

**SAINT CROIX HOLDING  
IMMOBILIER, SOCIMI, S.A. and  
Subsidiary Company**

**Consolidated Annual Accounts for the year  
ending 31 December 2014 and Consolidated  
Management Report, along with the  
Independent Audit Report**

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# **Audit Report on the Annual Accounts**

Financial Year 2014

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

## INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of  
Saint Croix Holding Immobilier, SOCIMI, S.A.,

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Saint Croix Holding Immobilier, SOCIMI, S.A. ("the Parent") and Subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

#### *Directors' Responsibility for the Consolidated Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinion*

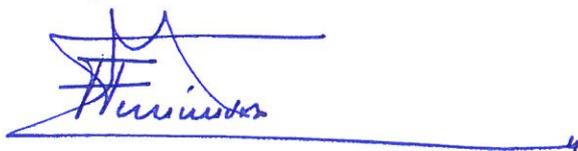
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of Saint Croix Holding Immobilier, SOCIMI, S.A. and Subsidiary as at 31 December 2014, and their consolidated results and their consolidated cash

flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

### **Report on Other Legal and Regulatory Requirements**

The accompanying consolidated directors' report for 2014 contains the explanations which the Parent's directors consider appropriate about the situation of Saint Croix Holding Inmobiliar, SOCIMI, S.A. and Subsidiary, the evolution of their business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2014. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Saint Croix Holding Inmobiliar, SOCIMI, S.A. and Subsidiary.

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

A handwritten signature in blue ink, appearing to read "Francisco Fernández", is written over a horizontal line that extends across the page.

Francisco Fernández  
25 February 2015

**SAINT CROIX HOLDING  
IMMOBILIER, SOCIMI, S.A. and  
Subsidiary Company**

**Consolidated Annual Accounts for the year  
ending 31 December 2014 and Consolidated  
Management Report**

# **Consolidated Annual Report**

## Financial Year 2014

**SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.  
AND SUBSIDIARY COMPANY**

**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014**

(Euros)

ASSETS	Annual Report Report	Financial Year 2.014	Financial Year 2.013	LIABILITIES	Annual Report Report	Financial Year 2.014	Financial Year 2.013
<b>NON-CURRENT ASSETS</b>		<b>221,143,090</b>	<b>225,549,388</b>	<b>EQUITY</b>	<b>NOTE 11</b>	<b>270,410,768</b>	<b>261,585,060</b>
<b>Tangible fixed assets</b>		<b>67,274</b>	-	Capital		267,577,040	267,577,040
Plant and other tangible fixed assets		412	-	Legal Reserve		156,252	-
Fixed assets in progress and advance payments	<b>NOTE 7</b>	66,862	-	Prior years' losses		-	-1,228,592
<b>Real estate investments</b>	<b>NOTE 7</b>	<b>219,893,884</b>	<b>224,379,138</b>	Reserves in consolidated companies		-9,117,017	-6,245,782
<b>Long-term financial investments</b>	<b>NOTE 9</b>	<b>1,181,932</b>	<b>1,170,250</b>	Year's profit (loss) attributed to the Parent Company		11,794,493	1,482,394
Other financial assets		1,181,932	1,170,250				
<b>CURRENT ASSETS</b>		<b>59,738,809</b>	<b>47,516,627</b>	<b>NON-CURRENT LIABILITIES</b>		<b>7,940,669</b>	<b>9,216,078</b>
<b>Inventories</b>		<b>9,196</b>	-	<b>Subsidies</b>	<b>NOTE 12</b>	<b>1,522,383</b>	<b>1,631,099</b>
Advance payments to suppliers		9,196	-	<b>Long-term debts</b>	<b>NOTE 13</b>	<b>6,418,286</b>	<b>7,584,979</b>
<b>Trade and other accounts receivable</b>		<b>1,674,597</b>	<b>2,531,431</b>	Debts with credit institutions		4,616,144	5,781,758
Accounts receivable for sales and services		992,930	912,063	Other financial liabilities		1,802,142	1,803,221
Other receivables		-	170				
Other credits with the public administration	<b>NOTE 16</b>	681,667	1,619,198	<b>CURRENT LIABILITIES</b>		<b>2,530,462</b>	<b>2,264,877</b>
<b>Short-term investments in associated companies</b>	<b>Notes 9, 18.2</b>	<b>57,579,278</b>	<b>44,276,115</b>	<b>Short-term debts</b>	<b>NOTE 13</b>	<b>1,356,332</b>	<b>1,199,965</b>
Credits to associated companies		57,579,278	44,276,115	Debts with credit institutions		1,356,200	1,199,965
<b>Short-term financial investments</b>		<b>120</b>	<b>10,618</b>	Other financial liabilities		132	-
Other financial assets		120	10,618	<b>Short-term debts with associated companies</b>	<b>NOTE 18.2</b>	<b>19,201</b>	-
<b>Short-term accruals</b>		-	<b>5,000</b>	<b>Trade creditors and other accounts payable</b>		<b>1,154,929</b>	<b>1,064,912</b>
<b>Cash and cash equivalents</b>		<b>475,618</b>	<b>693,463</b>	Suppliers		438,119	844,769
Cash and bank		475,618	693,463	Sundry creditors		1,534	-
				Other debts with the public administration	<b>NOTE 16</b>	192,946	220,143
				Advance payments from customers		522,330	-
<b>TOTAL ASSETS</b>		<b>280,881,899</b>	<b>273,066,015</b>	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>280,881,899</b>	<b>273,066,015</b>

Notes 1 to 21 set out in the consolidated annual report attached hereto form an integral part of the consolidated balance sheet at 31 December 2014.

**SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.  
AND SUBSIDIARY COMPANY**

**CONSOLIDATED INCOME STATEMENT FOR 2014**

(Euros)

	<b>Annual Report Report</b>	<b>Financial Year 2.014</b>	<b>Financial Year 2.013</b>
<b>CONTINUED OPERATIONS</b>			
<b>Net turnover</b>	<b>NOTE 17.1</b>	<b>15,356,313</b>	<b>15,141,571</b>
Provision of services		15,356,313	15,141,571
<b>Other operating income</b>	<b>NOTE 17.1</b>	<b>93,176</b>	<b>74,435</b>
Non-core and other current management income		85,032	74,435
Operating subsidies included in profit (loss) for the year		8,144	-
<b>Procurements</b>		<b>-502,536</b>	<b>-520,582</b>
Work performed by other companies		-502,536	-520,582
<b>Personnel expenses</b>	<b>NOTE 17.3</b>	<b>-90,608</b>	<b>-225,665</b>
Wages, salaries and similar outgoings		-74,643	-125,335
National Insurance contributions		-15,965	-100,330
<b>Other operating expenses</b>		<b>-2,151,481</b>	<b>-2,283,369</b>
Outside services	<b>NOTE 17.2</b>	-939,009	-1,327,983
Taxes and similar levies	<b>NOTE 17.2</b>	-1,154,927	-907,301
Losses, impairment and changes in provisions for trade transactions		-57,545	-48,085
<b>Fixed asset depreciation</b>	<b>NOTE 7</b>	<b>-4,469,732</b>	<b>-4,366,555</b>
<b>Allocation of non-financial fixed asset subsidies and others</b>	<b>NOTE 12</b>	<b>108,717</b>	<b>108,717</b>
<b>Impairment and gains (losses) on fixed asset and real estate investment disposals</b>	<b>NOTE 7</b>	<b>1,385,143</b>	<b>-8,166,595</b>
Impairment and losses		1,687,357	-8,103,554
Gains (losses) on disposals and others		-302,214	-63,041
<b>Operating profit (loss)</b>		<b>9,728,992</b>	<b>-238,043</b>
<b>Financial income</b>		<b>2,166,621</b>	<b>2,271,319</b>
From transferable securities and other financial instruments		2,166,621	2,271,319
In associated companies	<b>NOTE 18.1</b>	2,092,686	1,844,994
In third parties		73,935	426,325
<b>Financial expenses</b>		<b>-101,120</b>	<b>-550,882</b>
From related-party debts	<b>NOTE 18.1</b>	-	-273,705
From debts with third parties	<b>NOTE 13</b>	-101,120	-277,177
<b>FINANCIAL PROFIT (LOSS)</b>		<b>2,065,501</b>	<b>1,720,437</b>
<b>CONSOLIDATED PROFIT (LOSS) BEFORE TAX</b>		<b>11,794,493</b>	<b>1,482,394</b>
Tax on profits	<b>NOTE 16</b>	-	-
<b>CONSOLIDATED PROFIT (LOSS) FOR THE YEAR</b>		<b>11,794,493</b>	<b>1,482,394</b>
Profit (loss) attributed to non-controlling interests		-	-
<b>YEAR'S PROFIT (LOSS) ATTRIBUTED TO PARENT COMPANY</b>		<b>11,794,493</b>	<b>1,482,394</b>
<b>Earnings per share:</b>			
Basic and diluted earnings per share	<b>NOTE 17.5</b>	2.65	0.33

Notes 1 to 21 set out in the in the consolidated annual report attached hereto form an integral part of the income statement for 2014

**SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.  
AND SUBSIDIARY COMPANY**

**CONSOLIDATED COMPREHENSIVE INCOME STATEMENT AT 31 DECEMBER 2014**

(Euros)

	<b>Financial Year 2014</b>	<b>Financial Year 2013</b>
<b>PROFIT (LOSS) OF THE PROFIT AND LOSS ACCOUNT (I)</b>	<b>11,794,493</b>	<b>1,482,394</b>
<b>TOTAL INCOME AND EXPENSES DIRECTLY ATTRIBUTED TO EQUITY (II)</b>	-	-
<b>TOTAL AMOUNTS TRANSFERRED TO PROFIT AND LOSS ACCOUNT (III)</b>	-	-
<b>TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III)</b>	<b>11,794,493</b>	<b>1,482,394</b>
Attributable to Parent Company	11,794,493	1,482,394
Attributable to external partners	-	-

Notes 1 to 21 set out in the consolidated annual report attached hereto form an integral part of the consolidated comprehensive income statement at 31 December 2014

**SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.  
AND SUBSIDIARY COMPANY**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDING 31 DECEMBER 2014**

(Euros)

	<b>Capital</b>	<b>Legal Reserve</b>	<b>Prior Years' Profit (Loss)</b>	<b>Reserves in Consolidated Companies</b>	<b>Profit (Loss) for the Year</b>	<b>Total</b>
<b>CLOSING BALANCE 31 DECEMBER 2012</b>	<b>267,577,040</b>	-	<b>-581,257</b>	<b>-4,297,935</b>	<b>-2,595,182</b>	<b>260,102,666</b>
<b>Recognised total income and expense</b>	-	-	-	-	<b>1,482,394</b>	<b>1,482,394</b>
<b>Transactions with shareholders</b>	-	-	<b>-647,335</b>	<b>-1,947,847</b>	<b>2,595,182</b>	-
Profit (loss) carry-forward	-	-	<b>-647,335</b>	<b>-1,947,847</b>	<b>2,595,182</b>	-
<b>CLOSING BALANCE 31 DECEMBER 2013</b>	<b>267,577,040</b>	-	<b>-1,228,592</b>	<b>-6,245,782</b>	<b>1,482,394</b>	<b>261,585,060</b>
<b>Recognised total income and expense</b>	-	-	-	-	<b>11,794,493</b>	<b>11,794,493</b>
<b>Other changes in shareholders' equity</b>	-	<b>156,252</b>	<b>1,228,592</b>	<b>-2,871,235</b>	<b>-1,482,394</b>	<b>-2,968,785</b>
Profit (loss) distribution	-	<b>156,252</b>	<b>1,228,592</b>	<b>-2,871,235</b>	<b>-1,482,394</b>	<b>-2,968,785</b>
<b>CLOSING BALANCE 31 DECEMBER 2014</b>	<b>267,577,040</b>	<b>156,252</b>	-	<b>-9,117,017</b>	<b>11,794,493</b>	<b>270,410,768</b>

Notes 1 to 21 set out in the consolidated annual report attached hereto form an integral part of the consolidated statement of changes in equity at 31 December 2014

**SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.  
AND SUBSIDIARY COMPANY**

**CONSOLIDATED CASH FLOW STATEMENT  
AT 31 DECEMBER 2014**

(Euros)

	Annual Report Report	Financial Year 2.014	Financial Year 2.013
<b>CASH FLOWS FROM OPERATING ACTIVITIES (I)</b>		<b>15,713,024</b>	<b>21,019,701</b>
<b>Profit (loss) before tax for the year</b>		<b>11,794,493</b>	<b>1,482,394</b>
<b>Adjustments to profit (loss):</b>		<b>967,916</b>	<b>10,752,081</b>
Fixed asset depreciation (+)	NOTE 7	4,469,732	4,366,555
Changes in provisions for trade transactions (+/-)		57,545	48,085
Impairments and gains (losses) on fixed asset-write offs and disposals (+/-)	NOTE 7	-1,385,143	8,166,595
Financial income (-)		-2,166,621	-2,271,319
Financial expenses (+)		101,120	550,882
Allocation of subsidies (+/-)	NOTE 12	-108,717	-108,717
<b>Changes in working capital</b>		<b>885,114</b>	<b>7,383,214</b>
Inventories (+/-)		-9,196	-
Trade and other accounts receivable (+/-)		799,289	8,776,737
Other current assets (+/-)		5,000	-
Trade creditors and other accounts payable (+/-)		90,021	-1,393,523
<b>Other cash flows from operating activities</b>		<b>2,065,501</b>	<b>1,402,012</b>
Interest payments (-)	NOTE 13	-101,120	-550,882
Interest receivable (+)		2,166,621	1,952,894
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES (II)</b>		<b>1,332,205</b>	<b>-4,240,942</b>
<b>Operating profit (loss)</b>		<b>-528,292</b>	<b>-4,274,450</b>
<b>Investment payments</b>		<b>-516,610</b>	<b>-4,269,296</b>
Real estate and tangible fixed asset investments		-516,610	-4,269,296
Other financial assets		-11,682	-5,154
<b>Receivables from disposals</b>		<b>1,860,497</b>	<b>33,508</b>
Real estate investments		1,849,999	20,976
Other financial assets		10,498	12,532
<b>CASH FLOWS FROM FINANCING ACTIVITIES (III)</b>		<b>-17,263,074</b>	<b>-16,310,804</b>
<b>Dividend and other equity instrument payments</b>		<b>-2,968,786</b>	<b>-</b>
Dividends	Note 4	-2,968,786	-
<b>Financial liability instrument receivables and payables</b>		<b>-14,294,288</b>	<b>-16,310,804</b>
Repayment and redemption of debts with credit institutions		-1,009,379	-2,526,510
Payments for loans granted to Group and associated companies	NOTE 18.2	-13,303,163	-13,788,964
Debt issues with associated companies	NOTE 18.2	19,201	-
Other financial liabilities		-947	4,670
<b>NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (I+II+III)</b>		<b>-217,845</b>	<b>467,955</b>
Cash or cash equivalents at beginning of the year		693,463	225,508
Cash or cash equivalents at year-end		475,618	693,463

Notes 1 to 21 in the consolidated annual report attached hereto form an integral part of the cash flow statement at 31 December 2014

**SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.  
AND SUBSIDIARY COMPANY**

Consolidated Annual Report for the  
Year Ending  
31 December 2014.

**1. The Group's Activity**

SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A. (hereinafter the "Parent Company"), formerly called SAINT CROIX HOLDING COMPANY IMMOBILIER, S.A., was incorporated in Luxembourg on 1 December 2011. Its registered office was located at Boulevard Prince Henri 9b, L-1724 Luxembourg, Grand Duchy of Luxembourg and the company was duly registered in the Luxembourg Companies Registry (Registre de Commerce et des Sociétés) with the number B165103. An Extraordinary General Meeting of the Parent Company held on 10 June 2014 approved, among others, the following resolutions::

- To move the registered, tax and administrative office (headquarters) to Glorieta de Cuatro Caminos 6 and 7 in Madrid, without winding up or liquidating the company, and to continue performing the activities included under its corporate purpose in Spain as a Spanish public limited company (sociedad anónima) and more specifically under the legal and tax framework for listed real estate investment trusts (SOCIMI), while maintaining the listing of all its shares on the Luxembourg Stock Exchange.
- To change the Company's trade name from "SAINT CROIX HOLDING IMMOBILIER, S.A." to "SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A."
- To approve the Parent Company's financial statements at 31 May of 2014 (date accounts were closed prior to moving address and therefore the change of nationality).
- To approve the new Articles of Incorporation and the General Shareholders' Meeting Regulations in accordance with Spanish Law.

After having finalised the process of moving the registered office and transferring the headquarters to Madrid, Spain, the Parent Company was duly registered in the Madrid Companies Registry on 15 October 2014.

Its corporate purpose includes the following activities:

- The holding of interests in the capital of other listed real estate investment trusts (hereinafter "SOCIMIs") or in the capital of other entities not domiciled in Spanish territory which have the same corporate purpose as SOCIMIs and which are subject to a similar scheme as the one laid down for SOCIMIs with regard to mandatory, legal or statutory policies on the distribution of profits.
- The holding of interests in the capital of other entities, whether or not they are domiciled in Spanish territory, which have as their main corporate purpose the acquisition of urban real estate assets for leasing and which are subject to the same scheme as that established for listed real estate investment trusts (SOCIMIs) concerning mandatory, legal or statutory policies on the distribution of profits and which meet the investment requirements laid down by Law 11/2009 of 26 October governing Listed Real Estate Investment Trusts (hereinafter the "SOCIMI Act").
- The holding of shares or interests in collective real estate investment institutions governed by Act 35/2003 of 4 November on Collective Investment Institutions.

- The performance of other non-core or complementary financial and non-financial activities that generate revenues which together amount to less than the percentage the SOCIMI Act sets forth at any time for the company's revenue in each tax period, such as:
  - The acquisition and development of urban real estate for leasing. Development activities, including the refurbishment of buildings under the terms set forth by Act 37/1992 of 28 December on Value Added Tax.
  - The construction, development and sale of retail outlets, garages and housing units in both the free market and the officially protected or public market, and others related to said activity, such as the acquisition of land and the financing, development and subdivision into plots, along with the refurbishment of buildings.
  - The acquisition, plot subdivision, operation and sale of rural, agricultural, forestry and stock breeding properties and of any other real estate asset, along with the marketing of their products and other consumer goods.
  - The acquisition, holding and disposal of moveable property and fixed income and equity securities after having received, if applicable, the relevant administrative authorisation, along with the purchase and sale of works of art.
  - The management, administration and operation of hotels, aparthotels, student halls of residence and nursing homes for the elderly in any of the ways provided for by Law and in general of any kind of real estate where an economic activity is carried out.
  - The assignment of its own capital in exchange for the payment of interest or other kinds of consideration.

As regards the Subsidiary Company, Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.U., its corporate purpose consists of the acquisition and development of urban real estate assets for leasing, which includes the refurbishment of buildings, under the terms laid down by Law 37/1992 of 28 December, the Value Added Tax Law.

## **2. Applicable legislation**

Both companies are governed by Law 11/2009 of 26 October governing Listed Real Estate Investment Trusts, as amended by Law 16/2012 of 27 December. Article 3 of said Law, as amended by the new Law, sets forth the investment requirements for this kind of companies, which are as follows:

1. SOCIMIs shall have at least 80 per cent of the value of their urban real estate assets allocated to leasing and to land for real estate development which are to be allocated to such purpose, provided that development is initiated within three years following its acquisition.

The asset value shall be determined according to the yearly average of the separate quarterly balances and, in order to calculate such value, the Company may opt to replace the market value of the elements comprising said balances with their book value, which would then be applied to the entire year's balances. For this purpose, cash or credit rights arising from a transfer of said real estate assets or any interests realised in the same year or in previous years shall not be computed, as appropriate, provided, in the latter case, that the reinvestment time limit referred to in Article 6 of this Law has not elapsed.

2. Furthermore, at least eighty per cent of the tax period's income corresponding to each financial year, excluding income from the transfer of interests and real estate allocated

to fulfilling its main corporate purpose, must come from the leasing of real estate and from dividends or interests in the profits from such interests once the maintenance period referred to in the following paragraph has elapsed.

This percentage shall be calculated on the basis of the consolidated profit (loss) should the company be the parent company of a group pursuant to the criteria set forth in Article 42 of the Code of Commerce, regardless of its domicile and of the obligation to draw up consolidated annual accounts. Such group shall solely be comprised of SOCIMIs and the rest of the entities referred to in paragraph 1, Article 2 of this Law.

3. The real estate assets which form part of the company's assets must be leased for at least three years. For the purposes of calculation, the time the real estate assets have been offered for lease shall be counted, up to a maximum of one year.

The term shall be calculated:

- a) In the case of real estate assets that were included in the company's equity before the moment of opting for the scheme, from the start date of the first tax period in which the special tax scheme set forth in this Law applies, provided that was leased or offered for lease on said date. Otherwise, the provisions set forth in the following subsection shall apply.
- b) In the case of real estate assets developed or acquired subsequently by the company, from the date on which they were leased or offered for lease for the very first time.

In the case of shares or interests in the entities referred to in paragraph 1, Article 2 of this Law, they must be maintained in the company's assets for at least three years from the date of acquisition or, as appropriate, from the start of the first tax period in which the special tax scheme set forth in this Law applies.

As set forth by the First Transitional Provision of Law 11/2009 of 26 October governing Listed Real Estate Investment Trusts, as amended by Law 16/2012 of 27 December, such companies may opt to apply the special tax scheme under the terms set forth in Article 8 of said Law, even where the requirements laid down therein have not been fulfilled, provided such requirements are met within two years of the date on which the company chooses to apply the scheme.

The Parent Company's Administrators deemed at year-end 2014 that the Group's two companies had fulfilled all the requirements laid down by the aforementioned Law.

As set forth by the First Transitional Provision of Law 11/2009 of 26 October governing Listed Real Estate Investment Trusts, as amended by Law 16/2012 of 27 December, such companies may opt to apply the special tax scheme under the terms set forth in Article 8 of said Law, even where the requirements laid down therein have not been fulfilled, provided such requirements are met within two years of the date on which the company chooses to apply the scheme.

The failure to comply with this condition shall mean that the company will once again be taxed as per the general tax scheme for Corporation Tax, as from the tax period when the failure to comply comes about, except where it is corrected in the following year. Furthermore, along with the tax liability for such tax period, the Company shall be obliged to pay the difference between the tax liability for the tax resulting from the application of the general scheme and the tax liability effectively paid resulting from applying the special tax scheme in prior tax periods, without prejudice to any late payment interest, surcharges and penalties which may, as appropriate, apply.

In addition to the above, the amendment of Law 11/2009 of 26 October by Law 16/2012 of 27 December 2012 established the following specific changes:

- a) More flexible criteria for the inclusion and maintenance of real estate assets: There is no lower limit on the number of real estate assets to be contributed at the SOCIMI's incorporation, except for housing units, of which at least eight must be contributed. Real estate assets no longer have to remain on the company's balance sheet for seven years but only for at least three years.
- b) Reduction in capital requirements and freedom to leverage: The minimum capital required was reduced from 15 a 5 million euros, eliminating the restriction on the real estate investment vehicle's maximum borrowing.
- c) Reduction in dividend payout: Until the Law came into force, 90% of the profits had to be distributed. This mandatory figure was reduced to 80% as from 1 January 2013.

The Corporation Tax rate for SOCIMIs is set at 0%. Nonetheless, where the dividends a SOCIMI distributes to its members holding an interest exceeding 5% are exempt or taxed at a rate below 10%, the SOCIMI will be subject to a special rate of 19%, which shall be deemed as the Corporation Tax liability on the amount of the dividends distributed to such members. If applicable, this special rate shall have to be paid by the SOCIMI within two months from the date the dividends are distributed.

### **3. Basis of presentation of the Consolidated Annual Accounts and Consolidation Principles**

#### **3.1. Accounting standards**

These consolidated annual accounts of Saint Croix Holding Immobilier, SOCIMI, S.A. and Subsidiary Company for 2014 have been drawn up by the Parent Company's Administrators at the Board of Directors meeting held on 24 February 2015 in accordance with the provisions set forth in the International Financial Reporting Standards as adopted by the European Union according to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council (hereinafter "IFRS-EU").

In accordance with the IFRS-EU in force at the close of the year, these annual accounts offer a true reflection of the Group's equity and financial situation at 31 December 2014 and of the profits(losses) from its operations, the consolidated changes in equity and the consolidated cash flows which have come about in the Group during the year ending on said date.

The consolidated annual accounts of Grupo Saint Croix were prepared on the basis of the accounting records kept by the Parent Company and its Subsidiary Company. Each company prepares its annual accounts following the accounting standards and principles in force in the country where it performs its operations. Thus, the necessary adjustments and reclassifications were made during the consolidation process to make said standards and principles uniform and to ensure they are in keeping with the IFRS-EU.

The consolidated annual accounts for 2013 were drawn up in accordance with the provisions set forth in the IFRS-EU and were approved by the Annual General Meeting of Saint Croix Holding Immobilier, S.A. held on 10 June 2014, which were filed in the Luxembourg Companies Registry. Furthermore, the consolidated annual accounts of the Group and the entities comprising it corresponding to 2014 are pending approval by their respective Annual General Shareholders' Meetings. Nevertheless, the Parent Company's Administrators understand that said consolidated annual accounts will be approved without any significant changes.

## Standards and interpretations effective in this period

The standards and interpretations set out below, which are mandatory for 2014, were adopted by the European Union in 2014. If applicable, they were used by the Group to draw up the consolidated annual accounts:

- New standards, amendments and interpretations which are mandatory for the year starting on 1 January 2014:

New standards, amendments and interpretations approved for use in the European Union		Application mandatory for financial years as from:
IFRS 10 - Consolidated Financial Statements (published in May 2011)	Replaces the current consolidation requirements set by IAS 27.	Annual periods starting from 1 January 2014 (1)
IFRS 11 - Joint Arrangements (published in May 2011)	Replaces the current IAS 31 on joint ventures.	Annual periods starting from 1 January 2014 (1)
IFRS 12 - Disclosure of Interests in Other Entities (published in May 2011)	Single standard which sets forth the disclosures on interests in subsidiaries, associates, joint ventures and unconsolidated entities.	Annual periods starting from 1 January 2014 (1)
Transition rules: Amendment to IFRS 10, 11 and 12 (published in June 2012)	Clarification of the transition rules for these standards.	Annual periods starting from 1 January 2014 (1)
IAS 27 (Reviewed) - Separate Financial Statements (published in May 2011)	The standard is reviewed, given that after IFRS 10 was issued it now only includes the separate financial statements of an entity.	Annual periods starting from 1 January 2014 (1)
IAS 28 (Reviewed) - Investments in Associates and Joint Ventures (published in May 2011)	Reviewed in parallel with the publication of IFRS 11 - Joint Arrangements.	Annual periods starting from 1 January 2014 (1)
Investment companies: Amendment to IFRS 10, IFRS 12 and IAS 27 (published in October 2012)	Consolidation exception for parent companies that meet the definition of investment companies.	Annual periods starting from 1 January 2014
Amendment of IAS 32 - Offsetting Financial Assets and Liabilities (published in December 2011)	Additional clarifications on the rules for offsetting financial assets and liabilities in IAS 32.	Annual periods starting from 1 January 2014
Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets (published in May 2013)	Clarifies when certain disclosures are necessary and increases the disclosures required when the recoverable amount is based on reasonable value minus sales costs.	Annual periods starting from 1 January 2014
Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (published in June 2013)	The amendments determine in which cases and under which criteria the novation of a derivative does not make the interruption of hedge accounting necessary.	Annual periods starting from 1 January 2014

(1) The European Union delayed the mandatory date of application by one year. The IASB's original date of application was 1 January 2013.

The application of these new standards and amendments has not had any significant impacts on the consolidated annual accounts for 2014.

- Standards and interpretations issued and not in force:

The following standards and interpretations had been published by the IASB on the date these consolidated annual accounts were drawn up but had not yet entered into force either because the date of their entry into force was subsequent to the date of the summarised consolidated financial statements or because they had not yet been adopted by the European Union:

<b>New standards, amendments and interpretations approved for use in the European Union</b>		<b>Application mandatory for financial years as from:</b>
IFRIC 21 - Levies (published in May 2013)	An interpretation of when to recognise a liability for taxes or levies that are conditional upon the entity's interest in an activity on a specific date.	17 June 2014 (1)
Amendment to IAS 19 - Defined Benefit Plans: Employee Contributions (published in November of 2013)	The amendment was issued to facilitate the possibility of deducting these contributions from the cost of the service in the same period in which they are paid if certain requirements are met.	1 July 2014
IFRS Improvements Cycle 2010-2012 and Cycle 2011-2013 (published in December 2013)	Minor amendments to a series of standards.	1 July 2014
<b>Not approved for use in the European Union</b>		
Amendment to IAS 16 and IAS 38 - Clarification of the Acceptable Methods of Depreciation and Amortisation (published in May of 2014)	Clarifies the acceptable methods of amortisation and depreciation of tangible and intangible fixed assets.	1 January 2016
Amendment to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations (published in May 2014)	Specifies the way to book an acquisition of an interest in a joint operation the activity of which constitutes a business.	1 January 2016
IFRS Improvements Cycle 2012-2014 (published in September 2014)	Minor amendments to a series of standards.	1 January 2016
Amendment to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (published in September 2014)	Clarification on the result of these transactions if they involve business or assets.	1 January 2016
Amendment to IAS 27 - The Equity Method in Separate Financial Statements (published in August 2014)	The equity method will be allowed in an investor's separate financial statements.	1 January 2016
Amendment to IAS 16 and IAS 41 - Bearer Plants (published in June 2014)	Bearer plants are to be booked at cost instead of at fair value.	1 January 2016

(1) The European Union has endorsed IFRIC 21 (EU Bulletin, 14 June 2014), changing the original effective date established by the IASB (1 January 2014) to 17 June 2014.

The Parent Company's Administrators are in the process of assessing the potential impacts arising from the future application of the rest of these standards on the Group's consolidated annual accounts, although no highly relevant impacts are expected.

### **3.2. Consolidation standards and companies included in the consolidation perimeter**

#### **Subsidiaries**

Companies over which the Parent Company has the capacity to exercise control are deemed as subsidiaries. This capacity is manifested where the Company has the power to manage the financial and operating policies of an investee company in order to benefit from its activities. It is assumed such control exists where the Parent Company holds 50% or more of the voting rights in investee entities either directly or indirectly or, where the percentage is lower, if agreements exist with other shareholders of said companies which grant the Company control over them.

The annual accounts of subsidiaries are consolidated with those of the Company by applying the full consolidation method. Consequently, all the balances and effects of any transactions carried out between consolidated companies have been eliminated in the consolidation process.

When a Subsidiary Company is acquired, the Subsidiary Company's assets, liabilities and contingent liabilities are booked at their fair value on the acquisition date. Any excess in the acquisition cost compared to the fair value of the identifiable net assets acquired is recognised as goodwill. Any defect in the acquisition cost with regard to the fair value of the identifiable net assets acquired, in other words a discount on the acquisition, is charged to the year's profit or loss on the date of acquisition.

The only Subsidiary Company included within the consolidation perimeter, which is consolidated by the full consolidation method, is the following:

Euro								
Company	Registered Office	Cost of the Investment and outstanding disbursements	Impairment	% Holding	Corporate purpose	Share capital	Other Equity Elements	Profit (Loss) for the year
Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U. (*)	Glorieta de Cuatro Caminos 6 and 7, Madrid	266,597,702	-	100.00%	Holding of real estate assets for rental (SOCIMI)	257,160,000	4,845,207	12,082,697

(\*) Data obtained from the separate annual accounts at 31 December 2014, audited by Deloitte, S.L.

### 3.3. Comparison of the information

The information contained in this consolidated annual report which refers to 2014 is presented along with the information for 2013 for the comparison purposes.

### 3.4. Grouping of items

Certain entries on the consolidated balance sheet, the consolidated income statement, the statement of changes in equity, the consolidated comprehensive income statement and the consolidated cash flow statement have been grouped together to facilitate their understanding. However, to the extent by which it is significant, detailed information with breakdowns has been provided in the corresponding notes of the consolidated annual report.

### 3.5. Responsibility for the information and the estimates made

The Parent Company's Administrators are responsible for the information contained in these consolidated annual accounts.

The estimates made by the Group's management and the consolidated entities' management to value some of the assets, liabilities, revenues, expenses and undertakings booked in the annual accounts attached hereto have sometimes been used in the process of drawing up the annual accounts. These estimates essentially refer to:

- The valuation of any possible impairment losses of specific assets (see Notes 5.1 and 5.3.).
- The useful life of real estate assets (see Note 5.1).
- The calculation of provisions (see Note 5.7).

Despite the fact that these estimates were made on the basis of the best available information at the end of financial year 2014, it is possible that future events may make it necessary to adjust them either upward or downward in upcoming financial years, which will be done, as appropriate, prospectively.

### 3.6. Currency

These consolidated annual accounts are presented in euros, since it is the main functional currency of the economic environment in which the Group operates.

#### 4. Distribution of the Parent Company's profit (loss)

The proposal for the distribution of the Parent Company's profits for financial year 2014 to be submitted by the Board of Directors to the shareholders is as follows:

	<b>Euro</b>
<b>Basis of distribution:</b>	
Profit and Loss	921,102
<b>Distribution:</b>	
Legal Reserve	92,110
Dividends	828,992

The dividends approved at the General Shareholders' Meeting held on 10 June 2014 amounting to 2,968,786 euros have been paid in full to the Parent Company's shareholders.

#### 5. Accounting standards and policies and valuation criteria applied

The main booking and valuation standards used by the Group to draw up its consolidated annual accounts for 2014 were as follow:

##### 5.1 Real estate investments

The "Real estate investments" item on the consolidated balance sheet reflects the value of land, buildings and other constructions and fixtures that are held either to operate them under leases or to obtain a capital gain on their sale as a consequence of any increases that may come about in the future in their respective market prices.

These assets are initially valued at their original or production cost, which is subsequently reduced by their corresponding cumulative depreciation and impairment losses, if any.

The Group depreciates real estate investments following the straight-line method by applying annual depreciation percentages calculated on the basis of the respective assets' years of estimated useful life, as follows:

	<b>Years of Estimated Useful Life</b>
Buildings	50
Plant	15 - 20
Machinery	8
Other fixtures	20
Tools and furniture	10
Other fixed assets	6 - 10

As indicated above, the Group depreciates these assets in accordance with the aforementioned years of estimated useful life, considering as a basis for depreciation their historic cost values increased by new investments which will be made and which involve an increase in their added value or their estimated useful life.

##### Impairment in the value of real estate investments

Whenever evidence for impairment may exist, the Group proceeds to estimate through the so-called "Impairment Test" the possible existence of impairments which reduce the recoverable value of such assets to below their book value.

The recoverable amount is determined as the higher between net sale value and usage value.

The Company commissioned CBRE Valuation Advisory, S.A., an independent expert, to conduct a valuation of the assets, which was issued on 21 January 2015, in order to determine the fair values of all its real estate investments at the close of the year. Such valuations were conducted on the basis of the replacement value and the market lease value (which consists of capitalising

net rents from each property and updating future flows), whichever is lower. Acceptable discount rates were used to calculate fair value for a potential investor, which are in keeping with those used by the market for properties having similar characteristics and locations. The valuations were made in accordance with the Appraisal and Valuation Standards published by the United Kingdom's Royal Institute of Chartered Surveyors (RICS).

In any event, significant differences may arise between the fair value of the Group's real estate investments and the effective realisation value of said investments taking the situation of the real estate market into consideration.

Where an impairment loss is subsequently reverted, the asset's book value is increased up to the revised estimate of its recoverable value in such a way as to ensure that the increased book value does not exceed the book value that would have been determined if no impairment loss had been recognised in prior years. Such reversion of an impairment loss is recognised as income.

## **5.2 Leases**

Leases are classified as financial leases whenever it can be deduced from the lease agreements that the risks and benefits inherent to owning the asset which is the purpose of the agreement are substantially transferred to the lessee. All other leases are classified as operating leases. The Group had no financial leases at year-end 2014 or 2013.

### **Operating leases**

The expenses arising from the operating lease agreements are charged to consolidated profit or loss in the financial year in which they accrue.

Likewise, any acquisition costs of the leased asset are reflected on the consolidated balance sheet in accordance with their nature increased by the amount of any costs which may be directly stemming from the agreement, which are recognised as an expense over the term of the agreement term by applying the same criterion used to recognise revenue resulting from the lease.

