

Audit report on Financial Statements
issued by an Independent Auditor

SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.
Financial Statements and Management Report
for the year ended
December 31, 2017

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 26)

AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

To the shareholders of SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.

Report on the financial statements

Opinion

We have audited the financial statements of SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A. (the Company), which comprise the balance sheet as at December 31, 2017, the income statement, the statement of changes in equity, the statement of cash flows, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 3 to the accompanying financial statements) and, specifically, the accounting principles and policies contained therein.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of property investment

Description At December 31, 2017, the Company had property investment worth EUR 303,359 thousand comprising 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.

As described in Note 5.1 to the accompanying financial statements, the Company measures these assets initially 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. In addition, the Company proceeds to estimate 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 directors of the Company determine at each reporting date the fair values of all its property investments, using appraisals made by an independent expert in accordance with the Appraisal and Valuation Standards published by the United Kingdom's Royal Institute of Chartered Surveyors ("RICS"). Such valuations were conducted on the basis of the market lease value, which require significant use of judgments and estimates by the independent expert.

We have considered this a key audit matter given the significance of the amounts and the high sensitivity of the analysis to changes in the assumptions used by the independent expert, such as estimated future rents, the discount rates applied or the exit yields used.

Our response

We have performed the following audit procedures in this regard:

- ▶ We reviewed the purchase deeds and analyzed a sample of costs capitalized as an increase in property investment.
- ▶ We reviewed, with the help of our valuation specialists, the valuation model used by the independent expert in a sample of its valuations, including the mathematical analysis of the model and analysis of the estimated future rents, discount rates, and exit yields used.
- ▶ We reviewed the disclosures included in the notes to the Company's financial statements required by accounting standards.

Special tax regime for Listed Real Estate Investment Trust

Description The Company opted to apply the special tax regime applicable to Listed Real Estate Investment Trusts "REITs". The application of the special tax regime obligates the Company to comply with certain requirements established by prevailing regulation, as explained in Notes 2 and 5.5 to the accompanying financial statements.

Application of the special tax regime directly affects the operating activities, and the Company's legal and regulatory compliance, as well as the Company's shareholder remuneration policy. Failure to apply the regime correctly could have a significant impact on the financial statements.

The aforementioned circumstances have caused us to consider these issue as a key audit matter.

Our

response

We have performed the following audit procedures in this regard:

- ▶ We reviewed, in collaboration with our tax specialists, complying with the ratios provided in Law 11/2009, of October 26, amended by Law 16/2012, of December 27, governing REITs.
- ▶ We reviewed the disclosures included in the notes to the Company's financial statements required by applicable accounting and tax standards.

Other matters

On February 24, 2017, other auditors issued their audit report on the 2016 financial statements, in which they expressed an unqualified opinion.

Other information: Management report

Other information refers exclusively to the 2017 management report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the financial statements.

Our opinion on the financial statements does not cover the management report. Our responsibility for the information contained in the management report is defined in prevailing audit regulations, which distinguish two levels of responsibility:

- a) A specific level applicable to certain information included in the Annual Corporate Governance Report, as defined in article 35.2 b) of Law 22/2015 on auditing, which solely requires that we verify whether said information has been included in the management report, and if not, disclose this fact.

- b) A general level applicable to the remaining information included in the management report, which requires us to evaluate and report on the consistency of said information in the financial statements, based on knowledge of the Company obtained during the audit, excluding information not obtained from evidence. Moreover, we are required to evaluate and report on whether the content and presentation of this part of the management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided in the management report, and that the remaining information contained therein is consistent with that provided in the 2017 financial statements and their content and presentation are in conformity with applicable regulations.

Responsibilities of the directors and the audit committee for the financial statements

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results of the Company, in accordance with the regulatory framework for financial information applicable to the Company in Spain, identified in Note 3 to the accompanying financial statements, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee of the Company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee of the Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Additional report to the audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee on February 28, 2018.

Term of engagement

The ordinary general shareholders' meeting held on June 29, 2017 appointed us as auditors for three years, commencing on December 31, 2017.

