SAINT CROIX
HOLDING IMMOBILIER,
SOCIMI, S.A.

Annual Accounts for the year ending 31 December 2017 and Management Report

SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.

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HOLDING IMMOBILIER,
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SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.
BALANCE SHEET AT 31 December 2017
(euros)

ASSETS	Notes Report	Financial year 2017	Financial year 2016
NON- CURRENT ASSETS		**305,022,696**	**294,682,143**
Intangible fixed assets		**6,122**	**4,659**
Computer applications		6,122	3,388
Ongoing computer applications		-	1,271
Tangible fixed assets		**1,254**	**1,708**
Plant and other tangible fixed assets		1,254	1,708
Property investment	6	**303,359,467**	**293,023,533**
Net property investments		303,359,467	293,023,533
Long-term financial investments	8	**1,655,853**	**1,652,243**
Other financial assets		1,655,853	1,652,243
CURRENT ASSETS		**61,870,819**	**60,364,178**
Stocks		**200**	**5,278**
Advance payments to suppliers		200	5,278
Trade and other accounts receivable	9	**2,569,340**	**2,196,146**
Accounts receivable for sales and services		2,354,464	1,611,797
Staff		271	112
Other credits with Public Administrations	9 and 17.1	214,605	584,237
Short-term investments in Group and associate companies	8 and 19.2	**57,179,850**	**47,430,376**
Short-term loans to Group and associate companies		57,179,850	47,430,376
Short- term financial investments	8	**562,135**	**10,163,527**
Equity instruments available for sale		-	10,110,694
Other financial assets		562,135	52,833
Cash and cash equivalents	10	**1,559,294**	**568,851**
Cash and bank		1,559,294	568,851
TOTAL ASSETS		**366,893,515**	**355,046,321**

EQUITY AND LIABILITIES	Notes Report	Financial year 2017	Financial year 2016
EQUITY		**298,716,336**	**299,694,974**
OWN FUNDS			
Capital	12	**267,577,040**	**267,577,040**
Authorised capital		267,577,040	267,577,040
Reserves	12	**16,854,847**	**15,130,330**
Legal and statutory		2,700,109	1,131,843
Other reserves		14,154,738	13,998,487
Profit (Loss) for the year	4	**13,200,418**	**15,682,656**
ADJUSTMENTS FOR CHANGES IN VALUE		**-136,687**	**-**
Hedging operations	12 and 14	-136,687	-
SUBSIDIES, DONATIONS AND BEQUESTS RECEIVED	12	**1,220,718**	**1,304,948**
Subsidies, donations and bequests		1,220,718	1,304,948
NON-CURRENT LIABILITIES		**49,069,715**	**42,712,376**
Long-term debts	13	**49,069,715**	**42,712,376**
Bonds and debentures		10,000,000	10,000,000
Debts with credit institutions		35,739,711	29,465,941
Derivatives	12 and 14	136,687	-
Other financial liabilities		3,193,317	3,246,435
CURRENT LIABILITIES		**19,107,464**	**12,638,971**
Short-term debts	13	**16,853,074**	**11,840,680**
Bonds and debentures		130,822	130,822
Debts with credit institutions		16,473,854	11,199,473
Other financial liabilities		248,398	510,385
Short-term debts with Group and associate companies	19.2	**968**	**6,982**
Trade creditors and other accounts payable		**2,253,422**	**791,309**
Suppliers	15	1,220,982	298,083
Sundry creditors	15	237,542	114,773
Current tax liabilities	17	245,470	-
Other debts with Public Administrations	17.1	548,428	377,453
Advance payments from customers		1,000	1,000
TOTAL EQUITY AND LIABILITIES		**366,893,515**	**355,046,321**

Notes 1 to 26 set out in the annual report attached hereto form an integral part of the balance sheet at 31 December 2017

SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.
PROFIT AND LOSS ACCOUNT FOR 2017

(euros)

	Notes Report	Financial year 2017	Financial year 2016
CONTINUED OPERATIONS			
Revenues	18.1	**20,775,496**	**20,223,534**
Rental of properties		20,775,496	20,223,534
Procurements		**-**	**-85,927**
Work performed by other companies		-	-85,927
Other operating income	18.1	**328,112**	**23,250**
Non-core and other current management income		328,112	23,250
Staff costs	18.2	**-201,300**	**-198,850**
Wages, salaries and similar outgoings		-118,969	-121,092
National insurance contributions		-82,331	-77,758
Other operating expenses		**-2,895,641**	**-2,362,491**
Charges for external services	18.3	-1,308,513	-970,201
Taxes and similar levies	18.3	-1,559,366	-1,365,474
Losses, impairment and changes in provisions for trade transactions	9	-27,762	-26,811
Other current management expenses		-	-5
Fixed asset depreciation	6	**-4,811,366**	**-4,648,510**
Charging of non-financial fixed asset subsidies and others	12 and 18.1	**84,230**	**108,717**
Impairment and gain (loss) on fixed asset-write offs and disposals	6	**315,527**	**573,237**
Impairment and losses		512,676	1,040,347
Gains (losses) on disposals and others		-197,149	-467,110
Other gains (losses)		**1,168**	**11,856**
Exceptional income and expenses		1,168	11,856
OPERATING PROFIT (LOSS)		**13,596,226**	**13,644,816**
Financial income		**916,406**	**1,254,859**
From transferable securities and other financial instruments		916,406	1,254,859
- In Group and associate companies	19.1	894,895	894,416
- In third parties		21,511	360,443
Financial expenses		**-1,337,947**	**-917,032**
From debts with third parties	13	-1,337,947	-917,032
Variation in the fair value of financial instruments	8	**441,239**	**1,700,013**
Gains (losses) on the trading portfolio		441,239	1,700,013
FINANCIAL PROFIT (LOSS)		**19,698**	**2,037,840**
PROFIT (LOSS) BEFORE TAX		**13,615,924**	**15,682,656**
Tax on profits	17	-415,506	-
PROFIT (LOSS) FOR THE YEAR	4	**13,200,418**	**15,682,656**

Notes 1 to 26 set out in the annual report attached hereto form an integral part of the profit and loss account for 2017.

SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.
STATEMENT OF CHANGES IN EQUITY FOR 2017
A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE
(euros)

	Notes Report	Financial year 2017	Financial year 2016
RESULT OF THE PROFIT AND LOSS ACCOUNT (I)	4	**13,200,418**	**15,682,656**
Income and expenses recognised directly in equity			
- For cash flow hedges (Note 14)		-136,687	-
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II)		**-136,687**	**-**
Transfers to profit and loss account			
- Subsidies, donations and bequests received (Note 12)		-84,230	-108,717
TOTAL TRANSFERS TO PROFIT AND LOSS ACCOUNT (III)		**-84,230**	**-108,717**
TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III)		**12,979,501**	**15,573,939**

Notes 1 to 26 set out in the annual report attached hereto form an integral part of the statement of recognised income and expense corresponding to 2017

SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.

SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.

STATEMENT OF CHANGES IN EQUITY FOR 2017

B) STATEMENTS OF CHANGES IN TOTAL EQUITY

(euros)

	Capital	Legal reserve	Other reserves	Profit (Loss) for the year	Subsidies, donations and bequests	Adjustments for changes in value	Total
CLOSING BALANCE FOR 2015	**267,577,040**	**156,252**	**-1,956,848**	**9,755,905**	**-**	**-**	**275,532,349**
Total recognised total income and expenses	-	-	-	**15,682,656**	**-108,717**	-	**15,573,939**
Transactions with shareholders	-	**-**	**14,154,738**	**-**	1,413,665	-	**15,568,403**
- Other operations: merger (Note 1)	-	-	14,154,738	-	1,413,665	-	15568403
Other variations in equity	-	975,591	1,800,597	-9,755,905	-	-	-6,979,717
- Distribution of profit in 2015	-	975,591	1,800,597	-9,755,905	-	-	-6,979,717
CLOSING BALANCE FOR 2016	**267,577,040**	**1,131,843**	**13,998,487**	**15,682,656**	**1,304,948**	**-**	**299,694,974**
Total recognised total income and expenses	-	-	-	**13,200,418**	**-84,230**	**-136,687**	**12,979,501**
Other variations in equity	-	**1,568,266**	**156,251**	**-15,682,656**	-	-	**-13,958,139**
- Distribution of profit in 2016	-	1,568,266	156,251	-15,682,656	-	-	-13,958,139
CLOSING BALANCE FOR 2017	**267,577,040**	**2,700,109**	**14,154,738**	**13,200,418**	**1,220,718**	**-136,687**	**298,716,336**

Notes 1 to 26 set out in the annual report attached hereto form an integral part of the statement of changes in equity for 2017

SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.

SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.
CASH FLOW STATEMENT FOR 2017
(euros)

	Notes Report	Financial year 2017	Financial year 2016
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**17,338,228**	**17,348,388**
Profit (loss) before tax for the year		**13,615,924**	**15,682,656**
Adjustments:		**4,419,673**	**1,955,527**
- Fixed asset depreciation	6	4,811,366	4,648,510
- Valuation adjustments for impairment	6	-512,676	-1,040,347
- Gains (losses) on fixed asset write offs and disposals	6	197,149	467,110
- Variation in provisions (trade credits)		27,762	26,811
- Allocation of subsidies	12	-84,230	-108,717
- Income from shares in equity instruments	8	-441,239	-1,700,013
- Financial income		-916,406	-1,254,859
- Financial expenses		1,337,947	917,032
Changes in working capital		**335,623**	**135,972**
- Trade and other accounts receivable	9	-400,956	1,122,445
- Stocks		5,078	-4,199
- Trade creditors and other accounts payable	15	1,046,606	-967,104
- Other current financial liabilities	13	-315,105	-15,170
Other cash flows from operating activities:		**-1,032,992**	**-425,767**
- Interest payments		-1,054,503	-786,210
- Interest receivable		21,511	360,443
- Dividends receivable		-	-
CASH FLOWS FROM INVESTMENT ACTIVITIES (II)		**-4,793,761**	**15,616,970**
Investment payments		**-21,145,694**	**-48,316,374**
- Other financial assets	8	-512,912	-13,377,614
- Real estate investments	6	-20,629,886	-34,933,511
- Group and associated companies	19	-	-
- Fixed assets		-2,896	-5,249
Receivables from disposals		**16,351,933**	**63,933,343**
- Group and associated companies	19	-	58,129,023
- Real estate investments	6	5,800,000	826,000
- Other financial assets	8	10,551,933	4,978,320
CASH FLOWS FROM FINANCING ACTIVITIES (III)		**-11,554,024**	**-33,050,399**
- Subsidies			
Dividend and other equity instrument payments	4	**-13,958,138**	**-6,979,719**
Financial liability instrument receivables and payables		**2,404,114**	**-26,070,680**
- Payments for loans granted to Group and associate companies	19	-8,860,593	-44,527,852
- Issuance of debts with Group and associate companies	19	-	894,416
- Issuance of bonds and other transferable securities	13	-	10,000,000
- Issues of debts with credit institutions	13	11,264,707	7,562,756
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		**990,443**	**-85,041**
Cash or cash equivalents at beginning of the year		**568,851**	**653,892**
Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U.		-	642,701
Inveretiro, SOCIMI, S.A.U.		-	6,285
Cash or cash equivalents at end of the year		**1,559,294**	**568,851**

Notes 1 to 26 in the annual report attached hereto form an integral part of the cash flow statement corresponding to 2017.

SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.

Report for
Year Ending
31 December 2017

1. Company's activity

SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A. (hereinafter the "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 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 (REITs), while maintaining the listing of all its shares on the Luxembourg Stock Exchange.

- To change the Company name from "SAINT CROIX HOLDING IMMOBILIER, S.A." to "SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.".

- To approve the Company's financial statements at 31 May 2014 (date accounts were closed prior to moving address and therefore the change of nationality).

- To approve the new Articles of Association and the General Shareholders Meeting Regulations in accordance with Spanish Law.

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

Its corporate purpose includes the following activities:

- The acquisition and development of urban real estate for leasing. Development activities include the refurbishment of buildings under the terms set forth in Act 37/1992 of 28 December on Value Added Tax.

- The holding of interests in the capital of other listed real estate investment trusts (hereinafter "REITs") or in the capital of other entities not domiciled in Spanish territory which have the same corporate purpose as REITs and which are subject to a similar scheme as the one laid down for REITs 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 (REITs) 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 "REIT 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 REIT Act sets forth at any time for the company's revenue in each tax period, such as:

  - 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 property 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.

The performance of other non-core or financial and non-financial activities that generate revenues which together amount to less than 20% of the company's revenue in each tax period. The activities listed may be carried out by the Company, in full or in part, indirectly, by means of a shareholding in another company or other companies with a similar purpose. All activities subject to special requirements provided for by Law that are not fulfilled by the Company are excluded.

Given the nature of the activities that the Company currently performs, it has no environmental liabilities, costs, assets, provisions or contingencies which might be significant in relation to its assets, financial situation or results. As a result, no specific breakdowns of information on environmental matters have been included in this report on the annual accounts.

At 31 December 2015, the Company headed a Group with two subsidiary companies, and pursuant to the legislation in force, was obliged to produce separate consolidated annual accounts. The consolidated annual accounts of Grupo Saint Croix for 2015 were produced under the International Financial Reporting Standards adopted by the European Union (IFRS-EU)

The subsidiary companies included within the consolidation perimeter for 2015, which are consolidated by the full consolidation method, were the following:

Company	Euros				
	Investment Cost	**% Holding**	**Share capital**	**Other Equity Elements**	**Profit (Loss) for 2015**
Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U.	267,931,197	100.00%	257,160,000	4,531,093	18,498,617
Inveretiro, SOCIMI S.A.U.	52,004,436	100.00%	44,992,853	-231,260	2,464,962
Total	**319,935,633**				

Merger by absorption

In 2016, a reorganisation process was carried out to streamline and simplify the corporate structure of the group headed by Saint Croix Holding Immobilier, SOCIMI, S.A. by means of a merger process by virtue of which the Company absorbed the subsidiary companies, Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.U. and Inveretiro SOCIMI, S.A.U., as agreed at the Extraordinary General Shareholders' Meeting at which all shareholders were present on 19 May 2016 of the Absorbed Companies and the Extraordinary General Shareholders' Meeting of the Absorbing Company on 19 May 2016. Said merger was undertaken for accounting purposes on 1 January 2016 by means of the winding up without liquidation of the Absorbed Companies and the provision of all equity to the Absorbing Company. The merger agreement was made public through the Merger by Absorption deed granted on 1 July 2016 and entered in the Madrid Companies Registry on 27 July 2016. From that moment on, the Absorbing Company no longer formed a Consolidated Group.