Any charge or payment that may be made when entering into an operating lease is dealt with as an advance charge or payment and charged to income over the lease's term as the profits of the leased asset are progressively assigned or received.

## **5.3. Financial instruments**

### **5.3.1 Financial assets**

#### **Classification-**

The financial assets owned by the Group are classified into the following categories:

- a) Loans and receivables: Financial assets resulting from the sale of assets or the provision of services for the Company's trade operations, or any that do not have their origin in trade operations, are not equity instruments or derivatives and whose charges are of a fixed or determinable amount and are not traded in an active market.
- b) Surety and guarantees posted by the Company in compliance with contractual clauses of the different leases booked.

#### **Initial valuation -**

Financial assets are initially booked at the fair value of the consideration handed over plus any transaction costs that can be directly attributable to them.

### **Subsequent valuation -**

Loans, receivables and investments held to maturity are valued at their depreciated cost.

At least at the close of the year, the Group conducts an impairment test on any financial assets not booked at fair value. It is deemed that objective evidence for impairment exists if an asset's recoverable value is less than its book value. When this comes about, the impairment is booked in the consolidated income statement.

More specifically, the criterion used by the Group to calculate the corresponding value corrections concerning trade receivables and other accounts receivable, if any, consists of making an annual allowance in the balances of a certain seasoning or in those in which circumstances come about that would reasonably allow one to classify them as non-performing.

The Group writes off financial assets when they expire or when the rights over cash flows from the financial asset in question have been assigned and the risks and benefits inherent to their ownership have been substantially transferred.

Alternatively, the Group does not write off financial assets in financial asset assignments where the risks and benefits inherent to their ownership are substantially retained, recognising a financial liability equivalent to the consideration received.

### **5.3.2 Financial liabilities**

Financial liabilities include any debits and payables the Group has resulting from the purchase of goods and services from the company's trade operations, or also any that do not have a trade-related origin which cannot be considered as derivative financial instruments.

Debits and payables are initially valued at the fair value of the consideration received, adjusted by any transaction costs that can be directly attributed to them. Subsequently, such liabilities are valued in accordance with their depreciated cost.

The Group writes off financial liabilities when the obligations they have generated expire.

### **5.4 Classification of balances into current and non-current balances**

Current assets are deemed to be any assets linked to the normal operating cycle, which in general terms is considered to be a year, along with any other assets whose maturity, disposal or realisation is expected to come about in the short term from the date of the close of the year, along with cash and cash equivalents. Any assets which do not meet these requirements are classified as non-current assets.

Similarly, current liabilities are linked to the normal operating cycle and, in general terms, include all obligations whose maturity or extinction will come about in the short term. Otherwise, they are classified as non-current liabilities.

### **5.5 Tax on profits**

After its amendment by Law 16/2012 of 27 December, the special tax scheme for SOCIMIs is based on a zero per cent Corporation Tax rate, provided certain requirements are met. Among these, it is worth highlighting the requirement that at least 80% of assets must be comprised of urban properties designated for leasing which are fully owned or acquired through interests in companies that meet the same investment and distribution of results requirements, be they Spanish or foreign, whether or not they are listed on organised markets. Likewise, the main sources of income of these entities must come from the property market, be it from leases, the subsequent sale of real estate after a minimum maintenance period or the income from interests in entities having similar characteristics. Nonetheless, the tax is accrued proportionally to the pay-out of dividends carried out by the company. Any dividends received by the partners are

exempt, except where the beneficiary is a legal person subject to Corporation Tax or a permanent establishment belonging to a foreign entity, in which case a deduction has been established for the total tax liability, so that such income is taxed at the partner's tax rate. However, the rest of income will not be taxed while it is not paid out to the members.

As stipulated by the Ninth Transitional Provision of Law 11/2009 of 26 October governing Listed Real Estate Investment Trusts, as amended by Law 16/2012 of 27 December, the entity will be subject to a special 19% tax rate on the full amount of the dividends or profits distributed to members whose interest in the entity's capital is equivalent to or greater than five percent, where such dividends at the registered office of its members are exempted from tax or taxed at a rate below ten per cent. The foregoing notwithstanding, the special tax rate shall not apply where the dividends or profit sharing are received by other SOCIMIs, regardless of what their percentage holding may be.

Hence, the Group's Parent Company has proceeded to apply a tax rate of 0% on the dividends shared out to its shareholders since the aforementioned condition has been met.

### **5.6 Income and expenses**

Income and expenses are booked on an accrual basis, that is to say, when the real flow of goods and services they represent comes about irrespective of the moment when the monetary or financial flows arising from them are produced. Such income is valued at the fair value of the consideration received, deducting any discounts and taxes.

The recognition of income from sales comes about at the moment the significant risks and benefits inherent to ownership of the asset sold have been transferred without maintaining day-to-day management over such asset, or retaining effective control over it.

Any interest received from financial assets is recognised by using the effective interest rate method and dividends are recognised when the shareholder's entitlement to receive them is declared. In any event, the interest and dividends from financial assets accrued subsequent to the moment of acquisition are recognised as income in the profit and loss account.

The income from real estate leases is booked on the basis of its accrual and the difference, if any, between the invoicing carried out and the income recognised in keeping with this criterion is booked in the "Accrual adjustments" item.

### **5.7 Provisions and contingencies**

When drawing up the accounts, the Parent Company's administrators have differentiated between:

- a) Provisions: Credit balances which cover current obligations arising from past events whose cancellation will probably lead to an outflow of resources, but which cannot be determined as to their amount and/or moment of cancellation.
- b) Contingent liabilities: Possible obligations arising as a consequence of past events, whose future materialization is conditional upon whether or not one or more future events which are beyond the Group's control take place.

The consolidated annual accounts reflect all the provisions regarding which the likelihood of having to face an obligation is estimated to be higher than not having to do so. Contingent liabilities are not recognised in the annual accounts. Information about them, however, is provided in the notes to the consolidated annual report to the extent by which they are not deemed as remote possibilities.

Provisions are valued at the current value of the best possible estimate of the necessary amount to cancel or transfer the obligation, taking into account available information on the event and

its consequences, and booking any adjustments that may arise due to the updating of such provisions as a financial expense as they accrue.

### **5.8 Severance indemnities**

In accordance with prevailing legislation, the Group is required to pay severance indemnities to employees it makes redundant under certain conditions. Thus, any severance indemnities susceptible to being reasonably quantified are booked as an expense in the financial year in which the dismissal decision is taken and valid expectations are created among third parties. No dismissals were foreseen that would make it necessary to create such an item at 31 December 2014.

### **5.9 Environmental equity elements**

Environmental equity elements are deemed to be any assets which are used in a long-lasting manner in the Group's operations and whose purpose is to minimise environmental impacts and to protect and improve the environment, including reducing or eliminating future pollution.

By their very nature, the Group's operations do not have any significant environmental impacts.

### **5.10 Subsidies, donations and bequests**

In order to book subsidies, donations and bequests received from third parties other than the owners, the Group follows the following criteria:

- a) Non-reimbursable capital subsidies, donations and bequests: These are valued at the fair value of the amount or asset granted, depending on whether they are of a monetary nature or not. They are charged to the consolidated income statement in proportion to the depreciation allowance allocated in the period for subsidised elements or, as appropriate, when their disposal or value correction due to impairment comes about.
- b) Reimbursable subsidies: As long as they are deemed as reimbursable, they are booked as liabilities.

### **5.11 Related-party transactions**

The Group performs all its transactions with related parties at market prices. Moreover, transfer prices are properly documented. Hence, the Parent Company's Administrators consider that there are no significant risks which could give rise to considerable liabilities in the future due to this aspect.

## **6. Segment reporting**

The Group identifies its operating segments based on internal reports on the Group's components which are the bases for regular reviews, discussion and assessment by the Parent Company's Administrators, since they are the highest decision-making authority with the power to allocate resources to the segments and assess their performance.

The segments identified in this way in 2014 are as follows:

- Hotels
- Offices
- Sales
- Others

The segment reporting shown below is based on the monthly reports drawn up by the Group's Management and is generated by the same computer application used to obtain all the Group's accounting data. In this regard, the Group does not report its assets and liabilities in a

segmented way, since this information is not required by the Group's Management for the purposes of the management reports it uses for its decision making.

For its part, ordinary income corresponds to income directly attributable to the segment plus a relevant proportion of the Group's general income that can be attributed to it using fair rules of distribution.

The expenses for each segment are determined by the expenses arising from its operating activities that are directly attributable to it plus the corresponding proportion of the expenses that can be attributed to the segment by using fair rules of distribution.

### Segmented consolidated income statement

#### Financial Year 2014

Financial Year 2014	Euro				
	Hotels	Offices	Sales	Others	Total
Income	8,660,505	1,910,768	4,865,785	12,430	15,449,488
Indirect costs	-1,183,711	-413,009	-198,820	-103,036	-1,898,576
<b>Net Margin</b>	<b>7,476,794</b>	<b>1,497,759</b>	<b>4,666,965</b>	<b>-90,606</b>	<b>13,550,912</b>
Overheads	-496,823	-166,465	-182,758	-	-846,046
<b>EBITDA</b>	<b>6,979,971</b>	<b>1,331,294</b>	<b>4,484,207</b>	<b>-90,606</b>	<b>12,704,866</b>
<b>% of income</b>	<b>80.60%</b>	<b>69.67%</b>	<b>92.16%</b>	<b>-728.93%</b>	<b>82.23%</b>
Depreciation	-2,941,204	-702,268	-826,233	-28	-4,469,732
Subsidies	108,717	-	-	-	108,717
Profits (losses) on asset disposals	-	-302,215	-	-	-302,215
Impairment/Reversal	2,142,292	-333,956	-120,979	-	1,687,357
Financial profit (loss)	1,171,229	258,408	658,039	-22,175	2,065,501
<b>EBT</b>	<b>7,461,005</b>	<b>251,263</b>	<b>4,195,034</b>	<b>-112,809</b>	<b>11,794,493</b>
Corporation tax	-	-	-	-	-
<b>Net profit (loss)</b>	<b>7,461,005</b>	<b>251,263</b>	<b>4,195,034</b>	<b>-112,809</b>	<b>11,794,493</b>
<b>% of income</b>	<b>86.15%</b>	<b>13.15%</b>	<b>86.21%</b>	<b>-907.55%</b>	<b>76.34%</b>

#### Financial Year 2013

Financial Year 2013	Euro				
	Hotels	Offices	Sales	Others	Total
Income	8,107,328	1,856,596	5,222,625	29,457	15,216,006
Indirect costs	-1,694,071	-443,257	-159,342	-	-2,296,670
<b>Net Margin</b>	<b>6,413,257</b>	<b>1,413,339</b>	<b>5,063,283</b>	<b>29,457</b>	<b>12,919,336</b>
Overheads	-426,398	-151,307	-155,242	-	-732,947
<b>EBITDA</b>	<b>5,986,859</b>	<b>1,262,032</b>	<b>4,908,041</b>	<b>29,457</b>	<b>12,186,389</b>
<b>% of income</b>	<b>73.85%</b>	<b>67.98%</b>	<b>93.98%</b>	<b>100.00%</b>	<b>80.09%</b>
Depreciation	-2,873,311	-686,057	-807,160	-27	-4,366,555
Subsidies	108,717	-	-	-	108,717
Profits (losses) on asset disposals	-	-63,041	-	-	-63,041
Impairment/Reversal	-5,102,159	-1,628,035	-1,373,360	-	-8,103,554
Financial profit (loss)	916,676	209,921	590,510	3,331	1,720,438
<b>EBT</b>	<b>-963,218</b>	<b>-905,180</b>	<b>3,318,031</b>	<b>32,761</b>	<b>1,482,394</b>
Corporation tax	-	-	-	-	-
<b>Net profit (loss)</b>	<b>-963,218</b>	<b>-905,180</b>	<b>3,318,031</b>	<b>32,761</b>	<b>1,482,394</b>
<b>% of income</b>	<b>-11.88%</b>	<b>-48.75%</b>	<b>63.53%</b>	<b>111.22%</b>	<b>9.74%</b>

The breakdown of the **income and net book value** for real estate assets, including tangible fixed assets in progress, at 31 December 2014 compared to 31 December 2013 is as follows:

	Euro					
	2014			2013		
	Income	%	Net Book	Income	%	Net Book
Meliá Atlántico	1,657,843	10.73%	28,653,941	1,125,613	7.40%	28,630,000
Barceló Isla Canela	1,990,458	12.88%	20,732,229	1,991,929	13.09%	21,026,938
Tryp Atocha	1,390,792	9.00%	22,262,833	1,403,864	9.23%	21,645,000
Iberostar Isla Canela	1,293,439	8.37%	21,341,600	1,301,768	8.56%	21,445,000
Tryp Cibeles	1,174,576	7.60%	18,642,122	1,177,477	7.74%	19,165,671
Playa Canela	1,028,197	6.66%	13,447,200	1,018,585	6.69%	13,450,000
Isla Canela Golf	125,200	0.81%	3,602,941	88,092	0.58%	3,603,000
<b>Hotels</b>	<b>8,660,505</b>	<b>56.06%</b>	<b>128,682,866</b>	<b>8,107,328</b>	<b>53.28%</b>	<b>128,965,609</b>
Pradillo 42	1,531,715	9.91%	16,571,000	1,521,761	10.00%	16,571,000
Sanchinarro VI	36,602	0.24%	7,742,893	2360	0.02%	9,057,000
Sanchinarro VII	14,193	0.09%	6,298,316	9,400	0.06%	7,205,000
Coslada III	12,183	0.08%	5,655,164	6,006	0.04%	6,245,000
Vallecas Comercial I	16,278	0.11%	3,241,670	8,030	0.05%	3,369,000
Gran Vía 1-2nd Floor Right	106,943	0.69%	1,864,611	102,160	0.67%	1,808,000
Gran Vía 1-1st Floor Right	102,687	0.66%	1,777,273	112,900	0.74%	1,726,000
Gran Vía 1-2nd Floor Left	90,167	0.58%	1,585,952	93,979	0.62%	1,538,000
Sanchinarro V	-	-	198,683	-	-	605,000
<b>Offices</b>	<b>1,910,768</b>	<b>12.37%</b>	<b>44,935,562</b>	<b>1,856,596</b>	<b>12.20%</b>	<b>48,124,000</b>
Gran Vía 34	2,607,971	16.88%	19,847,371	2,542,788	16.71%	20,184,168
Plaza de España	1,335,445	8.64%	9,528,440	1,456,131	9.57%	10,150,000
San Antón 25 and 27	-	-	3,032,697	190,087	1.25%	3,295,000
Vallecas Comercial II	165,600	1.07%	3,659,950	165,600	1.09%	3,612,000
C. Marina Isla Canela Shopping Mall	163,828	1.06%	2,091,673	235,062	1.54%	2,355,000
Albalá 7	219,772	1.42%	2,638,097	233,934	1.54%	2,562,000
Gran Vía 1-1st Floor Left	82,367	0.53%	2,196,353	103,073	0.68%	1,778,000
Dulcinea 4	101,256	0.66%	1,359,000	111,506	0.73%	1,359,000
Caleruega	105,600	0.68%	963,658	101,200	0.67%	969,361
Rutilo	83,946	0.54%	1,025,080	83,244	0.55%	1,025,000
<b>Sales</b>	<b>4,865,785</b>	<b>31.49%</b>	<b>46,342,318</b>	<b>5,222,625</b>	<b>34.32%</b>	<b>47,289,529</b>
Other income	12,430	0.08%	-	29,457	0.19%	-
<b>Total income</b>	<b>15,449,488</b>	<b>100.00%</b>	<b>219,960,746</b>	<b>15,216,006</b>	<b>100.00%</b>	<b>224,379,138</b>

From a geographic standpoint, most of the income is generated in Madrid and Huelva (both of which are in Spain). In this regard, Madrid maintained its contribution to total income (51%), Huelva increased it by three percentage points and Castellón fell by one percentage point. Cáceres did not obtain any income in 2014. The breakdown of contribution to income from a geographic standpoint is as follows:

Area	Euro			
	31/12/2014		31/12/2013	
	Income	%	Income	%
Madrid	7,855,078	51%	7,808,740	51%
Huelva	6,258,965	41%	5,761,049	38%
Castellón	1,335,445	9%	1,456,131	10%
Cáceres	-	-	190,086	1%
<b>Total</b>	<b>15,449,488</b>	<b>100%</b>	<b>15,216,006</b>	<b>100%</b>

As is shown in the table above, most of the Group's activity was focused on Madrid and Huelva (92% in 2014 compared to 89% in 2013) and maintained the proportion between Madrid (56%) and Huelva (44%). There was no income in Cáceres in 2014 since the lease agreement of the only asset located there was terminated early at the end of 2013 and, so far, it has not yet been leased again.

## 7. Real estate investments

The movements in this item of the consolidated balance sheet, as well as the most significant information that affected this item during 2014 and 2013 are as follows:

### Financial Year 2014

	Euro			
	Balance as at 31/12/2013	Additions	Write-offs/ Reversals	Balance as at 31/12/2014
<b>Cost:</b>				
Real estate for leases	273,329,406	449,308	-2,184,233	271,594,481
<b>Total cost</b>	<b>273,329,406</b>	<b>449,308</b>	<b>-2,184,233</b>	<b>271,594,481</b>
<b>Cumulative depreciation:</b>				
Real estate for leases	-21,799,904	-4,469,704	32,019	-26,237,589
<b>Total cumulative depreciation</b>	<b>-21,799,904</b>	<b>-4,469,704</b>	<b>32,019</b>	<b>-26,237,589</b>
<b>Impairment:</b>				
Real estate for leases	-27,150,363	-1,958,476	3,645,834	-25,463,005
<b>Total impairment</b>	<b>-27,150,363</b>	<b>-1,958,476</b>	<b>3,645,834</b>	<b>-25,463,006</b>
<b>Net real estate investments</b>	<b>224,379,139</b>	<b>-5,978,873</b>	<b>1,493,619</b>	<b>219,893,884</b>

### Financial Year 2013

	Euro				
	Balance as at 31/12/2012	Merger Effect	Additions	Write-offs/ Reversals	Balance as at 31/12/2013
<b>Cost:</b>					
Real estate for leases	142,629,549	126,915,885	4,269,296	-485,324	273,329,406
<b>Total cost</b>	<b>142,629,549</b>	<b>126,915,885</b>	<b>4,269,296</b>	<b>-485,324</b>	<b>273,329,406</b>
<b>Cumulative depreciation:</b>					
Real estate for leases	-10,260,145	-7,174,285	-4,366,555	1,081	-21,799,904
<b>Total cumulative depreciation</b>	<b>-10,260,145</b>	<b>-7,174,285</b>	<b>-4,366,555</b>	<b>1,081</b>	<b>-21,799,904</b>
<b>Impairment:</b>					
Real estate for leases	-5,010,946	-14,035,863	-8,911,385	807,831	-27,150,363
<b>Total impairment</b>	<b>-5,010,946</b>	<b>-14,035,863</b>	<b>-8,911,385</b>	<b>807,831</b>	<b>-27,150,363</b>
<b>Net real estate investments</b>	<b>127,358,458</b>	<b>105,705,737</b>	<b>-9,008,644</b>	<b>323,588</b>	<b>224,379,139</b>

The "Real estate investments" item reflects the net cost of the real estate assets in use and operation and leased through one or more operating leases, or the assets which are unoccupied but are destined to be leased through one or more operating leases. The "Fixed assets in progress and advance payments" item on the consolidated balance sheet at 31 December 2014 attached hereto reflects the cost of the investments in progress, which will be transferred to the "Real estate investments" item the moment they enter into use. These amounted 66,862 euros at 31 December 2014.

The main additions the Group has booked under this item during 2014 corresponded to the refurbishment of the Barceló Isla Canela, Meliá Atlántico, Playa Canela, Iberostar Isla Canela and Isla Canela Golf hotels.

The main write-offs in 2014 for a gross amount of 2,184,223 euros corresponded to the sale of real estate assets in Sanchinarro V, VI and VII, as well as at Coslada III, which were sold to third parties at a net loss of 302,215 euros. Said amount has been booked in the "Impairment and gains (losses) on fixed asset disposals" item of the consolidated income statement for 2014 attached hereto.

Furthermore, the Group proceeded to appraise all of its real estate assets at year-end 2014 as stipulated in the standards. Said appraisals, which were conducted by the independent expert CBRE Valuation Advisory, S.A., resulted in a fair value for some assets lower than their net book value. The Group has therefore calculated the corresponding impairments. The breakdown of the real estate assets for which it has been necessary to book impairments is as follows:

Real estate assets	Impairments (Euros)	
	2014	2013
Hotel Tryp Atocha	-	1,677,211
Hotel Meliá Atlántico	-	1,587,780
Hotel Iberostar Isla Canela	-	1,539,483
Sanchinarro VI	321,756	952,072
Plaza España	418,905	729,345
Sanchinarro VII	225,097	522,346
Vallecas Comercial I	75,170	488,924
Coslada III	268,467	401,313
Gran Vía, 1, 2nd Floor Left	-	335,334
Hotel Playa Canela	241,023	271,805
Marina Isla Canela Shopping Mall	210,946	206,619
San Antón 25 and 27	197,112	90,809
Hotel Isla Canela Golf	-	37,101
Sanchinarro V	-	33,521
Gran Vía 1, 2nd Floor Right.	-	15,711
Vallecas Comercial II	-	14,616
Albalá 7	-	7,251
Rutilo	-	144
<b>Total</b>	<b>1,958,476</b>	<b>8,911,385</b>

On the other hand, as a result of the aforementioned appraisal of the Group's assets, the Group proceeded to reverse impairments amounting to 3,645,834 euros in 2014 as per the following breakdown (807,831 euros in 2013):

Real estate assets	Reversals (Euros)	
	2014	2013
Hotel Meliá Atlántico	784,691	-
Hotel Tryp Atocha	1,310,622	-
Hotel Iberostar Isla Canela	254,076	-
Hotel Isla Canela Golf	33,925	-
Pradillo 42	281,218	281,217
Gran Vía 1, 2nd Floor Right.	98,670	-
Gran Vía 1, 1st Floor Right	95,055	44,782
Gran Vía, 1, 2nd Floor Left	61,285	-
Sanchinarro V	20,307	-
Vallecas Comercial II	81,676	-
Albalá 7	120,846	-
Gran Vía, 1, 1st Floor Left	458,050	39,697
Dulcinea 4	24,477	24,477
Rutilo	20,936	-
Hotel Tryp Cibeles	-	11,220
Caleruega	-	406,438
<b>Total</b>	<b>3,645,834</b>	<b>807,831</b>

Furthermore, according to the appraisals made, the fair value of the real estate investments revealed an unbooked latent capital gain (by comparing the updated gross fair market value and the net book value) of 48,080,867 euros, which was primarily due to the retail outlets located at Gran Vía 34 in Madrid, Calle Caleruega in Madrid, the Hotel Barceló Isla Canela and the Hotel Tryp Cibeles in Madrid.

The gross asset value (GAV) of the real estate investments at year-end 2014 and 2013 broken down by real estate asset is as follows:

Real estate assets	GAV (Euros)	
	2014	2013
Gran Vía 34	61,841,379	52,670,000
Hotel Meliá Atlántico	28,653,941	28,630,000
Hotel Barceló Isla Canela	24,428,000	24,428,000
Hotel Tryp Atocha	22,262,833	21,645,000
Hotel Iberostar Isla Canela	21,341,600	21,445,000
Hotel Tryp Cibeles	20,713,684	19,680,000
Pradillo 42	16,571,000	16,571,000
Hotel Playa Canela	13,447,200	13,450,000
Plaza de España	9,528,440	10,150,000
Sanchinarro VI	7,742,893	9,057,000
Sanchinarro VII	6,298,316	7,205,000
Coslada III	5,655,164	6,245,000
Vallecas Comercial II	3,659,950	3,612,000
Hotel Isla Canela Golf	3,602,941	3,603,000
Vallecas Comercial I	3,241,670	3,369,000
San Antón 25 and 27	3,032,697	3,295,000
Albalá 7	2,666,280	2,562,000
Gran Vía, 1, 1st Floor Left	2,196,353	1,778,000
Marina Isla Canela Shopping Mall	2,091,673	2,355,000
Gran Vía 1, 2nd Floor Right.	1,864,611	1,808,000
Gran Vía 1, 1st Floor Right	1,777,273	1,726,000
Gran Vía, 1, 2nd Floor Left	1,585,952	1,538,000
Dulcinea 4	1,359,000	1,359,000
Caleruega	1,255,000	1,224,000
Rutilo	1,025,080	1,025,000
Sanchinarro V	198,683	605,000
<b>Total</b>	<b>268.041.613</b>	<b>261.035.000</b>

The breakdown of floor space in square metres above ground level of the real estate investments owned by the group was:

Real estate assets	Square Metres	
	2014	2013
Hotel Meliá Atlántico	20,116	20,116
Hotel Iberostar Isla Canela	18,114	18,114
Hotel Barceló Isla Canela	17,756	17,756
Hotel Playa Canela	13,408	13,408
Hotel Tryp Atocha	7,825	8,621
Building at Pradillo 42	4,705	7,345
Hotel Tryp Cibeles	6,881	6,881
Coslada III	3,339	4,499
Sanchinarro VI	2,833	4,179
Hotel Isla Canela Golf	3,860	3,860
Vallecas Comercial I	2,315	3,390
Vallecas Comercial II	1,843	3,370
Gran Vía 34	3,348	3,348
Sanchinarro VII	2,234	3,286
Plaza España, Castellón	2,858	2,858
Marina Isla Canela Shopping Mall	6,162	2,442
San Antón 25 and 27, Cáceres	1,736	1,736
Albalá 7	823	1,521
Dulcinea, 4	1,037	1,037
Rutilo	593	593
Gran Vía 1, 2nd Floor Right.	542	542
Gran Vía 1, 1st Floor Right	542	542
Gran Vía, 1, 2nd Floor Left	461	461
Gran Vía, 1, 1st Floor Left	442	442
Caleruega	362	362
Sanchinarro V	67	271
<b>Total</b>	<b>124,201</b>	<b>130,980</b>

The average occupation level of the Group's assets allocated to leases at 31 December 2014 amounted to 87.56% of the floor space (sq.m.) leased.

The real estate investments described above are mainly located in Madrid, Castellón, Cáceres and Isla Canela in the province of Huelva.

There are five hotels located in Isla Canela in the province of Huelva which were affected by mortgage guarantees at 31 December 2014 amounting to 29,741,863 euros corresponding to five bank mortgage loans granted to Isla Canela, S.A., which has become the sole debtor of these guarantee obligations, thereby leaving Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A. as the owner of the aforementioned registered properties, but not as the debtor thereof. The breakdown of the mortgage loan balance pending maturity and repayment at 31 December 2014 by assets is as follows:

<b>Property</b>	<b>Euro</b>
Hotel Meliá Atlántico	12,007,694
Hotel Barceló Isla Canela	9,852,341
Hotel Iberostar Isla Canela	4,000,000
Hotel Playa Canela	3,269,234
Hotel Isla Canela Golf	612,594
<b>Total outstanding balance of mortgages on hotels</b>	<b>29,741,863</b>

On 1 January 2010, Isla Canela, S.A. and the Subsidiary Company entered into a "Service Provision Agreement with Mortgage Guarantee", by means of which the latter provides the former with the mortgage guarantee service consisting of the fact that the hotels owned by the latter will respond for repayment by the former of the mortgage loans taken out from the institutions in accordance with the arrangements agreed upon in their mortgage contracts until each of the mortgage loans agreed upon is definitively repaid. Isla Canela, S.A. undertakes to pay any depreciation instalments and ancillary costs that may arise punctually until the loans guaranteed with a mortgage are redeemed. Due to the provision of the service described above, Isla Canela, S.A. pays the Subsidiary Company a fee; this an annual lump-sum amount equivalent to 0.25% of the average annual outstanding balance of the mortgage loans calculated on 31 December each year, which is invoiced and paid on the last day of each calendar year. This amount may be amended annually through an agreement between the parties to adapt to it the average market prices paid by the Subsidiary Company for the provision of bank guarantees (bank guarantees and surety bonds) by financial institutions. The revenue resulting from this agreement due in 2014 and invoiced to Isla Canela, S.A. amounted to 82,761 euros (99,488 euros in 2013) (see Note 18.1).

The rental income from the Group's real estate investments in 2014 and 2013 amounted to 15,356,313 euros and 15,141,571 euros, respectively (see Note 15.1).

At year-end 2014, there was no kind of constraint on making new real estate investments, or on collecting the income arising from them or concerning the resources that could be obtained from a possible disposal.

At year-end 2014, the Group had fully depreciated real estate investment elements that were still in use for the amount of 4,680,402 euros (same amount at year-end 2013).

There were no real estate investment purchase undertakings or elements outside Spanish territory at 31 December 2014.

## **8. Operating leases**

At the end of 2014 and 2013, the Group had reached agreements with lessees on the following minimal rental instalments in accordance with prevailing agreements, without taking into account the passing on of condominium expenses, future increases in the CPI or any rent reviews agreed upon in their contracts.

The most significant operating leases stem from lease agreements on the real estate assets on which their operations are based. A breakdown of such minimum rental instalments is set out below:

Operating leases Minimum instalments	Euro	
	Nominal value	Nominal value
	2014	2013
Less than a year	15,514,760	13,838,539
Between two and five years	72,694,557	45,300,900
More than five years	29,638,326	19,371,181
<b>Total</b>	<b>117,847,643</b>	<b>78,510,620</b>

The main agreements at year-end 2014 were as follows:

- a) **Hotel Meliá Atlántico, Isla Canela, Huelva:** a four-star beachfront hotel with 359 rooms (718 beds) leased to Meliá Hotels International, S.A. from April 2013 according to the lease agreement entered into in May 2012. The lease agreement came into force in April 2013 for a ten-year period (May 2022) and the parties may terminate it in 2017 without incurring any penalties, provided certain conditions are met. The agreement sets forth rises in line with the annual CPI.
- b) **Hotel Barceló Isla Canela, Isla Canela, Huelva:** A four-star beachfront hotel with 351 rooms (702 beds) leased to Barceló Arrendamientos Hoteleros, S.L. The agreement came into force on 1 March 2006 and terminates on 31 October 2026. It may be extended at the parties' discretion. In addition, the parties may rescind the agreement without incurring any penalties in 2017. As regards future rents, the agreement provides for increases in line with annual CPI rates.
- c) **Hotel Tryp Atocha, Madrid:** A four-star hotel located in Atocha with 150 rooms and operated by Sol Meliá. The lease agreement came into force on 4 June 1999 and terminated on 4 June 2009. It was subsequently extended until 24 March 2022 and may be extended at the parties' discretion. The agreement sets forth rises in line with the annual CPI.
- d) **Hotel Iberostar, Isla Canela, Huelva:** A four-star beachfront hotel with 300 rooms (600 beds) leased to Hispano Alemana de Management Hotelero, S.A. The agreement came into force on 1 December 2007 and was extended in 2012 until 31 October 2022. It may be extended at the parties' discretion. The agreement sets forth rises in line with the annual CPI.
- e) **Hotel Tryp Cibeles, Madrid:** A four-star hotel located at Mesonero Romanos, 13 (Gran Vía-Madrid) with 132 rooms. Operated by Sol Meliá. The agreement came into force on 10 February 1998 and terminated on 10 October 2008. It was subsequently extended until 15 March 2020 and may be extended at the parties' discretion. The agreement sets forth rises in line with the annual CPI.
- f) **Hotel Playa Canela, Isla Canela, Huelva:** A four-star beachfront hotel with 202 rooms (404 beds) leased to Grupo Hoteles Playa, S.A. The agreement came into force on 15 July 2002 and terminates on 31 October 2022. It may be extended at the parties' discretion. The agreement sets forth rises in line with the annual CPI.
- g) **Hotel Isla Canela Golf, Isla Canela, Huelva:** A four-star hotel located on a golf course with 58 rooms (116 beds). After the agreement entered into with Vincci Hoteles, S.A. was terminated early (which took place in 2011) due to the latter's failure to pay, giving rise to termination of the agreement and simultaneous enforcement of the bank guarantee that guaranteed rental payments, the Subsidiary Company decided to enter into a lease agreement with a related (associated) party, Isla Canela, S.A. This company is currently operating the hotel under a lease agreement. The agreement was entered into on 31 December 2012 and activities were to commence on 14 January 2013 until 31

December 2014, when the parties agreed on an extension 31 December 2017. Once this period has elapsed, the agreement may once again be extended for three-year periods, provided that the parties reach an agreement prior to this. The agreement stipulates increases in line with the annual CPI.

- h) **Building at Pradillo 42, Madrid:** The agreement came into force on 27 February 2009 and terminates on 27 February 2019. It may be extended at the parties' discretion. The agreement stipulates increases in line with the annual CPI. The lessee, UNEDISA, informed the Subsidiary Company of its intention to terminate the agreement by sending a letter dated 3 February 2014. As from said date, the lessee breached the agreement by failing to fulfil its contractual obligations, such as: (i) Paying the rent due in March 2014; (ii) delivering a bank guarantee to the Company in order to guarantee the annual rental payment and; (iii) paying an additional deposit required by the agreement currently in force. After these breaches, the Company demanded the bank that guarantees the payments to enforce the bank guarantee. The tenant responded by directly paying the amount required (1,839,981 euros). The Group is allocating this amount paid in advance to cover the monthly rental but expects the lessee to lodge for legal proceedings. The deferred income connected with this agreement is booked as "Deferred income" on the consolidated balance sheet at 31 December 2014 for the amount of 137,665 euros.
- i) **Retail outlets at Gran Vía 34, Madrid:** two retail outlets located at Calle Gran Vía 34. operated by Inditex (Zara). The agreement came into force on 24 April 2000 and terminates on 3 October 2025. It may be extended at the parties' discretion and may be cancelled without any penalties in 2020. The agreement sets forth rises in line with the annual CPI.
- j) **Retail outlets in Plaza de España 5, Castellón:** operated by Inditex (Zara). The agreement came into force on 1 July 2007 and terminates on 18 November 2023. It may be extended at the parties' discretion. The agreement sets forth rises in line with the annual CPI.
- k) **Retail outlets at San Antón 25 and 27, Cáceres:** two retail outlets and eight units for residential use. The retail outlets were operated by PUNTO ROMA in 2013. Although the agreement came into force on 15 July 2005 and terminated on 15 December 2035, the Company and the lessee agreed to terminate it in advance at the end of 2013. The retail outlets have not yet been leased again.
- l) **Retail outlets at Albalá 7, Madrid:** retail outlets. Operated under a lease agreement with CAPRABO, S.A. The agreement came into force on 31 July 2002 and terminates on 31 July 2027. The lessee may rescind the lease agreement in 2016 without incurring any penalties, provided it gives twelve months' prior notice thereof. The agreement sets forth rises in line with the annual CPI.
- m) **Retail outlets at Dulcinea 4, Madrid:** Retail outlets. Operated under lease agreement by JAVISA SPORT, S.L. The agreement came into force on 17 February 2003 and terminates on 17 February 2018. It may be extended at the parties' discretion. The agreement sets forth rises in line with the annual CPI.
- n) **Marina Isla Canela Shopping Mall, Isla Canela, Huelva:** operated under a lease arrangement by several lessees.
- o) **Retail outlet located at Calle Gran Vía 1, 1st Floor Left, Madrid:** This retail outlet had not been leased at the end of the financial year. However, on 15 January 2015, the property was leased to Hiponemes y Atalanta, S.L.

- p) **Offices at Gran Vía 1, 2nd Floor Right and Left, Madrid:** Two offices for tertiary office use. At the end of the year, the offices had not been leased. However, on 20 February 2015, the properties were leased to Drago Broadcast Services, S.L.
- q) **Gran Vía 1, 1st Floor Right, Madrid:** an office for tertiary office use operated under a leasing arrangement by Arkadin Spain Servicios de Teleconferencia, S.L.
- r) **Five retail outlets located at Calle Caleruega 66, Madrid,** the current tenant of which is Begope Restauración, S.L. The agreement was entered into on 1 December 2011 and will remain in force until 1 December 2026.
- s) **31 offices and 31 garage parking spaces located at Calle Tineo 2 and 4, Madrid (Vallecas Comercial I)** which are operated under a leasing arrangement by several lessees.
- t) **Three offices and 48 garage parking spaces located at Calle Valderebollo 1 and 3, Madrid (Vallecas Comercial II)** which are operated under a leasing arrangement by several lessees.
- u) **One office and one garage parking space located at Calle Manuel Pombo Angulo 14, 16 and 18, Madrid (Sanchinarro V).** At the end of the financial year, the property had not been let.
- v) **42 offices and 42 garage parking spaces located at Calle Manuel Pombo Angulo 6, 8, 10 and 12, Madrid (Sanchinarro V).** At the end of the financial year, the property had been let to several tenants.
- w) **33 offices and 33 garage parking spaces located at Calle Manuel Pombo Angulo 20, 22, and 24, Madrid (Sanchinarro V).** At the end of the financial year, the property had been let to several tenants.
- x) **32 offices and 32 garage parking spaces located at Avda. Constitución 85, Coslada, Madrid (Coslada III).** At the end of the financial year, the property had been let to several tenants.
- y) **Four retail outlets located at Calle Rutilo 21, 23 and 25, Madrid:** retail outlets. Operated under a lease agreement with DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A. (DIA). The agreement came into force on 5 October 2000 and terminates on 5 October 2020. The lessee may rescind the lease agreement on the termination date by giving twelve months' prior notice thereof. The agreement sets forth risks in line with the annual CPI.