ERNST & YOUNG, S.L.
(Registered in Spain's Official Register of Auditors
under # S0530)

(Signed on the original)

Francisco V. Fernández Romero
(Registered in Spain's Official Register of Auditors
under # 02918)

February 28, 2018

**SAINT CROIX
HOLDING IMMOBILIER,
SOCIMI, S.A.**

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

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Annual Report

2017

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

ASSETS	Notes Report	Financial year 2017	Financial year 2016	EQUITY AND LIABILITIES	Notes Report	Financial year 2017	Financial year 2016
NON- CURRENT ASSETS		305,022,696	294,682,143	EQUITY		298,716,336	299,694,974
Intangible fixed assets		6,122	4,659	OWN FUNDS			
Computer applications		6,122	3,388	Capital	12	267,577,040	267,577,040
Ongoing computer applications		-	1,271	Authorised capital		267,577,040	267,577,040
Tangible fixed assets		1,254	1,708	Reserves	12	16,854,847	15,130,330
Plant and other tangible fixed assets		1,254	1,708	Legal and statutory		2,700,109	1,131,843
Property investment	6	303,359,467	293,023,533	Other reserves		14,154,738	13,998,487
Net property investments		303,359,467	293,023,533	Profit (Loss) for the year	4	13,200,418	15,682,656
Long-term financial investments	8	1,655,853	1,652,243	ADJUSTMENTS FOR CHANGES IN VALUE		-136,687	-
Other financial assets		1,655,853	1,652,243	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 ASSETS		61,870,819	60,364,178	CURRENT LIABILITIES		19,107,464	12,638,971
Stocks		200	5,278	Short-term debts	13	16,853,074	11,840,680
Advance payments to suppliers		200	5,278	Bonds and debentures		130,822	130,822
Trade and other accounts receivable	9	2,569,340	2,196,146	Debts with credit institutions		16,473,854	11,199,473
Accounts receivable for sales and services		2,354,464	1,611,797	Other financial liabilities		248,398	510,385
Staff		271	112	Short-term debts with Group and associate companies	19.2	968	6,982
Other credits with Public Administrations	9 and 17.1	214,605	584,237	Trade creditors and other accounts payable		2,253,422	791,309
Short-term investments in Group and associate companies	8 and 19.2	57,179,850	47,430,376	Suppliers	15	1,220,982	298,083
Short-term loans to Group and associate companies		57,179,850	47,430,376	Sundry creditors	15	237,542	114,773
Short- term financial investments	8	562,135	10,163,527	Current tax liabilities	17	245,470	-
Equity instruments available for sale		-	10,110,694	Other debts with Public Administrations	17.1	548,428	377,453
Other financial assets		562,135	52,833	Advance payments from customers		1,000	1,000
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	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.
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	-	15,568,403
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.
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
Inverteiro, 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 \geq 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 its 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						31/12/2016
	31/12/2015	Inclusions following merger	Write downs following merger	Additions	Disposals	Adjustments for changes in value	
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					Total
	2018	2019	2020	2021	2022 and subsequent	
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:

