Consolidation principles**

The main consolidation principles and measurement bases used by the Group to prepare the consolidated annual accounts were as follows:

1. The consolidated annual accounts were prepared on the basis of the accounting records of Hispania Activos Inmobiliarios, S.A. and the companies under its control. The Parent is considered to exercise control when it holds effective control in accordance with Point 6 below.
2. The results of subsidiaries for the period have been consolidated from the effective date of their acquisition or incorporation.
3. All accounts receivable and payable and other transactions between consolidated companies were eliminated on consolidation.
4. The annual accounts of the subsidiaries are adjusted as necessary to bring the accounting policies used into line with the policies used by the Group's Parent.
5. The interest of non-controlling shareholders is stated at the proportion of the fair values of the identifiable assets and liabilities recognised. Holdings of non-controlling interests in:
  - a. the equity of its investees are presented in "Equity - Non-Controlling Interests" in the consolidated statement of financial position;
  - b. results for the period are presented in "Comprehensive Profit or Loss attributable to Non-Controlling Interests" in the consolidated income statement.
6. The following consolidation methods are applied to the Group companies:

Full consolidation:

- Applied to subsidiaries which are defined as all companies in which the Group is able to control financial and operating policies, a position which is generally accompanied by an ownership interest entitling it to more than half of the voting rights. The Group determines whether it controls another company by considering the existence and effect of potential voting rights that are exercisable or convertible at the end of the reporting period.
- Subsidiaries are recognised using the acquisition method of accounting. Acquisition cost is the fair value of assets delivered, the equity instruments issued or the liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and identifiable liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date irrespective of the scope of the non-controlling interests. Any excess of the cost of acquisition over the fair value of the Group's investment in the identifiable net assets acquired is recognised as goodwill. If the acquisition cost is lower than the fair value of the net assets of the acquired

subsidiary, the difference is recognised directly in the consolidated statement of comprehensive income for the period.

At 31 December 2015 the subsidiaries are all recognised using the full consolidation method.

**g) Comparative information**

When comparing the figures in the consolidated statement of financial position and the comprehensive statement of income for 2015 and 2014 the impacts of the changes in the scope of consolidation must be taken into account (see Note 2.h).

The Parent company was incorporated on 23 January 2014 and therefore the closing of the period ended 31 December 2014 covered 11 months and 9 days, whereas the period ended 31 December 2015 covered an entire year, as is mentioned in Note 1.

In order to adequately understand the information set out in these consolidated annual accounts it should also be taken into consideration that the Group is currently in an investment phase.

These circumstances must be considered in order to adequately interpret these consolidated annual accounts.

In accordance with the Single Additional Provision of the Resolution dated 29 January 2016 issued by the Accounting and Audit Institute regarding the information to be included in the notes to the annual accounts concerning the average payment period for suppliers in commercial transactions, in Note 18.3 the Company only provides information relating to the year and no comparative information is presented since these annual accounts are initial accounts for the exclusive purposes of this requirement, which refers to the application of the principle of uniformity and comparison obligations.

**h) Changes in the scope of consolidation**

The following changes in the scope of consolidation took place in 2015:

- On 2 June 2015 the subsidiary Hispania Real acquired 100% of the shares of the company Hespérides Bay, S.L.U.
- On 26 June 2015 the subsidiary Hispania Real incorporated the companies Hospitia, S.L.U. and Hispania Hotel Management, S.L.
- On 16 July 2015 the subsidiary Hospitia, S.L.U. acquired 100% of the shares of the company Leading Hospitality, S.L.
- On 15 October 2015 the subsidiary Hispania Real acquired 80.5% of the share capital of BAY from the Barceló companies. It subsequently established its interest at 76% on 9 December 2015. On 10 December 2015 the subsidiary BAY acquired all of the shares in Bay Hotels Canarias, S.L.U. from the Barceló companies. (“BHC”) together with all of the shares in Poblados de Vacaciones, S.A. (“PDV”).
- On 19 November 2015 the Company acquired 100% of the shares in Eco Resort San Blas, S.L.

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The effect of the changes in the scope of consolidation on the main headings in the consolidated statement of financial position at 31 December 2015 was as follows:

(Thousand euros)	31 December 2015		31 December 2015
<b>ASSETS</b>		<b>LIABILITIES AND EQUITY</b>	
		Reserves	26
		Profit for the period	43,240
		<b>Valuation adjustments</b>	380
		<b>Non-controlling interests</b>	68,526
		<b>EQUITY</b>	<b>112,172</b>
Intangible assets	27	Non-current provisions	878
Property, plant and equipment	36,100	Non-current bank borrowings	245,825
Investment property	691,262	Hedging derivatives	10,690
Equity instruments	(353,324)	Other non-current financial liabilities	5,442
Non-current financial assets	38,120	Deferred tax liabilities	52,605
Deferred tax assets	2,967	Non-current accruals and deferred income	8,573
<b>NON-CURRENT ASSETS</b>	<b>415,152</b>	<b>NON-CURRENT LIABILITIES</b>	<b>324,013</b>
Inventories	1,522	Bank borrowings	11,037
Trade and other receivables	16,032	Hedging derivatives	3,578
Receivables from government agencies	306	Other current financial liabilities	24,904
Other current financial assets	197	Trade and other payables	7,843
Current prepayments and accrued income	97	Personnel remuneration payable	331
Cash and cash equivalents	58,330	Payables to government agencies	6,649
		Customer prepayments	297
		Current prepayments and accrued income	812
<b>CURRENT ASSETS</b>	<b>76,484</b>	<b>CURRENT LIABILITIES</b>	<b>55,451</b>
<b>TOTAL ASSETS</b>	<b>491,636</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>491,636</b>

### 3. ALLOCATION OF THE LOSS OF THE PARENT

The directors propose that the Parent's loss for the year ended 31 December 2015 be allocated in full to "Prior Years' Losses" for offset in future years.

## **4. MEASUREMENT BASES**

The main measurement bases used to prepare the consolidated annual accounts, in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union and the interpretations in force when preparing the consolidated annual accounts are as follows:

### **4.1 Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of acquisition is the aggregate of the consideration transferred, measured at the fair value on the date of acquisition and the amount held by any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed in order to classify and designate them correctly in accordance with the contractual terms, economic conditions and other relevant conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

For business combination achieved in stages, the acquirer's previously held interest in the acquiree is re-measured at fair value at the acquisition date and any resulting gain or loss is recognised in the consolidated statement of comprehensive income.

Any contingent consideration that must be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as financial assets or liabilities in accordance with IAS 39 Financial Instruments: Recognition and Measurement is measured at fair value through profit or loss or as changes to other comprehensive income. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. If the contingent consideration is classified as equity, it is not measured and any subsequent payment incurred is recognised in equity.

Goodwill is initially recognised at cost. Goodwill is the excess of the aggregate of the consideration transferred and the amount for non-controlling interests recognised in proportion to the net identifiable assets acquired and liabilities assumed. If the fair value of the acquired net assets exceeds the value of the consideration transferred, the Group re-assesses the amount to ensure that all of the assets acquired and obligations assumed have been identified correctly and it reviews the procedures applied to measure the amounts recognised at the acquisition date. If the re-assessment shows that the fair value of the net assets acquired is higher than the aggregate of the consideration transferred, the difference is recognised as a gain in the consolidated statement of comprehensive income.

After initial recognition, goodwill is subsequently recognised at cost less any accumulated impairment losses. For the purpose of impairment tests, after the date of acquisition, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to these units.



Where goodwill is part of a cash-generating unit and some of the operations within that unit are disposed of, the goodwill associated with the disposed operations is included in the carrying amount of the operation when calculating the resulting gain or loss. Goodwill disposed of in this manner is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

#### **4.2 Property, plant and equipment**

Property, plant and equipment is recognised at cost less accumulated depreciation and/or less any accumulated impairment losses. Those costs include the replacement of a portion of property, plant and equipment and the interest on non-current construction projects, if the criteria for recognition are met. When a significant portion of property, plant and equipment must be replaced at intervals, the Group applies depreciation separately based on the specific useful lives of those assets. After a large repair the relevant cost is recognised in the carrying amount of the asset concerned as a replacement if the criteria for recognition are met. All other repair and maintenance costs are recognised in the income statement when incurred.

Land and buildings are measured at fair value less the accumulated depreciation of buildings and any impairment losses recognised at the revaluation date. Revaluations are applied with sufficient regularity to ensure that the carrying amount for the revalued asset does not significantly differ from its fair value.

Any surplus due to revaluation is recognised in other comprehensive income and the revaluation of assets is recorded under equity. In the event that a revaluation surplus is reversed with respect to the same asset that was previously recognised as a loss, the increase is recognised in the income statement. A decline in value is recognised in the income statement except in the case where the decrease cancels out the surplus existing for the same asset for which a valuation adjustment was recorded.

Value adjustments are transferred to reserves annually in the amount of the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's original cost. Accumulated depreciation at the revaluation date is also offset against the gross carrying amount of the asset and the net amount is adjusted to the restated value of the asset. At the time an asset is derecognised, the valuation adjustments concerning the specific asset being eliminated is transferred to reserves.

At the end of each period, the Group calculates the fair value of its assets in accordance with IAS 16. This fair value is calculated based on an appraisal by an independent expert (CB Richard Ellis Valuation).

The appraisal was conducted in accordance with the Valuation and Assessment Standards published by the Royal Institute of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS), and discounted cash flow method was primarily used (see Note 4.3).

#### **4.3 Investment property**

Investment property is recognised at fair value at the reporting date and it is not depreciated. Investment property includes land, buildings or other structures held to earn rental income or for capital appreciation as a result of increases in market prices in the future.

Gains or losses arising from changes in the fair value of investment property are included in the income statement in the period in which they arise.

Investment property under construction is transferred to "Investment Property" when the assets are ready for operation.

When the Group recognises the cost of a replacement asset as an increase in the fair value of the original asset representing the fair value, the Group reduces the fair value of the replaced asset by recognising the related effect in "Changes in the Value of Investment Property" in the consolidated statement of comprehensive income. Should it not be possible to identify the fair value of a replaced asset, it will be recognised by increasing the fair value of the property and subsequently measuring it on a regular basis using the appraisals by independent experts as a reference.

The properties were appraised on an individual basis, taking into account each of the leases in force at the end of the period. Buildings that contain areas that have not been leased were measured on the basis of estimated future income less a period for marketing.

In accordance with IAS 40, the Group calculates the fair value of its investment property on a regular basis. This fair value is calculated using as a reference the appraisals by independent experts at the date of preparation of the consolidated statement of financial position (CBRE Valuation Advisory, S.A.) and, therefore, at the end of each period the market value reflects the market conditions of the investment property at that date. The appraisal reports by independent experts only contain the usual warnings and/or limitations on the scope of the results of the appraisals, which refer to acceptance of the information provided by the Company as whole and correct. The appraisals were performed in accordance with the Professional Valuation Standards of the Royal Institute of Chartered Surveyors.

The main methodology used to calculate the fair value of the Group's investment property in 2015 is the discounted cash flows methodology, which is based on a projection of estimated future cash flows from the investment property using a suitable discount rate to calculate the present value of these cash flows. This rate considers the current market conditions and it reflects all of the forecasts and risks associated with cash flows and investments. The residual value of the asset over the final year of the projected cash flows is calculated by applying a net yield for outflow.

Other valuation methodologies were also used to a lesser extent, such as the residual static capitalisation approach or the income capitalisation approach.

Details of the net yields considered at 31 December are as follows:

<i>Yields (%)</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Offices measured using the Discounted Cash Flow Method (Exit Yield)	5.30%-7.50%	6.00%-7.50%
Offices measured through Capitalisation (Initial Yields)	5.40%-5.75%	6.00%
Offices measured through Capitalisation (Equivalent Yield)	6.20%-6.50%	6.50%
Offices measured using the Discounted Cash Flow Method (Exit Yield)	6.00%-8.25%	6.50%-8.50%
Residential	N/A	N/A

The measurement of the residential assets does not consider a net exit yield since it was estimated that they will be sold upon expiry of the current leases.

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The 0.25% change in the yields and the 10% change in the rent income have the following impact on the appraisals used by the Group to determine the value of its assets (Offices and Hotels) recognized under the heading “Investment property and Property, Plant and Equipment” in the accompanying consolidated statement of financial position:

Sensitivity of the appraisal to quarter-point changes in the yields	Thousand Euros		
	Appraisal	0.25-point decrease	0.25-point increase
<b>2015</b>			
Offices measured using the Discounted Cash Flow Method (Exit Yield)	293,720	7,430	(6,505)
Offices measured through Capitalisation (Initial Yields)	23,700	1,050	(1,100)
Offices measured through Capitalisation (Equivalent Yield)	87,700	3,620	(3,250)
Offices measured using the Discounted Cash Flow Method (Exit Yield)	844,950	14,414	(13,843)
<b>2014</b>			
Offices measured using the Discounted Cash Flow Method (Exit Yield)	217,450	4,420	(4,910)
Offices measured through Capitalisation (Initial Yields)	8,500	400	(300)
Offices measured through Capitalisation (Equivalent Yield)	3,300	100	(200)
Offices measured using the Discounted Cash Flow Method (Exit Yield)	93,815	3,513	(3,475)

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Sensitivity of the appraisal to 10% changes in rent	Thousand Euros		
	Appraisal	10% decrease	10% increase
<b>2015</b>			
Offices measured using the Discounted Cash Flow Method (Exit Yield)	293,720	(28,155)	28,370
Offices measured through Capitalisation (Initial Yields)	23,700	(3,556)	1,031
Offices measured through Capitalisation (Equivalent Yield)	87,700	(4,915)	4,845
Offices measured using the Discounted Cash Flow Method (Exit Yield)	844,950	(83,673)	81,653
<b>2014</b>			
Offices measured using the Discounted Cash Flow Method (Exit Yield)	217,450	(16,935)	15,235
Offices measured through Capitalisation (Initial Yields)	8,500	n/a	n/a
Offices measured through Capitalisation (Equivalent Yield)	3,300	(400)	300
Offices measured using the Discounted Cash Flow Method (Exit Yield)	93,815	(10,040)	9,799

Fluctuations of 5% in the sales prices of residential assets would have an effect on the methods used by the Group to calculate the value of these assets, resulting in an increase of EUR 8,890 thousand (EUR 4,730 thousand at 31 December 2014) and a decrease of EUR 8,290 thousand (EUR 4,725 thousand at 31 December 2014) depending on whether the sale price were to rise or fall, respectively, at the above rate.

#### 4.4 Leases

Finance leases are recognised when the economic conditions of the lease agreement indicate that substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At 31 December 2014 all of the Group's leases are operating leases.

##### *Operating leases*

Income and expense from operating leases are recognised in the consolidated statement of comprehensive income for the period in which they arise. The acquisition cost of the leased assets is presented in the consolidated statement of financial position based on the nature of the asset, increased by the directly recognised agreement costs which are recognised over the term of the lease by applying the same method used to recognise income from leases.

Income and expense from operating leases are recognised in the consolidated statement of comprehensive income for the period in which they arise.

Any payment received or made upon concluding and operating lease will be treated as a prepayment received or made that will be taken to the income statement over the term of the lease as the benefits of the leased asset are provided or received.

## **4.5 Financial instruments (excluding derivative financial instruments)**

### **Financial assets**

#### *Initial measurement*

Financial assets are initially measured at the fair value of the consideration given plus directly attributable transaction costs.

#### *Subsequent classification and measurement*

The Group's financial assets are classified as follows:

- Available-for-sale financial assets are measured at fair value. Any changes in fair value are recognised directly in equity until the asset is disposed of or has become impaired (stably or permanently), at which point the accumulated gains or losses recognised in equity to date are recognised in the consolidated statement of comprehensive income.

Loans and other receivables: includes loans granted to third parties and associates which have been recognised at their nominal amount and classified based on their maturity date. Loans and receivables also include the non-current deposits and guarantees relating mainly to deposits made in accordance with current legislation at Official Agencies, i.e. deposits received from lessees.

Non-derivative financial assets: includes current and non-current fixed-income securities generally held to maturity and recognised at amortised cost. Current fixed-income securities are recognised under "Other Current Financial Assets." Interest income is recognised in the period earned using a financial criterion.

### **Financial liabilities**

Financial liabilities include basically bank borrowings and are recognised at amortised cost.

Amounts payable are initially recognised at the fair value of the consideration received, adjusted for directly attributable transaction costs. These liabilities are subsequently carried at amortised cost.

Financial liabilities are derecognised when the obligations that gave rise to them cease to exist. When the Group exchanges debt instruments with a third party for which the conditions are substantially different, it derecognises the original financial liability and recognises the new financial liability. The difference between the carrying amount of the original liability and the consideration paid including the attributable transaction costs are recognised in the consolidated statement of comprehensive income for the year.

The Group considers that the conditions of the financial liabilities are substantially different when there is more than a 10% difference between the present value of cash flows discounted under the new terms using the original effective interest rate, including any fees paid net of any fees received, and the present discounted value of the cash flows remaining on the original financial liability.

#### **4.6 Receivables**

The balances receivable are recognised at the recoverable value, i.e. less any adjustments made to cover balances of a certain age which are in a situation that could reasonably give rise to their classification as a doubtful debt. At 31 December 2015 the Group did not have any significant bad debts that had not been written down.

#### **4.7 Cash and cash equivalents**

"Cash and Cash Equivalents" include the cash, demand deposits and other short-term highly liquid investments that can be turned into cash quickly and have a minimum risk of changes in their value.

#### **4.8 Financial derivatives**

The Group uses financial derivatives to manage its exposure to changes in interest rates. All the derivative financial instruments whether designated as hedges or not have been recognised at fair value, i.e. the fair value for the quoted instruments or, in the case of unquoted instruments, valuations based on appraisal models of options or discounted cash flows. The following measurement bases were used to recognise each of the following:

- Cash flow hedges: Upward or downward changes in the value of the effective portion of the transactions that qualify for hedge accounting are recognised, net of tax, directly in equity until the committed or expected transaction arises at which point it is reclassified to the income statement. Any upward or downward changes that might arise in the ineffective portion are recognised directly in the consolidated statement of comprehensive income.
- Recognition of instruments not allocated to any liability or that are not recognised as a hedge for accounting purposes: any upward or downward changes in the fair value of these financial instruments are recognised directly in the consolidated statement of comprehensive income.

The Parent's directors estimated the credit risk for the derivative portfolio. No significant effect arose as a result at 31 December 2015.

Hedge accounting is no longer applicable when the hedging instrument matures, is sold or exercised or no longer qualifies for hedge accounting. Any accumulated gains or losses on the hedge instrument recognised in equity is unrealised until the transaction is completed. On the completion date the Group's accumulated gain or loss in equity is transferred to the consolidated statement of comprehensive income for the period.

#### **4.9 Current and non-current classification**

The ordinary operating cycle is defined as the period from the acquisition of the assets used to carry on the Group's lines of business to the date that they are turned into cash or cash equivalents. The Group's main business is real estate and the ordinary operating cycle for this business is considered to be the calendar year. Accordingly, assets and liabilities that mature within twelve months are classified as current and assets and liabilities maturing over twelve months are classified as non-current.

Bank borrowings are classified as non-current when the Group has the irrevocable duty to repay them over a period of over twelve months from the end of the reporting period.

#### **4.10 Provisions and contingent liabilities**

The Parent's directors made a distinction between the following when preparing the consolidated annual accounts:

- Provisions: credit balances covering present obligations arising from past events, the settlement of which is likely to cause an outflow of economic resources, but which are uncertain as to their amount and/or timing.
- Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group.

The consolidated annual accounts include all the provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated annual accounts but rather are disclosed in the explanatory notes to the extent that they are not considered to be remote.

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

#### **4.11 Income tax**

##### General regime

The income tax expense is recognised in the consolidated statement of comprehensive income, unless it arises as a result of a transaction on which the gain or loss is recognised directly in equity, in which case the income tax expense is also recognised in equity. The income tax expense represents the sum of the current tax expense and the changes in the recognised deferred tax assets and liabilities. The income tax expense for the year is calculated on the basis of the current tax base, which is different from the net profit/(loss) recognised in the consolidated statement of comprehensive income because it excludes taxable income and deductible expenses from prior years and certain other non-taxable and non-deductible items. The Group's current tax liability is calculated using tax rates that have been approved by the date of the consolidated statement of financial position.

##### SOCIMI regime

The subsidiary Hispania Real SOCIMI, S.A.U. opted to apply the special tax regime for real estate investment trusts (SOCIMI) from 1 January 2014 onwards. On 7 May 2014 it notified the tax authorities of this decision.

The following subsidiaries have elected to apply the special tax regime for real estate investment trusts (SOCIMIs) starting on 1 January 2015:

- Bay Hotels & Leisure, S.A.: the decision was reported to the tax authorities on 18 September 2015.
- Hespérides Bay, S.L.U.: the decision was reported to the tax authorities on 29 September 2015.

In Spain a SOCIMI is similar to a real estate investment trust (REIT) in Europe. The purpose of these firms is the acquisition, remodelling and development of urban real estate for subsequent lease of at least three years. They are also permitted to hold shares in other property investment vehicles (such as other SOCIMI, real estate investment funds (FII), real estate investment firms (SII) and overseas real estate funds, etc.) and must distribute most of the income earned as dividends.

SOCIMI are regulated in Law 11/2009, of 26 October, as amended by Law 16/2012, of 27 December (SOCIMI Law).

The most important aspects of SOCIMI regulation are summarised as follows:

- a) Company elements. SOCIMI must have (i) public limited liability status, (ii) a minimum share capital of EUR 5 million and (iii) a single class of registered shares.
- b) Mandatory activity. SOCIMI must be mainly engaged in the acquisition, development or remodelling of urban real estate for its subsequent lease whether directly or indirectly via holdings in other SOCIMI, REIT, collective real estate investment vehicles (IICI) and other real estate investment firms under certain terms and conditions.
- c) Permitted assets. SOCIMI must have invested at least 80% of its assets in: (i) urban real estate for rental (in Spain or in another country with which Spain has signed an effective tax information exchange agreement) or land for development of this real estate, provided that the development begins within the three years after the acquisition (qualifying buildings); or (ii) shareholdings or other equity investments in other non-resident SOCIMI or non-resident REIT, unlisted SOCIMI, non-resident unlisted firms wholly owned by SOCIMI or REIT, IICI or other entities resident or non-resident in Spain whose corporate purpose is the acquisition of urban real estate for its subsequent rental, regulated by the SOCIMI regime with respect to the policy required by law or by-law on dividend distribution and investment requirements policy ("Qualifying Investments" which together with the "Qualifying Buildings" are the "Qualifying Assets"). Only 20% of their assets may be comprised of real estate assets that do not meet these requirements.
- d) Source of income. In line with the above requirement, 80% of the income from SOCIMI for the tax period for each year, excluding the income from the transfer of Qualifying Assets once the holding period referred to in Paragraph (e) below has passed, must be earned on the leases of the Qualifying Buildings and/or dividends or profit sharing from "Qualifying Investments."
- e) Holding period. Qualifying Buildings acquired or developed by SOCIMI must be leased for a minimum of three years. For calculation purposes the period for which the



buildings have been available through leases is added, to a maximum of one year. Qualifying Investments must also be held for at least three years.

- f) Distribution policy. Each year, SOCIMI are required to pay its unit holders (i) 100% of the profit obtained as dividends or profit sharing from Qualifying Investments, (ii) at least 50% of the profits from the transfer of Qualifying Assets at the end of the holding period described in paragraph (e) above (the rest of the profits must be reinvested in other Qualifying Assets within three years or, if there are no Qualifying Assets, the rest of the profits must be distributed after the aforementioned reinvestment period has elapsed); and (iii) at least 80% of the rest of the profit obtained.
- g) Admission to trading. SOCIMI shares must be listed on a regulated market or a multilateral trading system in Spain, an EU country or the European Economic Area (EEA) or a regulated market in any other country with which there is an effective exchange of tax information with Spain.
- h) Tax regime. SOCIMI are taxed at a rate of 0%. However, if the profits distributed to unit holders that hold at least 5% of the share capital are exempt from taxation or pay tax at a rate of 10% or less SOCIMI will pay tax on the full amount of the dividends or other profit sharing paid out to unit holders at a special rate of 19%.

A breach of the minimum holding period included in Paragraph (e) required for Qualifying Assets will result in: (i) in the case of Qualifying Buildings: tax on the total income earned by these buildings in all of the tax periods in which the special tax regime for SOCIMI would have applied, pursuant to the general regime and the general rate of corporation tax; and (ii) in the case of Qualifying Investments: tax on the portion of the income earned on the transfer in accordance with the general regime and the general rate of corporation tax.

SOCIMI receive tax relief of 95% on the amounts of property transfer tax and stamp duty payable for buy-to-let properties (or land acquired for the development of buy-to-let properties) provided that the minimum lease period for these assets, referred to in Paragraph (e) above, is met.

Under Transitional Provision One of Law 11/2009 regulating listed public limited liability real estate investment firms, the latter may opt to pay tax under the special tax regime under the terms of Article 8 of this Law even when they do not meet the requirements therein, provided that these requirements are met within two years of the date of the decision to pay tax under this regime. Hispania Real SOCIMI, S.A.U. only meets some of the requirements established in the above Law at the date of these consolidated annual accounts. However, the directors consider that processes have been put into place to ensure that all of the requirements are met before the established deadline.

### Deferred taxes

Deferred tax assets or liabilities are taxes that are expected to be paid or recovered for the difference between the asset or liability balances accumulated in the financial statements and the corresponding tax bases used to calculate taxable profit. They are recognised using the balance sheet liability method, i.e. at the difference of the carrying amount and tax base of assets and liabilities.

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The rest of the deferred tax assets and liabilities associated with the buildings in Spain calculated as a result of the application of fair value in accordance with IAS 40 were calculated at the tax rate at which the deferred taxes are expected to be paid (recovered).

The accompanying consolidated statement of financial position includes tax assets that are expected likely to be recovered in a reasonable period of time.

Deferred tax liabilities are related to gains allocated to real estate investments or changes in the fair value of a real estate investment.

#### **4.12 Income and expenses**

Income and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

However, based on the principles included in the conceptual IFRS framework the Group recognises the income earned and the total associated costs. Sales are recognised upon delivery and transfer of ownership of the assets.

Profits earned on dividends from financial assets are recognised when the unit holders are entitled to receive the dividends.

#### **Costs passed on to lessees**

The Company does not recognise costs passed on to the lessees of its investment property as income.

The direct operating costs relating to investment property that give rise to rental income in 2015 and are recognised under the heading "Operating profit" in the accompanying income statement total EUR 3,466 thousand. The amount of those costs associated with investment property that do not generate rental income was not significant.

#### **Consolidated statement of cash flows (indirect method)**

The following terms are used in the consolidated statement of cash flows with the meanings specified:

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

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#### **4.14 Related-party transactions**

The Company carries out all related party transactions on an arm's-length basis. Transfer pricing is adequately documented and, accordingly, the Parent Company's directors consider that there are no significant risks that could give rise to material tax liabilities in the future.

#### **4.15 Treasury shares**

Treasury shares that have been repurchased are recognised at cost and are deducted from equity. The income statement does not recognise any loss or gain deriving from the purchase, sale, issue or redemption of the Group's treasury shares. Any difference between the carrying amount and the consideration paid, if reissued, is recognised under "Share premium".

### **5. EARNINGS PER SHARE**

Basic earnings per share amounts are calculated by dividing profit for the year attributable to the Parent's ordinary shareholders by the number of ordinary shares outstanding at the close of the period, not including treasury shares.

The detailed calculation of earnings (losses) per shares is as follows:

	<b>31 December 2015</b>	<b>31 December 2014</b>
Profit for the year attributable to holders of equity instruments in the Parent Company (EUR thousand)	<b>66,681</b>	<b>17,132</b>
No. of outstanding shares (thousands)	82,508	55,060
<b>Earnings per share (euros)</b>	<b>0.81</b>	<b>0.81</b>

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### ***Basic***

Basic earnings per share are calculated by dividing the profit for the year attributable to the ordinary shareholders of the Parent by the weighted average number of outstanding ordinary shares during the period, excluding treasury shares.

	<b>31 December 2015</b>	<b>31 December 2014</b>
Profit for the year attributable to the holders of equity instruments of the Parent (EUR thousands)	66,681	17,132
Weighted average number of outstanding shares (thousand)	73,727	55,060
<b>Basic earnings per share (euros)</b>	<b>0.90</b>	<b>0.31</b>

### ***Diluted***

Diluted earnings per share are calculated by dividing the profit for the year attributable to the holders of equity instruments in the Parent and the weighted average number of ordinary shares outstanding, taking into account the dilutive effects inherent to potential ordinary shares, i.e. as if all the ordinary potentially dilutive securities were converted.

The Parent Company does not have different classes of ordinary shares potentially subject to dilution.

## **6. SEGMENT REPORTING**

### **Basis of segmentation**

Segment reporting is based on the different areas of the Group's business.

The business lines described below were established on the basis of the Group's organisational structure at 31 December 2015 which was used to analyse the financial performance of the various operating segments.

The Group focuses its activities on the following major lines of business, which are the basis on which the Group presents the information on its operating segments:

- Investment activity in office properties.
- Investment activity in residential properties.
- Investment activity in hotel properties.
- Management activity at hotel properties.

All the Group's activities are carried on in Spain.

### **Basis and methodology for business segment reporting**

The segment reporting below is based on monthly reports prepared by Group managers and is generated using the same computer application as that used to obtain all the Group's accounting information.

The segment's ordinary revenue relates to the ordinary revenue directly attributable to the segment and income from sales of investment property. Ordinary revenue from each segment does not include interest or dividend income.

The expenses of each segment are calculated on the basis of the expenses arising from the segment's directly attributable operating activities and any losses on sales of investment property. The allocated expenses do not include interest or the income tax expense or general administration expenses relating to general services which are not directly allocated to each business segment and, therefore, cannot be distributed on a reasonable basis.

The assets and liabilities of the segments are directly related to their activity and operations.

The following table includes the segment information by activity:

**2015**

Thousand euros	Offices	Residential	Hotels	Hotels under management	Other	Total Group
Income from leases and services rendered	12,147	4,666	16,691	4,294	-	<b>37,798</b>
Other operating income	375	389	144	3	-	<b>911</b>
Operating costs	(2,934)	(1,689)	(1,387)	(6,707)	(15,978)	<b>(28,695)</b>
Net gain/(loss) on sales of assets	-	51	(15)	-	(22)	<b>14</b>
Negative difference on consolidation	-	-	18,978	4,485	-	<b>23,463</b>
Finance costs	(1,870)	(1,849)	(1,769)	-	(887)	<b>(6,375)</b>
Finance income	-	-	-	-	2,086	<b>2,086</b>
Exchange differences	-	-	3	-	-	<b>3</b>
Revaluation of investment property (see Note 8)	19,286	9,409	26,271	-	-	<b>54,966</b>
Income tax	(9,978)	17	(339)	-	(494)	<b>(10,794)</b>
<b>Total at 31 December 2015</b>	<b>17,026</b>	<b>10,994</b>	<b>58,577</b>	<b>2,075</b>	<b>(15,295)</b>	<b>73,377</b>

Thousand euros	Offices	Residential	Hotels	Hotels under management	Other	Total Group
<b>Assets</b>						
Intangible assets	-	-	59	-	-	<b>59</b>
Property, plant and equipment (see Note 7)	-	-	-	64,200	-	<b>64,200</b>
Investment property (see Note 8)	404,714	175,150	780,749	-	-	<b>1,360,613</b>
Non-current financial assets	3,177	465	31,773	190	2,568	<b>38,173</b>
Other non-current assets	-	-	350	-	-	<b>350</b>
Deferred tax assets	5,049	-	1,205	1,762	8	<b>8,024</b>
Inventories	370	-	1,028	185	203	<b>1,786</b>
Trade receivables and other current assets	1,841	119	19,812	1,244	226,579	<b>249,595</b>
<b>Total at 31 December 2015</b>	<b>415,151</b>	<b>175,734</b>	<b>834,976</b>	<b>67,581</b>	<b>229,358</b>	<b>1,722,800</b>

Thousand euros	Offices	Residential	Hotels	Hotels under management	Other	Total Group
<b>Liabilities</b>						
Non-current provisions	-	-	142	736	-	<b>878</b>
Non-current financial liabilities	14,092	1,750	5,776	27	-	<b>21,645</b>
Current and non-current accruals and deferred income	80	-	9,385	-	-	<b>9,465</b>
Current and non-current bank borrowings	175,404	71,262	295,873	7,112	-	<b>549,651</b>
Hedging derivatives	2,357	1,252	15,093	-	-	<b>18,702</b>
Deferred tax liabilities	7,106	-	42,235	4,203	-	<b>53,544</b>
Current financial liabilities	1,369	-	23,856	1,257	-	<b>26,482</b>
Operating liabilities	1,896	1,354	1,750	6,513	12,472	<b>23,985</b>
<b>Total at 31 December 2015</b>	<b>202,304</b>	<b>75,618</b>	<b>394,110</b>	<b>19,848</b>	<b>12,472</b>	<b>704,352</b>

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## 2014

Thousand euros	Offices	Residential	Hotels	Other	Total Group
<b>Income and expenses</b>					
From leases	5,270	1,604	2,147	-	<b>9,021</b>
Net gain/(loss) on sales of assets	-	45	-	-	<b>45</b>
Other operating income	12	48	-	4	<b>64</b>
Operating costs	(2,470)	(705)	(979)	(7,439)	<b>(11,593)</b>
Depreciation and amortisation charge	-	-	-	(5)	<b>(5)</b>
Negative difference on consolidation	7,496	-	-	-	<b>7,496</b>
Finance costs	(1,289)	(184)	-	(2,618)	<b>(4,091)</b>
Finance income	-	-	-	2,542	<b>2,542</b>
Revaluation of investment property (see Note 8)	4,451	6,652	2,946	-	<b>14,049</b>
Income tax	-	-	-	(2)	<b>(2)</b>
<b>Total at 31 December 2014</b>	<b>13,470</b>	<b>7,460</b>	<b>4,114</b>	<b>(7,518)</b>	<b>17,526</b>

Thousand euros	Offices	Residential	Hotels	Other	Total Group
<b>Assets</b>					
Intangible assets	-	-	12	22	<b>34</b>
Investment property (see Note 8)	229,147	99,397	93,821	-	<b>422,365</b>
Non-current financial assets	2,065	254	237	-	<b>2,556</b>
Other non-current assets	-	-	350	-	<b>350</b>
Deferred tax assets	-	-	-	13,210	<b>13,210</b>
Inventories	32	-	-	-	<b>32</b>
Trade receivables and other current assets	1,926	49	425	209,017	<b>211,417</b>
<b>Total at 31 December 2014</b>	<b>233,170</b>	<b>99,700</b>	<b>94,845</b>	<b>222,249</b>	<b>649,964</b>

Thousand euros	Offices	Residential	Hotels	Other	Total Group
<b>Liabilities</b>					
Non-current provisions	398	-	-	-	<b>398</b>
Non-current financial liabilities	12,419	977	326	-	<b>13,722</b>
Bank borrowings	19,593	40,170	-	2,125	<b>61,888</b>
Hedging derivatives	-	666	-	-	<b>666</b>
Deferred tax liabilities	4,835	42	36	-	<b>4,913</b>
Current financial liabilities	214	-	600	-	<b>814</b>
Operating liabilities	1,723	1,000	40	4,562	<b>7,325</b>
<b>Total at 31 December 2014</b>	<b>39,182</b>	<b>42,855</b>	<b>1,002</b>	<b>6,687</b>	<b>89,726</b>

## 7. PROPERTY, PLANT AND EQUIPMENT

Movements in this heading are as follows:

Thousand euros	Thousand euros				
	Offices	Residential	Hotels	Hotels under management	Ending balance
<b>Balance at 31 December 2014</b>	-	-	-	-	-
Acquisition from business combinations (see Note 15)	-	-	-	36,100	36,100
Transfers	-	-	-	28,100	28,100
<b>Balance at 31 December 2015</b>	-	-	-	<b>64,200</b>	<b>64,200</b>

On 16 July 2015 the subsidiary Hospitia, S.L.U. acquired 100% of the shares in the company Leading Hospitality, S.L. for EUR 12,926 thousand and this company owns certain assets with a fair value of EUR 36,100 thousand on that date (see Note 15).

On 3 November the subsidiary Hispania Hotel Management started to manage the Hotel Guadalmina Spa & Golf Resort ("Hotel Guadalmina"), and therefore the investment property associated with that hotel was transferred to property, plant and equipment at their fair value of EUR 28,100 thousand on that date.

At the end of each period, the Group calculates the fair value of its assets in accordance with IAS 16. This fair value is calculated based on an appraisal by an independent expert (CB Richard Ellis Valuation) and totalled EUR 64,200 thousand at 31 December 2015. This fair value was obtained based on the appraisals performed at the end of December 2015.

The appraisal was conducted in accordance with the Valuation and Assessment Standards published by the Royal Institute of Chartered Surveyors (RICS) and the International Valuation Standards (IVS).

### Other information

At 31 December 2015 the Company recognises buildings with a carrying amount of EUR 36,100 thousand in the heading "Property, plant and equipment" that secure mortgage loans totalling EUR 6,601 thousand at that date.



## 8. INVESTMENT PROPERTY

Movements under this heading are as follows:

Thousand euros	Thousand euros				
	Offices	Residential	Hotels	Hotels under management	Ending balance
<b>Balance at 23 January 2014</b>	-	-	-	-	-
Acquisition from business combinations	118,790	-	-	-	118,790
Acquisitions and recognition of assets	106,009	96,411	90,869	-	293,289
Derecognition of assets	-	(3,763)	-	-	(3,763)
Revaluation of assets	4,451	6,652	2,946	-	14,049
<b>Balance at 31 December 2014</b>	<b>229,250</b>	<b>99,300</b>	<b>93,815</b>	-	<b>422,365</b>
Acquisition from business combinations (see Note 15)	-	-	547,581	-	547,581
Acquisitions and recognition of assets	156,178	66,441	141,182	-	363,801
Revaluation of assets	19,286	9,409	26,271	-	54,966
Transfers	-	-	(28,100)	-	(28,100)
<b>Balance at 31 December 2015</b>	<b>404,714</b>	<b>175,150</b>	<b>780,749</b>	-	<b>1,360,613</b>

### Main movements in 2015

The main changes during the year relate to the business combinations described in Note 15.

The main acquisitions and additions of assets in 2015, including the associated expenses and taxes that cannot be recovered, were as follows:

- The Parent acquired the furnishings and fittings of Hotel Meliá Jardines del Teide on 1 January 2015 for EUR 1,000 thousand.
- The Group acquired the 105 room Hotel Vincci Málaga located next to the boardwalk in the city of Málaga on 14 January 2015 for EUR 10,369 thousand. On the same date the Parent also acquired the furnishings at that hotel for EUR 280 thousand.
- The Group acquired two of the three phases of a residential complex in the Sanchinarro neighbourhood in Madrid on 27 March 2015 for EUR 44,780 thousand. The transaction was completed on 11 June 2015 with the acquisition of the last of the three phases of the residential complex for EUR 17,067 thousand.
- On 27 March 2015 the Group acquired an office building located at Calle Principe de Vergara 108 in Madrid for EUR 25,451 thousand.
- On 17 June 2015 the Group purchased two hotels on the Island of Fuerteventura, Gran Hotel Atlantis Bahía Real and Suite Hotel Atlantis Fuerteventura Resort, both located in Corralejo in the municipality of La Oliva for a total amount of EUR 106,199 thousand. The agreements concluded with the seller for those assets include several incentives based on the results obtained by the operation of the hotels. At 31 December 2015 the Group recognised those incentives and the associated transaction costs as an increase in their value totalling EUR 15,500 thousand. Three plots of land and the furnishings relating to Suite Hotel Atlantis Fuerteventura Resort were also acquired on 16 July 2015 for EUR 2,410 thousand.

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- On 25 June 2015 the Group acquired two office buildings in Madrid: the Foster Wheeler building located in the Madrid-Las Rozas Business Estate, for EUR 23,768 thousand; and the Cristalia building located in the Cristalia Business Estate for EUR 31,861 thousand.
- On 30 September 2015 the Company acquired an office building located on Calle Suero de Quiñones in Madrid for EUR 17,939 thousand.
- On 6 October 2015 the Company acquired an office building located on Calle Granada in Barcelona for EUR 8,256 thousand.
- The Company acquired three office buildings on 15 December 2015, the Altamar Urbana building located in Alcobendas for EUR 12,484 thousand, the Cristal building located in Barberá del Vallés for EUR 10,148 thousand and the América building located in Madrid for EUR 18,806 thousand.

Investments totalling EUR 16,708 thousand were made in 2015 for the assets owned by the Group in order to make improvements and reposition them in the market and the main investments involved the Isla del Cielo Residential Complex and Hotel Meliá Jardines del Teide for EUR 2,864 thousand and EUR 4,706 thousand, respectively.

At the end of each period, the Group calculated the fair value of its investment property in accordance with IAS 40. The fair value, calculated on the basis of the appraisals of independent experts (CB Richard Ellis Valuation), amounted to EUR 1,360,613 thousand at 31 December 2015 (EUR 422,365 thousand for the eleven month and nine-day period ended 31 December 2014) and, therefore, gave rise to changes in the value of the investment property totalling EUR 54,966 thousand (EUR 14,049 thousand at 31 December 2014) which were recognised in the consolidated statement of comprehensive income at 31 December 2015. The appraisal was conducted in accordance with the Valuation and Assessment Standards published by the Royal Institute of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS).

#### Main movements in 2014

On 8 July 2014 the Group subscribed two capital increases of Hispania Fides S.L. (formerly Oncisa S.L., "Hispania Fides") through a monetary contribution of EUR 75,838 thousand and a non-monetary contribution of EUR 4,350 thousand. As a result, it gained a holding of 90% in the aforementioned company, which owned certain investment property with a market value of EUR 118,790 thousand.

The additions in 2014 relating to acquisitions of assets, including the associated non-recoverable expenses and non-refundable tax were as follows:

- On 15 April 2014 the Group acquired Hotel Guadalmina SPA & Golf Resort ("Hotel Guadalmina") in Marbella for EUR 22,496 thousand.
- On 12 May 2014 the Group acquired 213 homes on the Isla del Cielo residential complex on Parque Diagonal del Mar in Barcelona. The acquisition cost amounted to EUR 65,105 thousand. The acquisition includes 237 parking spaces located in the complex.

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- On 27 June 2014 the Group acquired two office buildings in the Plaza de Les Glòries zone (Avenida Diagonal and Gran Via) in Barcelona for EUR 41,125 thousand.
- On 9 July 2014 the Group acquired an office building on Comandante Azcárraga número 3 in Madrid for EUR 15,422 thousand.
- On 25 July 2014 the Group acquired a property portfolio consisting of four office buildings and two hotels in the Madrid region for EUR 43,020 thousand.
- On 31 July 2014 the Group acquired an office building in Barcelona for EUR 18,713 thousand.
- On 12 September 2014 the Company acquired the Meliá Jardines del Teide Hotel with 300 rooms on Costa Adeje in the south of Tenerife for EUR 37,217 thousand.
- On 17 September 2014 the Group acquired 84 government subsidised homes in a building in San Sebastián de los Reyes (Madrid) for EUR 13,485 thousand to subsequently rent out. The lease ends on 1 March 2017.
- On 29 October 2014 the Group acquired 115 government subsidised homes in a building in Majadahonda (Madrid) for EUR 17,822 thousand to subsequently rent out. The lease ends on 8 February 2016.
- On 27 October 2014 the Group acquired the Hesperia Ramblas Hotel in Barcelona for EUR 17,855 thousand. The hotel has 70 rooms.