#### 9. Other financial assets and investments in related companies

The balances of the accounts in this item at year-end 2014 and 2013 are as follows:

Financial assets Nature / Category	Euro	
	31/12/2014	31/12/2013
	<b>Loans and receivables</b>	
Other financial assets	1,181,932	1,170,250
<b>Long-term / Non-current</b>	<b>1,181,932</b>	<b>1,170,250</b>
Loans to related companies (Note 18.2)	57,579,278	44,276,115
<b>Short-term / Current</b>	<b>57,579,278</b>	<b>44,276,115</b>
<b>Total</b>	<b>58,761,210</b>	<b>45,446,365</b>

The Group generates a cash surplus from current operations arising from its main activity, as set forth in the corporate purpose of the Parent Company and its Subsidiary Company. As a result of this, the Company has reached several financing agreements in this regard with related parties under market conditions (See Note 18) in order to take maximum advantage of its

positive cash flows. This loan granted to related companies is booked in the "Short-term investments in associated companies" item of the consolidated balance sheet at 31 December 2014 attached hereto.

The movements of the "Short-term loans to associated companies" and the "Other non-current financial assets" items during 2014 and 2013 are as follows:

	Euro					
	31/12/2012	Additions	Write-offs	31/12/2013	Additions	31/12/2014
Loans to associated companies (see Note 18.2)	40,897,787	3,378,328	-	44,276,115	13,303,163	57,579,278
Other financial assets	1,118,345	-	-12,532	1,170,250	11,682	1,181,932
<b>Total</b>	<b>42,016,132</b>	<b>3,378,328</b>	<b>-12,532</b>	<b>45,446,365</b>	<b>13,314,845</b>	<b>58,761,210</b>

The change in the "Loans to associated companies" item essentially corresponds to the cash pooling account the Parent Company has with Promociones y Construcciones, PYC, PRYCONSA, S.A. through which it has loaned a total of 14,970,095 euros in 2014 under this financing scheme for the Group.

The rest of the amount in the "Loans to associated companies" item at 31 December 2014 corresponds to the loan granted to the related company COGEIN, S.L. amounting to 42,609,183 euros.

Furthermore, the "Other non-current financial assets" item reflects the guarantees connected with the leases set out in Note 8 received from clients and deposited at the IVIMA (Madrid Housing Institute).

The breakdown by due dates of the entries that comprise the "Other non-current financial assets" item at 31 December 2014 is as follows:

	Euro				
	2016	2017	2018	2019 and later	Total
Loans and receivables	24,071	27,132	38,360	1,092,369	1,181,932
<b>Total</b>	<b>24,071</b>	<b>27,132</b>	<b>38,360</b>	<b>1,092,369</b>	<b>1,181,932</b>

## 10. Information on the nature and level of risks affecting financial instruments

The management of the Group's financial risks is centralised in Financial Management and in Grupo PYCONSA's policies, which has established the necessary mechanisms to control exposure to changes in exchange rates, along with credit and liquidity risks. The main financial risks having an impact on the Group are set out below:

### a) Credit risk

The Group's main financial assets are cash flow and cash balances, trade creditors and other accounts receivable in investments. These account for the Group's maximum exposure to credit risk as regards financial assets. The Group's credit risk is mainly attributable to its trade debts, which are shown net of any provisions for insolvencies estimated on the basis of prior years' experience and their valuation under the current economic climate. The Group loans its excess liquidity to related companies which are very solvent, thereby guaranteeing the repayment of the funds thus loaned.

### b) Liquidity risk

Taking into account the current situation of the financial market and the estimates made by the Parent Company's Administrators on the Group's cash generating capacity, the Group estimates it has enough capacity to obtain financing from third parties were it necessary to make new

investments. Consequently, there is no evidence that the Group will encounter liquidity problems in the medium term. Liquidity is guaranteed by the nature of the investments made and lessees' high credit ratings, as well as by the collection guarantees set forth in prevailing agreements.

**c) Exchange rate risk**

As regards the Group's exchange rate risk at 31 December 2014, it did not have any assets or liabilities in foreign currencies. Hence, there is no risk in this regard.

**d) Interest rate risk**

The Group has two long-term loans financing long-term assets, as well as short-term working capital financing facilities. The risk of interest rate fluctuations is very low since the Group is not highly exposed to debt. The Group's policy on interest rates consists of not taking out interest rate hedges through hedging financial instruments, swaps, etc. since any change in interest rates would have an immaterial effect on the Group's results, taking into account its low debt levels and today's very low interest rates.

**e) Real estate business risks**

Changes in the economic situation at both local and international levels, occupation and employment growth rates, interest rates, tax legislation and consumer confidence have a significant impact on the real estate markets. Any unfavourable change in any of these or in other economic, demographic or social variables in Europe, and Spain in particular, could lead to a reduction in real estate activity in these countries. The cyclical nature of the economy has been statistically proven, as have the existence of microeconomic and macroeconomic aspects that directly or indirectly affect the way the real estate market's performs, particularly the rentals which make up the Group's main investment activity.

**11. Total equity and shareholders' equity**

**a) Authorised capital**

At 31 December 2014, the Parent Company's subscribed share capital was comprised of 4,452,197 registered shares at a par value of 60.10 euros each. All these shares belong to a single class and series and all have been fully subscribed and paid up, which means that the Parent Company's notarised share capital amounts to 267,577,040 euros.

All the shares making up the share capital are entitled to the same rights, although there are certain restrictions on their transferability in the Articles of Incorporation (preferential purchase rights).

All the Parent Company's shares have been admitted to trading on the Luxembourg Stock Exchange since 21 December 2011. The year-end share price and the average share price in the last quarter of 2014 were 61.40 and 61.13 euros per share, respectively. The shares are registered shares and are represented by means of book entries. They are constituted as such by virtue of their registration in the corresponding share register.

The shareholders shall be subject to the obligations set forth in Articles 10 and comply with the SOCIMI Act. Any shareholders whose interest in the entity's share capital is equivalent to or greater than five per cent and who receive dividends or a share-out of profits are obliged to give the company notice of the tax rate on the dividends received within ten days, counting from the date after the day they are received.

The companies holding an interest in the Parent Company's share capital equivalent to or greater than 10% at 31 December 2014 were as follows:

<b>Shareholder</b>	<b>Number of Shares</b>	<b>Percentage Interest</b>
PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.	498,201	11.19%

#### **b) Parent Company Reserves**

##### **Legal Reserve**

According to the Consolidated Text of the Corporate Enterprises Act, a figure equivalent to 10% of the profit for the year has to be allocated to the legal reserve until the balance of this reserve reaches at least 20% of share capital. The legal reserve may be used to increase capital by using the proportion of its balance which exceeds 10% of the already increased capital.

With the exception of the aforementioned use, and whilst it does not exceed 20% of the share capital, this reserve may only be used to offset losses, and only when there are no other sufficient available reserves to do so.

At 31 December 2014, the Parent Company's legal reserve had not yet been fully allocated.

#### **c) Distribution of profits**

SOCIMIs are governed by the special tax scheme set forth in Law 11/2009 of 26 October governing Listed Real Estate Investment Trusts, as amended by Law 16/2012 of 27 December. Once all the trading obligations that may correspond to them are fulfilled, such companies are obliged to distribute to their shareholders the profits obtained in the year. Such distribution must be resolved as set out below within the six months following the end of each financial year:

- a) All the profits from dividends or profits distributed by the entities referred to in paragraph 1, Article 2 of this Law.
- b) At least 50 per cent of the profits resulting from the transfer of the real estate assets and shares or interests referred to in paragraph 1, Article 2 of said Law which are carried out once the periods referred to in paragraph 3, Article 3 of this Law have elapsed and which are allocated to fulfilling its main corporate purpose. The rest of such profits must be reinvested in other real estate assets or interests included under the corporate purpose within three years following the date of transfer. Failing this, such profits must be fully distributed jointly with the profits, if any, of the financial year in which the reinvestment period finalizes. Should the elements subject to reinvestment be transferred before the maintenance period elapses, any profits therefrom must be fully distributed jointly with the profits, if any, of the financial year in which they have been transferred. The distribution obligation does not cover the proportion of profits, if any, charged to financial years in which the Company did not pay taxes under the special tax scheme set forth by the aforementioned Act.
- c) At least 80 per cent of the rest of the profits obtained.

Where the distribution of dividends is charged to the reserves from the profits of a year in which the special tax scheme has been applied, the distribution of such dividends must necessarily fulfil the resolution referred to in the preceding paragraph.

The legal reserve of any companies which have opted to apply the special tax scheme set forth in this Act may not exceed twenty per cent of their share capital. The articles of these companies may not establish any other unavailable reserve other than the legal reserve.

## Capital management

The Group is essentially financed with shareholders' equity. Only in the case of new investments may the Group make use of the credit markets to finance these acquisitions or obtain financing from related companies by taking out mortgage loans.

The Group's companies have undertaken to distribute at least 80% of their distributable profits in the form of dividends to their shareholders pursuant to the existing legal obligation laid down by Law 11/2009, as amended by Law 16/2012.

### d) Reserves in consolidated companies

All the reserves in consolidated companies correspond to the Subsidiary Company, Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.

## 12. Capital subsidies

The movements of this item during financial years 2014 and 2013 were as follows:

### Financial Year 2014

	Euro		
	31/12/2013	Applications	31/12/2014
Capital subsidies	1,631,099	-108,716	1,522,383
<b>Total</b>	<b>1,631,099</b>	<b>-108,716</b>	<b>1,522,383</b>

### Financial Year 2013

	Euro		
	31/12/2012	Applications	31/12/2013
Capital subsidies	1,739,816	-108,716	1,631,099
<b>Total</b>	<b>1,739,816</b>	<b>-108,716</b>	<b>1,631,099</b>

The subsidies granted to the Group in previous years correspond to the following items: Subsidy granted by the Directorate-General of Regional Economic Incentives amounting of 3,180,000 euros for the development of the area. The following should be highlighted within this group of subsidies:

- Subsidy granted by the Directorate-General of Regional Economic Incentives amounting to 1,550,000 euros corresponding to 10% of the investment made to build a hotel in Ayamonte, Huelva.
- Subsidy granted by the Directorate-General of Regional Economic Incentives amounting to 1,106,000 euros corresponding to 10% of the investment made to build a hotel in Ayamonte, Huelva.
- Subsidy granted by the Directorate-General of Regional Economic Incentives amounting to 490,000 euros corresponding to 14% of the investment made to build a hotel in Ayamonte, Huelva.
- Subsidy granted by the Directorate-General of Regional Economic Incentives amounting to 34,000 euros in order to improve the facilities of the Hotel Barceló Isla Canela located in Ayamonte, Huelva.

Apart from the subsidy for the Hotel Barceló Isla Canela, which was granted in the 2011, the aforementioned subsidies were transferred to the Group from Isla Canela, S.A. based on the partial division agreement which gave rise to the Subsidiary Company, since all of them were allocated to the activity subject to the transfer. Taking into account that the partial division

transaction mentioned above was performed with accounting effects as of 1 January 2009, the Subsidiary Company has booked the subsidies thus transferred in income since then.

Hence, in 2014 income amounting to 108,716 euros was booked as income in the "Assignment of non-financing fixed asset subsidies" item of the consolidated income statement attached hereto (108,717 euros in 2013).

### 13. Current and non-current liabilities

The balances of the accounts in this item at the end of 2014 and 2013 are as follows:

	Euro	
	31/12/2014	31/12/2013
Long-term debts with credit institutions	4,616,144	5,781,758
Other financial liabilities	1,802,142	1,803,221
<b>Total long-term liabilities</b>	<b>6,418,286</b>	<b>7,584,979</b>
Short-term debts with credit institutions	1,356,200	1,199,965
Other financial liabilities	132	-
<b>Total short-term debts</b>	<b>1,356,332</b>	<b>1,199,965</b>
<b>Total short-term and long-term financial debts</b>	<b>7,774,618</b>	<b>8,784,944</b>

The "Long-term debts with credit institutions" and "Short-term debts with credit institutions" items correspond to mortgage loans taken out with Caixa Bank. Said mortgage loans refer to several loans taken out to pay for the investments in the retail outlets acquired in Castellón in 2011. In addition, the "Short-term debts with credit institutions" item includes a credit agreement with Banca March which came into force in November 2014. The credit agreement has a limit of 3,000,000 euros, of which three euros had been drawn down at 31 December 2014.

Furthermore, on 8 February 2013 the Group proceeded to redeem a loan with Caja Extremadura amounting to 1,450,605 euros, which mortgaged the real estate asset located at Calle San Antón in Cáceres. At the moment this transaction was executed, the outstanding principal amounted to 1,769,030 euros. The Group therefore proceeded to book an extraordinary receipt amounting to 318,425 euros in the "Financial income" item of the consolidated income statement for 2013 attached hereto.

The financial expenses arising from debts with credit institutions in 2014 amounted to 101,120 euros (277,177 euros in 2013) and are booked in the "Financial expenses" item of the consolidated income statement account attached hereto.

The interest rates on the loans are set under market conditions plus a fixed spread.

The "Guarantees and deposits" item reflects the guarantees received from clients connected with the leases set out in Note 8.

The breakdown by due dates as at 31 December 2014 is as follows:

	Euro					
	2015	2016	2017	2018	2019 and later	Total
Debts with credit institutions	1,356,200	1,183,725	1,201,507	799,633	1,431,279	5,972,344
Long-term guarantees	-	-	-	-	1,802,142	1,802,142
Short-term guarantees	132	-	-	-	-	132
<b>Total</b>	<b>1,356,332</b>	<b>1,183,725</b>	<b>1,201,507</b>	<b>799,633</b>	<b>3,233,421</b>	<b>7,774,618</b>

#### 14. Disclosure on supplier payment deferrals

As regards the disclosure required by the Third Additional Provision of Law 15/2010 of 5 July, the outstanding unpaid balance with suppliers at 31 December 2014 and the 2013 year-end had accumulated a slight payment delay beyond the legal deadline established for payment. The information on payment deferrals to suppliers in 2014 and 2013 is as follows:

Payments Made and Outstanding At Year-end	Financial Year 2014		Financial Year 2013	
	Euro	%	Euro	%
Payments made within the maximum legal deadline	1,297,683	53%	3,412,869	44%
Other	1,139,834	47%	4,283,373	56%
<b>Total payments in year</b>	<b>2,437,517</b>	<b>100%</b>	<b>7,696,242</b>	<b>100%</b>
<b>Deferrals at year-end exceeding the maximum deadline</b>	<b>425,302</b>		<b>650,269</b>	

The maximum legal deadline for payment that applied in 2014 and 2013 to the Group's companies in accordance with Law 3/2004 of 29 December setting forth the measures to combat commercial transaction delinquency was 60 days. Said Law was amended by Law 11/2013 of 26 July, which sets forth a maximum deadline of 30 days from its entry into force, except where there is an agreement between the parties to set a maximum deadline of 60 days.

The information provided above refers to suppliers and creditors which by their very nature are trade creditors for debts with suppliers of goods and services. It therefore includes the data on the "Sundry suppliers and creditors" item of current liabilities in the consolidated balance sheet at 31 December 2014 and 2013.

#### 15. Guarantees undertaken with third parties

At 31 December 2014 and 31 December 2013, the Company had not granted any guarantees to third parties.

The foregoing notwithstanding, as mentioned in Note 7, the five hotels owned by the Group which are located in Isla Canela in Ayamonte, Huelva are subject to mortgage guarantees amounting to 29,741,863 euros corresponding to five banks loans granted to Isla Canela, S.A., which has become the sole debtor of the obligations thereof. Such balance corresponds to the outstanding balance at 31 December 2014 of the five mortgage loans mentioned, which correspond to each of the real estate assets. In this regard, the Group entered into a mortgage guarantee agreement with Isla Canela, S.A., as mentioned in Note 7, to ensure the repayment by said related company of the mortgage loans on the hotels owned by the Group until the loans are finally redeemed. The Group receives a commission fee equivalent to 0.25% of the average outstanding balance of the mortgage loans thus guaranteed.

#### 16. Public Administrations and Tax situation

##### 16.1. Current balances with the public administration

The breakdown of the current balances with the public administration is as follows:

##### Debit balances

	Euro	
	31/12/2014	31/12/2013
Inland Revenue, Corporation Tax debtor	-	1,252,642
Inland Revenue, other withholdings	681,667	366,556
<b>Total</b>	<b>681,667</b>	<b>1,619,198</b>

The Group booked the amounts pending collection from the Inland Revenue arising from interim Corporation Tax payments for 2013 in the "Inland Revenue, Corporation Tax receivables" item, the refund application for which was filed and the sums collected in 2014. The

only debts the Inland Revenue had with the Group at 31 December 2014 corresponded to the withholdings made on capital interests arising from the Group's financing scheme and dividends.

### Credit balances

	Euro	
	31/12/2014	31/12/2013
Inland Revenue, Personal Income Tax creditor	11,021	62,288
Inland Revenue, VAT creditor	180,585	150,946
Social Security	1,340	-
Others	-	6,909
<b>Total</b>	<b>192,946</b>	<b>220,143</b>

### 16.2. Reconciliation of the accounting profit/loss and the tax base

The reconciliation between the accounting profit or loss and the Parent Company's taxable base for Corporation Tax in 2014 and 2013 is as follows (in euros):

#### Financial Year 2014

Item	Euro
Profit (Loss) before tax (Parent Company)	921,102
<b>Tax base</b>	<b>921,102</b>
<b>Total tax liability (0%)</b>	<b>-</b>

#### Financial Year 2013

In 2013, the Company paid taxes in Luxembourg, where its registered office was located. The tax base for Corporation Tax in said year was zero.

In accordance with Article 9.2 of Law 11/2009 of 26 October governing Listed Real Estate Investment Trusts, as amended by Law 16/2012 of 27 December, the tax self-assessment return has to be filed on the part of the period's tax base which proportionally corresponds to the dividend whose distribution has been resolved with regard to the profit obtained in the year. As is indicated in Note 4, the Parent Company's Administrators had allocated 828,992 euros to dividends at the 2014 year-end (2,969,786 euros in 2013). Hence, Corporation Tax became due on such dividends to the amount of 0 euros (0 euros in 2013). The Parent Company's after-tax profit for 2014 amounted to 921,102 euros (4,353,630 euros in 2013).

At 31 December 2014, there were no negative tax bases or tax deductions pending application.

### 16.3. Reconciliation between the accounting profit and corporation tax expenses

The reconciliation between the accounting profit or loss and the Parent Company's taxable base for Corporation Tax in 2014 and 2013 is as follows:

#### Financial Year 2014

Item	Euro
Profit (Loss) before tax (Parent Company)	921,102
Tax base	921,102
Tax (0%)	-
<b>Tax expenses recognised in the profit and loss account</b>	<b>-</b>

No permanent or temporary differences came about in 2014 in the tax base calculation. The tax base therefore corresponds to the pre-tax accounting profit.

### **Financial Year 2013**

In 2013, the Parent Company paid taxes in Luxembourg, where its registered office was located. The expenses for Corporation Tax in said year were zero.

### **16.4. Financial years pending verification and inspection actions**

The Parent Company domiciled for taxation purposes in Luxembourg in 2013. With the change of address, the Parent Company settled all its taxes in said country, although all years since it was incorporated remain open to inspection.

In accordance with prevailing legislation in Spain, taxes cannot be considered to have been definitively settled until the returns filed have been inspected by the tax authorities or until the four-year statute of limitations period has elapsed. At year-end 2014, the Subsidiary Company's taxes corresponding to the last four years remained open to inspection. The Parent Company's Administrators consider that the settlements of the above-mentioned taxes have been properly filed. Hence, although discrepancies may arise regarding the tax treatment given to the operations due to the interpretation of prevailing regulations, any liabilities that may eventually result therefrom, should they come about, will not significantly affect the consolidated annual accounts attached hereto.

### **16.5. Reporting requirements arising from SOCIMI status, Law 11/2009, as amended by Law 16/2012**

This information on both Parent Company as well as its Subsidiary Company is contained in Appendices 1 and 2 attached hereto.

## 17. Earnings and expenses

### 17.1 Net turnover and other operating income.

The breakdown of these items at 31 December 2014 and 2013 is as follows:

	Euro	
	2014	2013
Hotel Barceló Isla Canela	1,990,458	1,986,485
Hotel Meliá Atlántico	1,505,774	1,110,295
Hotel Iberostar Isla Canela	1,293,439	1,290,645
Hotel Playa Canela	1,028,197	1,018,585
Hotel Isla Canela Golf	125,200	75,000
Marina Isla Canela Shopping Mall	163,828	235,062
Gran Vía, 1, 2nd Floor Left	90,319	93,979
Vallecas Comercial I	23,296	8,030
Vallecas Comercial II	167,267	165,600
Caleruega	105,970	101,200
Gran Vía 1, 2nd Floor Right.	107,095	102,160
Gran Vía 1, 1st Floor Right	103,763	112,900
Sanchinarro VI	19,443	2,360
Gran Vía, 1, 1st Floor Left	82,367	103,073
Sanchinarro VII	36,602	9,400
Rutilo	84,288	83,244
Coslada III	12,183	6,006
Hotel Tryp Cibeles	1,188,030	1,177,477
Retail outlet at Gran Vía 34	2,614,517	2,542,788
Hotel Tryp Atocha	1,402,288	1,403,864
Pradillo 42	1,531,715	1,521,761
Albalá 7	220,762	233,934
Dulcinea 4	104,649	111,506
Plaza España, Castellón	1,354,863	1,456,131
San Antón 25 and 27, Cáceres	-	190,087
<b>Subtotal rents</b>	<b>15,356,313</b>	<b>15,141,571</b>
Provision of sundry services	85,032	74,435
Operating subsidies	8,144	-
<b>Total income</b>	<b>15,449,489</b>	<b>15,216,006</b>

The Group's entire turnover in 2014 and 2013 was generated in Spain.

### 17.2 External charges for services, taxes and similar levies

The breakdown of this item for 2014 and 2013 is as follows:

	Euro	
	2014	2013
Rents and levies	-	13,465
Repairs and maintenance	23,430	19,074
Independent professional services	540,051	719,207
Insurance policies	56,250	68,941
Banking services and similar	14,316	1,835
Advertising, publicity and public relations	4,972	145,011
Supplies	64,129	89,543
Other services	235,861	270,907
Taxes and similar levies	1,154,927	907,301
<b>Total</b>	<b>2,093,936</b>	<b>2,235,284</b>

### 17.3 Wages, salaries and National Insurance contributions

The balance of this item in 2014 and 2013 was comprised as follows:

	Euro	
	2014	2013
<b>Wages and salaries:</b>		
Wages, salaries and similar outgoings	74,643	125,335
<b>National Insurance contributions:</b>		
National Insurance contributions incurred by the company	15,838	99,499
Other social expenses	127	831
<b>Total</b>	<b>90,608</b>	<b>225,665</b>

### 17.4 Contribution to consolidated profit (loss)

The contribution to the consolidated profit (loss) by Companies is as follows:

	Euro	
	2014	2013
SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.	-288,204	-197,198
Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.	12,082,697	1,697,592
<b>Total</b>	<b>11,794,493</b>	<b>1,482,394</b>

### 17.5 Earnings per share

The net profit (loss) attributable to the shareholders is calculated through the weighted average of the number of common shares in the year:

	Euro	
	2014	2013
Net profit (loss) attributable to Parent Company	11,794,493	1,482,394
Weighted average number of shares	4,452,197	4,452,197
<b>Earnings per share</b>	<b>2.65</b>	<b>0.33</b>

## 18. Related-party transactions

### 18.1 Related-party transactions

The transactions made with related companies in 2014 and 2013 were as follows:

	Euro				
	31/12/2014		31/12/2013		
	Operating expenses	Income Financial	Operating expenses	Expenses Financial	Income Financial
ISLA CANELA, S.A. (Note 18.2)	108,665	82,852	321,226	86	99,488
Promociones y Construcciones, PYC,					
PRYCONSA, S.A. (Note 18.2)	41,513	299,645	31,860	273,619	-
COGEIN, S.L. (Note 18.2)	-	1,710,189	-	-	1,745,506
<b>TOTAL</b>	<b>150,178</b>	<b>2,092,686</b>	<b>353,086</b>	<b>273,705</b>	<b>1,844,994</b>

## 18.2 Balances with related companies

The balances with related companies at 31 December 2014 and 2013 are as follows::

### Financial Year 2014

	Euro	
	Loans granted to related companies	Loans received from related companies
ISLA CANELA, S.A.	-	19,201
COGEIN, S.L.	42,609,183	-
PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.	14,970,095	-
Other shareholders	-	-
<b>TOTAL</b>	<b>57,579,278</b>	<b>19,201</b>

### Financial Year 2013

	Euro	
	Loans granted to related companies	Loans received from related companies
COGEIN, S.L.	44,276,115	-
<b>TOTAL</b>	<b>44,276,115</b>	<b>-</b>

The agreements currently in force the Group companies have with related companies are as follows:

- On 1 January 2010, Isla Canela, S.A. and Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U. entered into a "Service Provision Agreement with Mortgage Guarantee", by means of which the latter will provide the former with the mortgage guarantee service whereby the hotels owned by the latter will respond for repayment by the former of the mortgage loans taken out from the institutions in accordance with the arrangements agreed upon in their articles of incorporation deeds until each of the mortgage loans entered into is definitively redeemed. Isla Canela, S.A. undertakes to pay any depreciation instalments and ancillary costs that may arise punctually until the loans guaranteed with a mortgage are redeemed. Due to the provision of the service described above, Isla Canela, S.A. will pay Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U. a fee consisting of an annual lump-sum amount equivalent to 0.25% of the average annual outstanding balance of the mortgage loans calculated on 31 December each year, which will be invoiced and paid on the last day of each calendar year. This amount may be amended annually through an agreement between the parties to adapt to it the average market prices paid by the Company for the provision of bank guarantees (surety and banking insurance) by financial institutions. The costs due for this item in 2014 amounted to 82,761 euros (99,488 euros in 2013), which are booked in the "Financial income" item at 31 December 2014.
- In 2010, Isla Canela, S.A. and Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U. entered into a financing agreement by means of which the latter would finance the former under market conditions with the excess liquidity it generates as a result for performing its activity, provided its financing needs are covered. The financing agreement is for a term is of three years and it may automatically be renewed for three-year terms. The financial conditions for the agreement set forth the accrual of interest equivalent to the quarterly EURIBOR rate plus a spread similar to the average spread said entity pays as a result of the mortgage loans it holds. The agreement is reciprocal. In other words, the financing can be generated in either way under the same terms and conditions. The interest accrued and booked in the Group's consolidated income statement at 31 December 2014 amounted to 91 euros as financial income (86 euros in 2013 as financial expenses).

- On 1 June 2012, Isla Canela S.A. and Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U. entered into a technical services provision agreement for the maintenance of the hotels owned by Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U. Pursuant to the aforementioned agreement, Isla Canela, S.A. provides the Subsidiary Company with an integrated preventive maintenance service for the hotels owned by Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U. in exchange for economic consideration equivalent to 74,500 euros per year, which will rise according to the CPI on an annual basis. The agreement is annual but may be tacitly extended by the parties on an annual basis, although either of the parties may terminate it at any time. The costs due in 2014 as a result of this service provision agreement amounted to 74,350 euros (74,575 euros in 2013), which are booked in the "Other operating expenses" item of the Group's consolidated income statement for 2014.
- In addition to the technical services agreement mentioned in the point above, there is an addendum through which Isla Canela, S.A. provides Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U. with a corrective refurbishment works management service for the hotels owned by the latter and whose preventive maintenance is carried out by Isla Canela, S.A. Under this addendum, this entity acts as the works manager in the hotels' refurbishment. The consideration it receives in exchange for this service amounts to 5% of remuneration calculated on the value of the refurbishments performed under the framework of said agreement. The Subsidiary Company's costs in 2014 connected with this addendum to the agreement amounted to 34,315 euros (246,651 euros in 2013), which are booked in the "Other operating expenses" item of the Group's consolidated income statement for 2014.
- In 2010, Promociones y Construcciones, PYC, PRYCONSA, S.A. and Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U. entered into a financing agreement by means of which the latter would finance the former under market conditions with the excess liquidity it generates as a result for performing its activity, provided its financing needs are covered. The financing agreement is for a term is of three years and it may automatically be renewed for three-year terms. The financial conditions set forth in the agreement imply the accrual of interest equivalent to the quarterly EURIBOR rate plus a market spread. The agreement is reciprocal. In other words, the financing can be generated in either way under the same terms and conditions. The interest accrued and booked in the Group's consolidated income statement at 31 December 2014 came to 299,645 euros as financial expenses (273,619 euros in 2013).
- On 1 January 2010, Promociones y Construcciones, PYC, PRYCONSA, S.A. and Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U. entered into a sundry services provision agreement by means of which the former provides mainly administration services to the latter, among others. In principle, the agreement is for a term of ten years and it may be tacitly renewed on an annual basis. The annual amount of the contract amounts to 30,000 euros, which will be reviewed in line with the annual CPI. The amount due in 2014 as a result of this contract came to 31,732 euros (31,860 euros in 2013), which were booked at year-end 2014 in the "Other operating expenses" item of the Group's consolidated income statement for 2014.
- In 2010, COGEIN, S.L. and Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U. entered into a financing agreement whereby the latter would finance the former under market conditions with the excess liquidity it generates as a result for performing its activity, provided its financing needs are covered. The financing agreement is for a term is of two years and it may automatically be renewed for two-year terms. The financial conditions in the agreement imply the accrual of interest at the legally established rate on the average annual balance of the debt existing between the parties. The agreement is reciprocal. In other words, the financing can be generated in either way under the same terms and conditions. The interest accrued and booked in the Group's consolidated income statement at 31 December 2014 amounted to 1,710,189 euros as financial income (1,745,506 euros).

- On 11 June 2014, the Parent Company entered into a service provision agreement with one of its significant shareholders, Promociones y Construcciones, PYC, PRYCONSA, S.A., whereby the latter would provide the Parent Company with an integrated management assistance service for legal, administrative and tax services, in addition to granting the use of space. The agreement is open-ended. The costs invoiced to the Parent Company in 2014 amounted to 9,781 euros (0 euros in 2013), which are booked in the "Operating expenses" item of the consolidated income statement.

### 18.3 Remuneration for the Board of Directors and senior management

The total remuneration due in 2014 and 2013 for all items of the members of the Board of Directors and the senior management of Saint Croix Holding Immobilier, SOCIMI, S.A. and people performing similar duties at the end of each year can be summarised as follows:

Board of Directors	Euro	
	2014	2013
Chief Executive's remuneration	4,282	18,955
Pension plans	-	-
Attendance allowances	-	-
Others	-	-

Senior management	Euro	
	2014	2013
Salaries	-	-
Pension plans	-	-
Others	-	-
Number of executives	-	-

Furthermore, at 31 December 2014 and 2013, there were no advances or credits or any other kind of pension or life insurance guarantees or obligations in connection with current and former members of the Board of Directors.

In 2014 and 2013, the number of Directors and representatives of the Company's Directors that are legal persons distributed by gender was as follows :

2014			2013		
Men	Women	Total	Men	Women	Total
4	1	5	2	1	3

### 18.4 Disclosure on situations of conflicts of interest involving Administrators

At year-end 2014, neither the members of the Board of Directors of Saint Croix Holding Immobilier, SOCIMI, S.A. or the parties related to them, as laid down pursuant to the Corporate Enterprises Act , had reported to the other members the Board of Directors any direct or indirect conflict of interest with those of the Parent Company.

### 19. Other contingent liabilities

Without detriment to the detailed information set out in the section entitled "Post-statement disclosures", the following information at year-end 2-14 was particularly worthy of mention:

**Vincci Hoteles, S.A.:** In 2011, Vincci Hoteles, S.A., the lessee of the Hotel Vincci Selección Canela Golf (today Hotel Isla Canela Golf) vacated the property and failed to pay the quarterly rent due on 15 October 2011. The Group was therefore obliged to activate the necessary contractual and legal mechanisms as a result of the lessee's breach of contract. In 2013, the Group proceeded to enforce the guarantee put up by the lessee, booking the rent up to the termination of the agreement in the "Net turnover - Real estate asset operations" item of the consolidated income statement. The excess amount of the guarantee amounting to 179,094

euros was booked in the "Other operating income - Non-core and other current management income" item of the consolidated income statement for 2013.

The Parent Company's Administrators and their legal advisors consider that there was no breach whatsoever by the Parent Company of the lease agreement. They therefore believe that the termination of the agreement was ungrounded and therefore cannot be brought into effect. Moreover, given that the Parent Company's Administrators believe that it is Vinci Hoteles, S.A. that has breached the obligation to pay rent, use the real estate asset and the term of the aforementioned agreement, the Group claimed additional compensation amounting to 947,732 euros through a legal claim brought on 26 December 2012. The claim was deemed admissible by the Madrid Court of First Instance No. 69 under Ordinary Proceedings 974/2013 and it was contested and a counterclaim filed by Vinci Hoteles on 30 December 2013. In said counterclaim, a claim is made against the Group amounting to 1,794,154 euros. A preliminary hearing was held on 3 December 2014 and the trial has been scheduled to be held on 13 and 14 May 2015.

The Parent Company's Administrators consider that no significant liabilities will result from this possible legal dispute.