Board of Directors	Euros	
	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

Description	2017
a) Reserves from years prior to the application of the tax scheme set forth in Law 11/2009, as amended by Law 16/2012 of 27 December.	As is set out in Note 1, the Company was incorporated on 1 December 2011 in Luxembourg without having allocated any prior year's profits to reserves.
b) Reserves of each financial year in which the special tax regime set forth in said Law applies	<p>Profits allocated to reserves by the Company</p> <ul style="list-style-type: none"> 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 <p>Profits allocated to reserves by the Absorbed Company Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U:</p> <ul style="list-style-type: none"> 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 <p>Profits allocated to reserves by the Absorbed Company Inveretiro, SOCIMI, S.A.U:</p> <ul style="list-style-type: none"> Profits in 2015 allocated to reserves: 477,756 euros
<ul style="list-style-type: none"> Profits from income subject to the general tax rate 	-
<ul style="list-style-type: none"> Profits from income subject to tax at a rate of 19% 	<p>Profits allocated to reserves by the Absorbed Company Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U:</p> <ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> Profits from income subject to tax at a rate of 0% 	<p>Profits allocated to reserves by the Company</p> <ul style="list-style-type: none"> 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 <p>Profits allocated to reserves by the Absorbed Company Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U:</p> <ul style="list-style-type: none"> 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 <p>Profits allocated to reserves by the Absorbed Company Inveretiro, SOCIMI, S.A.U:</p> <ul style="list-style-type: none"> Profits in 2015 allocated to reserves: 477,756 euros
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	<p>Dividends distributed by the Company</p> <ul style="list-style-type: none"> Distribution of dividends in 2015: 6,979,719 Distribution of dividends in 2016: 13,958,139 <p>Dividends distributed by the Absorbed Company Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U:</p> <ul style="list-style-type: none"> 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 <p>Dividends distributed by the Absorbed Company Inveretiro, SOCIMI, S.A.U:</p> <ul style="list-style-type: none"> Distribution of dividends in 2015: 1,987,206 euros
<ul style="list-style-type: none"> Dividends from income subject to the general tax rate 	-

Description	2017
<ul style="list-style-type: none"> Dividends from income subject to taxation at 18% (2009) and 19% (2010 to 2012). 	<p>Dividends distributed by the Absorbed Company Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U:</p> <ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> Dividends from income subject to tax at a rate of 0% 	<p>Dividends distributed by the Company</p> <ul style="list-style-type: none"> Distribution of dividends in 2015: 6,979,719 euros Distribution of dividends in 2016: 13,958,139 euros <p>Dividends distributed by the Absorbed Company Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U:</p> <ul style="list-style-type: none"> 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 <p>Dividends distributed by the Absorbed Company Inveretiro, SOCIMI, S.A.U:</p> <ul style="list-style-type: none"> Distribution of dividends in 2015: 1,987,206 euros
<p>d) Dividends paid out and charged to reserves</p>	<p>-</p>
<ul style="list-style-type: none"> Dividends charged to reserves subject to taxation at the general tax rate. 	<p>-</p>
<ul style="list-style-type: none"> Dividends charged to reserves subject to taxation at 19% 	<p>-</p>
<ul style="list-style-type: none"> Dividends charged to reserves subject to taxation at 0% 	<p>-</p>
<p>e) Date of the dividend payout resolution referred to by items c) and d) above</p>	<p>Dividends distributed by the Company</p> <ul style="list-style-type: none"> 2015 dividends: 01 April 2016 2016 dividends: 29 June 2017 <p>Dividends distributed by the Absorbed Company Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U:</p> <ul style="list-style-type: none"> 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 <p>Dividends distributed by the Absorbed Company Inveretiro, SOCIMI, S.A.U:</p> <ul style="list-style-type: none"> 2015 dividends: 01 April 2016

Description	2017
<p>a) Acquisition date of the properties allocated to lease which generate income subject to this special scheme</p>	<p>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:</p> <ul style="list-style-type: none"> • 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 <p>The following real estate investments, which were acquired from the related company Promociones y Construcciones, PYC, Pryconsa, S.A. were included in 2012:</p> <ul style="list-style-type: none"> • 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 <p>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.</p> <ul style="list-style-type: none"> • 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 <p>During 2015, the following property investments were booked:</p> <ul style="list-style-type: none"> • Daganzo de Arriba Industrial Premises: 27/02/2015 <p>Properties inherited from the Absorbed Company Inveretiro, SOCIMI, S.A.U:</p> <ul style="list-style-type: none"> • Titán, 13: 12/02/2014 • Conde de Peñalver, 16: 01/12/2013 <p>During 2016, the following property investments were recorded:</p> <ul style="list-style-type: none"> • Retail outlet at Gran Vía 55: 01/03/2016 • Edificio José Abascal 41: 02/12/2016 <p>During 2017, the following property investments were booked:</p> <ul style="list-style-type: none"> • Building at Orense, 62: 07/02/2017 • Business Premises at Goya, 59: 10/02/2017

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	<p>The breakdown of real estate assets and their gross booked cost expressed as millions of euros, is as follows:</p> <ul style="list-style-type: none"> • 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:

Type of asset	31/12/2017		31/12/2016	
	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

ANNEX I

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED PUBLIC LIMITED COMPANIES

IDENTIFICATION DETAILS OF THE ISSUER

END DATE OF 12-MONTH PERIOD OF REFERENCE

31/12/2017

TAX ID CODE (CIF)

A87093902

COMPANY NAME

SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.