In 2014, 13 homes and 14 parking spaces were sold in the Isla del Cielo residential complex in Barcelona for a total of EUR 3,808 thousand. The Group obtained a profit of EUR 45 thousand on the sale of these properties.

## Operating leases

At the end of 2015 the Group was owed the following minimum payments from lessees as stated in the leases in force at this date, excluding the communal expenses passed on to the lessees, future increases in the CPI and discounting of contractually agreed-upon income:

Thousand euros	31 December 2015	31 December 2014
Up to one year	41,559	16,021
Between one and five years	197,865	27,729
More than five years	278,488	35,255
<b>Total</b>	<b>517,912</b>	<b>79,005</b>

## Other information

The investment properties are leased to third parties through operating leases.

The income from those lease agreements amounted to EUR 33,769 thousand (EUR 9,021 thousand in 2014).

The costs associated with the assets included under investment property totalled EUR 6,214 thousand.

All of the Group's investment property is located in Spain.

Details of the gross surface area and the percentage occupancy of the office and residential lines of business are as follows:

31 December 2015	Square metres				% Occupancy
	Gross surface area available for rent				
	Madrid	Barcelona	Malaga	Total	
Offices	109,828	39,506	4,288	153,622	77%
Residential	43,018	22,772	-	65,790	86%
<b>Total surface area</b>	<b>152,846</b>	<b>62,278</b>	<b>4,288</b>	<b>219,412</b>	
% Weight	70%	28%	2%	100%	

The hotels owned by the Group are fully leased or under management (only two assets) by the Group itself at 31 December 2015.

At 31 December 2015 the Company recognises buildings with a carrying amount of EUR 1,284,010 thousand (EUR 122,850 thousand in 2014) under the heading "Investment property" that secure mortgage loans totalling EUR 554,531 thousand at that date (EUR 60,745 thousand in 2014).

The homes located in the Isla del Cielo Residential Complex and in San Sebastián de los Reyes (Madrid) and three office buildings owned by the subsidiary Hispania Fides were mortgaged to secure loans totalling EUR 60,745 thousand at 31 December 2014. The carrying amount of those buildings was EUR 122,850 thousand at 31 December 2014.

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The Group has obtained insurance policies to cover the replacement value of investment property.

The Group recognises investment commitments concerning investment property totalling EUR 18.6 million at 31 December 2015 (EUR 15.5 million in 2014).

No finance costs had been capitalised at 31 December 2014 or 2015.

## 9. FINANCIAL ASSETS

Details of financial assets at 31 December are as follows:

	Equity instruments		Debt securities		Loans, derivatives and other financial assets		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>Thousand euros</b>								
Current financial assets								
Available-for-sale assets	350	350	-	-	-	-	350	350
Loans and other receivables	-	-	-	-	38,173	2,556	38,173	2,556
	350	350	-	-	38,173	2,556	38,523	2,906
Current financial assets								
Held-to-maturity investments	-	-	-	2,000	-	-	-	2,000
Loans and other receivables	-	-	-	97	22,613	2,150	22,613	2,247
	-	-	-	2,097	22,613	2,150	22,613	4,247
	<b>350</b>	<b>350</b>	<b>-</b>	<b>2,097</b>	<b>60,786</b>	<b>4,706</b>	<b>61,136</b>	<b>7,153</b>

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These amounts are included in the following items in the statement of financial position:

Thousand euros	Equity instruments		Debt securities		Loans, derivatives and other financial assets		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Non-current financial assets								
Non-current financial investments	350	350	-	-	-	-	350	350
Other financial assets	-	-	-	-	31,471	-	31,471	-
Guarantees	-	-	-	-	7,062	2,556	7,062	2,556
	350	350	-	-	38,533	2,556	38,883	2,906
Current financial assets								
Other current financial assets	-	-	-	2,097	206	-	206	2,097
Trade and other receivables	-	-	-	-	22,407	2,150	22,407	2,150
	-	-	-	2,097	22,613	2,150	22,613	4,247
	<b>350</b>	<b>350</b>	<b>-</b>	<b>2,097</b>	<b>60,786</b>	<b>4,706</b>	<b>61,496</b>	<b>7,153</b>

### Equity instruments

In 2014 the Parent acquired a non-controlling interest in Guadalmina Golf, S.A. for EUR 350 thousand.

### Held-to-maturity investments

"Held-to-maturity Investments" included in 2014 mainly investments in deposits which the Parent was able to convert into cash at short term and which earned interest at market rates.

### Loans and other receivables

#### Other financial assets

This heading primarily consists of the guarantees received by the Barceló companies at 31 December relating to most of the deferred tax liabilities recognized in the business combinations involving the acquisition of the hotels owned by the companies BAY, BHC and PDV, in the amount of EUR 28,438 thousand.

#### Guarantees

The amount recognized under this heading includes the amounts deposited with the relevant Government Agencies with respect to the security deposits received on the lease agreements concluded by the Group.

#### Trade and other receivables

At 31 December "Trade and Other Receivables" relates to the trade receivable for leases on investment property amounting to EUR 18,856 thousand (EUR 2,150 thousand in 2014).

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### Valuation adjustments

Trade and other receivables are presented net of impairment adjustments recognised during the year. Movements in those adjustments were as follows:

	2015	2014
	Thousand euros	
Beginning balance	941	-
Allocations	29	941
Reversals	(321)	-
Provisions applied	(421)	-
<b>Ending balance</b>	<b>228</b>	<b>941</b>

## **10. CASH AND CASH EQUIVALENTS**

This heading records the current accounts held by the Group that earn interest at market rates and a EUR 50,000 thousand deposit maturing in the short-term and convertible into cash at the Company's option.

The Group has agreements in which the current accounts have been pledged as security in relation to financing contracts. It may draw down and use the balance of the current accounts in its ordinary activities unless notification of early termination of the secured obligations has been given.

The Company's cash and liquid assets are generally held at highly creditworthy financial institutions.

## **11. EQUITY**

### **Share capital and share premium**

At 31 December 2014, the Parent's share capital comprised 55,060,000 fully subscribed and paid shares with a par value of EUR 1 each. All of the shares are represented by book entries.

On 27 April 2015 a resolution was adopted to increase the Parent's share capital by EUR 27,530 thousand through the creation of 27,530,000 new shares with a par value of EUR 1 each, fully subscribed and paid in, and excluding preferred subscription rights.

On 28 April 2015 the share capital increase and share adjudication operation ended at the established price of EUR 12.25 per share and for a total amount of EUR 337,243 thousand. The par value of the shares was EUR 1 and the share premium was EUR 11.25 and the new shares were admitted for trading on 29 April 2015. The cost of that issue was EUR 10,121 thousand.

The prospectus for the share offering was approved by the National Stock Market Commission (CNMV) and entered into its official records on 23 April 2015.

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As a result, on 31 December 2015 share capital was represented by 82,590,000 fully subscribed and paid shares with a par value of EUR 1 each. All of the shares are represented by book entries and all bear the same rights.

The reports made to the CNMV, together with the Group's internal records, show that the significant direct and indirect shareholders of the Parent at 31 December 2015 and 2014 are as follows:

### **31 December 2015**

<b>Shareholder name and address:</b>	<b>% shareholding</b>		
	<b>Direct</b>	<b>Indirect</b>	<b>Total</b>
Soros Fund Management LLC	-	16.673	16.673
Paulson & co. Inc.	-	9.855	9.855
FMR LLC	-	9.948	9.948
Fidelity Investment Trust	6.418	-	6.418
Cohen & Steers, Inc.	-	3.289	3.289
Tamerlane, s.a.r.l.	5.449	-	5.449
BW Gestao de Investimentos Ltda.	-	3.645	3.645
CBRE Clarion Securities, LLC	-	3.554	3.554
Apg Asset Management N.V.	4.218	-	4.218

### **31 December 2014**

<b>Shareholder name and address:</b>	<b>% shareholding</b>		
	<b>Direct</b>	<b>Indirect</b>	<b>Total</b>
Soros Fund Management LLC	-	16.709	16.709
Paulson & co. Inc.	-	16.709	16.709
Tamerlane, s.a.r.l.	5.449	-	5.449
Cohen & Steers, Inc.	-	4.071	4.071
Apg Asset Management N.V.	4.148	-	4.148

The Parent is not aware of any other shareholdings of less than the indicated percentages that allow notable influence over the Company.

### **Legal reserve**

Pursuant to the consolidated Spanish Companies Act, companies must transfer 10% of profits for the year to a legal reserve until it is equivalent to at least 20% of the share capital.

The legal reserve may be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, the legal reserve can only be used to offset losses when it is equivalent to more than 20% of share capital or there are no other reserves available for this purpose.

### **Shareholder contributions**

On 17 February 2014 Azora Altus, S.L. decided to make a monetary contribution to the Parent's equity, amounting to EUR 540 thousand in cash.



## Parent Company treasury shares

On 30 June 2015 the Parent concluded a liquidity agreement with the company Beka Finance, S.V., S.A. in order to favour the liquidity of transactions and stability of the listed price of its shares. The Parent holds 81,978 treasury shares with a value of EUR 1,088 thousand at 31 December 2015. The gain on transactions involving those treasury shares amounted to EUR 79 thousand. At 31 December 2014 the Parent did not possess any treasury shares.

## Non-controlling interests

Details of the heading "Non-controlling interests" at 31 December 2015 and 31 December 2014 are as follows:

	Thousand euros		
	Hispania Fides, S.L. (*)	Bay Hotels & Leisure, S.A. (**)	Total
<b>Balance at 23 January 2014</b>	-	-	-
Profit/(loss) for the year	394	-	394
Business combination	9,743	-	9,743
<b>Balance at 31 December 2014</b>	<b>10,137</b>	<b>-</b>	<b>10,137</b>
Profit/(loss) for the year	(81)	6,777	6,696
Business combination	-	31,850	31,850
Other transactions with non-controlling interests	-	29,899	29,899
<b>Balance at 31 December 2015</b>	<b>10,056</b>	<b>68,526</b>	<b>78,582</b>

(\*) 10% owned by Corporación Empresarial Once, S.A.

(\*\*) 24% owned by the Barceló companies

## Adjustments to equity for changes in the value of financial instruments

"Adjustments to Equity for Changes in the Value of Financial Instruments" in the accompanying consolidated statement of financial position includes the net amount of the changes in value of derivative financial instruments designated as cash-flow hedges.

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The changes in the balance of this heading during the year were as follows:

	Thousand euros			
	Beginning balance	Income/ (expenses)	Transfers to the profit and loss account (Note 12.2)	Ending balance
<b>2015</b>				
Cash flow hedges	(658)	(4,165)	1,122	(3,701)

	Thousand euros			
	Beginning balance	Income/ (expenses)	Transfers to the profit and loss account (Note 12.2)	Ending balance
<b>2014</b>				
Cash flow hedges	-	(683)	25	(658)

## 12. FINANCIAL LIABILITIES

Details of financial liabilities at 31 December are as follows:

Thousand euros	Bank borrowings		Derivatives and other		Total	
	2015	2014	2015	2014	2015	2014
Non-current financial liabilities						
Loans and payables	535,656	56,414	21,645	13,722	557,301	70,136
Hedging derivatives	-	-	12,527	658	12,527	658
	535,656	56,414	34,172	14,380	569,828	70,794
Current financial liabilities						
Loans and payables	13,995	5,246	43,724	7,718	57,719	12,964
Hedging derivatives	-	-	6,175	8	6,175	8
	13,995	5,246	49,899	7,726	63,894	12,972
	<b>549,651</b>	<b>61,660</b>	<b>84,071</b>	<b>22,106</b>	<b>633,722</b>	<b>83,766</b>

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These amounts are included in the following items in the balance sheet:

Thousand euros	Bank borrowings		Derivatives and other		Total	
	2015	2014	2015	2014	2015	2014
Non-current financial liabilities						
Non-current bank borrowings	535,656	56,414	-	-	535,656	56,414
Hedging derivatives	-	-	12,527	658	12,527	658
Other non-current financial liabilities	-	-	21,645	13,722	21,645	13,722
	535,656	56,414	34,172	14,380	569,828	70,794
Current financial liabilities						
Bank borrowings	13,995	5,246	-	-	13,995	5,474
Hedging derivatives	-	-	6,175	8	6,175	8
Other current financial liabilities	-	-	26,482	1,042	26,482	814
Trade and other payables	-	-	15,510	5,782	15,510	5,782
Personnel remuneration payable	-	-	330	-	330	-
Customer prepayments	-	-	1,402	894	1,402	894
	13,995	5,246	49,899	7,726	63,894	12,972
	<b>549,651</b>	<b>61,660</b>	<b>84,071</b>	<b>22,106</b>	<b>633,722</b>	<b>83,766</b>

## 12.1 Bank borrowings

Details of "Bank Borrowings" at 31 December 2015 and 2014 are as follows:

	Thousand euros								
	Current	Non-current						Total non-current	Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years			
<b>2015</b>									
<b>Bank borrowings:</b>									
Loans from third parties	13,805	17,239	22,019	23,441	25,317	459,809	547,825	561,630	
Interest in third party debt	499	-	-	-	-	-	-	499	
Arrangement costs on borrowings	(309)	(3,097)	(1,487)	(1,439)	(1,388)	(4,758)	(12,169)	(12,478)	
<b>Total</b>	<b>13,995</b>	<b>14,142</b>	<b>20,532</b>	<b>22,002</b>	<b>23,929</b>	<b>455,051</b>	<b>535,656</b>	<b>549,651</b>	

	Thousand euros								
	Current	Non-current						Total non-current	Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years			
<b>2014</b>									
<b>Bank borrowings:</b>									
Loans from third parties	5,191	3,525	7,540	7,301	6,184	33,129	57,679	62,870	
Interest in third party debt	55	-	-	-	-	-	-	55	
Arrangement costs on borrowings	-	(372)	(182)	(166)	(148)	(397)	(1,265)	(1,265)	
<b>Total</b>	<b>5,246</b>	<b>3,153</b>	<b>7,358</b>	<b>7,135</b>	<b>6,036</b>	<b>32,732</b>	<b>56,414</b>	<b>61,660</b>	

### **Loans and interest payable to third parties**

During the year ended 31 December 2015 the Group obtained or assumed loans with several financial institutions through the business combinations for an overall amount of EUR 521.4 million at the close of the year. Most of the loans accrue an interest rate indexed to the Euribor, plus a spread.

Certain Group loans totalling EUR 406,504 thousand at 31 December 2015 establish minimum financial ratios that the Group must meet during their terms. If these ratios are not met, the lenders may demand early repayment of the principal. The Group meets the financial ratios and/or obligations associated with the loans received at the end of 2015, and there is no expectation that any of them will not be met in the short-term.

Details of the various loans recognised by the Group at 31 December 2015 and 2014, by type of asset, are as follows:

2015		(Thousand euros)				
Company	Assets	Outstanding amount	Non-current	Current	Accrued finance costs	Finance cost on derivative interest
Hispania Real	Offices	113,446	112,677	769	842	254
Hispania Real	Residential	72,417	70,811	1,606	1,329	340
Hispania Real	Hotels	47,178	46,712	466	764	196
Hispania Fides	Offices	65,000	65,000	-	352	41
Hesperides Bay	Hotels	1,000	-	1,000	2	1
Bay subgroup	Hotels	234,000	231,780	2,220	487	290
Eco Resort	Hotels	21,490	20,845	645	8	n/a
Leading Hospitality	Hotels	6,601	-	6,601	-	n/a
Leading Hospitality	Non-mortgage loans and lines of credit	498	-	498	-	n/a
		<b>561,630</b>	<b>547,825</b>	<b>13,805</b>	<b>3,784</b>	<b>1,122</b>
	Outstanding interest	499	-	499	-	-
	Arrangement costs on borrowings	(12,478)	(12,169)	(309)	745	-
	<b>Total</b>	<b>549,651</b>	<b>535,656</b>	<b>13,995</b>	<b>4,529</b>	<b>1,122</b>

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2014		(Thousand euros)				
Company	Assets	Outstanding amount	Non-current	Current	Accrued finance costs	Finance cost on derivative interest
Hispania Real	Residential	43,167	40,194	2,973	2,641	25
Hispania Fides	Offices	19,703	17,485	2,218	915	-
		<b>62,870</b>	<b>57,679</b>	<b>5,191</b>	<b>3,556</b>	<b>25</b>
	Outstanding interest	55	-	55	-	-
	Arrangement costs on borrowings	(1,265)	(1,265)	-	18	-
	<b>Total</b>	<b>61,660</b>	<b>56,414</b>	<b>5,246</b>	<b>3,574</b>	<b>25</b>

At 31 December 2015 the Group maintained several available lines of credit for a total amount of EUR 11,000 thousand, and no amount whatsoever had been drawn down at the year-end. There were no such lines of credit at 31 December 2014.

The Group's main financing operations in 2015 were as follows:

#### BAY subgroup loans

On 31 July 2015, Banco Bilbao Vizcaya Argentaria, S.A (agent bank), Banco de Santander, S.A. and Caixabank, S.A. granted syndicated financing to BAY in the amount of EUR 116 million.

This financing is structured in two tranches. Tranche A is intended to repay BAY's debt with the Barceló companies and the expenses relating to the financing totalling EUR 64 million; Tranche B is intended to partially finance the payment of the put or call option involving 100% of the shares in the companies BHC and PDV. The Group fully drew down Tranche A on 15 October 2015 and Tranche B was fully drawn down on 10 December 2015.

The same credit institutions granted syndicated financing indistinctly to PDV and BHC on 31 July 2015 for a maximum amount of EUR 118 million. On 10 December 2015, PDV drew down EUR 13 million and BHC drew down the remaining EUR 105 million.

This financing has a term of 10 years and the first instalment payment must be made on 25 October 2016. Of the total principal, 61.27% must be repaid in the last instalment (July 2025) while the remaining 38.75% must be repaid in 25 quarterly instalments of an increasing amount. The Group companies obtained interest rate hedges covering 100% of the debt represented by these loans.

#### Hispania Fides loans

Hispania Fides obtained a EUR 65,000 thousand mortgage loan from ING on 4 December 2015 covering certain investment properties that at 31 December 2015 were owned by the company.

This financing is in place for 7 years with no instalment payments. Hispania Fides obtained interest rate hedges covering 100% of the debt represented by these loans.

### Hisperides BAY loan

Hespérides Bay obtained a EUR 67.5 million mortgage loan from Banco de Sabadell on 25 November 2015, and it falls due on 30 November 2030. The Group had drawn down one million euros at 31 December 2015 and the rest will be drawn down during the first quarter of 2016.

### Hispania Real loans

Hispania Real obtained mortgage loans in the amount of EUR 233,041 from several financial institutions in 2015 to finance the acquisition of residential, office and hotel properties.

### ***Arrangement costs on borrowings***

The mortgage loans concluded or assumed by the Group through business combinations in 2015 gave rise to debt arrangement costs totalling EUR 11,958 thousand (EUR 1,283 thousand at 31 December 2014).

The finance cost accrued at 31 December 2015 as a result of the payment of the Group's debt arrangement costs amounted to EUR 745 thousand (EUR 18 thousand at 31 December 2014).

### ***Guarantees provided***

The Company must provide certain guarantees during its normal course of business and to finance its operations, but the estimation is that the guarantees provided will not give rise to any additional liability in these consolidated annual accounts.

## 12.2 Derivatives and other

Details of the financial liabilities classified in this category at 31 December are as follows:

	Thousand euros	
	2015	2014
Non-current		
Sureties and deposits received as a result of leases	9,551	3,651
Other long-term deposits	2,094	71
Non-current borrowings	10,000	10,000
Hedging derivatives	12,527	658
	<b>34,172</b>	<b>14,380</b>
Current		
Sureties and deposits received as a result of leases	1,209	814
Current borrowings	8,486	228
Sundry payables	32,297	5,717
Personnel remuneration pending payment	330	65
Customer prepayments	1,402	894
Hedging derivatives	6,175	8
	<b>49,899</b>	<b>7,726</b>

### Non-current borrowings

"Non-current Payables" includes the loan arranged between Corporación Empresarial Once, S.A. and the subsidiary Hispania Fides on 7 July 2014, by virtue of which the parties agree that the lender will grant financing to the company at long term for EUR 10,000 thousand. The maturity date of the loan was set at 60 months from the date the loan becomes available, i.e. 7 July 2019. The loan will incur annual interest at a fixed rate from the draw-down date to the maturity date.

## Hedging derivatives

The breakdown of cash flow hedging instruments by interest rate risk at 31 December 2015 is as follows:

<b>(Thousand euros)</b>					
<b>Company</b>	<b>Asset</b>	<b>Spread</b>	<b>Variable Interest Rate</b>	<b>Notional</b>	<b>Fair Value</b>
Hispania Real	Oficinas	(*)	EUR 3m	116,041	(1,390)
Hispania Real	Residencial	(*)	EUR 3m	69,801	(1,226)
Hispania Real	Hoteles	(*)	EUR 3m	45,032	(570)
Hispania Fides	Oficinas	(*)	EUR 3m	65,000	(896)
Hespérides Bay	Hoteles	(*)	EUR 3m	59,500	72
Subgrupo Bay	Hoteles	(*)	EUR 3m	182,000	(14,196)
				<b>537,374</b>	<b>(18,205)</b>

(\*) The derivative spreads range between 0.366% and 1.910%

The years in which the cash flows from the swap are expected to occur (since they are settled monthly) and affect the profit and loss account are as follows:

<b>2015</b>	<b>Thousand euros</b>							<b>Total</b>
	<b>Current</b>	<b>Non-current</b>						
	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 3 years</b>	<b>Between 3 and 4 years</b>	<b>Between 4 and 5 years</b>	<b>More than 5 years</b>	<b>Total non-current</b>	
<b>Hedging derivative</b>	5,822	6,236	4,711	2,765	1,118	(2,303)	12,527	18,349
<b>Total</b>	<b>5,822</b>	<b>6,236</b>	<b>4,711</b>	<b>2,765</b>	<b>1,118</b>	<b>(2,303)</b>	<b>12,527</b>	<b>18,349</b>

<b>2014</b>	<b>Thousand euros</b>							<b>Total</b>
	<b>Current</b>	<b>Non-current</b>						
	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 3 years</b>	<b>Between 3 and 4 years</b>	<b>Between 4 and 5 years</b>	<b>More than 5 years</b>	<b>Total non-current</b>	
<b>Hedging derivative</b>	171	201	159	94	33	-	487	658
<b>Total</b>	<b>171</b>	<b>201</b>	<b>159</b>	<b>94</b>	<b>33</b>	<b>-</b>	<b>487</b>	<b>658</b>

In 2015 the Group transferred EUR -1,122 thousand (EUR 25 thousand in 2014) from equity to the income statement due to the effect of interest rate hedges. Those amounts were recorded under finance costs together with the hedged item. EUR 353 thousand remained pending payment at 31 December 2015 (EUR 8 thousand in 2014).

## 13. TAX SITUATION

The income tax expense for the period is calculated on the basis of the current tax base, which is different to the net profit/(loss) recognised in the consolidated statement of comprehensive income because it excludes taxable income and deductible expenses from prior years and certain other non-taxable and non-deductible items. The Group's current tax assets and liabilities are calculated using tax rates that have been approved as of the date of the consolidated statement of financial position.

The balance with government agencies in the consolidated statement of financial position is as follows:



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	<b>31 December 2015</b>	<b>31 December 2014</b>
	<b>Thousand euros</b>	
Deferred tax assets	8,024	13,210
Receivables from government agencies	5,489	2,719
Value added tax	4,499	2,186
Current tax assets	16	-
Withholdings and interim payments	974	533
<b>Total balance receivable</b>	<b>13,513</b>	<b>15,929</b>
Deferred tax liabilities	53,544	4,913
Payables to government agencies	6,743	532
Income tax payable	-	22
VAT and IGIC payable	4,088	-
Withholdings payable	1,267	510
Social security payable	1,388	-
<b>Total balance payable</b>	<b>60,287</b>	<b>5,445</b>

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### *Income tax*

Details of "Income Tax" in the consolidated statement of comprehensive income for the periods ended 31 December 2015 and 2014 are as follows:

	<b>31 December 2015</b>	
	<b>Thousand euros</b>	
	<b>Income statement</b>	<b>Equity</b>
Income tax expense	133	-
Change due to current tax assets	-	-
Tax-loss carryforwards and other temporary differences recognised	8,153	-
Differences between carrying amount and tax base of investment property	2,508	-
<b>Income tax</b>	<b>10,794</b>	<b>-</b>

	<b>31 December 2014</b>	
	<b>Thousand euros</b>	
	<b>Income statement</b>	<b>Equity</b>
Income tax expense	(25)	-
Change due to current tax assets	780	-
Tax-loss carryforwards and other temporary differences recognised	491	-
Differences between carrying amount and tax base of investment property	(1,248)	-
<b>Income tax</b>	<b>(2)</b>	<b>-</b>

Tax settlements cannot be considered to be final until inspected by the tax authorities or the statute of limitations, currently four years, has elapsed. The Group companies are open to the inspection of 2014 (year of incorporation) for all taxes applicable to the Parent and the past four years for the rest of the Group companies. The Parent's directors and tax advisors do not believe there are any significant tax contingencies that could arise in the event of an inspection due to possible different interpretations of the tax legislation applicable to the Company's operations.

The reconciliation between income tax expense (revenue) and the result of taxing the total recognised income and expenses by the applicable rates is as follows:

Thousand euros	31 December 2015			31 December 2014		
	Income statement	Equity	Total	Income statement	Equity	Total
<b>Profit before tax</b>	<b>84,171</b>	<b>(3,043)</b>	<b>81,127</b>	<b>17,528</b>	<b>528</b>	<b>18,056</b>
Theoretical tax payable (28% tax rate)	23,568	(852)	22,716	5,258	158	5,416
Income taxed under the SOCIMI regime	(879)	-	(879)	1,446	(158)	1,288
Temporary asset differences not capitalised	8,152	-	8,152	-	-	-
Tax bases not capitalised	2,027	852	2,879	19	-	19
Consolidation adjustments without a tax effect	(22,342)	-	(22,342)	(6,721)	-	(6,721)
Other	268	-	268	-	-	-
<b>Effective tax expense/(revenue)</b>	<b>10,794</b>	<b>-</b>	<b>10,794</b>	<b>2</b>	<b>-</b>	<b>2</b>

Details of the various items comprising deferred tax assets and deferred tax liabilities are as follows:

(Thousand euros)	Beginning balance	Additions due to business combinations	As per the income statement	Balance at 31 December 2015
<b>Deferred assets</b>				
Tax loss and tax credit carryforwards recognised	13,210	2,967	(8,153)	8,024
<b>Deferred liabilities</b>				
Restatement of assets	(4,913)	(46,123)	(2,508)	(53,544)
<b>Total</b>	<b>8,297</b>	<b>(43,156)</b>	<b>(10,661)</b>	<b>(45,520)</b>

(Thousand euros)	Beginning balance	Additions due to business combinations	As per the income statement	Balance at 31 December 2014
<b>Deferred assets</b>				
Tax loss and tax credit carryforwards recognised	-	11,939	1,271	13,210
<b>Deferred liabilities</b>				
Restatement of assets	-	(3,665)	(1,248)	(4,913)
<b>Total</b>	<b>-</b>	<b>8,274</b>	<b>23</b>	<b>8,297</b>

Deferred tax assets relate to the tax loss and tax credit carryforwards that the Group expects to recover within a reasonable period of time and to the positive temporary differences available for offset of the negative temporary differences arising on recognition of investment property at market value should they arise.

During the year the Group determined which structure would optimise its future tax burden. The most probable alternative based on that analysis is that it will be affected in the future by the tax regime applicable to real-estate investment trusts (SOCIMI) which will reduce the tax rate levied on future tax bases. Therefore the expectation is that certain tax-loss carryforwards will be recovered in the future at a 0% tax rate instead of the estimated 25% in 2104.

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The tax effect of the sales of the hotels Pueblo Ibiza, Hamilton and Ponent Playa has been deferred by the BAY company business combination. The tax value (historic value) of these three hotels therefore differs from the carrying amount (fair value). The deferred tax liability of EUR 4,788 thousand relates to 25% of this difference.

It is important to note in this respect that the Investment Agreement concluded by the Barceló companies and Hispania stipulates that BHM will pay for all of the deferred taxes to which the Group is liable on the sale of any of these three hotels, provided that the sale takes place before 2026 or the date on which 5 years have elapsed since the date on which the Company's shares are listed on a regulated market. The Investment Agreement also stipulates that the temporary difference that may arise with respect to this deferred tax liability will disappear if BHM sells the BAY shares received in exchange for the contributed hotels before BAY sells the properties.

The Group has recognised the difference between the carrying amount and the fair value of the investment property acquired on the purchase of BHC and PDV as a deferred tax liability. They were recognised at 25% of this difference and, as was the case with the deferred items arising on the acquisition of BAY, the Investment Agreement concluded by the Barceló companies and Hispania stipulates that the Barceló companies will assume 75% of the deferred taxes that the Group may pay on any of the hotels acquired under this combination, provided that the sale takes place before 1 November 2026 or the date on which 5 years have elapsed since the Company's shares are listed on a regulated market.

These guarantees, together with any other commitments entered into on the sale have been recognised as a EUR 28,438 thousand increase in receivables from the Barceló companies, since the expectation is that the Group will realise the guaranteed liabilities within the agreed deadline.

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Details of the Parent's tax-loss carryforwards yet to be offset at 31 December 2015 and 2014 are as follows:

<b>(Thousand euros)</b>		
<b>Year generated</b>	<b>2015</b>	<b>2014</b>
<b>2014</b>	18,546	18,546
<b>2015</b>	14,535	-
<b>Total</b>	<b>33,081</b>	<b>18,546</b>

The tax loss carryforwards yet to be offset by the rest of the Group companies are as follows:

<b>(Thousand euros)</b>			
	<b>Year generated</b>	<b>2015</b>	<b>2014</b>
<b>Group companies</b>	<b>2007</b>	53	-
	<b>2008</b>	1,831	-
	<b>2009</b>	9,546	-
	<b>2010</b>	2,775	-
	<b>2011</b>	1,763	-
	<b>2012</b>	16,418	15,264
	<b>2013</b>	4,698	1,856
	<b>2014</b>	29,517	26,146
	<b>2015</b>	5,484	-
<b>Total</b>		<b>72,085</b>	<b>43,266</b>

## **14. INCOME AND EXPENSES**

### **14.1 Rental income**

The amount recognized under this heading at 31 December 2015 relates to the rent income deriving from the Group's business activity.

Revenue from the Company's ordinary activities is concentrated mainly in Madrid, Barcelona, Malaga and the Canary Islands. Details of revenue, by business are as follows:

<b>Activities</b>	<b>2015</b>	<b>2014</b>
	<b>Thousand euros</b>	
Office building leases	12,147	5,270
Residential leases	4,666	1,604
Hotel leases	16,956	2,147
<b>Total</b>	<b>33,769</b>	<b>9,021</b>

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Geographic markets	2015	2014
	Thousand euros	
Barcelona	7,097	3,490
Madrid	11,724	3,851
Canary Islands	10,565	571
Balearic Islands	2,203	-
Other	2,180	1,109
<b>Total</b>	<b>33,769</b>	<b>9,021</b>

## 14.2 Services rendered

Hotel and hotel management services gave rise to income totalling EUR 4,029 thousand.

## 14.3 Personnel costs

Personnel costs break down as follows:

	2015
	Thousand euros
Wages and salaries	(1,717)
Social security paid by the Company	(462)
Severance payments	(49)
<b>Total personnel costs</b>	<b>(2,228)</b>

Group personnel relate mainly to the employees engaging in the hotel operations involving the assets directly managed by the Group, which have been classified as property, plant and equipment (see Note 7).

## 14.4 Other operating costs

Operating costs break down as follows:

	2015	2014
	Thousand euros	
Repairs and maintenance	2,775	494
Independent professional services	14,873	7,697
Insurance premiums	371	105
Banking and similar services	44	10
Advertising, publicity and public relations	164	56
Supplies	1,082	387
Other services	4,488	915
Taxes	2,244	988
Changes in provisions for commercial operations	(292)	941
<b>Total other operating costs</b>	<b>25,749</b>	<b>11,593</b>

Independent professional services relate mainly to the management fee of EUR 10,361 thousand accrued to Azora Gestión, S.G.I.I.C., S.A. (EUR 4,408 thousand in 2014).

#### 4.5 Finance income

The finance income for the year relates mainly to the interest earned on the Group's current-account balances and the fixed-term deposits, totalling EUR 2,086 thousand (EUR 1,122 thousand in 2014). In 2014 this heading included finance income from the change in value of the investment funds held by the Parent totalling EUR 1,420 thousand.

#### 14.6 Finance costs

Finance costs break down as follows:

	2015	2014
	Thousand euros	
Loan origination expenses (Note 12.1)	745	18
Interest on loans and surety and loan fees	4,906	3,581
Other	724	362
<b>Total</b>	<b>6,375</b>	<b>3,961</b>

#### 14.7. Related-party transactions and balances

The Group has related-party transactions associated with the management fee of EUR 10,361 thousand accrued to Azora Gestión, S.G.I.I.C. (EUR 4,408 thousand in 2014) (see Note 14.4) and with the management services from Azzam Gestión Inmobiliaria S.L. amounting to EUR 328 thousand EUR 74 thousand in 2014). The amounts outstanding on these fees are EUR 3,030 and EUR 44 thousand (EUR 1,734 thousand and EUR 74 thousand, respectively, in 2014).

#### 14.8 Profit/(loss) by company

The contributions by each company included in the scope of consolidation to the consolidated profit (loss) for the period are as follows:

	31 December 2015	31 December 2014
	Thousand euros	
Hispania Activos Inmobiliarios S.A.	(13,659)	(3,969)
Hispania Real SOCIMI, S.A.U.	37,819	10,055
Hispania Fides S.L.	(813)	11,440
Hespérides Bay, S.L.U.	5,269	-
Hospitia, S.L.U.	(319)	-
Hispania Hotel Management, S.L.U.	(335)	-
Leading Hospitality, S.L.	3,054	-
Bay subconsolidated	40,635	-
Eco Resort San Blás, S.L.	1,726	-
<b>Total</b>	<b>73,377</b>	<b>17,526</b>

## **15 BUSINESS COMBINATIONS**

2015:

In 2015 the Group carried out the following business combinations:

### Acquisition of the BAY Original Asset Portfolio

On 14 April 2015 the then sole shareholder of Bay Hotels & Leisure, S.A. ("BAY"), Barceló Corporación Empresarial, S.A. together with some of its subsidiaries ("Barceló companies") concluded an investment agreement with the company Hispania Real as an investor. By virtue of this agreement, and once certain conditions are met, the Barceló companies will contribute certain properties and hotel businesses to BAY through several corporate transactions in order to allow the entry of Hispania Real as the majority shareholder of BAY ("Investment Agreement").

On 15 October 2015 the subsidiary Hispania Real acquired 80.5% of the share capital of BAY from the Barceló companies. On 9 December 2015 a resolution was adopted to increase BAY's share capital by EUR 32,850 thousand through the creation of 32,849,500 new shares with a par value of EUR 1 each, fully subscribed and paid in through cash contributions. The issue price for the new shares was EUR 2.956 per share, consisting of a par value of EUR 1 euro and a share premium of EUR 1.956. This transaction resulted in Hispania Real and the Barceló companies attaining interests in BAY of 76% and 24%, respectively. On 10 December 2015 BAY also acquired all of the shares in BHC from the Barceló companies together with all of the shares in PDV.



The assets and liabilities resulting from this acquisition and their consolidation in the consolidated annual accounts are as follows:

<b>(Thousand euros)</b>	<b>Fair value recognised in the acquisition</b>
Investment property	241,170
Loans to companies	1,622
Other current assets	22,766
Cash	5,241
<b>Total Assets</b>	<b>270,801</b>
Deferred tax liabilities	1,622
Derivative	10,866
Non-current borrowings	71,123
Current borrowings	3,612
Suppliers and related-party suppliers	20,244
<b>Total Liabilities</b>	<b>107,467</b>
<b>Total net assets at fair value</b>	<b>163,334</b>
Non-controlling interests	31,850
<b>Negative difference on consolidation</b>	<b>12,396</b>
<b>Purchase price</b>	<b>119,088</b>

This business combination involved the Group's acquisition of the hotels Barceló Cabo de Gata, Barceló Isla Cristina, Barceló Jandía Mar y Barceló, Jandía Playa, Tegui Beach and Varadero, several commercial premises, three apartment buildings, a Spa and sports area and an administrative concession to operate the recreational port located on the island of Fuerteventura.

A series of deferred tax liabilities arose on this transaction as a result of the differences between the market and tax values of the real estate assets, which have been fully guaranteed by the seller (see Note 13). Since the date of acquisition these assets do not generate deferred tax liabilities on the subsequent revaluations since the Company that owns the assets applies the SOCIMI tax regime (see Note 4.11).

The negative difference on consolidation totalling EUR 12,396 thousand rises mainly due to the difference between the fair value of the investment property and the acquisition value initially assigned to those assets in the amount of EUR 21.1 million attributable to the acquired shareholding percentage. All of the above is net of the effect of the value of the derivative not taken into account in the price calculation.

The profit/(loss) contributed by that combination amounts to EUR 35,291 thousand. The impact of having carried out this combination on 1 January cannot be quantified since the businesses received focused their activities on hotel operations while at the date of the combination they were assets being leased out.

### Acquisition of the BCH and PDV Optional Asset Portfolio

In accordance with the provisions of the Investment and Put Option Agreement dated 14 April 2015 and 15 October 2015, respectively, on 10 December 2015 the Barceló companies notified Hispania Group through its subsidiary BAY of its desire to exercise the Put Option set out in the investment agreement concluded by those parties.

The final price paid for 100% of the share capital of the companies BHC and PDV was set at EUR 138,596 thousand and EUR 14,303 thousand.

The assets and liabilities resulting from this acquisition and their consolidation in the consolidated annual accounts are as follows:

(Thousand euros)	Fair value recognised in the acquisition
Investment property	269,311
Loans to companies	16,038
Deferred tax assets	1,205
Other assets	358
Other non-current assets	30,184
Other current assets	605
Non-current assets held-for-sale	12,507
Cash	7,710
<b>Total Assets</b>	<b>337,918</b>
Non-current liabilities held-for-sale	13,195
Deferred tax liabilities	40,296
Sureties	190
Derivatives	3,766
Non-current borrowings	114,033
Current borrowings	6,328
Suppliers and related-party suppliers	2,152
<b>Total Liabilities</b>	<b>179,960</b>
<b>Total net assets at fair value</b>	<b>157,958</b>
Non-controlling interests	-
<b>Negative difference on consolidation</b>	<b>5,059</b>
<b>Purchase price</b>	<b>152,899</b>

Through that transaction the Group acquired the hotels Barceló Castillo Beach Resort, Hotel Barceló Fuerteventura Thalasso Spa, Hotel Barceló Lanzarote, Hotel Barceló las Margaritas, Hotel Barceló Pueblo Park and the shopping centre in Fuerteventura.

A series of deferred tax liabilities arose on this transaction as a result of the differences between the market and tax values of the real estate assets, which have been partially guaranteed by the seller of BHC and PDV (see Note 13).

The negative difference on consolidation totalling EUR 5,059 thousand arises mainly due to the difference between the fair value of the investment property and the acquisition value of EUR 24,058 thousand initially assigned to those assets, less the net amount of the absence of a guarantee from the seller regarding the integrity of the deferred tax liabilities totalling EUR

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14,797 thousand and the exclusion of the value of the derivatives in the calculation of the final price.

The price paid is subject to possible review. The directors of the Parent consider that no significant differences will arise.

The profit/(loss) contributed by that combination amounts to EUR 5,344 thousand. The impact of having carried out this combination on 1 January cannot be quantified since the businesses received focused their activities on hotel operations while at the date of the combination they were assets being leased out.

### Acquisition of Leading Hospitality

On 16 July 2015 the subsidiary Hospitia, S.L.U. acquired 100% of the shares in the company Leading Hospitality, S.L. This acquisition resulted in the Group taking control of the Maza Hotel in Zaragoza and the Holiday Inn in Madrid.

Another Group company subsequently acquired a series of assets associated with the operation of one of the hotels, which have been included in the same combination.

The assets and liabilities resulting from this acquisition and their consolidation in the consolidated annual accounts are as follows:

(Thousand euros)	Fair value recognised in the acquisition
Property, plant and equipment	36,100
Deferred tax assets	1,761
Other assets	7
Other non-current assets	167
Other current assets	1,805
Cash	(31)
<b>Total Assets</b>	<b>39,809</b>
Deferred tax liabilities	4,202
Non-current borrowings	736
Current borrowings	8,898
Suppliers and related-party suppliers	8,562
<b>Total Liabilities</b>	<b>22,398</b>
<b>Total net assets at fair value</b>	<b>17,411</b>
Non-controlling interests	-
<b>Negative difference on consolidation</b>	<b>4,485</b>
<b>Purchase price</b>	<b>12,926</b>

The acquired company has been in voluntary bankruptcy proceedings since 9 February 2015 due to the insolvency situation it presented at that date. The Group's directors are confident that agreements will be reached with a majority of the creditors and thus approval will be obtained to maintain the continuity of operations.

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The negative difference on consolidation totalling EUR 4,485 thousand rises mainly due to the difference between the fair value of the investment property and the acquisition value initially assigned to those assets, less the net amount of the deferred tax assets and liabilities arising on the transaction.

The profit/(loss) contributed by that combination amounts to EUR 3,054 thousand. The impact of having carried out this combination on 1 January would have been a loss of EUR 1,650 thousand.

#### Acquisition of ECO Resort San Blas

On 19 November 2015 the Company acquired 100% of the shares in Eco Resort San Blas, S.L.

The assets and liabilities resulting from this acquisition and their consolidation in the consolidated annual accounts are as follows:

(Thousand euros)	Fair value recognised in the acquisition
Investment property	37,100
Other assets	14
Other non-current assets	8
Other current assets	1,466
Cash	4,344
<b>Total Assets</b>	<b>42,932</b>
Non-current borrowings	142
Current borrowings	1,726
Suppliers and related-party suppliers	460
<b>Total Liabilities</b>	<b>2,328</b>
<b>Total net assets at fair value</b>	<b>40,604</b>
Non-controlling interests	-
<b>Negative difference on consolidation</b>	<b>1,524</b>
<b>Purchase price</b>	<b>39,080</b>

As a result of this acquisition the Group took control of Hotel Sandos San Blas Nature Resort & Golf and certain current assets and liabilities relating to the hotel business.

The negative difference on consolidation totalling EUR 1,524 thousand rises mainly due to the difference between the fair value of the investment property and the acquisition value initially assigned to those assets.

The profit/(loss) contributed by the combination amounts to EUR 1,726 thousand. The impact of having carried out this combination on 1 January cannot be quantified, since the businesses received focused their activities on hotel operations, while at the date of the combination they were assets being leased out.