The main aspects resulting from said merger were as follows:

- Saint Croix Holding Immobilier, SOCIMI, S.A. absorbed the aforementioned companies, which were wound up but not liquidated, acquiring all their equity by means of universal succession and subrogated in the rights and obligations thereof, pursuant to the system set out in Article 49 of Law 3/2009, of 3 April, on the structural amendment of corporations. By virtue of the aforementioned article, and as the Absorbing Company holds a 100% shareholding in the Absorbed Companies, it did not expand its share capital, nor was the involvement of independent experts required.

- Pursuant to trade law, the date on which the operations of the Absorbed Companies were considered undertaken for accounting purposes by Saint Croix Holding Immobilier, SOCIMI, S.A. was 1 January 2016.

- The book values incorporated as a result of the merger corresponded to the values recorded in the consolidated annual accounts of the Group to which the Absorbed Companies belonged on 31 December 2015 by virtue of the provisions of Accounting and Measurement Rule No. 21 of the General Accounting Plan.

- The merger was subjected to the tax neutrality system set out in Chapter VIII of Law 27/2014 of 27 November of the Corporation Tax Law.

- As a result of the merger undertaken, the Absorbing Company, Saint Croix Holding Immobilier, SOCIMI, S.A. was no longer considered a holding company; therefore, its corporate purpose was changed to include the acquisition and promotion of real-estate assets.

As a result of the aforementioned operation, merger reserves of 14,154,738 euros arose on account of the difference between the individual book values and the book values incorporated as part of the merger.

The merger was undertaken under the special system of mergers, divisions, transfers of assets and exchanges of securities provided for under Chapter VIII of Law 27/2014, of 27 November on the Corporation Tax Law. In the Company's financial statements at 31 December 2016, all necessary information is detailed in accordance with the provisions of the aforementioned legislation, namely:

a) List of transferred assets susceptible to depreciation.
b) List of tax benefits enjoyed by the transferring entity concerning which the entity must comply with specific requirements pursuant to the provisions of said law.
c) The most recent final balance sheet of the absorbed companies.
d) Assets and liabilities assumed on the date of acquisition.

2015 Fixed Income Securities Issuance Programme

On 30 September 2015, the Company filed the base informative document regarding the incorporation of mid- and long-term securities regarding a "2015 Fixed Income Securities Issuance Programme" on the Alternative Fixed Income Market ("MARF"). The Base Document was published on the website of the Alternative Fixed Income Market, as well as on the Company's website. For the purposes of registering said bond programme, the Company was awarded a credit rating of BBB, stable (investment grade) by Axesor. The funds obtained from the issue will be allocated to the investment in real estate assets and the renovation of the assets in portfolio.

The main features of the aforementioned programme can be summarised as follows:

- Maximum issue amount: 80,000,000 euros
- Repayment period: Between 2 and 7 years
- Coupon: Annual
- Nominal unit value≥ 100,000 euros
- Aimed at: accredited investors

In 2016, two sets of Fixed Income securities were issued by the Company as part of the aforementioned programme for the combined total of 10,000,000 euros, the main characteristics of which were as follows:

	2021 Uncovered Bonds	2022 Uncovered Bonds
Nominal amount	8,000,000	2,000,000
Issue date	23 June 2016	23 June 2016
Maturity date	23 June 2021	23 June 2022
Annual coupon	2.50%	2.50%
Coupon payment	Annual	Annual
APR of the issuer	2.72%	2.77%

Average APR of both issues for the issuer was 2.73% per annum. The two sets of securities issued have been traded on the Alternative Fixed Income Market "MARF" since 24 June 2016 (see Note 13).

2016 Fixed Income Securities Issuance Programme

On 18 October 2016, for the second consecutive year, the Company filed the base informative document regarding the incorporation of mid- and long-term securities regarding a "2016 Fixed Income Securities Issuance Programme" on the Alternative Fixed Income Market ("MARF"). The Base Document was published on the website of the Alternative Fixed Income Market, as well as on the Company's website. For the purposes of registering said bond programme, the Company was awarded a credit rating of BBB, stable (investment grade) by Axesor. The programme had a duration of 1 year. The funds obtained from the issue should be allocated to the investment in real estate assets and the renovation of the assets in portfolio.

The main features of the aforementioned programme can be summarised as follows:

- Maximum issue amount: 70,000,000 euros
- Repayment period: Between 2 and 7 years
- Coupon: Annual
- Nominal unit value≥ 100,000 euros
- Aimed at: accredited investors

In 2017, no Fixed Income securities have been issued under the aforementioned programme which have matured in 2017, as the Directors of the Company believe that the market conditions at the time were not appropriate to the established objectives.

Currently there is no Fixed Income Securities Issue Programme in force.

2. Applicable law

The Company is 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. REITs 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. In this case, the money or credit rights from the transfer of this real estate or equity interests made in the same year or in previous years shall not be included in the calculation, as applicable, provided that, in the case of the latter, the reinvestment period established in Article 6 of this Act has not elapsed.

2. Likewise, at least 80% of the tax period income corresponding to each financial year, excluding income from the transfer of holdings and of real estate both destined to fulfilling their 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.

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

3. The real estate constituting the company's assets must be leased for at least three years. For calculation purposes, 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) From the start date of the first tax period in which the special tax regime set forth in this Act applies, in the case of real estate included in the company's assets prior to joining the scheme, as long as that on said date the asset was leased or offered for lease. Otherwise, the provisions set forth in the following point shall apply.

   b) From the date on which they were leased or offered for lease for the first time, in the case of real estate assets subsequently developed or acquired by the company.

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 regime 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 regime 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 regime 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 REIT'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 to 5 million euros, eliminating the restriction on the property 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 REITs is set at 0%. Nonetheless, where the dividends a REIT distributes to its members holding an interest exceeding 5% are exempt or taxed at a rate below 10%, the REIT 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 REIT within two months from the date the dividends are distributed.

At the end of 2017, the Directors of the Company deemed that it had fulfilled all the requirements laid down by the aforementioned Law.

3. Basis for presenting the annual accounts

a) Regulatory financial information framework applicable to the Company

These annual accounts have been produced by the Directors pursuant to the regulatory financial information framework applicable to the Company, established in:

- the Code of Commerce and other trade law.

- General Accounting Plan approved by Royal Decree 1514/2007 which was modified in 2016 by Royal Decree 602/2016, and the sectoral adaptations for real-estate companies.

- The mandatory regulations approved by the Institute of Accounting and Account Audits in developing the General Accounting Plan and its complementary regulations.

- Law 11/2009 of 26 October governing Listed Real Estate Investment Trusts (REITs), as amended by Law 16/2012 of 27 December.

- Other applicable Spanish accounts regulations.

b) True reflection

The attached annual accounts have been obtained from the Company's books and are presented pursuant to the applicable regulatory financial information framework and, in particular, the accounting principles and criteria contained therein, in such a way that they are a true reflection of the equity, financial situation and results of the Company and the cash flows during the corresponding year.

These annual accounts, which have been produced by the Directors of the Company, shall be subject to approval by the General Shareholders' Meeting, and it is considered that they will be approved without changes. In turn, the Company's financial statements for 2016 were approved without modification by the General Shareholders' Meeting held on 29 June 2017.

c) Non-mandatory accounting principles employed

No non-mandatory accounting principles have been employed. Furthermore, the Directors have created these annual accounts considering all mandatory accounting standards and principles that have a significant impact on said annual accounts. No mandatory accounting principles have been disregarded.

d) Grouping of items

Certain entries on the balance sheet, the profit and loss account, the statement of changes in equity and the 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 annual report.

e) Critical aspects of the valuation and assessment of uncertainty

The estimates made by the Directors of the Company 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 producing the annual accounts. These estimates essentially refer to:

- The valuation of any possible impairment losses of specific assets (see Note 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 ending on 31 December 2017, 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.

f) Comparison of the information

The information contained in this report which refers to 2016 is presented along with the information for 2017 for the purposes of comparison.

g) Correction of errors

In the production of the attached annual accounts, no error has been identified that requires the re-statement of amounts included in the annual accounts for 2017.

h) Changes to accounts criteria

In the financial year ending 31 December 2017, there have been no significant changes to accounts criteria in terms of the criteria applied in the financial year ending 31 December 2016.

4. Profit distribution

The proposal for the distribution of the Company's profits for 2017 to be submitted by the Directors of the Company to the shareholders is as follows:

	Euros
Basis of distribution:	
Profit and Loss	13,200,418
Distribution:	
Legal reserve	1,320,042
Dividends	11,880,376

The dividend corresponding to 2016 in the amount of 13,958,138 euros approved by the General Shareholders' Meeting on 29 June 2017 was paid in full on 17 July 2017.

5. Accounting principles and accounting and measurement rules

The accounting and measurement rules used by the Company in the production of its annual accounts for the financial year ending 31 December 2017, pursuant to the provisions of the General Accounting Plan, have been as follows:

5.1 Property investment

The "real estate investment" item on the 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 acquisition price or production cost, which is subsequently reduced by their corresponding accumulated depreciation and impairment losses, if any.

The Company 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:

The breakdown of the estimated useful life of its property investments is as follows:

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

As indicated above, the Company 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 Company 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 fair value minus sales costs and usage value.

The Company commissioned CBRE Valuation Advisory, S.A., an independent expert, to conduct a valuation of its assets, which was issued on 30 January 2018, in order to determine the fair values of all its property investments at year-end. Such valuations were conducted on the basis of the market lease value (which consists of capitalising net rents from each property and updating future flows). 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 Company'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 Company had no financial leases at year-end 2017 or 2016.

Operating leases

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

Likewise, any acquisition costs of the leased asset are reflected on the 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 Company 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) Sureties and guarantees posted by the Company in compliance with contractual clauses of the different leases booked.

c) Financial assets held for trading: assets acquired with a view to disposing of them in the short term or those that form part of a portfolio concerning which there is evidence of recent activities with this in mind.

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 and items receivable are valued at their amortised cost.

Financial assets held for trading are valued at their fair value, booking the result of variations in said fair value in the profit and loss account.

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

More specifically, the criterion used by the Company to calculate the corresponding value corrections concerning trade receivables and other accounts receivable, if any, consists of making an annual allocation 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 Company 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.

Contrariwise, the Company 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 Company 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 amortised cost.

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

5.3.3 Derivative financial instruments

The Company uses derivative financial instruments to hedge the risks to which is activities, operations and future cash flows are exposed. These risks arise from changes in interest rates. Within the framework of these operations, the Company contracts hedging financial instruments.

For these financial instruments to qualify as hedge accounting, they are initially designated as such and the hedging relationship is documented. Likewise, the Company initially and periodically throughout its life (at least at each accounting close) verifies that the hedging relationship is effective, i.e., that it is prospectively expected that changes in fair value or in the cash flows of the hedged item (attributable to the hedged risk) are almost completely offset by those of the hedging instrument and, retrospectively, the results of the hedging vary between 80% to 125% with respect to the result of the hedged item.

The Company only applies cash flow hedges, which are accounted for as described below:

- Cash flow hedges: In this type of hedging, the profit or loss on the hedging instrument which has been determined as effective hedging is temporarily recognised in equity, and charged to the profit and loss account in the same period in which the item being hedged affects the results, unless the hedge corresponds to a projected transaction which entails the recognition of a non-financial asset or liability, in which case the amounts recorded in equity will be included in the cost of the asset or liability when it is acquired or assumed.

The value of the derivatives reflects the fair market value of the derivatives at 31 December 2017. These derivatives have been contracted to hedge the interest rate risk and that fair value represents the payment which would have to be made if it were decided to sell them or transfer them to a third party.

The accounting for hedges is interrupted when the hedging instrument matures or is sold, finalised or exercised, or no longer meets the criteria for hedge accounting. At that time, any cumulative gain or loss corresponding to the hedging instrument which has been recorded in equity is held within equity until the expected operation occurs. When the operation being hedged is not expected to occur, the cumulative net gains or losses recognised in equity are transferred to the net results of the period.

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 those 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 regime for REITs 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 payout 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 share 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. However, the special tax rate shall not apply where the dividends or profit-sharing are received by other REITs, regardless of what their percentage holding may be.

Hence, the 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.

Interest accrued on financial assets is recognised using the effective interest rate method. In any event, the interest from financial assets accrued subsequent to the moment of acquisition is 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 annual accounts, the Directors of the Company 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 materialisation is conditional upon whether or not one or more future events which are beyond the Company's control take place.

The 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 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 Environmental asset elements

Environmental asset elements are deemed to be any assets which are used in a long-lasting manner in the Company'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 Company's operations do not have any significant environmental impacts.

5.9 Subsidies, donations and bequests

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

a) Non-reimbursable capital grants, 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 income in proportion to the depreciation allocation allocated in the period for subsidised elements or, as appropriate, when their disposal or value allowance due to impairment comes about.

b) Reimbursable subsidies: As long as they are deemed as reimbursable, they are booked as liabilities.

5.10 Related-party transactions

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

6. Property investment

The movements in this item of the balance sheet, as well as the most significant information which affected this item during 2017 and 2016 are as follows:

2017

	Euros			
	Balance at 31/12/2016	Additions	Disposals/ Reversals	Balance at 31/12/2017
Cost:				
Properties for leases	340,827,425	19,388,571	-7,597,362	352,618,634
Ongoing real-estate investments	-	1,241,315	-	1,241,315
Total cost	**340,827,425**	**20,629,886**	**-7,597,362**	**353,859,949**
Accumulated depreciation:				
Properties for leases	-32,195,036	-4,809,477	549,553	-36,454,960
Total accumulated depreciation	**-32,195,036**	**-4,809,477**	**549,553**	**-36,454,960**
Impairment:				
Properties for leases	-15,608,856	-711,997	2,275,331	-14,045,522
Total impairment	**-15,608,856**	**-711,997**	**2,275,331**	**-14,045,522**
Net property investments	**293,023,533**	**15,108,412**	**-4,772,478**	**303,359,467**

2016

	Euros					
	Balance at 31/12/2015	Recognitions for merger	Additions	Disposals/ Reversals	Transfers	Balance at 31/12/2016
Cost:						
Properties for leases	-	305,822,724	34,933,511	-1,358,810	1,430,000	340,827,425
Ongoing real-estate investments	-	1,430,000	-	-	-1,430,000	-
Total cost	**-**	**307,252,724**	**34,933,511**	**-1,358,810**	**-**	**340,827,425**
Accumulated depreciation:						
Properties for leases	-	-27,612,952	-4,647,373	65,289	-	-32,195,036
Total accumulated depreciation	**-**	**-27,612,951**	**-4,647,373**	**65,289**	**-**	**-32,195,036**
Impairment:						
Properties for leases	-	-16,649,203	-3,424,111	4,464,458	-	-15,608,856
Total impairment	**-**	**-16,649,203**	**-3,424,111**	**4,464,458**	**-**	**-15,608,856**
Net property investments	**-**	**262,990,569**	**26,862,027**	**3,170,937**	**-**	**293,023,533**

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.