REGISTERED OFFICE

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

ANNUAL CORPORATE GOVERNANCE REPORT
FOR LISTED PUBLIC LIMITED COMPANIES

A COMPANY OWNERSHIP STRUCTURE

A.1 Fill in the following table regarding the share capital of the Company:

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

Indicate whether there are different shares classes with different associated rights:

Yes No

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

Shareholder name or company name	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR JUAN COLOMER BERROCAL	272,314	0	6.12%
MR MARCO COLOMER BERROCAL	272,315	0	6.12%
COGEIN, S.L.	517,819	342,305	19.32%
COMPAÑÍA ADMINISTRADORA DE RECURSOS Y OBLIGACIONES, S.L.	0	222,610	5.00%

Name or company name of the indirect shareholder	Via: Name or company name of the direct shareholder	Number of voting rights
COGEIN, S.L.	GRAN VIA 34, S.A.	342,305
COMPAÑÍA ADMINISTRADORA DE RECURSOS Y OBLIGACIONES, S.L.	MULTIACTIVIDADES REUNIDAS, S.L.	222,610

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

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

Name or company name of director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR CELESTINO MARTÍN BARRIGÓN	20	0	0.00%
MR JUAN CARLOS URETA DOMINGO	0	0	0.00%
MS OFELIA MARÍA MARÍN-LOZANO MONTÓN	0	0	0.00%
MR JOSE LUIS COLOMER BARRIGÓN	1,367,732	498,360	41.91%
MR MARCO COLOMER BARRIGÓN	551,886	272,315	18.51%

Name or company name of the indirect shareholder	Via: Name or company name of the direct shareholder	Number of voting rights
MR JOSE LUIS COLOMER BARRIGÓN	PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.	498,360

MR MARCO COLOMER BARRIGÓN	MR JAIME COLOMER BERROCAL	272,315
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% of total voting rights held by the board of directors	60.42%
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Complete the following tables with information on the members of the company's board of directors who hold rights on shares in the company:

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

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

Relationship type: Family

Brief description:

SIBLINGS

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

Relationship type: Family

Brief description:

COUSINS

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

Relationship type: Family

Brief description:

COUSINS

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

Relationship type: Family

Brief description:

FATHER/SON

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

Relationship type: Family

Brief description:

FATHER/SON

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

Relationship type: Corporate

Brief description:

MARCO COLOMER BARRIGÓN IS THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF COGEIN, S.L. AND HAS A 19.11% SHAREHOLDING

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

Relationship type: Corporate

Brief description:

JOSE LUIS COLOMER BARRIGÓN IS A BOARD MEMBER OF COGEIN, S.L. AND HAS A 28.49% SHAREHOLDING

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

Relationship type: Corporate

Brief description:

MARCO COLOMER BERROCAL HAS A 3.14% SHAREHOLDING

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

Relationship type: Corporate

Brief description:

JUAN COLOMER BERROCAL HAS A 3.14% SHAREHOLDING

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

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

Yes No

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

Yes No

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

NONE

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

Yes No

Remarks

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

At year end:

Number of direct shares	Number of indirect shares (*)	% total of capital social
0	0	0.00%

(*) Through:

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

Explain the significant changes

NONE

A.9 Describe the conditions and the term of the current mandate of the board of directors to issue, repurchase or transfer treasury stock, as conferred by the General Shareholders Meeting.