## 2014

On 8 July 2014 the Group subscribed two capital increases of Hispania Fides S.L. (formerly Oncisa S.L., "Hispania Fides") through a monetary contribution of EUR 75,838 thousand and a non-monetary contribution of EUR 4,350 thousand. As a result, the Group gained a holding of 90% in the aforementioned company.

The Company owns a series of assets that are primarily used for the lease of offices and the acquisition allows access to the management of 46,416 m<sup>2</sup> of offices distributed over 9 buildings. Eight of the assets are located in Madrid and one is located in Malaga.

The assets and liabilities resulting from this acquisition and their consolidation in the consolidated annual accounts are as follows:

(Thousand euros)	Fair value recognised in the acquisition
Investment property	118,790
Non-current financial investments	967
Deferred tax assets	11,939
Trade receivables	99
Current financial investments	2
Cash	28,078
<b>Total Assets</b>	<b>159,875</b>
Non-current provisions	2,148
Non-current borrowings	42,653
Deferred tax liabilities	3,665
Sureties	233
Non-current borrowings	10,000
Current borrowings	3,517
Trade payables	232
<b>Total Liabilities</b>	<b>62,448</b>
<b>Total net assets at fair value</b>	<b>97,427</b>
Non-controlling interests	9,743
<b>Negative difference on consolidation</b>	<b>7,496</b>
<b>Purchase price</b>	<b>80,188</b>

The negative difference on consolidation amounting to EUR 7,496 thousand arises due to the recognition of deferred tax assets and liabilities at fair value after the restructuring of the financial position of Hispania Fides upon its entry into Hispania Group, which allows the tax-loss carry forwards relating to that company to be applied. The recognition of those tax-loss carry forwards is based on the best estimates of their recoverable value within a reasonable period in accordance with the lease agreements the Group has concluded with respect to those assets.

Hispania Fides contributed to the Group income totalling EUR 3,383 thousand since the date of acquisition, together with a profit from continued operations totalling EUR 685 thousand and a change in the fair value of its investment property amounting to EUR 3,120 thousand.

## **16. REMUNERATION AND OTHER BENEFITS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT**

### **Directors' remuneration**

In 2015 the remuneration earned by the current members of the Board of Directors, including its non-member Secretary, for wages and salaries, incentives, per diems and other by-law stipulated emoluments amounted to EUR 440 thousand (EUR 352 thousand in 2014). Details of this remuneration are as follows:

	<b>31 December 2015</b>	<b>31 December 2014</b>
<b>Remuneration paid to directors</b>	<b>Thousand euros</b>	
Director remuneration <sup>1)</sup>	310	248
Additional remuneration to the Executive Committee	50	40
Additional remuneration to the Audit and Control Committee	50	40
Additional remuneration to the Nomination and Remuneration Committee	30	24
<b>Total</b>	<b>440</b>	<b>352</b>

<sup>1)</sup> Includes the remuneration of the Company's non-voting Secretary

At 31 December 2015 and 2014 the directors had not been granted any loans or advance payments and they have not received any security pledged for obligations assumed by them. None of the members of the Board or persons related to them carry out any activities, on their own behalf or that of a third party, that could give rise to effective actual or potential competition with the Company or which in any other manner would place the directors in permanent conflict with the Company's interests.

Directors must report to the Board any direct or indirect conflict that could arise with respect to the Company's interests. If the conflict relates to a transaction, the director may not carry out that transaction without the approval of the Board.

In 2015 there were 9 occasions in which one of the directors has abstained from intervening and voting in the deliberation of matters before the Board of Directors or its Committees.

The breakdown of the 9 cases is as follows: on 6 occasions they were due to investment proposals, on 2 occasions they were due to service contracting proposals and on 1 occasion to the awarding of a construction contract.

## **17. RISK MANAGEMENT POLICY**

The financial risk management policies in the sector in which the Group operates are determined mainly through the analysis of investment projects, the management of the buildings and the state of the financial markets:

- Credit risk: the Group's credit risk is due mainly to the risk of lessees defaulting on their contractually agreed-upon rent payments. Each company manages this risk by screening lessees and the type of leases arranged which envisage upfront rental payments and legal and additional financial guarantees that will cover any non-payment. The Group also maintains current cash and deposits (Notes 9 and 10) with highly creditworthy financial institutions.

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- **Liquidity risk:** At 31 December 2015 this risk is not considered to be significant since the investment stage has not yet ended and there is sufficient liquidity to cover the obligations assumed so far.
- **Market risk:** One of the main risks faced by the Group is market risk arising from buildings that are not occupied or unfavourable renegotiations when a lease expires. This risk would reduce the Company's income and have a negative effect on the value of the assets. This risk is mitigated at the Group through active property management aimed at obtaining the most value possible for the buildings by implementing an investment policy that will ensure the best possible positioning of these buildings and the screening of lessees.
- **Interest rate risk:** The Group has external financing at 31 December 2015 that accrues a variable rate indexed to the Euribor (see Note 12). The amount drawn down from that financing at 31 December 2015 totals EUR 561,630 thousand (EUR 57,640 thousand at 31 December 2014) for which there were cash flow hedges that would cover part of the interest rate risk for a notional amount of EUR 539,926 thousand (EUR 37,938 thousand at 31 December 2014). Provided that the same levels had been drawn down at the aforementioned date, a 1% change in the interest rate of reference would give rise to an annual change in the finance cost in the same direction totalling EUR 247 thousand (EUR 197 thousand at 31 December 2014).

#### ***Fair value hierarchy***

All assets and liabilities measured at fair value are classified into the following tiers in accordance with the inputs used in the measurement:

- Tier 1 Use of quoted prices for identical assets or liabilities in active markets (no adjustment)
- Tier 2 Use of inputs (that are not quoted prices in tier 1) that may be directly or indirectly observed.
- Tier 3 Use of non-observable inputs.

	<b>Thousand euros</b>			
	<b>31/12/2015</b>	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 3</b>
<b>Financial assets</b>				
Property, plant and equipment	64,200	-	-	64,200
Investment property	1,360,613	-	-	1,360,613
<b>Financial liabilities</b>				
Hedging derivatives	18,349	-	18,349	-

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	Thousand euros			
	31/12/2014	Tier 1	Tier 2	Tier 3
<b>Financial assets</b>				
Property, plant and equipment	-	-	-	-
Investment property	422,365	-	-	422,365
<b>Financial liabilities</b>				
Hedging derivatives	658	-	658	-

The Group does not have financial instruments whose fair value cannot be measured and there have been no transfers between the various levels of the hierarchy of financial instruments measured at fair value in 2015.

## 18. OTHER INFORMATION

### 18.1 Personnel structure

	Number of employees at the end of the year			Average number of employees during the year
	Men	Women	Total	
<b>31 December 2015</b>				
Executives	-	-	-	1
Middle management	-	-	-	1
Administrative staff	16	14	30	36
Production personnel	71	35	106	125
<b>Total</b>	<b>87</b>	<b>49</b>	<b>136</b>	<b>163</b>

Group personnel mainly engages in the operation of hotel services at the assets under the direct management of the Group, which have been classified as property, plant and equipment, as is indicated in Note 14.3 (see Note 7).

### 18.2 Audit fees

The audit fees accrued to the auditor during the year are as follows:

	2015	2014
	Thousand euros	
Audit of the annual accounts and the interim financial statements	352	170
Other accounting review and verification work	178	83
Other services	104	30
<b>Total</b>	<b>634</b>	<b>283</b>



### **18.3 Information regarding the average payment period for suppliers**

In accordance with the Single Additional Provision of the Resolution dated 29 January 2016 issued by the Accounting and Audit Institute regarding the information to be included in the notes to the annual accounts concerning the average payment period for suppliers in commercial transactions, no comparative information is presented as the annual accounts for 2015 are initial accounts for the exclusive purposes of this requirement, which refers to the application of the principle of uniformity and comparison obligations.

<b>(Days)</b>	<b>2015</b>
Average payment period to suppliers	57.81
Ratio of paid transactions	86%
Ratio of outstanding transactions	14%

<b>(Thousand euros)</b>	
Total payments made	52,045
Total outstanding payments	8,709

### **18.4 Other commitments**

The Company maintained acquisition commitments at 31 December 2015 totalling EUR 75,000 thousand, such as the execution of the Framework Investment Agreement for the acquisition of certain hotels from the company Dunas Hotels & Resorts S.L., concluded on 30 September 2015. This acquisition is subject to compliance with a series of conditions precedent, particularly the elimination of the bankruptcy situation affecting the company Dunas Hotels & Resorts S.L.

## **19. SUBSEQUENT EVENTS**

After the year-end the Company and its subsidiaries continue to analyse investment operations in accordance with the Company's investment policy.

## **HISPANIA ACTIVOS INMOBILIARIOS, S.A. AND SUBSIDIARIES**

### **Consolidated Directors' Report for the year ended 31 December 2015**

#### **1. Macroeconomic situation and analysis by business**

The **global economy** has continued throughout 2015 to show low growth, diverging performance between advanced and emerging economies. While developed economies have continued to progress throughout 2015, although below initial projections, expectations for many emerging economies worsened as the year advanced. The positive growth of GDP and employment in 2015 in the United States resulted in the first interest rate increase since 2008. Economic growth in the Eurozone has also shown improvement over the course of 2015. The recovery nevertheless continues to be less advanced than in the United States, and given low oil prices and interest rates, more solid growth was initially expected. With few exceptions (such as India), growth in emerging and developing countries has continued to slow against the backdrop of declining commodity prices and more restrictive financial conditions; uniform, sustainable growth has yet to be observed.

The latest scenario presented by the International Monetary Fund (IMF) shows that global growth reached 3.1% in 2015 and will increase to 3.4% in 2016, boosted by the reactivation of advanced economies.

The economic recovery in the **euro area** continued in 2015, driven by an improvement in internal demand but with a less favourable context for exports abroad. The expansive monetary policy, low energy prices and a slightly more expensive fiscal policy have offset the decline in exports to emerging economies and the moderation in global trade. In 2015 the main economies in the Eurozone grew above the levels of 2014, with the exception of the largest, Germany, where estimates indicate that it grew 0.1% less than in 2014, declining from 1.6% to 1.5%. The Eurozone overall grew by 1.5% compared to 0.9% in 2014. The projections for 2016 and 2017 suggest growth of around 1.7%.

The expansive phase started by **the Spanish economy** in 2013 extended into 2015. GDP growth was 3.2% in that year, more than double the growth recorded by the Eurozone and well above the average of 1.9% in advanced economies. It was the excellent performance of domestic demand that drove economic growth in a slightly negative environment in terms of net foreign demand. There continue to be significant weaknesses in the job market, although unemployment fell by 2.81 percentage points to 20.05%.

In 2016 the Spanish economy is expected to continue to expand and average GDP growth is estimated at 2.7%. This slowdown of GDP in 2016 will be the result of more moderate growth in domestic demand. It will nevertheless continue to be domestic demand and, more specifically, household consumption that will be the main driver of the economy in 2016. Net foreign demand will meanwhile have a negative contribution in 2016-2017 as a result of the strength of imports.

The primary uncertainties will be associated with the independence process in Catalonia, the formation of a stable government and the measures that the new government may take from an economic and fiscal point of view.

### ***Hotel market***

The tourism industry maintained its position as the primary motor for the Spanish economy in 2015, with tourism GDP estimated to grow at 3.7% (Exceltur data) overall for the year. This growth is above initial expectations, much higher than the 3.2% estimated for the Spanish economy as a whole and close to the past decade's highest growth rate of 2006. The positive performance of the sector is reflected in the number of tourists who came to Spain in 2015, at 68.1 million, 4.9% up on the figure for the previous year. This figure counts non-resident visitors to Spain in 2015 who stayed at least one night, regardless of the type of accommodation (hotel, aparthotel, tourist apartment, camping, etc.).

As a fundamental part of the tourism sector, the hotel market has maintained positive growth throughout 2015, with significant increases in all sectors of activity (urban, holiday and business). This growth is reflected by the positive figures for the number of travellers and hotel nights stayed, which increased by 6.0% and 4.28% compared to 2014, according to data from the National Statistics Institute (INE) in its Hotel Occupancy Survey. In overall terms, and according to the survey, the annual number of travellers rose from 87,814,530 (44,682,748 Spaniards and 43,131,782 foreigners) in 2014 to 93,081,001 in 2015 (47,427,184 Spaniards and 45,653,817 foreigners).

There has been general growth in the hotel market in all business sectors (urban, vacation and business), with significant increases in both domestic and foreign demand. This year was particularly good for the recovery of urban hotels, which is the sector that had experienced the biggest decline during the crisis. The holiday hotel business has started to grow again, although less strongly. Finally, the increase in domestic and international business activity has given rise to significant growth in the business sector (meetings, conferences, incentives and events) after several years of continuous decline.

A number of factors have driven the hotel market in 2015.

- The improvement in the domestic economy and the consequent recovery of consumption.
- Global economic growth, together with factors that directly affect costs, such as interest rates, oil prices at record lows and a weak euro against the dollar and the pound.
- The excellent contribution of foreign demand continues to be conditioned by geopolitical factors affecting Spain's competitors in the sun and sand market.

In this context of a general improvement in demand and recovering hotel rates, the various profitability indicators in the sector have accelerated their growth in 2015.

As in other property markets, the SOCIMIs (REITs) are the most significant investors, accounting for some 40% of all investment, and showing a strong capacity to raise funds and invest them. A key aspect of the market throughout 2015 was the high level of sales and

acquisitions of hotel portfolios. More half the total investment during the year was in this type of asset.

### ***Office market***

The leasing of office space in the Madrid and Barcelona markets in 2015 showed a very positive trend, with growth of 32.6% in Madrid and 41.6% in Barcelona. There was widespread growth in both markets due to the strength of demand and the scarcity of new supply, leading to a progressive decline in availability.

The volume of investment in 2015 reached record levels, equalling those in 2007, and doubling the figure for 2014. Investment in 2015 was close to EUR 5,400 million in Spain's two main office markets, Madrid and Barcelona. Of this figure, 83% was concentrated in Madrid, with the rest corresponding to transactions in Barcelona. The rate of return continued to decline in 2015, to levels of 4.25-4.5% in the prime Madrid market, with some operations even concluded below 4%. In Barcelona, the initial rate of return stood at 4.5-5% for the best CBD assets. In the other markets (rest of the city and fringes), there has been a similar decline in the initial rate of return which, together with the rise in rentals, has driven up asset values.

### ***Residential market***

In 2015, the residential market maintained the growth trend initiated the previous year. All the indicators relating to trends in demand and prices performed positively in 2015. At the same time, the supply indicators showed a change in the trend, with a clear improvement in development activity, which is closely focused on certain markets where only residual supply is available and there is active demand for housing. These factors suggest that the residential market is on its way back to normal.

At the same time, demand from foreign buyers continues to grow, as it has done since 2009. Sales to foreigners in 2015 are estimated at 69,650 units, or 17.5% of total sales.

During 2015, housing prices have moved beyond the stabilisation phase reached in 2014 and have recorded the first growth since the continuous corrections that began in 2008. The house price index published by the National Statistics Institute (INE) indicates that in the past 12 months (the year 2015) prices rose by almost 5% for both new and existing homes.

## **2. The Group's organisational structure and operation**

The Group is managed externally according to a contract signed in 2014 with Azora Gestión SGIIC, S.A.

See section C of the Corporate Governance Report regarding the Group's Management Structure.

## **3. Developments in Group activity**

### **Principal corporate transactions**

- On 27 April 2015 an agreement was reached to increase the Parent's share capital by 27,530 thousand euros by creating 27,530,000 new shares of par value 1 euro each, fully subscribed and paid up, with no preferential subscription rights.

The share capital increase and award of shares terminated on 28 April 2015, at the established price of 12.25 euros per share, for a total amount of 337,243 thousand euros, against a par value of 1 euro and a share premium of 11.25 euros. The new shares were admitted for trading on 29 April 2015.

- On 14 April 2015 Hispania Real signed an investment contract with the Barceló Group whereby the company would acquire a controlling stake in a joint investment vehicle with the Barceló Group to channel its property investments through holiday hotel projects in Spain under the "SOCIMI" (REIT) regime.

On 15 October 2015, the purchase of the shares in BAY was notarised, and the company became the investment vehicle mentioned above, with 11 hotels under ownership (3,946 rooms).

In this transaction, 40,298,300 shares were acquired, representing 80.5% of BAY's equity. The price set initially was EUR 119,008 thousand.

On 9 December 2015, an increase in BAY's capital was agreed, with Hispania Real purchasing 69% of the shares issued at a total cost of EUR 67,140 thousand, increasing its holding to 76% of the capital issued.

On 10 December 2015, after the put option granted to certain companies of the Barceló Group was exercised, BAY acquired all the shares in BHC and PDV for an initial price of approximately EUR 153 million. These companies are the owners of five hotels (2,151 rooms).

- In addition, during the year various Group companies acquired certain assets and groups of assets by acquiring or creating companies in the context of their investment activity. These include the following:
  - Hesperides Bay, S.L.U, owner of the Gran Hotel Atlantis Bahía Real and Suite Hotel Atlantis Fuerteventura Resort. The price of the transaction was EUR 124.5 million.
  - Eco Resort San Blas, S.L., owner of the Hotel Sandos San Blas Nature Resort & Golf. The price of the transaction was EUR 39,080 thousand.
  - Leading Hospitality, S.L., owner of 130 rooms and the public areas of the Hotel Holiday Inn Bernabéu in Madrid and the Hotel Maza, in Zaragoza. In addition, the Group acquired from third parties certain modules and rooms of the Hotel Holiday Inn Bernabéu which did not belong to Leading Hospitality, S.L. The total amount paid for the two hotels and additional spaces stood at EUR 12.9 million at the close of the year.

### **Highlights of the Financial Statements at 31 December 2015**

The main highlights of the consolidated financial statements at the end of 2015 are as follows:

- The Group's investment activity, which has led to the acquisition of 12 assets during the year for a total purchase price of EUR 345 million, excluding the acquisition of the companies discussed above. The assets acquired in 2015 are the following: Hotel Vincci Málaga, the Sanchinarro residential complex, Edificio Príncipe de Vergara, Edificio Foster Wheeler, Edificio Cristalia, Gran Hotel Atlantis Bahía Real, Suite Hotel Atlantis Fuerteventura Resort, Edificio Príncipe de Vergara Auditorio, Edificio Glories – Ciutat de Granada, Edificio Altamar, Edificio Cristal and Edificio América.
- The Group signed, or assumed through business combinations, bank borrowing agreements for a total nominal amount of EUR 589 million, with an average repayment term of around 8.3 years.
- The Group's profit after tax was EUR 73,377 thousand.

This result is the consequence of the profit obtained through the management of the Group's property assets, together with:

- The management of the assets acquired during the year, which generated a negative consolidation difference of EUR 23,463 thousand, attributable mainly to the business combination carried out with BAY. In addition, though to a lesser extent, negative consolidation differences arose in the business combinations of Leading Hospitality, S.L.U. and ECO Resort San Blás, S.L.U.

These negative differences are a result of the difference between the assets and liabilities acquired at market value and the consideration paid for these assets and liabilities.

- The valuation of the Group's property assets evidenced by the RICS-based appraisal by CBRE at 31 December 2015, which had a positive effect on the income statement of EUR 54,966 thousand.

The operating expenses correspond to the management and operating costs of the property assets and the Group's own operating costs, including the management fee for Azora Gestión SGIIC, S.A. and the expenses associated with the investment processes that were not recognised as an increase in the value of these assets.

The Group's financial result was a negative EUR 4,286 thousand, the net result of financial investment with surplus cash and the Group's financing expenses.

The Corporate Tax expense was EUR 10.8 million. This result was significantly affected (a negative EUR 11.5 million) by the reversal of deferred tax assets from tax loss carryforwards relating to the Group company Hispania Fides, because it was considered likely that the tax regime for listed property investment companies (SOCIMIs) will be applied in 2016, meaning that its tax bases will be applied at the rate of 0%.

## **4. Outlook for the market and the Group**

### ***Hotel market***

The forecasts for 2016 are very positive, with tourism remaining a driving force of the Spanish economy for another year. Positive economic growth at the global level, focused mainly on the developed economies, which include the principal sources of tourists to Spain, will strengthen the holiday demand from abroad. Factors which had a positive impact on demand in 2015, such as low oil prices and the depreciation of the euro, will maintain their effect throughout 2016. Lastly, Spain's safety as a tourist destination will continue to make it especially attractive, given the situation in competing Mediterranean destinations that are currently viewed with caution.

Domestic demand will continue to grow during 2016, in line with economic growth and the positive trends in employment and spending power. This will result in an improved performance in practically all Spanish tourist destinations.

### ***Office market***

In 2016, the Madrid market is expected to achieve leasing levels in the region of 595,000 m<sup>2</sup>. The positive economic context and the forecast increase in private sector employment over the next 12 months paints a bright outlook for leases. Nevertheless, the situation of political instability could delay or postpone decisions on the leasing of office space.

The availability rate, a key factor in property markets, will continue to decline, given the scarcity of new supply expected in 2016 and the projected volume of leasing.

The behaviour of rental prices in 2016 will follow a similar trend to that of the previous year. A generalised improvement is forecast in all zones, especially in the business district zones (CBD and RBD), where availability is already very low.

Bearing in mind the good performance of demand and the restricted supply of new space entering the market this year, the availability rate is expected to fall further in all zones. Lastly, rental prices will again trend upwards in all zones, in line with their behaviour over the past 12 months.

### ***Residential market***

The forecasts for 2016 are encouraging and point to a consolidation of the progress that began in 2014 and 2015. The improvement in the economic environment will once more underpin two key factors for the growth in residential demand: job creation, forecast at 500,000 in 2016, and the increase in household disposable income. These factors, together with favourable financing conditions, will continue to drive housing demand in 2016.

In 2016, prices will maintain a positive trend in those markets with lower levels of excess supply and stronger economic growth. Meanwhile, markets where high levels of supply persist and economic growth is weak will see prices continue to fall throughout the year. However, following the significant correction accumulated since 2008, these falls are increasingly modest and are tending to stabilise.

*Translation of consolidated financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

Activity in construction will maintain its growth in the coming months, driven by the improvement in demand and the reduction in the available stock. The number of permits for the construction of new housing is forecast to rise, particularly in those markets with lower levels of availability

### ***Group performance***

Given the trends expected in the sectors in which the Group operates, the forecast effects on its performance in 2016 are as follows:

In 2016, the Group expects to invest all the funds raised in the April 2015 capital increase. The Group will continue to build a portfolio of quality assets in consolidated locations with the aim of strengthening its asset base.

It expects to continue to actively identify and study attractive investment opportunities, taking advantage of the capacities of its management team. Hispania's intimate knowledge of the Spanish property market and its skill in proposing transactions of a certain complexity, together with the Group's ability to manage actively the properties being incorporated into its portfolio, remain key factors in the continued implementation of its investment strategy.

The appropriate implementation of the investment required to improve and reposition its assets will be one of the main areas on which the Group will focus in 2016, together with the consolidation of the assets refurbished in 2015, with a view to maximising occupancy levels, rentals and the consequent appreciation of the portfolio.

### **5. Information on the average payment period to suppliers**

At the close of the year, the Group had an amount pending payment for more than 60 days of EUR 0 thousand.

### **6. Risk control and management systems**

See section E of the 2015 Annual Corporate Governance Report and note 17 to the consolidated annual accounts of Hispania Activos Inmobiliarios, S.A.

### **7. Research and development**

Due to the nature of the Group's activities and structure, it does not carry out research and development activities.

### **8. Treasury shares**

On 30 June 2015 the Parent drew up a liquidity contract with Beka Finance, S.V., S.A. to increase the liquidity of its transactions and improve the regularity of its quoted share price. At 31 December 2015, the Parent held 81,978 treasury shares, totalling EUR 1,088 thousand. The result of the purchases and sales of said treasury shares, booked in equity, is a profit of EUR 79 thousand. At 31 December 2014 the Parent held no treasury shares.

### **9. Events after the reporting period**

See note 19 to the 2015 consolidated annual accounts of Hispania Activos Inmobiliarios, S.A.



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## **10. Annual Corporate Governance Report**

Pursuant to article 540 of the Capital Companies Act, it is hereby stated that the 2015 Annual Corporate Governance Report forms part of this Management Report, in which it is included as a separate section.

## **Diligence in Preparation of the Annual Consolidated Accounts**

In accordance with the provisions of the Companies Act, the Board of Directors of Hispania Activos Inmobiliarios, S.A. prepared the annual consolidated accounts on 17 February 2016 (Consolidated Statement of Financial Position, Consolidated Comprehensive Income Statement, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and report) and the Management Report corresponding to the year ending 31 December 2015, issued on 72 sheets of ordinary paper, each of which has been approved by the Secretary of the Board of Directors.

Pursuant to Royal Decree 1362/2007, of 19 October (Art. 8.1b) and Art 10), the undersigned directors of Hispania Activos Inmobiliarios S.A. hereby state the following:

That to the best of their knowledge, the annual consolidated accounts and the Management Report corresponding to the year ending 31 December 2015 have been prepared in accordance with the applicable accounting principles, and offer a true and fair image of the equity, financial position and income of the issuer and of the companies included within its scope of consolidation taken as a whole.

In witness whereof, the Directors sign below:

**MR RAFAEL MIRANDA ROBREDO**  
Chairman of the Board of Directors  
Chair of the Executive Committee  
Member of the Nomination and  
Remuneration Committee

**MR JOAQUIN AYUSO GARCÍA**  
Member of the Board of Directors  
Member of the Executive Committee  
Member of the Audit Committee

**MR JOSE PEDRO PÉREZ-LLORCA Y  
RODRIGO,**  
Member of the Board of Directors  
Member of the Audit Committee  
Chair of the Nomination and Remuneration  
Committee

**MR LUÍS ALBERTO MAÑAS ANTÓN.**  
Member of the Board of Directors  
Chair of the Audit Committee

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**MS M<sup>a</sup> CONCEPCIÓN OSÁCAR  
GARAICOECHEA.**

**Member of the Board of Directors  
Member of the Nomination and  
Remuneration Committee**

**MR FERNANDO GUMUZIO  
ÍÑIGUEZ DE OZOÑO**

**Member of the Board of Directors  
Member of the Executive Committee**

**Report on Limited Review**

**HISPANIA ACTIVOS INMOBILIARIOS, S.A. AND SUBSIDIARIES**  
**Interim Condensed Consolidated Financial Statements**  
**and Consolidated Interim Management Report**  
**for the three-month period ended**  
**March 31, 2016**

*Translation of a report and interim condensed consolidated financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails*

REPORT ON LIMITED REVIEW OF  
THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Board of directors of  
HISPANIA ACTIVOS INMOBILIARIOS, S.A.

Report on the interim condensed consolidated financial statements

*Introduction*

We have carried out a limited review of the accompanying interim condensed consolidated financial statements (hereinafter the interim financial statements) of HISPANIA ACTIVOS INMOBILIARIOS, S.A. (hereinafter the Parent Company) and subsidiaries (hereinafter the Group), which comprise the statement of financial position at March 31, 2016, the statement of comprehensive income, the statement of changes in equity and the cash flow statement, as well as the condensed explanatory notes, all of them consolidated, for the three-month period then ended. The Parent Company's directors are responsible for the preparation of said interim financial statements in accordance with the requirements established by International Accounting Standard (IAS) 34, "Interim Financial Reporting," adopted by the European Union for the preparation of condensed interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

*Scope*

We have performed our limited review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Reporting Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit carried out in accordance with regulations on the auditing of accounts in force in Spain and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

*Conclusion*

During the course of our limited review, which under no circumstances can be considered an audit of financial statements, nothing came to our attention which would lead us to conclude that the accompanying interim financial statements for the three-month period ended March 31, 2016 have not been prepared, in all material respects, in accordance with the requirements established in International Accounting Standard (IAS) 34, "Interim Financial Reporting," as adopted by the European Union for the preparation of condensed interim financial statements.

*Emphasis paragraph*

We draw attention to the matter described in Note 2.a of the accompanying condensed explanatory notes, which indicates that the abovementioned accompanying interim financial statements do not include all the information that would be required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union and therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2015. This matter does not modify our conclusion.

Report on other legal and regulatory reporting requirements

The accompanying consolidated interim management report for the three-month period ended March 31, 2016 contains such explanations as the Parent Company's directors consider necessary regarding significant events which occurred during this period and their effect on these interim financial statements, of which it is not an integral part, as well as on other matters. We have checked that the accounting information included in the abovementioned management report agrees with the interim financial statements for the three-month period ended on May 31, 2016. Our work is limited to verifying the consolidated interim management report in accordance with the scope described in this paragraph, and does not include the review of information other than that obtained from the accounting records of HISPANIA ACTIVOS INMOBILIARIOS, S.A. and its subsidiaries.

ERNST & YOUNG, S.L.

*(Signed on the original)*

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David Ruiz-Roso Moyano

May 9, 2016

*Translation of Interim condensed consolidated financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails*

**HISPANIA ACTIVOS INMOBILIARIOS, S.A. and Subsidiaries**

**Interim Condensed Consolidated Financial Statements and condensed explanatory notes for the quarter ended 31 March 2016, prepared in accordance with International Financial Reporting Standards**

Translation of Interim condensed consolidated financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails

**HISPANIA ACTIVOS INMOBILIARIOS, S.A. and Subsidiaries**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2016**

(Thousand euros)	Note	31 March 2016 (*)	31 December 2015		Note	31 March 2016 (*)	31 December 2015
<b>ASSETS</b>				<b>EQUITY AND LIABILITIES</b>			
				Share capital	10	82,590	82,590
				Share premium	10	777,666	777,666
				Shareholders' contribution	10	540	540
				Treasury shares	10	(1,409)	(1,088)
				Reserves		12	46
Intangible assets		60	59	Prior year losses		(17,629)	(3,970)
Property, plant and equipment	6	67,281	64,200	Reserves in consolidated companies		101,182	21,102
Investment property	7	1,395,380	1,360,613	Profit for the period		11,228	66,681
Equity instruments		350	350	<b>Valuation adjustments</b>	10	<b>(17,673)</b>	<b>(3,701)</b>
Non-current financial assets	8	40,522	38,173	<b>Non-controlling interests</b>	10	<b>79,425</b>	<b>78,582</b>
Non-current deferred tax assets	12	8,269	8,024				
<b>NON-CURRENT ASSETS</b>		<b>1,511,862</b>	<b>1,471,419</b>	<b>EQUITY</b>		<b>1,015,932</b>	<b>1,018,448</b>
				Non-current provisions		881	878
				Non-current bank borrowings	11	588,833	535,656
				Hedging derivatives	11	27,269	12,527
				Other non-current financial liabilities	11	22,119	21,645
				Deferred tax liabilities	12	53,826	53,544
				Accruals and deferred income		8,417	8,573
				<b>NON-CURRENT LIABILITIES</b>		<b>701,345</b>	<b>632,823</b>
				Bank borrowings	11	18,550	13,995
				Hedging derivatives	11	8,064	6,175
Inventories		1,684	1,786	Other current financial liabilities	11	22,258	26,482
Trade and other receivables	7	31,867	22,407	Trade and other payables	11	21,127	15,510
Receivables from government agencies	12	7,464	5,489	Personnel remuneration payable	11	402	330
Other current financial assets	8	60,593	206	Payables to government agencies	12	6,879	6,743
Prepayments and accruals		1,057	803	Customer prepayments	11	1,060	1,402
Cash and cash equivalents	9	181,962	220,690	Current prepayments and accrued income		872	892
<b>CURRENT ASSETS</b>		<b>284,627</b>	<b>251,381</b>	<b>CURRENT LIABILITIES</b>		<b>79,212</b>	<b>71,529</b>
<b>TOTAL ASSETS</b>		<b>1,796,489</b>	<b>1,722,800</b>	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,796,489</b>	<b>1,722,800</b>

(\*) Unaudited.

The accompanying Notes 1 to 17 are an integral part of the interim statement of financial position for the quarter ended 31 March 2016.



Translation of Interim condensed consolidated financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails

**HISPANIA ACTIVOS INMOBILIARIOS, S.A. and Subsidiaries**  
**CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR THE THREE MONTH**  
**PERIOD ENDED 31 MARCH 2016**

(Thousands of euros)	Note	March 2016 (*)	March 2015 (*)
Rental income	13.1	27,117	5,248
Services rendered	13.2	2,560	-
Other operating income		432	136
Supplies		(689)	-
Personnel costs	13.3	(1,292)	(23)
Other operating costs	13.4	(8,996)	(3,856)
Depreciation and amortisation		(287)	(2)
Excess provisions		91	-
<b>Profit/(loss) from operations</b>		<b>18,936</b>	<b>1,503</b>
Other results		17	-
Gains on sale of assets		82	-
<b>Profit/(loss) from operations after revaluation and asset disposal (EBIT)</b>		<b>19,035</b>	<b>1,503</b>
Finance income		61	42
Finance costs	13.6	(4,814)	(815)
Exchange differences		1	-
<b>Financial profit (loss)</b>		<b>(4,752)</b>	<b>(773)</b>
<b>Profit/(loss) before tax</b>		<b>14,283</b>	<b>730</b>
Income tax	12	(61)	(109)
<b>Net consolidated profit/(loss) from continuing operations</b>		<b>14,222</b>	<b>621</b>
<b>Net profit for the year attributed to the parent company</b>		<b>11,228</b>	<b>606</b>
<b>Net profit attributed to non-controlling interests</b>		<b>2,994</b>	<b>15</b>
Basic earnings per share (Euros)	4	0.14	0.011
Diluted earnings per share (Euros)	4	0.14	0.011
<b>Other comprehensive income</b>			
<b>Net consolidated profit/(loss)</b>		<b>14,222</b>	<b>621</b>
<b>Other items of comprehensive profit/(loss) recognised directly in equity</b>			
Net gain/(loss) on cash flow hedges		(17,560)	(1,341)
<b>Transfers to comprehensive results</b>			
Profit/(loss) on hedging instruments		1,437	66
<b>Total recognised income and expenses or Total comprehensive profit/(loss)</b>		<b>(1,901)</b>	<b>(654)</b>
Comprehensive profit/(loss) for the period attributable to the Parent Company		<b>(2,744)</b>	<b>(669)</b>
Comprehensive profit/(loss) for the period attributable to non-controlling interests		<b>843</b>	<b>15</b>

(\*) Unaudited.

The accompanying Notes 1 to 17 are an integral part of the interim consolidated statement of comprehensive income for the quarter ended 31 March 2016.

Translation of Interim condensed consolidated financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails

**HISPANIA ACTIVOS INMOBILIARIOS, S.A. and Subsidiaries**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**

(Thousands of euros)	Note	Share Capital	Share premium	Shareholders' contribution	Parent Company prior year losses	Reserves in consolidated companies	Reserves	Profit/(loss) attributable to Parent Company shareholders	Treasury shares	Cash flow hedges	Non-controlling interests	Total equity
<b>Balance at 31 December 2014</b>		<b>55,060</b>	<b>478,074</b>	<b>540</b>	-	-	(47)	17,132	-	(658)	10,137	<b>560,238</b>
Total recognised income and expenses in the period		-	-	-	-	-	-	606	-	(1,275)	15	(654)
<b>Balance at 31 March 2015 (*)</b>		<b>55,060</b>	<b>478,074</b>	<b>540</b>	-	-	(47)	<b>17,738</b>	-	<b>(1,933)</b>	<b>10,152</b>	<b>559,584</b>
Total recognised income and expenses in the period		-	-	-	-	-	-	66,075	-	(1,768)	6,681	70,988
Distribution of profit	10	-	-	-	(3,970)	21,102	-	(17,132)	-	-	-	--
Transaction costs	10	-	(10,121)	-	-	-	-	-	-	-	-	(10,121)
Share capital increase	10	27,530	309,713	-	-	-	-	-	-	-	-	337,243
Other movements	10	-	-	-	-	-	14	-	-	-	-	14
Business combination	10	-	-	-	-	-	-	-	-	-	31,850	31,850
Other transactions with non-controlling interests	10	-	-	-	-	-	-	-	-	-	29,899	29,899
Treasury share portfolio	10	-	-	-	-	-	79	-	(1,088)	-	-	(1,009)
<b>Balance at 31 December 2015</b>		<b>82,590</b>	<b>777,666</b>	<b>540</b>	<b>(3,970)</b>	<b>21,102</b>	<b>46</b>	<b>66,681</b>	<b>(1,088)</b>	<b>(3,701)</b>	<b>78,582</b>	<b>1,018,448</b>
Total recognised income and expense		-	-	-	-	-	-	11,228	-	(13,972)	843	(1,901)
Distribution of profit	10	-	-	-	(13,659)	80,340	-	(66,681)	-	-	-	-
Other movements	10	-	-	-	-	(260)	(7)	-	-	-	-	(267)
Treasury share portfolio	10	-	-	-	-	-	(27)	-	(321)	-	-	(348)
<b>Balance at 31 March 2016 (*)</b>		<b>82,590</b>	<b>777,666</b>	<b>540</b>	<b>(17,629)</b>	<b>101,182</b>	<b>12</b>	<b>11,228</b>	<b>(1,409)</b>	<b>(17,673)</b>	<b>79,425</b>	<b>1,015,932</b>

(\*) Unaudited.

The accompanying Notes 1 to 17 are an integral part of the interim consolidated statement of changes to equity for the quarter ended 31 March 2016.

**HISPANIA ACTIVOS INMOBILIARIOS, S.A. and Subsidiaries**  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE THREE MONTH PERIOD**  
**ENDED 31 MARCH 2016**

(Thousands of euros)	Note	March 2016 (*)	March 2015 (*)
<b>CASH FLOWS FROM CONTINUING OPERATIONS</b>			
<b>1. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) for the period before tax		14,283	730
<b>Adjustments to profit/(loss)</b>			
Depreciation and amortisation (+)		287	2
Impairment corrections (+/-)		-	-
Reversal of provision		(91)	-
Gain/(loss) on derecognition and disposals of assets (+/-)	7	(82)	-
Finance income (-)		(61)	(42)
Finance costs (+)	13.6	4,814	815
Exchange variations (+/-)		(1)	-
Adjusted profit/(loss)		19,149	1,505
Interest received (+)		61	74
Interest paid (-)		(3,300)	(225)
Increase / decrease in current assets and liabilities			
(Increase) / decrease in receivables		(9,459)	890
(Increase) / decrease in other current assets		(2,311)	(1,018)
Increase / (decrease) in payables		4,166	(34)
Increase / (decrease) in other current liabilities		(3,789)	(965)
Other non-current assets and liabilities (+/-)		(1,966)	40
<b>Total net cash flows from operating activities</b>		<b>2,551</b>	<b>267</b>
<b>2. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investments in (-)			
Investment property	7	(35,688)	(84,763)
Material assets	6	(3,364)	-
Financial assets	8	(60,305)	-
		(99,357)	(84,763)
Disposals of (+)			
Investment property	7	616	-
Other financial assets		-	2,000
		616	2,000
<b>Total net cash flows from investing activities</b>		<b>(98,741)</b>	<b>(82,763)</b>
<b>3. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from/(and payments for) equity instruments			
Acquisition of treasury shares (+)	10	(348)	-
Proceeds from/(and payments for) financial liability instruments			
Bank borrowings issued (+)	11	58,500	54,739
Reimbursements and repayments to banks (-)		(690)	(212)
<b>Total net cash flows from financing activities</b>		<b>57,462</b>	<b>54,527</b>
<b>4. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
<b>Cash flow for the period of continuing operations</b>		<b>(38,728)</b>	<b>(27,969)</b>
Cash and cash equivalents at the beginning of the period of continuing operations		220,690	204,201
Cash or cash equivalents at the end of the period		181,962	176,232

(\*) Unaudited.

The accompanying Notes 1 to 17 are an integral part of the interim consolidated cash flow statement for the quarter ended 31 March 2016.

## **HISPANIA ACTIVOS INMOBILIARIOS, S.A. and Subsidiaries**

Explanatory Notes to the Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2016.

### **1. Introduction and general company information**

Hispania Activos Inmobiliarios, S.A. and Subsidiaries (hereinafter "the Group" or the "Hispania Group") is a consolidated group of companies that mainly engages in the following:

- The acquisition and development of urban real estate for subsequent rental.
- Holdings in listed real-estate investment trusts (SOCIMI) or in other non-resident entities in Spain that have the same corporate purpose as SOCIMI and are subject to a similar regime as the one for SOCIMI with respect to the mandatory profit distribution policy enforced by law or the Articles of Association.
- Holdings in other entities that are resident or non-resident in Spain and whose corporate purpose is the acquisition of urban real estate for subsequent rental. These entities are subject to the same regime as the one for SOCIMI with respect to the mandatory profit distribution policies enforced by law or by the Articles of Association and they comply with the investment requirements for these companies; and
- Shareholdings or other equity instruments in collective real-estate investment vehicles regulated by Collective Real Estate Investment Vehicle Law 35/2003, of 4 November.

The Group may also carry on real estate business of all kinds as well as the simultaneous acquisition, holding, management, operation, renovation, disposal and encumbering of all manner of real estate assets and the acquisition, holding, investment, transfer or disposal of shareholdings or other equity investments and debt instruments (whether it is senior, ordinary or subordinated debt secured by a mortgage loan or not) in all manner of companies, particularly, companies with the same or similar corporate purpose, and at all times within the limits set out by the SOCIMI regime.

The Group's Parent is Hispania Activos Inmobiliarios ("the Parent"), which is a public limited liability company on calle Serrano, número 30, 2º izquierda, Madrid, which was incorporated on 23 January 2014 with the company name Azora Hispania, S.A. The Company has had the current name Hispania Activos Inmobiliarios, S.A. since 17 February 2014..

Hispania Real, S.A. (now known as Hispania Real SOCIMI, S.A.U., hereinafter "Hispania Real") was incorporated on 1 April 2014, with the Parent as its sole shareholder when these Interim Condensed Consolidated Financial Statements were drawn up. On 7 May 2014 an application was made for this company to be admitted to the SOCIMI Tax Regime with effect as of 1 January 2014.

On 8 July 2014 the Parent acquired 90% of the equity of Oncisa, S.L., and the current

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corporate name is Hispania Fides, S.L. (hereinafter "Hispania Fides").

On 2 June 2015 the subsidiary Hispania Real acquired 100% of the equity of Hespérides Bay, S.L.U. (hereinafter "Hespérides Bay"). On 24 September 2015 an application was made for this company to be admitted to the SOCIMI Tax Regime to take effect as of 1 January 2015.

On 26 June 2015 two companies were incorporated. These were Hospitia, S.L.U. and Dunas Bay Resorts, S.L.U. (currently known as Hispania Hotel Management, S.L.U, hereinafter Hispania Hotel Management), with the subsidiary company Hispania Real as sole shareholder of these when the Interim Condensed Consolidated Financial Statements were drawn up.

On 16 July 2015 the subsidiary Hospitia, S.L.U. acquired 100% of the shares in the company Leading Hospitality, S.L., a company under voluntary bankruptcy proceedings which commenced 9 February 2015.

On 14 April 2015 the then sole shareholder Bay Hotels & Leisure, S.A. (hereinafter BAY) and Barceló Corporación Empresarial, S.A. along with other subsidiaries of that company (Barceló companies) signed an investment contract with Hispania Real as investor (hereinafter Investment Contract). By virtue of this the Barceló companies were required to provide particular hotel businesses and real estate to BAY via different business transactions so that, once certain conditions had been fulfilled, Hispania Real would be the main shareholder in BAY.