Property investments made in 2017 totalled 20,629,886 euros. The main inclusions recorded in this item, during 2017, correspond mainly to the following investments:

- On 7 February 2017, an office building located at Calle Orense, 62 in Madrid was purchased with a surface area of 1,827 square metres and 11 parking spaces. The total purchase price was 3,047,950 euros.

- On 10 February 2017, two commercial premises located at Calle Goya, 59 in Madrid were purchased with a surface area of 423 and 439 square metres respectively and two parking spaces. The total purchase price was 15,611,986 euros.

- In addition, during 2017, costs were charged to hotels amounting to 311,376 euros mainly for furniture and technical facilities and to the office building at José Abascal 41 in Madrid for an amount of 417,259 euros (costs associated with the purchase).

- Within the heading "Ongoing real-estate investments" of the accompanying balance sheet at 31 December 2017, there have been recognitions amounting to 1,241,315 euros, corresponding to the renovations being carried out in the building located at Calle Orense 62 in Madrid for an amount of 463,861 euros, in the property located at Pradillo 42 in Madrid for the amount of 754,152 euros and in the Hotel Meliá in Isla Canela for an amount of 23,302 euros, which are currently undergoing remodelling. For Pradillo 42, the budget for remodelling amounts to 3,700,000 euros, at Orense 62 it is 1,360,000 euros and in the Hotel Meliá in Isla Canela it is 760,000 euros. Finally, it is worth mention that the building located at José Abascal 41 will be subject to a comprehensive renovation; works will begin in the coming months and the budget to date amounts to 4,300,000 euros.

Property write downs amounting to 7,597,362 euros were undertaken in 2017. The main write downs in 2017 correspond to:

- The sale of a building located in Calle San Antón de Cáceres (gross cost for the amount of 3,959,236 euros), the cost of which net of amortisation and impairment amounted to 3,000,405 euros. The amount of the sale was 2,915,000 euros which consequently resulted in a net loss of 85,405 euros. Said amount has been booked in the "Impairment and gains (losses) on fixed asset disposals" item of the profit and loss account for the year ended 31 December 2017 attached hereto. At the time of its sale, this building had an associated impairment of 572,057 euros, which has been written off as a result of its disposal.

- Sale of several buildings in Sanchinarro V, Sanchinarro VI and Sanchinarro VII (gross cost for the amount of 3,211,752 euros), as well as the sale of several offices in Coslada III (gross cost amounting to 426,374 euros), which have been sold to third parties. These sales operations generated a net loss of 111,744 euros which has been recorded in the "Impairment and gains (losses) on fixed asset disposals" item of the profit and loss account for the year ended 31 December 2017 attached hereto. At the time of its sale, these properties had an associated impairment of 478,601 euros, which has been written off as a result of its disposal.

Furthermore, the Company proceeded to appraise all of its real estate assets at year-end 2017 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 Company has therefore calculated the corresponding impairments. The breakdown by segment of the real-estate investments for which it has been necessary to book impairment is as follows:

Segments	Impairments (Euros)	
	2017	2016
Offices	-	416,096
Retail	711,997	3,008,015
Total	**711,997**	**3,424,111**

As a result of the aforementioned appraisal of the Company's assets, the Group proceeded to reverse impairments amounting to 1,224,673 euros in 2017 as per the following breakdown:

Segments	Reversals (Euros)	
	2017	2016
Hotels	17,625	3,503,434
Offices	1,152,466	566,370
Retail	54,582	394,654
Total	**1,224,673**	**4,464,458**

Furthermore, according to the appraisals made, the fair value of the real estate investments revealed an unbooked unrealised capital gain (by comparing the updated gross fair market value and the net book value) of 105,556,969 euros (85,191,328 euros at 31 December 2016), which was primarily due to the premises located at Gran Vía 34 in Madrid, Calle Conde de Peñalver, 16 in Madrid, Gran Vía, 55 in Madrid, Hotel Barceló Isla Canela, Hotel Tryp Cibeles in Madrid and the industrial warehouse located in Daganzo de Arriba in Madrid.

The market value of the property investments at year-end 2017 and 2016 broken down by activity segment is as follows:

Segments	Gross market value of the property investments (euros):	
	31/12/2017	31/12/2016
Hotels	131,098,507	123,925,492
Offices	102,013,723	94,867,220
Retail	158,197,306	142,104,150
Industrial	17,606,900	17,318,000
Total	**408,916,436**	**378,214,862**

The breakdown of floor space in square metres above ground level (S.B.A.) of the real estate investments owned by the Company was:

Segments	Floor area in m2 above ground level	
	31/12/2017	**31/12/2016**
Hotels	80,135	80,135
Offices	26,825	26,442
Retail	22,357	21,801
Industrial	13,810	13,810
Total	**143,127**	**142,188**

The occupation level of the Company's assets allocated to leases at 31 December 2017 amounted to 87.93% (91.64% at 31 December 2016) of the floor space (sq.m.) leased.

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

As part of the Company's asset portfolio, there are 2 hotels (4 hotels at 31 December 2016) located in Isla Canela (Huelva), that have been transferred from Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.U. to the Company as a result of the merger set out in Note 1, which are covered by mortgage guarantees amounting to 11,229,908 euros (16,289,049 euros at 31 December 2016), corresponding to two bank mortgage loans granted to Isla Canela, S.A., which remains the sole debtor of the main obligations under said loans, with the Company constituted as the owner, not the debtor, of the aforementioned registered estates. The breakdown of the mortgage loan balance pending maturity and repayment at 31 December 2017 and 31 December 2016 by assets is as follows:

Property	Euros	
	2017	**2016**
Hotel Meliá Atlántico (maturity at 31 March 2021)	6,634,378	8,456,780
Hotel Barceló Isla Canela (maturity at 31 May 2020)	4,595,530	6,378,419
Hotel Iberostar Isla Canela	-	800,000
Hotel Playa Canela	-	653,850
Total value of mortgages pending maturity on hotels	**11,229,908**	**16,289,049**

NB: The net book value of the properties underwriting these loans at 31 December 2017 comes to 51,309,741 euros (92,896,949 euros at 31 December 2016).

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 provides the former with the mortgage guarantee service whereby the hotels owned by the latter will respond for repayment by the former of the mortgage-backed 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. pays the Company a fee; this an annual lump-sum amount equivalent to 0.25% of the average annual outstanding balance of the mortgage-backed 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 Company for the provision of bank guarantees (bank guarantees and surety bonds) by financial institutions. As a result of the merger set out in Note 1, the rights and obligations of the aforementioned contract were transferred to the Company, Saint Croix Holding Immobilier, SOCIMI, S.A.

The revenue resulting from this agreement due in 2017 and invoiced to Isla Canela, S.A. amounted to 34,439 euros (50,064 euros in 2016) (see Note 19).

Furthermore, the Companies' assets are affected by mortgage guarantees amounting to 36,091,039 euros at 31 December 2017 (27,201,131 euros at 31 December 2016), corresponding to bank mortgage-backed loans.
The breakdown of the mortgage loan balance pending maturity and repayment at 31 December 2017 and 2016 by assets is as follows:

Property	Euros	
	2017	**2016**
Titán, 13	13,619,370	14,412,731
Conde de Peñalver, 16	8,843,286	9,358,428
Plaza de España (Castellón)	2,228,383	3,429,972
José Abascal, 41	11,400,000	-
Total value of mortgages pending maturity on assets (Note 13)	**36,091,039**	**27,201,131**

In 2017, the rental income from real estate investments belonging to the Company comes to 20,775,496 euros (20,223,534 euros in 2016).

At year-end 2017, 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 2017, the Company 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 2016).

The Company's policy is to take out insurance policies to cover the possible risks that may affect its real estate investments. At the end of 2017, there will be no shortfalls relating to any of the aforementioned risks.

7. Operating leases

At the end of 2017 and 2016, the Company 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	Euros Nominal value 2017	 Nominal value 2016
Less than a year	20,351,077	18,318,112
Between two and five years	55,370,020	56,896,067
More than five years	17,538,150	28,192,729
Total	**93,259,247**	**103,406,908**

With regard to the average duration of lease contracts by property type, the WAULT (Weighted average unexpired lease term) is provided below:

Segments	WAULT 31/12/2017	 31/12/2016
Hotels	4.66	5.76
Offices	4.48	5.69
Retail	6.99	8.38
Industrial	9.23	11.00
Total Average	**5.89**	**7.18**

8. Other financial assets and investments in related companies

The balances of the accounts in this item at year-end 2017 and 2016 are as follows:

Financial Assets: Type / Category	Euros 31/12/2017	 31/12/2016
	Loans and receivables	
Other financial assets	1,655,853	1,652,243
Long-term / non-current	**1,655,853**	**1,652,243**
Loans to related companies (Note 19.2)	57,179,850	47,430,376
Short-term financial investments in equity instruments	-	10,110,694
Other financial assets	562,135	52,833
Short-term / Current	**57,741,985**	**57,593,903**
Total	**59,397,838**	**59,246,146**

The Company generates a cash surplus from current operations arising from its main activity, as set forth in the corporate purpose. As a result of this, the Company has reached several financing agreements in this regard with related parties under market conditions (See Note 19.2) in order to take maximum advantage of its positive cash flows. The loan to Group and associate companies is booked under the "Short-term investments in Group and associate companies" item of assets.

The movement in the "Short-term loans to Group and associate companies", "Other financial assets" and the "Equity instruments" items during 2017 and 2016 is as follows:

2017

Financial assets	Euros			
	31/12/2016	Additions	Disposals	31/12/2017
Loans to associated companies (Note 19.2)	47,430,376	9,749,474	-	57,179,850
Other financial assets	1,705,076	513,062	-150	2,217,988
Equity instruments available for sale	10,110,694	-	-10,110,694	-
Total	**59,246,146**	**10,262,536**	**-10,110,844**	**59,397,838**

2016

Financial assets	Euros						
	31/12/2015	Inclusions following merger	Write downs following merger	Additions	Disposals	Adjustments for changes in value	31/12/2016
Loans to associated companies	17,666	61,053,472	-17,666	-	-13,623,096	-	47,430,376
Other financial assets	-	1,716,464	-	554,849	-566,237	-	1,705,076
Equity instruments available for sale	-	-	-	13,377,614	-4,523,224	1,256,304	10,110,694
Total	**17,666**	**62,769,936**	**-17,666**	**13,932,463**	**-18,712,557**	**1,256,304**	**59,246,146**

The variation in the "Loans to associated companies" item corresponds to the movements of the cash pooling account which the Company has with Promociones y Construcciones, PYC, Pryconsa, S.A., whose balance at year-end amounted to 57,179,850 euros (47,430,376 euros at 31 December 2016) within this financing scheme for the Group.

In 2016, the Company purchased several blocks of shares in another REIT which jointly came to 1,478,770 shares for a total purchase cost of 13,377,614 euros, which were recorded under “Equity instruments available for sale”. During 2016, the Company carried out various share sales operations of this nature for which it generated a positive result of 443,709 euros. The Company undertook an assessment of the other shares which were not subject to sale as at 31 December 2016, resulting in an upward adjustment of 1,256,304 euros, recorded under “Gains (losses) on the trading portfolio” at 31 December 2016.

During 2017, the Company sold all of the remaining shares of this nature, for which it recognised gains of 441,239 euros (443,709 euros at 31 December 2016), recorded under the "Gains (losses) on the trading portfolio" item of the attached profit and loss account at 31 December 2017, plus the gains received from the sale, for the amount of 443,709 euros and the income for the valuation adjustment for the amount of 1,256,304 euros at 31 December 2016. Therefore, the total capital gains obtained in 2017 and 2016 arising from this share purchase operation was 2,141,252 euros.

Furthermore, the “Other non-current financial assets” and “Other non-current financial assets” items reflect the guarantees connected with the leases set out in Note 7 received from clients and deposited with public authorities.

The breakdown by due dates of the entries that comprise the "Other non-current financial assets" item at 31 December 2017 is as follows:

	Euros					
	2018	2019	2020	2021	2022 and subsequent	Total
Other financial assets	562,135	32,936	1,269,352	3,326	350,239	2,217,988
Total	**562,135**	**32,936**	**1,269,352**	**3,326**	**350,239**	**2,217,988**

9. Trade and other accounts receivable

The breakdown of the item at year-end 2017 and 2016 is as follows:

Description	Euros	
	31/12/2017	31/12/2016
Accounts receivable for sales and services	2,354,464	1,611,797
Staff	271	112
Other credits with Public Administrations (Note 17.1)	214,605	584,237
Total	**2,569,340**	**2,196,146**

The balance of the "Accounts receivable for sales and services" can be broken down as follows, for year-end 2017 and 2016:

Description	Euros	
	31/12/2017	31/12/2016
Customers	1,726,402	1,189,721
Commercial paper in portfolio	628,062	422,076
Customers with doubtful debts	139,317	131,727
Impairment	-139,317	-131,727
Total	**2,354,464**	**1,611,797**

The customer balance at the end of 2017 primarily includes some of the amounts pending payment corresponding to income from the fourth quarter of 2017 in addition to the variable income from specific hotels belonging to the Company that is calculated and invoiced at the end of the year based on GOP and income for the year.

The movement of the impairment of registered customers is as follows:

	Euros
Balance at 31 December 2016	**-131,727**
Impairment of customers	-32,779
Applications to its purpose	20,172
Reversal of commercial credits	5,017
Balance at 31 December 2017	**-139,317**

10. Cash and cash equivalents

The balance stated under "Cash" primarily corresponds to the balance available in current accounts on 31 December 2017 and 2016. The availability of these balances is subject to no restrictions and they accrue interest at market rates.

11. Information on the nature of financial instruments and their level of risk

The management of the Company's financial risks is centralised in the Group's 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 which impact the Company are set out below:

a) Credit risk

The Company's main financial assets are cash flow and cash balances, trade creditors and other accounts receivable in investments. These account for the Company's maximum exposure to credit risk as regards financial assets. The Company'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 Company 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 Directors of the Company on the Company's cash generating capacity, the Directors believe that the Company has enough capacity to obtain financing from third parties were it necessary to make new investments. Consequently, there is no evidence that the Company 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 Company's exchange rate risk at 31 December 2017, it did not have any assets or liabilities in foreign currencies. Hence, there is no risk in this regard.

d) Interest rate risk

The Company has two long-term loans financing mainly long-term assets, as well as short-term working capital financing facilities. The risk of interest rate fluctuations is very low since the Company is not highly exposed to debt. The Company'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 insignificant effect on the Company's results, taking into account its low debt levels and today's very low interest rates. However, as a one-off in 2017, the Company contracted an Interest Rate Swap derivative financial instrument to cover the risk of interest rate fluctuations associated with the mortgage loan taken out in 2017.