THEY DO NOT EXIST

A.9.bis Estimated floating capital:

	%
Estimated floating capital	3.02

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

Yes No

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

Yes No

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

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

Yes No

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

B GENERAL SHAREHOLDERS MEETING

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

Yes No

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

Yes No

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

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

In accordance with Articles 2.3 and 7.1.c of the General Shareholders Meeting Regulations, the general meeting holds the power to amend the Articles of Association and the General Meeting's own regulations at the proposal and after received a report from the board of directors. The system of majorities set forth to amend the Articles of Association and protection of members rights, where applicable, is regulated pursuant to the provisions of the Corporate Enterprises Act.

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

Date of general meeting	Attendance data				Total
	% in person	% by proxy	% remote voting		
			Electronic voting	Others	
01/04/2016	74.64%	18.34%	0.00%	0.00%	92.98%
19/05/2016	75.56%	19.38%	0.00%	0.00%	94.94%
29/06/2017	80.55%	19.39%	0.00%	0.00%	99.94%

B.5 State whether there are any statutory restrictions that establish the minimum number of shares required to attend the General Shareholder's Meeting:

Yes

No

B.6 Paragraph repealed.

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

The URL of the Company's website is: www.saintcroixhi.com. Information on Corporate Governance, Shareholders Meetings and other information that has to be made available to Company shareholders can be found under the "Shareholders and Investors" menu.

C STRUCTURE OF THE COMPANY'S CORPORATE ADMINISTRATION

C.1 Board of Directors

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

Maximum number of directors	11
Minimum number of directors	3

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

Name or company name of director	Representative	Director category	Office on the board	Date of first appointment	Date of last appointment	Appointment procedure
MR CELESTINO MARTÍN BARRIGÓN		Other External	DIRECTOR	10/06/2014	10/06/2014	AGREEMENT BY GENERAL SHAREHOLDERS MEETING
MR JUAN CARLOS URETA DOMINGO		Independent	DIRECTOR	02/12/2014	02/12/2014	AGREEMENT BY GENERAL SHAREHOLDERS MEETING
MS OFELIA MARÍA MARÍN-LOZANO MONTÓN		Independent	DIRECTOR	02/12/2014	02/12/2014	AGREEMENT BY GENERAL SHAREHOLDERS MEETING
MR JOSE LUIS COLOMER BARRIGÓN		Proprietary	DIRECTOR	10/06/2014	10/06/2014	AGREEMENT BY GENERAL SHAREHOLDERS MEETING
MR MARCO COLOMER BARRIGÓN		Executive	CHAIRMAN - CHIEF EXECUTIVE OFFICER	10/06/2014	10/06/2014	AGREEMENT BY GENERAL SHAREHOLDERS MEETING
MS MÓNICA DE QUESADA HERRERO		Proprietary	DIRECTOR	29/06/2017	29/06/2017	AGREEMENT BY GENERAL SHAREHOLDERS MEETING

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

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

EXECUTIVE DIRECTORS

Name or company name of director	Office in the company's organisation chart
MR MARCO COLOMER BARRIGÓN	CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Total number of executive directors	1
% of the board as a whole	16.67%

NON-EXECUTIVE PROPRIETARY DIRECTORS

Name or company name of director	Name or denomination of the significant shareholder who represents or has proposed his/her appointment
MR JOSE LUIS COLOMER BARRIGÓN	MR JOSE LUIS COLOMER BARRIGÓN
MS MÓNICA DE QUESADA HERRERO	MULTIACTIVIDADES REUNIDAS, S.L.

Total number of proprietary directors	2
% of the board as a whole	33.33%

NON-EXECUTIVE INDEPENDENT DIRECTORS

Name or company name of director:

MR JUAN CARLOS URETA DOMINGO

Profile:

Juan Carlos Ureta is the Chairman of Renta 4 Banco, specialising in asset management, capital markets and business funding. Renta 4 Banco is the only bank specialising in asset management to be traded on the Spanish Stock Exchange. He holds a Diploma in Financial Law from the University of Deusto (Bilbao). He qualified as a Public Prosecutor, currently non-practising, in 1980 and as a stockbroker at the Madrid Stock Exchange in 1986, graduating top of his class. Chairman of the Spanish Institute of Financial Analysts, Chairman of the Financial Studies Foundation, Member of the Board of Directors and the Permanent Committee of the Governing Body of the Madrid Stock Exchange since 1989.