On 15 October 2015 the subsidiary Hispania Real, acquired 80.5% of the share capital of BAY from the Barceló companies. On 9 December 2015 a resolution was adopted to increase Bay's share capital by EUR 32,850 thousand by creating 32,849,500 new shares each with a par value of EUR 1, fully subscribed and paid up, through monetary contributions. The share issue price for the new shares was EUR 2,956 per share with a par value of EUR 1 each and a share premium of 1,956. This transaction resulted in Hispania Real and the Barceló companies attaining interests in BAY of 76% and 24%, respectively. On 10 December 2015 BAY acquired all of the shares in Bay Hotels Canarias, S.L.U. ("BHC", formerly Barceló Hotels Canarias, S.L.) from the Barceló companies together with all of the shares in Poblados de Vacaciones, S.A. ("PDV"). On 17 September 2015, the subsidiary BAY requested incorporation into the SOCIMI Taxation Scheme, to be applicable from 1 January 2015. In addition, on 21 March 2016 the companies PDV and BHC requested their incorporation in the SOCIMI Taxation Scheme effective from 1 January 2016.

On 19 November 2015 the Company acquired all corporate shares in Eco Resort San Blas, S.L. (hereinafter Eco Resort), owner of Hotel Sandos San Blas Nature Resort & Golf (hereinafter Hotel San Blas).

On 2 February 2016, the subsidiary Hispania Real acquired 100% of the share capital of the company Club de Tenis Maspalomas, S.L.U., owner of land in Fuerteventura.

These five companies and the Parent comprise the scope of consolidation at 31 March 2016.

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The breakdown of companies forming part of the scope of consolidation at 31 March 2016 and their main characteristics are as follows:

<b>Corporate Name</b>	<b>Parent company</b>	<b>Address</b>	<b>Activity</b>	<b>Direct</b>	<b>Indirect</b>	<b>Consolidation method</b>	<b>Functional currency</b>
Hispania Real SOCIMI, S.A.U.	Hispania Activos Inmobiliarios, S.A	Calle Serrano, 30 2º izquierda, Madrid	Acquisition and development of urban real estate for subsequent rental.	100%	-	Full	Euro
Hispania Fides, S.L.	Hispania Activos Inmobiliarios, S.A	Calle Serrano, 30 2º izquierda, Madrid	Acquisition and development of urban real estate for subsequent rental.	90%	-	Full	Euro
Eco Resort San Blas, S.L.U	Hispania Activos Inmobiliarios, S.A	Calle Serrano, 30 2º izquierda, Madrid	Acquisition and development of urban real estate for subsequent rental.	100%	-	Full	Euro
Hespérides Bay, S.L.U.	Hispania Real SOCIMI, S.A.U.	Calle Serrano, 30 2º izquierda, Madrid	Acquisition and development of urban real estate for subsequent rental.	-	100%	Full	Euro
Hospitia, S.L.U.	Hispania Real SOCIMI, SAU.	Calle Serrano, 30 2º izquierda, Madrid	Acquisition and development of urban real estate for subsequent rental.	-	100%	Full	Euro
Hispania Hotel Management, S.L.U.	Hispania Real SOCIMI, S.A.U.	Calle Serrano, 30 2º izquierda, Madrid	Operation for lease, industry or management, and the administration of establishments dedicated to hospitality.	-	100%	Full	Euro
Bay Hotels & Leisure, S.A.	Hispania Real SOCIMI, S.A.U.	Calle Serrano, 30 2º izquierda, Madrid	Acquisition and development of urban real estate for subsequent rental.	-	76%	Full	Euro
Leading Hospitality, S.L.U.	Hospitia, S.L.U.	Calle Serrano, 30 2º izquierda, Madrid	Provision of accommodation services, lodging, restaurant industry services and all others related to hospitality.	-	100%	Full	Euro
Poblado de Vacaciones, S.A.U.	Bay Hotels & Leisure, S.A.	Calle Serrano, 30 2º izquierda, Madrid	Acquisition and development of urban real estate for subsequent rental.	-	76%	Full	Euro
Bay Hotels Canarias, S.L.U.	Bay Hotels & Leisure, S.A.	Calle Serrano, 30 2º izquierda, Madrid	Acquisition and development of urban real estate for subsequent rental.	-	76%	Full	Euro
Club de Tennis Maspalomas, S.L.U.	Hispania Real SOCIMI, S.A.U.	Calle Serrano, 30 2º izquierda, Madrid	Operation and management of establishments dedicated to hospitality and related sports activities	-	100%	Full	Euro

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The breakdown of companies forming part of the scope of consolidation at 31 March 2015 and their main characteristics are as follows:

<b>Corporate Name</b>	<b>Parent company</b>	<b>Address</b>	<b>Activity</b>	<b>Direct</b>	<b>Indirect</b>	<b>Consolidation method</b>	<b>Functional currency</b>
Hispania Real SOCIMI, S.A.U.	Hispania Activos Inmobiliarios, S.A.	Calle Serrano, 30 2º izquierda, Madrid	Acquisition and development of urban real estate for subsequent rental	100%	-	Full	Euro
Hispania Fides, S.L.	Hispania Activos Inmobiliarios, S.A.	Calle Serrano, 30 2º izquierda, Madrid	Acquisition and development of urban real estate for subsequent rental	90%	-	Full	Euro

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On 2 March 2016, the Directors of the Parent Company as well as the Sole Director of the subsidiary Hispania Real SOCIMI, S.A.U, agreed the approval and subscription of the merger by absorption between the Parent Company as the absorbing company and Hispania Real SOCIMI, S.A.U as the absorbed company. This merger is framed under the process of streamlining the corporate structure of the Hispania Group derived from the Company joining the special taxation scheme provided for under Law 11/2009, of 26 October, regulating SOCIMIs (Listed Investment Companies on the Property Market), which together with the Merger by Absorption Project was approved by the General Shareholders Meeting held on 5 May 2016. Given that the Parent is the full and direct owner of all shares into which the equity of Hispania Real is divided, the applicability of this special tax regime is expressly stated as set forth in article 49.1 of the Structural Modifications Act. Consequently, the shares of Hispania Real will be annulled without any swaps taking place and without the Parent Company increasing its share capital. The merger will take place under the special tax regime established in Chapter VII of Section VII of Law 27/2014 de 27 of November on Corporate Taxation and will take effect on accounting from 1 January 2016.

On the date these Interim Condensed Consolidated Financial Statements were drawn up, registration of the merger at the Companies Register remains pending.

The shares representing the share capital of Hispania Activos Inmobiliarios, S.A. have been listed on the electronic trading platform on the Madrid, Barcelona, Bilbao and Valencia stock exchanges since 14 March 2014.

On 21 February 2014, the Parent entered into a management agreement with Azora Gestión, S.G.I.I.C., S.A. (hereinafter the "Management Company") in order to delegate the daily management of the Group for an initial period of six years, and thus the Group did not have any employees at the close of the quarter ended 31 March 2015. As a consequence of the modifications to the scope of consolidation mentioned above, the Group, on the date of the present Interim Condensed Consolidated Financial Statements had its own staff, essentially related to the operation of two assets in hotel management.

The Management Agreement regulates Group operations and objectives, and establishes an initial investment period that ends on the day all the funds obtained from the share capital increases carried out since the Parent's shares were listed have been invested, or three years from that date. When the investment period ends, the Management Company must have drawn up and presented to the Board of the Parent a strategy for the assets portfolio to maximise shareholder value (the "added-value strategy"), which may entail divestment of the Group's assets portfolio and returns to shareholders within six years of the date of admittance for trading or, conversely, conservation and active management of all or part of the Group's assets portfolio beyond said date. If the added-value strategy proposed entails conservation and active management of all or part of the Group assets portfolio, the Parent and the Management Company will negotiate in good faith the novation of certain terms and conditions of the Management Contract. As soon as this is reasonably possible, the Board of the Parent will convene the General Meeting to enable shareholders to take a decision concerning the added-value strategy proposed, and most particularly the terms of novation of the Management Contract.

The Group intends to avail itself of the Management Company's services to put together



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a top-quality investment property portfolio, investing mostly in the residential sector, office buildings and hotels in Spain. Although the Management Company has a considerable amount of discretion in terms of deploying the Group investment policy, the management contract stipulates a number of parameters within which the Management Company has agreed to operate. This means that in certain situations the Management Company will require prior approval by the Executive Committee, the Board or the General Shareholders' Meeting.

In view of the Group's business activity, it does not have any environmental expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position and results. Therefore, no specific disclosures relating to environmental issues are included in these condensed explanatory notes to the Interim Condensed Consolidated Financial Statements.

The Group's consolidated financial statements for the financial year ended 31 December 2015 were approved at the Parent's General Shareholders Meeting on 5 May 2016.

## **2. Basis of presentation of the Interim Consolidated Financial Statements**

### ***a) Basis of presentation***

These Interim Condensed Consolidated Financial Statements of Hispania Activos Inmobiliarios, S.A. and Subsidiaries for the quarter ended 31 March 2016 were prepared from the accounting records of the Parent and of the Hispania Group companies, and drawn up by the Parent's Directors at the Board Meeting held on 9 May 2016.

The Group's consolidated financial statements for the financial year ended 31 December 2015 were drawn up by the Parent's Directors in accordance with the provisions of the International Financial Reporting Standards (IFRSs), as adopted by the European Union, issued by the Regulatory Commission of the European Union (hereinafter, EU-IFRSs), applying the consolidation principles and valuation rules described in Note 2 f) and Note 4 respectively of the notes to the consolidated financial statements, in such a way as to show a true and fair image of the consolidated assets and the consolidated financial position of the Group at 31 December 2015, with the consolidated results of its operations, changes to consolidated equity and changes in consolidated cash flows over the financial year ended on said date.

These Interim Condensed Consolidated Financial Statements show a true and fair image of the consolidated assets and the consolidated financial position of Hispania Activos Inmobiliarios, S.A. (Parent) and of its Subsidiaries at 31 March 2016, and of the consolidated results of its operations, changes to consolidated equity and changes in consolidated cash flows over the same period.

The Interim Condensed Consolidated Financial Statements for the quarter ended 31 March 2016 were drawn up in accordance with the provisions of the International Financial Reporting Standards (IFRSs), as adopted by the European Union, issued by the Regulatory Commission of the European Union (hereinafter, EU-IFRSs)—mandatory for financial years after 1 January 2016—and particularly with International Accounting Standard (IAS) 34 on Interim Financial Reporting, taking account of all mandatory

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accounting principles and rules and measurement bases, as well as the Spanish Code of Commerce, the Spanish Limited Liability Companies Law ("Ley de Sociedades de Capital") and the Spanish Securities Market Law ("Ley del Mercado de Capitales") (CNMV).

Pursuant to the provisions of IAS 34, Interim Financial Reporting is drawn up for the sole purpose of updating the contents of the last consolidated financial statements drawn up by the Group, focusing mainly on new activities, events and circumstances arising during the period, not duplicating the information published previously in the consolidated financial statements for the financial year ended 31 December 2015. Thus, for a sound understanding of the information in these Interim Condensed Consolidated Financial Statements, they should be read in conjunction with the Group's consolidated financial statements for the period ended 31 December 2015.

The accounting policies and methods used in the creation of the present Interim Condensed Consolidated Financial Statements are the same as those applied in the annual consolidated accounts of the financial year ended 31 December 2015.

Nevertheless, since the accounting principles and measurement criteria applied to draw up the Group's Interim Condensed Consolidated Financial Statements at 31 March 2016 may differ from those used by certain Group entities, the required adjustments and reclassifications were made on consolidation to unify such policies and bases and to make them compliant with the EU-IFRSs. In order to uniformly present the various items composing the Interim Condensed Consolidated Financial Statements, the policies and measurement bases used by the Parent were applied to all companies within the scope of consolidation

***b) Adoption of International Financial Reporting Standards***

**Standards and interpretations issued by the IASB not applicable in the period**

The Group intends to adopt the standards, interpretations and amendments issued by the IASB, which are not mandatory in the European Union at the date of preparation of these Interim Financial Statements, when they enter into force, if applicable. The Group is currently analysing their impact. Based on the analyses to date, the Group considers that their first-time application will not have a significant impact on the Consolidated Financial Statements.

***c) Functional currency***

These Interim Condensed Consolidated Financial Statements are presented in euros, the Group's functional currency, because the euro is the currency of the main economic area in which the Group operates.

***d) Responsibility for the information and use of accounting estimates and judgments made***

The information in these Interim Condensed Consolidated Financial Statements is the responsibility of the Parent's Directors. The Parent has made estimates supported by objective information in order to measure certain assets, liabilities, income, expenses and obligations reported herein. Estimates and measurement bases refer basically to:

- The recovery of tax loss carryforwards and deferred tax assets recognised in the interim condensed consolidated statement of financial position (Note 12).
- The market value of the Property, plant and equipment and Property, plant and equipment (Note 6 and 7)
- Compliance with the requisites of the SOCIMI taxation scheme in the subsidiaries that have adopted this scheme (Note 1).
- Definition of transactions carried out by the Group as a business combination pursuant to IFRS 3 or as an acquisition of assets.

Although these estimates were made on the basis of the best information available at the date of authorisation for issue of these Interim Condensed Consolidated Financial Statements, events that take place in the future may make it necessary to change these estimates (upwards or downwards). Changes in estimates would be applied prospectively in accordance with IAS 8, recognising the effects of the change in estimates in the consolidated statement of comprehensive income.

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***e) Comparative information***

Comparison of the Interim Condensed Consolidated Financial Statements refers to the periods ended 31 March 2016 and 2015, with the exception of the interim consolidated statement of financial position and the interim consolidated statement of changes to equity, which compare the period ended 31 March 2016 to the period ended 31 December 2015.

The main changes to the scope of consolidation are set out in Note 1.

For a full understanding of these Interim Condensed Consolidated Financial Statements, it must also be considered that the Group is currently in full investment phase.

These circumstances must be taken into account for a proper interpretation of these Condensed Consolidated Financial Statements.

***f) Seasonal nature of transactions***

The Group's main business purpose is the acquisition and development of urban rental property. Consequently, no significant seasonality is expected to exist with regard to the Group's transactions, with the exception of that arising from its current phase of development.

**3. Distribution of the Parent's Profit**

Given the purpose of these Interim Condensed Consolidated Financial Statements, the Parent's Board of Directors did not propose any distribution of profit at 31 March 2016, as this is an interim period.

#### **4. Earnings per share**

##### *Earnings per share:*

Earnings per share are calculated by dividing the net profit for the year attributed to the Parent's ordinary shareholders by the number of ordinary shares in circulation at the close of the period, excluding treasury shares.

The detail of the calculation of earnings (losses) per share is:

	<b>31 March 2016 (*)</b>	<b>31 March 2015 (*)</b>
Profit for the period attributable to the holders of equity instruments of the Parent Company (EUR thousands)	11,228	606
Number of outstanding shares (thousands)	82,475	55,060
<b>Earnings per share (euros)</b>	<b>0.14</b>	<b>0.01</b>

(\*) Unaudited.

##### *Basic*

Basic earnings per share are calculated by dividing the profit for the period attributed to Parent's ordinary shareholders by the weighted average number of outstanding ordinary shares at the end of the period, excluding treasury shares.

	<b>31 March 2016 (*)</b>	<b>31 March 2015 (*)</b>
Profit for the period attributable to the holders of equity instruments of the Parent (EUR thousands)	11,228	606
Weighted average number of outstanding shares (thousands)	82,477	55,060
<b>Basic earnings per share (euros)</b>	<b>0.14</b>	<b>0.01</b>

(\*) Unaudited.

##### *Diluted:*

Diluted earnings per share are calculated by dividing the profit for the year attributable to the holders of equity instruments in the Parent and the weighted average number of ordinary shares outstanding, taking into account the dilutive effects inherent to potential ordinary shares, i.e. as if all the ordinary potentially dilutive securities were converted.

The Parent Company does not have different classes of ordinary shares potentially subject to dilution.

## **5. Segment reporting**

### **Basis of segmentation**

Segment reporting is structured by the Group's various lines of business.

The lines of business described below were established on the basis of the Group's organisational structure in force at 31 March 2016 and were used by the Group's Management Company Directors to analyse the financial performance of the various operating segments.

The Group engages mainly in the following major lines of business, which provide the basis on which the Group presents the information on its operating segments:

- Investment activity in office properties.
- Investment activity in residential properties.
- Investment activity in hotel properties.
- Management activity at hotel properties.

All the Group's activities are carried out in Spain.

### **Basis and methodology for business segment reporting**

The segment information below is based on monthly reports prepared by the Group's managers and is generated using the same computer application as that used to obtain all the Group's accounting information.

The segment's ordinary revenue relates to the ordinary revenue directly attributable to the segment and income from sales of investment property.

The expenses of each segment are calculated on the basis of the expenses arising from the segment's directly attributable operating activities and any losses on sales of Property, plant and equipment, if any.

Segment assets and liabilities are those directly related to the segment's operating activities.

The table below shows the revenue and expenses of the Group's operating segments for the quarter ended 31 March 2016 and the quarter ended 31 March 2015.

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Thousands of euros	Offices	Residential	Hotels	Hotels under management	Others	Group total
<b>Income and expenses</b>						
Rental income and services rendered	4,469	1,449	21,199	2,560	-	29,677
Other operating income	156	150	119	7	-	432
Operating costs	(1,276)	(653)	(1,310)	(3,146)	(4,501)	(10,886)
Other results	-	-	17	-	-	17
Net gain/(loss) on sales of assets and amortisation	-	82	-	(283)	(4)	(205)
Financial income	-	-	-	-	61	61
Finance costs	(1,194)	(571)	(2,978)	(14)	(57)	(4,814)
Exchange differences	-	-	-	1	-	1
Income tax	(53)	-	(5)	(3)	-	(61)
<b>Total as of 31 March 2016</b>	<b>2,102</b>	<b>457</b>	<b>17,042</b>	<b>(879)</b>	<b>(4,500)</b>	<b>14,222</b>

Thousands of euros	Offices	Residential	Hotels	Hotels under management	Others	Group total
<b>Income and expenses</b>						
Rental income and services rendered	2,690	798	1,760	-	-	5,248
Other operating income	44	92	-	-	-	136
Operating costs	(660)	(396)	(584)	-	(2,239)	(3,879)
Other results	-	-	-	-	-	-
Net gain/(loss) on sales of assets and amortisation	-	-	-	-	(2)	(2)
Financial income	-	-	-	-	42	42
Finance costs	(140)	(338)	(91)	-	(246)	(815)
Income tax	(53)	-	(56)	-	-	(109)
<b>Total as of 31 March 2015</b>	<b>1,881</b>	<b>156</b>	<b>1,029</b>	<b>-</b>	<b>(2,445)</b>	<b>621</b>

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The table below displays the assets and liabilities of the Group's operating segments as of 31 March 2016 and 31 December 2015 respectively:

Thousands of euros	Offices	Residential	Hotels	Hotels under management	Others	Group total
<b>Assets</b>						
Intangible assets	-	-	60	-	-	60
Property, plant and equipment (Note 6)	-	-	-	67,281	-	67,281
Investment property (Note 7)	409,517	191,434	794,429	-	-	1,395,380
Non-current financial assets	3,342	466	33,649	147	2,918	40,522
Equity instruments	-	-	350	-	-	350
Non-current deferred tax assets	5,172	-	1,327	1,762	8	8,269
Inventories	474	-	339	176	695	1,684
Trade receivables and other current assets	5,471	-	25,216	1,895	250,361	282,943
<b>Total as of 31 March 2016</b>	<b>423,976</b>	<b>191,900</b>	<b>855,370</b>	<b>71,261</b>	<b>253,982</b>	<b>1,796,489</b>

Thousands of euros	Offices	Residential	Hotels	Hotels under management	Others	Group total
<b>Assets</b>						
Intangible assets	-	-	59	-	-	59
Property, plant and equipment (Note 6)	-	-	-	64,200	-	64,200
Investment property (Note 7)	404,714	175,150	780,749	-	-	1,360,613
Non-current financial assets	3,177	465	31,773	190	2,568	38,173
Equity instruments	-	-	350	-	-	350
Non-current deferred tax assets	5,049	-	1,205	1,762	8	8,024
Inventories	370	-	1,028	185	203	1,786
Trade receivables and other current assets	1,841	119	19,812	1,244	226,579	249,595
<b>Total as of 31 December 2015</b>	<b>415,151</b>	<b>175,734</b>	<b>834,976</b>	<b>67,581</b>	<b>229,358</b>	<b>1,722,800</b>

Thousands of euros	Offices	Residential	Hotels	Hotels under management	Others	Group total
<b>Liabilities</b>						
Non-current provisions	-	-	145	736	-	881
Other non-current financial liabilities	14,414	2,277	5,369	59	-	22,119
Accruals and deferred income	60	-	9,229	-	-	9,289
Current and non-current bank borrowings	177,881	70,726	351,663	7,113	-	607,383
Hedging derivatives	8,258	572	26,503	-	-	35,333
Deferred tax liabilities	6,737	-	42,882	4,207	-	53,826
Other current financial liabilities	1,594	-	20,338	326	-	22,258
Operating liabilities	1,879	2,614	3,129	8,264	13,582	29,468
<b>Total as of 31 March 2016</b>	<b>210,823</b>	<b>76,189</b>	<b>459,258</b>	<b>20,705</b>	<b>13,582</b>	<b>780,557</b>



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Thousands of euros	Offices	Residential	Hotels	Hotels under management	Others	Group total
<b>Liabilities</b>						
Non-current provisions	-	-	142	736	-	878
Other non-current financial liabilities	14,092	1,750	5,776	27	-	21,645
Accruals and deferred income	80	-	9,385	-	-	9,465
Current and non-current bank borrowings	175,404	71,262	295,873	7,112	-	549,651
Hedging derivatives	2,357	1,252	15,093	-	-	18,702
Deferred tax liabilities	7,106	-	42,235	4,203	-	53,544
Other current financial liabilities	1,369	-	23,856	1,257	-	26,482
Operating liabilities	1,896	1,354	1,750	6,513	12,472	23,985
<b>Total as of 31 December 2015</b>	<b>202,304</b>	<b>75,618</b>	<b>394,110</b>	<b>19,848</b>	<b>12,472</b>	<b>704,352</b>

## **6. Property, plant and equipment**

Movements under this heading were as follows:

	Thousands of euros		
	Hotels under management		Net Property, plant and equipment
	Cost	Accumulated depreciation and amortisation	
<b>Balance at 31 December 2014</b>	-	-	-
Acquisitions from business combinations	36,100	-	36,100
Transfers	28,100	-	28,100
<b>Balance at 31 December 2015</b>	<b>64,200</b>	-	<b>64,200</b>
Acquisitions and recognitions of assets	3,364	-	3,364
Amortisation charge	-	(283)	(283)
<b>Balance at 31 March 2016</b>	<b>67,564</b>	<b>(283)</b>	<b>67,281</b>

### Main movements in 2016:

In the first quarter of the 2016 Financial year the Group acquired 41 registered properties belonging to the building currently operated by the company Leading Hospitality, S.L.U. under the trade name Hotel Holiday Inn Bernabéu, for an amount of EUR 3,291 thousand including all associated non-recoverable taxes and expenses.

### Main movements for the 2015 financial year:

On 16 July 2015 the subsidiary Hospitia, S.L.U. acquired 100% of the share equity in the company Leading Hospitality, S.L. for the amount of EUR 12,926 thousand, a company owning certain assets (including the Hotel Holiday Inn Bernabéu) with a market value on that date of EUR 36,100 thousand.

On 3 November 2015 the subsidiary Hispania Hotel Management took over management of Hotel Guadalmina SPA & Golf Resort (hereinafter Hotel Guadalmina), so that the

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property investments associated with that hotel were transferred to Property, plant and equipment for their fair value on said date in the amount of EUR 28,100 thousand.

At the end of each reporting period, the Group determines the fair value of its fixed assets pursuant to IAS 16. This fair value calculated in terms of the valuations made by an independent appraiser (CB Richard Ellis Valuation) amounted to EUR 64,200 thousand at the close of the financial year ended 31 December 2015. The fair value was obtained considering the valuations made at the close of December 2015. The Parent Company Directors considered that the fair value of the assets at 31 March 2016 would not differ significantly from the appraisal value calculated at the close of the 2015 financial year plus the additions carried out, and for this reason at 31 March 2016 the Group had not contracted independent appraisers to update the valuation on that date.

The valuation made on 31 December 2015 was drawn up in accordance with the valuation standards published by the Royal Institute of Chartered Surveyors (RICS) and the international valuation standards (IVS). The methodology used as well as the yields considered on that date are described in Note 4.3 of the Group's consolidated annual accounts 31 December 2015.

### **Other information**

On 31 March 2016 the Group owned properties with a carrying amount of EUR 36,100 thousand (EUR 36,100 thousand on 31 December 2015), including in the section "Property, plant and equipment assets", under guarantee of mortgage loans and credits for an amount of EUR 6,600 thousand at 31 March 2016 (EUR 6,601 thousand at 31 December 2015).

## **7. Investment property**

Movements under this heading were as follows:

	Thousands of euros				
	Offices	Residential	Hotels	Hotels under management	Ending balance
<b>Balance at 31 December 2014</b>	<b>229,250</b>	<b>99,300</b>	<b>93,815</b>	-	<b>422,365</b>
Acquisitions from business combinations	-	-	547,581	-	547,581
Acquisition and recognitions of assets	156,178	66,441	141,182	-	363,801
Revaluation of assets	19,286	9,409	26,271	-	54,966
Transfers	-	-	(28,100)	-	(28,100)
<b>Balance at 31 December 2015</b>	<b>404,714</b>	<b>175,150</b>	<b>780,749</b>	-	<b>1,360,613</b>
Acquisition and recognitions of assets	4,803	17,312	13,680	-	35,795
Disposals of assets	-	(1,028)	-	-	(1,028)
<b>Balance at 31 March 2016</b>	<b>409,517</b>	<b>191,434</b>	<b>794,429</b>	-	<b>1,395,380</b>

### Main movements in 2016:

The main acquisitions and additions of assets, during the first quarter of the 2016 financial year, including associated non-recoverable taxes and expenses, were as follows:

- On 2 February 2016, the Group acquired land in the municipality of Corralejo (Fuerteventura) for the amount of EUR 12,000 thousand, by acquiring all share capitals in the company Club de Tenis Maspalomas, S.L.U.
- On 18 March 2016, the Group acquired a residential complex of 91 houses and 146 parking spaces located in the north east of Madrid, for the amount of EUR 16,085 thousand.

In addition, in the quarter ended 31 March 2016, investments were made in the assets owned by the Group to improve its market position in the amount of EUR 7,216 thousand. The main investments were those made in the Hotel Meliá Jardines del Teide and the Edificio Torre 30 (previously known as the NCR building) in the amounts of EUR 1,317 and EUR 3,054 thousand respectively.

Likewise, during this period it sold 11 houses in the residential complex located in Majadahonda (Madrid) for a total price of EUR 1,152 thousand. The associated sale costs amounted to EUR 42 thousand, the Group thus obtaining a final profit for the sales of EUR 82 thousand.

Main movements for the 2015 financial year:

The main variations to the 2015 financial year were the business combinations described in Note 15 of the Group's annual consolidated accounts at 31 December 2015.

Further, the main additions in the 2015 financial year for asset acquisitions, including associated non-recoverable costs and taxes, were as follows:

- On 1 January 2015 the Parent acquired the furnishings and chattels of Hotel Meliá Jardines del Teide for EUR 1,000 thousand.
- On 14 January 2015 the Group acquired the 105-room Hotel Vincci Málaga on the promenade in Malaga for EUR 10,369 thousand. In addition, the Parent acquired on the same date the property of the aforementioned hotel for the amount of EUR 280,000.
- On 27 March 2015 the Group acquired two of the three phases of a residential complex in Sanchinarro, Madrid, for EUR 44,780 thousand. The operation was completed on 11 June 2015 with the acquisition of the third phase of the complex, for EUR 17,067 thousand.
- On 27 March 2015 the Group acquired an office block on calle Príncipe de Vergara 108, Madrid, for EUR 25,451 thousand.
- On 17 June 2015 the Group acquired two hotels on the island of Fuerteventura, the Gran Hotel Atlantis Bahía Real and the Suite Hotel Atlantis Fuerteventura Resort, both in Corralejo, La Oliva, for a total sum of EUR 106,199 thousand. In regard to the agreements drawn up with the seller for the purchase of these assets, these make provision for a number of incentive schemes, depending on the results obtained by the operator of the hotels. On 31 December 2015 the Group capitalised these incentive schemes as well as the associated transaction costs, in the amount of EUR 15,500 thousand. In addition, on 16 July 2015 three properties and furnishing were acquired which also comprise the hotel Suite Hotel Atlantis Fuerteventura Resort, for the amount of EUR 2,410 thousand.
- On 25 June 2015 the Group acquired two office buildings in Madrid, the Foster Wheeler building in the Las Rozas Business Complex for EUR 23,768 thousand, and the Cristalia building in the Cristalia Business Complex for EUR 31,861 thousand.
- On 30 September 2015 the Group acquired an office block on calle Suero de Quiñones in Madrid for EUR 17,939 thousand.
- On 6 October 2015 the Company acquired an office building in Calle Granada in Barcelona, for the amount of EUR 8,256 thousand.
- On 15 December 2015, the Company acquired three office buildings, the Edificio Altamar Urbana, located in Alcobendas for the amount of EUR 12,484 thousand, the Cristal building, located on Barberá del Vallés for EUR 10,148 thousand, and the América building, located in Madrid for the amount of EUR 18,806 thousand.

Investments totalling EUR 16,708 thousand were made in 2015 for the assets owned by the Group in order to make improvements and reposition them in the market and the main investments involved the Isla del Cielo Residential Complex and Hotel Melía Jardines del Teide for EUR 2,864 thousand and UER 4,706 thousand respectively. **Other information**

All the Group's investment property is located in Spain.

The majority of the property investments are leased to third parties via operating leases. On 31 March 2016 the Group's main payments pending were from the variable rent from the lease of certain assets during the 2015 financial year amounting to EUR 8,759 thousand which it expects to receive under the lease contracts in the second quarter of 2016, the variable rent for the first quarter of the 2016 financial year for the amount of EUR 11,743 thousand which is expected to be received in under 12 months, as well as, the fixed linear revenue from the first quarter of 2016 for the amount of EUR 2,258 thousand.

On 31 March 2016 the Group owned properties with a carrying amount of EUR 1,291,265 thousand (EUR 1,284,010 thousand on 31 December 2015), including in the section "Property, plant and equipment", under guarantee of mortgage loans and credits for an amount of EUR 612,342 thousand at said date (EUR 554,531 thousand at 31 December 2015).

The Group has insurance policies to cover the replacement value of investment property.

At 31 March 2016 the Group had property investment commitments totalling EUR 14.1 million (EUR 18.6 million at 31 December 2015).

At 31 March 2016 and 31 December finance costs had not been capitalised.

The property investments are presented at fair value. At 31 December 2015 and in accordance with NIC 40 the Group updated the fair value of its property investments, taking as a reference the valuations carried out by independent third party appraisers (CB Richard Ellis Valuation) on said date. The methodology used to determine the market value, as well as the detail of the yields considered, is described in Note 4.3 of the Group's consolidated annual accounts on said date. The Directors of the Parent consider that the fair value of the property investments at 31 March 2016 would not significantly differ from the valuation calculated at the close of the 2015 financial year plus the additions made. For this reason on 31 March 2016 the Group had not contracted independent appraisers to update the valuations on said date and only modified the fair value of the assets in the investments made in the first quarter of the financial year.

## **8. Current and non-current financial assets**

### *Non-current financial assets*

At 31 March 2016, the heading “Non-current financial assets” basically lists (i) guarantees received by Barceló companies relating to the majority of the deferred tax liabilities recognised under acquisitions of hotels through business combinations held by the companies BAY, BHC and PDV in the amount of EUR 28,438 thousand (the same amount at 31 December 2015), and (ii) amounts deposited with the relevant Public Bodies in relation to the guarantees received via the lease contracts executed by the Group in the amount of EUR 9,462 thousand (EUR 7,113 thousand at 31 December 2015).

### *Current financial assets*

The heading “Other current financial assets” basically lists the credit rights the Group holds from the company Dunas Hotels & Resorts, S.L that were acquired by the Parent on 31 March 2016 in the amount of EUR 60,305 thousand through transfer by certain financial entities of the same, and as part of the transaction framed within the Framework Investment Contract that had been signed prior to close at 31 December 2015 and which was novated the same day as this debt acquisition. These credit rights have secured mortgages on four hotels which on the date of the present financial statements are owned by Dunas Hotels & Resorts, S.L. The Framework Investment Contract mentioned is subject to the finalisation of the restructuring and administration process in which the company Dunas Hotels & Resorts, S.L. is currently in.

## **9. Cash and cash equivalents**

At 31 March 2016 and 31 December 2015, this heading listed cash and cash equivalents in the amount of EUR 181,962 thousand and EUR 220,690 thousand including a deposit of EUR 609,000 and EUR 50 million respectively with short-term maturity and convertible into cash at the Group’s disposal.

The Group has in place pledge agreements concerning the current accounts related to financing agreements. It has access to their balances and may use them in the course of ordinary business, provided no early compliance with the obligations guaranteed has been notified.

In general the Group deposits its cash and liquid assets with highly solvent financial institutions.

## **10. Equity**

### **Share capital and share premium**

At 31 December 2014 the Parent's share capital was represented by 55,060,000 shares of par value 1 euro each, fully subscribed and paid up (all shares are book entries).

On 27 April 2015 an agreement was reached to increase the Parent's share capital by EUR 27,530 thousand by creating 27,530,000 new shares of par value 1 euro each, fully subscribed and paid up, with no preferential subscription rights.

The share capital increase and award of shares terminated on 28 April 2015, at the established price of EUR 12.25 per share, for a total amount of EUR 337,243 thousand, against a par value of 1 euro and a share premium of EUR 11.25. The new shares were admitted for trading on 29 April 2015. The costs of the issue amounted to EUR 10,121 thousand.

The prospectus for the share offering was approved by the Spanish National Securities Market Commission (“CNMV”) and entered into its official records on 23 April 2015.

Consequently, at 31 December 2015 share capital was represented by 82,590,000 fully subscribed and paid shares with a nominal value of 1 euro each, fully subscribed and paid up. All shares are represented by book entries and all bear the same rights.

At 31 March 2016 no there had been no changes to the share capital or to the share premium compared with 31 December 2015.

In accordance with the information provided to the CNMV and the Group's internal registers regarding corporate holdings, shareholders with significant direct and indirect stakes in the Parent's share capital at 31 March 2016 and 31 December 2015 are as follows:

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**31 March 2016**

Shareholder name and address	% shareholding		
	Direct	Indirect	Total
Soros Fund Management LLC	-	16.673	16.673
Paulson & Co. Inc.	-	9.855	9.855
FMR LLC	-	9.948	9.948
Cohen & Steers, Inc.	-	3.289	3.289
Tamerlane, s.a.r.l.	5.449	-	5.449
BW Gestao de Investimentos Ltda.	-	3.645	3.645
CBRE Clarion Securities, LLC	-	3.554	3.554
Apg Asset Management N.V.	4.218	-	4.218

**31 December 2015**

Shareholder name and address	% shareholding		
	Direct	Indirect	Total
Soros Fund Management LLC	-	16.673	16.673
Paulson & Co. Inc.	-	9.855	9.855
FMR LLC	-	9.948	9.948
Fidelity Investment Trust	6.418	-	6.418
Cohen & Steers, Inc.	-	3.289	3.289
Tamerlane, s.a.r.l.	5.449	-	5.449
BW Gestao de Investimentos Ltda.	-	3.645	3.645
CBRE Clarion Securities, LLC	-	3.554	3.554
Apg Asset Management N.V.	4.218	-	4.218

The Parent is unaware of any other ownership interests which, although lower than the percentages established, enable significant influence to be exercised on the Company.

### **Legal reserve**

Pursuant to the Spanish Limited Liability Companies Law ("Ley de Sociedades de Capital"), the equivalent of 10% of profits for the year must be transferred to the legal reserve until it exceeds at least 20% of the share capital.

The legal reserve may be used to increase share capital for the portion of the balance that exceeds 10% of the share capital as increased. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided other sufficient reserves are not available for this purpose

### **Shareholders' contribution**

On 17 February 2014 Azora Altus, S.L. made a cash contribution to the Parent's shareholders' equity of EUR 540,000.



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### Parent Company treasury shares

On 30 June 2015 the Parent drew up a liquidity contract with Beka Finance, S.V., S.A. to assist the liquidity of its transactions and the regularity of its quoted share price. At 31 March 2016 the Parent held 114,750 treasury shares (81,978 treasury shares on 31 December 2015) for the total amount of EUR 1,409 thousand (EUR 1,088 thousand at 31 December 2015). The purchase and sale of these treasury shares at 31 March 2016 accounted for losses of EUR 27,000 (at 31 March 2015 the Parent held no treasury shares, however, the result it obtained at 31 December 2015 amounted to profits of EUR 79 thousand).

### Non-controlling interests

The breakdown of "Non-controlling interests" at 31 March 2016 and 31 December 2015 is as follows:

	Thousands of euros		
	Hispania Fides, S.L. (*)	Bay Hotels & Leisure, S.A (**)	Total
<b>Balance at 31 December 2014</b>	<b>10,137</b>	-	<b>10,137</b>
Profit/(loss) for the year	(81)	6,777	6,696
Business combination	-	31,850	31,850
Other transactions with non-controlling interests	-	29,899	29,899
<b>Balance at 31 December 2015</b>	<b>10,056</b>	<b>68,526</b>	<b>78,582</b>
Profit/(loss) for the period	14	2,980	2,994
Hedging derivatives	(180)	(1,971)	(2,151)
<b>Balance at 31 March 2016</b>	<b>9,890</b>	<b>69,535</b>	<b>79,425</b>

(\*) 10% held by Corporación Empresarial Once, S.A.

(\*\*) A 24% stake of Barceló Hoteles Mediterráneo S.L.

### Adjustments to equity for changes in the value of financial instruments

This heading on the consolidated statement of financial position includes the fair value of financial derivatives designated as hedging instruments in cash flow hedges.

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## **11. Financial liabilities**

The composition of financial liabilities at 31 March 2016 and 31 December 2015 is as follows:

	Thousands of euros					
	Bank borrowings		Derivatives and Other		Total	
	2016	2015	2016	2015	2016	2015
Non-current financial liabilities						
Loans and payables	588,833	535,656	22,119	21,645	610,952	557,301
Hedging derivatives	-	-	27,269	12,527	27,269	12,527
	588,833	535,656	49,388	34,172	638,221	569,828
Current financial liabilities						
Loans and payables	18,550	13,995	44,847	43,724	63,397	57,719
Hedging derivatives	-	-	8,064	6,175	8,064	6,175
	18,550	13,995	52,911	49,899	71,461	63,894
	<b>607,383</b>	<b>549,651</b>	<b>102,299</b>	<b>84,071</b>	<b>709,682</b>	<b>633,722</b>

These amounts are included in the following items on the consolidated statement of financial position:

	Thousands of euros					
	Bank borrowings		Derivatives and Others		Total	
	2016	2015	2016	2015	2016	2015
Non-current financial liabilities						
Non-current bank borrowings	588,833	535,656	-	-	588,833	535,656
Hedging derivatives	-	-	27,269	12,527	27,269	12,527
Other non-current financial liabilities	-	-	22,119	21,645	22,119	21,645
	588,833	535,656	49,388	34,172	638,221	569,828
Current financial liabilities						
Bank borrowings	18,550	13,995	-	-	18,550	13,995
Hedging derivatives	-	-	8,064	6,175	8,064	6,175
Other current financial liabilities	-	-	22,258	26,482	22,258	26,482
Trade and other payables	-	-	21,127	15,510	21,127	15,510
Personnel remuneration payables	-	-	402	330	402	330
Customer prepayments	-	-	1,060	1,402	1,060	1,402
	18,550	13,995	52,911	49,899	71,461	63,894
	<b>607,383</b>	<b>549,651</b>	<b>102,299</b>	<b>84,071</b>	<b>709,682</b>	<b>633,722</b>

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## 11.1. Debt to credit institutions

The detail of payables to banks at 31 March 2016 and 31 December 2015 is as follows:

	Thousands of euros								
	Current	Non-current						Total non-current	Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years			
<b>2016</b>									
<b>Bank borrowings:</b>									
Loans from third parties	17,267	19,750	25,160	25,789	29,328	502,146	602,173	619,440	
Interest in third party debt	1,283	-	-	-	-	-	-	1,283	
Arrangement costs on borrowings	-	(3,273)	(1,593)	(1,543)	(1,482)	(5,449)	(13,340)	(13,340)	
<b>Total at 31 March 2016</b>	<b>18,550</b>	<b>16,477</b>	<b>23,567</b>	<b>24,246</b>	<b>27,846</b>	<b>496,697</b>	<b>588,833</b>	<b>607,383</b>	

	Thousands of euros								
	Current	Non-current						Total non-current	Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years			
<b>2015</b>									
<b>Bank borrowings:</b>									
Loans from third parties	13,805	17,239	22,019	23,441	25,317	459,809	547,825	561,630	
Interest in third party debt	499	-	-	-	-	-	-	499	
Arrangement costs on borrowings	(309)	(3,097)	(1,487)	(1,439)	(1,388)	(4,758)	(12,169)	(12,478)	
<b>Total at 31 December 2015</b>	<b>13,995</b>	<b>14,142</b>	<b>20,532</b>	<b>22,002</b>	<b>23,929</b>	<b>455,051</b>	<b>535,656</b>	<b>549,651</b>	

### *Loans and interest payable to third parties*

The detail of the different loans formalised by the Group at 31 March 2016 and 31 December 2015 by type of asset is as follows:

<b>2016</b>		Thousands of euros				
Company	Asset	Outstanding amount	Non-current	Current	Accrued finance costs	Finance cost on derivative interest
Hispania Real	Offices	115,764	114,883	881	493	199
Hispania Real	Residential	71,920	69,508	2,412	390	127
Hispania Real	Hotels	44,667	44,246	421	206	75
Hispania Fides	Offices	65,000	65,000	-	246	133
Hesperides Bay	Hotels	59,500	58,150	1,350	252	84
Bay Subgroup	Hotels	234,000	229,541	4,459	1,194	771
Eco Resort	Hotels	21,490	20,845	645	81	48
Leading	Hotels	6,601	-	6,601	21	n/a
Leading Hospitality	Non-mortgage loans and credit lines	498	-	498	-	n/a
		<b>619,440</b>	<b>602,173</b>	<b>17,267</b>	<b>2,883</b>	<b>1,437</b>
	Outstanding interest	1,283	-	1,283	-	-
	Arrangement costs on borrowings	(13,340)	(13,340)	-	419	-
	<b>Total</b>	<b>607,383</b>	<b>588,833</b>	<b>18,550</b>	<b>3,302</b>	<b>1,437</b>

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2015		Thousands of euros				
Company	Asset	Payables pending	Long-term	Short term	Finance costs incurred	Finance costs from derivative interest
Hispania Real	Offices	113,446	112,677	769	842	254
Hispania Real	Residential	72,417	70,811	1,606	1,329	340
Hispania Real	Hotels	47,178	46,712	466	764	196
Hispania Fides	Offices	65,000	65,000	-	352	41
Hesperides Bay	Hotels	1,000	-	1,000	2	1
Bay Subgroup	Hotels	234,000	231,780	2,220	487	290
Eco Resort	Hotels	21,490	20,845	645	8	n/a
Leading	Hotels	6,601	-	6,601	-	n/a
Leading Hospitality	Non-mortgage loans and credit lines	498	-	498	-	n/a
		<b>561,630</b>	<b>547,825</b>	<b>13,805</b>	<b>3,784</b>	<b>1,122</b>
	Outstanding interest	499	-	499	-	-
	Arrangement costs on borrowings	(12,478)	(12,169)	(309)	745	-
	<b>Total</b>	<b>549,651</b>	<b>535,656</b>	<b>13,995</b>	<b>4,529</b>	<b>1,122</b>

At 31 March 2016 the Group had different credit lines available in the amount of EUR 15 million (EUR 11 million at 31 December 2015), none of which had been drawn at the close of the period (nor had any been drawn at the close of the 2015 financial year).