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 has the existence of microeconomic and macroeconomic aspects that directly or indirectly affect the way the property market performs, particularly the rentals which make up the Company's main investment activity.

Other market risks to which the Company is exposed include:

- **Regulatory risks**: the Company is bound 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 Company.

- **Tourism risk**: a significant part of the Company'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.

12. Total equity and shareholders' equity

a) Authorised capital

At 31 December 2017, the Company's subscribed share capital was comprised of 4,452,197 registered shares at a par value of €60.10 each. All these shares belong to a single class and series and all have been fully subscribed and paid up, which means that the Company's notarised share capital amounts to €267,577,040.

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 Association (preferential purchase rights).

All the Company's shares have been admitted to trading on the Luxembourg Stock Exchange since 21 December 2011. The year-end share price, the average share price in the last quarter of the year and the average for 2017 were 72.00, 71.77 and 70.57 euros per share, respectively. The average share price for 2017 was 70.57 per share. 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 accounting record.

The shareholders shall be subject to the obligations set forth in Articles 10 and comply with the REIT 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 share capital equivalent to or greater than 10% at 31 December 2017 are as follows:

Shareholder	Number of Treasury	Percentage Interest
COGEIN, S.L.	517,819	11.63%
Promociones y Construcciones, PYC, Pryconsa, S.A.	498,360	11.19%

b) 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 2017, the legal reserve had not yet been fully allocated.

Other reserves

Reserves first application of General Accounting Plan (GAP)

As indicated in Note 1, during 2014 the Company relocated its registered office to Spain; as a result, pursuant to the law in force, the financial statements for 2014 were the first to be filed pursuant to the General Accounting Plan (GAP) approved by Royal Decree No. 1514/2007 of 16 November and which came into force on 1 January 2008. In this regard, the information contained in the report corresponding to the financial year ending 31 December 2014 was presented, for the purposes of comparison, with the information for the financial year ending 31 December 2013, performing the adjustments and reclassifications required on the aforementioned comparative figures, using the 2013 reserves as a counterpart.

Specifically, the only adjustment needed to adapt comparative figures from 2013 to the Spanish National Chart of Accounts approved by Royal Decree No. 1514/2007 of 16 November corresponded to the filing, in previous years, of income from dividends distributed by the subsidiary company, Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.U. Given that said distributed dividends were inextricably attributable to profits generated prior to the date on which the investment was made, pursuant to the General Accounting Plan, the amount was not to be filed as income, but by reducing the sum of investment. To this end, the Company restated the comparative information from 2013, registering a reduction of the cost of the stake held in the subsidiary company and charged an amount equivalent to the dividends received in previous years to reserves and recorded as income, for a total amount of €4,211,445.

During 2015, the Company adjusted part of the negative reserves calculated on 31 December 2014 to the value of investments in equity instruments, reducing said negative reserves by €1,333,495 against the value of long-term financial investments in group and associate companies.

In 2014 and 2015, the Company applied part of the income from said years, the sum of €2,721,698, to the reduction of these reserves.

The balance of this item at 31 December 2016 therefore corresponds to the reserve for the first application of the General Accounting Plan in the amount of 156,252 euros. Said reserve was completely offset once the appropriation of the Company's 2016 earnings was authorised, which is why the balance is 0 euros at 31 December 2017.

Merger reserves

As a result of the merger operation set out in Note 1, in 2016 merger reserves of 14,154,738 euros were provided for, generated on account of the difference between the individual book values of the Absorbed Companies and the book values incorporated as part of the merger.

c) Distribution of profits

REITs are governed by the special tax regime 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 profit-sharing distributed by the entities referred to in paragraph 1, Article 2 of this Law.

b) At least 50 per cent of the income 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 properties or interests included under the corporate purpose within the three years following the date of transfer. Failing this, such profits must be fully distributed together with the profits, if any, from the year in which the reinvestment period ends. Should the elements subject to reinvestment be transferred before the maintenance period elapses, any profits from them 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 regime 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 regime 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 regime 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.

d) Capital management

The Company is essentially financed with shareholders' equity. Only in the case of new investments may the Company make use of the credit markets to finance these acquisitions or obtain financing from related companies by taking out mortgage-backed loans and/or issuing fixed income financial instruments.

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

e) Adjustments for changes in value

The breakdown and nature of other adjustments for changes in value is as follows:

	Euros	
	31/12/2017	**31/12/2016**
Hedging operations (Note 14)	136,687	-
Total	**136,687**	**-**

f) Capital grants

The changes in this item during 2017 and 2016 are as follows:

2017

	Euros		
	31/12/2016	**Applications**	**31/12/2017**
Capital grants	1,304,948	-84,230	1,220,718
Total	**1,304,948**	**-84,230**	**1,220,718**

2016

	Euros			
	31/12/2015	Inclusions following merger	Applications	31/12/2016
Capital grants	-	1,413,665	-108,717	1,304,948
Total	**-**	**1,413,665**	**-108,717**	**1,304,948**

Due to the change in taxation pursuant to amendment 16/2012 of 27 December to Law 11/2009 regulating Listed Real Estate Investment Trusts on the Real Estate Market, the Company started to pay tax at the rate of 0%. Therefore, the Company has adjusted the tax effect or the deferred tax liability and included the gross amount in “Subsidies, donations and bequests” of the Company's net equity.

These subsidies correspond to the subsidy granted by the Directorate-General of Regional Economic Incentives amounting to 3,146,000 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 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 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 corresponding to 14% of the investment made to build a hotel in Ayamonte, Huelva.

The aforementioned subsidies were transferred to the Absorbed Company, Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U. from Isla Canela, S.A. based on the partial division agreement which gave rise to the Absorbed 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 Absorbed Company has booked the subsidies thus transferred in income since then.

Hence, in 2017 income amounting to 84,230 euros (108,717 in 2016) was recorded as income in the "Assignment of non-financing fixed asset subsidies" item of the profit and loss account attached hereto.

13. Current and non-current liabilities

The balances of the accounts in this item at the end of 2017 and 2016 are as follows:

	Euros	
	31/12/2017	31/12/2016
Bonds and debentures	10,000,000	10,000,000
Long-term debts with credit institutions	35,739,711	29,465,941
Derivatives (Note 14)	136,687	-
Other financial liabilities	3,193,317	3,246,435
Total long-term liabilities	**49,069,715**	**42,712,376**
Bonds and debentures	130,822	130,822
Short-term debts with credit institutions	16,473,854	11,199,473
Other financial liabilities	248,398	510,385
Total short-term debts	**16,853,074**	**11,840,680**
Total short-term and long-term financial debts	**65,922,789**	**54,553,056**

The “Bonds and Debentures” item covers the issuance of two sets of Fixed Income securities undertaken by the Company in 2016 as part of the “2015 Fixed Income Securities Issuance Programme”, described in Note 1, for a combined amount of €10,000,000, the main characteristics of which were:

	2021 Uncovered Bonds	2022 Uncovered Bonds
Nominal amount	8,000,000	2,000,000
Issue date	23 June 2016	23 June 2016
Maturity date	23 June 2021	23 June 2022
Annual coupon	2.50%	2.50%
Coupon payment	Annual	Annual
APR of the issuer	2.72%	2.77%

Average APR of both issues for the issuer was 2.73% per annum. The two sets of securities issued have been traded on the Alternative Fixed Income Market “MARF” since 24 June 2016. The financial expenses resulting from the aforementioned issuances, accrued and pending maturity in 2017, totalled 130,822 euros (130,822 in 2016), recorded under “Financial expenses” in the attached profit and loss account.

The "Long-term debts with credit institutions" and "Short-term debts with credit institutions" items correspond mainly to mortgage-backed loans taken out with Caixabank, Banco Santander and Banca March, which, at 31 December 2017, are pending maturity and repayment. Said mortgage-backed loans correspond to two Caixabank loans as part of which the Company is subrogated in the process of acquiring the premises purchased in 2011 in Plaza de España (Castellón), in addition to the 2015 contracting of two mortgage-backed loans by the Company from Banco Santander against commercial properties located at Conde de Peñalver 16 (Madrid) and office building at Calle Titán 13 (Madrid). Likewise, in 2017, the Company contracted a new mortgage loan with Banca March to finance the purchase of an office building located at José Abascal, 41 (Madrid) in December 2016 Regarding the aforementioned mortgage loan, on 17 February 2017, the Company entered into an Interest Rate Swap derivative financial instrument amounting to 8,550,000 euros, the term of which runs from 1 April 2019 to 1 April 2026.

The characteristics of these loans are as follows:

Property	Financial institution	Start	Euros		Maturity
			Initial amount	Outstanding capital	
Plaza España, Castellón	Caixabank	2,007	4,195,000	37,921	2,018
Plaza España, Castellón	Caixabank	2,010	7,200,000	2,190,462	2,020
Titán, 13	Banco Santander	2,015	15,735,000	13,619,370	2,025
Conde de Peñalver, 16	Banco Santander	2,015	10,217,000	8,843,286	2,025
José Abascal, 41	Banca March	2,017	11,400,000	11,400,000	2,031
Total			**48,747,000**	**36,091,039**	

Furthermore, in 2017, the Company signed a new long-term loan with Liberbank, which is recorded under "Short-term debts with credit institutions". The total amount of this loan is 2,000,000 euros.

The characteristics of the personal guarantee loans with maturity in the short and long term are as follows:

Institution	Start	Euros		Maturity
		Initial amount	Outstanding capital	
Sabadell	2,016	5,000,000	3,087,549	2,019
Liberbank	2,016	2,000,000	336,238	2,018
Abanca	2,016	3,000,000	1,351,114	2,019
Liberbank	2,017	2,000,000	1,333,333	2,018
Total		**12,000,000**	**6,108,234**	

Lastly, the "Short-term debts with credit institutions" item includes two credit facilities: one taken out with Banca March, which matures on 18 November 2018 with a limit of 5,000,000 euros, of which 4,988,554 euros had been drawn down at 31 December 2017; and a second taken out with Bankinter, which matures on 18 March 2018 with a limit of 5,000,000 euros, of which 4,873,116 euros had been drawn down at 31 December 2017.

The financial expenses arising from debts with credit institutions in 2017 amounted to 1,087,947 euros (786,210 euros in 2016) and are recorded in the "Financial expenses" item of the attached profit and loss account.

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 7.

The breakdown by due dates at 31 December 2017 is as follows:

	Euros					
	2018	**2019**	**2020**	**2021**	**2022 and subsequent**	**Total**
Bonds and debentures	130,822	-	-	-	10,000,000	10,130,822
Debts with credit institutions (*)	16,473,854	3,839,153	2,419,414	1,878,504	27,602,640	52,213,565
Long-term guarantees	-	162,747	1,536,543	129,848	1,364,179	3,193,317
Short-term guarantees	248,398	-	-	-	-	248,398
Total	**16,853,074**	**4,001,900**	**3,955,957**	**2,008,352**	**38,966,819**	**65,786,102**

(*) Mortgage-backed loans in the amount of 36,091,039 euros, loans of 6,108,234 euros, drawdowns on credit facilities in the amount of 9,861,670 and interest accrued pending maturity in the amount of 152,622 euros.

14. Derivative financial instruments

The breakdown of derivative financial instruments at 2017 year-end is as follows:

	Classification	**Type**	**Outstanding balance**	**Maturity**	**Fair value Liability**
Interest rate swap	Interest rate hedge	Variable to Fixed	8,550,000	01.04.2026	136,687

On 17 February 2017, the Company entered into an Interest Rate Swap derivative financial instrument amounting to 8,550,000 euros, the term of which is from 1 April 2019 to 1 April 2026.

This financial instrument has had the following impact on the Company's equity, according to the valuation made:

- An equity reduction of 136,687 euros in 2017 (0 euros in 2016), which has been recorded in the Company's equity under the "Adjustments for changes in value" item.

The Company has complied with the requirements set out in Note 5.3.3 on registration and valuation standards to be able to classify the financial instruments detailed above as hedges.

15. Disclosure on supplier payment deferrals

Below is the information required by Additional Provision Three of Law 15/2010 of 5 July (modified under the Second Final Provision of Law 31/2014 of 3 December) prepared according to the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, on the information to be included in the record of annual financial statements relating to the average period for payment to suppliers in commercial transactions.

	2017	2016
	Days	Days
Average payment period to suppliers	48.10	54.80
Ratio of paid transactions	47.22	54.60
Ratio of transactions pending payment	51.60	71.82
	Euros	Euros
Total payments made	2,554,571	6,334,012
Total payments pending	637,700	75,298

Pursuant to the ICAC Resolution, to calculate the average payment period to suppliers, commercial transactions corresponding to the accrued delivery of goods or provision of services from the date on which Law 31/2014 of 3 December came into force, have been taken into consideration.

For the sole purpose of providing the information set out in the Resolution, suppliers are considered as trade creditors concerning debts with suppliers of goods or services, included in the “Suppliers” and “Sundry creditors” items of the current liabilities in the balance sheet.

The “average payment period to suppliers” is understood as the period of time that elapses from the delivery of goods or the provisions of services entrusted to the supplier and eventual payment of the operation.

The maximum legal payment period applicable to the Company in 2017 according to Law 3/2004, of 29 December, establishing measures to combat delinquency in commercial transactions, is 30 days from the date on which said Law was published to the present (unless any of the conditions established therein are fulfilled, allowing the maximum legal payment period to be extended to 60 days).

16. Guarantees undertaken with third parties

At 31 December 2017 and 31 December 2016, the Company had not granted any guarantees to third parties.

Notwithstanding the foregoing, as mentioned in Note 6, the four hotels owned by the Company which are located in Isla Canela (Ayamonte - Huelva) were subject to mortgage guarantees amounting to 16,289,049 euros at 31 December 2016 leaving, at 31 December 2017, an outstanding amount pending maturity and amortisation of 11,229,908 euros associated with the two referred to hotels, corresponding to two 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 2017 of the two mortgage-backed loans mentioned, which correspond to each of the real estate assets. In this regard, the Company, as a result of the merger set out in Note 1, entered into a mortgage guarantee agreement with Isla Canela, S.A., as mentioned in Note 6, to ensure the repayment by said related company of the mortgage-backed loans on the hotels that following the aforementioned merger became property of the Company until the loans are finally redeemed. The Company receives a commission fee equivalent to 0.25% of the average outstanding balance of the mortgage-backed loans thus guaranteed.