## 20. Other information

### 20.1 Personnel

The average number of people employed in 2014 and 2013 broken down by job category is as follows:

Categories	2014	2013
Management	-	-
Administrative staff	2	1
Operator staff	-	8
<b>Total</b>	<b>2</b>	<b>9</b>

Likewise, the distribution by gender at the end of 2014 and 2013 broken down by category was as follows:

Categories	2014		2013	
	Men	Women	Men	Women
Directors (*)	4	1	2	1
Management	-	-	-	-
Technical staff and middle management	1	-	-	-
Administrative staff	-	-	1	-
Operator staff	-	-	-	-
<b>Total</b>	<b>5</b>	<b>1</b>	<b>3</b>	<b>1</b>

### 20.2 Auditing fees

The fees for account auditing services and other services provided by the Company's auditor, Deloitte, S.L., or by a company related to the auditor or jointly owned or controlled by it were as follows in 2014 and 2013:

Description	Euro	
	Services rendered by the auditor of accounts and by related companies	
	2014	2013
Auditing services	50,700	45,000
Other verification services	-	-
<b>Total auditing and related services</b>	<b>50,700</b>	<b>45,000</b>
Tax Advisory Services	-	-
Other services	17,000	-
<b>Total professional services</b>	<b>67,700</b>	<b>45,000</b>

## 21. Subsequent disclosures

Events have come about after the year-end and up to the date the Consolidated Annual Accounts for 2014 were formulated, which should be mentioned in this note:

- On 16 January 2015, the Subsidiary Company signed a credit facility with the financial institution Bankinter to finance working capital amounting to 5,000,000 euros for a term of 12 months.
- On 22 January 2015, the Parent Company's Board of Directors approved the acquisition of all the shares in the company INVERETIRO, S.L., which amount to 52,000,000 euros. This amount was calculated on the basis of the market value of the company's assets, net of any debt. These assets include: (i) an office building located at Calle Titán 13 in Madrid measuring 6,630.77 m<sup>2</sup> above ground and 7,936.94 m<sup>2</sup> underground (it is currently leased to Compañía Logística de Hidrocarburos, S.A. (CLH)); and (ii) several adjoining retail outlets measuring 2,667.80 m<sup>2</sup> above ground and 55.59 m<sup>2</sup> of parking spaces located on Calle Conde de Peñalver 16 in Madrid (currently leased to ZARA Spain, S.A.). The appraisal of the acquired company's assets, which is the basis of the transaction's value, was conducted on 31 December 2014 by the independent expert TINSA Tasaciones Inmobiliarias, S.A. by applying the valuation standards of the Royal Institution of Chartered Surveyors (RICS). The gross yield of the lease resulting from this acquisition by the Company exceeds 6%. The Parent Company's Board of Directors considers that the acquisition transaction thus approved will be signed before a notary public before the end of the first quarter of 2015 once the acquired company has been converted into a Listed Real Estate Trust (SOCIMI).
- On 27 January 2015, the Company was notified by the Inland Revenue in reply to the notice it had given on 11 November 2014 stating that it wished to continue benefiting from the tax benefits referred to by Article 8 of Law 11/2009 of 26 October (Official State Gazette of 27 October) governing Listed Real Estate Investment Trusts. According to the aforementioned Article, the option has to be adopted by the General Shareholders Meeting and notice thereof has to be given to the Inland Revenue Office corresponding to the entity's tax domicile before the last three months prior to the end of the tax period. According to the Inland Revenue, the Company's notice sent the notification after the deadline, thereby preventing this tax scheme being applied in said tax period. On 10 February 2015, the Parent Company filed before the tax authorities the relevant allegations to prove that it could continue benefiting from the Special Tax Scheme for Listed Real Estate Investment Trusts. The Parent Company's Board of Directors thus considers that it has appropriately fulfilled the formal step in due time and proper form and that the Parent Company will continue to be included under the aforementioned Special Tax Scheme after the opportune clarifications. In the highly unlikely event that this should not be the case, the effect on the Parent Company's assets would be of little significance.
- On 20 January 2015, the Subsidiary Company was notified of the claim brought by UNEDISA (Unidad Editorial, S.A.) regarding the building located at Calle Pradillo 42, through which the following are sought: (i) that the lease agreement of 27 February 2009 be declared as terminated on 1 March 2014; (ii) that UNEDISA should be declared not bound to pay compensation amounting to 1,676,870 euros, which coincides with the amount of the guarantee which had already been enforced by the Company; and (iii) that the Company be sentenced to pay costs. The amount at issue in the proceedings has been set at 1,676,870 euros. On 17 February 2015, the Subsidiary Company contested the claim by filing a counterclaim.
- On 24 February 2015, the Company's Board of Directors resolved to approve a change in the composition of the Audit Committee, which is now made up of the following members: Mr. Juan Carlos Ureta Domingo (Chairman), Jose Luis Colomer Barrigón

(Member) and Celestino Martín Barrigón (Member and Secretary). Similarly, Ofelia Marín-Lozano Montón was appointed as the Director-Co-ordinator.

There are no further relevant disclosures to highlight.

## Appendix 1

### Information of the Parent Company (Saint Croix Holding Immobilier, SOCIMI, S.A.)

Description	Financial Year 2014
a) Reserves from years prior to the application of the tax scheme set forth in Law 11/2009, as amended by Law 16/2012 of 27 December.	As is set out in Note 1, the Company was incorporated on 1 December 2011 in Luxembourg without having allocated any prior year's profits to reserves.
b) Reserves of each financial year in which the special tax scheme set forth in said Law applies <ul style="list-style-type: none"> <li>• Profits from income subject to the general tax rate</li> <li>• Profits from income subject to tax at a rate of 19%</li> <li>• Profits from income subject to tax at a rate of 0%</li> </ul>	<ul style="list-style-type: none"> <li>• Profits in 2014 allocated to reserves: €92,110</li> <li style="text-align: center;">-</li> <li style="text-align: center;">-</li> <li>• Profits in 2014 allocated to reserves: €92,110</li> </ul>
c) Dividends paid out and charged to profits of each financial year in which the tax scheme set forth in this Act can be applied <ul style="list-style-type: none"> <li>• Dividends from income subject to the general tax rate</li> <li>• Dividends from income subject to taxation at 18% (2009) and 19% (2010 to 2012).</li> <li>• Dividends from income subject to tax at the a rate of 0%</li> </ul>	<ul style="list-style-type: none"> <li style="text-align: center;">-</li> <li style="text-align: center;">-</li> <li style="text-align: center;">-</li> <li style="text-align: center;">-</li> </ul>
d) Dividends paid out and charged to reserves <ul style="list-style-type: none"> <li>• Dividends charged to reserves subject to taxation at the general tax rate.</li> <li>• Dividends charged to the reserves subject to taxation at 19%</li> <li>• Dividends charged to the reserves subject to taxation at 0%</li> </ul>	<ul style="list-style-type: none"> <li style="text-align: center;">-</li> <li style="text-align: center;">-</li> <li style="text-align: center;">-</li> <li style="text-align: center;">-</li> </ul>
e) Date of the dividend payout resolution referred to by items c) and d) above	-
f) Acquisition date of the properties allocated to lease which generate income subject to this special scheme	-
g) Acquisition date of interests in the capital of the entities referred to in paragraph 1, Article 2 of this Law.	-
h) Identification of the assets calculated within the eighty per cent referred to by paragraph 1, Article 3 of this Act	The interest in the company Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U., as indicated in the Note 5. (Total assets amounting to 266,597,702 euros)
i) Reserves from years in which the special tax regime set forth in this Act has applied and have been drawn down during the tax period, but not for distribution or to offset losses. The financial year from which said reserves come should be indicated.	-

## Appendix 2

### Information of the Subsidiary Company (Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.)

Description	Financial Year 2014
a) Reserves from years prior to the application of the tax scheme set forth in Law 11/2009, as amended by Law 16/2012 of 27 December.	The Company was incorporated for accounting purposes in January 2009 with a share capital of 103,840,000 euros. It had therefore not applied any previous years' profit to reserves.
b) Reserves of each financial year in which the special tax scheme set forth in said Law applies	<ul style="list-style-type: none"> <li>• Profits in 2009 allocated to reserves: €936,358</li> <li>• Profits in 2010 allocated to reserves: €871,431</li> <li>• Profits in 2011 allocated to reserves: €1,000,888</li> <li>• Profits in 2012 allocated to reserves: €43,627</li> <li>• Profits in 2013 allocated to reserves: €470,286</li> <li>• Profits in 2014 allocated to reserves: €3,383,155</li> </ul>
<ul style="list-style-type: none"> <li>• Profits from income subject to the general tax rate</li> </ul>	-
<ul style="list-style-type: none"> <li>• Profits from income subject to tax at a rate of 19%</li> </ul>	<ul style="list-style-type: none"> <li>• Profits in 2009 allocated to reserves: €936,358</li> <li>• Profits in 2010 allocated to reserves: €871,431</li> <li>• Profits in 2011 allocated to reserves: €1,000,888</li> <li>• Profits in 2012 allocated to reserves: €43,627</li> </ul>
<ul style="list-style-type: none"> <li>• Profits from income subject to tax at a rate of 0%</li> </ul>	<ul style="list-style-type: none"> <li>• Profits in 2013 allocated to reserves: €470,286</li> <li>• Profits in 2014 allocated to reserves: €3,383,155</li> </ul>
c) Dividends paid out and charged to profits of each financial year in which the tax scheme set forth in this Act can be applied	<ul style="list-style-type: none"> <li>• Distribution of dividends in 2009: €3,382,919</li> <li>• Distribution of dividends in 2010: €3,121,886</li> <li>• Distribution of dividends in 2011: €3,585,669</li> <li>• Distribution of dividends in 2012: €156,295</li> <li>• Distribution of dividends in 2013: €1,209,306</li> <li>• Distribution of dividends in 2014: €8,699,542</li> </ul>
<ul style="list-style-type: none"> <li>• Dividends from income subject to the general tax rate</li> </ul>	-
<ul style="list-style-type: none"> <li>• Dividends from income subject to taxation at 18% (2009) and 19% (2010 to 2012).</li> </ul>	<ul style="list-style-type: none"> <li>• Distribution of dividends in 2009: €3,382,919</li> <li>• Distribution of dividends in 2010: €3,121,886</li> <li>• Distribution of dividends in 2011: €3,585,669</li> <li>• Distribution of dividends in 2012: €156,295</li> </ul>
<ul style="list-style-type: none"> <li>• Dividends from income subject to tax at the a rate of 0%</li> </ul>	<ul style="list-style-type: none"> <li>• Distribution of dividends in 2013: €1,209,306</li> <li>• Distribution of dividends in 2014: €8,699,542</li> </ul>
d) Dividends paid out and charged to reserves	-
<ul style="list-style-type: none"> <li>• Dividends charged to reserves subject to taxation at the general tax rate.</li> </ul>	-
<ul style="list-style-type: none"> <li>• Dividends charged to the reserves subject to taxation at 19%</li> </ul>	-
<ul style="list-style-type: none"> <li>• Dividends charged to the reserves subject to taxation at 0%</li> </ul>	-

Description	Financial Year 2014
e) Date of the dividend payout resolution referred to by items c) and d) above	<ul style="list-style-type: none"> <li>• 2009 Dividends: 29 June 2010</li> <li>• 2010 Dividends: 30 June 2011</li> <li>• 2011 Dividends: 28 June 2012</li> <li>• 2012 Dividends: 20 June 2013</li> <li>• 2013 Dividends: 30 June 2014</li> <li>• 2014 Dividends: Pending approval by the AGM</li> </ul>
f) Acquisition date of the properties allocated to lease which generate income subject to this special scheme	<p>The real estate assets that have been owned by the Company as from 29/12/2009 Due to the partial division transaction set out in Note 2, the dates of ownership are the following:</p> <ul style="list-style-type: none"> <li>• Hotel Isla Canela Golf: 28.12.2007</li> <li>• Hotel Barceló Isla Canela: 06.07.1998</li> <li>• Hotel Iberostar Isla Canela: 01.07.2002</li> <li>• Hotel Playa Canela: 16.05.2002</li> <li>• Hotel Meliá Atlántico: 25.05.2000</li> <li>• Marina Isla Canela Shopping Mall: 17.10.2000</li> <li>• Property on Calle Gran Vía, : 19.10.1987</li> <li>• Retail outlets at Calle Caleruega: 30.12.2011</li> </ul> <p>The following real estate investment, which were acquired from the related company PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A. were included in 2012:</p> <ul style="list-style-type: none"> <li>• Offices Sanchinarro V: 30.10.2012</li> <li>• Offices Sanchinarro VI: 29.11.2012</li> <li>• Offices Sanchinarro VII: 29.11.2012</li> <li>• Vallecas Comercial I: 30.10.2012</li> <li>• Vallecas Comercial II: 30.10.2012</li> <li>• Offices Coslada III: 29.11.2012</li> </ul> <p>The merger with Compañía Ibérica de Rentas Urbanas 2009 SOCIMI, S.A.U resulting from its take-over took place in 2013. The company therefore included all the assets from the company taken over on its balance sheet without any associated tax effects.</p> <ul style="list-style-type: none"> <li>• Hotel Tryp Atocha: 26.12.2001</li> <li>• Hotel Tryp Cibeles: 16.05.2002</li> <li>• Retail outlet on Calle Rutillo: 06.04.2000</li> <li>• Retail outlet at Gran Vía 34 (1+2): 16.05.2002</li> <li>• Retail outlet at Gran Vía 34 (3): 16.05.2002</li> <li>• Retail outlet on Dulcinea: 21.09.1995</li> <li>• Building on Calle Pradillo: 27.02.2009</li> <li>• Retail outlet at Albalá 7: 26.09.2003</li> <li>• Offices at Gran Vía 1, 1st and 2nd Floor Right: 15/10/1993</li> <li>• Gran Vía, 1, 1st Floor Left: 10/02/1998</li> <li>• Building on C/ San Antón, Cáceres: 15/06/2011</li> <li>• Building on Plaza España, Castellón: 29/12/2011</li> </ul>

<b>Description</b>	<b>Financial Year 2014</b>
g) Acquisition date of interests in the capital of the entities referred to in paragraph 1, Article 2 of this Law.	-
h) Identification of the assets calculated within the eighty per cent referred to by paragraph 1, Article 3 of this Act	<p>The breakdown of the real estate assets (included under work in progress) and their book value, including intangible fixed assets in progress (271,660,000 euros) expressed in million euros is as follows:</p> <ul style="list-style-type: none"> <li>• Marina Isla Canela Shopping Mall: 4,70</li> <li>• Barceló Isla Canela: 23,92</li> <li>• Meliá Atlántico: 34,74</li> <li>• Playa Canela: 16,73</li> <li>• Iberostar Isla Canela: 25,58</li> <li>• Isla Canela Golf: 4,85</li> <li>• Gran Vía 1, 2nd Floor Left: 1,94</li> <li>• Caleruega: 0,98</li> <li>• Sanchinarro V: 0,22</li> <li>• Sanchinarro VI: 9,23</li> <li>• Sanchinarro VII: 7,32</li> <li>• Vallecas Comercial I: 3,92</li> <li>• Vallecas Comercial II: 3,91</li> <li>• Coslada III: 6,71</li> <li>• Tryp Cibeles: 21,53</li> <li>• Tryp Atocha: 32,17</li> <li>• Gran Vía 34: 21,53</li> <li>• Pradillo 42: 18,23</li> <li>• Albalá 7: 2,87</li> <li>• Gran Vía 1, 1st Floor Left: 2,73</li> <li>• Gran Vía 1, 2nd Floor Right: 2,87</li> <li>• Gran Vía 1, 1st Floor Right: 3,01</li> <li>• Rutilo: 1,38</li> <li>• Dulcinea: 1,53</li> <li>• San Antón: 3,96</li> <li>• Plaza España: 15,10</li> </ul>
i) Reserves from years in which the special tax scheme set forth in this Act has applied and have been drawn down during the tax period, but not for distribution or to offset losses. The financial year from which said reserves come should be indicated.	-

# **Consolidated Management Report**

## Financial Year 2014

## **SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A. AND SUBSIDIARY COMPANY**

Consolidated management report  
Year Ending  
31 December 2014.

### **1. Origin and background**

"**SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.**" (formerly called SAINT CROIX HOLDING IMMOBILIER, SOCIÉTÉ ANONYME" and hereinafter referred to as the "Parent Company") was incorporated on **1 December 2011** under Luxembourg law. Its registered address since its incorporation was at 9B, Boulevard Prince Henri, L-1724, Grand Duchy of Luxembourg and it was duly registered at the Luxembourg Companies Registry (Registre de Commerce et des Sociétés) under the number B165103. The Parent Company moved its registered address, the Company's effective place of management and central administration or headquarters, from 9B, Boulevard Prince Henri L-1724 Luxembourg, Grand Duchy of Luxembourg to Glorieta de Cuatro Caminos 6 and 7, 4th floor, E-28020, Madrid, Spain in 2014.

The Parent Company's activity includes holding interests in the capital of other companies, mainly Spanish companies known as "Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario" (Listed Real Estate Investment Trusts) (hereinafter "SOCIMIs") or in other companies, regardless of whether they are domiciled in Spain, which have corporate purposes that are similar to SOCIMIs and which are subject to distributing their profits in a way that is analogous or similar to the legal, tax or statutory policies set forth for Spanish SOCIMIs.

The Parent Company was incorporated in 2011 through an in-kind contribution, by means of which the shareholders of the two investee companies initially incorporated in 2009 contributed all their shares to the Company in the form of capital. This operation was based on a valuation commissioned by both investee companies' boards of directors. The valuation used for the operation was carried out based on the cost of the two investee companies' equity at 30 September 2011, as modified by adjustments to the fair value of their assets and liabilities, which gave rise to the final swap equation used in the Parent Company's incorporation. The Company acquired all the shares of the two investee companies through this share swap or contribution operation. The Parent Company was incorporated with 3,784,368 shares having a par value of 60.10 euros per share. Its resulting initial share capital therefore amounted to 227,440,517 euros.

Subsequently, on **15 December 2011**, the Parent Company's board of directors resolved to increase the Company's share capital by the amount of 40,136,522.90 euros by issuing 667,829 new shares at a par value of 60.10 euros per share. Said capital increase was offered to already existing shareholders and other external shareholders for subscription. Some of the already existing founder members or shareholders waived their preferential subscription rights, but two of them, PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A. and COGEIN, S.L., subscribed part of the capital increase (23,926,050.40 euros). New shareholders subscribed the rest of the capital increase (16,210,472.50 euros). All the Parent Company's shares were issued under Luxembourg law. After the aforementioned capital increase and therefore until today, the Company's share capital has amounted to 267,577,039.70 euros made up 4,452,197 shares at a par value of 60.10 euros per share. All the shares are of the same class. All the shares have the same voting rights. The Company may issue new shares in order to finance acquisitions or swap them in an acquisition transaction.

The Parent Company's shares (4,452,197 shares) representing its share capital were admitted to trading on the first regulated market of the Luxembourg Stock Exchange on **21 December 2011** and have been on its official listing since then. Said shares are included under the Euroclear system under the common code number 072069463. The ISIN Code of the Company's shares is **LU0720694636** and their name identifier in the Luxembourg Stock Exchange (CBL) is **StCroixHldgImSo**.

The quoted price of the Parent Company's shares at **31 December 2014** was 61.40 euros per share.

As mentioned above, the Company owned all the shares of its two investee companies (SOCIMIs) at the moment it was incorporated in December 2011. At 31 December 2014, the Company owned all the shares of a single SOCIMI incorporated under the Spanish law, COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U., as it had merged in 2013 with the SOCIMI which initially formed part of the Company's portfolio of interests called COMPAÑÍA IBÉRICA DE RENTAS URBANAS, SOCIMI, S.A.U.

There were no corporate operations which affected the Parent Company's share capital in 2014.

The Parent Company's Group is mainly dedicated to the business of operating rented real estate assets.

## **2. Change of registered address and effective headquarters**

**On 10 June 2014**, at an **Extraordinary General shareholders' Meeting**, all of the Parent Company's shareholders unanimously resolved to approve the following resolutions, among others:

- Transfer of its registered office, the Company's effective place of management and central administration or headquarters, from 9B, Boulevard Prince Henri L-1724 Luxembourg, Grand Duchy of Luxembourg to Glorieta de Cuatro Caminos 6 and 7, 4th floor, E-28020, Madrid, Spain;
- Change of Company's trade name from "SAINT CROIX HOLDING IMMOBILIER, S.A." to "SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.";
- Approval of the Company's interim financial statements at 31 May 2014;
- Amendment of the Company's Articles of Incorporation to adapt them to comply with Spanish law and approval of the new Articles of Incorporation and approval of the General Shareholders' Meeting Regulations;
- Approval of the change of members of the board of directors and auditor, as well as approval of their management;
- Appointment of the new members to the Company's board of directors in Spain for a six-year period;
- Appointment of the Company's new auditor in Spain;
- Appointment of the people who are to represent the Company in Spain before any authority so that they may do whatever they may deem necessary regarding administrative or tax proceedings of any kind in order to implement the measures thus approved concerning the change of registered address, the Company's effective place of management and central administration.

**Another meeting of the board of directors** was held in Madrid on **11 June 2014**. The main resolutions adopted there were as follows:

- The board of directors took note of the resolutions adopted by the Company's Extraordinary General Shareholders' Meeting held on 10 June 2014, which are set out above, and appointed the following new directors: (i) Chairman and Chief Executive Officer: Mr. Marco Colomer Barrigón; (ii) Director: Mr. Jose Luis Colomer Barrigón; (iii) Director: Celestino Martín Barrigón; and (iv) Non-member Secretary: Mr. José Juan Cano Resina.
- Approval of the Board of Directors' Regulations pursuant to Article 528 of the Corporate Enterprises Act.

- Setting up of an Audit Committee. According to the Article 12.1 and 13 of the Board of Directors' Regulations, a resolution was taken to set up an Audit Committee made up of three members who also have to be members of the board of directors. It was resolved to delegate the board of directors' internal control responsibility, internal auditing actions and risk management to this Audit Committee and in particular any responsibility set forth in Article 13.9 of the Board of Directors Regulations. It was also resolved to appoint Celestino Martín Barrigón as Chairman of the Audit Committee. A resolution was also taken to appoint José Luis Colomer Barrigón as Committee Secretary. Both offices were appointed for a six-year period.
- Se faculta a D. Marco Colomer Barrigón was empowered to act before the National Securities Market Commission (CNMV) in order to obtain the legal persons certificate (CIFRADO), as set forth in the resolution issued by the Chairman of the CNMV on 16 November 2011 and authorising its use by the Company to fulfil the procedures and obligations laid down by the CNMV in accordance with the official registry of the CNMV.
- Se faculta a D. Marco Colomer Barrigón was empowered to act before the CNMV in order to obtain the legal persons certificate (CIFRADO), as set forth in the resolution issued by the Chairman of the CNMV on 16 November 2011 and authorising its use to notify the CNMV of any relevant disclosure under the "RSS" (relevant or significant disclosure) and "CIG" (annual corporate governance report) codes in accordance with the official registry of the CNMV.

The Madrid Companies Registry duly registered the Company in Madrid, Spain on **15 October 2014**. This means, among other aspects, that the company has definitively obtained Spanish nationality. Its tax identification number is A-87093902.

Another **Extraordinary General Shareholders' Meeting** was held on **2 December 2014**, at which it was resolved to increase the number of members of the Board of Directors to five and appoint two new Independent Directors of the Company: Juan Carlos Ureta Domingo and Ofelia María Marín-Lozano Montón. Another meeting of the board of directors was held immediately after the Shareholders' Meeting was held. Among other matters, it was resolved at this meeting to approve a change in the Audit Committee composition and to set up an Appointments and Remuneration Committee, appointing the recently appointed Independent Directors to them.

### **3. Applicable legislation**

The Parent Company is a "Real Estate Investment Trust (SOCIMI)" and governed by Law 11/2009 of 26 October, as amended by Law 16/2012 of 27 December. Article 2 of the aforementioned Law sets forth that:

- A. "SOCIMIs shall have as their main corporate purpose:
- a) The acquisition and development of urban real estate for leasing. Development activities, including the refurbishment of buildings under the terms set forth by Act 37/1992 of 28 December on Value Added Tax.
  - b) Holding interests in the capital of other SOCIMIs or in the capital of other entities not domiciled in Spanish territory which have the same corporate purpose as SOCIMIs and which are subject to a similar scheme as the one laid down for SOCIMIs with regard to mandatory, legal or statutory policies on the distribution of profits.
  - c) The holding of interests in the capital of other entities, whether or not they are domiciled in Spanish territory, which have as their main corporate purpose the acquisition of urban real estate assets for leasing out and which are subject to the same scheme as that established for SOCIMIs concerning mandatory, legal or statutory policies on the distribution of profits and which meet the external financing and investment requirements set forth in Articles 3 and 7 of said Act.

The entities referred to in item c) may not hold interests in the capital of other entities or carry out real estate developments. The shares representing the capital of these entities shall be registered shares and all of their capital shall belong to other SOCIMIs or to the other non-domiciled entities referred to in item b) above. In the case of entities domiciled in Spanish territory, these may opt to apply the special tax scheme under the terms set forth in Article 8 of said Act.

- d) Holding shares or interests in collective real estate investment institutions governed by Law 35/2003 of 4 November, the Collective Investment Institutions Act.

Hence, taking into account the resulting ownership structure, applying the special tax scheme set forth in Law 11/2009, as amended by Law 16/2012, to the Company requires it to fulfil the provisions laid down in Article 2.1.c) and that its single shareholder, a non-domiciled entity, fulfils the provisions laid down in Article 2.1.b) of the same Law. In other words, an unlisted Spanish company may apply the SOCIMI scheme if its corporate purpose includes the acquisition of urban real estate assets to lease them out, if it is subject to a mandatory profit payout policy, as provided by Article 6, if it fulfils the investment and external financing requirements set forth in Article 3 and additionally it is fully owned by an entity not domiciled in Spain and whose shares are admitted to trading on a regulated market of a Member State of the European Union or the European Economic Area, provided the latter has the same corporate purpose as the Spanish companies and meets the mandatory, legal and statutory requirements on the distribution of profits.

- B. More specifically, with regard to the non-domiciled entity's corporate purpose, it is deemed that it is in keeping with the provisions set forth in Article 2.1.b) of Law 11/2009, as amended by Law 16/2012, taking into account that the non-domiciled shareholder is an entity whose main activity consists of holding interests in other SOCIMIs or entities having the same corporate purpose.
- C. Similarly, the requirement laid down by Article 2.1.b) of Law 11/2009, as amended by Law 16/2012, is deemed to have been met if the non-domiciled entity is subject to a mandatory profit distribution policy similar to one set forth in Article 6 of Law 11/2009 (now Law 16/2012).
- D. Lastly, where Law 11/2009 after it was amended by Law 16/2012 refers to listed public limited companies, item c), Article 2 of said Law has extended the special tax scheme laid down therein to any other unlisted entities having similar characteristics which are subject to the same scheme laid down for SOCIMIs. Hence, Spanish limited liability companies which meet the requirements set forth therein are covered under this item.

Consequently, the Company fulfilled all the requirements laid down by the aforementioned Law and described in binding consultation number V0535-11 of 4 April 2011 of the Spanish Directorate-General of Taxes at year-end 2014.

#### 4. Explanation of the consolidated figures at 31 December 2014

A breakdown of the main consolidated figures at 31 December 2014 compared to 31 December 2013 is provided below:

Balance Sheet	Euro		
	31/12/2014	31/12/2013	+ / -
Real estate investments (gross)	271.661.342	273.329.406	-1.668.064
Cumulative depreciation	-26.237.590	-21.799.904	-4.437.686
Cumulative impairment	-25.463.006	-27.150.363	1.687.357
Net real estate investments (*)	219.960.746	224.379.139	-4.418.393
Financial investments in associated companies	57.560.077	44.276.115	13.283.962
Net financial debt	5.496.726	6.288.260	-791.534
Equity	270.410.768	261.585.060	8.825.708

Income statement	Euro		
	31/12/2014	31/12/2013	+ / -
Income	15,449,489	15,216,006	233,483
Net margin	13,550,912	12,919,336	631,576
	<b>% of revenue</b>	<b>% of revenue</b>	<b>% of revenue</b>
<b>EBITDA</b>	<b>12,704,866</b>	<b>12,186,389</b>	<b>518,477</b>
	<b>82.23%</b>	<b>80.09%</b>	<b>2.15%</b>
Depreciation and amortisation (net)	-3,084,589	-12,533,150	9,448,561
Allocation of subsidies	108,716	108,716	-
Financial profit (loss)	2,065,501	1,720,437	345,064
<b>EBT</b>	<b>11,794,493</b>	<b>1,482,393</b>	<b>10,312,101</b>
	<b>% of revenue</b>	<b>% of revenue</b>	<b>% of revenue</b>
Corporation tax	-	-	-
<b>Net profit (loss)</b>	<b>11,794,493</b>	<b>1,482,394</b>	<b>10,312,100</b>
	<b>76.34%</b>	<b>9.74%</b>	<b>66.60%</b>

(\*) Includes 66,862 euros of work in progress

**Real estate investments (gross):** The Group's real estate investments at 31 December 2014 amounted to 271,661,342 euros (273,329,406 euros in 2013). This involves a year-on-year reduction amounting to 1,668,064 euros largely due to:

- **Investments made in 2014:** Investments amounting to 516,169 euros (4,269,296 euros in 2013) were made this year. The investments made correspond to the refurbishment of the hotels in Ayamonte, Huelva: Hotel Playa Canela (396,148 euros), Hotel Meliá Atlántico (22,557 euros), Hotel Isla Canela Golf (15,960 euros), Hotel Iberostar (2,710 euros) and Hotel Barceló (78,795 euros). This figure includes 66,682 euros of work in progress at the close of the year.
- **Disposals made in 2014:** Real estate asset sales for a gross book value amounting to 2,184,233 euros were made in 2014, which generated a loss of 302,214 euros. The breakdown is as follows:

	Euro			
	Units	Income	Net Book Value	Years' Profit/(Loss)
Coslada III - Avda. Constitución 85	1	160,000	229,591	-69,591
Sanchinarro VII - Manuel Pombo Angulo 20-24	3	545,000	612,558	-67,558
Sanchinarro V - Manuel Pombo Angulo 14-18	2	375,000	423,981	-48,981
Sanchinarro VI - Manuel Pombo Angulo 6-12	4	770,000	886,084	-116,084
<b>Total</b>	<b>10</b>	<b>1,850,000</b>	<b>2,152,214</b>	<b>-302,214</b>

**Cumulative depreciation:** At year-end 2014, the cumulative depreciation balance amounted to 26,237,590 euros (21,799,904 euros in 2013). The movements in the year were due to real estate investment depreciation costs in 2014 which amounted to 4,469,704 euros (4,366,555 euros in 2013) and to the effect of real estate investment write-offs (32,019 euros).

**Cumulative impairment:** Based on the valuation of its real estate assets conducted by independent experts at the end of the year, the Group booked in 2014 (i) impairments of real estate investments for the amount of 1,958,476 euros and (ii) reversals of real estate asset impairments amounting to 3,645,834 euros, which resulted in a net positive effect on the Company's income statement of 1,687,357 euros. In 2013, impairments amounting to 8,911,385 euros were booked and impairment reversals for the amount of 807,831 euros were booked, leading to a net impairment of 8,103,554 euros.

**Net real estate investments:** As a consequence of the above, the Group's net real estate investments totalled 219,960,746 euros at 31 December 2014 (224,379,139 euros in 2013), including the investments in progress amounting to 66,862 euros.

**Investments in associated companies:** The Group generates liquidity as a result of its real estate leasing activity. The surplus funds are loaned out to associate companies under market conditions. The increase of the financial investment balance in associated companies in 2014 totalled 13,283,962 euros. The net balance of loans to associated companies at 31 December 2014 came to 57,560,077 euros (44,276,115 euros in 2013). The breakdown is as follows:

Debtor/Creditor	Euro	Item
Associated Companies	57,579,278	Financing associates' working capital
Associated Companies	-19,201	Financing associates' working capital
<b>Total</b>	<b>57,560,077</b>	

**Net financial debt:** The Group had a net financial debt with credit institutions at year-end 2014 amounting to 5,496,726 euros (6,288,260 euros in 2013), down 791,534 euros year-on-year. The Group's debt corresponds to two mortgage loans with banking institutions (Caixa Bank). This financing was taken out to finance investments in commercial-use real estate assets located in Castellón, which were acquired in 2011. At 31 December 2014, the total outstanding principal stood at 5,972,344 euros. In addition, in 2014 the Parent Company took out a new short-term credit facility maturing on 12 November 2015 from Banca March to finance its working capital to the tune of 3,000,000 euros, which had hardly had any drawdowns at the end of the year.

**Equity:** At 31 December 2014, the Group reported a positive equity of 270,410,768 compared to 261,585,060 at year-end 2013. The increase of 8,825,708 euros corresponds to (i) profits in 2014 totalling 11,794,493 euros; and (ii) minus the Parent Company's dividend for 2013 paid out in 2014 for a gross amount of 2,968,785 euros.

#### **Dividends:**

##### Dividends paid out by the Subsidiary Company to the Parent Company in 2014:

The Subsidiary Company's net profit at 31 December 2013 stood at 1,679,581 euros. The latter paid the Parent Company the dividend for 2013 totalling 1,209,306 euros, which was approved by the Subsidiary's Annual General Meeting held on 30 June 2014. The breakdown of the distribution of profits is as follows:

Distribution of net profit in 2013	Euro
<b>Profit at 31 December 2013</b>	<b>1,679,591</b>
• Legal Reserve	167,959
• Voluntary Reserve	303,327
• Dividends (paid out on 30 July 2014)	1,209,306

##### Dividends paid out by the Parent Company to the shareholders in 2014:

The Parent Company's General Shareholders' Meeting held on **10 June 2014** resolved to approve the proposal submitted by the board of directors to distribute the profits corresponding to the year ending at 31 of December of 2013 for the amount of 4,353,630 euros in the following way:

Distribution of net profit in 2013	Euro
<b>Profit at 31 December 2013</b>	<b>4,353,630</b>
To offset previous years' losses	1,228,592
<b>Net profit</b>	<b>3,125,038</b>
• Legal Reserve	156,252
• Dividends (paid out on 10 July 2014)	2,968,786

**Income:** The Group had obtained income amounting to 15,449,489 euros at year-end 2014 (15,216,006 euros in 2013), a year-on-year increase of 233,483 euros (1.53%). All the income in 2014 came from the activity of leasing real estate, apart from 73,176 euros (74,435 euros in 2013) which came from services and operating subsidiaries.

The Group's **net margin** was positive, standing at 13,550,912 euros at year-end 2014 (12,919,336 euros in 2013), 87.71% of income as compared to 84.91% in 2013, an increase of 2.80 percentage points.

The Group's **EBITDA** was positive, standing at 12,704,866 euros at year-end 2014 (12,186,389 euros in 2013), 82.23% of income as compared to 80.09% in 2013, an increase of 2.15 percentage points.

**Depreciation:** Depreciation expenses on the Group's real estate investment in 2014 stood at 4,469,704 euros at 31 December 2014 (4,366,555 euros in 2013).

**Impairment/Reversal:** The Group booked real estate investment impairments for the amount of 1,958,476 euros and real estate asset impairment reversals of 3,645,834 euros, which resulted in a net positive effect on the Company's income statement of 1,687,358 euros. In 2013, impairments amounting to 8,911,385 euros were booked and impairment reversals for the amount of 807,831 euros were booked, leading to a net impairment of 8,103,554 euros.

**Allocation of subsidies:** In 2014, the Subsidiary Company allocated income from capital subsidies to profit(loss) amounting to 108,716 euros (108,717 euros in 2013). These subsidies are connected with the ownership of the hotels in Ayamonte, Huelva.

**Financial profit (loss):** The Group generated a financial profit amounting to 2,065,501 euros in 2014 (1,720,437 euros in 2013). This was essentially a result of the policy of financing related companies with cash and bank surpluses.

**Net profit (loss):** At 31 December 2014, the Group had obtained a net profit of 11,794,494 euros as compared to a figure of 1,482,394 euros in 2013, an increase of 10,312,100 euros, which was primarily due to the improvement in the Company's real estate asset valuations resulting from the generalised recovery seen across the industry and from the renegotiation of current lease agreements.

## 5. Valuation of real estate assets

The Company commissioned CBRE Valuation Advisory, S.A., an independent expert, to conduct a valuation of the assets, which was issued on 21 January 2015, in order to determine the fair values of all its real estate investments at year-end 2014. Such valuations were conducted on the basis of the replacement value and the market lease value (which consists of capitalising net rents from each property and updating future flows), whichever is lower. Acceptable discount rates were used to calculate fair value for a potential investor, which are in keeping with those used by the market for properties having similar characteristics and locations. The valuations were made in accordance with the Appraisal and Valuation Standards published by the United Kingdom's Royal Institute of Chartered Surveyors (RICS).

Said valuations generated a net profit in the Group's consolidated income statement at 31 December 2014 amounting to 1,687,358 euros (net loss of 8,103,554 euros in 2013) as per the following breakdown:

Real estate assets	Impairments (Euros)	
	2014	2013
Hotel Tryp Atocha	-	1,677,211
Hotel Meliá Atlántico	-	1,587,780
Hotel Iberostar Isla Canela	-	1,539,483
Sanchinarro VI	321,756	952,072
Plaza España	418,905	729,345
Sanchinarro VII	225,097	522,346
Vallecas Comercial I	75,170	488,924
Coslada III	268,467	401,313
Gran Vía 1, 2nd Floor Left	-	335,334
Hotel Playa Canela	241,023	271,805
Marina Isla Canela Shopping Mall	210,946	206,619
San Antón 25 and 27	197,112	90,809
Hotel Isla Canela Golf	-	37,101
Sanchinarro V	-	33,521
Gran Vía 1, 2nd Floor Right.	-	15,711
Vallecas Comercial II	-	14,616
Albalá 7	-	7,251
Rutilo	-	144
<b>Total</b>	<b>1,958,476</b>	<b>8,911,385</b>

Real estate assets	Reversals (Euros)	
	2014	2013
Hotel Meliá Atlántico	784,691	-
Hotel Tryp Atocha	1,310,622	-
Hotel Iberostar Isla Canela	254,076	-
Hotel Isla Canela Golf	33,925	-
Pradillo 42	281,218	281,217
Gran Vía 1, 2nd Floor Right.	98,670	-
Gran Vía 1, 1st Floor Right	95,055	44,782
Gran Vía, 1, 2nd Floor Left	61,285	-
Sanchinarro V	20,307	-
Vallecas Comercial II	81,676	-
Albalá 7	120,846	-
Gran Vía, 1, 1st Floor Left	458,050	39,697
Dulcinea 4	24,477	24,477
Rutilo	20,936	-
Hotel Tryp Cibeles	-	11,220
Caleruega	-	406,438
<b>Total</b>	<b>3,645,834</b>	<b>807,831</b>

Likewise, according to the appraisals made, the fair value of the real estate investments revealed an unbooked latent capital gain (by comparing the updated gross market fair market value and the net book value) of 48,080,867 euros (36,655,862 euros in 2013), which was primarily due to the retail outlets located at Gran Vía 34 in Madrid, Calle Caleruega in Madrid and the Hotel Barceló Isla Canela.