The main financing transactions of the Group in the 2016 period were the following:

Hespérides Bay loan

On 25 November 2015, the Hespérides Bay Group company executed with Banco Sabadell a secured mortgage loan for the total amount of EUR 67.5 million, with maturity at 30 November 2030. At 31 December 2015, the Group had drawn one million euros. In the first quarter of 2016 the Group had drawn an additional EUR 58.5 million, leaving at 31 March 2016 the remaining 8 million to be drawn.

The main financing transactions of the Group in the 2015 financial year were the following:

BAY Subgroup loans

On 31 July 2015, Banco Bilbao Vizcaya Argentaria, S.A (agent bank), Banco de Santander, S.A. and Caixabank, S.A. granted syndicated financing to BAY in the amount of EUR 116 million.

This financing is structured in two tranches. The tranche is intended to repay the BAY debt to the Barceló companies and the expenses relating to the financing totalling EUR 64 million. Tranche B, is intended to partially finance the payment of the put or call option involving 100% of the shares in the companies BHC and PDV. The Group fully drew down the amounts of tranche A on 15 October 2015 and tranche B on 10 December 2015.

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The same credit institutions granted syndicated financing indistinctly to PDV and BHC on 31 July 2015 for a maximum amount of EUR 118 million. On 10 December 2015, PDV drew the amount of EUR 13 million and BHC the remaining amount of EUR 105 million.

This financing has a term of 10 years and the first instalment payment must be made on 25 October 2016. Of the total principal, 61.27% must be repaid in the last instalment (July 2025) while the remaining 38.75% must be repaid in 35 quarterly instalments of an increasing amount. The Group companies obtained interest rate hedges covering 100% of the debt represented by these loans.

#### Hispania Fides Loan

On 4 December 2015, Hispania Fides arranged with ING Bank a secured mortgage loan on certain property investments which they owned at 31 December 2015 in the amount of EUR 65,000 thousand.

The duration of this financing is 7 years, with no partial repayments. In relation to this financing Hispania Fides has arranged interest-rate hedge contracts for 100% of the debt.

#### Hespérides Bay loan

On 25 November 2015, Hespérides Bay arranged a loan with Banco de Sabadell with a secured mortgage loan for the total amount of EUR 67.5 million, with maturity at 30 November 2030. At 31 December 2015, the Group company had drawn one million euros.

#### Hispania Real loans

Over the course of the 2015 financial year, Hispania Real arranged mortgage loans with different financial institutions in the amount of EUR 233,041 thousand to finance the acquisition of residential, office and hotel properties.

Certain loans with several credit institutions establish financial ratios to be adhered to by the Group during their term, and the lenders are entitled to early repayment of the principal amount if they are not met. At the close of the first quarter of the 2016 financial year, the Group had met the financial ratios and/or obligations associated with the loans, and anticipated no breach of any of these in the short-term. At the close of the 2015 financial year, the Group had also complied with the aforementioned ratios and obligations.

#### ***Arrangement costs on borrowings***

At 31 March 2016 the debt arrangement costs pending attribution to the consolidated statement of comprehensive income amounted to EUR 13,340 thousand (EUR 12,478 thousand at 31 December 2015).

The finance costs at 31 March 2016 entailed by debt arrangement costs totalled EUR 419,000 (EUR 745,000 at 31 December 2015).

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### ***Guarantees provided***

The Company must provide certain guarantees during its normal course of business and to finance its operations, but the estimation is that the guarantees provided will not give rise to any additional liability in these consolidated annual accounts.

### **11.2 Derivatives and other**

The details of financial liabilities in this category at 31 March 2016 and 31 December 2015 are as follows:

	<b>Thousands euros</b>	
	<b>31 March 2016</b>	<b>31 December 2015</b>
Non-current		
Sureties and deposits received as a result of leases	9,685	9,551
Other long-term deposits	2,434	2,094
Non-current borrowings	10,000	10,000
Hedging derivatives	27,269	12,527
	<b>49,388</b>	<b>34,172</b>
Current		
Sureties and deposits received as a result of leases	1,563	1,209
Current borrowings	3,758	8,486
Sundry payables	38,064	32,297
Personnel remuneration pending payment	402	330
Customer prepayments	1,060	1,402
Hedging derivatives	8,064	6,175
	<b>52,911</b>	<b>49,899</b>

#### Non-current borrowings

"Non-current Payables" includes the loan arranged between Corporación Empresarial Once, S.A. and the subsidiary Hispania Fides on 7 July 2014, by virtue of which the parties agree that the lender will grant long term financing to the company for EUR 10,000 thousand. The maturity date of the loan was set at 60 months from the date the loan becomes available, i.e. 7 July 2019. The loan will incur annual interest at a fixed rate from the draw-down date to the maturity date.

#### Hedging derivatives

The breakdown of cash flow hedging instruments by interest rate risk at 31 December 2015 is as follows:

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Company	Asset	Spread	Variable Interest Rate:	Notional		Fair value	
				31 March 2016	31 December 2015	31 March 2016	31 December 2015
Hispania Real	Offices	(*)	EUR 3m	115,764	116,041	(3,659)	(1,390)
Hispania Real	Residential	(*)	EUR 3m	69,801	69,801	(1,783)	(1,226)
Hispania Real	Hotels	(*)	EUR 3m	44,667	45,032	(1,436)	(570)
Hispania Fides	Offices	(*)	EUR 3m	65,000	65,000	(2,691)	(896)
Hesperides Bay	Hotels	(*)	EUR 3m	59,500	59,500	(1,400)	72
Bay Subgroup	Hotels	(*)	EUR 3m	234,000	182,000	(22,531)	(14,196)
Eco Resort San Blas	Hotels	(*)	EUR 3m	21,490	-	(957)	-
				<b>610,222</b>	<b>537,374</b>	<b>(34,457)</b>	<b>(18,205)</b>

(\*) Derivative spreads are set at a range between 0.366% and 1.910%

### Sundry payables

This category basically lists the incentive pending payment of the purchase of two hotels located in Fuerteventura (Gran Hotel Atlantis Bahía Real and Suite Atlantis Fuerteventura Resorts) in the amount of EUR 15,500 thousand (see Note 7) (EUR 15,500 thousand at 31 December 2015). This heading also lists the debt pending payment to Azora Gestión S.G.I.I.C, S.A.U in the amount of EUR 3,072 thousand for the management fee (EUR 3,030 thousand at 31 December 2015).

It also includes current liabilities with various creditors from the Group company Leading Hospitality which has been in voluntary administration since last 9 February 2015, which reached at 31 March 2016 EUR 6,815 thousand (EUR 5,944 thousand at 31 December 2015). On the date that these financial statements were drawn up the creditors meeting of the aforementioned company was pending approval of the creditors agreement.

## **12. Tax situation**

Income tax for the period is calculated on the basis of taxable profit, which differs from the net profit reported in the consolidated statement of comprehensive income because it excludes income and expense items that are taxable or deductible in other years, together with items that are never taxable or deductible. The Group's assets and liabilities for current income tax are calculated using tax rates which have been approved at the date of the interim consolidated statement of financial position.

The breakdown of balances receivable from and payable to public authorities on the accompanying consolidated statement of financial position is as follows:

	<b>31 March 2016</b>	<b>31 December 2015</b>
	<b>Thousands of euros</b>	
Deferred tax assets	8,269	8,024
Receivables from government agencies	7,464	5,489
Value Added Tax	6,991	4,499
Current tax assets	-	16
Withholdings and interim payments	473	974
<b>Total balance receivable</b>	<b>15,733</b>	<b>13,513</b>
Deferred tax liabilities	53,826	53,544
Payables to government agencies	6,879	6,743
VAT and IGIC payable	4,276	4,088
Withholdings payable	1,250	1,267
Social Security payable	1,317	1,388
Other	36	-
<b>Total balance payable</b>	<b>60,705</b>	<b>60,287</b>



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*Income tax*

The breakdown of "Income tax" on the statement of comprehensive income for the quarterly periods ended 31 March 2016 and 2015 is as follows:

	31 March 2016	
	Thousands of euros	
	Statement of income	Equity
Income tax expense	-	-
Change due to prepaid and deferred tax		
Tax-loss carryforwards and other temporary differences recognised	-	-
Differences between carrying amount and tax base of investment property	61	-
<b>Income tax</b>	<b>61</b>	<b>-</b>

	31 March 2015	
	Thousands of euros	
	Income Statement	Equity
Income tax expense	-	-
Change due to prepaid and deferred tax		
Tax-loss carryforwards and other temporary differences recognised	-	-
Differences between carrying amount and tax base of investment property	109	-
<b>Income tax</b>	<b>109</b>	<b>109</b>

The table below shows the reconciliation between tax income / (expense) and the result of multiplying the rates applicable to total recognised income and expense:

Thousands of euros	31 March 2016	31 March 2015
	Income Statement	Income Statement
<b>Profit before tax</b>	<b>14,283</b>	<b>730</b>
Theoretical tax payable (tax rate 25% in 2016, 28% in 2015)	3,571	204
Income taxed under the SOCIMI regime	(3,274)	(88)
Temporary asset differences and tax bases not capitalised	643	362
Consolidation adjustments without a tax effect	(879)	(369)
<b>Effective tax expense/(revenue)</b>	<b>61</b>	<b>109</b>

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Details of the various items comprising deferred tax assets and deferred tax liabilities are as follows:

(Thousands of euros)	Balance at 31 December 2015	As per Income Statement	Others	Balance at 31 March 2016
<b>Deferred tax assets</b>				
Tax loss and tax credit carryforwards recognised	8,024	-	245	8,269
<b>Deferred liabilities</b>				
Revaluation of assets	(53,544)	(61)	(221)	(53,826)
<b>Total</b>	<b>(45,520)</b>	<b>(61)</b>	<b>24</b>	<b>(45,557)</b>

(Thousands of euros)	Balance at 31 December 2014	Additions due to business combinations	As per the income statement	Balance at 31 December 2015
<b>Deferred assets</b>				
Tax loss carryforwards and deductions recognised	13,210	2,967	(8,513)	8,024
<b>Deferred liabilities</b>				
Revaluation of assets	(4,913)	(46,123)	(2,508)	(53,544)
<b>Total</b>	<b>8,297</b>	<b>(43,156)</b>	<b>(10,661)</b>	<b>(45,520)</b>

Deferred tax assets relate to the tax loss and tax credit carryforwards that the Group expects to recover within a reasonable period of time and to the positive temporary differences available for offset of the negative temporary differences arising on recognition of investment property at market value should they arise.

The tax effect of the sales of the hotels Pueblo Ibiza, Hamilton and Ponent Playa has been deferred by the BAY company business combination in the 2015 financial year. The tax value (historic value) of these three hotels therefore differs from the carrying amount (fair value). The deferred tax liability of EUR 4,788 thousand relates to 25% of this difference.

It is important to note in this respect that the Investment Agreement concluded by the Barceló companies and Hispania stipulates that BHM will pay for all of the deferred taxes to which the Group is liable on the sale of any of these three hotels, provided that the sale takes place before 1 November 2026 or the date on which 5 years have elapsed since the date on which the Company's shares are listed on a regulated market. The Investment Agreement also stipulates that the temporary difference that may arise with respect to this deferred tax liability will disappear if BHM sells the BAY shares received in exchange for the contributed hotels before BAY sells the properties.

The Group has recognised the difference between the carrying amount and the fair value of the investment property acquired on the purchase of BHC and PDV as a deferred tax liability. They were recognised at 25% of this difference and, as was the case with the deferred items arising on the acquisition of BAY, the Investment Agreement concluded by the Barceló companies and Hispania stipulates that the Barceló companies will assume 75% of the deferred taxes that the Group may pay on any of the hotels acquired under this

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combination, provided that the sale take place before 1 November 2026 or the date on which 5 years have elapsed since the Company's shares are listed on a regulated market.

These guarantees, together with any other commitments entered into on the sale have been recognised as a EUR 28,438 thousand increase in receivables from the Barceló companies, since the expectation is that the Group will realise the guaranteed liabilities within the agreed deadline.

Details of the Parent's tax-loss carryforwards yet to be offset at 31 March 2016 and 31 December 2015 are as follows:

<b>(Thousands euros)</b>		
<b>Year Generated</b>	<b>2016</b>	<b>2015</b>
<b>2014</b>	18,546	18,546
<b>2015</b>	14,535	14,535
<b>2016 (at 31 March)</b>	884	-
	<b>33,965</b>	<b>33,081</b>

The tax loss carryforwards yet to be offset by the rest of the Group companies are as follows:

<b>(Thousands euros)</b>			
<b>Company</b>	<b>Year generated</b>	<b>2016</b>	<b>2015</b>
<b>Group companies</b>	<b>2007</b>	53	53
	<b>2008</b>	1,831	1,831
	<b>2009</b>	9,546	9,546
	<b>2010</b>	2,775	2,775
	<b>2011</b>	1,763	1,763
	<b>2012</b>	16,418	16,418
	<b>2013</b>	4,698	4,698
	<b>2014</b>	27,897	27,897
	<b>2015</b>	11,556	11,556
	<b>2016 (at 31 March)</b>	3,200	-
		<b>79,737</b>	<b>76,537</b>

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### **13. Income and expenses**

#### **13.1 Rental income**

The amount recognised under this heading at 31 March 2016 and 31 March 2015 relates to rental income arising from the Group's property rental business.

Revenue from the Company's ordinary business is mainly concentrated around Madrid, Barcelona, Málaga and Tenerife. Details of revenue, by business are as follows:

<b>Activities</b>	<b>31 March 2016</b>	<b>31 March 2015</b>
	<b>Thousand euros</b>	
Office building leases	4,469	2,690
Residential leases	1,449	798
Hotel leases	21,199	1,760
<b>Total</b>	<b>27,117</b>	<b>5,248</b>

<b>Geographic markets</b>	<b>31 March 2016</b>	<b>31 March 2015</b>
	<b>Thousand euros</b>	
Catalonia	2,222	1,756
Madrid Region	4,218	2,234
Andalusia	1,384	591
Canary Islands	16,292	667
Balearic Islands	3,001	-
<b>Total</b>	<b>27,117</b>	<b>5,248</b>

Income from hotel leasing at 31 March 2016 came mainly from lease contracts held with the Barceló Group, for the amount of EUR 15,651 thousand. At 31 March 2015 no hotels were leased to the Barceló Group as these were arranged by the Group companies BHC, PDV and BAY, which came under the scope of consolidation in October and December of 2015 as explained in Note 15 of the consolidated annual accounts for that financial year.

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### 13.2 Services rendered

Hotel and hotel management services gave rise to income totalling EUR 2,560 thousand in 2016. At 31 March 2015 the Group had not conducted these activities.

### 13.3. Personnel costs

Personnel costs break down as follows

	<b>31 March 2016</b>	<b>31 March 2015</b>
	<b>Thousands of euros</b>	
Wages and salaries	(991)	(18)
Social security paid by the Company	(301)	(5)
<b>Total</b>	<b>(1,292)</b>	<b>(23)</b>

Group personnel relate mainly to the employees engaging in the hotel operations involving the assets directly managed by the Group, which have been classified as property, plant and equipment (see Note 6).

### 13.4 Other operating costs

Operating costs were mainly accounted for by the management fees of Azora Gestión, S.G.I.I.C., S.A. amounting to EUR 3,072 thousand at 31 March 2016 (EUR 1,736 at 31 March 2015) and expenditure on Property Tax accrued in the 2016 financial year on each asset owned by the Group, in the amount of EUR 1,638 thousand (EUR 635 thousand at 31 March 2015).

### 13.5. Related-party transactions

The Group has related-party transactions associated with the management fees of Azora Gestión, S.G.I.I.C., S.A. amounting to EUR 3,072 thousand (EUR 1,736 at 31 March 2015) and management services from Azzam Gestión Inmobiliaria, S.L. in the amount of EUR 115 thousand (zero cost for services by this company at 31 March 2015). The amounts outstanding are EUR 3,072 thousand and EUR 72 thousand respectively at 31 March 2016 (EUR 1,736 thousand at 31 March 2015).

In addition, under the heading “Non-current financial assets” the amount of EUR 2,556 thousand is registered as a credit in favour of the related entity Azora Altus, S.L.

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### 13.6. Finance costs

The detail of finance costs is as follows:

	<b>31 March 2016</b>	<b>31 March 2015</b>
	<b>Thousands of euros</b>	
Arrangement Costs on borrowings (Note 11.1)	419	62
Interest on loans (Note 11.1)	4,320	507
Others	75	246
<b>Total</b>	<b>4,814</b>	<b>815</b>

### 13.7 Profit/(loss) by company

The contributions by each company included in the scope of consolidation to the consolidated profit (loss) for the period are as follows:

	<b>Thousands of euros</b>	
	<b>31 March 2016</b>	<b>31 March 2015</b>
Hispania Activos Inmobiliarios S.A.	(3,499)	(2,563)
Hispania Real SOCIMI, S.A.U	2,706	3,036
Hispania Fides, S.L.	136	148
Hesperides Bay, S.L.U	2,652	-
Eco Resort San Blas, S.L.U	376	-
Hospitia, S.L.U.	(129)	-
Hispania Hotel Management, S.L.U.	(361)	-
Bay Hotels & Leisure, S.A.	6,231	-
Poblado de Vacaciones, S.A.U.	531	-
Bay Hotels Canarias, S.L.U.	5,657	-
Leading Hospitality, S.L.U.	(76)	-
Club de Tenis Maspalomas, S.L.U.	(2)	-
<b>Total</b>	<b>14,222</b>	<b>621</b>

## 14. Remuneration and other benefits of Directors and senior executives

### Remuneration of the Board of Directors

The remuneration earned during the first quarter of 2016 and the quarter ended 31 March 2015 by the current members of the Parent's Board of Directors in the form of wages and salaries, incentives, attendance fees and bylaw-stipulated directors' emoluments amounted to EUR 111 thousand and EUR 111 thousand, respectively. The breakdown is as follows:

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Remuneration paid to directors	Thousands of euros	
	31 March 2016	31 March 2015
Director remuneration 1)	78	78
Additional remuneration to the Executive Committee 1)	13	13
Additional remuneration of the Audit and Control Committee 1)	13	13
Additional remuneration to the Nomination and Remuneration Committee 1)	8	8
<b>Total</b>	<b>111</b>	<b>111</b>

1) Includes the remuneration of the Company's non-voting Secretary.

At 31 March 2016 and 2015, no advance payments or loans had been granted to the joint and several directors and no obligations had been undertaken on their behalf by way of guarantees.

## **15. Risk management policies**

Financial risk management policies in the sector in which the Group operates are chiefly determined by analyses of investment projects, management of property occupancy and the situation of finance markets.

- Credit risk: the Group's credit risk is due mainly to the risk of tenants defaulting on their contractually agreed-upon rent payments. Each company manages this risk through its selection of tenants, the contracts drawn up, stipulating advance payment of the rents and legal financial guarantees and additional collateral to cover any potential non-payments. The Group also holds cash and current deposits (Note 9) with highly creditworthy financial institutions.
- Liquidity risk: At the present time this is considered a non-material risk as the Group is involved in an investment phase and has sufficient liquidity to meet its on-going commitments.
- Market risk: This is one of the Group's main risks, in view of possible vacant properties or unfavourable renegotiations of lease contracts when the current agreements expire. This risk would have a direct adverse effect on the valuation of Group assets. The Group mitigates this risk through proactive management of its property focusing on adding value to it with an investment policy to reposition the assets and select its customers.
- Interest rate risk: At 31 March 2016 the Group had external finance at a variable rate on the basis of Euribor (see Note 11). The amount drawn on this at 31 March 2016 was EUR 619,440 thousand (EUR 561,630 thousand at 31 December 2015), in respect of which there are cash flow hedging instruments to cover a portion of the risk for a notional amount of EUR 610,222 thousand (EUR 537,374 thousand at 31 December 2015). Provided, therefore, the same drawdown levels are maintained at this date, a 1% change to the basic rate of interest would entail an annual variation in the cost of borrowing in the amount of EUR 92 thousand (EUR 247 thousand at 31 December 2015).

***Fair value hierarchy***

All financial instruments at fair value are classified as the following tiers in accordance with the inputs used to measure them:

- Tier 1. Use of quoted prices of similar assets or liabilities on active markets (with no adjustments).
- Tier 2. Use of inputs (not quoted prices as above), directly or indirectly observable.
- Tier 3. Use of non-observable inputs.

	Thousand euros			
	31/03/2016	Tier 1	Tier 2	Tier 3
<b>Financial assets</b>				
Property, plant and equipment	67,281	-	-	67,281
Investment property	1,395,380	-	-	1,395,380
<b>Financial liabilities</b>				
Hedging derivatives	34,457	-	34,457	-

	Thousand euros			
	31/12/2015	Tier 1	Tier 2	Tier 3
<b>Financial assets</b>				
Property, plant and equipment	64,200	-	-	64,200
Investment property	1,360,613	-	-	1,360,613
<b>Financial liabilities</b>				
Hedging derivatives	18,349	-	18,349	-

The Group does not have financial instruments whose fair value cannot be measured and there have been no transfers among the different tiers in the hierarchy of financial instruments in the first quarter of the year underway.



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## **16. Other information**

### **16.1 Personnel structure**

	Number of employees at the end of the year			Average number of employees during the year
	Men	Women	Total	
<b>31 March 2016</b>				
Executives	-	-	-	-
Middle management	-	-	-	-
Administrative staff	16	17	33	32
Production personnel	83	50	133	107
<b>Total</b>	<b>99</b>	<b>67</b>	<b>166</b>	<b>139</b>

	Number of employees at the end of the year			Average number of employees during the year
	Men	Women	Total	
<b>31 December 2015</b>				
Executives	-	-	-	1
Middle management	-	-	-	1
Administrative staff	16	14	30	36
Production personnel	71	35	106	125
<b>Total</b>	<b>87</b>	<b>49</b>	<b>136</b>	<b>163</b>

As indicated in Note 13.3 Group personnel relates mainly to the employees engaged in the hotel operations involving the assets directly managed by the Group, which have been classified as property, plant and equipment (see Note 6).

## **17. Subsequent Events**

On 5 May 2016 the General Shareholders Meeting of the Parent approved the Merger described in Note 1, as well as the special tax regime provided for in Law 11/2009, of 26 October, regulating the Listed Companies Investing in the Property Market (SOCIMIs).

The same General Shareholders Meeting also approved partial distribution of the share premium of the Parent for a gross amount of EUR 10,400,000.

## **HISPANIA ACTIVOS INMOBILIARIOS, S.A. AND SUBSIDIARIES**

### **Interim consolidated management report for the first quarter of 2016**

#### **1. Macroeconomic situation and analysis by business**

The Spanish economy advanced 0.8% in the first quarter of the year, according to data from the Quarterly National Accounts published by the National Statistics Institute (INE).

This growth of 0.8% is equal to that of the two previous quarters (third and fourth quarters of 2015) and is two tenths of a point below the 1% registered for April and June of 2015, the period in which activity grew faster due to the initiation of the Spanish economy's recovery. The annual GDP stood at 3.4% in the first quarter of the year, one point less than the previous quarter.

In its latest statistical bulletin the Bank of Spain noted that "the economic indicators of the market economy point to a modest slowing" estimating a GDP growth of 0.6% in the second and third quarters of this year and 0.5% for the last.

In regard to the job market, the Bank of Spain considers that "the employment indicators were positive at the end of the first quarter, with a year-on-year increase in Social Security affiliations, though it was slightly below that observed for the previous months".

The Bank of Spain reduced its growth projection by one tenth of a point of the GDP for 2016, to 2.7%, due to the downward revision to world growth forecast, the appreciation of the Euro and the drop in share prices.

#### ***Office market***

The office market in Barcelona grew in terms of the number of transactions. Between January and March this year a total of 98 transactions were closed, in line with the average for the last four quarters. This figure is notably higher than the 55-75 contracts signed on average for the period 2007-2014.

Some 72% of the contracts were located in business centres (CBD) and other central areas and only 11% were located in outlying areas. Companies choose to be located in the centre of Barcelona with scenarios of rapid rent increases, and thus, the average surface space also increases, from 405 sqm in the last quarter of 2015 to 620 sqm in the first quarter of the year.

Office surfaces contracted in Madrid reached 103,000 sqm in the first quarter of 2016. After this market reached in 2015 its best rate of activity since the start of the crisis, the number of square metres leased in the first part of 2016 approached 118,000 sqm just a year ago. The organic market growth for offices is notable, given the lack of large-scale transactions between January and March.

The average rent in Madrid remains high and increased 8% year-on-year, due to the increasing scarcity of quality available space, which pressures renters on new contracts to seek offices with energy certification, according BNP Paribas Real Estate.

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### ***Residential market***

The residential market in the first quarter continued its growth trend initiated in 2014 and continued throughout 2015. The absorption of the stock available in the most consolidated areas and the growth in demand supported by favourable financing conditions have fostered the expansive growth seen in 2015.

Transactions in the second-hand market continue to be more active, though development activities have continued the recovery initiated in 2015. This activity is focused mainly in markets with higher economic activity where available real estate is residual.

Last, the incipient activity in housing purchases by foreigners is notable. These represented approximately 18% of the total in 2015.

### ***Hotel market***

The tourism sector continues in the first quarter of 2016 with the positive trend of 2015, strengthening its position as the main driver of the Spanish economy.

This trend is reflected in the increased number of overnight stays in hotels in the first quarter of 2016 which increased 13.3% in regard to the same period of the previous year.

The main destination chosen by non-resident travellers in the first quarter of 2016 were the Canary Islands, registering a total of approximately 49% of the total of overnight stays. In this area, overnight stays of foreigners grew 8% in regard to the same period of the previous year, with a notable 20% growth in the number of tourists from Great Britain arriving in the Canary Islands in this period.

In terms of occupation, the hotel sector has shown a solid increase of four percentage points in the first quarter of 2016 compared with the same period of the previous year. The Canary Islands had the highest rate of occupation per keys in the first quarter of 2016 with an average of 87%.

The sector ADR also increased in the first quarter of 2016 by +4% compared with the same period for the previous year. In the Canary Islands, the growth rate was higher, reaching +6% for said period.

## **2. The Group's organisational structure and functioning**

The Group is managed externally on the basis of the contract signed in 2014 with Azora Gestión SGIIC, S.A.

## **3. Developments in Group activity**

Hispania commenced the 2016 financial year with returns that for the first time begin to show profitability of its portfolio, the turnover for March 2016 reaching EUR 29.7 million, 62.9% higher than the fourth quarter of 2015, and 465% higher than the first quarter of 2015.

The total NOI amounted to EUR 23.7 million, 533% higher than the first quarter of 2015, and the consolidated EBITDA of EUR 19.2 million is 1,177% higher than the first quarter

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of 2015 the consolidated net profit reaching EUR 14.2 million compared with EUR 0.6 million for the same period of the previous year.

These annualised profits and losses represent a net profitability of 6.2% over the GAV at the end of the first quarter of 2016 calculating according to EPRA methodology.

Hispania made the following investments:

In January Hispania acquired a plot adjacent to the Gran Hotel Atlantis Bahía Real, in order to use it to extend the hotel, for a purchase price of EUR 12 million.

In the month of March the acquisition of a residential complex in Madrid was executed, the acquisition price amounting to EUR 16 million (not including transactions costs).

Last, also in March, Hispania acquired the entire mortgage debt associated with the 4 hotels located in Gran Canaria, owned by Dunas Hotels & Resort. This acquisition was part of the overall transaction to acquire the 4 assets and would mean a total investment of EUR 75 million (including the purchase of the debt), once fully executed.

Following these acquisitions, at the close of the first quarter Hispania had a portfolio of 60 assets with a gross value of EUR 1,463.3 million.

In regard to marketing activities Hispania has continued to make a great effort in the first quarter of the year, which has led to a total occupation of the office portfolio of 81%.

The net contracted surface area in Madrid was 5,918 sqm, (5.2% of the Madrid portfolio) with increases among others in the Cristalia Play and Murano buildings, and Príncipe de Vergara 108.

The net surface area in Barcelona was 186 m<sup>2</sup> (0.5% of the surface in Barcelona)

In regard to investments in refurbishments over the course of the first quarter of 2016, a total of 7.2 million was invested in repositioning, notably:

EUR 1.5 million in the hotel portfolio  
EUR 4.6 million in the office portfolio  
EUR 1.2 million in the residential portfolio

At the close of the first quarter the total investment of Hispania, accumulated since it was listed for trading, is EUR 1,332.9 million and the net value of the assets according to EPRA recommendations reached EUR 973 million, equal to 11.8€/share.

Last, it is worth noting that during the first quarter of 2016 total financing of EUR 62.5 million was obtained, increasing the Group's total financial debt to EUR 629.4 million, representing a net Loan to Value of 27% at the end of the period.

#### **4. Outlook for the market and the Group**

##### ***Hotel market***

The forecasts for 2016 are very positive, and a very strong summer period is expected. Positive economic growth at the global level, focused mainly on the developed economies, which include the principal sources of tourists to Spain, will strengthen the holiday demand from abroad. Factors which had a positive impact on demand in 2015, such as low oil prices and the depreciation of the euro, will maintain their effect throughout 2016. Lastly, Spain's safety as a tourist destination will continue to make it especially attractive, given the situation in competing Mediterranean destination, currently viewed with caution. Domestic demand will continue to grow during 2016, in line with economic growth and the positive trends in employment and spending power. This will result in an improved performance in practically all Spanish tourist destinations.

##### ***Office market***

In 2016, the Madrid market is expected to achieve leasing levels in the region of 595,000 m<sup>2</sup>. The positive economic context and the forecast increase in private sector employment over the next 12 months, despite political uncertainty, paints a bright outlook for leases. Nevertheless, the political instability could delay or postpone decisions on the leasing of office space.

The availability rate, a key factor in property markets, will continue to decline given the scarcity of new supply expected in 2016 and the projected volume of leasing.

The behaviour of rental prices in 2016 will follow a similar trend to that of the previous year. A generalised improvement is forecast in all zones, especially in the business district zones (CBD and RBD), where availability is already very low.

Bearing in mind the good performance of demand and the restricted supply of new space entering the market this year, the availability rate is expected to continue tightening in all zones.

##### ***Residential market***

Residential market indicators in Spain appear to indicate a normalisation of the market supported by positive projections for economic growth and job creation, estimated at 500,000 for 2016.

In any case, areas with lower demand where there continues to be significant availability, price adjustments will likely continue in 2016 though at a more moderate rate, given the significant price adjustments since 2008.

#### **5. Treasury shares**

On 30 June 2015 the Parent drew up a liquidity contract with Beka Finance, S.V., S.A. to assist the liquidity of its transactions and the regularity of its quoted share price. At 31 March 2016 the Parent held 114,750 treasury shares (81,978 treasury shares on 31 December 2015) for the total amount of EUR 1,409 thousand (EUR 1,088 thousand at 31 December 2015). The purchase and sale of these treasury shares at 31 March 2016 accounted for losses of EUR 27,000 (at 31 March 2015 the Parent held no treasury shares,

*Translation of Interim condensed consolidated financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails*

however, the result it obtained at 31 December 2015 amounted to profits of EUR 79 thousand).

#### ***6. Events after the reporting period***

On 5 May 2016 the General Shareholders Meeting of the Parent approved the Merger described in Note 1, as well as the special tax regime provided for in Law 11/2009, of 26 October, regulating the Listed Companies Investing in the Property Market (SOCIMIs).

The same General Shareholders Meeting also approved partial distribution of of the share premium of the Parent for a gross amount of EUR 10,400,000.

**Directors' Signatures**

Pursuant to the provisions set forth in the Capital Companies Act, the Board of Directors of Hispania Activos Inmobiliarios, S.A. drew up on 9 May 2016 the Interim Condensed Consolidated Financial Statements (consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and the annual report) and summarised explanatory notes and the consolidated interim management report for the quarter ended 31 March 2016 printed on 48 sheets of ordinary paper, all approved by the Secretary of the Board.

In accordance with Royal Decree 1362/2007 of 19 October (Articles 8.1 b) and 10), the undersigned Directors of Hispania Activos Inmobiliarios, S.A. hereby issue the following declaration of responsibility:

To the best of their knowledge, the Interim Condensed Consolidated Financial Statements were drawn up on the basis of the accounting principles applicable, and provide a true and fair view of the equity, financial position and results of the issuer and of its consolidated companies taken collectively, along with the description of the main risks and uncertainties they face.

In witness whereof, the Directors sign below.

MR. RAFAEL MIRANDA ROBREDO  
Chairman of the Board of Directors  
Chairman of the Board of Directors  
Member of the Appointments and Remuneration  
Committee

MR. JOAQUÍN AYUSO GARCÍA  
Member of the Board of Directors  
Member of the Executive Committee  
Member of the Audit Committee

*Translation of Interim condensed consolidated financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails*

MR. JOSÉ PEDRO PÉREZ-LLORCA Y  
RODRIGO

Member of the Board of Directors  
Member of the Audit Committee  
Member of the Appointments and Remuneration  
Committee

MR. LUÍS ALBERTO MAÑAS ANTÓN

Member of the Board of Directors  
Chairman of the Audit Committee

Ms. M<sup>a</sup> CONCEPCIÓN OSÁCAR  
GARAICOECHEA

Member of the Board of Directors  
Member of the Appointments and Remuneration  
Remunerations

MR. FERNANDO GUMUZIO  
ÍÑIGUEZ DE ONZOÑO

Member of the Board of Directors  
Member of the Executive Committee



## SPANISH TRANSLATION OF THE SUMMARY

*Los resúmenes están compuestos por exigencias de revelación conocidas como “Elementos”. Estos Elementos están numerados en las Secciones A-E (A.1-E.7).*

*Este resumen contiene todos los Elementos a incluir en un resumen para este tipo valores y de sociedad. Dado que algunos Elementos no deben ser abordados, puede haber espacios sin rellenar en la secuencia numérica de los Elementos.*

*A pesar de que algún Elemento deba ser incluido en el resumen dado el tipo de valores y de la sociedad, es posible que no haya información relevante referida a ese Elemento. En este caso, se incluye una breve descripción del Elemento en el resumen con la indicación de “no aplicable”.*

<b>Sección A – Introducción y advertencias</b>		
<b>A.1</b>	<b>Advertencia a inversores:</b>	<p><b>ESTE RESUMEN DEBE LEERSE COMO UNA INTRODUCCIÓN A ESTE FOLLETO. TODA DECISIÓN DE INVERTIR EN LAS NUEVAS ACCIONES ORDINARIAS Y/O DERECHOS DE SUSCRIPCIÓN PREFERENTE DE LA SOCIEDAD DEBE ESTAR BASADA EN LA CONSIDERACIÓN POR PARTE DEL INVERSOR DE ESTE FOLLETO EN SU CONJUNTO.</b></p> <p><b>Cuando se presente ante un tribunal una demanda sobre la información contenida en el Folleto, el inversor demandante podría, en virtud del Derecho nacional de los Estados miembros, tener que soportar los gastos de la traducción de este Folleto antes de que dé comienzo el procedimiento judicial.</b></p> <p>Bajo derecho español, la responsabilidad civil solo se exigirá a las personas que hayan presentado la nota de síntesis, incluida cualquier traducción de la misma, y únicamente cuando la nota de síntesis sea engañosa, inexacta o incoherente en relación con las demás partes de este Folleto, o no aporte, leída junto con las otras partes de este Folleto, información fundamental para ayudar a los inversores a la hora de determinar si invierten o no en las nuevas acciones ordinarias y/o derechos de suscripción preferente.</p> <p>Los términos empleados en esta sección cuya primera letra está en mayúscula tienen el significado atribuido en el Folleto salvo que del contexto se deduzca otro significado o que cuenten con una definición propia en esta sección.</p>
<b>A.2</b>	<b>Venta posterior o colocación final de los valores por parte de los intermediarios financieros:</b>	No aplicable. La Sociedad no contratará ningún intermediario financiero para proceder a una venta posterior o a la colocación final de los valores que requiera un folleto después de la publicación de este documento y no ha dado su consentimiento a ningún venta posterior o colocación.

<b>Sección B – Emisor</b>		
<b>B.1</b>	<b>Nombre legal y comercial del emisor:</b>	El emisor tiene la denominación social de Hispania Activos Inmobiliarios SOCIMI, S.A. El nombre comercial del emisor es “Hispania”.
<b>B.2</b>	<b>Domicilio y forma jurídica del emisor:</b>	La Sociedad se constituyó el 23 de enero de 2014 de conformidad con la Ley de Sociedades de Capital como sociedad anónima (o S.A.) bajo el nombre de Hispania Activos Inmobiliarios, S.A. Hispania tiene su domicilio social en calle Serrano 30, 2º izquierda, 28001 Madrid, España. El ejercicio social de la Sociedad termina el 31 de Diciembre. Con fecha 5 de mayo de 2016, se ha modificado la denominación social de la Sociedad, siendo ahora Hispania Activos Inmobiliarios SOCIMI, S.A.

<p><b>B.3</b></p>	<p><b>Factores clave relativos al carácter de las operaciones en curso del emisor y de sus principales actividades:</b></p>	<p><i><b>Estrategia de inversión</b></i></p> <p>Hispania es una sociedad constituida con el fin de crear una cartera de activos inmobiliarios de alta calidad, para lo que invierte principalmente, tanto de forma directa como indirecta, en propiedades de uso residencial, oficinas y hoteles en España y, eventualmente, en alojamientos para estudiantes. No obstante, la Sociedad también puede invertir, sujeto en cada caso, a determinadas restricciones, en otro tipo de activos inmobiliarios, tales como locales comerciales o inmuebles logísticos, o con subyacentes inmobiliarios y en oportunidades de promoción o de grandes oportunidades de rehabilitación, así como realizar inversiones mediante el uso de otros instrumentos, tales como adquisición de participaciones minoritarias en sociedades en que la Sociedad pueda ejercer una influencia significativa para la protección de los intereses de los accionistas o instrumentos de deuda en forma de deuda <i>mezzanine</i>, híbrida y/o senior de sociedades inmobiliarias o con garantía hipotecaria. Existen restricciones específicas de inversión acordadas entre la Sociedad y Azora Gestión S.G.I.I.C., S.A. (la <i>Gestora</i>).</p> <p>La gestión patrimonial de la Sociedad y de su Grupo ha sido encomendada a la Gestora bajo el contrato de gestión suscrito por Hispania y la Gestora el 21 de febrero de 2014, tal y como ha sido modificado sucesivamente, en virtud del cual la Gestora fue mandatada para invertir y gestionar de forma activa la cartera de activos del Grupo Hispania así como para llevar la gestión corporativa y de administración ordinaria de la Sociedad por un periodo inicial de seis años.</p> <p><i><b>Cartera de activos</b></i></p> <p>El negocio central de la Sociedad es la adquisición y gestión en propiedad de toda clase de inmuebles, lo que incluye la compra, la venta, la reforma, el arrendamiento (o gestión) y la explotación de estos activos inmobiliarios directamente o a través de sociedades participadas. Todas las actividades del Grupo Hispania se realizan en España.</p> <p>La Sociedad ha demostrado su capacidad para invertir los fondos obtenidos con ocasión de la salida a bolsa el 14 de marzo de 2014 (la <i>Salida a Bolsa</i> o la <i>Admisión a Negociación</i>) y del aumento de capital posterior invirtiendo a precios atractivos en activos pertenecientes al segmento de propiedades hoteleras, de oficinas y residenciales en distintas ubicaciones dentro de España. Desde la Salida a Bolsa hasta el 31 de marzo de 2016, el Grupo ha invertido en 60 activos un importe total consolidado de 1.335 millones de euros (incluyendo el precio de adquisición, los costes asociados a la adquisición de los activos a 31 de marzo de 2016 y capex implementado a 31 de marzo de 2016). A 31 de marzo de 2016, el valor de la cartera de activos, que ascendía a 1.463 millones de euros (1.322 millones de euros, aproximadamente, en términos atribuibles teniendo en cuenta el porcentaje de participación del Grupo en los distintos activos), se distribuye entre las siguientes categorías de activos de la siguiente manera: 58,9%, hoteles, 28,0%, oficinas y 13,1%, activos residenciales. Por su parte, los activos del Grupo se encuentran principalmente ubicados en Canarias, que, en conjunto, representan el 40,8% del Valor Bruto de los Activos de la cartera a 31 de marzo de 2016, seguidos de Madrid, con un 33,4%, de Barcelona con un 11,9%, de Baleares con un 8,2% y de Andalucía con un 5,5% del valor de la cartera de activos del Grupo a 31 de marzo de 2016. Se incluye a continuación los principales aspectos de la cartera de oficinas, de hoteles y residencial del Grupo a 31 de marzo de 2016:</p> <p>(a) <i>Hoteles</i>. El Grupo Hispania cuenta con una cartera de 27 hoteles, gestionados por diferentes operadores y ubicados en distintas localizaciones dentro de España. Excepto por los dos hoteles Hoteles NH localizados en Madrid (Hotel NH Pacífico y Hotel NH San Sebastián de los Reyes), el Hotel Holiday INN Bernabéu en Madrid, el Hotel Hesperia Ramblas de Barcelona, el Hotel Maza de Zaragoza y el Hotel Vincci Málaga, que están orientados al turismo urbano y de negocios, el resto de los activos tienen un enfoque vacacional y están ubicados en importantes destinos turísticos en España. La cartera hotelera incluye un total</p>
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de 8.234 habitaciones hoteleras. La mayoría de los hoteles (excepto el Hotel Maza y el Hotel Holiday Inn Bernabéu, cuya gestión ha sido encomendada de forma interna a un gestor) están sujetos a contratos de alquiler con operadores de reconocido prestigio que operan los diferentes activos. Los contratos de alquiler son contratos con condiciones de mercado. El valor de los hoteles del Grupo asciende a 31 de marzo de 2016 a 862 millones de euros (considerando el Valor Bruto de los Activos según valoraciones realizadas por CBRE para los activos en cartera a 31 de diciembre de 2015, más las nuevas adquisiciones realizadas (los terrenos Las Agujas y las unidades adicionales de Hospitia), más el capex implementado y los costes capitalizados de transacción adicionales incurridos durante el primer cuarto de 2016), o 99.000 euros por habitación (ajustado por el Valor Bruto de los Activos según valoraciones realizadas por CBRE atribuido a los locales comerciales que forman parte de algunos hoteles y por el valor atribuido a los terrenos Las Agujas) distribuido geográficamente de la siguiente manera: el 69% de la cartera de hoteles se localizaba en las Islas Canarias; el 14% en las Islas Baleares; el 8% en Andalucía, el 6% en Madrid y el 2% restante en Barcelona.