17. Public administrations and tax situation

17.1. Current balances with Public Administrations

The breakdown of the accounts receivable and payable from/to Public Administrations is as follows:

	Euros			
	31/12/2017		31/12/2016	
	Owed	Due	Owed	Due
Corporation tax	-	245,470	-	-
Withholdings on dividends	-	-	44,666	-
Other withholdings	-	-	169,939	-
Withholdings from previous years	214,605	-	369,632	-
Value Added Tax	-	534,083		364,424
Personal Income Tax	-	11,940	-	10,687
Social Security	-	2,405	-	2,342
Total	**214,605**	**793,898**	**584,237**	**377,453**

The "Withholdings from previous years" balance of 214,605 euros corresponding to withholdings from 2016 on capital interests resulting from Grupo Pryconsa's financing system that are pending collection at the end of 2017. Subsequent to 2017 year-end, in January 2018 all withholdings pending collection at 2017 year-end have been collected in full.

17.2 Reconciliation between accounting profit or loss and the tax base

The reconciliation between the accounting profit or loss and the Corporation Tax base in 2017 and 2016 was as follows:

2017

Item	Euros
Profit (loss) before tax	13,615,924
Permanent differences	-
Temporary differences	430,629
Prior tax base	**14,046,553**
Tax base (0%)	12,349,010
Tax base (25%)	1,697,543
Offsetting of negative tax bases	-35,519
Tax base at 0%	**12,349,010**
Tax base at 25%	**1,662,024**
Total tax liability (0%)	**-**
Total tax liability (25%)	**-415,506**
Withholdings and interim payments	170,036
Net (payable)/refunded	**-245,470**

2016

Item	Euros
Profit (loss) before tax	15,682,656
Permanent differences	313
Temporary differences	2,799,443
Prior tax base	**18,482,412**
Tax base (0%)	18,038,703
Tax base (25%)	443,709
Offsetting of negative tax bases	-443,709
Tax base at 0%	**18,038,703**
Tax base at 25%	**-**
Total tax liability (0%)	**-**
Total tax liability (25%)	**-**
Withholdings and interim payments	214,605
Net (payable)/refunded	**214,605**

Temporary differences in 2017 that changed the pre-tax accounting profit amounted to 430,629 euros and corresponded to:

- Downward adjustment for the recovery of the depreciation allocation for non-deductible property investments pursuant to Law 16/2012, establishing that accounting depreciation of tangible and intangible fixed assets, in addition to property investments, were only deductible up to 70% of the depreciation that would have been fiscally deductible recovering, from 2015, on a 10-year straight-line basis, the amount of 281,368 euros.

- Upward adjustment for the impairment of property investments in 2017 in the amount of 711,997 euros.

At the end of 2017, the Company has temporary differences pending allocation of 6,126,584 euros (5,695,954 euros in 2016), for which the deferred tax asset has not been booked given that the rate applicable is 0%. Said temporary differences include the amount of adjusted depreciation in 2013 and 2014 pending deduction in the amount of 1,571,710 euros, in addition to the impairment of investments in the amount of 4,554,874 euros.

At the end of 2017, there were no financial expenses that have not been deducted from the tax base for corporation tax.

Pursuant to 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 Directors proposed the allocation of 11,880,376 euros to dividends at 2017 year-end to the Shareholders. Hence, Corporation Tax became due on such dividends to the amount of 0 euros. The after-tax profit for 2017 amounted to 13,200,418 euros (15,682,656 euros in 2016).

Furthermore, pursuant to Article 6 of Law 11/2009 of 26 October, amended by Law 16/2012 of

27 December, the Company is obliged to distribute dividends equal to at least 50 percent 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 properties or interests included under the corporate purpose within the three years following the date of transfer. Failing this, such profits must be fully distributed together with the profits, if any, from the year in which the reinvestment period ends. If the elements subject to reinvestment are transferred before the maintenance period established in paragraph 3, article 3 of this Act elapses, those profits must be fully distributed together with the profits, if any, from the year in which they have been transferred. In this regard, as a result of the sale of real-estate assets undertaken in 2017, losses of 675,750 euros were recorded; therefore, the obligations in terms of the distribution of dividends and reinvestment provided for by Law were not applied (see Note 6).

At 31 December 2017, there were no Negative Tax Bases pending application.

Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U. was established following the partial division of Isla Canela, S.A., which occurred on 29 December 2009. The assets contributed by Isla Canela, S.A. were treated under the tax neutrality system.

Pursuant to the foregoing, in order to comply with the provisions of Article 86 of the LIC, the following information is hereby included:

a) Tax period during which the transferring entity, Isla Canela, S.A., acquired the transferred assets:

- Gran Vía 1 2º izquierda: 1987
- Marina Isla Canela Shopping Mall: 2000
- Hotel Barceló: 1998
- Hotel Atlántico: 2000
- Hotel Playa Canela: 2002
- Hotel Iberostar: 2002
- Hotel Golf Isla Canela: 2007

b) List of purchased assets included in the books at a value that differs from the value booked by the transferring entity prior to the operation; both values are expressed, as are the value corrections shown in the books of both entities:

Property	Euros		
	Net tax value	**Market value of transfer**	**Deferred income**
Gran Vía 1 2º izquierda	374,654	1,940,000	1,565,346
Marina Isla Canela Shopping Mall	1,798,346	4,700,000	2,901,654
Hotel Barceló	7,090,735	23,700,000	16,609,265
Hotel Atlántico	18,667,707	29,200,000	10,532,293
Hotel Playa Canela	14,984,936	15,900,000	915,064
Hotel Iberostar	18,358,560	23,700,000	5,341,440
Hotel Isla Canela Golf	4,147,317	4,700,000	552,683
Total	**65,422,256**	**103,840,000**	**38,417,744**

c) No tax benefits are enjoyed by the transferring entity concerning which the absorbed entity must comply with specific requirements pursuant to the provisions of Article 84.1 of the LIS.

In 2013, Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U., absorbed Compañía Ibérica de Rentas Urbanas 2009, SOCIMI, S.A.U. in such a way that it acquired all its assets and liabilities. The real-estate acquired by Compañía Ibérica de Rentas Urbanas 2009, SOCIMI, S.A.U. can be traced to a restructuring operation as part of which COGEIN, S.L. exercised the right referred to in Article 77.2 of the LIS. In turn, as part of the merger by absorption, there were no differences in the net book values and the corresponding market values pursuant to the appraisal performed by CBRE Valuation Advisory, S.A. on 31 January 2013 and subsequently validated by ARCO Valoraciones, S.A. appointed by the Madrid Companies Register. Therefore, the net book value of assets acquired by Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U. from Compañía Ibérica de Rentas Urbanas 2009, SOCIMI, S.A.U. match their tax value, with no tax benefits enjoyed by Compañía Ibérica de Rentas Urbanas 2009, SOCIMI, S.A.U. or COGEIN, S.L. in terms of those with which Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U. must partially comply pursuant to the provisions of Article 84.1 of the LIS.

17.3 Reconciliation between the accounting profit or loss and the corporation tax base

The reconciliation between the accounting profit or loss and the corporation tax base for the years ending 31 December 2017 and 2016 is as follows:

2017

Item	Euros
Profit (loss) before tax	13,615,924
Permanent differences	-
Temporary differences	430,629
Prior tax base	**14,046,553**
Tax base (0%)	12,349,010
Tax base (25%)	1,697,543
Offsetting of negative tax bases	-35,519
Tax base at 0%	**12,349,010**
Tax base at 25%	**1,662,024**
Total tax liability (0%)	**-**
Total tax liability (25%)	**415,506**
Tax expense recognised in the profit and loss account	**415,506**

2016

Item	Euros
Profit (loss) before tax	15,682,656
Permanent differences	313
Temporary differences	2,799,443
Prior tax base	**18,482,412**
Tax base (0%)	18,038,703
Tax base (25%)	443,709
Offsetting of negative tax bases	-443,709
Tax base at 0%	**18,038,703**
Tax base at 25%	**-**
Total tax liability (0%)	**-**
Total tax liability (25%)	**-**
Tax expense recognised in the profit and loss account	**-**

17.4. Years open for review and tax audits

Prior to 31 May 2014, the Company's registered office and tax domicile was in Luxembourg. With the change of address, the Company settled all its taxes in said country, although years 2013 and 2014 remain open to inspection in Luxembourg.

On 11 November 2014, Saint Croix Holding Immobilier SOCIMI S.A. issued a communication to the Inland Revenue stating that it wished to continue benefiting from the tax benefits referred to by Article 8 of Law 11/2009 of 26 October, which regulates Listed Real Estate Investment Trusts for the tax period ending on 31 December 2014.

On 27 January 2015, the Company was notified by the Inland Revenue in reply to the notice it had given on 11 November 2014, that the request was sent after the deadline, thereby preventing this tax scheme from being applied in said tax period.

Following said notification from the Inland Revenue, various claims have been made, in addition to an economic-administrative appeal filed on 3 June 2015 before the Regional Economic

Administrative Court (TEAR) of Madrid, given that the Board of Directors at the Company believes that it has appropriately complied with the procedure in due time and manner and that, therefore, following the appeal submitted, the Parent Company shall continue to be covered by the aforementioned Special Tax Scheme for 2014. In any case, on 9 July 2015, the Company informed the Inland Revenue the option of applying the REIT Scheme for 2015 and subsequent years.

At the time of drafting these 2017 annual accounts, no notification of the resolution has been received from the Inland Revenue regarding the economic-administrative appeal filed by the Company.

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 2017, the Company's taxes corresponding to the last four years remained open to inspection. The Directors of the Company 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 from them, should they come about, will not significantly affect the annual accounts attached hereto.

17.5 Reporting requirements as a REIT

This information is set out in **Annex 1** attached (Law 11/2009 amended by Law 16/2012).

18. Income and expenses

18.1 Net turnover and other operating income

The breakdown of these items at 31 December 2017 and 2016 is as follows:

	Euros	
	2017	2016
Hotels	9,046,530	8,190,160
Offices	5,273,852	4,531,434
Retail	5,129,914	6,195,256
Industrial	1,325,200	1,306,684
Rental subtotal	**20,775,496**	**20,223,534**
Provision of sundry services	328,112	23,250
Operating subsidies	84,230	108,717
Total income	**21,187,838**	**20,355,501**

The Company's entire turnover in 2017 and 2016 was generated in Spain.

18.2 Staff costs

The balance of this item in 2017 and 2016 was comprised as follows:

	Euros	
	2017	2016
Wages and salaries:		
Wages, salaries and similar outgoings	118,969	121,092
National Insurance contributions:		
Social Security contributions incurred by the company	24,064	24,533
Other social expenses	58,267	53,225
Total	**201,300**	**198,850**

18.3 External charges for services, taxes and similar levies

The breakdown of this item for 2017 and 2016 is as follows:

	Euros	
	2017	2016
Leases	15,486	-
Repairs and maintenance	374,686	52,003
Independent professional services	357,675	513,506
Insurance policies	58,613	59,311
Banking services and similar	10,505	863
Advertising and public relations	3,404	15,982
Supplies	188,849	74,153
Other services	299,295	254,383
Other levies	1,559,366	1,365,474
Total	**2,867,879**	**2,335,675**

19. Related-party transactions and balances

19.1 Related-party transactions

The transactions made with related companies in 2017 and 2016 are as follows:

	Euros					
	31/12/2017			31/12/2016		
	Operating expenses	Operating income	Income expenses	Operating expenses	Operating income	Income expenses
Isla Canela, S.A.	92,163	186,679	-	221,816	149,564	-
Promociones y Construcciones, PYC, Pryconsa, S.A.	175,758	2,267	894,895	65,333	10,000	894,416
COGEIN, S.L.	-	982	-	-	348	-
Total	**267,921**	**189,928**	**894,895**	**287,149**	**159,912**	**894,416**

19.2 Balances with related companies

Balances with related companies at 31 December 2017 and 2016 are as follows:

2017

	Euros	
	Loans granted to related companies	**Loans received from related companies**
COGEIN, S.L.	-	968
Promociones y Construcciones PYC, Pryconsa, S.A.	57,179,850	-
Total	**57,179,850**	**968**

2016

	Euros	
	Loans granted to related companies	**Loans received from related companies**
COGEIN, S.L.	-	6,982
Promociones y Construcciones PYC, Pryconsa, S.A.	47,430,376	-
Total	**47,430,376**	**6,982**

The agreements currently in force which the Company has with related companies are as follows:

- On 28 April 2017, the Company signed a contract for the provision of technical services with one of its shareholders, Promociones y Construcciones, PYC, Pryconsa, S.A. The technical services contemplated in the aforementioned contract refer on the one hand to technical assistance in the properties owned by the Company, which have been constructed by Promociones y Construcciones, PYC, Pryconsa, S.A., and on the other hand to the services which Promociones y Construcciones, PYC, Pryconsa, S.A. will provide the Company, as the entity responsible for managing the project with the remodelling, renovation or adaptation works which may be necessary on the properties owned by the Company, in exchange for a 5% remuneration calculated on the value of the works carried out within of the framework of the aforementioned contract.

  During 2017, expenses invoiced to the Company amounted to 3,345 euros (0 euros in 2016) for technical assistance services and 100,268 euros (0 euros in 2016) for services as the entity responsible for managing the project of the remodelling works being carried out in the properties at Orense, 62 and Pradillo, 42 (see Note 6) and are included in the "Other operating expenses" item in the accompanying profit and loss account.

- On 11 June 2014, the 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 Company with an integrated management assistance service for legal, administrative and tax services, in addition to granting the use of space. The contact's term runs for one year and can be extended unless contested by the parties. The costs invoiced to the Company in 2017 amounted to 58,478 euros (57,500 euros in 2016), which are recorded under the "Other operating expenses" item of the attached profit and loss account.

- As a result of the merger, (see Note 1) the Company is subrogated to the financing agreement signed in 2010 between Promociones y Construcciones, PYC, Pryconsa, S.A. and the Absorbed Companies, as part of which they would finance the former, under market conditions, using the excess liquidity generated as a result of their operations provided that their own financing needs were satisfied. The agreement is for a term is of three years and it may automatically be renewed for three-year terms. The financial conditions of this cash-pooling account 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 recorded in the income statement at 31 December 2017 came to 894,895 euros (894,416 euros in 2016) as financial expenses.

As a result of the merger set out in Note 1 which took place in 2016, all obligations and rights deriving from the following agreements between Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U. and Isla Canela, S.A were transferred to the Company:

- 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-backed loans taken out from the institutions in accordance with the arrangements agreed upon in their Articles of Association deeds until each of the mortgage-backed 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-backed 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 Absorbed Company for the provision of bank guarantees (sureties and banking insurance) by financial institutions.

  The income accrued for this item in 2017 amounted to 34,439 euros (50,064 euros in 2016), which are recorded in the "Other operating income of the Company" item at 31 December 2017.