He was a member of the Board of Directors of the Securities Clearing and Settlement Service (Iberclear) from 1996 to 2003. He was also Chairman of Iberclear in 2002. Member of the Board of Directors of BME (Bolsas y Mercados Españoles), the holding company covering all Spanish stock exchanges and clearing and settlement systems, from 2002 to 2006. Member of the Board of Directors of Indra Sistemas from 1998 to 2007. Member of the Advisory Board of Lucent Technologies in Spain from 1996 to 2001. Member of the Advisory Board of ING Direct. Consultant for several Spanish and foreign business groups and the author of numerous specialist publications on legal and financial matters.

Name or company name of director:

MS OFELIA MARÍA MARÍN-LOZANO MONTÓN

Profile:

Ofelia Marín-Lozano Montón is currently the Managing Director of 1962 CAPITAL SICAV, an investment company dedicated to investment management and active commercialisation for new investors outside the core business of this variable share capital UCITS. She holds a Bachelor's degrees in Law (1992) and Economics and Business Studies from ICADE, Madrid (1993), and took doctorate courses in business studies at ICADE from 1995 to 1997. She has been a lecturer at ICADE since 1998 and a Member of the National Management Board of the Spanish Institute of Financial Analysts since 2011 (Member of the Organisation, Members, Appointments and Remuneration, and Communications and Institutional Relations Committees).

She was the Director of Economics at Círculo de Empresarios from 2012 to 2013, Director of Analysis at BANCA MARCH from 2000 to 2012, and the head of Spanish Equity Analysis and Consulting at Banco Santander Negocios (now "BANIF") for the private banking offices in Spain and some abroad, from 1993 to 2000. Since 2009 she has given a number of lectures in Spain and abroad, and has written and published many articles on economics.

Total number of independent directors	2
% of board total	33.33%

State whether any director classified as an independent receives from the company, or any group company, any amounts or benefits for an item other than the director's remuneration, or whether any director maintains or has maintained a business relationship with the company or with any company in the group, whether in his own name or as a significant shareholder, director or senior manager of an entity maintaining or which has maintained such a relationship.

No.

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

OTHER NON-EXECUTIVE DIRECTORS

Identify the other non-executive directors and state the reasons why they cannot be considered proprietary or independent directors, and their relationship with the company, its directors or shareholders:

Name or company name of director:

MR CELESTINO MARTÍN BARRIGÓN

Company, director or shareholder with whom the link is held:

MR CELESTINO MARTÍN BARRIGÓN

Reasons:

At the Company's Board meeting held on 26 October 2017, the reclassification of the category of Director for Mr Celestino Martín Barrigón was approved, in order to comply with the requirement addressed to the Company by the CNMV on 18 August 2017.

Total number of other external directors	1
% of board total	16.67%

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

Name or company name of director	Date of change	Previous category	Current category
MR CELESTINO MARTÍN BARRIGÓN	26/10/2017	Independent	Other External

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

	Number of female directors				% of total number of directors of each type			
	2017	2016	2015	2014	2017	2016	2015	2014
Female Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	1	0	0	0	50.00%	0.00%	0.00%	0.00%
Independent	1	1	1	1	50.00%	50.00%	50.00%	50.00%
Other Non-Executive Female Executives	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	2	1	1	1	33.33%	20.00%	20.00%	20.00%

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

Explanation of the measures

According to Article 14.7.g of the Board of Directors Regulations, the Appointments and Compensation Committee has to inform the board about diversity and gender-related issues. It may suggest to the board of directors the appointment of one or several female directors to bring before the General Shareholders Meeting. The director recruitment procedure is not affected by any kind of bias and it does not hinder or obstruct the election of women as members of the board of directors. In 2017, due to the change in shareholding, a new female member has been appointed to the Board.

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

Explanation of the measures

See Section C.1.5. above.

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

Explanation of the reasons

As previously stated, the number of female Directors currently represents 40% of the total number of Board members.