- (b) *Oficinas.* La cartera de oficinas está compuesta por 25 edificios que acumulan un total de 153.621 m2 de superficie bruta alquilable de oficinas (SBA) (incluyendo 1.883 m2 de zona comercial) y 3.021 plazas de garaje. A 31 de marzo de 2016, la cartera tenía una ocupación del 81%.

La renta media bruta a 31 de marzo 2016 de la cartera ocupada (gastos excluidos) era de 12,9€/m2. El valor de los activos del segmento de oficinas asciende a 410 millones de euros (considerando el Valor Bruto de los Activos según valoraciones realizadas por CBRE para los activos en cartera a 31 de diciembre de 2015 y considerando el capex implementado y el coste capitalizado de transacción adicional incurrido durante el primer cuarto de 2016), lo que resulta en un Valor Bruto de los Activos por metro cuadrado de 2.668 euros, estando distribuido geográficamente por activos según se indica a continuación: el 77,6% de la cartera de oficinas se encuentra en Madrid, el 20,6% en Barcelona y el 1,8% en Málaga.

- (c) *Residencial.* El Grupo Hispania gestiona en la actualidad una cartera residencial que incluye cinco activos, uno de ellos en Barcelona y los otros cuatro en la Comunidad de Madrid. En total, la cartera de activos residenciales de la compañía cuenta con 764 viviendas (200 en Barcelona y 564 en Madrid). A 31 de marzo de 2016, las viviendas estaban ocupadas en un 87% y con una renta media de 9,5€/m2. El valor de los activos que comprenden la cartera residencial es de 191,4 millones de euros a 31 de marzo de 2016 (considerando el Valor Bruto de los Activos según valoraciones realizadas por CBRE para los activos en cartera a 31 de diciembre de 2015, más la adquisición de Hispanidad en marzo de 2016, menos las viviendas vendidas en Majadahonda como consecuencia del ejercicio de una serie de opciones de compra, más el capex implementado y el coste capitalizado de transacción adicional incurrido durante el periodo), lo que resulta en un Valor Bruto de los Activos por metro cuadrado de 2.619 euros (ajustado por el Valor Bruto según valoración realizada por CBRE al local comercial que forma parte de Sanchinarro), distribuido geográficamente de la siguiente forma: el 63% de la cartera residencial se localizaba en Madrid y el restante 37% en Barcelona.

#### ***Política de inversión***

La Gestora persigue una rentabilidad objetivo para la Sociedad equivalente a una tasa interna de retorno apalancada del 15% bruto anual sobre el importe suscrito por los inversores tanto en el aumento de capital con ocasión de la Salida a Bolsa como en cualquier otro aumento de capital posterior de la Sociedad. No obstante, en ningún caso puede garantizarse que la Sociedad vaya a cumplir con este objetivo de rentabilidad, ya sea en todo o en parte, ni que los accionistas vayan a obtener rentabilidades acordes con el mismo ni tampoco debería ser interpretada como un compromiso o garantía por parte de la Sociedad y/o de la Gestora, ni como una previsión de resultados o rentabilidad futura derivada de la inversión en acciones de la Sociedad.

### ***Estrategia de Puesta en Valor***

No más tarde de la fecha del tercer aniversario de la Salida a Bolsa (esto es, no más tarde del 14 de marzo de 2017) o, en su caso, y de ser posterior, la fecha de cierre del Periodo de Inversión, la Gestora deberá haber preparado y presentado al Consejo de Administración una estrategia para la cartera de activos de la Sociedad dirigida a maximizar el valor de los accionistas (la ***Estrategia de Puesta en Valor***).

La Estrategia de Puesta en Valor, cuyos términos serán propuestos y, en su caso, ejecutados por la Gestora, puede conllevar la desinversión de la Sociedad en su cartera de activos y la devolución de valor a los accionistas dentro de los seis años siguientes a la fecha de la Admisión a Negociación o, por el contrario, la conservación y gestión activa de toda o parte de la cartera de activos de la Sociedad más allá de la citada fecha.

- (a) ***Liquidación de la cartera.*** En el caso de que la Estrategia de Puesta en Valor propuesta por la Gestora contemple la liquidación de toda la cartera de activos de la Sociedad dentro de los seis años siguientes a la fecha de la Admisión a Negociación, la Gestora procederá a la ejecución del plan de liquidación propuesto sin necesidad de someter previamente dicha decisión a votación en Junta General, procediendo a la distribución a los accionistas tanto del resultado de la liquidación de activos como de cualquier saldo de tesorería de la Sociedad que resulte disponible una vez atendidas sus obligaciones legales y contractuales.
- (b) ***Conservación y gestión activa de toda o parte de la cartera.*** En el caso de que la Estrategia de Puesta en Valor propuesta contemplara la conservación y gestión activa de toda o parte de la cartera de activos de la Sociedad, la Sociedad y la Gestora negociarán de buena fe la novación de determinados términos y condiciones del Contrato de Gestión para adaptarlos a los términos de la propuesta (incluyendo cuestiones tales como la duración, las comisiones o los términos de la exclusividad). La Sociedad y la Gestora negociarán de buena fe los términos de la novación del Contrato de Gestión, que será sometida a la aprobación de la Junta General de Accionistas. Si los accionistas no aprobaran la Estrategia de Puesta en Valor, la Gestora procederá a la ejecución de la Estrategia de Puesta en Valor inicialmente prevista mediante la liquidación de la cartera de la Sociedad dentro de los seis años siguientes a la fecha de la Admisión a Negociación.

### ***Comisiones de gestión***

La retribución de la Gestora por los servicios objeto de prestación bajo el Contrato de Gestión se divide en una parte fija (los ***Honorarios Base***) y una parte variable (los ***Honorarios de Incentivo***). Además, en determinados casos de resolución anticipada del Contrato de Gestión, la Gestora tendrá derecho a un pago compensatorio (el ***Pago Compensatorio***).

- (i) ***Honorarios Base:*** Los Honorarios Base se abonarán a la Gestora al final de cada trimestre. Los Honorarios Base equivaldrán a un cuarto (1/4) del 1,25% anual (0,3125% trimestral) del EPRA NAV del trimestre correspondiente. En relación con los Honorarios Base, la Sociedad ha sido informada de la decisión de la Gestora de renunciar unilateralmente a parte de los Honorarios Base a los que tendría derecho en las siguientes situaciones: (i) cuando el último valor neto de los activos (NAV) reportado de la Sociedad supere 1,200 millones de euros, los Honorarios Base a pagar a la Gestora por cualquiera de dichos excesos se calculará por referencia a un 1,00% anual (0,25% por trimestre); y (ii) cuando, en el último día hábil del trimestre en cuestión, menos del 50% de los fondos obtenidos han sido comprometidos, los Honorarios Base a pagar a la Gestora por el Aumento de Capital se calculará por referencia al 0,625% anual (0,15625% trimestralmente).
- (ii) ***Honorarios de Incentivo:*** Los Honorarios de Incentivo se han diseñado para incentivar y recompensar a la Gestora por crear valor para los accionistas. La estructura de Honorarios

		<p>de Incentivo acordada no depende de referencias contables o de las plusvalías latentes de la Sociedad sino de los beneficios materializados y distribuidos a los accionistas como flujos de efectivo.</p> <p>La estructura de Honorarios de Incentivo está diseñada para garantizar que: (i) la Gestora solo tendrá derecho a percibir Honorarios de Incentivo una vez que los accionistas hayan obtenido por su inversión una tasa interna de retorno mínima del 10%; y (ii) la Gestora, como máximo, reciba Honorarios de Incentivo equivalentes a una cuarta parte del Total de Distribuciones de Capital realizadas por la Sociedad a los accionistas por encima del importe de las Aportaciones (es decir un 20% del total de efectivo disponible para compartir entre accionistas y Gestora).</p> <p>A estos efectos, se entenderán como Distribuciones de Capital, todos los pagos realizados a los accionistas por medio de dividendos, recompra de acciones, reducción de capital o transacciones similares que supongan un pago en efectivo o en especie a los accionistas; y, como Total de Distribuciones de Capital, en una determinada fecha, el conjunto de Distribuciones de Capital realizadas hasta dicha fecha.</p> <p>(iii) <i>Pago Compensatorio</i>: En caso de que el Contrato de Gestión se resuelva anticipadamente por la Gestora, con causa o automáticamente por incumplimiento de la Sociedad de un término esencial, la Gestora tendrá derecho a recibir (i) la totalidad de los Honorarios Base que se hubieran devengado hasta el final del plazo de duración del Contrato de Gestión; y (ii) los Honorarios de Incentivo que le corresponderían a la Gestora si la totalidad de los activos de la Sociedad en esa fecha fueran puestos a la venta y se distribuyera todo el efectivo disponible entre los accionistas (neto de la parte correspondiente a la Gestora). Los Honorarios Base que corresponderían en el supuesto de terminación anticipada serán calculados por la Gestora, mientras que los Honorarios de Incentivo que corresponderían en dicho supuesto serán calculados por un experto independiente.</p> <p>Si, en relación con cualquier co-inversión, la Gestora recibiese cualquier comisión base, comisión de gestión o comisión similar por servicios de gestión de activos o carteras de activos distinto de los Honorarios Base, la Gestora otorgará a la Sociedad un derecho de crédito en los honorarios percibidos por la Gestora igual a la participación proporcional de la Sociedad (basado en la titularidad de la participación de la Sociedad) en la correspondiente co-inversión, y por tanto, la Sociedad tendrá derecho a compensar contra los honorarios pagaderos de acuerdo con el Contrato de Gestión una cantidad igual a tal derecho de crédito. En este sentido, y a efectos aclaratorios, se hace constar que en ningún caso Hispania habrá de afrontar el pago de comisiones duplicadas como consecuencia de la gestión de co-inversiones por la Gestora.</p> <p>Durante los ejercicios 2014 y 2015, la Gestora ha percibido 4,4 millones de euros y 10,4 millones de euros por los servicios prestados bajo el Contrato de Gestión. Los Honorarios Base correspondientes al periodo de tres meses finalizado el 31 de marzo de 2016 ascendieron a 3,1 millones de euros.</p>
B.4a	<p><b>Descripción de las tendencias recientes más significativas que afecten al emisor y a los sectores en los que ejerce su actividad:</b></p>	<p><b>Evolución previsible de los sectores en los que opera el Grupo</b></p> <p>Después de varios años de fuertes ajustes de los volúmenes y precios, el mercado inmobiliario español está empezando a mostrar signos de estabilización y, en algunos casos, de recuperación moderada.</p> <p><i>Mercado de oficinas</i></p> <p>En el segmento de oficinas, las rentas de primera y segunda categoría en Madrid han mostrado un crecimiento con respecto al año anterior de 6,9% y 6,8% , respectivamente en último trimestre del 2015 en relación con los niveles más altos de rentas registrados en dichas áreas. A pesar del aumento de los Distritos de Negocios y ubicaciones secundarias, las rentas muestran unos índices de crecimiento más bajos en la periferia de Madrid. Este es también el caso de</p>

Barcelona, donde todas las áreas han registrado un incremento significativo en los niveles de renta (11,5% de media) salvo las zonas periféricas que se han mantenido en línea. En general las tasas de desocupación han disminuido de 12,1% y 12,8% en el último trimestre de 2014 a 10,6% y 11,1% en el último trimestre de 2015 en Madrid y Barcelona respectivamente, y se espera una estabilización de los niveles de ocupación debido en parte a la escasa nueva oferta prevista de oficinas entre 2015 y 2017 (Fuente: *JLLRM, Informe de Mercado (Oficinas), 4T 2014 y 4T 2015*).

**Mercado Residencial**

Los precios de los inmuebles residenciales han sufrido una modificación significativa de los precios, habiendo caído en un 33,2% (ajustado por el IPC español) desde su máximo en el segundo trimestre en 2007 a su punto más bajo en el cuarto trimestre de 2015 (Fuente: *INE*). Sin embargo, el mercado residencial está comenzando a recuperarse, lo que se refleja en el aumento de los precios, con un 4,2% registrado en el cuarto trimestre de 2015 en comparación con el cuarto trimestre de 2014, y un crecimiento del 1,8% alcanzado en el mismo periodo del año anterior (Fuente: *INE*). En las comunidades autónomas más prosperas, el aumento de precios de viviendas residenciales (3,4% y 3,0% en las comunidades autónomas de Madrid y Cataluña respectivamente, en el tercer trimestre de 2015 en comparación con el del año anterior (Fuente: *INE*) son testimonio de los primeros signos de recuperación.

**Mercado Hotelero**

En el mercado hotelero, España superó el pico de 58,7 millones de turistas internacionales registrados en 2007, después de haber registrado aproximadamente 68 millones de turistas internacionales en 2015, que generaron ingresos por un importe aproximado de 67,3 millones de euros en ese mismo año (Fuente: Informes de *Instituto Español de Turismo, Movimientos Turísticos de Fronteras y Encuesta de Gasto Turístico, ambos de Enero 2016*), lo que representa un aumento de 5% en comparación con el mismo periodo de 2014 (Fuente: *Frontur*).

La demanda de habitaciones de hotel (en términos de pernoctaciones) ha aumentado de forma constante durante los últimos 6 años, presentando una tasa compuesta anual del 3,5% entre 2009 y 2015 (Fuente: *INE*). Este crecimiento ha sido impulsado principalmente por los turistas internacionales durante los últimos 5 años, pero se espera que la demanda nacional se recupere ya que la economía española comienza a mostrar signos de crecimiento. Además, las pernoctaciones de los residentes en España incrementó en un 5,3% de 2014 a 2015 y en un 13,5% en el primer trimestre de 2016, respecto del mismo periodo de 2015 (Fuente: *INE*).

Por último, es notable que hay indicios de una creciente demanda de activos inmobiliarios. Durante el 2015, los inversores adquirieron activos inmobiliarios de oficinas por un importe total que supera los 3 billones de euros, muy por encima de todo el volumen de inversión en 2014, que asciende a alrededor de 2 billones de euros (Fuente: *JLLRM, Informe de Mercado (Oficinas), 4T 2014 y 4T 2015*).

<b>B.5</b>	<b>Descripción del grupo:</b>	La siguiente tabla contiene las filiales del Grupo a la fecha de este Folleto:		
		<b>DENOMINACIÓN SOCIAL</b>	<b>PORCENTAJE DE PARTICIPACIÓN</b>	<b>PAÍS DE RESIDENCIA</b>
		HISPANIA FIDES, S.L.	90%	España
		GUADALMINA GOLF, S.A.	1,08%	España
		ECO RESORT SAN BLAS, S.L.U.	100%	España
		HISPANIA REAL SOCIMI, S.A.U.	100%	España
		CLUB DE TENIS MASPALOMAS, S.L.U.	100%	España
		HISPANIA HOTEL MANAGEMENT, S.L.U.	100%	España
		BAY HOTELS & LEISURE, S.A. (SOCIMI)	76%	España

		<p>HOSPITIA, S.L.U. 100% España</p> <p>HESPÉRIDES BAY, S.L.U. (SOCIMI) 100% España</p> <p>LEADING HOSPITALITY, S.L.U. 100% España</p> <p>BAY HOTELS CANARIAS, S.L.U. 100% España</p> <p>POBLADOS DE VACACIONES, S.A.U. 100% España</p>																											
<b>B.6</b>	<b>Accionistas principales:</b>	<p>A la fecha de este Folleto, el capital social emitido de la Sociedad está formado por 82.590.000 Acciones Existentes.</p> <p>La siguiente tabla expone cierta información referida a los titulares de las Acciones Existentes con anterioridad a la Oferta.</p> <table border="1"> <thead> <tr> <th><b>Sociedad</b></th> <th><b>Número de acciones</b></th> <th><b>% Capital Social</b></th> </tr> </thead> <tbody> <tr> <td>APG Asset Management N.V.</td> <td>3.483.741</td> <td>4,218%</td> </tr> <tr> <td>BW Gestao De Investimentos LTDA<sup>(1)</sup> ...</td> <td>3.010.111</td> <td>3,645%</td> </tr> <tr> <td>CBRE Clarion Securities, LLC.</td> <td>2.934.905</td> <td>3,554%</td> </tr> <tr> <td>Fidelity Investment Trust ..</td> <td>5.300.716</td> <td>6,418%</td> </tr> <tr> <td>FMR LLC.<sup>(2)</sup> .....</td> <td>8.216.009</td> <td>9,948%</td> </tr> <tr> <td>Paulson &amp; Co. Inc.<sup>(3)</sup> .....</td> <td>8.138.930</td> <td>9,855%</td> </tr> <tr> <td>Soros Fund Management llc<sup>(4)</sup></td> <td>13.769.980</td> <td>16,67%</td> </tr> <tr> <td>Tamerlane, S.à r.l.<sup>(5) (6)</sup> .....</td> <td>4.949.619</td> <td>5,449%</td> </tr> </tbody> </table> <p><b>Notas:</b></p> <p>(1) A través de Novo Viseu Fundo de Investimento Multimercado.</p> <p>(2) A través de FMR Co, Inc.</p> <p>(3) A través de PAC Credit Fund Limited (participada al 100% por PAC Credit Fund), titular de una participación accionarial directa del 4,932% y PAC Recovery Fund Limited (participada al 100% por PAC Recovery Fund), titular de una participación accionarial directa del 4,365% del capital social.</p> <p>(4) A través de QP SFM Capital Holdings Ltd.</p> <p>(5) Fondo asociado al Grupo Canepa, titular de un 25% de Azora Capital, S.L.</p> <p>(6) Información respecto del número de acciones y porcentaje del capital social proporcionada por Tamerlane, S.à r.l.a la Sociedad.</p> <p>Tanto Soros Fund Management llc (a través de QP SFM Capital Holdings Ltd.) como Tamerlane, S.à r.l. han notificado a la Sociedad su actual intención de suscribir su asignación proporcional de 4.303.188 Nuevas Acciones Ordinarias (por un total de 38.512.906,1 euros) y de 1.546.755 Acciones Ordinarias (por un total de 13.843.457,25 euros) en el Aumento de Capital, respectivamente. No obstante, ni QP SFM Capital Holdings Ltd. ni Tamerlane, S.à r.l. han firmado un acuerdo jurídicamente vinculante y, por ende, tanto QP SFM Capital Holdings Ltd. como Tamerlane, S.à r.l. pueden, a su única discreción, decidir no llevar a cabo su inversión en Nuevas Acciones Ordinarias, parcial o totalmente.</p> <p>Además de lo anterior, el Equipo Gestor se ha comprometido a ejercitar por completo sus Derechos de Suscripción Preferente (incluidos aquellos que correspondan a Azora Altus, S.L., a Azora Capital, S.L. y a la Gestora, y excepto por 9 Derechos de Suscripción Preferente a los que Azora Altus, S.L. se ha comprometido a renunciar tanto a su ejercicio como a su transmisión con el fin de cuadrar la ecuación de canje del Aumento de Capital) y suscribir 356.245 Acciones Ordinarias en el Aumento de Capital (por un total de 3.188.392,75 euros).</p>	<b>Sociedad</b>	<b>Número de acciones</b>	<b>% Capital Social</b>	APG Asset Management N.V.	3.483.741	4,218%	BW Gestao De Investimentos LTDA <sup>(1)</sup> ...	3.010.111	3,645%	CBRE Clarion Securities, LLC.	2.934.905	3,554%	Fidelity Investment Trust ..	5.300.716	6,418%	FMR LLC. <sup>(2)</sup> .....	8.216.009	9,948%	Paulson & Co. Inc. <sup>(3)</sup> .....	8.138.930	9,855%	Soros Fund Management llc <sup>(4)</sup>	13.769.980	16,67%	Tamerlane, S.à r.l. <sup>(5) (6)</sup> .....	4.949.619	5,449%
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<b>B.7</b>	<b>Información financiera fundamental histórica:</b>	<p>Estado de situación financiera consolidado correspondiente a 31 de marzo de 2016, 31 de diciembre de 2015 y 31 de diciembre de 2014:</p> <table border="1"> <thead> <tr> <th></th> <th>Hasta el 31 de marzo del 2016 (No auditado)</th> <th>Hasta el 31 de diciembre del 2015</th> <th>Hasta el 31 de diciembre del 2014</th> <th>Hasta el 31 de marzo del 2016 (No auditado)</th> <th>Hasta el 31 de diciembre del 2015</th> <th>Hasta el 31 de diciembre del 2014</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		Hasta el 31 de marzo del 2016 (No auditado)	Hasta el 31 de diciembre del 2015	Hasta el 31 de diciembre del 2014	Hasta el 31 de marzo del 2016 (No auditado)	Hasta el 31 de diciembre del 2015	Hasta el 31 de diciembre del 2014																				
	Hasta el 31 de marzo del 2016 (No auditado)	Hasta el 31 de diciembre del 2015	Hasta el 31 de diciembre del 2014	Hasta el 31 de marzo del 2016 (No auditado)	Hasta el 31 de diciembre del 2015	Hasta el 31 de diciembre del 2014																							

	<i>(miles de €)</i>				<i>(miles de €)</i>		
<b>ACTIVO</b>				<b>PASIVO Y PATRIMONIO NETO</b>			
				Capital	82.590	82.590	55.060
Activos intangibles	60	59	34	Prima de emisión	777.666	777.666	478.074
Inmovilizado material	67.281	64.200	-	Aportaciones de socios	540	540	540
Inversional inmobiliarias	1.395.380	1.360.613	422.365	Acciones propias	-1.409	-1.088	-
Instrumentos de patrimonio	350	350	350	Reservas Resultados negativos de ejercicios anteriores	12	46	-47
Activos financieros no corrientes	40.522	38.173	2.556	Reservas en sociedades consolidadas	101.182	21.102	-
Activos por impuestos diferidos y no corrientes	8.269	8.024	13.210	Resultado del periodo	11.228	66.681	17.132
<b>ACTIVO NO CORRIENTE</b>	<b>1.511.862</b>	<b>1.471.419</b>	<b>438.515</b>	Ajustes por cambio de valor	-17.673	-3.701	-658
				Socios externos	79.425	78.582	10.137
				<b>PATRIMONIO NETO</b>	<b>1.015.932</b>	<b>1.018.448</b>	<b>560.238</b>
				Provisiones a largo plazo	881	878	398
				Deudas con entidades de crédito	588.833	535.656	56.414
				Derivados de cobertura	27.269	12.527	658
				Otros pasivos financieros no corrientes	22.119	21.645	13.722
				Pasivos por impuesto diferido	53.826	53.544	4.913
				Periodificaciones a largo plazo	8.417	8.573	-
				<b>PASIVO NO CORRIENTE</b>	<b>701.345</b>	<b>632.823</b>	<b>76.105</b>
				Deudas con entidades de crédito	18.550	13.995	5.246
Existencias Deudores comerciales y otras cuentas a cobrar	1.684	1.786	32	Derivados de cobertura	8.064	6.175	8
				Otros pasivos financieros corrientes	22.258	26.482	1.042
Créditos con Administraciones Públicas	7.464	5.489	2.719	Acreedores comerciales y otras cuentas a pagar	21.127	15.510	5.782
Otros activos financieros corrientes	60.593	206	2.097	Personal (remuneraciones pendientes de pago)	402	330	-
Periodificaciones a corto plazo	1.057	803	250	Deudas con Administraciones Públicas	6.879	6.743	532



	Efectivo y equivalentes al efectivo	181.962	220.690	204.201	Anticipos de clientes	1.060	1.402	894
					Periodificaciones a corto plazo	872	892	117
	<b>ACTIVO CORRIENTE</b>	<b>284.627</b>	<b>251.381</b>	<b>211.449</b>	<b>PASIVO CORRIENTE</b>	<b>79.212</b>	<b>71.529</b>	<b>13.621</b>
	<b>TOTAL ACTIVO</b>	<b>1.796.489</b>	<b>1.722.800</b>	<b>649.964</b>	<b>TOTAL PASIVO Y PATRIMONIO NETO</b>	<b>1.796.489</b>	<b>1.722.800</b>	<b>649.964</b>
Estado del resultado global consolidado correspondiente al periodo de tres meses terminado a 31 de marzo de 2016, al ejercicio anual terminado el 31 de diciembre del 2015, al periodo de tres meses terminado a 31 de marzo de 2015 y al periodo de 11 meses y 9 días terminado el 31 de diciembre del 2014:								
		<b>Tres meses terminados a 31 de marzo de 2016 (No auditado)</b>	<b>Ejercicio anual terminado el 31 de diciembre de 2015</b>	<b>Tres meses terminados a 31 de marzo de 2015 (No auditado)</b>	<b>Once meses y 9 días terminado el 31 de diciembre de 2014</b>			
		<i>(En miles de euros, a menos que se indique lo contrario)</i>						
	Ingresos por arrendamientos		27.117	33.769	5.248	9.021		
	Prestación de servicios		2.560	4.029	-	-		
	Otros ingresos de explotación		432	911	136	64		
	Aprovisionamientos		-689	-1.010	-	-		
	Gastos de personal		-1.292	-2.228	-23	-		
	Otros gastos de explotación		-8.996	-25.749	-3.856	-11.593		
	Amortizaciones		-287	-9	-2	-5		
	Imputación de subvenciones de inmovilizado no financiero y otras		0	12	0	0		
	Excesos de provisiones		91	280	-	0		
	Diferencia negativa de consolidación		-	23.463	-	7.496		
	<b>Resultado operativo</b>		<b>18.936</b>	<b>33.468</b>	<b>1.503</b>	<b>4.983</b>		
	Otros resultados		17	-	-	-		
	Resultados netos por venta de activos		82	23	-	45		
	Variación del valor de las inversiones inmobiliarias		-	54.966	-	14.049		
	<b>Resultado de explotación después de la revalorización y enajenación de bienes (EBIT)</b>		<b>19.035</b>	<b>88.457</b>	<b>1.503</b>	<b>19.077</b>		
	Ingresos financieros		61	2.086	42	1.122		
	Gastos financieros		-4.814	-6.375	-815	-3.961		
	Deterioros y resultado por enajenación de instrumentos financieros		-	-	-	-130		
	Variación de valor razonable en instrumentos financieros		-	-	-	1.420		
	Diferencias de cambio		1	3	-	-		
	<b>Resultado antes de impuestos</b>		<b>14.283</b>	<b>84.171</b>	<b>730</b>	<b>17.528</b>		
	Impuesto sobre las ganancias		-61	-10.794	-109	-2		
	<b>Resultado consolidado neto de actividades continuadas</b>		<b>14.222</b>	<b>73.377</b>	<b>621</b>	<b>17.526</b>		

		<p><i>Resultado neto del ejercicio atribuido a la Sociedad Dominante</i> 11.228 66.681 606 17.132</p> <p><i>Resultado neto atribuible a socios externos</i> 2.994 6.696 15 394</p> <p><i>Resultado básico por acción (€)<sup>(1)</sup></i> 0,14 0,90 0,011 0,31</p> <p><i>Resultado diluido por acción (€)<sup>(1)</sup></i> 0,14 0,90 0,011 0,31</p> <p><b>Otro Resultado Global</b></p> <p><b>Resultado consolidado neto</b> 14.222 73.377 621 17.526</p> <p><i>Otras partidas del resultado global registradas directamente en el patrimonio neto</i></p> <p>Ganancia/(pérdida) neta de las coberturas de flujos de efectivo -17.560 -4.165 -1.341 -683</p> <p><i>Transferencias al resultado global</i></p> <p>Resultado por instrumentos financieros de cobertura 1.437 1.122 66 25</p> <p><b>Total ingresos y gastos reconocidos o Total resultado global</b> -1.901 70.334 -654 16.868</p> <p><i>Resultado global del ejercicio atribuido a la Sociedad Dominante</i> -2.744 63.638 -669 16.474</p> <p><i>Resultado global del ejercicio atribuible a socios externos</i> 843 6.696 15 394</p> <p>(1) Basado en un número medio ponderado de 82.477.074 acciones existentes en el periodo finalizado a 31 de marzo de 2016, un número medio ponderado de 73.726.643 acciones existentes en el periodo finalizado a 31 de diciembre de 2015, y un número medio ponderado de 55.060.000 acciones existentes en el periodo finalizado a 31 de diciembre de 2014.</p>
<b>B.8</b>	<b>Información financiera seleccionada pro forma:</b>	No aplica. Este Folleto no contiene información financiera pro forma.
<b>B.9</b>	<b>Estimación de los beneficios:</b>	No aplica. Este Folleto no contiene estimaciones o previsiones de beneficios.
<b>B.10</b>	<b>Descripción de la naturaleza de cualquier salvedad en el informe de auditoría sobre la información financiera histórica:</b>	Los informes de auditoría correspondientes a los estados financieros consolidados auditados de la Sociedad correspondientes a los ejercicios cerrados a 31 de diciembre de 2014 y 2015 y que han sido elaborados por Ernst & Young, S.L. contienen opiniones favorables y sin salvedades.
<b>B.11</b>	<b>Capital de explotación:</b>	Con la información disponible hasta la fecha, Hispania considera que el capital circulante de que dispone en la actualidad, unido al que espera generar en los próximos doce (12) meses (incluyendo el que se genere en el Aumento de Capital), es suficiente para atender las necesidades actuales de los negocios de la Sociedad durante dicho periodo de tiempo. A 31 de

	marzo de 2016, el capital circulante de la Sociedad es de 205.415.000 euros.
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<b>Sección C – Valores</b>		
<b>C.1</b>	<b>Tipo y clase de valores:</b>	<p>Los valores que se ofrecen son acciones ordinarias de nueva emisión de Hispania, de 1 euro de valor nominal cada una de ellas y de la misma clase y serie que las actualmente en circulación (las <i>Acciones Nuevas</i>). El Código ISIN (<i>International Securities Identification Number</i>) de las acciones actualmente en circulación de Hispania es ES0105019006.</p> <p>El código ISIN provisional de los derechos de suscripción preferente es ES0605019910 y el código ISIN provisional las Acciones Nuevas es ES0105019055.</p> <p>Sin perjuicio de lo anterior, una vez que se admitan a negociación las Acciones Nuevas, todas las acciones de la Sociedad tendrán asignado el mismo código ISIN.</p>
<b>C.2</b>	<b>Divisa de emisión de los valores:</b>	Las Acciones Nuevas se emitirán en euros (€).
<b>C.3</b>	<b>Número de acciones emitidas:</b>	A la fecha de este Folleto, el capital social de Hispania asciende a 82.590.000 euros, dividido en 82.590.000 de acciones existentes, de un euro (1€) de valor nominal cada una de ellas, pertenecientes a una única clase y serie, íntegramente suscrito y desembolsado.
<b>C.4</b>	<b>Descripción de los derechos vinculados a los valores:</b>	Las Acciones Nuevas son acciones ordinarias que atribuyen a sus titulares los mismos derechos que las restantes acciones de la Sociedad, recogidos en la Ley de Sociedades de Capital y en los Estatutos Sociales y Reglamentos internos de la Sociedad, tales como (i) derecho a participar en las ganancias sociales y en el patrimonio resultante de la liquidación; (ii) derecho de asistencia a las Juntas Generales de Accionistas (siendo necesarias, al menos, 1.000 acciones en cómputo individual o agregado) y voto; (iii) derecho de suscripción preferente en las ofertas de suscripción de valores de la misma clase con cargo a aportaciones dinerarias, salvo exclusión total o parcial del referido derecho, y derecho de asignación gratuita; y (iv) derecho de información.
<b>C.5</b>	<b>Restricciones sobre la libre transmisibilidad de los valores:</b>	<p>De conformidad con lo dispuesto en la legislación española de aplicación, la Sociedad no puede imponer restricciones a la libre transmisibilidad de las acciones ordinarias en sus Estatutos Sociales.</p> <p>La adquisición y tenencia de acciones ordinarias por un inversor también puede estar afectada por la ley o requisitos regulatorios de su propia jurisdicción, que puede incluir restricciones a la libre transmisibilidad de dichas acciones ordinarias. Se aconseja que los inversores consulten a sus propios asesores antes de invertir en las acciones ordinarias de la Sociedad.</p>
<b>C.6</b>	<b>Admisión a cotización en un mercado regulado:</b>	Se solicitará la admisión a negociación de la totalidad de las Acciones Nuevas de la Sociedad en las Bolsas de Valores de Madrid, Barcelona, Bilbao y Valencia, así como su incorporación al Sistema de Interconexión Bursátil (Mercado Continuo).
<b>C.7</b>	<b>Política de dividendos:</b>	<p>Inicialmente y como se manifiesta en el folleto de salida a bolsa, la Sociedad no pretendía distribuir dividendos hasta el momento que llegase más tarde entre (i) el tercer aniversario de la fecha de salida a bolsa y (ii) el cierre del Periodo de Inversión. Sin embargo, en vista del ritmo de inversión más acelerado que el previsto inicialmente y de los resultados económicos anticipados, la Sociedad espera distribuir aproximadamente 40 millones de euros a sus accionistas en 2016 (de los cuales un importe de 10,4 millones de euros ha sido aprobado para su distribución por parte de la Junta General de Accionistas celebrada el pasado día 5 de mayo de 2016). Los titulares de las Acciones Nuevas tendrán derecho a percibir la distribución de prima de emisión acordada por la Junta General de Accionistas de la Sociedad el pasado 5 de mayo de 2016.</p> <p>De 2016 en adelante, la Sociedad pretende establecer una política competitiva de retribución de</p>

	<p>los accionistas con el objetivo de alcanzar niveles de dividendo sostenidos en el tiempo con dos distribuciones de dividendos (dividendo a cuenta y dividendo complementario) que reflejará la visión de la Sociedad respecto de las perspectivas de obtención de ingresos de caja recurrentes sostenibles, que son el EBITDA más el resultado financiero menos la suma del coste financiero, cualquier pago de impuestos eventual y cualquier plazo de la deuda. La Sociedad no tiene intención de dotarse reservas indisponibles para su distribución a los accionistas más allá de las exigidas por las normas existentes. El Consejo de Administración, en el ámbito de sus poderes, debe proponer a los accionistas lo que considere más oportuno respecto de la distribución de dividendos en términos de tamaño, pago de pagos a cuenta y formas en la Junta General de Accionistas cada vez que dicha distribución deba realizarse.</p> <p>Lo anterior, sin perjuicio del régimen relativo a la distribución de dividendos que la Sociedad tendrá que realizar con ocasión de su acogimiento al régimen fiscal de SOCIMI.</p>
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<b>Sección D – Riesgos</b>		
<b>D.1</b>	<b>Información fundamental sobre los principales riesgos específicos del emisor o de su sector de actividad:</b>	<p><b>RIESGOS RELATIVOS AL GRUPO Y A SU NEGOCIO</b></p> <p><i>Riesgos macroeconómicos</i></p> <ul style="list-style-type: none"> <li>• La cartera de activos del Grupo está compuesta de activos inmobiliarios en España, y puede verse afectada por condiciones macroeconómicas y políticas adversas del mercado inmobiliario español y la zona euro.</li> </ul> <p><i>Riesgos operativos</i></p> <ul style="list-style-type: none"> <li>• La Sociedad es una sociedad de reciente constitución y solo dispone de información financiera y operativa histórica limitada.</li> </ul> <p><i>Riesgos asociados a la estrategia, al sector y a los activos inmobiliarios</i></p> <ul style="list-style-type: none"> <li>• La Sociedad puede no tener el control pleno de sus inversiones.</li> <li>• El Grupo puede decidir invertir en sociedades inmersas en procesos concursales.</li> <li>• La valoración de propiedades es connaturalmente subjetiva e incierta.</li> <li>• La inversión en activos inmobiliarios, incluyendo hoteles, oficinas y propiedades de uso residencial, está sujeta a determinados riesgos intrínsecos.</li> <li>• Existen determinados riesgos laborales asociados a la actividad de gestión hotelera.</li> <li>• Existen determinados riesgos intrínsecos asociados a la promoción inmobiliaria, incluyendo costes imprevistos o retrasos de terceros, que pueden afectar la capacidad del Grupo para implementar su estrategia.</li> <li>• Existen determinados riesgos intrínsecos asociados a la gestión de activos, incluyendo la negociación de contratos con inquilinos y la gestión del riesgo de crédito e insolvencia.</li> <li>• La cartera de activos se concentra principalmente en determinados tipos de activos.</li> <li>• La composición de la cartera del Grupo puede variar.</li> <li>• Algunos de los activos inmobiliarios del Grupo pueden estar situados fuera de España en el futuro.</li> <li>• La relativa iliquidez de las inversiones inmobiliarias puede afectar a la capacidad del Grupo para enajenar activos.</li> <li>• Retrasos a la hora de invertir fondos obtenidos en ampliaciones de capital pueden tener un efecto desfavorable en la situación financiera, el negocio, las perspectivas, los resultados de las operaciones y los flujos de caja del Grupo.</li> <li>• El Grupo puede invertir en activos inmobiliarios de manera indirecta.</li> <li>• El Grupo puede estar sujeto a potenciales pérdidas vinculadas a contingencias o problemas (identificados o no) en los activos inmobiliarios.</li> <li>• El Grupo puede verse involucrado en litigios que pueden afectar su rendimiento financiero.</li> </ul>

	<ul style="list-style-type: none"> <li>• El Grupo puede incurrir en responsabilidades o pérdida de ingresos en relación con licencias, concesiones, permisos y autorizaciones pendientes de obtención o por ausencia de las mismas así como el planeamiento y la legislación sectorial aplicable.</li> <li>• El Grupo puede registrar pérdidas sustanciales superiores a sus coberturas por seguros, en su caso, o provenientes de acontecimientos no asegurables.</li> <li>• El Grupo puede depender de la actuación de terceros contratistas y los proyectos en promoción, construcción o rehabilitación pueden sufrir retrasos, no ser completados o no lograr los resultados esperados.</li> <li>• El valor neto de los activos (NAV) podría reducirse en función del rendimiento de las inversiones del Grupo y de las valoraciones cambiantes.</li> <li>• El Grupo puede tener que enajenar sus inversiones en un momento en que no pueda obtener un precio óptimo por las mismas.</li> <li>• Cualesquiera costes asociados a potenciales inversiones que no lleguen a ejecutarse afectarán al rendimiento del Grupo.</li> <li>• El horizonte de inversión de la Sociedad puede variar respecto del horizonte de inversión de inversores individuales.</li> <li>• El Grupo podría hacer frente a competencia a la hora de identificar y acometer inversiones.</li> </ul> <p><i>Riesgos financieros</i></p> <ul style="list-style-type: none"> <li>• El uso del apalancamiento tanto a nivel de Grupo como de inversión puede aumentar significativamente el riesgo de inversión del Grupo y exponerlo a los riesgos propios del endeudamiento.</li> <li>• El Grupo puede no ser capaz de obtener financiación en términos satisfactorios o de obtenerla en absoluto.</li> <li>• Toda estrategia financiera con la que el Grupo busque cubrir su exposición al riesgo de tipo de interés expondrá a éste a posibles ajustes a precio de mercado (<i>mark-to-market</i>) y al riesgo de contraparte.</li> </ul> <p><i>Riesgos relativos a la Gestoría</i></p> <ul style="list-style-type: none"> <li>• La Gestora pertenece al Grupo Azora, que es quien ha diseñado y promovido la Estrategia de Inversión y ha negociado los términos del Contrato de Gestión.</li> <li>• La Sociedad está gestionada externamente por y depende de la experiencia, la destreza y el juicio de la Gestora, y no tiene ningún control sobre el personal de la Gestora y la Sociedad puede sufrir perjuicios si se ve afectada su reputación o la de la Gestora.</li> <li>• El rendimiento obtenido en el pasado o en la actualidad por la Gestora o por el Equipo Gestor, fuera del contexto de la actividad llevada a cabo en la Sociedad hasta la fecha, no es una garantía del rendimiento futuro de la Sociedad.</li> <li>• El objetivo de rentabilidad perseguido por la Sociedad puede no llegar a materializarse.</li> <li>• La estructura de remuneración acordada en el Contrato de Gestión puede incentivar a la Gestora a hacer o recomendar inversiones arriesgadas.</li> <li>• Los intereses de la Gestora pueden diferir de los intereses de los accionistas de la Sociedad.</li> <li>• Pueden existir circunstancias en las que los Consejeros tengan conflicto de interés con la Sociedad.</li> <li>• La Gestora puede aprovechar y utilizar todos y cualesquiera recursos del Grupo Azora en la prestación de los Servicios (tal y como se definen en el Contrato de Gestión) y no existe seguridad de que dichos servicios vayan a ser prestados con niveles de calidad óptimos o conforme a los términos previstos en el Contrato de Gestión.</li> <li>• El seguro de la Gestora puede no ser suficiente para cubrir las reclamaciones que la Sociedad pudiera tener contra ella.</li> <li>• El Contrato de Gestión puede ser resuelto unilateralmente por la Gestora en el caso de que un tercero adquiera el control de la Sociedad.</li> <li>• Puede ser difícil y costoso para la Sociedad resolver el Contrato de Gestión.</li> <li>• Dependiendo de cuál sea la Estrategia de Puesta en Valor, la Sociedad y la Gestora pueden</li> </ul>
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		<p>verse obligadas a renegociar los términos del Contrato de Gestión, sin que exista certeza de que vaya a poder alcanzarse un acuerdo.</p> <ul style="list-style-type: none"> <li>• La Sociedad puede no ser capaz de contratar a otra gestora de inversiones en términos similares a los del Contrato de Gestión o de modo absoluto.</li> </ul> <p><i>Riesgos Regulatorios</i></p> <ul style="list-style-type: none"> <li>• El Grupo está sometido a determinadas leyes y reglamentos propios de la actividad inmobiliaria.</li> <li>• Las leyes, los reglamentos y los estándares en materia de medioambiente, salubridad, seguridad, estabilidad y planeamiento pueden exponer al Grupo a costes y responsabilidades sustanciales no previstos.</li> <li>• Existe un riesgo de cambios desfavorables en la situación fiscal del Grupo que podría resultar en impuestos adicionales u otros costes para el Grupo o los inversores.</li> <li>• El régimen de SOCIMI es relativamente nuevo y puede ser modificado.</li> <li>• La aplicación del régimen fiscal especial de SOCIMIs está condicionada al cumplimiento de determinados requisitos.</li> <li>• La aplicación del régimen de SOCIMIs en sede de la Sociedad puede conllevar la tributación en España de las ganancias del capital obtenidas por algunos inversores con motivo de la transmisión de sus acciones.</li> <li>• La aplicación del régimen fiscal especial de SOCIMIs en sede de la Sociedad requiere la distribución obligatoria de determinados resultados de la Sociedad.</li> <li>• Las actuaciones de la Sociedad o de la Gestora o las modificaciones en la legislación fiscal del Reino Unido o en la práctica de las autoridades fiscales del Reino Unido podrían influir en la consideración de la Sociedad como un fondo constituido en el extranjero (“<i>offshore fund</i>”) a efectos fiscales del Reino Unido.</li> <li>• La Sociedad no está registrada al amparo de la “<i>Investment Company Act</i>” (Ley de Sociedades de Inversión) estadounidense de 1940.</li> <li>• La Gestora puede verse obligada a registrarse en la <i>Securities Exchange Commission</i> estadounidense como una sociedad de asesoramiento de inversión.</li> <li>• La Ley de Cumplimiento Fiscal de Cuentas Extranjeras estadounidense (<i>Foreign Account Tax Compliance Act</i> o <i>FATCA</i>) puede afectar a los pagos recibidos por la Sociedad.</li> <li>• La Sociedad espera que tanto ella como Hispania Real (mientras su absorción por la Sociedad está pendiente de formalizarse e inscribirse) y algunas sociedades en las que pueda invertir, directa o indirectamente, sean clasificadas como sociedades de inversión extranjera pasiva, lo que generalmente tendrá consecuencias fiscales negativas para los inversores sujetos a tributación estadounidenses.</li> </ul>
D.3	<p><b>Información fundamental sobre los principales riesgos específicos de los valores:</b></p>	<p><b>RIESGOS RELATIVOS AL AUMENTO DE CAPITAL, A LAS ACCIONES NUEVAS Y A LOS DERECHOS DE SUSCRIPCIÓN PREFERENTE</b></p> <ul style="list-style-type: none"> <li>• El Aumento de Capital podría no efectuarse o ser revocado en ciertas circunstancias, incluyendo la resolución del Contrato de Aseguramiento.</li> <li>• Los accionistas e inversores que ejerciten sus derechos de suscripción preferente durante el Período de Suscripción Preferente no podrán revocar sus solicitudes de suscripción.</li> <li>• Hispania no puede asegurar a los tenedores de derechos de suscripción preferente que se vaya a desarrollar un mercado de negociación activo de los derechos de suscripción preferente o que vaya a haber suficiente liquidez para los mencionados derechos.</li> <li>• Una caída significativa del precio de las acciones existentes de la Sociedad probablemente conllevaría un efecto material adverso en el valor de los derechos de suscripción preferente.</li> <li>• Las acciones o los derechos de suscripción preferente se podrán vender en el mercado durante el Periodo de Suscripción Preferente (en el caso de los derechos de suscripción preferentes), o durante o después del Periodo de Suscripción Preferente (en el caso de las acciones), lo que podría tener un impacto desfavorable sobre el valor de los derechos de suscripción preferente o sobre el precio de mercado de las acciones.</li> </ul>