- 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 the Absorbed

Company pays as a result of the mortgage-backed 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 recorded in the Company's income statement at 31 December 2017 came to 0 euros (0 euros in 2016) 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 Company with an integrated preventive maintenance service for the hotels owned by the REIT in Isla Canela 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 2017 as a result of this service provision agreement amounted to 76,594 euros (75,313 euros in 2016), which are booked in the "Other operating expenses" item of the Company's profit and loss account for 2017.

  Additionally, the aforementioned technical services contract establishes that Isla Canela, S.A. will provide the Company with the full project management service for remodelling, renovating or adaptation works which may be necessary on the hotels owned by the Company in Isla Canela, in exchange for 5% remuneration calculated on the value of the works which are carried out within the framework of the aforementioned contract. The costs of this concept in 2017 connected with this service amounted to 15,569 euros (123,707 euros in 2016), which are recorded in the "Other operating expenses" item of the Company's profit and loss account for 2017.

20. Remuneration for the Board of Directors and Senior Management

The total remuneration due in 2017 and 2016 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:

	Euros	
Board of Directors	**2017**	**2016**
Fixed remuneration	43,000	40,000
Variable remuneration	1,000	1,000
Allowances	14,000	12,500
Total	**58,000**	**53,500**

The functions of Senior Management are exercised by the members of the Board of Directors.

Furthermore, at 31 December 2017 and 2016, 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.

During 2017 and 2016, the Company has not paid any amounts on the grounds of civil liability insurance associated with the Directors.

Likewise, there have been no agreements between the Company and any of the Directors or persons acting on their behalf, linked to operations other than in the normal course of business or that have not been undertaken in normal conditions.

The number of Directors distributed by gender was as follows in 2017 and 2016:

2017			2016		
Male	**Female**	**Total**	**Male**	**Female**	**Total**
4	2	6	4	1	5

Additionally, the Board of Directors has a non-Director Secretary of the Board who is male.

21. Information on conflicts of interest among the Directors

At year-end 2017, 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 interests with those of the Company.

22. Other information

22.1 Personnel

The average number of people employed in 2017 and 2016 broken down by job category is as follows:

Categories	2017	2016
Management	1	-
Technical staff and middle management	-	1
Administrative staff	1	1
Total	**2**	**2**

Likewise, the distribution by gender at the end of 2017 and 2016 broken down by category was as follows:

Categories	2017		2016	
	Male	**Female**	**Male**	**Female**
Directors	4	2	4	1
Management	1	-	-	-
Technical staff and middle management	-	-	1	-
Administrative staff	-	1	-	1
Total	**5**	**3**	**5**	**2**

No individuals with a level of disability equal to or greater than 33% were employed at year-end 2017 and 2016.

22.2 Auditing fees

The fees for account auditing services and other services provided by the Company's auditor, Ernst & Young S.L. (Deloitte, S.L. in 2016), or by a company related to the auditor or jointly owned or controlled thereby were as follows in 2017 and 2016:

Description	Euros Services provided by the auditor of accounts and related companies	
	2017	**2016**
Auditing services	39,500	48,500
Other verification services	-	-
Total auditing and related services	**39,500**	**48,500**
Tax advisory services	-	-
Other services	-	-
Total professional services	**39,500**	**48,500**

23. Environmental information

Environmental activities consist of any activities aimed at preventing, reducing or repairing damages produced to the environment.

The corporate purpose of the Company, as provided for in its Articles of Association, is stated in Note 1.

Given the nature of the activities that the Company performs, it has no environmental liabilities, costs, assets, provisions or contingencies which might be significant in relation to its assets, financial situation or results. As a result, no specific breakdowns of information on environmental matters have been included in this report on the annual accounts.

At 31 December 2017 and 2016, the Company had not booked any provisions for possible environmental risks, given that the Directors do not believe that there are any significant contingencies related to possible litigation, compensation or other concepts.

24. International Financial Reporting Standards

Pursuant to Article 525 of the Corporate Enterprises Act, companies that have issued securities which are traded on a regulated market in any Member State of the European Union, in terms of Article 1.13 of Directive 93/22/EEC of the Council, of 10 May 1993, concerning investment services in the scope of traded securities and which, pursuant to the regulations in force, only publish individual annual accounts, shall be obliged to state the main variations in shareholders' equity in the report on annual accounts and in the profit and loss account, when applying the International Financial Reporting Standards adopted by the European Union (hereinafter, “the IFRS-EU”).

Having applied the General Accounting Plan approved under Royal Decree 1514/2007, of 16 November, to the Company's operations, there are no significant differences between said rule and the IFRS-EU, with the exception of the inclusion of capital subsidies, net of their corresponding tax effect, in the Company's net equity.

25. Subsequent disclosures

Following year-end and prior to the date of publishing the 2017 Annual Accounts, no significant subsequent events have occurred.

26. Additional Note for English Translation

These financial statements are presented on the basis of accounting principles generally accepted in Spain. Consequently, certain accounting practices applied by the Company may not conform with generally accepted principles in other countries.

Annex 1. Reporting requirements as a REIT

<table>
<tr><th>Description</th><th>2017</th></tr>
<tr><td>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.</td><td>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.</td></tr>
<tr><td>b) Reserves of each financial year in which the special tax regime set forth in said Law applies</td><td>Profits allocated to reserves by the Company
• Profits in 2014 allocated to reserves: 921,102 euros
• Profits in 2015 allocated to reserves: 2,776,186 euros
• Profits in 2016 allocated to reserves: 1,724,517 euros
Profits allocated to reserves by the Absorbed Company Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U:
• Profits in 2009 allocated to reserves: 936,358 euros
• Profits in 2010 allocated to reserves: 871,431 euros
• Profits in 2011 allocated to reserves: 1,000,888 euros
• Profits in 2012 allocated to reserves: 43,627 euros
• Profits in 2013 allocated to reserves: 470,286 euros
• Profits in 2014 allocated to reserves: 1,208,270 euros
• Profits in 2015 allocated to reserves: 3,699,608 euros
Profits allocated to reserves by the Absorbed Company Inveretiro, SOCIMI, S.A.U:
• Profits in 2015 allocated to reserves: 477,756 euros</td></tr>
<tr><td>• Profits from income subject to the general tax rate</td><td>-</td></tr>
<tr><td>• Profits from income subject to tax at a rate of 19%</td><td>Profits allocated to reserves by the Absorbed Company Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U:
• Profits in 2009 allocated to reserves: 936,358 euros
• Profits in 2010 allocated to reserves: 871,431 euros
• Profits in 2011 allocated to reserves: 1,000,888 euros
• Profits in 2012 allocated to reserves: 43,627 euros</td></tr>
<tr><td>• Profits from income subject to tax at a rate of 0%</td><td>Profits allocated to reserves by the Company
• Profits in 2014 allocated to reserves: 921,102 euros
• Profits in 2015 allocated to reserves: 2,776,186 euros
• Profits in 2016 allocated to reserves: 1,724,517 euros
Profits allocated to reserves by the Absorbed Company Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U:
• Profits in 2013 allocated to reserves: 470,286 euros
• Profits in 2014 allocated to reserves: 1,208,270 euros
• Profits in 2015 allocated to reserves: 3,699,608 euros
Profits allocated to reserves by the Absorbed Company Inveretiro, SOCIMI, S.A.U:
• Profits in 2015 allocated to reserves: 477,756 euros</td></tr>
<tr><td>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</td><td>Dividends distributed by the Company
• Distribution of dividends in 2015: 6,979,719
• Distribution of dividends in 2016: 13,958,139
Dividends distributed by the Absorbed Company Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U:
• Distribution of dividends in 2009: 3,382,919 euros
• Distribution of dividends in 2010: 3,121,886 euros
• Distribution of dividends in 2011: 3,585,669 euros
• Distribution of dividends in 2012: 156,295 euros
• Distribution of dividends in 2013: 1,209,306 euros
• Distribution of dividends in 2014: 10,874,427 euros
• Distribution of dividends in 2015: 14,799,010 euros
Dividends distributed by the Absorbed Company Inveretiro, SOCIMI, S.A.U:
• Distribution of dividends in 2015: 1,987,206 euros</td></tr>
<tr><td>• Dividends from income subject to the general tax rate</td><td>-</td></tr>
</table>

Description	2017
• Dividends from income subject to taxation at 18% (2009) and 19% (2010 to 2012).	**Dividends distributed by the Absorbed Company Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U:** • Distribution of dividends in 2009: 3,382,919 euros • Distribution of dividends in 2010: 3,121,886 euros • Distribution of dividends in 2011: 3,585,669 euros • Distribution of dividends in 2012: 156,295 euros
• Dividends from income subject to tax at a rate of 0%	**Dividends distributed by the Company** • Distribution of dividends in 2015: 6,979,719 euros • Distribution of dividends in 2016: 13,958,139 euros **Dividends distributed by the Absorbed Company Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U:** • Distribution of dividends in 2013: 1,209,306 euros • Distribution of dividends in 2014: 10,874,427 euros • Distribution of dividends in 2015: 14,799,010 euros **Dividends distributed by the Absorbed Company Inveretiro, SOCIMI, S.A.U:** • Distribution of dividends in 2015: 1,987,206 euros
d) Dividends paid out and charged to reserves	-
• Dividends charged to reserves subject to taxation at the general tax rate.	-
• Dividends charged to reserves subject to taxation at 19%	-
• Dividends charged to reserves subject to taxation at 0%	-
e) Date of the dividend payout resolution referred to by items c) and d) above	**Dividends distributed by the Company** • 2015 dividends: 01 April 2016 • 2016 dividends: 29 June 2017 **Dividends distributed by the Absorbed Company Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U:** • 2009 dividends: 29 June 2010 • 2010 dividends: 30 June 2011 • 2011 dividends: 28 June 2012 • 2012 dividends: 20 June 2013 • 2013 dividends: 30 June 2014 • 2014 dividends: 22 June 2015 • 2015 dividends: 01 April 2016 **Dividends distributed by the Absorbed Company Inveretiro, SOCIMI, S.A.U:** • 2015 dividends: 01 April 2016

<table>
<tr><th>Description</th><th>2017</th></tr>
<tr><td>a) Acquisition date of the properties allocated to lease which generate income subject to this special scheme</td><td>Properties inherited from the Absorbed Company Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U:
The real estate assets that have been owned by the Absorbed Company since 29/12/2009. Due to the partial division transaction of Isla Canela, S.A., the dates of ownership are as follows:
• Hotel Isla Canela Golf: 28/12/2007
• Hotel Barceló Isla Canela: 06/07/1998
• Hotel Iberostar Isla Canela: 01/07/2002
• Hotel Playa Canela: 16/05/2002
• Hotel Meliá Atlántico: 25/05/2000
• Marina Isla Canela Shopping Mall: 17/10/2000
• Property at Calle Gran Vía 1: 19/10/1987
• Retail outlets at Calle Caleruega: 30/12/2011
The following real estate investments, which were acquired from the related company Promociones y Construcciones, PYC, Pryconsa, S.A. were included in 2012:
• Offices Sanchinarro V: 30/10/2012
• Offices Sanchinarro VI: 29/11/2012
• Offices Sanchinarro VII: 29/11/2012
• Vallecas Comercial I: 30/10/2012
• Vallecas Comercial II: 30/10/2012
• Offices Coslada III: 29/11/2012
The merger with Compañía Ibérica de Rentas Urbanas 2009 SOCIMI, S.A.U resulting from its take-over took place in 2013. The Absorbed Company therefore included all the real estate assets from the company taken over on its balance sheet without any associated tax effects.
• Hotel Tryp Cibeles: 16/05/2002
• Retail outlet on Calle Rutillo: 06/04/2000
• Retail outlet at Gran Vía 34 (1+2): 16/05/2002
• Retail outlet at Gran Vía 34 (3): 16/05/2002
• Retail outlet on Dulcinea: 21/09/1995
• Building on Calle Pradillo: 27/02/2009
• Retail outlet at Albalá 7: 26/09/2003
• Offices at Gran Vía 1, 1st and 2nd Floor Right: 15/10/1993
• Offices at Gran Vía, 1, 1st Floor Left: 10/02/1998
• Building on C/ San Antón, Cáceres: 15/06/2011
• Building on Plaza España, Castellón: 29/12/2011
During 2015, the following property investments were booked:
• Daganzo de Arriba Industrial Premises: 27/02/2015
Properties inherited from the Absorbed Company Inveretiro, SOCIMI, S.A.U:
• Titán, 13: 12/02/2014
• Conde de Peñalver, 16: 01/12/2013
During 2016, the following property investments were recorded:
• Retail outlet at Gran Vía 55: 01/03/2016
• Edificio José Abascal 41: 02/12/2016
During 2017, the following property investments were booked:
• Building at Orense, 62: 07/02/2017
• Business Premises at Goya, 59: 10/02/2017</td></tr>
</table>

Description	2017
b) Acquisition date of interests in the capital of the entities referred to in paragraph 1, Article 2 of this Law.	-
c) Identification of the assets calculated within the eighty per cent referred to by paragraph 1, Article 3 of this Law	The breakdown of real estate assets and their gross booked cost expressed as millions of euros, is as follows: • Marina Isla Canela Shopping Mall: 4.70 • Barceló Isla Canela: 27.29 • Meliá Atlántico: 35.06 • Playa Canela: 17.28 • Iberostar Isla Canela: 25.58 • Isla Canela Golf: 4.94 • Gran Vía 1, 2nd Floor Left: 1.94 • Caleruega: 0.98 • Sanchinarro VI: 8.58 • Sanchinarro VII: 4.30 • Vallecas Comercial I: 3.92 • Vallecas Comercial II: 3.91 • Coslada III: 5.38 • Tryp Cibeles: 21.59 • Daganzo de Arriba: 13.72 • Gran Vía 34: 21.53 • Pradillo 42: 18.23 • Albalá 7: 2.87 • Gran Vía 1, 1st Floor Left: 2.73 • Gran Vía 1, 2nd Floor Right: 2.87 • Gran Vía 1, 1st Floor Right: 3.01 • Rutilo: 1.38 • Dulcinea: 1.53 • Plaza España: 15.10 • Titán, 13: 31.83 • Conde Peñalver: 20.43 • Gran Vía 55: 13.46 • José Abascal: 19.8 • Orense, 62: 3.05 • Goya, 59: 15.61
d) Reserves from years in which the special tax regime set forth in this Act has applied and which 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.	-

Management Report
2017

SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.