The gross asset value (GAV) of the real estate investments at year-end 2014 came to 268,041,613 euros (261,035,000 euros in 2013). The breakdown by property is as follows:

Real estate assets	GAV (Euros)	
	2014	2013
Gran Vía 34	61,841,379	52,670,000
Hotel Meliá Atlántico	28,653,941	28,630,000
Hotel Barceló Isla Canela	24,428,000	24,428,000
Hotel Tryp Atocha	22,262,833	21,645,000
Hotel Iberostar Isla Canela	21,341,600	21,445,000
Hotel Tryp Cibeles	20,713,684	19,680,000
Pradillo 42	16,571,000	16,571,000
Hotel Playa Canela	13,447,200	13,450,000
Plaza de España	9,528,440	10,150,000
Sanchinarro VI	7,742,893	9,057,000
Sanchinarro VII	6,298,316	7,205,000
Coslada III	5,655,164	6,245,000
Vallecas Comercial II	3,659,950	3,612,000
Hotel Isla Canela Golf	3,602,941	3,603,000
Vallecas Comercial I	3,241,670	3,369,000
San Antón 25 and 27	3,032,697	3,295,000
Albalá 7	2,666,280	2,562,000
Gran Vía, 1, 1st Floor Left	2,196,353	1,778,000
Marina Isla Canela Shopping Mall	2,091,673	2,355,000
Gran Vía 1, 2nd Floor Right.	1,864,611	1,808,000
Gran Vía 1, 1st Floor Right	1,777,273	1,726,000
Gran Vía, 1, 2nd Floor Left	1,585,952	1,538,000
Dulcinea 4	1,359,000	1,359,000
Caleruega	1,255,000	1,224,000
Rutilo	1,025,080	1,025,000
Sanchinarro V	198,683	605,000
<b>Total</b>	<b>268,041,613</b>	<b>261,035,000</b>

### Real estate asset valuation hypotheses

The main hypotheses taken into consideration in the asset valuations (capitalisation rates, cash flow discounts and market references) conducted by CBRE at 31 December 2014 were the following:

Property	Rent Capitalisation		
	Initial Yield	Initial Equivalent	Rent Value Ratio
Gran Vía 34	4.46%	4.97%	5.07%
Pradillo 42	9.09%	6.28%	5.67%
San Antón 25 and 27	-	6.50%	6.99%
Albalá 7	8.30%	4.64%	3.76%
Gran Vía 1, 2nd Floor Right.	5.75%	-	5.75%
Gran Vía, 1, 1st Floor Left	6.54%	5.80%	5.92%
Gran Vía 1, 1st Floor Right	5.92%	5.50%	2.98%
Gran Vía, 1, 2nd Floor Left	5.75%	-	5.75%
Dulcinea 4	7.45%	7.75%	8.62%
Caleruega	8.28%	7.14%	5.25%
Rutilo	8.19%	7.30%	6.90%

Property	Cash Flow Discount					
	IRR	Discount Rate	Yield Year 1	Yield Year 2	Yield Year 3	Final Yield
Hotel Meliá Atlántico	9.56%	10.00%	5.85%	6.54%	7.13%	7.30%
Hotel Barceló Isla Canela	9.57%	10.00%	0.56%	1.46%	9.07%	8.00%
Hotel Tryp Atocha	8.60%	9.00%	6.02%	7.77%	7.96%	6.50%
Hotel Iberostar Isla Canela	9.52%	10.00%	7.11%	7.42%	7.89%	8.00%
Hotel Tryp Cibeles	8.13%	8,50	5.68%	5.82%	5.96%	6.00%
Hotel Playa Canela	9.65%	10.00%	7.14%	7.28%	7.46%	8.00%
Plaza de España	9.51%	-	14.43%	14.28%	6.35%	6.85%
Hotel Isla Canela Golf	10.23%	10.50%	2.69%	8.32%	8.75%	8.00%
Marina Isla Canela Shopping Mall	9.55%	-	4.08%	8.53%	8.98%	9.00%

Property	Market Price	
	€/m2	
Sanchinarro VI	€2,677/m2	
Sanchinarro VII	€2,697/m2	
Coslada III	€1,898/m2	
Vallecas Comercial II	€1,700/m2	
Vallecas Comercial I	€1,546/m2	
Sanchinarro V	€2,794/m2	

## 6. Segmented reporting

The breakdown of the real estate assets' **income and net book value** at 31 December 2014 compared to 31 December 2013 is as follows:

	Euro					
	2014			2013		
	Income	%	Net Book	Income	%	Net Book
Meliá Atlántico	1,657,843	10.73%	28,653,941	1,125,613	7.40%	28,630,000
Barceló Isla Canela	1,990,458	12.88%	20,732,229	1,991,929	13.09%	21,026,938
Tryp Atocha	1,390,792	9.00%	22,262,833	1,403,864	9.23%	21,645,000
Iberostar Isla Canela	1,293,439	8.37%	21,341,600	1,301,768	8.56%	21,445,000
Tryp Cibeles	1,174,576	7.60%	18,642,122	1,177,477	7.74%	19,165,671
Playa Canela	1,028,197	6.66%	13,447,200	1,018,585	6.69%	13,450,000
Isla Canela Golf	125,200	0.81%	3,602,941	88,092	0.58%	3,603,000
<b>Hotels</b>	<b>8,660,504</b>	<b>56.06%</b>	<b>128,682,866</b>	<b>8,107,328</b>	<b>53.28%</b>	<b>128,965,609</b>
Pradillo 42	1,531,715	9.91%	16,571,000	1,521,761	10.00%	16,571,000
Sanchinarro VI	36,602	0.24%	7,742,893	2360	0.02%	9,057,000
Sanchinarro VII	14,193	0.09%	6,298,316	9,400	0.06%	7,205,000
Coslada III	12,183	0.08%	5,655,164	6,006	0.04%	6,245,000
Vallecas Comercial I	16,278	0.11%	3,241,670	8,030	0.05%	3,369,000
Gran Vía 1-2nd Floor Right	106,943	0.69%	1,864,611	102,160	0.67%	1,808,000
Gran Vía 1-1st Floor Right	102,687	0.66%	1,777,273	112,900	0.74%	1,726,000
Gran Vía 1-2nd Floor Left	90,167	0.58%	1,585,952	93,979	0.62%	1,538,000
Sanchinarro V	-	-	198,683	-	-	605,000
<b>Offices</b>	<b>1,910,769</b>	<b>12.37%</b>	<b>44,935,562</b>	<b>1,856,596</b>	<b>12.20%</b>	<b>48,124,000</b>
Gran Vía 34	2,607,971	16.88%	19,847,371	2,542,788	16.71%	20,184,168
Plaza de España	1,335,445	8.64%	9,528,440	1,456,131	9.57%	10,150,000
San Antón 25 and 27	-	-	3,032,697	190,087	1.25%	3,295,000
Vallecas Comercial II	165,600	1.07%	3,659,950	165,600	1.09%	3,612,000
Marina Isla Canela Shopping Mall	163,828	1.06%	2,091,673	235,062	1.54%	2,355,000
Albalá 7	219,772	1.42%	2,638,097	233,934	1.54%	2,562,000
Gran Vía 1-1st Floor Left	82,367	0.53%	2,196,353	103,073	0.68%	1,778,000
Dulcinea 4	101,256	0.66%	1,359,000	111,506	0.73%	1,359,000
Caleruega	105,600	0.68%	963,658	101,200	0.67%	969,361
Rutilo	83,946	0.54%	1,025,080	83,244	0.55%	1,025,000
<b>Sales</b>	<b>4,865,786</b>	<b>31.49%</b>	<b>46,342,318</b>	<b>5,222,625</b>	<b>34.32%</b>	<b>47,289,529</b>
Other income	12,430	0.08%	-	29,457	0.19%	-
<b>Total income</b>	<b>15,449,489</b>	<b>100.00%</b>	<b>219,960,746</b>	<b>15,216,006</b>	<b>100.00%</b>	<b>224,379,138</b>

From a **geographic standpoint**, most of the revenues are generated in Madrid and Huelva (both of which are in Spain). In this regard, Madrid maintained its contribution to total income (51%), Huelva increased it by three percentage points and Castellón fell by one percentage point. Cáceres did not obtain any income in 2014. The breakdown of contribution to income from a geographic standpoint is as follows:

Area	Euro			
	31/12/2014		31/12/2013	
	Income	%	Income	%
Madrid	7,855,078	51%	7,808,740	51%
Huelva	6,258,965	41%	5,761,049	38%
Castellón	1,335,445	9%	1,456,131	10%
Cáceres	-	-	190,086	1%
<b>Total</b>	<b>15,449,488</b>	<b>100%</b>	<b>15,216,006</b>	<b>100%</b>

As is shown in the table above, most of the Group's activity was focused on Madrid and Huelva (92% in 2014 compared to 89% in 2013) and maintained the proportion between Madrid (56%) and Huelva (44%). There was no income in Cáceres in 2014 since the lease agreement of the only asset located there was terminated early at the end of 2013 and, so far, it has not yet been leased again.

Furthermore, it is of interest to highlight the evolution of the occupation rates by type of asset from the **standpoint of asset types**:

Type of asset	31/12/2014		31/12/2013	
	M2	Occupation	M2	Occupation
Hotels	112,257	100.00%	118,843	100.00%
Offices	23,469	45.74%	25,273	39.59%
Sales	21,466	68.22%	21,466	73.35%
<b>Total</b>	<b>157,285</b>	<b>87.56%</b>	<b>165,582</b>	<b>87.54%</b>

Income rose by 1.53% year-on-year. The occupation rate at 31 December 2014 stood at 87.56% (87.54% at 31 December 2013). The trend in the occupation rate of the Subsidiary Company's real estate assets is highly stable and enhances its solvency because of the quality of its clients and the lease agreements.

It is important to point out that, at 31 December 2014, 56% of the revenues were generated by hotel assets (53% in 2013), 12% by offices (12% in 2013) and the remaining 32% by retail outlets (34% in 2013) with an occupation rate of 87.56% (87.54% in 2013). All the hotels were leased in 2014, as was the case in 2013, and 45.74% of the offices were leased in 2014 (39.59% in 2013). In 2014, 68.22% of the retail outlets were leased (73.35% in 2013). The Group considers that the occupation rate will at least remain at current levels and it will continue to implement commercial measures to reach the target of 90% in 2015.

The breakdown of **income, floor area in square metres and occupation rate** by asset type at 31 December 2014 compared to 31 December 2013 is as follows:

	31/12/2014				31/12/2013			
	Income	%	M2	Occup.	Income	%	M2	Occup.
Meliá Atlántico	1,657,843	10.73%	28,104	100.00%	1,125,613	7.40%	30,311	100.00%
Barceló Isla Canela	1,990,458	12.88%	20,494	100.00%	1,991,929	13.09%	20,494	100.00%
Tryp Atocha	1,390,792	9.00%	9,229	100.00%	1,403,864	9.23%	9,229	100.00%
Iberostar Isla Canela	1,293,439	8.37%	24,786	100.00%	1,301,768	8.56%	27,500	100.00%
Tryp Cibeles	1,174,576	7.60%	6,881	100.00%	1,177,477	7.74%	6,881	100.00%
Playa Canela	1,028,197	6.66%	18,386	100.00%	1,018,585	6.69%	20,050	100.00%
Isla Canela Golf	125,200	0.81%	4,378	100.00%	88,092	0.58%	4,378	100.00%
<b>Hotels</b>	<b>8,660,505</b>	<b>56.06%</b>	<b>112,258</b>	<b>100.00%</b>	<b>8,107,328</b>	<b>53.28%</b>	<b>118,843</b>	<b>100.00%</b>
Pradillo 42	1,531,715	9.91%	7,345	100.00%	1,521,761	10.00%	7,252	100.00%
Sanchinarro VI	36,602	0.24%	3,786	16.74%	2,360	0.02%	4,498	7.94%
Sanchinarro VII	14,193	0.09%	2,972	8.00%	9,400	0.06%	3,594	5.14%
Coslada III	12,183	0.08%	4,339	9.92%	6,006	0.04%	4,574	2.98%
Vallecas Comercial I	16,278	0.11%	3,390	16.03%	8,030	0.05%	3,390	5.34%
Gran Vía 1-2nd Floor Right	106,943	0.69%	542	100.00%	102,160	0.67%	542	100.00%
Gran Vía 1-1st Floor Right	102,687	0.66%	542	100.00%	112,900	0.74%	542	100.00%
Gran Vía 1-2nd Floor Left	90,167	0.58%	461	100.00%	93,979	0.62%	461	100.00%
Sanchinarro V	-	-	92	-	-	-	421	-
<b>Offices</b>	<b>1,910,768</b>	<b>12.37%</b>	<b>23,469</b>	<b>45.74%</b>	<b>1,856,596</b>	<b>12.20%</b>	<b>25,274</b>	<b>39.59%</b>
Gran Vía 34	2,607,971	16.88%	3,348	100.00%	2,542,788	16.71%	3,348	100.00%
Plaza de España	1,335,445	8.64%	2,858	100.00%	1,456,131	9.57%	2,858	100.00%
San Antón 25 and 27	-	-	1,736	-	190,087	1.25%	1,736	-
Vallecas Comercial II	165,600	1.07%	3,154	100.00%	165,600	1.09%	3,154	100.00%
Isla Canela Shopping Mall	163,828	1.06%	6,396	20.50%	235,062	1.54%	6,396	30.15%
Albalá 7	219,772	1.42%	1,540	100.00%	233,934	1.54%	1,540	100.00%
Gran Vía 1-1st Floor Left	82,367	0.53%	442	100.00%	103,073	0.68%	442	100.00%
Dulcinea 4	101,256	0.66%	1,037	100.00%	111,506	0.73%	1,037	100.00%
Caleruega	105,600	0.68%	362	100.00%	101,200	0.67%	362	100.00%
Rutilo	83,946	0.54%	593	100.00%	83,244	0.55%	593	100.00%
<b>Sales</b>	<b>4,865,785</b>	<b>31.49%</b>	<b>21,466</b>	<b>68.22%</b>	<b>5,222,625</b>	<b>34.32%</b>	<b>21,466</b>	<b>73.35%</b>
Other income	12,430	0.08%	-	-	29,457	0.19%	-	-
<b>Total income</b>	<b>15,449,488</b>	<b>100.00%</b>	<b>157,193</b>	<b>87.56%</b>	<b>15,216,006</b>	<b>100.00%</b>	<b>165,583</b>	<b>87.54%</b>

The real estate investments owned by the Subsidiary Company at 31 December 2014 total a floor area of 157,192 m<sup>2</sup> of which 124,201 m<sup>2</sup> are above ground level and 32,991 m<sup>2</sup> below ground level (130,980 m<sup>2</sup> above ground level in 2013).

The breakdown of floor area in square metres above ground level by real estate asset is shown below:

Real estate assets	Floor area in m2 above ground level	
	2014	2013
Hotel Meliá Atlántico	20,116	20,116
Hotel Iberostar Isla Canela	18,114	18,114
Hotel Barceló Isla Canela	17,756	17,756
Hotel Playa Canela	13,408	13,408
Hotel Tryp Atocha	7,825	8,621
Pradillo 42	4,705	7,345
Hotel Tryp Cibeles	6,881	6,881
Coslada III	3,339	4,499
Sanchinarro VI	2,833	4,179
Hotel Isla Canela Golf	3,860	3,860
Vallecas Comercial I	2,315	3,390
Vallecas Comercial II	1,843	3,370
Gran Vía 34	3,348	3,348
Sanchinarro VII	2,234	3,286
Plaza España, Castellón	2,858	2,858
Marina Isla Canela Shopping Mall	6,162	2,442
San Antón 25 and 27, Cáceres	1,736	1,736
Albalá 7	823	1,521
Dulcinea, 4	1,037	1,037
Rutilo	593	593
Gran Vía 1, 2nd Floor Right.	542	542
Gran Vía 1, 1st Floor Right	542	542
Gran Vía, 1, 2nd Floor Left	461	461
Gran Vía, 1, 1st Floor Left	442	442
Caleruega	362	362
Sanchinarro V	67	271
<b>Total</b>	<b>124,201</b>	<b>130,980</b>

The average occupation level at 31 December 2014 of the Subsidiary Company's assets allocated to leases stood at 87.56% (87.54% in 2013).

The real estate investments described above are mainly located in Madrid, Castellón, Cáceres and Isla Canela in the province of Huelva.

A geographic breakdown of the Group's assets is shown below, along with information on income, book and gross asset value, as well as unbooked latent capital gains at 31 December 2014:

	Euro				
	Income	%	Net Book Value	GAV	Latent Capital Gain
Barceló Isla Canela	1.990.458	12.88%	20,732,229	24,428,000	3,695,771
Meliá Atlántico	1.657.843	10.73%	28,653,941	28,653,941	-
Iberostar Isla Canela	1.293.439	8.37%	21,341,600	21,341,600	-
Marina Isla Canela Shopping Mall	163.828	1.06%	2,091,673	2,091,673	-
Playa Canela	1.028.197	6.66%	13,447,200	13,447,200	-
Isla Canela Golf	125.200	0.81%	3,602,941	3,602,941	-
<b>Huelva</b>	<b>6.258.965</b>	<b>40.51%</b>	<b>89,869,584</b>	<b>93,565,355</b>	<b>3,695,771</b>
Pradillo 42	1.531.715	9.91%	16,571,000	16,571,000	-
Gran Vía 1-2nd Floor Right	106.943	0.69%	1,864,611	1,864,611	-
Tryp Cibeles	1.174.576	7.60%	18,642,122	20,713,684	2,071,562
Tryp Atocha	1.390.792	9.00%	22,262,833	22,262,833	-
Gran Vía 1-1st Floor Right	102.687	0.66%	1,777,273	1,777,273	-
Gran Vía 1-2nd Floor Left	90.167	0.58%	1,585,952	1,585,952	-
Gran Vía 1-1st Floor Left	82.367	0.53%	2,196,353	2,196,353	-
Vallecas Comercial II	165.600	1.07%	3,659,950	3,659,950	-
Dulcinea 4	101.256	0.66%	1,359,000	1,359,000	-
Albalá 7	219.772	1.42%	2,638,097	2,666,280	28,183
Gran Vía 34	2.607.971	16.88%	19,847,371	61,841,379	41,994,008
Caleruega	105.600	0.68%	963,658	1,255,000	291,342
Rutilo	83.946	0.54%	1,025,080	1,025,080	-
Sanchinarro V	-	0.00%	198,683	198,683	-
Sanchinarro VI	36.602	0.24%	7,742,893	7,742,893	-
Sanchinarro VII	14.193	0.09%	6,298,316	6,298,316	-
Vallecas Comercial I	16.278	0.11%	3,241,670	3,241,670	-
Coslada III	12.183	0.08%	5,655,164	5,655,164	-
<b>Madrid</b>	<b>7.842.648</b>	<b>50.76%</b>	<b>117,530,025</b>	<b>161,915,121</b>	<b>44,385,096</b>
Plaza de España	1.335.445	8.64%	9,528,440	9,528,440	-
<b>Castellón</b>	<b>1.335.445</b>	<b>8.64%</b>	<b>9,528,440</b>	<b>9,528,440</b>	-
San Antón 25 and 27	-	-	3,032,697	3,032,697	-
<b>Cáceres</b>	-	<b>0.00%</b>	<b>3,032,697</b>	<b>3,032,697</b>	-
Other income	12.430	0.08%	-	-	-
<b>Total</b>	<b>15.449.488</b>	<b>100.00%</b>	<b>219,960,746</b>	<b>268,041,613</b>	<b>48,080,867</b>

In addition, the information at 31 December 2013 was as follows:

	Euro				
	Income	%	Net Book Value	GAV	Latent Capital Gain
Barceló Isla Canela	1.991.929	13.09%	21,026,938	24,428,000	3,401,062
Meliá Atlántico	1.125.613	7.40%	28,630,000	28,630,000	-
Iberostar Isla Canela	1.301.768	8.56%	21,445,000	21,445,000	-
Marina Isla Canela Shopping Mall	235.062	1.54%	2,355,000	2,355,000	-
Playa Canela	1.018.585	6.69%	13,450,000	13,450,000	-
Isla Canela Golf	88.092	0.58%	3,603,000	3,603,000	-
<b>Huelva</b>	<b>5.761.049</b>	<b>37.86%</b>	<b>90,509,938</b>	<b>93,911,000</b>	<b>3,401,062</b>
Pradillo 42	1.521.761	10.00%	16,571,000	16,571,000	-
Gran Vía 1-2nd Floor Right	102.160	0.67%	1,808,000	1,808,000	-
Tryp Cibeles	1.177.477	7.74%	19,165,671	19,680,000	514,329
Tryp Atocha	1.403.864	9.23%	21,645,000	21,645,000	-
Gran Vía 1-1st Floor Right	112.900	0.74%	1,726,000	1,726,000	-
Gran Vía 1-2nd Floor Left	93.979	0.62%	1,538,000	1,538,000	-
Gran Vía 1-1st Floor Left	103.073	0.68%	1,778,000	1,778,000	-
Vallecas Comercial II	165.600	1.09%	3,612,000	3,612,000	-
Dulcinea 4	111.506	0.73%	1,359,000	1,359,000	-
Albalá 7	233.934	1.54%	2,562,000	2,562,000	-
Gran Vía 34	2.542.788	16.71%	20,184,168	52,670,000	32,485,832
Caleruega	101.200	0.67%	969,361	1,224,000	254,639
Rutilo	83.244	0.55%	1,025,000	1,025,000	-
Sanchinarro V	-	-	605,000	605,000	-
Sanchinarro VI	2.360	0.02%	9,057,000	9,057,000	-
Sanchinarro VII	9.400	0.06%	7,205,000	7,205,000	-
Vallecas Comercial I	8.030	0.05%	3,369,000	3,369,000	-
Coslada III	6.006	0.04%	6,245,000	6,245,000	-
<b>Madrid</b>	<b>7.779.283</b>	<b>51.13%</b>	<b>120,424,200</b>	<b>153,679,000</b>	<b>33,254,800</b>
Plaza de España	1.456.131	9.57%	10,150,000	10,150,000	-
<b>Castellón</b>	<b>1.456.131</b>	<b>9.57%</b>	<b>10,150,000</b>	<b>10,150,000</b>	-
San Antón 25 and 27	190.087	1.25%	3,295,000	3,295,000	-
<b>Cáceres</b>	<b>190.087</b>	<b>1.25%</b>	<b>3,295,000</b>	<b>3,295,000</b>	-
Other income	29.457	0.19%	-	-	-
<b>Total</b>	<b>15.216.006</b>	<b>100.00%</b>	<b>224,379,138</b>	<b>261,035,000</b>	<b>36,655,862</b>

The contribution of each type of asset to the total is as follows:

Type of asset	Euro			
	2014		2013	
	GAV	Net Book Value	GAV	Net Book Value
Hotels	50.16%	58.60%	50.90%	57.47%
Offices	16.76%	20.38%	18.44%	21.45%
Sales	33.08%	21.02%	30.66%	21.08%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Lastly, the Group's consolidated income statement by asset type is as follows:

### Financial Year 2014

Financial Year 2014	Euro				
	Hotels	Offices	Sales	Others	Total
Income	8,660,505	1,910,768	4,865,785	12,430	15,449,488
Indirect costs	-1,183,711	-413,009	-198,820	-103,036	-1,898,576
<b>Net Margin</b>	<b>7,476,794</b>	<b>1,497,759</b>	<b>4,666,965</b>	<b>-90,606</b>	<b>13,550,912</b>
Overheads	-496,823	-166,465	-182,758	-	-846,046
<b>EBITDA</b>	<b>6,979,971</b>	<b>1,331,294</b>	<b>4,484,207</b>	<b>-90,606</b>	<b>12,704,866</b>
<b>% of income</b>	<b>80.60%</b>	<b>69.67%</b>	<b>92.16%</b>	<b>-728.93%</b>	<b>82.23%</b>
Depreciation	-2,941,204	-702,268	-826,233	-28	-4,469,733
Subsidies	108,717	-	-	-	108,717
Profits (losses) on asset disposals	-	-302,215	-	-	-302,215
Impairment/Reversal	2,142,292	-333,956	-120,979	-	1,687,357
Financial profit (loss)	1,171,229	258,408	658,039	-22,175	2,065,501
<b>EBT</b>	<b>7,461,005</b>	<b>251,263</b>	<b>4,195,034</b>	<b>-112,809</b>	<b>11,794,493</b>
Corporation tax	-	-	-	-	-
<b>Net profit (loss)</b>	<b>7,461,005</b>	<b>251,263</b>	<b>4,195,034</b>	<b>-112,809</b>	<b>11,794,493</b>
<b>% of income</b>	<b>86.15%</b>	<b>13.15%</b>	<b>86.21%</b>	<b>-907.55%</b>	<b>76.34%</b>

### Financial Year 2013

Financial Year 2013	Euro				
	Hotels	Offices	Sales	Others	Total
Income	8,107,328	1,856,596	5,222,625	29,457	15,216,006
Indirect costs	-1,694,071	-443,257	-159,342	-	-2,296,670
<b>Net Margin</b>	<b>6,413,257</b>	<b>1,413,339</b>	<b>5,063,283</b>	<b>29,457</b>	<b>12,919,336</b>
Overheads	-426,398	-151,307	-155,242	-	-732,947
<b>EBITDA</b>	<b>5,986,859</b>	<b>1,262,032</b>	<b>4,908,041</b>	<b>29,457</b>	<b>12,186,389</b>
<b>% of income</b>	<b>73.85%</b>	<b>67.98%</b>	<b>93.98%</b>	<b>100.00%</b>	<b>80.09%</b>
Depreciation	-2,873,311	-686,057	-807,160	-27	-4,366,555
Subsidies	108,717	-	-	-	108,717
Profits (losses) on asset disposals	-	-63,041	-	-	-63,041
Impairment/Reversal	-5,102,159	-1,628,035	-1,373,360	-	-8,103,554
Financial profit (loss)	916,676	209,921	590,510	3,331	1,720,438
<b>EBT</b>	<b>-963,218</b>	<b>-905,180</b>	<b>3,318,031</b>	<b>32,761</b>	<b>1,482,394</b>
Corporation tax	-	-	-	-	-
<b>Net profit (loss)</b>	<b>-963,218</b>	<b>-905,180</b>	<b>3,318,031</b>	<b>32,761</b>	<b>1,482,394</b>
<b>% of income</b>	<b>-11.88%</b>	<b>-48.75%</b>	<b>63.53%</b>	<b>111.22%</b>	<b>9.74%</b>

## 7. Real estate investments

The main agreements at 31 December 2014 were as follows:

- **Hotel Meliá Atlántico, Isla Canela, Huelva:** a four-star beachfront hotel with 359 rooms (718 beds) leased to Meliá Hotels International, S.A. from April 2013 according to the lease agreement entered into in May 2012. The lease agreement came into force in April 2013 for a ten-year period (May 2022) and the parties may terminate it in 2017 without incurring any penalties, provided certain conditions are met. The agreement sets forth rises in line with the annual CPI.
- **Hotel Barceló Isla Canela, Isla Canela, Huelva:** A four-star beachfront hotel with 351 rooms (702 beds) leased to Barceló Arrendamientos Hoteleros, S.L. The agreement came into force on 1 March 2006 and terminates on 31 October 2026. It may be extended at the parties' discretion. In addition, the parties may rescind the agreement without incurring any penalties in 2017. As regards future rents, the agreement provides for increases in line with annual CPI rates.

- **Hotel Tryp Atocha, Madrid:** A four-star hotel located in Atocha with 150 rooms and operated by Sol Meliá. The lease agreement came into force on 4 June 1999 and terminated on 4 June 2009. It was subsequently extended until 24 March 2022 and may be extended at the parties' discretion. The agreement sets forth rises in line with the annual CPI.
- **Hotel Iberostar, Isla Canela, Huelva:** A four-star beachfront hotel with 300 rooms (600 beds) leased to Hispano Alemana de Management Hotelero, S.A. The agreement came into force on 1 December 2007 and was extended in 2012 until 31 October 2022. It may be extended at the parties' discretion. The agreement sets forth rises in line with the annual CPI.
- **Hotel Tryp Cibeles, Madrid:** A four-star hotel located at Mesonero Romanos, 13 (Gran Vía-Madrid) with 132 rooms. Operated by Sol Meliá. The agreement came into force on 10 February 1998 and terminated on 10 October 2008. It was subsequently extended until 15 March 2020 and may be extended at the parties' discretion. The agreement sets forth rises in line with the annual CPI.
- **Hotel Playa Canela, Isla Canela, Huelva:** A four-star beachfront hotel with 202 rooms (404 beds) leased to Grupo Hoteles Playa, S.A. The agreement came into force on 15 July 2002 and terminates on 31 October 2022. It may be extended at the parties' discretion. The agreement sets forth rises in line with the annual CPI.
- **Hotel Isla Canela Golf, Isla Canela, Huelva:** A four-star hotel located on a golf course with 58 rooms (116 beds). After the agreement entered into with Vincci Hoteles, S.A. was terminated early (which took place in 2011) due to the latter's failure to pay giving rise to termination of the agreement and the simultaneous enforcement of the bank guarantee that guaranteed rent payments, the Subsidiary decided to enter into a lease agreement with a related (associated) party, Isla Canela, S.A. This company is currently operating the hotel under a lease agreement. The agreement was entered into on 31 December 2012 and activities were to commence on 14 January 2013 until 31 December 2014, when the parties agreed on an extension 31 December 2017. Once this period has elapsed, the agreement may once again be extended for three-year periods, provided that the parties reach an agreement prior to this. The agreement stipulates increases in line with the annual CPI.
- **Building at Pradillo 42, Madrid:** The agreement came into force on 27 February 2009 and terminates on 27 February 2019. It may be extended at the parties' discretion. The agreement sets forth annual CPI increases. The lessee, UNEDISA, informed the Company of its intention to terminate the agreement by sending a letter dated 3 February 2014. As from said date, the lessee breached the agreement by failing to fulfil its contractual obligations, such as: (i) Paying the rent due in March 2014; (ii) delivering a bank guarantee to the Company in order to guarantee the annual rental payment and; (iii) paying an additional deposit required by the agreement currently in force. After these breaches, the Company demanded the bank that guarantees the payments to enforce the bank guarantee. The tenant responded by directly paying the amount required (1,839,981 euros). The Company is allocating this amount paid in advance to cover the monthly rental but expects the lessee to bring legal actions. The deferred income connected with this agreement is booked as "Deferred income" in the financial statements at 31 December 2014 for the amount of 137,665 euros.
- **Retail outlets at Gran Vía 34, Madrid:** two retail outlets located at Calle Gran Vía 34. operated by Inditex (Zara). The agreement came into force on 24 April 2000 and terminates on 3 October 2025. It may be extended at the parties' discretion and may be cancelled without any penalties in 2020. The agreement sets forth rises in line with the annual CPI.
- **Retail outlets in Plaza de España 5, Castellón:** operated by Inditex (Zara). The agreement came into force on 1 July 2007 and terminates on 18 November 2023. It may be extended at the parties' discretion. The agreement sets forth rises in line with the annual CPI.

- **Retail outlets at San Antón 25 and 27, Cáceres:** two retail outlets and eight units for residential use. The retail outlets were operated by PUNTO ROMA in 2013. Although the agreement came into force on 15 July 2005 and terminated on 15 December 2035, the Company and the lessee agreed to terminate it in advance at the end of 2013. The retail outlets have not yet been leased again.
- **Retail outlets at Albalá 7, Madrid:** retail outlets. Operated under a lease agreement with CAPRABO, S.A. The agreement came into force on 31 July 2002 and terminates on 31 July 2027. The lessee may rescind the lease agreement in 2016 without incurring any penalties, provided it gives twelve months' prior notice thereof. The agreement sets forth rises in line with the annual CPI.
- **Retail outlets at Dulcinea 4, Madrid:** Retail outlets. Operated under lease agreement by JAVISA SPORT, S.L. The agreement came into force on 17 February 2003 and terminates on 17 February 2018. It may be extended at the parties' discretion. The agreement sets forth rises in line with the annual CPI.
- **Marina Isla Canela Shopping Mall, Isla Canela, Huelva:** operated under a lease arrangement by several lessees.
- **Retail outlet located at Calle Gran Vía 1, 1st Floor Left, Madrid:** This retail outlet had not been leased at the end of the financial year. However, on 15 January 2015, the property was leased to Hiponemes y Atalanta, S.L.
- **Offices at Gran Vía 1, 2nd Floor Right and Left, Madrid:** Two offices for tertiary office use. At the end of the year, the offices had not been leased. However, on 20 February 2015, the properties were leased to Drago Broadcast Services, S.L.
- **Gran Vía 1, 1st Floor Right, Madrid:** an office for tertiary office use operated under a leasing arrangement by Arkadin Spain Servicios de Teleconferencia, S.L.
- **Five retail outlets located at Calle Caleruega 66, Madrid,** the current tenant of which is Begope Restauración, S.L. The agreement was entered into on 1 December 2011 and will remain in force until 1 December 2026.
- **31 offices and 31 garage parking spaces located at Calle Tineo 2 and 4, Madrid (Vallecas Comercial I)** which are operated under a leasing arrangement by several lessees.
- **Three offices and 48 garage parking spaces located at Calle Valderebollo 1 and 3, Madrid (Vallecas Comercial II)** which are operated under a lease arrangement by several lessees.
- **One office and one garage parking space located at Calle Manuel Pombo Angulo 14, 16 and 18, Madrid (Sanchinarro V).** At the end of the financial year, the property had not been let.
- **42 offices and 42 garage parking spaces located at Calle Manuel Pombo Angulo 6, 8, 10 and 12, Madrid (Sanchinarro V).** At the end of the financial year, the property had been let to several tenants.
- **33 offices and 33 garage parking spaces located at Calle Manuel Pombo Angulo 20, 22, and 24, Madrid (Sanchinarro V).** At the end of the financial year, the property had been let to several tenants.
- **32 offices and 32 garage parking spaces located at Avda. Constitución 85, Coslada, Madrid (Coslada III).** At the end of the financial year, the property had been let to several tenants.

- **Four retail outlets located at Calle Rutilo 21, 23 and 25, Madrid:** retail outlets. Operated under a lease agreement with DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A. (DIA). The agreement came into force on 5 October 2000 and terminates on 5 October 2020. The lessee may rescind the lease agreement on the termination date by giving twelve months' prior notice thereof. The agreement sets forth rises in line with the annual CPI.

Due to the recent reduction in expected yields in prime areas, the Subsidiary Company is seeking new diversified medium and long-term investment opportunities that would allow it to combine high yields in sectors where it is not currently present with yields of around 5 - 6% and top-quality tenants, as well as some added value real estate asset transformation operations for subsequent operation under a leasing scheme. The Group will maintain the income it currently expects to obtain from the lease agreements that are now in force. The Subsidiary Company's dividend policy will ensure income for the Parent Company's in the future.

In view of the activity performed by the Group with real estate assets leased over the long term, the Administrators' forecasts are positive based on the existence of long-term agreements with top-quality lessees in the Spanish hotel industry, which ensure the Group's viability in the medium term, along with new retail outlet lease agreements with lessees possessing outstanding solvency ratings.

## 8. Earnings per share at 31 December 2014

The breakdown of the Parent Company's earnings per share is as follows:

	31/12/2014	31/12/2013
Net gains (losses) attributable to the shareholders (euros)	921,102	4,353,630
Average number of common shares in circulation	4,452,197	4,452,197
<b>Earnings per share ( euros)</b>	<b>0.21</b>	<b>0.98</b>

As mentioned above, the Parent Company's dividends corresponding to 2013 were paid out in 2014, totalling 2,968,786 euros. The dividend per share breakdown is as follows:

	2014 (*)	2013
Gross dividend paid out to shareholders (euros)	828,992	2,968,786
Average number of common shares in circulation	4,452,197	4,452,197
<b>Gross dividend per share</b>	<b>0.19</b>	<b>0.67</b>

(\*) Forecast

The dividend for 2013 of 2,968,786 euros was paid out on 10 July 2014. The dividend for 2014 will, in all likelihood, be approved at the Annual General Meeting of the Parent Company, which will be held in June 2015, and be paid within days of its approval.