		<ul style="list-style-type: none"> <li>• Un retraso en el comienzo de la cotización de las Nuevas Acciones afectaría a su liquidez e imposibilitaría su venta hasta que fueran admitidas a cotización.</li> <li>• Aquellos accionistas que no ejerciten sus derechos de suscripción preferente verán diluida su participación en el capital de Hispania.</li> <li>• Un accionista minoritario actual o un tercero puede adquirir una participación significativa en el contexto del Aumento de Capital o de otro modo.</li> <li>• Los derechos de suscripción preferente deberán ejercerse a través de la entidad participante de Iberclear en cuyo libro de registro de entrada se encuentren inscritos tales derechos y el pago del precio de suscripción deberá hacerse en euros.</li> <li>• El precio de cotización de las acciones puede fluctuar considerablemente en respuesta a distintos factores.</li> <li>• La venta, o la percepción de que tal ventas se puede realizar, de un número sustancial de acciones de la Sociedad después del aumento de capital, o en el curso ordinario de los negocios, puede tener un impacto negativo en el precio de cotización de las acciones.</li> <li>• La venta de acciones de la Sociedad por parte de los consejeros de la Sociedad, los miembros del Equipo Gestor, la Gestora, los accionistas de la Gestora o por accionistas significativos de la Sociedad o la percepción de que tales ventas se pudieran realizar, puede afectar al precio de cotización de las acciones.</li> <li>• Los intereses de accionistas significativos pueden variar de los de otros accionistas.</li> <li>• La compra de acciones no garantiza el derecho a asistir a las Juntas de Accionistas.</li> <li>• La Sociedad puede emitir en el futuro acciones adicionales o títulos de deuda convertibles en acciones, que podrían diluir la participación en el capital de los accionistas.</li> <li>• Puede suceder que los accionistas de jurisdicciones fuera de España no puedan suscribir nuevas acciones en el Aumento de Capital o ejercitar sus derechos de suscripción preferente.</li> <li>• Puede ser difícil para los accionistas no residentes en España demandar o ejecutar sentencias extranjeras contra la Sociedad o sus consejeros.</li> <li>• Puede ser difícil para los accionistas proteger sus intereses debido a las diferencias en los derechos de los accionistas y las responsabilidades fiduciarias en las distintas jurisdicciones.</li> <li>• Los tipos de cambio pueden fluctuar, lo que podría exponer a los accionistas al riesgo de tipo de cambio.</li> <li>• Los activos de la Sociedad podrían ser considerados como “activos del plan” (<i>plan assets</i>) sujetos a los requisitos de ERISA y/o a la sección 4975 del Código, lo que podría restringir la capacidad de la Sociedad de realizar ciertas inversiones.</li> <li>• La Sociedad podría ser considerada como un Fondo de Inversión Alternativa (FIA) bajo las leyes de determinados países del Espacio Económico Europeo distintos de España.</li> </ul>
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<b>Sección E – Oferta</b>		
<b>E.1</b>	<b>Ingresos netos totales y cálculo de los gastos totales de la emisión / oferta:</b>	La Sociedad estima que el importe neto total que obtendrá con ocasión del Aumento de Capital será de aproximadamente 222 millones de euros (basada en los fondos que se espera obtener con el Aumento de Capital después de deducir aproximadamente 9 millones de euros en comisiones y otros cargos, gastos e impuestos estimados a pagar por la Sociedad en relación con el Aumento de Capital).
<b>E.2a</b>	<b>Motivos de la oferta y destino de los ingresos:</b>	La Sociedad pretende utilizar los fondos netos obtenidos con ocasión del Aumento de Capital para acometer futuras inversiones inmobiliarias (tanto adquisiciones (directa e indirectamente) como <i>capex</i> de futuras inversiones inmobiliarias) que ya tiene identificadas o que están en proceso de identificación y para los fines corporativos generales del Grupo.
<b>E.3</b>	<b>Descripción de las condiciones de la oferta:</b>	La Oferta consistirá en 25.775.002 Acciones Nuevas a un Precio Suscripción de 8,950 euros por Acción Nueva.  Tendrán derecho de suscripción preferente los Accionistas que hayan adquirido sus acciones hasta

	<p>el día 13 de mayo de 2016 y cuyas operaciones se hayan liquidado hasta el día 18 de mayo de 2016 en Iberclear (ambos inclusive) (los <b>Accionistas Legitimados</b>).</p> <p>A cada Accionista Legitimado le corresponderá un derecho de suscripción preferente por cada acción de las que sea titular. El ejercicio de 16 derechos de suscripción preferente da derecho al titular de los mismos a suscribir 5 Acciones Nuevas contra el pago del Precio de Suscripción en efectivo.</p> <p>El Precio de Suscripción, que deberá ser abonado en euros, es de 8,950 euros por Acción Nueva, incluyendo el valor nominal (1,00 euros) y la prima (7,950 euros). El Precio de Suscripción representa un descuento de un 24,4% sobre el precio teórico ex derecho (<i>Theoretical ExRight Price o TERP</i>) (11,83 euros en base al precio de cierre de 12,74 del día 11 de mayo de 2016).</p> <p>En virtud de la Sección 306.2 de la Ley de Sociedades de Capital, los derechos de suscripción preferentes serán libremente transferibles en los mismo términos que las Acciones Nuevas sobre las cuales son ejercitables, y se negociarán en las Bolsas de Valores Españolas durante el periodo de suscripción preferente.</p> <p>La sociedad ha establecido un procedimiento de tres fases para la suscripción de las Acciones Nuevas:</p> <ul style="list-style-type: none"> <li>• <i>El periodo de suscripción preferente.</i> El periodo de suscripción preferente tendrá una duración de 15 días naturales y comenzará el día 14 de mayo de 2016 y finalizará el día 28 de mayo de 2016 y no será prorrogable (el <b>Periodo de Suscripción Preferente</b>). Los derechos de suscripción preferente se negociarán durante las sesiones comprendidas entre dichas fechas, siendo la primera la del 16 de mayo de 2016 y la última la del 27 de mayo de 2016. Los derechos de suscripción preferente no ejercitados se extinguirán automáticamente a la finalización del Periodo de Suscripción Preferente. Durante el Periodo de Suscripción Preferente, otros inversores distintos a los Accionistas Legitimados podrán adquirir en el mercado derechos de suscripción preferente suficientes y en la proporción necesaria y suscribir, de este modo, las Acciones Nuevas correspondientes.</li> </ul> <p>Durante el Periodo de Suscripción Preferente, los Accionistas Legitimados que ejerciten la totalidad de sus derechos y los Inversores que adquieran derechos y los ejerciten en su totalidad podrán solicitar simultáneamente a la suscripción de acciones adicionales de la Sociedad (<b>Acciones Adicionales</b>), con carácter incondicional e irrevocable, para el supuesto de que al término del Periodo de Suscripción Preferente quedaran Acciones Nuevas no suscritas.</p> <p>Las suscripciones de Acciones Nuevas recibidas durante el periodo de suscripción preferente se entenderán formuladas con carácter firme, irrevocable e incondicional y no podrán ser canceladas ni modificadas por los titulares de los derechos de suscripción preferente (excepto cuando se publique un suplemento a este Folleto).</p> <ul style="list-style-type: none"> <li>• <i>Periodo de asignación de acciones adicionales.</i> En el supuesto de que finalizado el Periodo de Suscripción Preferente quedaran Acciones Nuevas pendientes de suscripción, se abrirá un proceso de asignación de Acciones Adicionales en el que se distribuirán las Acciones Nuevas pendientes de suscripción entre los Accionistas Legitimados y los inversores que hubiesen solicitado la suscripción de Acciones Adicionales durante el Periodo de Suscripción Preferente. La asignación de las Acciones Adicionales tendrá lugar, previsiblemente, no más tarde de las 17:00 horas de Madrid del día 3 de junio de 2016 (el <b>Periodo de Asignación de Acciones Adicionales</b>). Si el número de Acciones Nuevas Adicionales solicitadas fuera superior a las Acciones Sobrantes, la Entidad Agente practicará un prorrateo con base en el porcentaje que las Acciones Adicionales solicitadas por cada suscriptor representan respecto del total de Acciones Nuevas</li> </ul>
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Adicionales solicitadas. Dependiendo del número de Acciones Nuevas suscritas en el Periodo de Suscripción Preferente y de las solicitudes recibidas para la suscripción de Acciones Adicionales en el Período de Asignación de Acciones Adicionales, los titulares de derechos de suscripción preferente podrán recibir un menor número de Acciones Nuevas Adicionales de las que hayan solicitado o incluso ninguna (pero, en ningún caso se adjudicarán más Acciones Nuevas de las que hubieran solicitado). Todas las Acciones Adicionales asignadas a los titulares de los derechos de suscripción preferente durante el período de asignación adicional se considerarán suscritas durante el Período de Asignación de Acciones Adicionales.

- *El período de asignación discrecional.* En el supuesto de que, finalizado el Periodo de Asignación de Acciones Adicionales, no se hubiese suscrito la totalidad de las Acciones Nuevas, las Entidades Aseguradoras han decidido conjuntamente, con sujeción a los términos y condiciones del Contrato de Aseguramiento, a realizar esfuerzos razonables para procurar suscriptores durante el periodo de asignación discrecional y, en caso de no conseguirlo, suscribir y desembolsar las Acciones Nuevas no suscritas al Precio de Suscripción (excepción hecha a las Acciones Nuevas que el equipo gestor de la Sociedad se ha comprometido a suscribir). El periodo de asignación discrecional está previsto que comience en cualquier momento posterior a la finalización del Período de Asignación de Acciones Adicionales y que finalice no más tarde de las 11:00 horas de Madrid del 7 de junio de 2016 (el **Periodo de Asignación Discrecional**), salvo que las Entidades Aseguradoras y la Sociedad decidan conjuntamente no abrir el período de asignación discrecional, sin perjuicio de la facultad por parte de las Entidades Aseguradoras de finalizarlo anticipadamente una vez abierto.

Durante el período de asignación discrecional, aquellas personas que tengan la condición de inversores cualificados en España, tal y como dicho término se define en el artículo 39 del Real Decreto 1310/2005, de 4 de noviembre, y aquellas personas que tengan la condición de inversores cualificados fuera de España con arreglo a la legislación aplicable en cada país (de tal forma que en cumplimiento de las normas aplicables, la suscripción y desembolso de las acciones no suscritas tras la finalización del periodo de asignación adicional no requieran registro o autorización de ningún tipo) podrán presentar propuestas a las Entidades Aseguradoras para suscribir Acciones Nuevas no suscritas tras la finalización del periodo de asignación adicional.

Las propuestas de suscripción de Acciones Nuevas realizadas durante el Período de Asignación Discrecional serán firmes, incondicionales e irrevocables, sin perjuicio de su posible pérdida de efectos en caso de resolución anticipada del Contrato de Aseguramiento.

#### **Aseguramiento y colocación**

Con fecha 11 de mayo de 2016, la Sociedad, la Gestora y las Entidades Aseguradoras han suscrito un contrato de aseguramiento conforme al cual (i) las Acciones Nuevas que no se hayan suscrito durante el Periodo de Asignación Discrecional Suscripción (excepción hecha a las Acciones Nuevas que el equipo gestor de la Sociedad se ha comprometido a suscribir) serán objeto de aseguramiento por las Entidades Aseguradoras; y (ii) las Entidades Aseguradoras se han comprometido a prefinanciar la totalidad de las Acciones Nuevas cuya suscripción se solicite en el Periodo de Asignación Discrecional (el **Contrato de Aseguramiento**).

La Sociedad podrá optar por revocar y rescindir el aumento de capital en caso de extinción del Contrato de Aseguramiento de la Oferta. Si el aumento de capital se revoca y se extingue, el dinero desembolsado por los suscriptores les será devuelto. Sin embargo, a los inversores que hayan adquirido derechos de suscripción preferente de los titulares de derechos existentes no les serán reembolsadas las cantidades desembolsadas por tales derechos de suscripción preferente por la Sociedad estando obligados a tratar de recuperar dichas cantidades de los vendedores de los

dichos derechos de suscripción preferente.

### **Calendario estimado y Eventos Principales**

El resumen de calendario que figura a continuación enumera algunas fechas importantes en relación con la Oferta. Sin embargo, estas fechas son únicamente indicativas y las fechas reales de la Oferta y de las demás actuaciones pueden variar de las fechas indicativas establecidas a continuación. La Sociedad comunicará desarrollos significativos en la Oferta a través de un hecho relevante registrado en la CNMV de conformidad con la legislación española. La información también estará disponible en la página web de la Sociedad ([www.hispania.es](http://www.hispania.es)).

<b>Actuación</b>	<b>Fecha Estimada</b>
Registro del Folleto en CNMV	12 de mayo de 2016
Publicación del anuncio en el BORME	13 de mayo de 2016
Inicio del Periodo de Suscripción Preferente y de solicitud de Acciones Adicionales en su caso.	14 de mayo de 2016
Primer día de cotización de las Acciones sin derechos (ex date) y primer día de cotización de los derechos de suscripción preferente	16 de mayo de 2016
Record date (el día en que aquellas personas o entidades registradas como Accionistas se convierten en Accionistas Legitimados)	18 de mayo de 2016
Finalización de la cotización de los derechos de suscripción preferente	27 de mayo de 2016
Finalización del Periodo de Suscripción Preferente y de solicitud de Acciones Adicionales en su caso	28 de mayo de 2016
En su caso, Periodo de Asignación de Acciones Adicionales	3 de junio de 2016
Hecho Relevante comunicando el número de Acciones Nuevas suscritas durante el Periodo de Suscripción Preferente y, en su caso, durante el Periodo de Asignación de Acciones Adicionales y comunicando, de producirse, la apertura del Periodo de Asignación Discrecional.	3 de junio de 2016
Inicio, en su caso, del Periodo de Asignación Discrecional	A partir del 3 de junio de 2016
Finalización, en su caso, del Periodo de Asignación Discrecional	7 de junio de 2016
Hecho relevante comunicando el resultado del Aumento de Capital, detallando el número de Acciones Nuevas suscritas en cada periodo	7 de junio de 2016
Desembolso de las acciones suscritas en el Periodo de Suscripción Preferente y, en su caso, en el Periodo de Asignación de Acciones Adicionales y en el Periodo de Asignación Discrecional	7 de junio de 2016
Desembolso (prefinanciando), en su caso, por las Entidades Aseguradoras de las Acciones Nuevas	7 de junio de 2016

suscritas en el periodo de asignación adicional	
Acuerdo de ejecución del aumento de capital	7 de junio de 2016
Otorgamiento de la escritura pública de aumento de capital	7 de junio de 2016
Inscripción del aumento de capital en el Registro Mercantil	8 de junio de 2016
Hecho relevante comunicando la inscripción de la escritura pública de aumento de capital en el Registro Mercantil y la fecha en la que se prevea que tendrá lugar la admisión a negociación de las Acciones Nuevas	8 de junio de 2016
Ejecución, en su caso, de la transmisión de las Acciones de Asignación Discrecional por las Entidades Aseguradoras a los destinatarios finales ( <i>Operación Especial</i> )	8 de junio de 2016
Admisión a cotización de las Acciones Nuevas por CNMV y las Bolsas de Valores Españolas.	8 de junio de 2016
Inicio de cotización previsto de las Acciones Nuevas en las Bolsas de Valores Españolas.	9 de junio de 2016
Liquidación de la Operación Especial	13 de junio de 2016

#### **Pago**

Suponiendo que el otorgamiento de la escritura pública del aumento de capital se lleva a cabo no más tarde del 7 de junio de 2016, la admisión a cotización de las Acciones Nuevas en las Bolsas de Valores españolas, de acuerdo con el calendario previsto, se espera que tenga lugar el 8 de junio de 2016 y la liquidación de las Acciones Nuevas asignadas durante el período de asignación discrecional (a través de una operación especial) se espera que, de acuerdo con el calendario previsto, tenga lugar en 13 de junio de 2016. Los desembolsos correspondientes a Acciones Nuevas debe ser realizados por los suscriptores finales:

- en relación con Acciones Nuevas suscritas durante el periodo de suscripción preferente, tras la suscripción, a través de la entidad participante de Iberclear a través de la cual dicho titular de derechos de suscripción preferente solicitó las Acciones Nuevas. El desembolso íntegro del precio de suscripción de cada Acción Nueva suscrita durante el Periodo de Suscripción Preferente se deberá realizar por los suscriptores en el momento de la suscripción de las Acciones Nuevas (es decir, al tiempo de formular la orden de suscripción).
- en relación a las Acciones Nuevas suscritas durante el período de asignación adicional no más tarde de las 11:00 horas de Madrid del día 7 de junio, (o antes si así lo requiere la normativa de la correspondiente entidad participante de Iberclear), a través de la entidad participante de Iberclear ante las que se hayan cursado las órdenes de suscripción de Acciones Nuevas adicionales;
- en relación con las Acciones Nuevas asignadas durante el período de asignación discrecional, antes de las 11:00 horas de Madrid del 13 de junio de 2016.

Se espera que la liquidación de las Acciones Nuevas asignadas durante el período de asignación discrecional a los inversores institucionales cualificados tenga lugar a través de una operación especial que será ejecutada el 8 de junio de 2016 y liquidada el 13 de junio de 2016. Si la operación especial no se ejecuta en esa fecha, el desembolso del Precio de Suscripción de las

		Acciones Nuevas asignadas durante el período de asignación discrecional por los inversores institucionales cualificados deberá realizarse tras la fecha en que se haya efectuado la operación especial y, a más tardar el tercer día hábil bursátil tras la mencionada fecha, a la que la Sociedad se refiere como la fecha de liquidación.
<b>E.4</b>	<b>Descripción de cualquier interés que sea importante para la emisión/oferta, incluidos los conflictivos:</b>	<p>En algunas ocasiones, algunas de las Entidades Aseguradoras, así como sus respectivas filiales, han podido haber prestado a la Sociedad o a la Gestora o a sus filiales servicios de banca de inversión, banca comercial, así como otros servicios de asesoramiento, incluyendo servicios relacionados con ciertas financiaciones y derivados de la Sociedad. En el futuro podrían prestar a la Sociedad o a la Gestora o a sus filiales otros o similares servicios, así como realizar actividades similares. En relación con el Aumento de Capital, cualquiera de las Entidades Aseguradoras y de sus filiales actuando como inversores por cuenta propia pueden suscribir Acciones Nuevas y en esa capacidad pueden retener, adquirir o vender dichas Acciones Nuevas (o inversiones relacionadas) por cuenta propia, y pueden ofrecer o vender esas Acciones Nuevas (u otras inversiones) en operaciones que no estén relacionadas con el Aumento de Capital.</p> <p>Al margen de lo anterior, la Sociedad desconoce la existencia de cualquier vinculación o interés económico entre la Sociedad y las entidades que están participando en el Aumento de Capital, salvo la relación estrictamente profesional derivada del asesoramiento recibido en relación con esta y otras operaciones recientes en curso, y, en el caso de las Entidades Aseguradoras, el aseguramiento que se describe en el apartado E.3 del presente Resumen.</p>
<b>E.5</b>	<b>Nombre de la persona o de la entidad que se ofrece a vender el valor Acuerdos de no enajenación:</b>	<p>La Sociedad ha aceptado que, sin previa autorización escrita de las Entidades Aseguradoras no podrá, durante un periodo que comienza en la fecha de firma del Contrato de Aseguramiento y que finaliza a los 90 días de la fecha de admisión a negociación de las Acciones Nuevas, directa o indirectamente, emitir, ofrecer, pignorar, vender, o comprometerse a vender, vender ninguna opción o contrato de compra, comprar ninguna opción o contrato de venta, otorgar ninguna opción, derecho o warrant para comprar, prestar, pignorar o de cualquier otro modo transferir o disponer, directa o indirectamente, de acciones de la Sociedad o cualquier otro valor convertible en o ejercitable o canjeable por acciones de la Sociedad, o presentar ninguna solicitud de registro bajo la <i>US Securities Act</i> en relación con cualquiera de las acciones anteriores; o concertar una permuta o cualquier otro acuerdo o transacción que transfiera, en su totalidad o en parte, directa o indirectamente, cualquiera de las consecuencias económicas de la propiedad de acciones de la Sociedad; sin perjuicio, sin embargo, de que las restricciones anteriores no son de aplicación a la emisión y/o venta y oferta de los derechos de suscripción preferente y de las Acciones Nuevas con ocasión del Aumento de Capital.</p> <p>Con ocasión de la salida a bolsa, cada uno de los miembros del Equipo Gestor se comprometió a que, sin el previo consentimiento de la Sociedad, durante el periodo que se inicia el 12 de marzo de 2014 y que finaliza en la fecha primera en el tiempo de entre (A) tres años tras la fecha de la salida a bolsa y (B) la terminación del Contrato de Gestión, no podrá, directa o indirectamente, (i) ofrecer, pignorar, vender, comprometerse a vender o anunciar la intención de hacerlo, vender ninguna opción o contrato de compra, comprar ninguna opción o contrato de venta, otorgar ninguna opción, derecho o warrant para comprar, prestar, pignorar o de cualquier otro modo transferir o disponer de cualquiera de las acciones de la Sociedad adquiridas en la salida a bolsa o cualesquiera otros valores convertibles en o ejercitables o canjeables por acciones adquiridas por dicho miembro del Equipo Gestor en la salida a bolsa, (ii) contratar una permuta o cualquier otro acuerdo o transacción que transfiera, en su totalidad o en parte, directa o indirectamente, cualquiera de las consecuencias económicas de la propiedad de acciones de la Sociedad adquiridas por dicho miembro del Equipo Gestor en la salida a bolsa, independientemente de que las permutas o transacciones referidas en los apartados (i) o (ii) anteriores se liquide mediante la entrega de acciones adquiridas por dicho miembro del Equipo Gestor en la salida a bolsa o cualesquiera otros valores convertibles en o ejercitables o canjeables por acciones adquiridas en la salida a bolsa, en efectivo o de otro modo. Las restricciones anteriores no son de aplicación a (i) transmisiones de dichas acciones a favor de familiares directos (esto es, padres, hermanos, cónyuge o pareja de hecho o descendiente directo de cualquiera de los anteriores) de los</p>

		<p>miembros relevantes del Equipo Gestor, siempre y cuando dicho adquirente se obligue a asumir las obligaciones derivadas del compromiso de no-transmisión anteriormente descritas, (ii) una oferta de adquisición total o parcial del capital social de la Sociedad recomendada por el Consejo de Administración, (iii) la implementación de un acuerdo de refinanciación (<i>scheme of arrangement</i>) en relación con la venta de acciones de la Sociedad que haya sido recomendado por el Consejo, (iv) un plan de reestructuración recomendado por el Consejo, (v) cualquier recompra de acciones por la Sociedad en idénticos términos a los ofrecidos a todos los accionistas, o (vi) cualquier venta respecto de la cual Goldman Sachs International y UBS Limited hayan otorgado su consentimiento previo.</p> <p>Dado que algunos miembros del Equipo Gestor, Don Gumuzio y Doña Osácar, participaron en la salida a bolsa indirectamente a través de la Gestora, la Gestora también asumió un compromiso de no-transmisión con la Sociedad similar al compromiso de no-transmisión de los miembros del Equipo Gestor. Además, en conexión con la salida a bolsa, Azora Altus también asumió un compromiso de no-transmisión con la Sociedad similar al compromiso de no-transmisión asumido por el Equipo Gestor con la Sociedad. Los compromisos de no-transmisión de Azora Altus, S.L. y de las acciones adquiridas por Doña María Concepción Osácar Garaicoechea y Don Fernando Gumuzio Íñiguez de Onzoño a través de la Gestora no se aplican en determinadas situaciones y circunstancias.</p> <p>La Sociedad se ha comprometido en el contrato de aseguramiento firmado en relación con la salida a bolsa a no dispensar de dichos compromisos de no-transmisión al Equipo Gestor, Azora Altus y la Gestora, sin el previo consentimiento escrito de Goldman Sachs International y de UBS Limited.</p>
<b>E.6</b>	<b>Dilución:</b>	<p>Los Accionistas Legitimados recibirán derechos de suscripción preferente para suscribir Acciones Nuevas y, por tanto, en caso de que ejerciten esos derechos en su integridad no sufrirán ninguna dilución en su participación en el capital social de la Sociedad en la fecha de referencia (<i>Record Date</i>).</p> <p>En caso de que ninguno de los Accionistas Legitimados suscribiese Nuevas Acciones en el porcentaje al que tienen derecho en virtud de sus derechos de suscripción preferente y no participasen en la asignación adicional o discrecional de las Acciones Nuevas, y asumiendo que la totalidad de las Acciones Nuevas fueran íntegramente suscritas por inversores distintos de los Accionistas Legitimados, o por las Entidades Aseguradoras, la participación de los Accionistas Legitimados representaría aproximadamente el 24% del número total de acciones tras el Aumento de Capital, lo que representaría una dilución en su porcentaje de titularidad del capital social de aproximadamente un 31,2%.</p>
<b>E.7</b>	<b>Gastos estimados aplicados al inversor por el emisor o el oferente:</b>	<p>La Sociedad no repercutirá gasto alguno a los suscriptores de las Acciones Nuevas. No se devengarán, a cargo de los inversores que acudan al Aumento de Capital, gastos por la primera inscripción de las Acciones Nuevas en los registros contables de Iberclear o de sus Entidades Participantes.</p> <p>No obstante, las Entidades Participantes que lleven cuentas de los titulares de las acciones de la Sociedad o a través de las cuales se realice la suscripción, podrán establecer, de acuerdo con la legislación vigente y las tarifas publicadas, las comisiones y gastos repercutibles en concepto de administración y de tramitación de órdenes de suscripción de valores y compra y venta de derechos de suscripción preferente que libremente determinen.</p> <p>Lo anterior se entiende sin perjuicio de las especialidades que pueden existir en otras jurisdicciones en función de lo previsto en sus respectivos ordenamientos.</p>

## EQUIVALENCE CHART

### EQUIVALENCIAS CON ANEXO I DEL REGLAMENTO 809/2004

Contenido		Apartado
1.	<b>PERSONAS RESPONSABLES</b>	
1.1	Todas las personas responsables de la información que figura en el documento de registro y, según los casos, de ciertas partes del mismo, con, en el último caso, una indicación de las partes. En caso de personas físicas, incluidos los miembros de los órganos de administración, de gestión o de supervisión del emisor, indicar el nombre y el cargo de la persona; en caso de personas jurídicas, indicar el nombre y el domicilio social.	Véase la primera página del folleto.
1.2	Declaración de los responsables del documento de registro que asegure que, tras comportarse con una diligencia razonable para garantizar que así es, la información contenida en el documento de registro es, según su conocimiento, conforme a los hechos y no incurre en ninguna omisión que pudiera afectar a su contenido. En su caso, declaración de los responsables de determinadas partes del documento de registro que asegure que, tras comportarse con una diligencia razonable para garantizar que así es, la información contenida en la parte del documento de registro de la que son responsables es, según su conocimiento, conforme a los hechos y no incurre en ninguna omisión que pudiera afectar a su contenido.	Véase la primera página del folleto.
2.	<b>AUDITORES DE CUENTAS</b>	
2.1	Nombre y dirección de los auditores del emisor para el periodo cubierto por la información financiera histórica (así como su afiliación a un colegio profesional).	Véase la sección “ <i>Independent Auditors</i> ” (Auditores Independientes).
2.2	Si los auditores han renunciado, han sido apartados de sus funciones o no han sido redesignados durante el periodo cubierto por la información financiera histórica, proporcionarán los detalles si son importantes.	Véase la sección “ <i>Independent Auditors</i> ” (Auditores Independientes).
3.	<b>INFORMACIÓN FINANCIERA SELECCIONADA</b>	
3.1	Información financiera histórica seleccionada relativa al emisor, que se presentará para cada ejercicio durante el periodo cubierto por la información financiera histórica, y cualquier periodo financiero intermedio subsiguiente, en la misma divisa que la información financiera	Véase la sección “ <i>Summary Selected Financial Information and Other Data</i> ” (Resumen de la Información Financiera Seleccionada y Otros Datos).
3.2	Si se proporciona información financiera seleccionada relativa a periodos intermedios, también se proporcionarán datos comparativos del mismo periodo del ejercicio anterior, salvo que el requisito para la información comparativa del balance se satisfaga presentando la información del balance final del ejercicio	No aplicable.
4.	<b>FACTORES DE RIESGO</b>	Véase la sección “ <i>Risk Factors</i> ” (Factores de Riesgo).
5.	<b>INFORMACIÓN SOBRE EL EMISOR</b>	
5.1.	Historia y evolución del emisor:	

5.1.1.	<i>nombre legal y comercial del emisor;</i>	Véase la sección “ <i>Additional Information</i> ” (Información Adicional).
5.1.2.	<i>lugar de registro del emisor y número de registro;</i>	Véase la sección “ <i>Additional Information</i> ” (Información Adicional).
5.1.3.	<i>fecha de constitución y periodo de actividad del emisor, si no son indefinidos;</i>	Véase la sección “ <i>Additional Information</i> ” (Información Adicional).
5.1.4.	<i>domicilio y personalidad jurídica del emisor, legislación conforme a la cual opera, país de constitución, y dirección y número de teléfono de su domicilio social (o lugar principal de actividad empresarial si es diferente de su domicilio social);</i>	Véase la sección “ <i>Additional Information</i> ” (Información Adicional).  Véase asimismo la contraportada del Folleto.
5.1.5.	<i>acontecimientos importantes en el desarrollo de la actividad del emisor</i>	Véase la sección “ <i>Business</i> ” (Negocio), sub-sección “ <i>Our History and Corporate Structure</i> ” (Nuestra Historia y Estructura de la Empresa).
<b>5.2.</b>	<b>Inversiones</b>	
5.2.1.	<i>Descripción, (incluida la cantidad) de las principales inversiones del emisor en cada ejercicio para el periodo cubierto por la información financiera histórica y hasta la fecha del documento de registro.</i>	Véase la sección “ <i>Business</i> ” (Negocio), sub-sección “ <i>Property Investments</i> ” (Inversiones en Propiedad Inmobiliaria).  Véase asimismo la sección “ <i>Management’s Discussion and Analysis of Financial Condition and Results of Operations</i> ” (Discusión y Analysis de la Condición Financiera y los Resultados de las Operaciones).
5.2.2.	<i>Descripción de las inversiones principales del emisor actualmente en curso, incluida la distribución de estas inversiones geográficamente (nacionales y en el extranjero) y el método de financiación (interno o externo).</i>	Véase la sección “ <i>Business</i> ” (Negocio), especialmente la sub-sección “ <i>Property Investment</i> ” (Inversiones en Propiedad Inmueble).
5.2.3.	<i>Información sobre las principales inversiones futuras del emisor sobre las cuales sus órganos de gestión hayan adoptado ya compromisos firmes</i>	Véase la sección “ <i>Business</i> ” (Negocio), especialmente la sub-sección “ <i>Investment in Property Assets, Maintenance and Refurbishments</i> ” (Inversiones en Activos de Propiedad Inmueble, Mantenimiento y Renovación).
<b>6.</b>	<b>DESCRIPCIÓN DEL NEGOCIO</b>	
<b>6.1.</b>	<b>Actividades principales</b>	
6.1.1.	<i>Descripción y factores clave relativos al carácter de las operaciones del emisor y de sus principales actividades, declarando las principales categorías de productos vendidos y/o servicios prestados en cada ejercicio durante el período cubierto por la información financiera histórica.</i>	Véase la sección “ <i>Business</i> ” (Negocio), sub-secciones “ <i>Overview</i> ” (Perspectiva General), “ <i>Our Business Strengths</i> ” (Nuestros Puntos Fuertes), “ <i>Investment Strategy</i> ” (Estrategía de Inversión) y “ <i>Property Investment</i> ” (Inversiones en Propiedad Inmueble).

6.1.2.	<i>Indicación de todo nuevo producto y/o servicio significativos que se hayan presentado y, en la medida en que se haya divulgado públicamente su desarrollo, dar la fase en que se encuentra.</i>	Véase la sección “ <i>Business</i> ” (Negocio), sub-secciones “ <i>Overview</i> ” (Perspectiva General), “ <i>Our Business Strengths</i> ” (Nuestros Puntos Fuertes), “ <i>Investment Strategy</i> ” (Estrategía de Inversión) y “ <i>Property Investment</i> ” (Inversiones en Propiedad Inmueble).  Véase asimismo la sección “ <i>Management’s Discussion and Analysis of Financial Condition and Results of Operations</i> ” (Discusión y Analysis de la Condición Financiera y los Resultados de las Operaciones), sub-sección “ <i>Factors Affecting Results of Operations</i> ” (Factores que Afectan a los Resultados de las Operaciones).
6.2.	<b>Mercados principales</b>	Véase la sección “ <i>Business</i> ” (Negocio), sub-secciones “ <i>Business strengths</i> ” (Puntos Fuertes), “ <i>Investment strategy</i> ” (Estrategía de Inversión) y “ <i>Description of Portfolio</i> ” (Descripción del Conjunto de los Activos).
6.3.	<b>Cuando la información dada de conformidad con los puntos 6.1. y 6.2. se haya visto influenciada por factores excepcionales, debe mencionarse este hecho.</b>	Véase la sección “ <i>Industry Overview</i> ” (Resumen de la Industria).
6.4.	<b>Si es importante para la actividad empresarial o para la rentabilidad del emisor, revelar información sucinta relativa al grado de dependencia del emisor de patentes o licencias, contratos industriales, mercantiles o financieros, o de nuevos procesos de fabricación.</b>	No aplicable.
6.5.	<b>Se incluirá la base de cualquier declaración efectuada por el emisor relativa a su posición competitiva</b>	Véase la sección “ <i>Industry Overview</i> ” (Resumen de la Industria), sub-sección “ <i>Overview of the Spanish Real Estate Market</i> ” (Mercado de la Propiedad Inmueble en España).
7.	<b>ESTRUCTURA ORGANIZATIVA</b>	
7.1.	<b>Si el emisor es parte de un grupo, una breve descripción del grupo y la posición del emisor en el grupo.</b>	Véase la sección “ <i>Business</i> ” (Negocio).
7.2.	<b>Lista de las filiales significativas del emisor, incluido el nombre, el país de constitución o residencia, la participación en el capital y, si es diferente, su proporción de derechos de voto.</b>	Véase la sección “ <i>Business</i> ” (Negocio). Sub-sección “ <i>History and Corporate Structure</i> ” (Historia y estructura corporativa).
8.	<b>PROPIEDAD, INSTALACIONES Y EQUIPO</b>	
8.1.	<b>Información relativa a todo inmovilizado material tangible existente o previsto, incluidas las propiedades arrendadas, y cualquier gravamen importante al respecto.</b>	Véase la sección “ <i>Business</i> ” (Negocio), sub-sección “ <i>Property Investment</i> ” (Inversiones en Propiedad Inmueble).
8.2.	<b>Descripción de cualquier aspecto medioambiental que pueda afectar al uso por el emisor del inmovilizado material tangible.</b>	No aplicable.



<b>9.</b>	<b>ANÁLISIS OPERATIVO Y FINANCIERO</b>	
<b>9.1</b>	<b>Situación financiera</b>	<p>Véase la sección “<i>Management’s Discussion and Analysis of Financial Condition and Results of Operations</i>” (Discusión y Analysis de la Condición Financiera y los Resultados de las Operaciones), sub-sección “<i>Results of Operations</i>” (Resultados de Operaciones).</p> <p>Véase asimismo la sección “<i>Summary Selected Financial Information and Other Data</i>” (Resumen de la Información Financiera Seleccionada y Otros Datos).</p>
<b>9.2.</b>	<b>Resultados de explotación</b>	
9.2.1.	<i>Información relativa a factores significativos, incluidos los acontecimientos inusuales o infrecuentes o los nuevos avances, que afecten de manera importante a los ingresos del emisor por operaciones, indicando en qué medida han resultado afectados los ingresos.</i>	Véase la sección “ <i>Management’s Discussion and Analysis of Financial Condition and Results of Operations</i> ” (Discusión y Analysis de la Condición Financiera y los Resultados de las Operaciones), sub-sección “ <i>Factors Affecting Results of Operations</i> ” (Factores que Afectan a los Resultados de las Operaciones).
9.2.2.	<i>Cuando los estados financieros revelen cambios importantes en las ventas netas o en los ingresos, proporcionar un comentario narrativo de los motivos de esos cambios</i>	Véase la sección “ <i>Management’s Discussion and Analysis of Financial Condition and Results of Operations</i> ” (Discusión y Analysis de la Condición Financiera y los Resultados de las Operaciones), sub-sección “ <i>Results of Operations</i> ” (Resultados de Operaciones).
9.2.3.	<i>Información relativa a cualquier actuación o factor de orden gubernamental, económico, fiscal, monetario o político que, directa o indirectamente, hayan afectado o pudieran afectar de manera importante a las operaciones del emisor.</i>	Véase la sección “ <i>Risk Factors</i> ” (Factores de Riesgo).
<b>10.</b>	<b>RECURSOS DE CAPITAL</b>	
<b>10.1.</b>	<b>Información relativa a los recursos de capital del emisor (a corto y a largo plazo).</b>	<p>Véase la sección “<i>Management’s Discussion and Analysis of Financial Condition and Results of Operations</i>” (Discusión y Analysis de la Condición Financiera y los Resultados de las Operaciones), sub-sección “<i>Liquidity and Capital Resources</i>” (Liquidez y Recursos de Capital).</p> <p>Véase la sección “<i>Capitalisation and Indebtedness</i>” (Capitalización y endeudamiento).</p> <p>Véase asimismo la sección “<i>Summary Selected Financial Information and Other Data</i>” (Resumen de la Información Financiera Seleccionada y Otros Datos).</p>
<b>10.2.</b>	<b>Explicación de las fuentes y cantidades y descripción narrativa de los flujos de tesorería del emisor.</b>	Véase la sección “ <i>Management’s Discussion and Analysis of Financial Condition and Results of Operations</i> ”

		(Discusión y Analysis de la Condición Financiera y los Resultados de las Operaciones), sub-sección “ <i>Liquidity and Capital Resources</i> ” (Liquidez y Recursos de Capital).
<b>10.3.</b>	<b>Información sobre los requisitos de préstamo y la estructura de financiación del emisor.</b>	<p>Véase la sección “<i>Capitalisation and Indebtedness</i>” (Capitalización y Endeudamiento).</p> <p>Véase la sección “<i>Management’s Discussion and Analysis of Financial Condition and Results of Operations</i>” (Discusión y Analysis de la Condición Financiera y los Resultados de las Operaciones), sub-sección “<i>Liquidity and Capital Resources</i>” (Liquidez y Recursos de Capital).</p> <p>Véase la sección “<i>Management’s Discussion and Analysis of Financial Condition and Results of Operations</i>” (Discusión y Analysis de la Condición Financiera y los Resultados de las Operaciones), sub-sección “<i>Current Financing Arrangements</i>” (Contratos de Financiación).</p> <p>Véase la sección “<i>Risk Factors</i>” (Factores de Riesgo).</p>
<b>10.4.</b>	<b>Información relativa a cualquier restricción sobre el uso de los recursos de capital que, directa o indirectamente, haya afectado o pudiera afectar de manera importante a las operaciones del emisor.</b>	<p>Véase la sección “<i>Management’s Discussion and Analysis of Financial Condition and Results of Operations</i>” (Discusión y Analysis de la Condición Financiera y los Resultados de las Operaciones), en particular la sub-sección “<i>Liquidity and Capital Resources</i>” (Liquidez y Recursos de Capital).</p> <p>Véase la sección “<i>Management’s Discussion and Analysis of Financial Condition and Results of Operations</i>” (Discusión y Analysis de la Condición Financiera y los Resultados de las Operaciones), sub-sección “<i>Current Financing Arrangements</i>” (Contratos de Financiación).</p>
<b>10.5.</b>	<b>Información relativa a las fuentes previstas de fondos necesarias para cumplir los compromisos mencionados en 5.2.3. y 8.1.</b>	<p>Véase la sección “<i>Management’s Discussion and Analysis of Financial Condition and Results of Operations</i>” (Discusión y Analysis de la Condición Financiera y los Resultados de las Operaciones), sub-sección “<i>Capital Expenditures</i>” (Gastos de Capital).</p> <p>Véanse los “<i>Audited Consolidated Annual Accounts</i>” (Estados Financieros) incorporados por referencia al Folleto tal y como se indica en la sección “<i>Summary Selected Financial Information and Other Data</i>” (Resumen de la Información Financiera Seleccionada y Otros Datos).</p>

11.	<b>INVESTIGACIÓN Y DESARROLLO, PATENTES Y LICENCIAS</b>	No aplicable.
12.	<b>INFORMACIÓN SOBRE TENDENCIAS</b>	
12.1.	<b>Tendencias recientes más significativas de la producción, ventas e inventario, y costes y precios de venta desde el fin del último ejercicio hasta la fecha del documento de registro.</b>	Véase la sección “ <i>Business</i> ” (Negocio).
12.2.	<b>Información sobre cualquier tendencia conocida, incertidumbres, demandas, compromisos o hechos que pudieran razonablemente tener una incidencia importante en las perspectivas del emisor, por lo menos para el ejercicio actual.</b>	Véase la sección “ <i>Risk Factors</i> ” (Factores de Riesgo).  Véase la sección “ <i>Industry Overview</i> ” (Resumen de la Industria), sub-sección “ <i>Overview of the Spanish Real Estate Market</i> ” (Mercado de la Propiedad Inmueble en España).
13.	<b>PREVISIONES O ESTIMACIONES DE BENEFICIOS</b>	
13.1.	<b>Declaración que enumere los principales supuestos en los que el emisor ha basado su previsión o su estimación.</b>	No aplicable.
13.2.	<b>Debe incluirse un informe elaborado por contables o auditores independientes que declare que, a juicio de esos contables o auditores independientes, la previsión o estimación se ha calculado correctamente sobre la base declarada, y que el fundamento contable utilizado para la previsión o estimación de los beneficios es coherente con las políticas contables del emisor.</b>	No aplicable.
13.3.	<b>La previsión o estimación de los beneficios debe prepararse sobre una base comparable con la información financiera histórica.</b>	No aplicable.
13.4.	<b>Si el emisor publica en un folleto una previsión de beneficios que está aún pendiente, debería entonces proporcionar una declaración de si efectivamente ese pronóstico sigue siendo tan correcto como en la fecha del documento de registro, o una explicación de por qué el pronóstico ya no es válido, si ese es el caso.</b>	No aplicable.
14.	<b>ÓRGANOS DE ADMINISTRACIÓN, DE GESTIÓN Y DE SUPERVISIÓN, Y ALTOS DIRECTIVOS</b>	
14.1.	<b>Nombre, dirección profesional y cargo en el emisor de las siguientes personas, indicando las principales actividades que éstas desarrollan al margen del emisor, si dichas actividades son significativas con respecto a ese emisor:</b>  (a) miembros de los órganos de administración, de gestión o de supervisión;  (b) socios comanditarios, si se trata de una sociedad comanditaria por acciones;  (c) fundadores, si el emisor se ha establecido para un período inferior a cinco años; y  (d) cualquier alto directivo que sea pertinente para	Véase la sección “ <i>Management and Board of Directors</i> ” (Equipo Gestor y Consejo de Administración), sub-sección “ <i>Board of Directors</i> ” (Consejo de Administración), sub-sección “ <i>Other Directorships and Partnerships</i> ” (Otras Posiciones) y sub-sección “ <i>Directors</i> ” (Consejeros).