Management report at year-end 2017

1. Explanation of figures at 31 December 2017

A breakdown of the main figures at 31 December 2017 compared to 31 December 2016 is provided below:

Income statement	Euros		
	31/12/2017	**31/12/2016**	**+/-**
Income	21,103,616	20,246,784	4.23%
Net operating income (NOI)	**18,543,459**	**18,208,945**	**1.84%**
General expenses	-509,031	-582,618	-12.63%
EBITDA	**18,034,428**	**17,626,327**	**2.32%**
Financial profit (loss)	-421,541	337,827	-224.78%
EBTDA	**17,612,887**	**17,964,154**	**-1.96%**
Depreciation	-4,811,366	-4,648,510	
Subsidies	84,230	108,717	
Impairment/Reversal of trade operations	-27,762	-26,810	
Impairment/Reversal of real estate assets	512,676	1,040,347	
Other gains (losses)	1,168	11,856	
Gains (losses) Disposal of real estate assets	-197,149	-467,110	
Gains (losses) disposal of financial assets	441,239	443,709	
Fair value of financial instruments	-	1,256,304	
EBT	**13,615,924**	**15,682,657**	**-13.18%**
Corporation tax	-415,506	-	
Net profit (loss)	**13,200,418**	**15,682,657**	**-15.83%**

Sector indicators at 31 December 2017 and 31 December 2016

	Euros			
	31/12/2017	**Per share**	**31/12/2016**	**Per share**
Recurring net profit	12,886,919	2.89	13,436,217	3.12
Net value of assets	404,273,305	90.80	384,886,299	86.45
Cost/income ratio	14.54%		12.52%	
Vacancy ratio	13.94%		10.04%	
Net profitability	4.82%		4.84%	

Main figures at 31 December 2017 and 31 December 2016

	Financial year	
	2017	2016
Annualised income (million €)	22.89	20.36
FFO (million €)	17.85	17.62
FFO (€/share)	4.01	3.96
Value of real estate assets (million €)	408.92	378.21
GAV (million €)	465.20	435.11
NAV (million €)	404.27	384.89
Risk-free assets under management (No.)	204	215
Gross lettable surface area (risk-free m2)	143,127	142,188
% occupancy at year end	87.93%	91.64%
WAULT	5.89	7.18
LTV	13.10%	11.54%
Adjusted LTV	15.51%	15.29%
Net debt (millions €)	60.92	50.23
Profit (€/share)	2.96	3.52
Dividend (€/share)	2.67	3.14
Gross profitability via dividend	3.78%	4.66%

Real estate investments (gross): At 31 December 2017, the Company's gross real estate investments came to 353,859,949 euros. In 2017, the following investments and disinvestments took place:

- **Investments undertaken amounting to 20,629,886 euros:**
  - On 7 February 2017, an office building located at Calle Orense, 62 in Madrid was purchased with a surface area of 1,827 square metres and 11 parking spaces. The total purchase price was 3,047,950 euros.
  - On 10 February 2017, two commercial premises located at Calle Goya, 59 in Madrid were purchased with a surface area of 423 and 439 square metres respectively and two parking spaces. The total purchase price was 15,611,986 euros.
  - In addition, during 2017, costs were charged to hotels amounting to 311,376 euros mainly for furniture and technical facilities and to the office building at José Abascal 41 in Madrid for an amount of 417,259 euros (costs associated with the purchase).
  - Within the heading "Ongoing real-estate investments" of the accompanying balance sheet at 31 December 2017, there have been recognitions amounting to 1,241,315 euros, corresponding to the renovations being carried out in the building located at Calle Orense 62 in Madrid for an amount of 463,861 euros, in the property located at Pradillo 42 in Madrid for the amount of 754,152 euros and in the Hotel Meliá in Isla Canela for an amount of 23,302 euros, which are currently undergoing remodelling. For Pradillo 42, the budget for remodelling amounts to 3,700,000 euros, at Orense 62 it is 1,360,000 euros and in the Hotel Meliá in Isla Canela it is 760,000 euros. Finally, mention is made that the building located at José Abascal 41 will be subject to a comprehensive renovation whose works will begin in the coming months and whose budget to date amounts to 4,300,000 euros.
- **Divestments made amounting to 7,597,362 euros:**
  - The sale of a building located in Calle San Antón de Cáceres (gross cost for the

amount of 3,959,236 euros), the cost of which net of amortisation and impairment amounted to 3,000,405 euros. The amount of the sale was 2,915,000 euros which consequently resulted in a net loss of 85,405 euros. Said amount has been booked in the "Impairment and gains (losses) on fixed asset disposals" item of the profit and loss account for the year ended 31 December 2017 attached hereto. At the time of its sale, this building had an associated impairment of 572,057 euros, which has been written off as a result of its disposal.

- Sale of several buildings in Sanchinarro V, Sanchinarro VI and Sanchinarro VII (gross cost for the amount of 3,211,752 euros), as well as the sale of several offices in Coslada III (gross cost amounting to 426,374 euros), which have been sold to third parties. These sales operations generated a net loss of 111,744 euros which has been recorded in the "Impairment and gains (losses) on fixed asset disposals" item of the profit and loss account for the year ended 31 December 2017 attached hereto. At the time of its sale, these properties had an associated impairment of 478,601 euros, which has been written off as a result of its disposal.

Dividends:

Dividends paid out by the Company to shareholders in 2017:

The Company's net profit at 31 December 2016 came to €15,682,656. At the Company's General Shareholders' Meeting held on 29 June 2017, the following distribution of profits for 2016 was approved:

Distribution of net profit in 2016	Euros
Profit at 31 December 2016	**15,682,656**
• Reserves first application of General Accounting Plan (GAP)	156,252
• Legal reserve	1,568,266
• Dividends	13,958,138

The gross dividend per share in 2016 was 3.14 euros per share compared to the 1.57 per share obtained in 2015. Dividend yield in 2016 was 4.66% compared to the 2.36% in 2015, calculated using the average share price for each year. The approved dividend was paid on 17 July 2017.

Dividends payable by the Company to shareholders in 2018:

The Company's net profit at 31 December 2017 stood at 13,200,418 euros. At the Company's Annual General Shareholders' Meeting to be held in 2018, it is expected that the following distribution of profits for 2017 will be approved, which translates to a gross dividend payment of 11,880,376 euros. The breakdown of the distribution of profits is as follows:

Proposed distribution of net profit in 2017	Euros
Profit at 31 December 2017	**13,200,418**
• Legal reserve	1,320,042
• Dividends	11,880,376

The gross dividend per share in 2017 was 2.67 per share compared to the 3.14 per share obtained in 2016. Dividend yield in 2017 was 3.78% compared to the 4.66% in 2016, calculated using the average share price for each year.

Net financial debt: The Company has net financial debt of 60,921,780 euros. The breakdown of this debt is as follows:

Details of the debt	Euros	
	31/12/2017	31/12/2016
José Abascal, 41	11,400,000	-
Titán, 13	13,619,370	14,412,731
Conde de Peñalver, 16	8,843,286	9,358,428
Plaza de España (Castellón)	2,228,383	3,429,972
Mortgage-backed debt	**36,091,039**	**27,201,131**
Bonds and debentures	10,130,822	10,130,822
Drawn down credit facilities	9,861,670	5,007,230
Long-term loans	6,108,234	8,412,913
Interest accrued pending maturity	152,622	174,962
Derivative	136,687	-
Unsecured debt	**26,390,035**	**23,725,927**
Cash and bank	-1,559,294	-568,851
Net financial debt	**60,921,780**	**50,358,207**

On 20 January 2017, the Company took out a long-term mortgage guarantee loan with Banca March, S.A. on one of its real-estate assets for the sum of €11,400,000. Said loan has a 2-year grace period and a 12-year repayment period (14 years in total) with an increasing amortisation system from the second year onwards. Regarding the aforementioned mortgage loan, on 17 February 2017, the Company entered into an Interest Rate Swap derivative financial instrument amounting to 8,550,000 euros, the term of which runs from 1 April 2019 to 1 April 2026.

During 2017, the Company signed a new short-term loan with Liberbank. The amount of this loan is 2,000,000 euros and will mature in the short term.

The Company's LTV at 31 December 2017 was 13.10% compared to 11.54% for the previous year. The adjusted LTV was 15.51% compared to 15.29% for the previous year. Said adjusted LTV includes the impact of the mortgage burden on hotels located in Isla Canela of 11,229,908 euros (16,289,049 euros at 31 December 2016).

Income: At 31 December 2017, the Company had obtained total income of 21,103,616 euros (20,246,784 euros at 31 December 2016). The breakdown of income per asset type is as follows:

	Euros	
	31/12/2017	31/12/2016
Hotels	9,110,125	8,208,394
Offices	5,671,930	4,531,435
Retail	4,996,361	6,195,256
Industrial	1,325,200	1,306,684
Others	-	5,016
Income	**21,103,616**	**20,246,784**

NOI: Net Operating Income is positive and comes to 18,543,459 euros (18,208,945 euros at 31 December 2016). The breakdown of NOI per asset type is as follows:

	Euros	
	31/12/2017	**31/12/2016**
Hotels	7,923,819	7,114,084
Offices	5,288,126	3,952,688
Retail	4,046,703	5,876,422
Industrial	1,284,810	1,260,735
Others	-	5,016
NOI	**18,543,459**	**18,208,945**

In 2017 there was an increase in revenues of 4.23% (856,832 euros), as well as an increase in NOI by 1.84% (334,514 euros) compared to 2016. The increase in the NOI has been lower than would be expected with the revenue figure, which is due to the increase in indirect costs in 2017 by 25% (522,318 euros) compared to 2016. This increase in indirect costs occurred mainly as a result of:

- Conservation and maintenance expenses increased by 227,473 euros, mainly due to the higher preventive maintenance costs of the hotels owned by the Company, as well as the office building on José Abascal, as a result of its acquisition at the end of 2016 and the commercial property located at Gran Vía, 55 as a result of the work carried out so it could be leased in 2017.

- Tax expenses rose by 194,806 euros, mainly due to the increase in the cost of IBI (property tax) of the hotels, the commercial properties at Gran Vía 55 and Goya 59 and the office building on José Abascal (these two properties were acquired in 2016).

- Utility expenses increased by 118,464 euros, mainly due to the increase in electricity expenditure in the office building on Jose Abascal and at Orense, 62.

- The increase in expense of the aforementioned items has been partially offset with a reduction in advisory expenses and with the decrease in public relations expenses in 2017 compared to 2016.

EBITDA at 31 December 2017 was positive and came to 18,034,428 euros (17,626,327 euros in 2016), a year-on-year increase of 2.32%. EBITDA showed a greater increase than that of NOI in 2017 as a result of lower general expenses which meant a reduction of 12.63%, or 73,587 euros, in 2017 and comparatively with 2016. This reduction in general expenses occurred as a result of:

- External advisory expenses reduced by 38,859 euros due to lower audit expenses and the absence of expenses in 2017 related to the issue of fixed income securities.

- Expenses for corporate actions decreased by 42,960 euros, as a result of the merger by absorption carried out by the Company in 2016.

Financial profit (loss): The Company's financial result at 31 December 2017 was negative at 421,541 euros (positive in 2016 at 337,827 euros). This amount can be broken down as follows:

- Due to its policy of financing Related Companies with surplus cash, the Company generated financial profit amounting to 894,895 euros in 2017 (894,416 euros in 2016), in addition to third-party financial income of 21,511 euros (125,387 euros of third-party financial income and dividends of 235,055 euros in 2016). Total financial income amounted 916,406 euros (1,254,858 euros in 2016).

- Financial expenses recorded by the Company in 2017 amounted to 1,337,947 euros (917,032 euros in 2016).

EBITDA at 31 December 2017 was positive and came to 17,612,887 euros (17,964,154 euros in 2016), a year-on-year decrease of 1.96% due to the effects of negative financial results.

Impairment/Reversal:

- In 2017, impairment losses on trade operations were recorded at 27,762 euros compared to 26,810 euros in 2016.

- After the valuation of the Company's real estate assets, impairment of 711,997 euros has been recorded, linked to the Commercial segment, in addition to reversals of impairment of 1,224,673 euros, particularly in the Hotels, Offices and Commercial areas. The net impact on the income statement for 2017 was positive, amounting to 512,676 euros (1,040,347 euros in 2016).

Profit/(loss) on disposal of real estate assets: Sold at 31 December 2017 were:

- 12 lofts in Sanchinarro VII, 1 loft in Sanchinarro VI, 1 loft in Sanchinarro V and 2 lofts in Coslada III, the cost of which net of amortisation and impairment was 2,996,745 euros, generating a net loss of 111,744 euros after applying the reversal of 478,601 euros allocated at 31 December 2016.

- Likewise, in 2017 a building located on calle San Antón de Cáceres was sold, the cost of which net of amortisation and impairment was 3,000,405 euros. The value of the sale was 2,915,000 euros, which consequently resulted in a net loss of 85,405 euros after applying the reversal of 572,057 euros allocated at 31 December 2016.

Profit/(loss) on financial asset disposals: At 31 December 2017, positive results were obtained from the sale of listed shares for 441,239 euros (443,709 euros in 2016, to which the valuation gains on financial assets of 1,256,304 euros recognised in that year must be added).

EBT at 31 December 2017 was positive and came to 13,615,924 euros (15,682,657 euros in 2016), a year-on-year decrease of 13.18%. By removing the effect of the sale and valuation of listed shares, the adjusted year-on-year EBT decreases by 5.78%.

During 2017, the Company recorded a corporation tax expense of 415,506 euros due to the tax effect resulting from the sale of the listed shares in accordance with Law 11/2009, of 26 October, modified by Law 16/2012, of 27 December governing Real Estate Investment Trusts.

Net profit/(loss): Net profit in 2017 was 13,200,417 euros (15,682,656 euros in 2016), which translates to net profit per share of 2.96 euros (3.52 euros in 2016).

2. Valuation of real estate assets

The Company commissioned CBRE Valuation Advisory, S.A., an independent expert, to conduct a valuation of its assets, which was issued on 30 January 2018, in order to determine the fair values of all its property investments at year-end. Such valuations were conducted on the basis of the market lease value (which consists of capitalising net rents from each property and updating future flows). 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 Company's income statement at 31 December 2017 amounting to 512,676 euros (1,040,347 euros in 2016).

Furthermore, according to the appraisals made, the fair value of the real estate investments revealed an unbooked unrealised capital gain (by comparing the updated gross fair market value and the net book value) of 105,556,969 euros (85,191,329 euros year-end 2016), which was primarily due to the premises located at Gran Vía 34 in Madrid, Calle Conde de Peñalver, 16 in Madrid, Gran Vía, 55 in Madrid, Hotel Barceló Isla Canela, Hotel Tryp Cibeles in Madrid and the industrial warehouse located in Daganzo de Arriba in Madrid.