## 9. Acquisition of treasury shares

At 31 December 2014, the Parent Company did not hold any treasury shares in its portfolio.

## 10. Main risks affecting the Group

In general terms, the Group is exposed to a series of risks and uncertainties. In particular, its financial risks include:

- **Credit risk:** The Group's main financial assets are cash and bank and cash equivalents, accounts receivable and financial investments or equity instruments, which account for the main exposure to credit risks affecting financial assets. The Group's credit risk is largely attributable to trade creditors and to related companies which are perfectly solvent.
- **Interest rate risk:** The Group has no kind of financial debt, although it is within the financing scheme of the Group to which it belongs. In this regard, there are financing

agreements with related companies under market conditions whose interest rate volatility risk is hardly relevant.

- **Liquidity risk:** Taking into account the current situation of the financial market and the estimates made by the Parent Company's board of directors on the Group's cash generation capacity, the Group estimates it has enough capacity to obtain financing from third parties if it were necessary to make new investments through acquisitions or similar. Consequently, there is no evidence that the Group will encounter liquidity problems in the medium term. Liquidity is guaranteed by the nature of the investments made and the high credit ratings obtained by the Subsidiary Company's lessees, as well as by the collection guarantees set forth in prevailing agreements, which allow the Group to guarantee high yields and liquidity through the collection of dividends.
- **Valuation risk:** The majority of the Group's assets are exposed to fluctuations in market valuations that may come about as a result of changes in certain indices that exert an influence on them. Nevertheless, given the quality of the Subsidiary Company's assets and the long-term lease agreement terms associated to them, the Parent Company's Administrators consider that any changes in the valuations of the Subsidiary Company's assets would not be relevant and therefore should not have a significant effect on its results.
- **Eurozone risk:** All the Group's assets which generate revenue are located in the European Union. Consequently, any factor that could affect the EU's policies and economy could have an effect on the capacity to generate revenues and results from operations.

Other market risks to which the Group is exposed include:

- **Regulatory risks:** The Group is subjected to comply with several general and specific legal provisions in force (legal, accounting, environmental, employment, tax, data protection provisions, among others) which apply to it. Any regulatory changes that come about in the future may have a positive or negative effect on the Group.
- **Tourism risk:** A significant part of the Group's assets (mainly hotels) are connected to the tourism industry. Any fall in tourism activities in the cities where these hotels are located could have a negative effect on their use and occupation rates. As a result, this could have a negative effect on the yield and performance of these assets if tenants renegotiate current lease agreements.

Lastly, it is important to take into account that the Group is exposed to other risks: (i) environmental risks; (ii) occupational health and safety risks; and (iii) occupational hazard prevention risks.

#### 11. Post statement disclosures subsequent to 31 December 2014

- On 16 January 2015, the Subsidiary Company signed a credit facility with the financial institution Bankinter to finance working capital amounting to 5,000,000 euros for a term of 12 months.
- On 22 January 2015, the Parent Company's Board of Directors approved the acquisition of all the shares in the company INVERETIRO, S.L., which amount to 52,000,000 euros. This amount was calculated on the basis of the market value of the company's assets, net of any debt. These assets include: (i) an office building located at Calle Titán 13 in Madrid measuring 6,630.77 m<sup>2</sup> above ground and 7,936.94 m<sup>2</sup> underground (it is currently leased to Compañía Logística de Hidrocarburos, S.A. (CLH)); and (ii) several adjoining retail outlets measuring 2,667.80 m<sup>2</sup> above ground and 55.59 m<sup>2</sup> of parking spaces located on Calle Conde de Peñalver 16 in Madrid (currently leased to ZARA Spain, S.A.). The appraisal of the acquired company's assets, which is the basis of the transaction's value, was conducted on 31 December 2014 by the independent expert TINSA Tasaciones Inmobiliarias, S.A. by applying the valuation standards of the Royal Institution of Chartered Surveyors (RICS). The gross yield of the lease resulting from this acquisition by the Company exceeds 6%. The board of directors

considers that the acquisition transaction thus approved will be signed before a notary public before the end of the first quarter of 2015 once the acquired company has been transformed into a Listed Real Estate Trust (SOCIMI).

- On 27 January 2015, the Parent Company was notified by the Inland Revenue in reply to the notice it had given on 11 November 2014 stating that it wished to continue benefiting from the tax benefits referred to by Article 8 of Law 11/2009 of 26 October (Official State Gazette of 27 October), the Listed Real Estate Investment Trusts Act. According to the aforementioned Article, the option has to be adopted by the General Shareholders Meeting and notice thereof has to be given to the Inland Revenue Office corresponding to the entity's tax domicile before the last three months prior to the end of the tax period. According to the Inland Revenue, the Company's notice sent the notification after the deadline, thereby preventing this tax scheme being applied in said tax period. On 10 February 2015, the Parent Company filed before the tax authorities the relevant allegations to prove that it could continue benefiting from the Special Tax Scheme for Listed Real Estate Investment Trusts. The Parent Company's Board of Directors thus considers that it has appropriately fulfilled the formal step in due time and proper form and that the Parent Company will continue to be included under the aforementioned Special Tax Scheme after the opportune clarifications. In the highly unlikely event that this should not be the case, the effect on the Parent Company's assets would be of little significance.
- On 20 January 2015, the Subsidiary Company was notified of the claim brought by UNEDISA (Unidad Editorial, S.A.) regarding the building located at Calle Pradillo 42, through which the following are sought: (i) that the lease agreement of 27 February 2009 be declared as terminated on 1 March 2014; (ii) that UNEDISA should be declared not bound to pay compensation amounting to 1,676,870 euros, which coincides with the amount of the guarantee which had already been enforced by the Company; and (iii) that the Company be sentenced to pay costs. The amount at issue in the proceedings has been set at 1,676,870 euros. On 17 February 2015, the Subsidiary Company contested the claim by filing a counterclaim.
- On 24 February 2015, the Company's Board of Directors resolved to approve a change in the composition of the Audit Committee, which is now made up of the following members: Mr. Juan Carlos Ureta Domingo (Chairman), Jose Luis Colomer Barrigón (Member) and Celestino Martín Barrigón (Member and Secretary). Similarly, Ofelia Marín-Lozano Montón was appointed as the Director-Co-ordinator.

No events have come about after the year-end and up to the date the accounts were drawn up which should be mentioned in this note.

## **12. Outlook for 2015**

Given the Group's activity, the board of directors considers that 2015 will continue to be positive as regards the investee company obtaining dividends as well as from the new acquisition mentioned in the subsequent disclosures section. The Administrators' forecasts for it are positive, taking into account the investee companies' long-term lease agreements with top-quality lessees in the hotel industry and in the office and retail sectors, which guarantee the business's viability in the medium and long-term, as well as the new retail outlet lease agreements with lessees having outstanding solvency ratings.

## **13. Administrators' interests in companies having similar activities**

Pursuant to the provisions aimed at enhancing transparency in public limited companies, as provided for by Article 229 of Royal Legislative Decree 1/2010 approving the Consolidated Text of the Corporate Enterprises Act (L.S.C.), the companies having the same, analogous or complementary type of activity as the corporate purpose of Saint Croix Holding Immobilier, SOCIMI, S.A. in whose capital the members of the Board of Directors and their related parties hold interests, and the offices, if any, they hold in them are set out below.

At 31 December 2014, the Company had been notified of the ownership of the interests in companies having the same, analogous or complementary activity as the type of activity of the Company's corporate purpose which appear in Appendix 1 attached to the Management Report.

At year-end 2014, neither the members of the Board of Directors of Saint Croix Holding Immobilier, SOCIMI, S.A. or the parties related to them, as laid down pursuant to the Corporate Enterprises Act , had reported to the other members the Board of Directors any direct or indirect conflict of interest with those of the Parent Company.

#### **14. Disclosure on supplier payment deferrals**

The maximum legal deadline for payment that applied in 2014 and 2013 to the Subsidiary Company in accordance with Law 3/2004 of 29 December, setting forth the measures to combat commercial transaction delinquency, was 60 days. Said Law was amended by Law 11/2013 of 26 July, which sets forth a maximum deadline of 30 days from its entry into force, except where there is an agreement between the parties to set a maximum deadline of 60 days. The Subsidiary Company failed to fully comply with the maximum payment deadlines in both 2014 and 2013. In this regard, the Subsidiary set the criterion of contracting its suppliers and creditors with a maximum payment deadline of 60 days at the beginning of 2015.

#### **15. Annual Corporate Governance Report**

See Appendix 2.

**Appendix 1**

Company Name	Corporate purpose	%	Position or responsibilities
<b>Mr. MARCO COLOMER BARRIGÓN</b>			
PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.	Real estate development and construction	0.3406%	Chairman and Managing Director
SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.	Holding SOCIMI securities	12.8129%	Chairman and Managing Director
TENEDORA DE TERRENOS, S.L.U.	Holding real estate securities from other companies	-	Sole Administrator
TENEDORA DE SOLARES, S.L.U.	Holding real estate securities from other companies	-	Sole Administrator
GESTORA DE SOLARES, S.L.U.	Holding real estate securities from other companies	-	Sole Administrator
BOETTICHER Y NAVARRO, S.A.	Real estate development and construction	-	Chairman and Managing Director
COMPANÍA IBERICA DE BIENES RAICES 2009, SOCIMI, S.A.U.	Operation of real estate investments	-	Sole Administrator (Rep. SCHI)
PLANIFICACION RESIDENCIAL Y GESTION, S.A.	Real estate development and construction. Management of Co-operatives	-	Sole Administrator (Rep. PRYCONSA)
PRYGEAM MOSTOLES VIVIENDA JOVEN, S.L.	Real estate development and construction	-	Chairman (Rep. PRYCONSA)
PRYGEAM ARROYOMOLINOS VIVIENDA JOVEN, S.L.	Real estate development and construction	-	Chairman (Rep. PRYCONSA)
ISLA CANELA, S.A.	Real estate development and construction	-	Chairman and Managing Director
COGEIN, S.L.	Real estate development and construction	26.6276%	Chairman and Managing Director
PROPIEDADES CACEREÑAS, S.L.	Livestock farming and forestry operations, operation and holding of real estate and photovoltaic plants	18.4646%	Sole Administrator (Rep. COGEIN)
Per 32, S.L.	Acquisition of securities to manage investee entities	49.9893%	Sole Administrator
GRAN VIA 34, S.A.	Real estate development and construction	0.0086%	Sole Administrator (Rep. PER)
TENIVI, LDA (LISBOA)	Financial consultancy and advice and holding stocks and securities in other companies	-	-
PARSOFI, SPRL	Holding real estate securities from other companies	-	-
GESTORA DE PROMOCIONES AGROPECUARIAS, S.A.	Farming	-	Sole Administrator (Rep. COGEIN)
COMPANÍA IBERICA DE VIVIENDAS SIGLO XXII, S.L.	Real estate development and construction	0.1429%	Sole Administrator
INVERETIRO, S.L.	Real estate development and construction	-	Sole Administrator (Rep. PER)
ANOA FINANZAS, S.L.	Real estate development and construction	-	Sole Administrator (Rep. COGEIN)
TRIANGULO PLAZA DE CATALUÑA, S.L. T.P.C.	Real estate development and construction	-	Sole Administrator (Rep. PER)
RENOVERCIA SOLAR ECIJA (1 A 19), S.L.U.	Photovoltaic solar photovoltaic energy	-	Sole Administrator (Rep. CODES)
CODES CAPITAL PARTNERS, S.L.	Acquisition and operation of real estate and holding stocks and securities in other companies	-	Joint Administrator (Rep. PARSOFI)
LA PARANZA, S.A.	Construction and operation of country properties	-	Director (Rep. COGEIN and PER)
MLS BERLIN HOTEL BETRIEBS GMBH	Real estate investment	-	Joint Administrator
KLEIS - ECK BERLIN GMBH	Hotel business	-	Joint Administrator
<b>Mr. Jose Luis Colomer Barrigón (brother of Marco Colomer Barrigón)</b>			
PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.	Real estate development and construction	0.4338%	Director (Rep. GEPRASA)
SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.	Holding SOCIMI securities	31.1375%	Director
ISLA CANELA, S.A.	Real estate development and construction	33.9200%	Director
COGEIN, S.L.	Real estate development and construction	33.8126%	Director
PROPIEDADES CACEREÑAS, S.L.	Livestock farming and forestry operations, operation and holding of real estate and photovoltaic plants	19.5370%	-
Per 32, S.L.	Acquisition of securities to manage investee entities	50.0001%	-
GRAN VIA 34, S.A.	Real estate development and construction	0.0090%	-
TENIVI, LDA (LISBOA)	Financial consultancy and advice and holding stocks and securities in other companies	-	-
PARSOFI, SPRL	Holding securities	-	-
GESTORA DE PROMOCIONES AGROPECUARIAS, S.A.	Farming	4.6851%	-
PLANIFICACION RESIDENCIAL Y GESTION, S.A.	Real estate development and construction. Management of Co-operatives	0.1000%	-
COMPANÍA IBERICA DE VIVIENDAS SIGLO XXII, S.L.	Real estate development and construction	50.0000%	-
CENTRO DE ESTUDIOS EUROPA HISPANICA	Publisher	99.8004%	Sole Administrator

Company	Corporate purpose	%	Position or responsibilities
<b>Mr. Marco Colomer Berrocal</b> (son of Marco Colomer Barrigón)			
PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.	Real estate development and construction	0.0311%	Director
ISLA CANELA, S.A.	Real estate development and construction	11.3072%	Director
COGEIN, S.L.	Real estate development and construction	2.4111%	-
SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.	Holding SOCIMI securities	6.1164%	-
PROPIEDADES CACERENAS, S.L.	Livestock farming and forestry operations, operation and holding of real estate and photovoltaic plants	0.3576%	-
Per 32, S.L.	Acquisition of securities to manage investee entities	0.0039%	-
TENIVI, LDA (LISBOA)	Financial consultancy and advice and holding stocks and securities in other companies	-	-
GESTORA DE PROMOCIONES AGROPECUARIAS, S.A.	Farming	1.5618%	-
COMPANÍA IBÉRICA DE VIVIENDAS SIGLO XXII, S.L.	Real estate development and construction	16.5714%	-
<b>Mr. Juan Colomer Berrocal</b> (son of Marco Colomer Barrigón)			
PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.	Real estate development and construction	0.0311%	-
ISLA CANELA, S.A.	Real estate development and construction	11.3072%	-
COGEIN, S.L.	Real estate development and construction	2.4111%	-
SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.	Holding SOCIMI securities	6.1164%	-
PROPIEDADES CACERENAS, S.L.	Livestock farming and forestry operations, operation and holding of real estate and photovoltaic plants	0.3576%	-
Per 32, S.L.	Acquisition of securities to manage investee entities	0.0034%	-
TENIVI, LDA (LISBOA)	Financial consultancy and advice and holding stocks and securities in other companies	-	-
GESTORA DE PROMOCIONES AGROPECUARIAS, S.A.	Farming	1.5618%	-
COMPANÍA IBÉRICA DE VIVIENDAS SIGLO XXII, S.L.	Real estate development and construction	16.5714%	-
<b>Rocío Berrocal Lorenzo</b> (wife of Marco Colomer Barrigón)			
SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.	Holding SOCIMI securities	1.0377%	-
<b>Mr. Jaime Colomer Berrocal</b> (son of Marco Colomer Barrigón)			
PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.	Real estate development and construction	0.0311%	-
ISLA CANELA, S.A.	Real estate development and construction	11.3072%	-
COGEIN, S.L.	Real estate development and construction	2.4111%	-
SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.	Holding SOCIMI securities	6.1164%	-
PROPIEDADES CACERENAS, S.L.	Livestock farming and forestry operations, operation and holding of real estate and photovoltaic plants	0.3576%	-
Per 32, S.L.	Acquisition of securities to manage investee entities	0.0034%	-
TENIVI, LDA (LISBOA)	Financial consultancy and advice and holding stocks and securities in other companies	-	-
GESTORA DE PROMOCIONES AGROPECUARIAS, S.A.	Farming	1.5618%	-
COMPANÍA IBÉRICA DE VIVIENDAS SIGLO XXII, S.L.	Real estate development and construction	16.5714%	-
<b>Mr. Juan Carlos Ureta Domingo</b>			
SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.	Holding SOCIMI securities	-	Director
<b>Ofelia Marín-Lozano Montón</b>			
SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.	Holding SOCIMI securities	-	Director
<b>Mr. Celestino Martín Barrigón</b>			
SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.	Holding SOCIMI securities	0.0004%	Director

**Appendix 2**

**Annual Corporate Governance Report**

**ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED  
PUBLIC LIMITED COMPANIES**

**IDENTIFICATION DETAILS OF REPORTING COMPANY**

<b>YEAR-END OF THE FINANCIAL YEAR IN QUESTION</b>	31/12/2014
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<b>TAX ID No.</b>	A87093902
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**LEGAL CORPORATE NAME**

SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.

**REGISTERED ADDRESS**

GLORIETA DE CUATRO CAMINOS 6 AND 7, 4TH FLOOR, MADRID

# ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED PUBLIC LIMITED COMPANIES

## A COMPANY OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
15/12/2011	267,577,039.70	4,452,197	4,452,197

State whether there are different classes of shares having different rights attached:

Yes No

A.2 List the direct and indirect holders of significant interests in your company at end of the financial year, excluding directors:

Shareholder name or company name	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.	498,360	0	11.19%
COGEIN, S.L.	429,786	0	9.65%
GRAN VIA 34, S.A.	342,305	0	7.69%
MR MARCO COLOMER BERROCAL	272,315	0	6.12%
MR JAIME COLOMER BERROCAL	272,315	0	6.12%
MR JUAN COLOMER BERROCAL	272,314	0	6.12%

State the most significant movements in the company ownership structure during the year:

A.3 Complete the following tables with information on the members of the company's board of directors holding voting rights from shares in the company:

Name or company name of the director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR MARCO COLOMER BARRIGÓN	570,457	272,315	18.93%
MR JOSE LUIS COLOMER BARRIGÓN	1,386,303	0	31.14%
MR CELESTINO MARTÍN BARRIGÓN	20	0	0.00%
MR JUAN CARLOS URETA DOMINGO	0	0	0.00%
MS OFELIA MARÍA MARÍN-LOZANO MONTÓN	0	0	0.00%

Name or company name of the indirect shareholder	Through: Name or company name of the direct shareholder	Number of voting rights
MR MARCO COLOMER BARRIGÓN	MR JAIME COLOMER BERROCAL	272,315

<b>Total % of voting rights held by the board of directors</b>	<b>50.07%</b>
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Complete the following tables with information on the members of the company's board of directors who hold rights on shares in the company:

Name or company name of the director	Number of direct voting rights	Number of indirect voting rights	Number of equivalent shares	% of total voting rights
MR MARCO COLOMER BARRIGÓN	570,457	272,315	570,457	18.93%
MR JOSE LUIS COLOMER BARRIGÓN	1,386,303	0	1,386,303	31.14%
MR CELESTINO MARTÍN BARRIGÓN	20	0	20	0.00%
MR JUAN CARLOS URETA DOMINGO	0	0	0	0.00%
MS OFELIA MARÍA MARÍN-LOZANO MONTÓN	0	0	0	0.00%

Name or company name of the indirect holder of the interest	Through: Name or company name of the direct shareholder	Number of voting rights
MR MARCO COLOMER BARRIGÓN	MR JAIME COLOMER BERROCAL	272,315

A.4 State, as appropriate, the family, commercial, contractual or corporate relationships existing between major shareholders, in so far as they are known by the company, unless they have little relevance or stem from the company's ordinary trading:

Related party name or company name
MR JOSE LUIS COLOMER BARRIGÓN
MR MARCO COLOMER BARRIGÓN

**Relationship type:** Family

**Brief description:**

Siblings

Related party name or company name
MR CELESTINO MARTÍN BARRIGÓN
MR JOSE LUIS COLOMER BARRIGÓN

**Relationship type:** Family

**Brief description:**

Cousins

Related parties' name or company name
MR MARCO COLOMER BARRIGÓN
MR JAIME COLOMER BERROCAL

**Relationship type:** Family

**Brief description:**

Father and son

Related party name or company name
MR MARCO COLOMER BARRIGÓN
MR JUAN COLOMER BERROCAL

**Relationship type:** Family

**Brief description:**

Father and son

Related party name or company name
MR MARCO COLOMER BARRIGÓN
MR MARCO COLOMER BERROCAL

**Relationship type:** Family

**Brief description:**

Father and son

Related party name or company name
MR MARCO COLOMER BARRIGÓN
PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.

**Relationship type:** Corporate

**Brief description:**

Chairman and Chief Executive Officer. Is a shareholder with a 0.3406% interest

Related party name or company name
MR MARCO COLOMER BARRIGÓN
COGEIN, S.L.

**Relationship type:** Corporate

**Brief description:**

Chairman and Chief Executive Officer. Is a shareholder with a 26.6276% interest

Related party name or company name
MR MARCO COLOMER BARRIGÓN
GRAN VIA 34, S.A.

**Relationship type:** Corporate

**Brief description:**

Sole Administrator, natural person representing PER 32, S.L. Is also a shareholder with a 0.0086% interest

Related party name or company name
MR JOSE LUIS COLOMER BARRIGÓN
PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.

**Relationship type:** Corporate

**Brief description:**

Director representing GESTORA DE PROMOCIONES AGROPECUARIAS, S.A. Holds a 0.4338% interest

Related party name or company name
MR JOSE LUIS COLOMER BARRIGÓN
COGEIN, S.L.

**Relationship type:** Corporate

**Brief description:**

Director. Holds a 33.8126% interest

Related party name or company name
MR MARCO COLOMER BERROCAL
PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.

**Relationship type:** Corporate

**Brief description:**

Director. Holds a 0.0311% interest

Related party name or company name
MR MARCO COLOMER BERROCAL
COGEIN, S.L.

**Relationship type:** Corporate

**Brief description:**

Holds a 2.4111% interest

Related party name or company name
MR JAIME COLOMER BERROCAL
PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.

**Relationship type:** Corporate

**Brief description:**

Holds a 0.0311% interest

Related party name or company name
MR JUAN COLOMER BERROCAL
COGEIN, S.L.

**Relationship type:** Corporate

**Brief description:**

Holds a 2.4111% interest

Related party name or company name
MR JUAN COLOMER BERROCAL
PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.

**Relationship type:** Corporate

**Brief description:**

Holds a 0.0311% interest

Related party name or company name
MR JUAN COLOMER BERROCAL
COGEIN, S.L.

**Relationship type:** Corporate

**Brief description:**

Holds a 2.4111% interest

Related party name or company name
MR MARCO COLOMER BARRIGÓN
MR CELESTINO MARTÍN BARRIGÓN

**Relationship type:** Family

**Brief description:**

Cousins

A.5 State, as appropriate, the commercial, contractual or corporate relationships existing between major shareholders, and the company and/or its group, unless they have little relevance or stem from the company's ordinary trading:

Related party name or company name
SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.
PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.

**Relationship type:** Contractual

**Brief description:**

Service provision agreement.

Related party name or company name
SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.
COMPAÑÍA IBERICA DE BIENES RAICES 2009, SOCIMI, S.A.U.

**Relationship type:** Contractual

**Brief description:**

Financing agreement.

Related party name or company name
SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.
COMPAÑÍA IBERICA DE BIENES RAICES 2009, SOCIMI, S.A.U.

**Relationship type:** Contractual

**Brief description:**

Cost sharing agreement.

Related party name or company name
COGEIN, S.L.
COMPAÑÍA IBERICA DE BIENES RAICES 2009, SOCIMI, S.A.U.

**Relationship type:** Contractual

**Brief description:**

Financing agreement.

A.6 State whether the company has been informed of shareholders' agreements which affect it, as set forth under Articles 530 and 531 of the Corporate Enterprises Act. If so, describe them briefly and list the shareholders bound by the agreement:

Yes

No

Parties to the shareholders' agreement
JP MORGAN CHASE & CO.
COGEIN, S.L.

**Percentage of share capital affected:** 4.99%

**Brief description of the agreement:**

COGEIN, S.L. holds a call option on the percentage interest held by JP MORGAN CHASE & CO., which expires in December 2016.

State whether the company is aware of the existence of any concerted actions among its shareholders. If so, give a brief description:

Yes

No

If any amendments to or breaches of the aforementioned agreements or concerted actions have occurred during the year, state this explicitly:

A.7 State whether any natural or legal person exercises or could exercise control over the company as per the provisions of Article 4 of the Securities Market Act (LMV). If so, identify them:

Yes

No

Comments

A.8 Complete the following tables on the company's treasury stock:

**At the end of the financial year:**

Number of direct shares	Number of indirect shares (*)	Total % of share capital
0	0	0.00%

**(\*) Through:**

Describe any significant changes that occurred during the year pursuant to the provisions of Royal Decree 1362/2007:

A.9 Describe the conditions and the term of the current mandate of the board of directors to issue, repurchase or transfer treasury stock, as conferred by the general shareholders' meeting.

Mandates of this kind do not currently exist.

A.10 State whether there is any constraint on the transferability of securities and/or any restriction on voting rights. More specifically, report the existence of any kind of constraints that could hinder control of the company being taken over through the acquisition of its shares on the market.

Yes

No

A.11 State whether the general meeting has resolved to adopt any measures to neutralise take-over bids pursuant to the provisions set forth in Law 6/2007.

Yes

No

If so, explain the measures that have been approved and the terms under which the constraints would be ineffective:

A.12 State whether the company has issued securities which are not traded on a regulated EU market.

Yes

No

If so, indicate the different classes of shares and, for each class of shares, the rights and obligations conferred by them.

## **B** GENERAL MEETING

B.1 State whether differences exist between the minimum quorum established in the Corporate Enterprises Act (LSC) and the quorum needed to convene the general meeting. If so, explain these differences.

Yes No 

B.2 State whether there are differences with the methods laid down in the Corporate Enterprises Act (LSC) to adopt corporate resolutions. If so, explain these differences:

Yes No 

Describe how it differs from the scheme set forth in the Corporate Enterprises Act (LSC).

B.3 State the regulations which apply to the amendment of the company's articles of incorporation. More specifically, report the majorities set forth to amend the articles of incorporation and, as applicable, the rules laid down to safeguard members' rights when the articles of incorporation are amended.

In accordance with Article 7.1.c of the General Shareholders' Meeting Regulations, the general meeting holds the power to approve and amend the Articles of Incorporation and the General Meeting's own regulations at the proposal and after received a report from the board of directors. All of the above is in accordance with the provisions of the Corporate Enterprises Act which govern these matters.

B.4 Provide the attendance data of the general meetings held during the year to which this report refers and the data for the preceding year:

Date of general meeting	Attendance data				Total
	% in person	% by proxy	% remote votes		
			Electronic votes	Other	
19/06/2013	42.27%	50.52%	0.00%	0.00%	92.79%
27/11/2013	42.26%	50.52%	0.00%	0.00%	92.78%
20/03/2014	42.30%	52.70%	0.00%	0.00%	95.00%
10/06/2014	42.30%	57.70%	0.00%	0.00%	100.00%
02/12/2014	75.56%	18.35%	0.00%	0.00%	93.91%

B.5 State whether there are any constraints in the articles of incorporation setting a minimum number of shares to attend the general meeting:

Yes No 

B.6 State whether there is an agreement as to which decisions involving changes to the structure of the company ("subsidiarisation", the sale of essential operating assets, transactions equivalent to the liquidation of the company, etc.) must be submitted for approval by the general shareholders' meeting, even if not explicitly required in Commercial Law.

Yes No 

B.7 Indicate the URL and way to gain access to information on corporate governance and other information on general meetings which must be made available to shareholders on the Company website.

The URL of the Company's website is: [www.saintcroixhi.com](http://www.saintcroixhi.com)

Information on Corporate Governance, Shareholders' Meetings and other information that has to be made available to Company shareholders can be found under the "Shareholders and Investors" menu.

## C STRUCTURE OF THE COMPANY'S CORPORATE ADMINISTRATION

### C.1 Board of Directors

C.1.1 Maximum and minimum number of directors set forth in the company's articles of incorporation:

Maximum number of directors	11
Minimum number of directors	3

C.1.2 Complete the following table with details on the board members:

Name or company	Representative	Office on the board	First appointed	Last appointed	Appointment procedure
MR MARCO COLOMER BARRIGÓN		CHAIRMAN - CHIEF EXECUTIVE OFFICER	10/06/2014	10/06/2014	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR JOSE LUIS COLOMER BARRIGÓN		DIRECTOR	10/06/2014	10/06/2014	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR CELESTINO MARTÍN BARRIGÓN		DIRECTOR	10/06/2014	10/06/2014	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR JUAN CARLOS URETA DOMINGO		DIRECTOR	02/12/2014	02/12/2014	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MS OFELIA MARÍA MARÍN-LOZANO MONTÓN		DIRECTOR	02/12/2014	02/12/2014	GENERAL SHAREHOLDERS' MEETING RESOLUTION

Total number of directors	5
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Indicate the directors who have left the board of directors during the reporting period:

C.1.3 Complete the following tables about the different types of board members:

#### **EXECUTIVE DIRECTORS**

Director's name or company name	Committee that issued report on appointment	Office in the company's organisation chart
MR MARCO COLOMER BARRIGÓN	AUDIT COMMITTEE	Member and Secretary

Total number of executive directors	1
% of the board as a whole	20.00%

#### **NON-EXECUTIVE PROPRIETARY DIRECTORS**

#### **NON-EXECUTIVE INDEPENDENT DIRECTORS**

**Director name or company name:**

MS OFELIA MARÍA MARÍN-LOZANO MONTÓN

**Profile:**

Ofelia Marín-Lozano Montón is currently the Chief Executive Officer of 1962 CAPITAL SICAV, an investment company dedicated to investment management and the active commercialisation of this equity collective investment instrument among new investors outside the founding family. She was awarded a law degree in 1992 as well an Economics and Business Studies degree in 1993 by the ICADE Business School in Madrid. She also read doctorate level courses in Business Studies at ICADE between 1995 and 1997. She has been a lecturer at ICADE since 1998 and a Member of the National Management Board of the Spanish Institute of Financial Analysts since 2011 (Member of the Organisation, Members, Appointments and Remuneration, and Communications and Institutional Relations Committees).

She was the Economics Director of the Círculo de Empresarios business association between 2012 and 2013 and Head of Analysis at BANCA MARCH between 2000 and 2012, in addition to being Head of Spanish Equity Analysis and Advisory at Bank Santander Negocios (now "BANIF") for private banking branches in Spain and some branches abroad between 1993 and 2000. Since 2009, she has given many lectures in Spain and abroad and has also written and published numerous specialist articles on economics during her professional career.

**Director name or company name:**

MR JUAN CARLOS URETA DOMINGO

**Profile:**

Juan Carlos Ureta is the Chairman of Renta 4 Banco, which specialises in asset management, capital markets and corporate financing. Renta 4 Banco is the only bank specialising in asset management listed on the Spanish Stock Exchange. He holds a Law and Economics Diploma awarded by the University of Deusto in Bilbao. He has been a State Attorney since 1980 and is currently on a leave of absence. He has also been a broker of the Madrid Stock Exchange since 1986 and was the top of his cohort. He is the Chairman of the Spanish Institute of Financial Analysts and the Chairman of the Financial Studies Foundation and has been a Member of the Sociedad Rectora de la Bolsa de Madrid (Madrid Stock Exchange Governing Company) board of directors and of its Standing Committee since 1989.

He was a Member of the board of directors of the Securities Clearance and Settlement Service (Iberclear) between 1996 and 2003 and the Chairman of said service in 2002. Between 2002 and 2006, he was on the board of directors of BME (Spanish Stock Markets), a holding that encompasses all Spanish stock markets and clearing and settlement systems. Between 1998 and 2007, he was on the board of directors of Indra Sistemas and a member of the Advisory Board of Lucent Technologies in Spain between 1996 and 2001. He is a member of the ING Direct Advisory Board. He is a consultant for several Spanish and foreign business groups and the author of numerous specialist publications on legal and financial matters.

<b>Total number of independent directors</b>	2
<b>% of board total</b>	40.00%

State whether any director classified as an independent receives from the company, or any group company, any amounts or benefits for an item other than the director's remuneration, or whether any director maintains or has maintained a business relationship with the company or any of its group companies over the past year, whether on his own behalf or as a significant shareholder, director or senior executive of an entity which maintains or has maintained such relationship.

No.

If so, include a reasoned statement by the board on the reasons why it considers that such director may perform his duties as an independent director.

### **OTHER NON-EXECUTIVE DIRECTORS**

State the reasons why they cannot be considered as proprietary or independent directors and their relationships, either with the company and its executives or with its shareholders:

State the changes, if any, that have come about in the types of directors during the period:

C.1.4 Complete the table below with information on the number of female directors in the last four financial years, and their type:

	Number of female directors			% of total number of directors of each type				
	Financial year 2014	Financial year 2013	Financial year 2012	Financial year 2011	Financial year 2014	Financial year 2013	Financial year 2012	Financial year 2011
<b>Executive</b>	0	N.A.	N.A.	N.A.	0.00%	N.A.	N.A.	N.A.
<b>Proprietary</b>	0	N.A.	N.A.	N.A.	0.00%	N.A.	N.A.	N.A.
<b>Independent</b>	1	N.A.	N.A.	N.A.	0.00%	N.A.	N.A.	N.A.
<b>Other non-</b>	0	N.A.	N.A.	N.A.	0.00%	N.A.	N.A.	N.A.
<b>Total:</b>	1	N.A.	N.A.	N.A.	0.00%	N.A.	N.A.	N.A.

C.1.5 Explain the measures taken, if any, to seek to include a number of women on the board of directors which would permit a balanced presence of women and men.

<b>Explanation of the measures</b>
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According to Article 14.7.g of the Board of Directors Regulations, the Appointments and Remuneration Committee has to inform the board about diversity and gender-related issues. It may suggest to the board of directors the appointment of one or several female directors to bring before the General Shareholders' Meeting. The director recruitment procedure is not affected by any kind of bias and it does not hinder or obstruct the election of women as members of the board of directors.

C.1.6 Explain the measures agreed, if any, by the Appointments Committee to ensure that the selection procedures do not suffer from any implicit biases against selecting female directors and to make sure that the company deliberately seeks to include women among potential candidates who meet the professional profile required:

<b>Explanation of the measures</b>
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See Section C.1.5. above.

Where the number of female directors is scarce or non-existent despite the measures taken, if any, explain the reasons to justify this fact:

<b>Explanation of the reasons</b>
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See point G.14 of this report.

C.1.7 Explain how shareholders holding significant interests are represented on the board.

Pursuant to Article 19 of the Articles of Incorporation, being a shareholder is not a requirement for appointment to the board and both natural and legal persons may be members, although in the latter case a natural person must be appointed to represent the legal person and office.

The way shareholders holding significant interests are represented on the Board is not explicitly governed in either the Articles of Incorporation or the Board Regulations, Articles 17 and 18 of which refer to the appointment of directors under the following terms:

Article 17.- Appointment of directors: 1.- Directors shall be appointed by the General Meeting or by the board of directors according to the provisions set forth in applicable legislation. 2.- Any proposals for the appointment of non-independent directors the Board brings before the General Meeting for its deliberation and any appointment decisions the board adopts by virtue of the powers of co-optation legally attributed to it shall be preceded by the relevant non-binding report issued by the Appointments and Remuneration Committee. Should the board reject the recommendations made by the Appointments and Remuneration Committee, it shall state the reasons thereof and record its reasons in the minutes of the meeting. Proposals for the appointment of independent directors shall be made by Appointments and Remuneration Committee.

Article 18. Appointment of non-executive directors: The board of directors and the Appointments and Remuneration Committee shall endeavour within the scope of their responsibilities to ensure that candidates of renowned solvency, competence and experience are chosen, taking particular care in the case of Independent Directors.

Furthermore, Article 21 of said Regulations explicitly provides for the resignation of proprietary directors who dispose of their interests in the Company.