	<p>establecer que el emisor posee las calificaciones y la experiencia apropiadas para gestionar las actividades del emisor.</p> <p>Naturaleza de toda relación familiar entre cualquiera de esas personas.</p> <p>En el caso de los miembros de los órganos de administración, de gestión o de supervisión del emisor y de las personas descritas en (b) y (d) del primer párrafo, datos sobre la preparación y experiencia pertinentes de gestión de esas personas, además de la siguiente información:</p> <p>(a) nombres de todas las empresas y asociaciones de las que esa persona haya sido, en cualquier momento de los cinco años anteriores, miembro de los órganos de administración, de gestión o de supervisión, o socio, indicando si esa persona sigue siendo miembro de los órganos de administración, de gestión o de supervisión, o si es socio. No es necesario enumerar todas las filiales de un emisor del cual la persona sea también miembro del órgano de administración, de gestión o de supervisión;</p> <p>(b) cualquier condena en relación con delitos de fraude por lo menos en los cinco años anteriores;</p> <p>(c) datos de cualquier quiebra, suspensión de pagos o liquidación con las que una persona descrita en (a) y (d) del primer párrafo, que actuara ejerciendo uno de los cargos contemplados en (a) y (d) estuviera relacionada por lo menos durante los cinco años anteriores;</p> <p>(d) detalles de cualquier incriminación pública oficial y/o sanciones de esa persona por autoridades estatutarias o reguladoras (incluidos los organismos profesionales designados) y si esa persona ha sido descalificada alguna vez por un tribunal por su actuación como miembro de los órganos de administración, de gestión o de supervisión de un emisor o por su actuación en la gestión de los asuntos de un emisor durante por lo menos los cinco años anteriores.</p> <p>De no existir ninguna información en este sentido que deba revelarse, efectuar una declaración a ese efecto.</p>	
14.2.	<b>Conflictos de intereses de los órganos de administración, de gestión y de supervisión, y altos directivos</b>	Véase la sección “ <i>Management and Board of Directors</i> ” (Equipo Gestor y Consejo de Administración), sub-sección “ <i>Conflicts of Interest</i> ” (Conflictos de Interés).
15.	<b>REMUNERACIÓN Y BENEFICIOS</b>	
15.1.	<b>Importe de la remuneración pagada (incluidos los honorarios contingentes o atrasados) y prestaciones en especie concedidas a esas personas por el emisor y sus filiales por servicios de todo tipo prestados por cualquier persona al emisor y sus filiales.</b>	Véase la sección “ <i>Management and Board of Directors</i> ” (Equipo Gestor y Consejo de Administración), sub-sección “ <i>Director Compensation</i> ” (Retribución de los Consejeros).
15.2.	<b>Importes totales ahorrados o acumulados por el emisor o sus filiales para prestaciones de pensión, jubilación o similares.</b>	Véase la sección “ <i>Management and Board of Directors</i> ” (Equipo Gestor y Consejo de Administración), sub-sección “ <i>Director Compensation</i> ” (Retribución de los Consejeros).
16.	<b>PRÁCTICAS DE GESTIÓN</b>	

16.1.	Fecha de expiración del actual mandato, en su caso, y periodo durante el cual la persona ha desempeñado servicios en ese cargo.	Véase la sección “ <i>Management and Board of Directors</i> ” (Equipo Gestor y Consejo de Administración), sub-sección “ <i>Directors</i> ” (Consejeros).
16.2.	Información sobre los contratos de los miembros de los órganos de administración, de gestión o de supervisión con el emisor o cualquiera de sus filiales que prevean beneficios a la terminación de sus funciones, o la correspondiente declaración negativa	Véase la sección “ <i>Management and Board of Directors</i> ” (Equipo Gestor y Consejo de Administración), sub-sección “ <i>Directors</i> ” (Consejeros).
16.3.	Información sobre el comité de auditoría y el comité de retribuciones del emisor, incluidos los nombres de los miembros del comité y un resumen de su reglamento interno.	Véase la sección “ <i>Management and Board of Directors</i> ” (Equipo Gestor y Consejo de Administración), sub-sección “ <i>Committees of the Board of Directors</i> ” (Comités del Consejo).
16.4.	Declaración de si el emisor cumple el régimen o regímenes de gobierno corporativo de su país de constitución. En caso de que el emisor no cumpla ese régimen, debe incluirse una declaración a ese efecto, así como una explicación del motivo por el cual el emisor no cumple ese régimen.	Véase la sección “ <i>Management and Board of Directors</i> ” (Equipo Gestor y Consejo de Administración), sub-sección “ <i>Internal Code of Conduct and Corporate Governance Recommendations</i> ” (Código Interno de Conducta y Recomendaciones de Gobierno Corporativo).
17.	<b>EMPLEADOS</b>	
17.1.	Número de empleados al final del período o la media para cada ejercicio durante el período cubierto por la información financiera histórica hasta la fecha del documento de registro (y las variaciones de ese número, si son importantes) y, si es posible y reviste importancia, un desglose de las personas empleadas por categoría principal de actividad y situación geográfica. Si el emisor emplea un número significativo de empleados eventuales, incluir datos sobre el número de empleados eventuales por término medio durante el ejercicio más reciente.	Véase la sección “ <i>Business</i> ” (Negocio), sub-sección “ <i>Employees</i> ” (Empleados).
17.2.	Acciones y opciones de compra de acciones.  Con respecto a cada persona mencionada en (a) y (d) del primer párrafo del punto 14.1, proporcionar información de su tenencia de participaciones del emisor y de toda opción sobre tales acciones a partir de la fecha practicable más reciente.	Véase la sección “ <i>Management and Board of Directors</i> ” (Equipo Gestor y Consejo de Administración), sub-sección “ <i>Shareholdings of Directors and Management Team</i> ” (Participaciones por Directors y el Equipo Gestor).
17.3.	Descripción de todo acuerdo de participación de los empleados en el capital del emisor.	Véase la sección “ <i>Management and Board of Directors</i> ” (Equipo Gestor y Consejo de Administración), sub-sección “ <i>Shareholdings of Directors and Management Team</i> ”.  Véase la sección “ <i>Principal Shareholders</i> ” (Accionistas Principales).
18.	<b>ACCIONISTAS PRINCIPALES</b>	
18.1.	En la medida en que tenga conocimiento de ello el emisor, el nombre de cualquier persona que no pertenezca a los órganos de administración, de gestión o de supervisión que, directa o indirectamente, tenga un interés declarable, según el derecho nacional del emisor, en el capital o en los derechos de voto del emisor, así como la cuantía del interés de cada una de esas personas o, en caso de no haber tales	Véase la sección “ <i>Principal Shareholders</i> ” (Accionistas Principales).

	<b>personas, la correspondiente declaración negativa.</b>	
<b>18.2.</b>	<b>Si los accionistas principales del emisor tienen distintos derechos de voto, o la correspondiente declaración negativa.</b>	Véase la sección “ <i>Description of Capital Stock</i> ” (Descripción del Capital Social), sub-sección “ <i>Shareholders' Meetings and Voting Rights</i> ” (Junta General de Accionistas y Derechos de Voto).
<b>18.3.</b>	<b>En la medida en que tenga conocimiento de ello el emisor, declarar si el emisor es directa o indirectamente propiedad o está bajo control y quién lo ejerce, y describir el carácter de ese control y las medidas adoptadas para garantizar que no se abusa de ese control.</b>	Véase la sección “ <i>Principal Shareholders</i> ” (Accionistas Principales).
<b>18.4.</b>	<b>Descripción de todo acuerdo, conocido del emisor, cuya aplicación pueda en una fecha ulterior dar lugar a un cambio en el control del emisor.</b>	No aplicable.
<b>19.</b>	<b>OPERACIONES DE PARTES VINCULADAS</b>	Véase la sección “ <i>Related Party Transactions</i> ” (Operaciones con Partes Vinculadas).
<b>20.</b>	<b>INFORMACIÓN FINANCIERA RELATIVA AL ACTIVO Y EL PASIVO DEL EMISOR, POSICIÓN FINANCIERA Y PÉRDIDAS Y BENEFICIOS</b>	
<b>20.1.</b>	<b>Información financiera histórica</b>	Véase la sección “ <i>Summary Selected Financial Information and Other Data</i> ” (Resumen de la Información Financiera Seleccionada y Otros Datos).
<b>20.2.</b>	<b>Información financiera pro-forma</b>	No aplicable.
<b>20.3.</b>	<b>Estados financieros</b>	Véase la sección “ <i>Presentation of Financial Information</i> ” (Presentación de Información Financiera).  Véase asimismo la sección “ <i>Summary Selected Financial Information and Other Data</i> ” (Resumen de Información Financiera y Otras Informaciones).
<b>20.4.</b>	<b>Auditoría de la información financiera histórica anual</b>	
<b>20.4.1.</b>	Declaración de que se ha auditado la información financiera histórica. Si los informes de auditoría sobre la información financiera histórica han sido rechazados por los auditores legales o si contienen cualificaciones o negaciones, se reproducirán íntegramente el rechazo o las cualificaciones o negaciones, explicando los motivos.	Véase la sección “ <i>Independent Auditors</i> ” (Auditores Independientes).  Véase asimismo la sección “ <i>Presentation of Financial and Other Information</i> ” (Presentación de Información Financiera y Otras Informaciones).
<b>20.4.2.</b>	Una indicación de otra información en el documento de registro que haya sido auditada por los auditores.	Véase la sección “ <i>Independent Auditors</i> ” (Auditores Independientes).  Véase asimismo la sección “ <i>Presentation of Financial and Other Information</i> ” (Presentación de Información Financiera y Otras Informaciones).
<b>20.4.3.</b>	Cuando los datos financieros del documento de registro no se hayan extraído de los estados financieros auditados del emisor, éste debe declarar la fuente de	Véase asimismo la sección “ <i>Presentation of Financial and Other Information</i> ” (Presentación de Información Financiera y

	los datos y declarar que los datos no han sido auditados.	Otras Informaciones)
<b>20.5.</b>	<b>Edad de la información financiera más reciente</b>	
<b>20.5.1.</b>	El último año de información financiera auditada no puede preceder en más de:  (a) 18 meses a la fecha del documento de registro si el emisor incluye en dicho documento estados financieros intermedios auditados;  (b) 15 meses a la fecha del documento de registro si en dicho documento el emisor incluye estados financieros intermedios no auditados.	Véase asimismo la sección “ <i>Presentation of Financial and Other Information</i> ” (Presentación de Información Financiera y Otras Informaciones).
<b>20.6.</b>	<b>Información intermedia y demás información financiera</b>	
<b>20.6.1.</b>	Si el emisor ha venido publicando información financiera trimestral o semestral desde la fecha de sus últimos estados financieros auditados, éstos deben incluirse en el documento de registro. Si la información financiera trimestral o semestral ha sido revisada o auditada, debe también incluirse el informe de auditoría o de revisión. Si la información financiera trimestral o semestral no ha sido auditada o no se ha revisado, debe declararse este extremo.	Véase asimismo la sección “ <i>Presentation of Financial and Other Information</i> ” (Presentación de Información Financiera y Otras Informaciones).
<b>20.6.2.</b>	Si la fecha del documento de registro es más de nueve meses posterior al fin del último ejercicio auditado, debería contener información financiera intermedia que abarque por lo menos los primeros seis meses del ejercicio y que puede no estar auditada (en cuyo caso debe declararse este extremo).	No aplicable.
<b>20.7</b>	<b>Política de dividendos</b>	
<b>20.7.1.</b>	Importe de los dividendos por acción por cada ejercicio para el período cubierto por la información financiera histórica, ajustada si ha cambiado el número de acciones del emisor, para que así sea comparable.	Véase la sección “ <i>Dividends and Dividend Policy</i> ” (Dividendos y Política de Dividendos).  Véase asimismo la sección “ <i>Description of Capital Stock</i> ” (Descripción del Capital Social), sub-sección “ <i>Dividends and Liquidation Rights</i> ” (Dividendos y Derechos de Liquidación).
<b>20.8</b>	<b>Procedimientos judiciales y de arbitraje</b>	Véase la sección “ <i>Business</i> ” (Negocio), sub-sección “ <i>Legal Proceedings</i> ” (Procedimientos Legales).
<b>20.9</b>	<b>Cambios significativos en la posición financiera o comercial del emisor</b>	Véase la sección “ <i>Management’s Discussion and Analysis of Financial Condition and Results of Operations</i> ” (Discusión y Analysis de la Condición Financiera y los Resultados de las Operaciones).
<b>21</b>	<b>INFORMACIÓN ADICIONAL</b>	
<b>21.1.</b>	<b>Capital Social</b>	
<b>21.1.1.</b>	Importe del capital emitido, y para cada clase de capital social  (a) número de acciones autorizadas;  (b) número de acciones emitidas e íntegramente desembolsadas y las emitidas pero no desembolsadas íntegramente;	Véase la sección “ <i>Description of Capital Stock</i> ” (Descripción del Capital Social).

	<p>(c) valor nominal por acción, o que las acciones no tienen ningún valor nominal; y</p> <p>(d) una conciliación del número de acciones en circulación al principio y al final del año. Si se paga más del 10 % del capital con activos distintos del efectivo dentro del periodo cubierto por la información financiera histórica, debe declararse este hecho.</p>	
21.1.2.	Si hay acciones que no representan capital, se declarará el número y las principales características de esas acciones.	No aplicable.
21.1.3.	Número, valor contable y valor nominal de las acciones del emisor en poder o en nombre del propio emisor o de sus filiales.	Véase la sección “ <i>Description of Capital Stock</i> ” (Descripción del Capital Social),
21.1.4.	Importe de todo valor convertible, valor canjeable o valor con garantías, indicando las condiciones y los procedimientos que rigen su conversión, canje o suscripción.	No aplicable.
21.1.5.	Información y condiciones de cualquier derecho de adquisición y/o obligaciones con respecto al capital autorizado pero no emitido o sobre la decisión de aumentar el capital.	No aplicable.
21.1.6.	Información sobre cualquier capital de cualquier miembro del grupo que esté bajo opción o que se haya acordado condicional o incondicionalmente someter a opción y detalles de esas opciones, incluidas las personas a las que se dirigen esas opciones.	No aplicable.
21.1.7.	Historial del capital social, resaltando la información sobre cualquier cambio durante el período cubierto por la información financiera histórica.	Véase la sección “ <i>Description of Capital Stock</i> ” (Descripción del Capital Social)
21.2.	<b>Estatutos y escritura de constitución</b>	
21.2.1.	Descripción del objeto social y fines del emisor y dónde pueden encontrarse en los estatutos y escritura de constitución.	Véase la sección “ <i>Additional Information</i> ” (Información Adicional).
21.2.2.	Breve descripción de cualquier disposición de las cláusulas estatutarias o reglamento interno del emisor relativa a los miembros de los órganos de administración, de gestión y de supervisión.	Véase la sección “ <i>Management and Board of Directors</i> ” (Equipo Gestor y Consejo de Administración), sub-sección “ <i>Board of Directors</i> ”
21.2.3.	Descripción de los derechos, preferencias y restricciones relativas a cada clase de las acciones existentes.	Véase la sección “ <i>Description of Capital Stock</i> ” (Descripción del Capital Social).
21.2.4.	Descripción de qué se debe hacer para cambiar los derechos de los tenedores de las acciones, indicando si las condiciones son más significativas que las que requiere la ley.	Véase la sección “ <i>Description of Capital Stock</i> ” (Descripción del Capital Social) sub-sección “ <i>Shareholders’ meetings and voting rights</i> ” (juntas generales y derechos de voto).
21.2.5.	Descripción de las condiciones que rigen la manera de convocar las juntas generales anuales y las juntas generales extraordinarias de accionistas, incluyendo las condiciones de admisión.	Véase la sección “ <i>Description of Capital Stock</i> ” (Descripción del Capital Social) sub-sección “ <i>Shareholders’ meetings and voting rights</i> ” (juntas generales y derechos de voto).
21.2.6.	Breve descripción de cualquier disposición de las cláusulas estatutarias o reglamento interno del emisor que tenga por efecto retrasar, aplazar o impedir un cambio en el control del emisor.	Véase la sección “ <i>Description of Share Capital</i> ” (Descripción del Capital Social).  Véase asimismo la sección “ <i>Material Contracts</i> ” (Información de Mercado).
21.2.7.	Indicación de cualquier disposición de las cláusulas estatutarias o reglamento interno, en su caso, que rija el umbral de	No aplicable.



	propiedad por encima del cual deba revelarse la propiedad del accionista.	
21.2.8.	Descripción de las condiciones impuestas por las cláusulas estatutarias o reglamento interno que rigen los cambios en el capital, si estas condiciones son más rigurosas que las que requiere la ley.	No aplicable.
22	<b>CONTRATOS IMPORTANTES</b>	Véase la sección “ <i>Material Contracts</i> ” (Contratos Materiales).
23	<b>INFORMACIÓN DE TERCEROS, DECLARACIONES DE EXPERTOS Y DECLARACIONES DE INTERÉS</b>	
23.1.	<b>Cuando se incluya en el documento de registro una declaración o un informe atribuido a una persona en calidad de experto, proporcionar el nombre de dicha persona, su dirección profesional, sus cualificaciones y, en su caso, cualquier interés importante que tenga en el emisor. Si el informe se presenta a petición del emisor, una declaración a ese efecto de que se incluye dicha declaración o informe, la forma y el contexto en que se incluye, con el consentimiento de la persona que haya autorizado el contenido de esa parte del documento de registro.</b>	Véase la sección “ <i>Important Information</i> ” (Información Importante), sub-sección “ <i>CB Richard Ellis Valuation</i> ” (Valuación de CB Richard Ellis).  Véase asimismo la sección “ <i>Appendix 2: CBRE Valuation report</i> ” (Apéndice 2: Valuación de CB Richard Ellis).
23.2.	<b>En los casos en que la información proceda de un tercero, proporcionar una confirmación de que la información se ha reproducido con exactitud y que, en la medida en que el emisor tiene conocimiento de ello y puede determinar a partir de la información publicada por ese tercero, no se ha omitido ningún hecho que haría la información reproducida inexacta o engañosa. Además, el emisor debe identificar la fuente o fuentes de la información.</b>	Véase la sección “ <i>Important Information</i> ” (Información Importante), sub-sección “ <i>CB Richard Ellis Valuation</i> ” (Valuación de CB Richard Ellis).  Véase asimismo la sección “ <i>Appendix 2: CBRE Valuation report</i> ” (Apéndice 2: Valuación de CB Richard Ellis).
24	<b>DOCUMENTOS PRESENTADOS</b>	Véase la sección “ <i>Additional Information</i> ” (Información Adicional).
25	<b>INFORMACIÓN SOBRE CARTERAS</b>	
25.1	Información relativa a las empresas en las que el emisor posee una proporción de capital que puede tener un efecto significativo en la evaluación de sus propios activos y pasivos, posición financiera o pérdidas y beneficios.	Véase la sección “ <i>Business</i> ” (Negocio), sub-sección “ <i>Our History and Corporate Structure</i> ” (Nuestra Historia y Estructura de la Empresa).

EQUIVALENCIAS CON ANEXO III DEL REGLAMENTO 809/2004

Contenido	Apartado	Comentario
1.	<b>PERSONAS RESPONSABLES</b>	
1.1	Todas las personas responsables de la información que figura en el documento de registro y, según los casos, de ciertas partes del mismo, con, en el último caso, una indicación de las partes. En caso de personas físicas, incluidos los miembros de los órganos de administración, de gestión o de supervisión del emisor, indicar el nombre y el cargo de la persona; en caso de personas jurídicas, indicar el nombre y el domicilio social.	Véase la primera página del folleto.
1.2	Declaración de los responsables del documento de registro que asegure que, tras comportarse con una diligencia razonable para garantizar que así es, la información contenida en el documento de registro es, según su conocimiento, conforme a los hechos y no incurre en ninguna omisión que pudiera afectar a su contenido. En su caso, declaración de los responsables de determinadas partes del documento de registro que asegure que, tras comportarse con una diligencia razonable para garantizar que así es, la información contenida en la parte del documento de registro de la que son responsables es, según su conocimiento, conforme a los hechos y no incurre en ninguna omisión que pudiera afectar a su contenido.	Véase la primera página del folleto.
2.	<b>FACTORES DE RIESGO</b>	
2.1	Factores de riesgo	Véase la sección “ <i>Risk Factors</i> ” (Factores de Riesgo).
3.	<b>INFORMACIÓN ESENCIAL</b>	
3.1	Declaración sobre el capital circulante.	Véase la sección “ <i>Management’s Discussion and Analysis of Financial Condition and Results of Operations</i> ” (Discusión y Analysis de la Condición Financiera y los Resultados de las Operaciones).
3.2	Capitalización y endeudamiento	Véase la sección “ <i>Capitalisation and Indebtedness</i> ” (Capitalización y Endeudamiento)
3.3	Interés de las personas físicas y jurídicas participantes en la emisión/oferta.	Véase la sección “ <i>Plan of Distribution</i> ” (Plan de Distribución)
3.4	Motivos de la oferta y destino de los ingresos	Véase la sección “ <i>Use of Proceeds</i> ” (Uso de las Ganancias de la Oferta)
4.	<b>FACTORES DE RIESGO INFORMACIÓN RELATIVA A LOS VALORES QUE VAN A</b>	

	<b>OFERTARSE/ADMITIRSE A COTIZACIÓN</b>		
4.1	<b>Descripción del tipo y la clase de los valores ofertados / admitidos a cotización, con el Código ISIN (número internacional de identificación del valor) u otro código de identificación del valor.</b>	Véase la sección “ <i>The Offering</i> ” (la Oferta).	
4.2	<b>Legislación según la cual se han creado los valores.</b>	Véase la sección “ <i>The Offering</i> ” (la Oferta).	
4.3	<b>Indicación de si los valores están en forma registrada o al portador y si los valores están en forma de título o de anotación en cuenta. En el último caso, nombre y dirección de la entidad responsable de la llevanza de las anotaciones.</b>	Véase la sección “ <i>Description of Share Capital</i> ” (Descripción del Capital Social).	
4.4	<b>Divisa de la emisión de los valores.</b>	Véase la sección “ <i>Description of Capital Stock</i> ” (Descripción del Capital Social).  Véase asimismo la portada del Folleto y la sección “ <i>Plan of Distribution</i> ” (Plan de Distribución).	
4.5	<b>Descripción de los derechos vinculados a los valores, incluida cualquier limitación de esos derechos, y procedimiento para el ejercicio de los mismos.</b>		
4.5.1	<i>Derechos a participar en las ganancias sociales y en el patrimonio resultante de la liquidación.</i>	Véase la sección “ <i>Description of Capital Stock</i> ” (Descripción del Capital Social), sub-sección “ <i>Dividend and liquidation rights</i> ” (Derechos de Dividendos y Liquidación)	
4.5.2	<i>Derechos de voto.</i>	Véase la sección “ <i>Description of Capital Stock</i> ” (Descripción del Capital Social), sub-sección “ <i>Shareholders' Meetings and Voting Rights</i> ” (Junta General de Accionistas y Derechos de Voto).	
4.5.3	<i>Derechos de suscripción preferente en las ofertas de suscripción de valores de la misma clase.</i>	Véase la sección “ <i>Description of Capital Stock</i> ” (Descripción del Capital Social), sub-sección “ <i>Pre-emptive rights and increases of share capital</i> ” (Derechos de Adquisición Preferentes y Aumento de Capital).	
4.5.4	<i>Derecho de participación en los beneficios del emisor.</i>	Véase la sección “ <i>Description of Capital Stock</i> ” (Descripción del Capital Social).	
4.5.5	<i>Derechos de participación en cualquier excedente en caso de liquidación.</i>	Véase la sección “ <i>Description of Share Capital</i> ” (Descripción del Capital Social), sub-sección “ <i>Dividends and Liquidation Rights</i> ” (Dividendos y Derechos de Liquidación).	

4.5.6	<i>Derecho de información.</i>	Véase la sección “ <i>Description of Capital Stock</i> ” (Descripción del Capital Social), sub-sección “ <i>Shareholders’ Right of Information</i> ” (Derechos de Información).	
4.5.7	<i>Cláusulas de conversión.</i>	No aplicable.	
4.6	<b>En el caso de nuevas emisiones, declaración de las resoluciones, autorizaciones y aprobaciones en virtud de las cuales los valores han sido o serán creados y/o emitidos.</b>	Véase la sección la sección “ <i>The Offering</i> ” (la Oferta).	
4.7	<b>En caso de nuevas emisiones, fecha prevista de emisión de los valores.</b>	Véase la sección la sección “ <i>The Offering</i> ” (la Oferta).	
4.8	<b>Descripción de cualquier restricción sobre la libre transmisibilidad de los valores.</b>	Véase la sección “ <i>Description of Capital Stock</i> ” (Descripción del Capital Social), sub-sección “ <i>Registration and Transfer</i> ” (Registro y Transmisión).	
4.9	<b>Indicación de la existencia de cualquier oferta obligatoria de adquisición y/o normas de retirada y recompra obligatoria en relación con los valores.</b>	Véase la sección “ <i>Market Information</i> ” (Información de Mercado), sub-sección “ <i>Tender Offers</i> ” (Ofertas Públicas de Adquisición).	
4.10	<b>Indicación de las ofertas públicas de adquisición realizadas por terceros sobre el capital del emisor, que se hayan producido durante el ejercicio anterior y el actual. Debe declararse el precio o las condiciones de canje de estas ofertas y su resultado.</b>	Véase la sección “ <i>Description of Capital Stock</i> ” (Descripción del Capital Social).	
4.11	<b>Por lo que se refiere al país del domicilio social del emisor y al país o países en los que se está haciendo la oferta o se solicita la admisión a negociación, información sobre los impuestos de la renta de los valores retenidos en origen, e indicación de si el emisor asume la responsabilidad de la retención de impuestos en origen.</b>	Véase la sección “ <i>Taxation</i> ” (Tributación).	
5.	<b>CLÁUSULAS Y CONDICIONES DE LA OFERTA</b>		
5.1.	<b>Condiciones, estadísticas de la oferta, calendario previsto y procedimiento para la suscripción de la oferta.</b>		
5.1.1.	<i>Condiciones a las que está sujeta la oferta.</i>	No aplicable.	
5.1.2.	<i>Importe total de la emisión/Oferta, distinguiendo los valores ofertados para la venta y los ofertados para suscripción; si el importe no es fijo, descripción de los acuerdos y del momento en que se anunciará al público el importe definitivo de la Oferta.</i>	Véase la portada del Folleto.  Véase la sección “ <i>Plan of Distribution</i> ” (Plan de Distribución), subsección “ <i>Underwriting Agreement</i> ” (Contrato de Aseguramiento)  Véase asimismo la sección “ <i>The Offering</i> ” (la Oferta).	

5.1.3.	<i>Plazo de suscripción, incluida cualquier posible modificación, de la Oferta y descripción del proceso de solicitud.</i>	Véase la sección la sección “ <i>The Offering</i> ” (la Oferta).	
5.1.4.	<i>Indicación de cuándo, y en qué circunstancias, puede revocarse o suspenderse la oferta y de si la revocación puede producirse una vez iniciada la negociación.</i>	Véase la sección “ <i>The Offering</i> ” (la Oferta), apartado subsección “ <i>Termination</i> ” (Terminación).	
5.1.5.	<i>Descripción de la posibilidad de reducir suscripciones y la manera de devolver el importe sobrante de la cantidad pagada por los solicitantes.</i>	Véase la sección “ <i>The Offering</i> ” (la Oferta), apartado subsección “ <i>Termination</i> ” (Terminación).  Véase la sección “ <i>The Offering</i> ” (la Oferta), apartado subsección “ <i>Preferential Subscription</i> ” (suscripción preferente).	
5.1.6	<i>Detalles de la cantidad mínima y/o máxima de solicitud (ya sea por el número de los valores o por importe total de la inversión).</i>	No aplicable.	
5.1.7	<i>Indicación del plazo en el cual pueden retirarse las solicitudes, siempre que se permita a los inversores dicha retirada.</i>	Véase la sección “ <i>The Offering</i> ” (la Oferta), apartado subsección “ <i>Preferential Subscription</i> ” (suscripción preferente).	
5.1.8	<i>Método y plazos para el pago de los valores y para la entrega de los mismos.</i>	Véase la sección “ <i>The Offering</i> ” (la Oferta).	
5.1.9	<i>Descripción completa de la manera y fecha en la que se deben hacer públicos los resultados de la Oferta.</i>	Véase la sección “ <i>The Offering</i> ” (la Oferta).	
5.1.10	<i>Procedimiento para el ejercicio de cualquier derecho preferente de compra, la negociabilidad de los derechos de suscripción y el tratamiento de los derechos de suscripción no ejercidos.</i>	Véase la sección “ <i>The Offering</i> ” (la Oferta).	
<b>5.2.</b>	<b>Plan de colocación y adjudicación.</b>		
5.2.1.	<i>Las diversas categorías de posibles inversores a los que se ofertan los valores. Si la oferta se hace simultáneamente en los mercados de dos o más países y si se ha reservado o se va a reservar un tramo para determinados países, indicar el tramo.</i>	Véase la portada del folleto, así como las primeras páginas.  Véase la sección “ <i>Transfer and Selling Restrictions</i> ” (Restricciones de Venta y de Transferencias).	
5.2.2.	<i>En la medida en que tenga conocimiento de ello el emisor, indicar si los accionistas principales o los miembros de los órganos de administración, de gestión o de supervisión del emisor tienen intención de suscribir la oferta, o si alguna persona tiene intención de suscribir más del cinco por ciento de la oferta.</i>	Véase la sección “ <i>Principal Shareholders</i> ” (Accionistas Significativos).  Véase asimismo la sección “ <i>Management and Board of Directors</i> ” (Equipo Gestor y	

		Consejo de Administración).	
5.2.3.	<p><i>Información previa sobre la adjudicación</i></p> <p>a) División de la oferta en tramos, incluidos los tramos institucional, al por menor y de empleados del emisor y otros tramos.</p> <p>b) Condiciones en las que puede utilizarse la recuperación, tamaño máximo de esa recuperación y cualquier porcentaje mínimo aplicable a cada tramo.</p> <p>c) Método o métodos de asignación que deben utilizarse para el tramo al por menor y para el de empleados del emisor en caso de suscripción excesiva de estos tramos.</p> <p>d) Descripción de cualquier trato preferente predeterminado que se conceda a ciertas clases de inversores o a ciertos grupos afines (incluidos los amigos y programas de familia) en la asignación, el porcentaje de la oferta reservada a ese trato preferente y los criterios para la inclusión en tales clases o grupos.</p> <p>e) Si el tratamiento de las suscripciones u ofertas de suscripción en la asignación puede determinarse sobre la base de por qué empresa o a través de qué empresa se hacen.</p> <p>f) Objetivo de asignación individual mínima, en su caso, en el tramo al por menor.</p> <p>g) Condiciones para el cierre de la oferta así como la fecha más temprana en la que puede cerrarse la oferta.</p> <p>h) Si se admiten las suscripciones múltiples, y cuando no se admiten, cómo se manejan las suscripciones múltiples.</p>	<p>a) No aplicable.</p> <p>b) Esta información se ha incluido en la sección “<i>Description of Capital Stock</i>” (Descripción del Capital Social), sub-sección “<i>Share Repurchases</i>” (Recuperación de Participaciones).</p> <p>c) No aplicable.</p> <p>d) No aplicable.</p> <p>e) No aplicable.</p> <p>f) No aplicable.</p> <p>g) Esta información se ha incluido en la sección “<i>The Offering</i>” (la Oferta).</p> <p>h) No aplicable.</p>	
5.2.4	<i>Proceso de notificación a los solicitantes de la cantidad asignada e indicación de si la negociación puede comenzar antes de efectuarse la notificación.</i>	Véase la sección “ <i>The Offering</i> ” (la Oferta).	
5.2.5	<i>Sobre-adjudicación y “green shoe”.</i>	Véase la sección “ <i>Plan of Distribution</i> ” (Plan de Distribución).	
<b>5.3</b>	<b>Precios</b>		
5.3.1	<i>Indicación del precio al que se ofertarán los valores. Cuando no se conozca el precio o cuando no exista un mercado establecido y/o líquido para los valores, indicar el método para la determinación del precio de oferta, incluyendo una declaración sobre quién ha establecido los criterios o es formalmente responsable de su determinación. Indicación del importe de todo gasto e impuesto cargados específicamente al suscriptor o comprador.</i>	<p>Véase la sección “<i>The Offering</i>” (la Oferta).</p> <p>Véase asimismo la portada del Folleto.</p>	

5.3.2	<i>Proceso de publicación del precio de Oferta.</i>	Véase la sección “ <i>The Offering</i> ” (la Oferta).	
5.3.3	<i>Limitación o supresión del derecho de suscripción preferente de los accionistas; precio de emisión de los valores.</i>	Véase la sección “ <i>The Offering</i> ” (la Oferta).	
5.3.4	<i>En los casos en que haya o pueda haber una disparidad importante entre el precio de oferta pública y el coste real en efectivo para los miembros de los órganos de administración, de gestión o de supervisión, o altos directivos o personas vinculadas, de los valores adquiridos por ellos en operaciones realizadas durante el último año, o que tengan el derecho a adquirir, debe incluirse una comparación de la contribución pública en la oferta pública propuesta y las contribuciones reales en efectivo de esas personas.</i>	No aplicable.	
<b>5.4</b>	<b>Colocación y aseguramiento.</b>		
5.4.1	<i>Nombre y dirección del coordinador o coordinadores de la oferta global y de determinadas partes de la misma y, en la medida en que tenga conocimiento de ello el emisor o el oferente, de los colocadores en los diversos países donde tiene lugar la oferta.</i>	Véase la sección “ <i>Plan of Distribution</i> ” (Plan de Distribución).  Véase asimismo la contraportada del folleto.	
5.4.2	<i>Nombre y dirección de cualquier agente de pagos y de las entidades depositarias en cada país.</i>	Véase la sección “ <i>Plan of Distribution</i> ” (Plan de Distribución).  Véase asimismo la contraportada del folleto.	
5.4.3	<i>Nombre y dirección de las entidades que acuerdan asegurar la emisión con un compromiso firme, y detalles de las entidades que acuerdan colocar la emisión sin compromiso firme o con un acuerdo de «mejores esfuerzos». Indicación de las características importantes de los acuerdos, incluidas las cuotas. En los casos en que no se suscriba toda la emisión, declaración de la parte no cubierta. Indicación del importe global de la comisión de suscripción y de la comisión de colocación.</i>	Véase la sección “ <i>Plan of Distribution</i> ” (Plan de Distribución).  Véase asimismo la contraportada del folleto.	
5.4.4	<i>Cuándo se ha alcanzado o se alcanzará el acuerdo de suscripción.</i>	Véase la sección “ <i>Plan of Distribution</i> ” (Plan de Distribución).  Véase la sección “ <i>The Offering</i> ” (la Oferta).	
<b>6.</b>	<b>ACUERDOS DE ADMISIÓN A COTIZACIÓN Y NEGOCIACIÓN</b>		
<b>6.1.</b>	<b>Indicación de si los valores ofertados son o serán objeto de una solicitud de admisión a negociación, con vistas a su distribución en un mercado regulado o en otros mercados equivalentes, indicando los mercados en cuestión. Esta circunstancia debe mencionarse, sin crear la impresión de que se aprobará necesariamente la admisión a negociación. Si se conocen, deben darse las fechas más tempranas en las que los valores se admitirán a</b>	Véase la portada del folleto.  Véase la sección “ <i>Market Information</i> ” (Información de Mercado).  Véase la sección “ <i>The Offering</i> ” (la Oferta).	

	<b>negociación.</b>		
<b>6.2.</b>	<b>Todos los mercados regulados o mercados equivalentes en los que, según tenga conocimiento de ello el emisor, estén admitidos ya a negociación valores de la misma clase que los valores que van a ofertarse o admitirse a negociación.</b>	Véase la primera página del folleto.	
<b>6.3.</b>	<b>Si, simultáneamente o casi simultáneamente con la creación de los valores para los que se busca la admisión en un mercado regulado, se suscriben o se colocan privadamente valores de la misma clase, o si se crean valores de otras clases para colocación pública o privada, deben darse detalles sobre la naturaleza de esas operaciones y del número y las características de los valores a los cuales se refieren.</b>	No aplicable.	
<b>6.4.</b>	<b>Detalles de las entidades que tienen un compromiso firme de actuar como intermediarios en la negociación secundaria, aportando liquidez a través de las órdenes de oferta y demanda y descripción de los principales términos de su compromiso.</b>	Véase la sección “ <i>Description of Capital Stock</i> ” (Descripción del Capital Social).	
<b>6.5.</b>	<b>Estabilización: en los casos en que un emisor o un accionista vendedor haya concedido una opción de sobre-adjudicación o se prevé que puedan realizarse actividades de estabilización de precios en relación con la oferta.</b>	No aplicable.	
<b>7.</b>	<b>TENEDORES VENDEDORES DE VALORES</b>		
<b>7.1.</b>	<b>Nombre y dirección profesional de la persona o de la entidad que se ofrece a vender los valores, naturaleza de cualquier cargo u otra relación importante que los vendedores hayan tenido en los últimos tres años con el emisor o con cualquiera de sus antecesores o personas vinculadas.</b>	No aplicable.	
<b>7.2.</b>	<b>Número y clase de los valores ofertados por cada uno de los tenedores vendedores de valores.</b>	No aplicable.	
<b>7.3.</b>	<b>Acuerdos de bloqueo. Partes implicadas. Contenido y excepciones del acuerdo. Indicación del Período de bloqueo.</b>	Véase la sección “ <i>Plan of Distribution</i> ” (Plan de Distribución), sub-sección “ <i>Lock-up Agreements</i> ” (Compromisos de No-Disposición).	
<b>8.</b>	<b>GASTOS DE LA EMISIÓN / OFERTA</b>		
<b>8.1.</b>	<b>Ingresos netos totales y cálculo de los gastos totales de la emisión/oferta.</b>	Véase la sección “ <i>Use of Proceeds</i> ” (Usos de las Ganancias de la Oferta).  Véase la sección “ <i>Plan of Distribution</i> ” (Plan de Distribución), subsección “ <i>Underwriting Agreement</i> ” (Contrato de Aseguramiento).	



<b>9.</b>	<b>DILUCIÓN</b>		
<b>9.1</b>	<b>Cantidad y porcentaje de la dilución inmediata resultante de la emisión/oferta.</b>	Véase asimismo la sección “ <i>Dilution</i> ” (Dilución).	
<b>9.2.</b>	<b>En el caso de una oferta de suscripción a los tenedores actuales, importe y porcentaje de la dilución inmediata si no suscriben la nueva oferta.</b>	Véase la sección “ <i>Dilution</i> ” (Dilución).	
<b>10.</b>	<b>INFORMACIÓN ADICIONAL</b>		
<b>10.1.</b>	<b>Si en la nota sobre los valores se menciona a los asesores relacionados con una emisión, una declaración de la capacidad en que han actuado los asesores.</b>	Véase la sección “ <i>Legal Matters</i> ” (Asuntos Legales).	
<b>10.2.</b>	<b>Indicación de otra información de la nota sobre los valores que haya sido auditada o revisada por los auditores y si los auditores han presentado un informe. Reproducción del informe o, con el permiso de la autoridad competente, un resumen del mismo.</b>	No aplicable.	
<b>10.3.</b>	<b>Cuando en la nota sobre los valores se incluya una declaración o un informe atribuido a una persona en calidad de experto, proporcionar el nombre de esas personas, dirección profesional, cualificaciones e interés importante en el emisor, según proceda. Si el informe se presenta a petición del emisor, una declaración de que se incluye dicha declaración o informe, la forma y el contexto en que se incluye, con el consentimiento de la persona que haya autorizado el contenido de esa parte de la nota sobre los valores.</b>	Véase la sección “ <i>Important Information</i> ” (Información Importante), sub-sección “ <i>CB Richard Ellis Valuation</i> ” (Valuación de CB Richard Ellis).  Véase asimismo la sección “ <i>Appendix 2: CBRE Valuation report</i> ” (Apéndice 2: Valuación de CB Richard Ellis).	
<b>10.4.</b>	<b>En los casos en que la información proceda de un tercero, proporcionar una confirmación de que la información se ha reproducido con exactitud y que, en la medida en que el emisor tiene conocimiento de ello y puede determinar a partir de la información publicada por ese tercero, no se ha omitido ningún hecho que haría la información reproducida inexacta o engañosa. Además, el emisor debe identificar la fuente o fuentes de la información.</b>	Véase la sección “ <i>Important Information</i> ” (Información Importante), sub-sección “ <i>CB Richard Ellis Valuation</i> ” (Valuación de CB Richard Ellis).  Véase asimismo la sección “ <i>Appendix 2: CBRE Valuation report</i> ” (Apéndice 2: Valuación de CB Richard Ellis).	

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Mr.Fernando Gumuzio Íñiguez de Onzoño, duly authorised pursuant to the resolutions approved by the Shareholders of the Company on 29 June 2015, and by the Board of Directors of the Company on 11 April 2016, signs this Prospectus in Madrid, on 12 May 2016.

**Hispania Activos Inmobiliarios, SOCIMI, S.A.**