The market value of the real estate investments at year-end 2017 came to 408,916,436 euros (378,214,862 euros at year-end 2016). The breakdown by business segment is as follows:

Segments	Euros	
	31/12/2017	31/12/2016
Hotels	131,098,507	123,925,492
Offices	102,013,723	94,867,220
Retail	158,197,306	142,104,150
Industrial	17,606,900	17,318,000
Total	**408,916,436**	**378,214,862**

Over the course of the year, the main movements corresponded primarily to:

- Capex investments and other activated costs: 1,969,950 euros
- Increase in the value of real estate assets: 17,669,050 euros
- Acquisitions during the year: 18,659,936 euros
- Divestment in real estate assets: 7,597,362 euros

3. Segmented reporting

The Company identifies its operating segments based on internal reports which are the bases for regular reviews, discussion and assessment by the Directors of the Company, 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 2017 are as follows:

- Hotels
- Offices
- Retail
- Industrial
- Others

The segment reporting shown below is based on the monthly reports drawn up by Management and is generated by the same computer application used to obtain all the Company's accounting data. In this regard, the Company does not report its assets and liabilities in a segmented way, since this information is not required by the Company's Management for the purposes of the management reports it uses for its decision making.

Ordinary income corresponds to income directly attributable to the segment plus a relevant proportion of the Company'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 income statement

2017

31/12/2017	Euros					
	Hotels	Offices	Retail	Industrial	Others	Total
Income	9,110,125	5,671,930	4,996,361	1,325,200	-	21,103,616
Indirect costs	-1,186,305	-383,805	-949,658	-40,389	-	-2,560,157
Net Margin	**7,923,819**	**5,288,126**	**4,046,703**	**1,284,810**	**-**	**18,543,459**
General expenses	-223,850	-121,644	-131,272	-32,264	-	-509,031
EBITDA	**7,699,969**	**5,166,482**	**3,915,431**	**1,252,546**	**-**	**18,034,428**
% of income	**84.52%**	**91.09%**	**78.37%**	**94.52%**	**-**	**85.46%**
Depreciation	-2,485,932	-1,173,914	-1,005,611	-144,023	-1,885	-4,811,366
Subsidies	84,230	-	-	-	-	84,230
Extraordinary profits (losses)	6,546	-8,904	4,843	-	-1,317	1,168
Profit/(loss) on the disposal of real estate assets	-	-85,405	-111,745	-	-	-197,149
Profit/(loss) on the disposal of financial assets	-	-	-	-	441,239	441,239
Impairment/Reversal	17,625	1,126,815	-660,130	-	605	484,915
Financial profit (loss)	-435	-494,383	-178,030	-	251,308	-421,541
EBT	**5,322,003**	**4,530,691**	**1,964,757**	**1,108,524**	**689,950**	**13,615,924**
Corporation tax	-	-	-	-	-415,506	-415,506
Net profit (loss)	**5,322,003**	**4,530,691**	**1,964,757**	**1,108,524**	**274,444**	**13,200,418**
% of income	**58.42%**	**79.88%**	**39.32%**	**83.65%**	**-**	**62.55%**

2016

31/12/2016	Euros					
	Hotels	Offices	Retail	Industrial	Others	Total
Income	8,208,394	4,531,435	6,195,256	1,306,684	5,016	20,246,784
Indirect costs	-1,094,310	-578,747	-318,833	-45,949	-	-2,037,839
Net Margin	**7,114,084**	**3,952,688**	**5,876,422**	**1,260,735**	**5,016**	**18,208,945**
General expenses	-236,262	-130,428	-178,318	-37,610	-	-582,618
EBITDA	**6,877,822**	**3,822,260**	**5,698,105**	**1,223,125**	**5,016**	**17,626,327**
% of income	**83.79%**	**84.35%**	**91.98%**	**93.61%**	**100.00%**	**87.06%**
Depreciation	-2,422,480	-1,058,139	-1,023,868	-144,023	-	-4,648,510
Subsidies	108,717	-	-	-	-	108,717
Extraordinary profits (losses)	-	2,500	6,710	-	2,646	11,856
Profits (losses) on asset disposals	-	-467,110	-	-	-	-467,110
Impairment/Reversal	3,503,434	148,125	-2,638,022	-	-	1,013,537
Financial profit (loss)	-	-279,997	-202,361	-	2,520,197	2,037,840
EBT	**8,067,492**	**2,167,639**	**1,840,563**	**1,079,102**	**2,527,860**	**15,682,656**
Corporation tax	-	-	-	-	-	-
Net profit (loss)	**8,067,492**	**2,167,639**	**1,840,563**	**1,079,102**	**2,527,860**	**15,682,656**
% of income	**98.28%**	**47.84%**	**29.71%**	**82.58%**	**50393.12%**	**77.46%**

The breakdown of the **income and net book value** of real estate assets, including tangible fixed assets in progress, at 31 December 2017 and 31 December 2016 is as follows:

	Euros					
	31/12/2017			31/12/2016		
	Income	%	Net cost	Income	%	Net cost
Hotels	9,110,125	43.17%	108,404,530	8,208,394	40.54%	110,538,158
Offices	5,671,930	26.88%	95,170,760	4,531,435	22.38%	93,479,367
Retail	4,996,361	23.68%	86,469,429	6,195,256	30.60%	75,547,237
Industrial	1,325,200	6.28%	13,314,748	1,306,684	6.45%	13,458,771
Total income	**21,103,616**	**100.00%**	**303,359,467**	**20,241,768**	**100%**	**293,023,533**

It is important to point out that, at 31 December 2017, 43% of the revenues were generated by hotel assets (41% at 31 December 2016), 27% by offices (22% at 31 December 2016), 24% by retail premises (31% at 31 December 2016), and the remaining 6% by industrial assets (6% at 31 December 2016).

At the end of December 2017, all hotels are leased (100% in 2016); 70% of offices are leased (82% in 2016); 59% of retail premises are leased (67% in 2016); and 100% of industrial assets are leased (100% in 2016). At 31 December 2017, the degree of occupancy of real-estate assets was 88% (92% in 2016). The Gross Lettable Area (GLA) was 143,127 m2 (142,187 m2 in 2016) (204 assets under management compared to 215 assets in 2016).

The breakdown of contribution to **income from a geographic standpoint** is as follows:

Area	Euros			
	31/12/2017		31/12/2016	
	Income	%	Income	%
Madrid	13,135,247	62.24%	11,756,703	58.07%
Huelva	7,892,981	37.40%	7,154,606	35.34%
Castellón	75,388	0.36%	1,335,475	6.60%
Total	**21,103,616**	**100.00%**	**20,246,784**	**100.00%**

From a geographic standpoint, most of the income is generated in Madrid and Huelva (both of which are in Spain). In this regard, Madrid remains in first position, contributing around 62% to total income (58% at 31 December 2016), followed by Huelva with 37% (35% at 31 December 2016) and Castellón with less than 1% (7% at 31 December 2016).

As is shown in the table above, most of the Group's activity was focused on Madrid and Huelva, with 99.64%, with the proportion between Madrid and Huelva being 62.24%:37.40%.

Furthermore, it is of interest to highlight the evolution of the **occupation rates** by type of asset from the **standpoint of asset types**: The occupation rate of the Company's assets allocated to leases at 31 December 2017 amounted to 87.93% of the floor space (sq.m.) leased (91.64% in 2016), which breaks down as follows:

	31/12/2017		31/12/2016	
Type of asset	M2	Occupation	M2	Occupation
Hotels	80,135	100.00%	80,135	100.00%
Offices	26,825	69.54%	26,442	82.12%
Retail	22,357	59.30%	21,801	67.15%
Industrial	13,810	100.00%	13,810	100.00%
Total	**143,127**	**87.93%**	**142,188**	**91.64%**

4. Property Investment

Due to the recent reduction in expected yields in prime areas, the 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% and 6% and top-quality tenants, as well as some added value real estate asset transformation operations for subsequent operation under a leasing scheme. The Company will maintain the income it currently expects to obtain from the lease agreements that are now in force.

In view of the activity performed by the Company with real estate assets leased over the long term, the Directors' forecasts are positive based on the existence of long-term agreements with top-quality lessees in both the Hotel industry and the Offices, Retail and Industrial industry, which ensure the Company's viability in the medium term, along with new retail outlet lease agreements with lessees with outstanding solvency ratings.

5. Disclosure on supplier payment deferrals

Below is the information required by Additional Provision Three of Law 15/2010 of 5 July (modified under the Second Final Provision of Law 31/2014 of 3 December) prepared according to the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, on the information to be included in the record of annual financial statements relating to the average period for payment to suppliers in commercial transactions.

	2017	**2016**
	Days	**Days**
Average payment period to suppliers	48.10	54.80
Ratio of paid transactions	47.22	54.60
Ratio of transactions pending payment	51.60	71.82
	Euros	**Euros**
Total payments made	2,554,571	6,334,012
Total payments pending	637,700	75,298

Pursuant to the ICAC Resolution, to calculate the average payment period to suppliers, commercial transactions corresponding to the accrued delivery of goods or provision of services from the date on which Law 31/2014 of 3 December came into force, have been taken into consideration.

For the sole purpose of providing the information set out in the Resolution, suppliers are considered as trade creditors concerning debts with suppliers of goods or services, included in the “Suppliers” and “Sundry creditors” items of the current liabilities in the balance sheet.

The “average payment period to suppliers” is understood as the period of time that elapses from the delivery of goods or the provisions of services entrusted to the supplier and eventual payment of the operation.

The maximum legal payment period applicable to the Company in 2017 according to Law 3/2004, of 29 December, establishing measures to combat delinquency in commercial transactions, is 30 days from the date on which said Law was published to the present (unless any of the conditions established therein are fulfilled, allowing the maximum legal payment period to be extended to 60 days).

6. Earnings per share

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

	Euros	
	31/12/2017	**31/12/2016**
Net profit	13,200,418	15,682,656
Weighted average number of shares	4,452,197	4,452,197
Earnings per share	**2.96**	**3.52**

Basic earnings per share are calculated as the sum of net profit for the period attributable to the Company and the weighted average number of common shares in circulation during the period.

In turn, diluted earnings per share are calculated as the sum of net profit/losses for the period attributable to ordinary shareholders, adjusted based on the effect attributable to potential common shares with a dilutive effect and the weighted average number of common shares in circulation during the period, adjusted based on the weighted average number of common shares that would be issued if all potential common shares were converted into common shares in the company. To this end, it is considered that the conversion takes place at the start of the period or at the time potential common shares are issued, if they have been put into circulation during the period in question.

At the end of 2017 and 2016, the basic and diluted earnings per share matched.

The dividend per share breakdown is as follows:

	Euros	
	2017	**2016**
Gross dividend paid out to shareholders (*)	11,880,377	13,958,138
Average number of common shares in circulation	4,452,197	4,452,197
Gross dividend per share	**2.67**	**3.14**
Year-on-year variation	**-15%**	

(*) For each year to be paid the following year

Pursuant to the proposed distribution of profit in 2017 to be arranged by the Directors of the Company, the dividend to be distributed in 2018 from 2017 profits will amount to 11,880,377 euros (2.67 euros per share).

7. Acquisition of treasury shares

At 31 December 2017, the Company did not hold any treasury shares in its portfolio.

8. Research and development activities

The company does not undertake any research and development activities.

9. Main risks to the Company

The management of the Company's financial risks is centralised in the Group's 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 which impact the Company are set out below:

a) Credit risk

The Company's main financial assets are cash flow and cash balances, trade creditors and other accounts receivable in investments. These account for the Company's maximum exposure to credit risk as regards financial assets. The Company'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 Company 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 Directors of the Company on the Company's cash generating capacity, the Directors believe that the Company has enough capacity to obtain financing from third parties were it necessary to make new investments. Consequently, there is no evidence that the Company 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 Company's exchange rate risk at 31 December 2017, it did not have any assets or liabilities in foreign currencies. Hence, there is no risk in this regard.

d) Interest rate risk

The Company has two long-term loans financing mainly long-term assets, as well as short-term working capital financing facilities. The risk of interest rate fluctuations is very low since the Company is not highly exposed to debt. The Company'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 insignificant effect on the Company's results, taking into account its low debt levels and today's very low interest rates. However, as a one-off in 2017, the Company contracted an Interest Rate Swap derivative financial instrument to cover the risk of interest rate fluctuations associated with the mortgage loan taken out in 2017.

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 has the existence of microeconomic and macroeconomic aspects that directly or indirectly affect the way the property market performs, particularly the rentals which make up the Company's main investment activity.

Other market risks to which the Company is exposed include:

- **Regulatory risks**: the Company is bound 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 Company.

- **Tourism risk**: a significant part of the Company'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.

10. Outlook for 2018

Given the Company's activity, the Directors of the Company consider that 2018 will continue to be positive as regards the maintenance of long-term lease contract conditions. The forecasts are therefore positive, taking into account the 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.

11. Information on conflicts of interest among the Directors

At year-end 2017, 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 interests with those of the Company.

12. Subsequent disclosures

Following year-end and prior to the date of publishing the 2017 Annual Accounts, no significant subsequent events have occurred.

13. Annual Corporate Governance Report

See **Annex A**.

Annex A. Annual Corporate Governance Report

Directors' Responsibility Statement

For the purposes of the provisions of Article 8 of Royal Decree 1362/2007, of 19 October, the members of the Board of Directors at the Company hereby confirm that as far as we are aware, the Financial Statements as at 31 December 2017 for SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A. drafted in line with the applicable accounting principles, faithfully reflect the equity, financial situation and results of the issuer taken as a whole, and that the Management Report as at 31 December 2017 also faithfully reflects the evolution and business performance and position of the issuer and the companies consolidated within its scope taken as a whole, along with the description of the main risks and uncertainties that they face.

Madrid, 28 February 2018

Mr. Marco Colomer Barrigón
Chairman and Chief Executive Officer

Mr. Juan Carlos Ureta Domingo
Director

Mr. José Luis Colomer Barrigón
Director

Ms. Ofelia Marín-Lozano Montón
Director

Mr. Mónica de Quesada Herrero
Director

Mr. Celestino Martín Barrigón
Director

Mr. José Juan Cano Resina
Non-Board Secretary

Diligence in Drawing Up the Annual Accounts

The drawing up of these annual accounts and this management report was approved by the Board of Directors at its meeting held on 28 February 2018 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 120 sheets of ordinary paper, which are numbered from 1 to 120, inclusive. All said sheets are signed by the Board Secretary and this last sheet is signed by all the Directors.

The Directors of the Company, hereby undersigned, state that no item in the Company's books should be included in the separate document on environmental information required under the Ministry of Justice Order of 8 October 2001.

Madrid, 28 February 2018

Mr. Marco Colomer Barrigón
Chairman and Chief Executive Officer

Mr. Juan Carlos Ureta Domingo
Director

Mr. José Luis Colomer Barrigón
Director

Ms. Ofelia Marín-Lozano Montón
Director

Mr. Mónica de Quesada Herrero
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