C.1.8 Explain, should it be the case, the reasons why proprietary directors have been appointed at the request of shareholders whose shareholding is below 5% of share capital:

State whether any formal requests have been rejected for a seat on the board by shareholders whose shareholding is equivalent to or exceeds that of others at whose request proprietary directors have been appointed. If so, explain the reasons why such requests have been turned down:

Yes

No

C.1.9 State whether any director has left office prior to the completion of their term of office, whether said director has explained his reasons to the board, and by what means; and, if written notice thereof was given to the entire board, at least explain the reasons said director has given:

C.1.10 State the powers that have been delegated to the chief executive officer(s), if such authorisations exist:

**Name or company name of the director:**

MR MARCO COLOMER BARRIGÓN

**Brief description:**

In accordance with the Article 20.6 of the Articles of Incorporation, the board may appoint one or more chief executive officers, notwithstanding the powers of attorney it may grant to any person and determine the powers of attorney to be granted in each case. The permanent delegation of any of the board of directors' powers to one or several chief executive officers and the appointment of the director(s) who are to hold such offices shall require a vote in favour from two-thirds of the board members to be effective and shall not enter into effect until it is duly registered at the Companies Registry. Under no circumstances may the purpose of such delegation be accountability or the bringing of balances before the General Meeting, nor may the powers that the latter may confer upon the board be delegated, unless expressly authorised by it.

In accordance with Article 4.3 of the Board Regulations, the board of directors shall hold responsibility for all the powers which cannot be delegated and are legally reserved for its deliberation, as well as any others that are necessary to responsibly exercise its general oversight duty. It may delegate the remaining powers to one or several chief executive officers. At the board of directors meeting held on 10 June 2014, it was resolved to appoint Mr Marco Colomer Barrigón as the company's Chief Executive Officer, to whom all the board of directors' powers were delegated, except those which cannot be delegated by law.

C.1.11 Identify, as applicable, the members of the board who hold office as directors or executives in other companies that form part of the listed company's group:

Name or company name of the director	company name of group company	Office
MR MARCO COLOMER BARRIGÓN	COMPAÑIA IBERICA DE BIENES RAICES 2009, SOCIMI, S.A.U.	Natural Person Representing the Sole Administrator

C.1.12 State, as applicable, the directors of your company that are members of the board of directors of other entities listed on official stock exchanges, other than companies in your group, of which the company has been notified:

Name or company name of the director	Company name of the group entity	Office
MR MARCO COLOMER BARRIGÓN	RANK INVERSIONES, SICAV, S.A.	CHAIRMAN

C.1.13 State and, if necessary, explain whether the company has laid down any rules concerning the number of boards on which its directors may sit:

Yes

No

C.1.14 State the company's general policies and strategies reserved for approval by a plenary session of the board:

	Yes	No.
Investment and financing policy	X	
Definition of the group's corporate structure	X	
Corporate governance policy	X	
Corporate social responsibility policy	X	
The strategy or business plan, as well management targets and annual budgets	X	
Senior executive remuneration and performance assessment policy	X	
Risk control and management policy, as well as the periodic monitoring of internal reporting and control systems	X	
The dividend and treasury stock policy, and in particular, the limits thereof.	X	

C.1.15 State the overall remuneration of the board of directors:

Remuneration of the board of directors (thousand euros)	4
Amount of the overall remuneration corresponding to directors' cumulative pension rights (thousand euros)	0
Overall remuneration of the board of directors (thousand euros)	4

C.1.16 Identify the members of senior management that are not simultaneously executive directors and state their total remuneration due in the year:

C.1.17 State, where applicable, the identity of board members who are also members of the board of directors of companies of significant shareholders and/or entities belonging to their group:

Director's name or company name	Company name of significant shareholder	Office
MR MARCO COLOMER BARRIGÓN	PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.	CHAIRMAN - CHIEF EXECUTIVE OFFICER
MR MARCO COLOMER BARRIGÓN	COGEIN, S.L.	CHAIRMAN - CHIEF EXECUTIVE OFFICER
MR MARCO COLOMER BARRIGÓN	GRAN VIA 34, S.A.	SOLE ADMINISTRATOR
MR JOSE LUIS COLOMER BARRIGÓN	PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.	DIRECTOR
MR JOSE LUIS COLOMER BARRIGÓN	COGEIN, S.L.	DIRECTOR

State, where applicable, any relevant relationships, other than those set out in the point above, of members of the board of directors which link them to significant shareholders and/or to entities belonging to the group:

**Name or company name of the related director:**

MR MARCO COLOMER BARRIGÓN

**Name or company name of the related significant shareholder:**

PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.

**Description of relationship:**

Shareholder with a 0.34% interest

**Name or company name of the related director:**

MR MARCO COLOMER BARRIGÓN

**Name or company name of the related significant shareholder:**

COGEIN, S.L.

**Description of relationship:**

Shareholder with a 26.63% interest

**Name or company name of the related director:**

MR MARCO COLOMER BARRIGÓN

**Name or company name of the related significant shareholder:**

GRAN VIA 34, S.A.

**Description of relationship:**

Shareholder with a 0.0086% interest

**Name or company name of the related director:**

MR JOSE LUIS COLOMER BARRIGÓN

**Name or company name of the related significant shareholder:**

PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.

**Description of relationship:**

Shareholder with a 0.43% interest

**Name or company name of the related director:**

MR JOSE LUIS COLOMER BARRIGÓN

**Name or company name of the related significant shareholder:**

COGEIN, S.L.

**Description of relationship:**

Shareholder with a 33.81% interest

**Name or company name of the related director:**

MR JOSE LUIS COLOMER BARRIGÓN

**Name or company name of the related significant shareholder:**

GRAN VIA 34, S.A.

**Description of relationship:**

Shareholder with a 0.0090% interest

C.1.18 State whether any amendments have been made to the Board Regulations during the financial year:

Yes

No

C.1.19 State the procedures used to select, appoint, re-elect, assess and remove board members. Specify the competent bodies, the formal steps to be followed and the criteria used in each of these procedures.

Article 19 of the Articles of Incorporation.- Directors: Being a shareholder is not a requirement for appointment to the board and both natural and legal persons may be members, though in the latter case a natural person must be appointed to represent the legal person and to hold office. People who have been legally disqualified may not be directors, nor may those who have been declared as incompatible according to legislation on senior executives and other general or regional specific implementing provisions.

Article 22 of the Articles of Incorporation.- Term of office: Directors shall hold office for a term of six years and may be re-elected once or more times for periods of equivalent duration. Once the term has expired, the appointment shall expire when the following General Meeting has been held or the legal time limit has elapsed for holding the General Meeting that has to resolve on the application of the previous year's accounts.

Article 7 of the General Shareholders' Meeting Regulations: The appointment and removal of members of the board of directors is the responsibility of the General Shareholders' Meeting, notwithstanding the power of co-option pertaining to the board, the liquidators and the auditors of accounts, or where any corporate liability actions are brought against any of them.

Articles 17 and 22 of the Board of Directors Regulations: TITLE V - APPOINTMENT AND REMOVAL OF DIRECTORS Article

17.- Appointment of directors:

- 1.- Directors shall be appointed by the General Meeting or by the board of directors according to the provisions set forth in applicable legislation.
- 2.- Any proposals for the appointment of non-independent directors the board brings before the General Meeting for its deliberation and any appointment decisions the board adopts by virtue of the powers of co-option legally attributed to it shall be preceded by the relevant non-binding report issued by the Appointments and Remuneration Committee. Should the board reject the recommendations made by the Appointments and Remuneration Committee, it shall state the reasons thereof and record its reasons in the minutes of the meeting. Proposals for the appointment of independent directors shall be made by the Appointments and Remuneration Committee.

Article 18.- Appointment of non-executive directors: The board of directors and the Appointments and Remuneration Committee shall endeavour within the scope of their responsibilities to ensure that candidates of renowned solvency, competence and experience are chosen, taking particular care in the case of Independent Directors.

Article 19.- Reappointment of directors:

- 1.- Any proposals for the reappointment of directors which the board of directors decides to bring before the General Meeting shall have to have been previously reported on by the Appointments and Remuneration Committee, which shall assess in its recommendation the quality of the work and the dedication to the office during their mandate.
- 2.- The board of directors shall endeavour to ensure that any independent directors who are reappointed do not remain on the same committee, except where the tasks in progress or other reasons suggest they should continue on the same committee.

Article 20.- Term of office:

- 1.- Directors shall hold office for a term of six (6) years and may be re-elected once or more times for periods of equivalent duration.
- 2.- Directors appointed by co-option shall hold office until the date of the first General Meeting at which the ratification of their appointment is, as applicable, submitted or until the legal time limit to hold the General Meeting which has to resolve on the approval of the accounts of the previous year has expired.
- 3.- Any director whose mandate ends or who ceases to hold office for any other reason may not provide services to another entity having a corporate purpose which is analogous to the Company's during two (2) years where the board of directors justifiably deems that it would place the company's interests at risk.

Article 21.- Removal of directors:

- 1.- Directors shall stand down from office once the term for which they have been appointed has elapsed, where they tender their resignation to the Company or where the General Meeting should so resolve, making use of the responsibilities with which it has been attributed, either legally or in the Articles.
- 2.- Directors shall place their office at the disposal of the board of directors and tender their resignation, where the board may see fit, in any of the following circumstances:

- a) where they stand down from executive offices linked to their appointment as a director;
- b) where they are involved in any of the circumstances of incompatibility or legal prohibition laid down;
- c) where they are issued a serious admonishment by the Audit and Compliance Committee for having failed to fulfil their obligations as a director; and
- d) where their remaining on the board may place the company's interests at risk or negatively affect its good standing and reputation or where the reasons why they were appointed cease to exist (for example, when a proprietary director sells his interest in the company).

Article 22.- Expressing the reasons of removal from office as a director:

Where, due to resignation or for other reasons, a director relinquishes office before the end of his term of office, he shall explain the reasons thereof in a letter sent to every member of the board, notice of which shall be given as a relevant fact and explained in the Annual Corporate Governance Report.

C.1.20 State whether the board of directors has assessed its own activity in the last year:

Yes

No

If so, explain to what extent the assessment gave rise to significant changes in its internal organisation and in the procedures which apply to its activities:

## C.1.21 State the cases in which directors are obliged to resign.

Article 21 of the Board of Directors Regulations.- Removal of directors:

1.- Directors shall stand down from office once the term for which they have been appointed has elapsed, where they tender their resignation to the Company or where the General Meeting should so resolve, making use of the responsibilities with which it has been attributed, either legally or in the Articles.

2.- Directors shall place their office at the disposal of the board of directors and tender their resignation, where the board may see fit, in any of the following circumstances:

- a) where they stand down from executive offices linked to their appointment as a director;
- b) where they are involved in any of the circumstances of incompatibility or legal prohibition laid down;
- c) where they are issued a serious admonishment by the Audit and Compliance Committee for having failed to fulfil their obligations as a director; and
- d) where their remaining on the board may place the company's interests at risk or negatively affect its good standing and reputation or where the reasons why they were appointed cease to exist (for example, when a proprietary director sells his interest in the company).

## C.1.22 State whether the office of chief executive of the company is held by the chairman of the board. If so, explain the measures taken to limit the risk of accumulating power in a single person:

Yes

No

### Measures to limit risks

Although the office of chief executive falls on the chairman of the board of directors, the necessary safeguards have been taken to reduce the risk of concentrating power in a single person. Thus, Article 4.3 of the Board Regulations sets forth that the board of directors shall take responsibility for all the powers that are legally reserved for its direct deliberation, as well as any others that are necessary to responsibly exercise its general oversight duty. It may delegate the remaining powers to one or several chief executive officers. For these purposes, the board of directors shall directly exercise the following responsibilities:

- a) Approval of the company's strategies and general policy guidelines, draw up programmes and annual budgets and set targets to perform the activities included in the corporate purpose;
- b) Drive forward and oversee the company's management;
- c) At the proposal of the Appointments and Remuneration Committee, to set the remuneration of the members of the board of directors, as well as in the case of the executive directors, any additional remuneration for their executive duties and other terms which their contracts should meet, if applicable, as set out in the remuneration policy approved by the General Meeting;
- d) Safeguard that the procedures to appoint its members ensure a diversity of gender, experiences and knowledge and ensure they do not suffer from any implicit biases that could involve any kind of discrimination and, in particular, do not hinder the appointment of female directors;
- e) Appointment and removal of executives who report directly to the board or the company's chief executive, as well as setting the basic terms of their contracts, including remuneration;
- f) At the proposal of the company's chief executive, the appointment and removal of other executives, as well as their severance clauses;
- g) Financing and investment policy;
- h) Corporate governance and corporate social responsibility policy;
- i) Dividend policy, as well as the regular monitoring of treasury stock systems;
- j) Definition of the corporate group structure;
- k) Supervision of management control activities and executive assessment;
- l) Supervision of the identification of the company's main risks, along with the implementation and monitoring of suitable internal control and reporting systems;
- m) Supervision of reporting and communications policies with shareholders, the markets and public opinion;
- n) Approval of transactions involving the disposal and acquisition of the company's substantial assets, along with large corporate transactions;
- o) Approval of special investments and transactions due to their agreements or terms or any involving a special amount (in relation to the company's normal turnover) or because they are deemed to be strategic.
- p) Incorporation or acquisition (after receiving a report from the Audit Committee) of companies having their registered office in territories deemed to be tax havens or any transactions or operations that could lessen the group's transparency due to their complexity;
- q) Take note of any situation of direct or indirect conflict of interest a director could have with the company's interests;
- r) Any responsibility specifically set forth in the Articles of Incorporation or in these Regulations.

State and, as applicable, explain whether rules have been established authorising one of the independent directors to call board meetings or to include new items on the agenda in order to co-ordinate and manifest the concerns of non-executive directors and to direct the assessment by the board of directors.

Yes

No

### Explanation of the rules

Article of 20.2 of the Articles of Incorporation sets forth that:

Directors comprising at least one-third of the board members may call a board meeting and set out the agenda thereof, which is to be held in the city where its registered office is located if, after a request has been sent to the chairman, the chairman has failed to call such meeting within a month.

C.1.23 Are reinforced majorities other than legal majorities required for any type of decision?

Yes

No

If so, describe the differences.

C.1.24 Explain if there are any specific requirements to be appointed as chairman of the board of directors other than those which apply to directors.

Yes

No

C.1.25 State whether the chairman has a casting vote:

Yes

No

<b>Issues on which there is a casting vote</b>
--

According to Articles 20.4 of the Articles of Incorporation and 16.3 of the Board Regulations, resolutions are adopted by an absolute majority of the directors in attendance, either in person or by proxy. In the event of a tied vote, the Chairman shall hold the casting vote.

C.1.26 State whether the articles of incorporation or the Board Regulations establish any age limit for directors:

Yes

No

C.1.27 State whether the articles of incorporation or the Board Regulations establish a limited mandate for independent directors, other than as set forth in the legal regulations:

Yes

No

C.1.28 State whether the Articles of Incorporation or Board of Directors Regulations provide for specific rules on voting by proxy in the board of directors, the way it is done and, in particular, the maximum number of proxies a director may have, as well as whether it is mandatory to grant proxies to a director of the same type. If so, provide brief details of such rules.

Article 16.1 of the Board Regulations sets forth that directors shall make every effort to attend board meetings and, when they cannot attend a board meeting in person, they shall exceptionally endeavour to grant proxy to another board member through a letter sent to the chairman, along with the relevant instructions, provided the wording of the agenda permits this.

C.1.29 State the number of board of directors meetings held during the financial year. Likewise, state the number of times the board has held meetings without the chairman in attendance. Attendance by proxy specifying voting instructions is to be deemed as attendance in the calculation.

<b>Number of board meetings</b>	4
<b>Number of board meetings held without the chairman in attendance</b>	0

State the number of meetings held by the board's various committees during the year:

<b>Committee</b>	<b>No. of Meetings</b>
AUDIT COMMITTEE	1
APPOINTMENTS AND REMUNERATION COMMITTEE	1

C.1.30 State the number of board of directors meetings held during the year with all of its members in attendance. Attendance by proxy specifying voting instructions is to be deemed as attendance in the calculation:

<b>Attendance by directors</b>	4
<b>Attendance as a percentage of total votes during the year</b>	100.00%

C.1.31 State whether the separate and consolidated financial statements that are brought before the board for its approval are certified in advance:

Yes  No

Identify, as applicable, the person(s) who have certified the Company's separate and consolidated financial statements to be drawn up by the board:

C.1.32 Explain, if applicable, the mechanisms established by the board of directors to prevent the separate and consolidated financial statements drawn up by it from being submitted to the General Shareholder's Meeting with audit report qualifications.

According to Article 13.9 of the Board Regulations, the following, among others, are the Audit and Compliance Committee's responsibilities:

- To issue a report on an annual basis expressing an opinion of the auditor of accounts' independence prior to the audit report being issued. Said report shall, in any case, state the provision of additional services; in other words, any services provided by the auditor other than auditing services;
- To oversee the auditing agreement is fulfilled, endeavouring to ensure that the opinion on the annual accounts and the audit report's main contents are clearly and accurately worded, in addition to assessing the results of each audit;
- To act as a communications channel between the board of directors and the auditors, assessing the results of each audit and the management team's responses to their recommendations and mediating in the event of discrepancies between them regarding the applicable principles and criteria to draw up the financial statements;
- To oversee the efficacy of the Company's internal controls, internal auditing, as applicable, and its risk management systems, and to verify their integrity by reviewing them periodically in order to identify risks, manage them and make them known, as well as discussing with the auditors of accounts or auditing firms any significant weaknesses detected in the internal control system during the performance of an audit;

- To review the Company's annual accounts and the periodic financial reporting the board has to provide to the markets and their supervisory bodies, and to safeguard the fulfilment of legal requirements and the proper application of generally accepted accounting standards;
- To inform the board of directors of any significant changes in accounting criteria and in- and off-the-balance-sheet risks.

**C.1.33 Is the secretary of the board also a director?**

Yes

No

**C.1.34 Explain the procedures for appointing and removing the secretary of the board, indicating if the appointment and removal have been reported by the Appointments Committee and approved by a plenary meeting of the board.**

**Appointment and removal procedure**

Article 10 of the Board of Directors' Regulations lays down this procedure in paragraphs 1 and 5:

1.- Being a director is not a requirement to be appointed as the Secretary of the board of directors. The board of directors shall choose a voice opinions but not vote at board meetings.

5.- The Secretary shall be appointed and removed, if necessary, by a plenary meeting of the board after having received a report in both cases from the Appointments and Remuneration Committee.

	Yes	No.
<b>Does the Appointments Committee issue a report on the appointment?</b>	X	
<b>Does the Appointments Committee issue a report on the removal?</b>	X	
<b>Does a plenary meeting of the board approve the appointment?</b>	X	
<b>Does a plenary meeting of the board approve the removal?</b>	X	

Is the secretary of the board especially entrusted with the duty of overseeing the fulfilment of the good governance recommendations?

Yes

No

**Comments**

Article 10.4 of the Board Regulations:

4.- Furthermore, the Secretary shall be responsible for verifying the Company's fulfilment of corporate governance legislation and the interpretation thereof in view of the provisions set forth in these Regulations and shall also study corporate governance recommendations for their possible inclusion in the Company's internal rules.

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

According to Article 13.9 of the Board Regulations, the following, among others, are the Audit and Compliance Committee's responsibilities:

- To propose the appointment of the external auditors of accounts to the board of directors for submission to the General Shareholders' Meeting's consideration. Likewise, to propose engagement conditions to the board of directors, the scope of professional mandates and, if applicable, the renewal thereof or not;
- To maintain relationships with the external auditors to receive information on any matters that could jeopardise their independence and regarding any other matters related to the account auditing process, as well as on any other disclosures laid down by account auditing legislation and technical auditing standards;
- To issue a report on an annual basis expressing an opinion of the auditor of accounts' independence prior to the audit report being issued. Said report shall, in any event, state the provision of additional services; in other words, any services provided by the auditor other than auditing services.

C.1.36 State whether the Company has changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

Yes

No

Outgoing auditor	Incoming auditor
Grant Thornton	Deloitte, S.L.

In case there were any disagreements with the outgoing auditor, explain the content of same:

Yes

No

C.1.37 State whether the auditing firm carries out other work for the company and/or its group other than auditing work and, if so, state the total fees received for such work and the percentage this represents of the fees billed to the company and/or its business group:

Yes

No

C.1.38 State whether the audit report on the financial statements for the previous year included any qualifications or reservations. If so, state the reasons given by the chairman of the Audit Committee to explain the content and scope of these qualifications or reservations.

Yes

No

C.1.39 State the number of consecutive years that the current auditing firm has audited the financial statements of the company and/or its group without interruption. Also, state how many years the current auditing firm has been auditing the accounts as a percentage of the total number of years over which the annual accounts have been audited:

	Company	Group
<b>Number of consecutive years</b>	1	1
<b>Number of years audited by the current auditing firm / number of years that the company has been audited (%)</b>	25.00%	25.00%

C.1.40 State whether a procedure exists to enable board members to have access to external advice. If so, provide details of the procedure:

Yes

No

**Details of the procedure**

Article 16.2 of the Board Regulations sets forth that:

- The chairman shall organise debates and endeavour to ensure all directors take part in the deliberations, ensuring that the board is duly informed. For such purpose, the chairman may invite any external experts and the Company's executives and technical staff he may deem appropriate to attend meetings, who may voice an opinion but not vote.

C.1.41 State whether there is a procedure to enable directors to gain access to the information they need to prepare for meetings of governing bodies with sufficient time:

Yes

No

C.1.42 State whether the company has established rules that require directors to report on and, as applicable, resign in cases where the company's good standing and reputation may be harmed. If so, describe said rules:

Yes

No

**Explain the rules**

Article 21.2.d of the Board Regulations sets forth that:

- Where their remaining on the Board may place the company's interests at risk or negatively affect its good standing and reputation or where the reasons why they were appointed cease to exist (for example, when a proprietary director sells off his interest in the company).

C.1.43 State whether any member of the board of directors has reported to the company that he has been tried or that legal proceedings have been brought against him for any of the offences set forth in Article 213 of the Corporate Enterprises Act:

Yes

No

State whether the board of directors has studied the case. If so, give a reasoned explanation of the decision taken as to whether the director involved should remain in office or not, or, as applicable, describe the actions taken by the board of directors up to the date of this report or those it intends to take.

C.1.44 List any significant agreements the company has entered into that will come into force, be amended or be terminated in case of a change in control in the company resulting from a take-over bid, along with their effects.

None

C.1.45 Identify in general terms and state in detail any agreements between the company and its directors, executives or employees that set forth severance or guarantee clauses where these stand down or are unfairly dismissed, or upon termination of the contractual relationship due to a take-over bid.

**Number of beneficiaries: 0**

**Type of beneficiary:** None

**Description of the agreement:**

There are no agreements on this issue.

State whether the company or group's corporate governance bodies have to be informed of such contracts:

	Board of Directors	General Meeting
Body that authorises such clauses	No.	No.

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

## C.2 Board of Directors Committees

C.2.1 List all the committees of the board of directors, their members and the proportion of proprietary and independent directors on them:

### AUDIT COMMITTEE

Name	Office	Type
MR JUAN CARLOS URETA DOMINGO	CHAIRMAN	Independent
MR MARCO COLOMER BARRIGÓN	MEMBER	Proprietary
MR CELESTINO MARTÍN BARRIGÓN	MEMBER	Independent

% of executive directors	0.00%
% of proprietary directors	33.00%
% of independent directors	67.00%
% other non-executive directors	0.00%

### APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Office	Type
MS OFELIA MARÍA MARÍN-LOZANO MONTÓN	CHAIRMAN	Independent
MR CELESTINO MARTÍN BARRIGÓN	MEMBER	Independent
MR JOSE LUIS COLOMER BARRIGÓN	MEMBER	Proprietary

% of executive directors	0.00%
% of proprietary directors	33.00%
% of independent directors	67.00%
% other non-executive directors	0.00%

C.2.2 Complete the table below with information on the number of female directors on board of directors committees in the last four financial years:

	Number of female directors							
	Financial year 2014		Financial year 2013		Financial year 2012		Financial year 2011	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
APPOINTMENTS AND REMUNERATION COMMITTEE	1	33.00%	0	0.00%	0	0.00%	0	0.00%

### C.2.3 State whether the following duties correspond to the Audit Committee:

	Yes	No.
Supervise the drafting process and integrity of the financial information relating to the Company and, as applicable, to the group, reviewing compliance with regulatory requirements, the appropriate scope of consolidation and the correct application of accounting criteria.	X	
To review internal control and risk management systems periodically, so that the main risks are properly identified, managed and published.	X	
To safeguard the independence and efficacy of the internal auditing department; to propose the selection, appointment, re-election and removal of the internal auditing service manager; to propose said service's budget; receive periodic reports on its activities; and to verify that senior management takes into account the conclusions and recommendations of its reports.		X
To set up and oversee a mechanism that allows employees to confidentially and, where deemed suitable, anonymously report any potentially important irregularities, particularly financial and accounting irregularities, they discover within the company.		X
To bring before the board proposals on the selection, appointment, reappointment and replacement of the external auditor, along with their engagement conditions.	X	
To receive from the external auditor information on the auditing plan and the results of the performance thereof on a regular basis, and to verify that senior management take its recommendations into consideration	X	
To ensure the independence of the external auditor	X	

### C.2.4 Give a description of the rules governing the organisation and operation of each committee attached to the board, as well as their responsibilities.

Audit Committee: Article 13 of the Board Regulations explains in complete detail the rules governing the Committee's organisation and operation. The responsibilities assigned to it are as follows:

- a) To report through its chairman and/or secretary on the issues shareholders may raise at General Shareholders' Meetings connected with the Committee's area of responsibility;
- b) To propose the appointment of the external auditors of accounts to the board of directors for submission to the General Shareholders' Meeting's consideration. Likewise, to propose engagement conditions to the board of directors, the scope of professional mandates and, if applicable, the renewal thereof or not;
- c) To maintain relationships with the external auditors to receive information on any matters that could jeopardise their independence and regarding any other matters related to the account auditing process, as well as on any other disclosures laid down by account auditing legislation and technical auditing standards;
- d) To issue a report on an annual basis expressing an opinion of the auditor of accounts' independence prior to the audit report being issued. Said report shall, in any case, state the provision of additional services; in other words, any services provided by the auditor other than auditing services;
- e) To oversee the auditing agreement is fulfilled, endeavouring to ensure that the opinion on the annual accounts and the audit report's main contents are clearly and accurately worded, in addition to assessing the results of each audit;
- f) To act as a communications channel between the board of directors and the auditors, assessing the results of each audit and the management team's responses to their recommendations and mediating in the event of discrepancies between them regarding the applicable principles and criteria to draw up the financial statements;
- g) To oversee the efficacy of the Company's internal controls, internal auditing, as applicable, and its risk management systems, and to verify their integrity by reviewing them periodically in order to identify risks, manage them and make them known, as well as discussing with the auditors of accounts or auditing firms any significant weaknesses detected in the internal control system during the performance of an audit;
- h) To review the Company's annual accounts and the periodic financial reporting the board has to provide to the markets and their supervisory bodies, and to safeguard the fulfilment of legal requirements and the proper application of generally accepted accounting standards;
- i) To inform the board of directors of any significant changes in accounting criteria and in- and off-the-balance-sheet risks;
- j) To receive information and, as necessary, issue reports on the disciplinary measures that are to be imposed on the Company's senior executives;
- k) To draw up and bring an Annual Corporate Governance Report before the board of directors for its approval;
- l) To draw up an annual report on the Audit and Control Committee's activities;
- m) To supervise the way in which the Company's website runs concerning the availability of corporate governance information;
- n) To review issue prospectuses to be provided to the markets and supervisory bodies;
- o) To report on the creation or acquisition of any interests in special purpose vehicles and companies registered in tax havens, as well as about any other transactions or operations of a similar nature that could lessen the group's transparency due to their complexity.

Appointments and Remuneration Committee: Article 14 of the Board Regulations explains in complete detail the rules governing the Committee's organisation and operation. The responsibilities assigned to it are as follows:

- a) To assess the skills, knowledge and experience required on the board in order to define the skills and capabilities required by candidates to cover each vacancy, and to assess the time and dedication required to properly carry out their duties;
- b) To examine or organise, as deemed most appropriate, the chairman and the chief executive's succession, and to bring proposals before the board, if necessary, so that such successions come about in an orderly, well-planned fashion;
- c) To report on the appointment and removal of senior executives the chief executive brings before the Board and any who report directly to the Company's chief executive;
- d) To make proposals on the remuneration of the members of the board of directors, as well as in the case of the executive directors, any additional remuneration for their executive functions and other terms which apply that their contracts should respect as part of the remuneration policy approved by the General Meeting;
- e) To issue preliminary reports on appointment or reappointment proposals of any non-independent director;
- f) To make proposals on the appointment or re-election of any non-independent director;
- g) To report to the Board about gender equality matters.

**C.2.5** State, as applicable, whether regulations governing the board's committees exist, where they are available for consultation and any amendments that have been made to them during the year. Also indicate whether annual reports on the activities of each committee have been drawn up voluntarily.

The Board's committees are governed by the Board of Directors' Regulations, which are available on the Company's website and notice of which has been given to the National Securities Market Commission (CNMV) and duly registered at the Madrid Companies Registry pursuant to Article 529 of the Corporate Enterprises Act (L.S.C.).

**C.2.6** State whether the composition of the standing or executive committee reflects the participation on the board of different categories of directors:

Yes

No

**If the answer is no, explain the composition of your standing or executive committee**

There is no Executive or Standing Committee.

## **D RELATED-PARTY AND INTRAGROUP TRANSACTIONS**

**D.1** Identify the competent body and explain the procedure, if any, to approve related-party and intragroup transactions.

**Competent body to approve related-party transactions**

Board of Directors

**Procedure for the approval of related-party transactions**

Explain whether the approval of related-party transactions has been delegated, indicating, as applicable, the body or persons to whom it has been delegated.

It has not been delegated.

**D.2** List transactions which are significant for their amount or relevant due to their subject matter between the company or entities in its group and significant shareholders of the company:

Name or company name of significant shareholder	Name or company name of group company or entity	Relationship type	Type of transaction	Amount (in thousand euros)
PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.	COMPANÍA IBERICA DE BIENES RAICES 2009, SOCIMI, S.A.U.	Contractual	Financing agreements: loans	300
PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.	COMPANÍA IBERICA DE BIENES RAICES 2009, SOCIMI, S.A.U.	Contractual	Service provision	32
COGEIN, S.L.	COMPANÍA IBERICA DE BIENES RAICES 2009, SOCIMI, S.A.U.	Contractual	Financing agreements: loans	1,710
PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.	SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.	Contractual	Service provision	10

D.3 List transactions which are significant for their amount or relevant due to their subject matter between the company or entities in its group and directors or executives of the company:

D.4 Report the significant transactions carried out by the company with other entities belonging to the same group, provided they are not eliminated in the process of drawing up the consolidated financial statements and do not form part of the company's normal business in relation to its purpose and conditions.

In any event, information is to be provided about any intragroup transactions made with entities established in countries or territories deemed as tax havens:

D.5 State the amount of the transactions carried out with other related parties.

191 (in thousand euros).

D.6 List any mechanisms set up to detect, identify and resolve possible conflicts of interest between the company and/or its group and its board members, executives and significant shareholders.

Transactions with related and/or Group companies are dealt with by the board of directors and the Audit Committee.

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

Yes  No

Identify subsidiaries that are listed in Spain:

#### Listed subsidiary company

State whether the respective areas of activity and any possible business relationships between them have been publicly and accurately defined, as well as those of the listed subsidiary with the rest of group companies;

**State any possible business relationships between the parent company and the listed subsidiary, and between the latter and other group companies**

Identify any mechanisms that have been established to resolve possible conflicts of interest between the listed subsidiary and other group companies:

**Mechanisms to resolve any possible conflicts of interest**

## **E RISK CONTROL AND MANAGEMENT SYSTEMS**

### **E.1 Explain the scope of the company's Risk Management System.**

The main aim of internal control for the Company's board of directors is to offer a reasonable degree of security that the Company will attain its targets. In this regard, it is deemed that the Risk Management System should act to avoid any deviations from coming about with respect of the targets set and to detect such deviations as soon as possible.

Hence, the Company has defined its internal risk control and management system with the following four aims in mind:

1. The efficacy and efficiency of operations.
2. The reliability of financial reporting.
3. Safeguarding assets.
4. Fulfilment of any applicable laws and regulations.

In order to control any risks which are inherent to the performance of its activities, the Company has established several risk control and assessment systems. The following should be mentioned as the most significant, following the order of the management and governance bodies and departments which perform said risk control and assessment:

Duties of the board of directors: The board has the following duties:

- To set the Company's general policies and the activities it performs.
- To approve the Business Plan which sets the Company's annual growth targets for all its activities in the current period.
- To approve the Annual Budget in keeping with the Business Plan and to conduct monthly monitoring in order to avoid deviations and, if there are any, to be aware of the reasons behind them and to adopt the appropriate corrective measures in due time.
- To approve all real estate asset purchase transactions, especially land and plots, after having received a report from the Investment and Asset Manager.
- To approve the sale of real estate assets which comprise the real estate investments.
- To authorise all credit or loan transactions.

The powers which the Board performs directly and which have not been delegated to date allow it to control and oversee all of the Company's significant risks connected with:

- Investments and disposals.
- Borrowing levels for all items.
- Control and monitoring of Strategic Plan and Budget compliance.
- Investment limits on fixed-asset elements allocated to leases. The Audit Committee's duties:

Within the scope of its responsibilities, the Audit Committee reviews the suitability and integrity of the Company's internal control systems aimed at mitigating the Company's risk exposure. Its duties include analysing, controlling and monitoring business risks.

Other executive departments involved in risk control and assessment: There are executive departments within the organisation of the Company and the Group to which it belongs that have important risk control and assessment responsibilities which follow the criteria laid down by the board of directors:

- Investment Department: This department is responsible for informing the board about any strategic decisions, investments and disposals which are relevant to the Company or the Group, as well as their suitability for the Budget and Strategic Plans before the board adopts any resolutions on them. The department currently comprises one person, who meets as often as is necessary with the chairman and chief executive officer to study all investment transactions involving real estate acquisitions, disposals, credits and loans, as well as any other relevant transactions which could involve risks to the Company's operations and solvency.

- Finance Department, which provides the board with all the economic and financial reporting on a quarterly basis in order to control and assess risks. The Finance Department prepares and provides the Audit Committee with the information it requires and analyses business risk monitoring and control as part of its duty to identify them.

- Technical Department, which oversees all building, refurbishment or corrective maintenance works carried out directly or by contracting third parties in order to ensure they are properly executed in all phases. It also supervises suppliers.

### **E.2 Identify the company's bodies responsible for setting up and implementing the Risk Management System.**

The Risk Management System is the responsibility of the board of directors, which has delegated its supervision and maintenance responsibilities to the Audit Committee.  
The Group's Financial Department prepares and provides the Audit Committee with the information the latter requires and analyses as part of its duty to identify, control and monitor risks to the business.

### E.3 State the main risks which may affect the attainment of business targets.

The main risks identified by the Company which may affect the attainment of its targets are market risks, economic risks connected with its investments, financial liquidity risks and interest rate risks, together with tourism risks.

### E.4 State whether the entity has established a risk tolerance level.

No risk tolerance level has been set on a formal basis. Nevertheless, the size of the Company and the characteristics and the way in which it performs its business allow all investment, divestment and financing transactions to be analysed on an individual basis by the board of directors and the relevant committees. Thus, the level of risk is assessed on an ongoing basis by the board of directors.

### E.5 State which risks have materialised in the year.

No significant risks materialised in 2014

### E.6 Explain the response and oversight plans for the entity's main risks.

See sections E.1 and E.4.

## **F INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATED TO THE FINANCIAL REPORTING PROCESS (IFRCS)**

Describe the mechanisms which comprise the company's internal control and risk management systems related to the financial reporting process (IFRCS).

### F.1 The entity's control environment

Report at least the following, highlighting their main features:

F.1.1. Which bodies and/or areas hold responsibility for: (i) the existence and maintenance of an adequate and effective internal financial reporting control system (IFRCS); (ii) its implementation; and (iii) its oversight.

The Board of Directors' Regulations. The board of directors reserves for itself, among other powers, the power to set the risk control and management policy, which includes the IFRCS, as well as periodically monitoring internal reporting and control systems. Furthermore, the Audit Committee is defined as the committee and body entrusted with assisting the board of directors in its duty of supervising financial statements and the periodic disclosures supplied to regulatory bodies. "To supervise the efficacy of the company's internal control system" and "To supervise the process of drawing up and filing mandatory financial reporting" are included among the responsibilities set forth for its control duty.

F.1.2. State whether the following elements exist, especially with regard to the process of drawing up financial reports:

- Departments and/or mechanisms in charge of: (i) designing and reviewing the organisational structure; (ii) clearly defining lines of responsibility and command, along with a suitable distribution of tasks and duties; and (iii) ensuring that there are sufficient procedures to ensure it is appropriately disseminated across the organisation.

The board of directors has set a general framework to approve transactions and powers of attorney in order to ensure all transactions are carried out with a suitable level of control that seeks to achieve the greatest efficiency and security for the Company's activity.

- Code of Conduct: Body responsible for its approval, degree of dissemination and training, principles and values included therein (indicating if any specific mention is made to the booking of transactions and the drawing up of financial reports), body in charge of analysing non-compliances and putting forward corrective actions and penalties.

The Company intends to draw up a Code of Conduct, which is pending the board of directors' approval. It will lay down the basic principles and rules of conduct to regulate good corporate governance and the behaviour of the Group's companies and the actions of all its employees. However, the Company's corporate culture and values are conveyed informally on a daily basis. Given the Company's size, this way of transmitting them is perfectly adequate.

- Whistleblowing channel, which allows financial and accounting irregularities to be reported to the Audit Committee, along with any possible infringements of the code of conduct and irregular activities within the organisation. State whether it is confidential, as applicable.

At the same time as the Code of Conduct is approved and published, a whistleblowing mailbox will be enabled that will be formalised through a procedure that is pending the board of directors' approval. Said procedure will set forth that the whistleblowing channel is a direct, efficient and confidential means of reporting that allows employees or third parties (suppliers, clients, public administrations, shareholders, etc.) to report any employees, executives or directors of the Company involved in breaking the law, internal regulations or the Code of Conduct, and of committing financial or accounting irregularities or any other event of a similar nature.

The procedure, which is currently in the review stage and pending approval, sets forth that reports may be submitted through two channels:

- Whistleblowing mailbox: By using the application enabled for such purpose on the corporate website and the Intranet.
- Written reports: Sent confidentially in an envelope to the attention of the Audit Committee members.

- Training and updating programmes for the staff involved in drawing up and reviewing financial reports, as well as assessing the IFRCS, covering at least accounting standards, auditing, internal control and risk management.

The Group's Finance Department is continually updating internal procedures to create the IFRCS at both a personal as well as at a corporate level and is in constant communication with the Group's external auditors, so that any regulatory change on this issue is identified and implemented immediately.

## F.2 Assessment of financial reporting risks

Report at least the following:

F.2.1. What the main features of the risk identification process are, including error or fraud identification, with regard to:

- Whether the process exists and is documented.

The Company is equipped with a Procedures Manual which includes a specific procedure for the accounting treatment of both routine transactions and less frequent and potentially complex transactions. It covers all financial reporting aims and is updated whenever any transactions that require it are detected. The implementation of a specific real estate management ERP, the segregation of review and supervisory duties and controls for both internal reporting and financial reporting processes for the markets ensure their reliability and integrity. Furthermore, any information which is based on judgements or estimates is specifically analysed by the Group's Finance Department with the support of independent experts or under the supervision of the Audit Committee.

- Whether the process covers all financial reporting aims (existence and occurrence, integrity, assessment, presentation, itemisation and comparability; and rights and obligations), whether it is updated and how often.

As part of the activities aimed at improving the IFRCS, operational control activities are being documented to cover all financial reporting aims. Hence, the risk and control matrices will include a column setting out the financial reporting aims being covered by the control activities and another column stating whether there is a risk of fraud.

The Accounting Policy Manual, which is also being drawn up, will include the reporting review and control policy on the consolidation perimeter, which covers a periodic review of the consolidation perimeter and the main changes which have come about, among other aspects.

- The existence of a process to identify the consolidation perimeter, taking into account the possible existence of complex corporate structures and specific or special purpose vehicles, among other matters.

The Procedures Manual includes a section on setting and reviewing the consolidation perimeter, which is reviewed annually and whenever legislative changes affecting it come about. The scope of critical processes and transactions having a significant impact on the Group's separate and consolidated financial statements have been analysed in the design stage of the IFRCS. In order to do so, risks have been assessed, taking quantitative (materiality in financial statements and/or number of transactions) and qualitative criteria into consideration, such as error or fraud risks, the complexity of the calculations, estimates or judgements, including any relevant provisioning, accounts closure and financial reporting processes.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputation, environmental risks, etc.) and the extent to which they affect financial statements.

The scope of critical processes and transactions having a significant impact on the Group's separate and consolidated financial statements have been analysed in the design stage of the IFRCS. In order to do so, risks have been assessed, taking quantitative (materiality in financial statements and/or number of transactions) and qualitative criteria into consideration, such as error or fraud risks, the complexity of the calculations, estimates or judgements, including any relevant provisioning, accounts closure and financial reporting processes.

- Which governing body of the company supervises the process.

The Audit Committee in conjunction with the Group's Finance Department.

### F.3 Control activities

Report whether your company has at least the following, highlighting their main features:

F.3.1. Financial reporting review and authorisation procedures and a description of the IFRCS for the financial reports to be published on the securities markets, indicating who holds responsibility thereof, as well as descriptive documents on the flows of activities and controls (including those on fraud risks) for the different kinds of activities that could materially affect the financial statements, including the accounts closure process and the specific review of relevant judgements, estimates, valuations and forecasts.

The Company is equipped with an accounts closure procedure, which is covered in the Procedures Manual. Its aim is to set out internal review and approval practices for the financial reports to be provided to the markets (including the annual accounts, quarterly and half-yearly reports and the Annual Corporate Governance Report), which are to be performed by the Audit Committee and subsequently by the board of directors.

The procedure sets out the relevance of certain judgements, estimates and forecasts subject to a greater or lesser degree of uncertainty or the choice of certain accounting criteria could have on financial reporting. As regards these issues, the procedures which should exist internally are covered, including those performed by the board of directors to review and approve judgements, estimates and provisions. The drawing up of a Risk Map was initiated in 2014. In order to do so, the processes set out below were identified, since they are deemed to have a significant impact on the Group's financial reporting:

- Real Estate Investment Cycle
- Procurement and Accounts Payable Cycle
- Budget and Business Plan Cycle
- Cash Flow and Financing Cycle
- Asset Valuation Cycle

- Procurement Cycle
- Tax Cycle
- Consolidation and Reporting Cycle

It is expected that the activity and control flows that materially affect the financial statements will be described for these cycles and risk matrices and controls summarising the risks identified and the controls implemented to mitigate them will be designed. The departments of the Group identified in the cycles will hold responsibility for abiding by the processes and for notifying any changes made to the processes that could affect the design and fulfilment of the controls identified in the processes. The risk matrices and controls will include the frequency of control activities – stating whether these are for prevention or detection purposes, manual or automatic –, the financial reporting aims covered and whether fraud risks exist.

All the risk descriptions, matrices and controls will be validated by the people holding responsibility for the processes. The Areas and Departments identified in them will hold responsibility for their abiding by them and for notifying any changes made to the processes that could affect the design and fulfilment of the controls identified in the processes.

The section on Accounts Closure in the Company's Procedures Manual describes the review and authorisation procedures for the financial reporting to be published on the securities markets, indicating who is responsible for it (Finance Department, Audit Committee and board of directors), its frequency (Q1, H1, 3Q and 2H), the official formats of the National Securities Market Commission (CNMV) for the reporting and a description of the documents to be sent to regulators.

### F.3.2. Internal control policies and procedures regarding information systems (including secure access, change tracking and operation thereof, operational continuity and separation of duties) which support the company's processes on the drawing up and publication of financial reports.

The Corporate Rules include two rules connected with the internal control of information systems, which are set out below:

1. Corporate Rule on Information System Management - This rule sets out all aspects of physical security (backup copies, server maintenance and access, contingency and disaster recovery plan), software security (access control, registration and de-registration procedure, firewalls, etc.), duty segregation policy, information record and traceability policy, privacy policy, development policy, maintenance policy (incident management and user help desk) and training.
2. Corporate Rule on the Data Protection Act (LOPD) and Media - This rule aims to set out the action framework to comply with existing personal data protection legislation and the Internet and e-mail use policy, along with security and control aspects for the computer tools provided by the Company. The security measures set forth in the Rule cover both the data processing of automated or computer files and hard copy records.

### F.3.3. Internal control policies and procedures aimed at supervising the management of activities outsourced to third parties, as well as any assessment, calculation or valuation aspects entrusted to independent experts, which could materially affect the financial statements.

The activities outsourced to third parties having the greatest impact on the financial statements are asset valuation processes and legal/tax contingencies. There is a specific section in the Company's Procedures Manual which describes the criteria and selection process for appraisers/valuation experts, solicitors/legal advisors and tax advisors. It also sets out the controls which have been set to assess litigation and valuation methods, as well as the monitoring, billing and booking of these services.

## F.4 Reporting and Communications

Report whether your company has at least the following, highlighting their main features:

- F.4.1. A specific area responsible for defining and updating accounting policies (accounting policy area or department) and resolving queries or conflicts arising from their interpretation, maintaining constant communication with those responsible for operations in the organisation, and an updated manual of accounting policies communicated to the units through which the entity operates.

The Financial Manager is responsible for setting and keeping the Group's accounting policies up to date, as set forth in the Company's Procedures Manual. The Financial Manager is also in charge of resolving any doubts and conflicts that may arise from their interpretation with the support of the department's staff and, if needed, external experts.

The Company is developing an Accounting Policies Manual, which will be updated regularly. The aim of the Manual, which is currently being prepared, is to set the criteria to be followed for drawing up separate financial statements according to the New General Chart of Accounts (NPGC). It will also set out the accounting standards to be followed by the Group when drawing up consolidated financial statements in accordance with the IFRS, especially in cases where the standards allow for the use of different alternatives and cover criteria which are different from Spanish accounting standards.

#### F.4.2. Mechanisms to generate and prepare financial reports with standard formats, which are applied and used in all units of the company or group, that support the main financial statements and notes, as well as the information provided on the internal financial reporting control system (IFRCS).

The Company is equipped with an Enterprise Resource Planning (ERP) system which records transactions and prepares all Group companies' financial reports. The Quality Management System includes a series of indicators that have been defined to exercise control over the finance area and to ensure the ERP system runs properly, thereby guaranteeing the integrity of financial reporting.

### F.5 Supervision of the system

Report, stating its main features, including at least:

#### F.5.1. The internal financial reporting control system (IFRCS) supervision activities performed by the Audit Committee and whether the company has an internal auditing department whose responsibilities cover supporting the committee in supervising the internal control system, including the IFRCS. Information should also be provided on IFRCS assessment during the year and the procedure whereby those responsible for the assessment report its results, whether the entity is equipped with an action plan setting forth any possible corrective measures, and whether its impact on financial reporting has been taken into consideration.

In 2014, a variety of actions were carried out in connection with the IFRCS, the development of relevant documents (corporate rules, risk matrices and controls, policies and procedures) and the design of the control activities needed to fulfil current legislation.

According to its Regulations, the Audit Committee holds the following responsibilities:

- To oversee the process of drawing up and filing mandatory financial reports;
- To oversee the efficacy of the Company's internal controls and its management systems, as well as to discuss with the auditors of accounts any significant weaknesses detected in the internal control system during the performance of an audit.

In 2014, the Audit Committee monitored the activities performed by the Finance Department regarding the design of the internal financial reporting control system (IFRCS) and the development of relevant documents. It analysed the drafts of the documents it was provided with and made changes to them. The finalisation of the procedures, controls and documents that make up the system has remained pending for forthcoming Committee meetings.

In addition, the Committee held meetings with the external auditors to review and monitor these activities, as well as any weaknesses detected in them and the recommendations made by the auditors in the review of the IFRCS.

#### F.5.2. State whether the company is equipped with a procedure whereby the auditor of accounts (in accordance with the provisions set forth in the Technical Auditing Standards), the internal auditing department and other experts can report to senior management and the Audit Committee or directors any significant weaknesses in internal control identified during the process of reviewing the annual accounts or any other reviews they may have been entrusted with. Likewise, state whether there is an action plan to correct or mitigate any weaknesses observed.

The Board Regulations set forth that board should establish, either directly or through the Audit Committee, an objective, professional and ongoing relationship with the Company's external auditors appointed by the General Meeting, respect their independence and ensure that they are provided with all the necessary information. The Audit Committee Regulations state that discussing with the auditors of accounts any significant weaknesses detected in the internal control system during the performance of an audit lies within said committee's area of responsibility.

The Audit Committee may request further information and seek any clarifications it may deem necessary in order to set its own criteria and issue its corresponding report to the board of directors.

## F.6 Other relevant information

It has not been considered necessary to provide further information.

## F.7 External auditor's report

Report about:

F.7.1. Whether the IFRCs reports submitted to the markets have been reviewed by the external auditor, in which case the company must include the corresponding report as an appendix. Otherwise, provide information on the reasons why.

The separate and consolidated annual financial reports together with the Subsidiary Company's financial reports were reviewed by the external auditor before being submitted to the market.

## **G** DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the company's degree of compliance with the recommendations of the Unified Code of Good Governance.

If any recommendation is not followed or partially followed, a detailed explanation of the reasons why is to be included, in order for shareholders, investors and the market in general to have sufficient information to assess the company's performance. General explanations are not acceptable.

1. The Articles of Incorporation of listed companies should not limit the maximum number of votes that may be cast by the same shareholder, and they should not contain other constraints that hinder taking control of the company by acquiring its shares on the market.

See sections: A.10, B.1, B.2, C.1.23 and C.1.24.

Complies

Explain

2. Where the parent company and a subsidiary company are listed, both should accurately define in public the following:

a) Their respective areas of activity and any possible business relationships between them, as well as those of the listed subsidiary with other group companies;

b) The mechanisms set forth to resolve any possible conflicts of interest that may arise.

See sections: D.4 and D.7

Complies

Partially complies

Explain

Does not apply

3. Although not expressly required by Commercial Law, transactions involving a structural modification of the company should be submitted to the General Shareholders' Meeting, particularly the following transactions:

a) **The transformation of listed companies into holding companies through "subsidiarisation" or the inclusion of essential activities in subsidiary entities, which to date had been carried out by the company itself, even though the parent maintains full control over the subsidiaries;**

b) **The acquisition or disposal of essential operating assets, where it involves an effective modification of the corporate purpose;**

c) **Operations whose effect would be equivalent to liquidating the company.**

See section: B.6

Complies

Partially complies

Explain

4. Detailed proposals of the resolutions to be adopted by the General Shareholders' Meeting, including the information referred to in Recommendation 27, should be published at the same time as the announcement of the general meeting is published.

Complies

Explain

5. Any matters that are substantially independent should be voted on separately at the general meeting, so that the shareholders may express their voting preferences separately. This rule should particularly apply to:

a) **The appointment or ratification of directors, which should be voted individually;**

b) **In the case of amendments to the Articles of Incorporation, each article or group of articles that are substantially different.**

Complies

Partially complies

Explain

6. Companies should allow votes to be split so that any brokers who are authorised to act as shareholders but who are acting on behalf of different clients may cast their votes according to their clients' instructions.

Complies

Explain

7. The board should perform its duties with unity of purpose and independent criteria, it should treat all the shareholders equally and it should be guided by the interests of the company, construed as steadily maximising the company's economic value.

It should also ensure that the company abides by the laws and regulations in its relationships with stakeholders; fulfils bona fide its obligations and agreements; respects the usage and best practices of the industries and territories in which it conducts its business; and observes any additional principles of corporate responsibility it has voluntarily accepted.

Complies

Partially complies

Explain

8. The board should seek, as its core mission, to approve the company's strategy and the organisation required to implement it, as well as supervising and ensuring that management attains the targets set and respects the company's corporate purpose and interests. And for such purpose, the board as a whole should reserve the authority to approve:

**a) The company's general policies and strategies and in particular:**

- i) The strategic or business plan, as well as annual management targets and budgets;**
- ii) The investment and financing policy;**
- iii) Definition of the group's corporate structure**
- iv) Corporate governance policy**
- v) Corporate social responsibility policy**
- vi) Senior executive remuneration and performance assessment policy**
- vii) Risk control and management policy, as well as the periodic monitoring of internal reporting and control systems**
- viii) The dividend and treasury stock policy, and in particular, the limits thereof.**

See sections: C.1.14, C.1.16 and E.2

**b) The following decisions:**

- i) The appointment and removal of senior managers, as well as their severance clauses, as proposed by the chief executive officer of the company.**
- ii) The remuneration of directors and, in the case of executives, any additional remuneration for executive responsibilities and any other conditions that their contracts should reflect.**
- iii) The financial reports that the company, as a listed company, must periodically publish.**
- iv) All investments or operations that, due to their significant value or special characteristics, are considered strategic, except those that are approved by the General Shareholders' Meeting.**
- v) The creation or acquisition of interests in special purpose vehicles or entities registered in tax havens, as well as any other transactions or operations of a similar nature that could lessen the group's transparency due to their complexity.**

**c) Any transactions that the company carries out with directors, significant shareholders or shareholders represented on the board, or with people related to them ("related-party transactions").**

Said authorisation of the board shall not be required, however, for related-party transactions that simultaneously meet the following three conditions:

- 1.- Which are carried out by virtue of contracts whose conditions are standard and applied en masse to many customers;
- 2.- Which are carried out at general rates or prices set by the supplier of the goods or service;
- 3.- The amount of which does not exceed 1% of the company's annual income.

It is recommended that the board should approve any related-party transactions following a favourable report from the Audit Committee or, should it be the case, by any other committee entrusted with that duty; and the directors involved, in addition to not exercising or delegating their voting rights, should leave the meeting room while the board deliberates and votes on the transactions.

It is recommended that the powers attributed herein to the board be non-delegable by nature, except those indicated under b) and c), which may be adopted in situations of urgency by the Standing Committee and subsequently ratified by a plenary meeting of the board.

See sections: D.1 and D.6

Complies  Partially complies  Explain

9. The board should have the necessary size to ensure it runs smoothly and encourages participation, which makes it advisable that it should not have less than five and no more than fifteen members.

See section: C.1.2

Complies  Explain

10. Non-executive proprietary and independent directors should form an ample majority on the board and the number of executive directors should be the minimum necessary, taking into account the complexity of the group of companies and the executive directors' percentage interest in the company's capital.

See sections: A.3 and C.1.3.

Complies  Partially complies  Explain

11. Among the non-executive directors, the balance between the number of proprietary directors and the number of independent directors should reflect the existing proportion between the company's capital represented by proprietary directors and the rest of its capital.

**This proportional criterion may be toned down in such a way so that the weight of proprietary directors may be greater than what would correspond according to the total percentage of the capital they represent:**

- 1.- In highly capitalised companies where there are very few or no shareholdings that can legally be considered significant holdings, but there are shareholders owning blocks of shares with a high absolute value.**
- 2.- In the case of companies having a plurality of shareholders represented on the board but with no relationships between them.**

See sections: A.2, A.3 and C.1.3

Complies  Explain

12. The number of independent directors should represent at least one-third of the total number of directors.

See section: C.1.3

Complies  Explain X

13. The character of each director should be explained by the board to the General Shareholders' Meeting, which must make or ratify the appointment, which should be confirmed or, as applicable, reviewed annually in the Annual Corporate Governance Report following verification by the Appointments Committee. Said report should also explain the reasons why proprietary directors have been appointed at the behest of shareholders whose holdings are below 5% of the capital, and explain, as applicable, if there are any unheeded formal requests for a seat on the board by shareholders with interests equal to or higher than those of others who have requested and obtained the appointment of proprietary directors.

See sections: C.1.3 and C.1.8

Complies  Partially complies  Explain

14. Where the number of female directors is scarce or there are none, the Appointments Committee should see to it that, whenever new posts become vacant:

- a) **The selection procedures do not suffer from any implicit biases that may hinder the selection of female directors;**
- b) **The company deliberately seeks and includes women who meet the professional background required on the shortlist of candidates.**

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4.

Complies  Partially complies  Explain  Does not apply

15. The chairman, as the person responsible for the smooth running of the board, should ensure that the directors receive sufficient information beforehand; should stimulate discussion and the active participation of the directors during board meetings, ensuring that they may freely take a position and express their opinion; and should organise and co-ordinate with the chairpersons of the relevant committees to periodically assess the board as well as the managing director or the chief executive, as applicable.

See sections: C.1.19 and C.1.41

Complies  Partially complies  Explain

16. Where the chairman of the board is also the company's chief executive, one of the independent directors should be empowered to request the calling of a board meeting or the inclusion of new items on the agenda; to co-ordinate and represent the concerns of non-executive directors; and to organise the board's appraisal of its chairman.

See section: C.1.22

Complies  Partially complies  Explain  Does not apply

17. The secretary of the board should especially assure that the performance of the board:

- a) **Complies with the wording and spirit of the Law and its regulations, including those approved by regulatory bodies;**
- b) **Complies with the company's Articles of Incorporation and with the Board and General Meeting regulations, along with any others the company may have;**
- c) **Takes into consideration the good governance recommendations contained herein, which the company has accepted.**

And, in order to safeguard the independence, impartiality and professional performance of the secretary, his appointment and removal should be reported by the appointments committee and approved by a plenary meeting of the board; and the appointment and removal procedure should appear in the Board Regulations.

See section: C.1.34

Complies  Partially complies  Explain

18. The board should meet as frequently as required to efficiently perform its duties, following the schedule of dates and matters established at the start of the year, and each director may propose other items not initially provided on the agenda.

See section: C.1.29

Complies  Partially complies  Explain

19. Non-attendance by directors should be reduced to unavoidable cases and be quantified in the Annual Corporate Governance Report. If it representation is essential, a proxy should be appointed and issued with instructions.

See sections: C.1.28, C.1.29 and C.1.30

Complies  Partially complies  Explain

20. Where directors or the secretary raise concerns about a proposal or, in the case of directors, about the company's performance, and such concerns are not resolved by the board, these concerns should be recorded in the minutes at the request of the director raising them.

Complies  Partially complies  Explain  Does not apply

21. Once a year, a plenary meeting of the board should assess:

- a) **The quality and efficiency with which the board is run;**
- b) **Based on the report submitted to it by the Appointments Committee, the performance of their duties by the chairman of the board and the company's chief executive;**
- c) **Based on the reports submitted to it by its committees, how these are run.**

See sections: C.1.19 and C.1.20

Compli

Partially complies

Explain

22. All directors should be able to exercise their right to obtain any additional information they consider necessary on matters within the board's responsibility. And, unless otherwise stated by the Articles of Incorporation or the Board Regulations, they should address their request to the chairman or the secretary of the board.

See section: C.1.41

Complies

Explain

23. All of the directors should have the right to obtain from the company the necessary advice to perform their duties. And the company should establish the adequate channels to exercise this right, which in special circumstances may include external advice paid for by the company.

See section: C.1.40

Complies Explain

24. Companies should establish an induction programme to provide new directors with quick and sufficient knowledge of the company, as well as of its rules of corporate governance. And they should also provide directors with knowledge updating programmes when circumstances make it advisable.

Complies

Partially complies

Explain

25. Companies should demand directors to dedicate the time and effort to their duties needed to perform them efficiently and, consequently:

a) **Directors should notify the Appointments Committee of any other professional obligations that could interfere with the commitment required;**

b) **Companies should lay down rules regarding the number of boards of directors on which directors may sit.**

See sections: C.1.12, C.1.13 and C.1.17

Complies

Partially complies

Explain

26. Proposals on the appointment or re-election of directors submitted by the board to the General Shareholders' Meeting, as well as their provisional appointment by co-option, should be passed by the board:

a) **At the proposal of the Appointments Committee in the case of independent directors.**

b) **After having received a report from the Appointments Committee in the case of the other directors.**

See section: C.1.3

27. Companies should post the following information about their directors on their website and keep it updated:

- a) **Professional background and biography;**
- b) **Other boards of directors on which they sit, regardless of whether they are listed companies;**
- c) **An indication as to the category of director to which they belong and, in the case of proprietary directors, the shareholder they represent or with whom they have a relationship.**
- d) **The date they were first appointed as a director of the company, as well as subsequent appointments; and**
- e) **Shares and they hold in the company, as well as any stock options.**

Complies

Partially complies

Explain

Point b is not explicitly posted, but the information in question is available in the audited annual accounts (management report), which is indeed posted on the company's website.

28. Proprietary directors should tender their resignation once the shareholder they represent sells its entire interest in the company. They should also do so in the relevant number where such a shareholder reduces its interest in the company down to a level that would require a reduction in the number of proprietary directors.

See sections: A.2, A.3 and C.1.2

Complies

Partially complies

Explain

29. The board of directors should not propose the removal of any independent director before the statutory period for which the director has been appointed concludes, unless the board has just cause for such action based on a report by the Appointments Committee. In particular, it shall be construed that there is just cause where the director has failed to fulfil the duties inherent to his office or if he is affected by any of the circumstances that imply him losing his independence according to the provisions set forth in Order ECC/461/2013.

**The removal of independent directors may also be proposed as a result of take-over bids, mergers or other similar corporate operations involving a change in the company's capital structure, where said changes in the structure of the board result from the proportionality criterion set out in Recommendation 11.**

See sections: C.1.2, C.1.9, C.1.19 and C.1.27

Complies

Explain

30. Companies should establish rules that require directors to inform and, as applicable, resign when circumstances arise that could damage the company's good standing and reputation, and in particular they should be obliged to notify the board of any criminal proceedings in which they are involved and of subsequent developments in the proceedings.

**If a director is indicted or tried for any of the offences set forth in Article 213 of the Corporate Enterprises Act, the board should review the case as soon as possible and, in light of the specific circumstances, it should decide whether it is appropriate for the director to remain in office. The board should provide a reasoned explanation of all the foregoing in the Annual Corporate Governance Report.**

See sections: C.1.42

Complies  Partially complies  Explain

31. All of the directors should clearly state their opposition if they consider that a proposed decision submitted to the board may be contrary to the company's interests. And the same should be done, especially by independent directors and other directors not affected by the potential conflict of interest, where such decisions may harm shareholders that are not represented on the board.

**Where the board passes significant or repeated decisions regarding which a director has expressed serious reservations, said director should draw his conclusions and, if he chooses to resign, he should explain the reasons for doing so in the letter mentioned in the following recommendation.**

**This Recommendation also applies to the secretary of the board, even if he does not have director status.**

Complies  Partially complies  Explain  Does not apply

32. Where a director relinquishes office before the end of his term, either through resignation or for any other reason, he should explain the reasons thereof in a letter to be sent to all of the members of the board. And, notwithstanding said resignation being reported as a relevant fact, the reason for the resignation should be set out in the Annual Corporate Governance Report.

See section: C.1.9

Complies  Partially complies  Explain  Does not apply

33. Remuneration through the awarding of shares in the company or in group companies, stock options or instruments referenced to the share price, as well as variable remuneration linked to the company's performance or pension schemes should be limited to executive directors.

**This recommendation shall not affect the awarding of shares, where the shares must be held until the director leaves office.**

Complies  Partially complies  Explain  Does not apply

34. The remuneration of non-executive directors should be set as necessary to compensate them for the time, skills and responsibilities required by the office they hold, but it should not be so high as to compromise their independence.

Complies  Explain  Does not apply

35. Remuneration linked to the company's results should take into consideration any possible qualifications in the auditor's report that might reduce such results.

Complies

Explain

Does not apply

Article of 21 of the Articles of Incorporation does not contemplate this circumstance.

36. In the case of variable compensation, remuneration policies should include limits and technical safeguards required to ensure that such remuneration is in line with the beneficiaries' professional performance and not simply derived from the general trend in the market or the company's business sector or from other similar circumstances.

Complies

Explain

Does not apply

37. Where there is a standing or executive committee (hereinafter "Executive Committee"), the participation structure of the different types of directors should be similar to that of the board itself and its secretary should be the secretary of the board.

See sections: C.2.1 and C.2.6

Complies

Partially complies

Explain

Does not apply

38. The board should be informed at all times of the issues dealt with and the decisions adopted by the Executive Committee, and all of the members of the board are to receive a copy of the minutes of Executive Committee meetings.

Complies

Explain

Does not apply

39. The board of directors should set up an Audit Committee, as required by the Spanish Securities Market Act, from among its members, as well as an Appointments and Remuneration Committee, or two separate committees.

**The rules for the composition and running and of the Audit Committee and the Appointments and Remuneration Committee (or the two separate committees) should be covered in the Board Regulations and include the following:**

a) **The board should appoint the members of these committees, taking into consideration the knowledge, skills and experience of the directors and the duties of each committee; deliberate on their proposals and reports; and they should report on their activities and account for the work carried out at the next plenary meeting of the board held following their meetings;**

b) **Said committees should solely be comprised of non-executive directors and have a minimum of three members. The foregoing should be interpreted without prejudice to attendance at meetings by executive directors or senior executives, where expressly agreed by the committee members.**

c) **Chairmen of such committees should be independent directors.**

d) **Said committees should be able to seek external advice whenever they see fit to perform their duties.**

e) **Minutes should be drafted on each meeting, a copy of which should be sent to all board members.**

See sections: C.2.1 and C.2.4

Complies

Partially complies

Explain

40. The Audit Committee, the Appointments Committee or the Compliance or Corporate Governance Committee, should they exist separately, should be responsible for overseeing compliance with internal codes of conduct and the rules of corporate governance.

See sections: C.2.3 and C.2.4

Complies

Explain

41. The members of the Audit Committee and, in particular the chairman of the same, should be appointed taking into consideration their knowledge and experience in accounting, auditing and risk management matters.

Complies

Explain

42. Listed companies should set up an Internal Audit Department under the supervision of the Audit Committee. This department should oversee the proper functioning of reporting and internal control systems.

See section: C.2.3

Complies

Explain

The Company has not set up an independent Internal Audit Department. However, said duty is performed by Grupo PYCONSA's Internal Audit Department.

43. The person in charge of the Internal Audit Department should submit its annual work plan to the Audit Committee; inform the Committee directly of any incidents that have arisen while drawing it up; and, at the end of each financial year, they submit an activity report to the Committee.

Complies

Partially complies

Explain

Please see the explanation given in point G.42 above.

44. The risk control and management policy should identify at least:

a) **The different types of risk (operational, technological, financial, legal, reputation-related risks etc.) to which the company is exposed, including, among financial and economic risks, contingent liabilities and other off-balance-sheet risks;**

b) **The risk level which the company considers acceptable;**

c) **The measures taken to mitigate the impact of any risks identified if they materialise;**

d) **The internal reporting and control systems that will be used to control and manage the aforementioned risks, including contingent liabilities or off-balance-sheet risks.**

See section: E

Complies

Partially complies

Explain

45. The Audit Committee should be responsible for:

**1.- In connection with reporting and internal control systems:**

- a) That the main risks identified as a result of supervising the efficacy of the company's internal control and, as applicable, internal auditing are properly known.
- b) Safeguarding the independence and efficacy of the internal auditing department; proposing the selection, appointment, re-election and removal of the Internal Audit Manager; proposing said department's budget; receiving periodic reports on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.
- c) Establishing and overseeing a mechanism that allows employees to confidentially and, where deemed suitable, anonymously report any potential irregularities, particularly financial and accounting irregularities, they discover within the company.

**2.- In relation to the external auditor:**

- a) Receiving information from the external auditor about the auditing plan on a regular basis, in addition to the results of its performance, and checking to ensure senior management takes its recommendations into account.
- b) Ensuring the external auditor's independence and for such purpose:
  - i) Making sure the company notifies a change of auditor as a relevant fact to the National Securities Market Commission (CNMV), attaching thereto a statement on any disagreements, if any, with the outgoing auditor and their content.
  - iii) If the external auditor resigns, examining the circumstances leading up to the resignation.

See sections: C.1.36, .2.3, C.2.4 and E.2

Complies

Partially complies

Explain

46. The Audit Committee may summon any employee or executive of the company and may require the appearance of the same without the presence of any other executive.

Complies

Explain

47. The Audit Committee should notify the board, prior to it adopting the relevant resolutions, about the following issues set out in Recommendation 8:

- a) **The financial reports that the company, as a listed company, must periodically publish. The Committee should ensure that the interim financial statements are prepared under the same accounting criteria as the annual financial statements and, for that purpose, should consider the suitability of a limited review by the external auditor.**

b) **The creation or acquisition of interests in special purpose vehicles or entities registered in tax havens, as well as any other transactions or operations of a similar nature that could lessen the group's transparency due to their complexity.**

c) **Related-party transactions, except where the prior reporting duty has been assigned to another supervisory and control committee.**

See sections: C.2.3 and C.2.4

Complies

Partially complies

Explain

48. The board of directors should seek to bring financial statements before the general meeting that are free from reservations or qualifications in the audit report and, in the exceptional circumstances in which they may exist, both the chairman of the Audit Committee and the auditors should provide the shareholders with a clear explanation of the content and scope of such reservations or qualifications.

See section: C.1.38

Complies

Partially complies

Explain

49. The majority of the members of the Appointments Committee (or Appointments and Remuneration in the case of a single committee) should be independent directors.

See section: C.2.1

Complies

Explain

Does not apply

50. In addition to the duties indicated in the preceding recommendations, the following should correspond to the Appointments Committee:

a) **To assess the skills, knowledge and experience required on the board in order to define the skills and capabilities required by candidates to cover each vacancy, and to assess the time and dedication required to properly carry out their duties.**

b) **To examine or organise, as deemed most appropriate, the succession of the chairman and the chief executive, and to bring proposals before the board, if necessary, so that such successions come about in an orderly well-planned fashion.**

c) **To inform about the appointment and removal of senior executives the chief executive brings before the board.**

d) **To inform the board about gender equality matters set forth in Recommendation 14 contained herein.**

See section: C.2.4

Complies

Partially complies

Explain

Does not apply

51. The Appointments Committee should consult the company's chairman and chief executive, especially when dealing with matters concerning executive directors.

**And any director should be able to request the Appointments Committee to take into consideration potential candidates in case it considers the candidate suitable to cover any director vacancies.**

Complies  Partially complies  Explain  Does not apply

52. In addition to the functions indicated in the preceding Recommendations, the following correspond to the Remuneration Committee:

**a) To propose to the board of directors:**

**i) The remuneration policy for directors and senior executives ;**

**ii) The individual remuneration for executive directors, along with the terms and conditions of their contracts.**

**iii) Basic terms and conditions of senior executives' contracts.**

**b) To ensure the remuneration policy laid down by the company is observed.**

See sections: C.2.4

Complies  Partially complies  Explain  Does not apply

53. The Remuneration Committee should consult the company's chairman and chief executive, especially on matters concerning executive directors and senior executives.

Complies  Explain  Does not apply

## **H** OTHER INFORMATION OF INTEREST

1. If there are any other relevant aspects concerning the company's corporate governance or that of the group's entities not covered in the other sections of this report, but which should be included to provide more comprehensive and reasoned information on the structure and governance practices of the company or of its group, please provide brief details thereof.

2. Any other information, clarification or further details concerning previous sections of the report may also be included in this section in so far as they are relevant and not reiterative.

More specifically, state whether the company is subject to legislation other than Spanish legislation on corporate governance matters and, as applicable, include any information it is obliged to provide which is different from the information required in this report.

3. The company may also state if it has voluntarily joined other international, industry-specific or any other kind of codes on ethical principles or best practice. If so, state the code in question and the date the company joined it.

The Company is not subject to any legislation on corporate governance matters other than Spanish legislation.

This Annual Corporate Governance Report was approved by the company's board of directors at its meeting held on 24/02/2015.

State whether any directors either voted against or abstained from voting with regard to the approval of this Report.

Yes

No

### **Diligence in Drawing Up the Annual Accounts**

The drawing up of these consolidated annual accounts was approved by the Parent Company's board of directors at its meeting held on 24 February 2015 with a view to their verification by the auditors and subsequent approval by the General Shareholders' Meeting. Said accounts and the management report appear on 124 sheets of ordinary paper, which are numbered from 1 to 124, inclusive. All said sheets are signed by the Board Secretary and this last sheet is signed by all the Directors.

The undersigned, in their capacity as the Parent Company's Administrators, do hereby state that no item in the Parent Company's books has been omitted which should be included in this document, apart from the environmental information required under the Ministry of Justice Order of 8 October 2001.

Madrid, 24 February 2015

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Mr. Marco Colomer Barrigón  
(Chairman and Chief Executive  
Officer)

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Mr. Juan Carlos Ureta Domingo  
(Director)

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Mr. Jose Luis Colomer Barrigón  
(Director)

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Ofelia Marín-Lozano Montón  
(Director)

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Mr. Celestino Martín Barrigón  
(Director)

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Mr. José Juan Cano Resina  
(Non-member Secretary)