C.16 bis Explain the conclusions of the appointments committee regarding the verification of compliance with the policy on director selection. In particular, explain how this policy promotes the objective that by 2020 the number of female directors is at least 30% of the total number of members of the board of directors.

Explanation of the conclusions

The Company currently has no approved director selection policy. However, the procedures to select directors favour gender diversity in accordance with the provisions of article 529 bis of the Corporate Enterprises Act and are therefore aligned with the goal that in 2020 the number of female directors will represent at least 30% of the total number of directors. In this regard, at the end of 2017, 40% of the Company's directors were female.

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

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

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

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

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

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

C.1.8 Explain, should it be the case, the reasons why proprietary directors have been appointed at the request of shareholders whose shareholding is below 3% of share capital:

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

Yes

No

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

C.1.10 State the powers that have been delegated to the Chief Executive Officer(s), if such authorisations exist:

Name or company name of director:

MR MARCO COLOMER BARRIGÓN

Brief description:

In accordance with the Article 20.6 of the Articles of Association, the board may appoint one or more Chief Executive Officers, notwithstanding the powers of attorney it may grant to any person and determine the powers of attorney to be granted in each case.

The permanent delegation of any of the board of directors' powers to one or several Chief Executive Officers and the appointment of the director(s) who are to hold such offices shall require a vote in favour from two-thirds of the board members to be effective and shall not enter into effect until it is duly registered at the Companies Registry. Under no circumstances may the purpose of such delegation be accountability or the bringing of balances before the General Meeting, nor may the powers that the latter may confer upon the board be delegated, unless expressly authorised by it.

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

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

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

Name or company name of director	Company name of group company	Position
MR JUAN CARLOS URETA DOMINGO	RENTA 4 BANCO, S.A.	CHAIRMAN
MS OFELIA MARÍA MARÍN-LOZANO MONTÓN	1962 CAPITAL SICAV, S.A.	CHIEF EXECUTIVE OFFICER
MR MARCO COLOMER BARRIGÓN	RANK INVERSIONES, SICAV, S.A.	CHAIRMAN

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

Yes

No

C.1.14 Paragraph repealed.

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

Remuneration of the board of directors (thousand euros)	58
Amount of pension rights accumulated by the current Directors (€ thousands)	0
Amount of pension rights accumulated by the ex-Directors (€ thousands)	0

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

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

Name or company name of director	Company name of significant shareholder	Position
MR JOSE LUIS COLOMER BARRIGÓN	COGEIN, S.L.	DIRECTOR
MR MARCO COLOMER BARRIGÓN	COGEIN, S.L.	CHAIRMAN - CHIEF EXECUTIVE OFFICER

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

Name or company name of the related director:

MR JOSE LUIS COLOMER BARRIGÓN

Name or company name of the related significant shareholder:

COGEIN, S.L.

Description of relationship:

Shareholder with a 28.49% interest

Name or company name of the related director:

MR MARCO COLOMER BARRIGÓN

Name or company name of the related significant shareholder:

COGEIN, S.L.

Description of relationship:

Shareholder with a 19.11% interest

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

Yes

No

C.1.19 State the procedures used to select, appoint, re-elect, assess and remove board members. Name the competent bodies, the procedures to be followed and the criteria used in each procedure.

Selection:

The Board of Directors and the Appointments and Compensation Committee, within the scope of their responsibilities, strive to ensure that candidates of renowned solvency, competence and experience are chosen, taking particular care in the case of independent directors. In this connection, the Appointments and Compensation Committee is responsible for assessing the skills, knowledge and experience required on the Board of Directors in order to define the skills and capabilities required by candidates to cover each vacancy, and to assess the time and dedication required to properly carry out their duties.

Appointment:

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

Directors are appointed by the General Shareholders' Meeting or, in the event of co-opted nomination to cover vacancies, by the Board of Directors according to the provisions set forth in applicable law.

Proposals for the appointment of independent directors are made by the Appointments and Compensation Committee. Any proposals for the appointment of non-independent directors the board brings before the General Meeting for its deliberation and any appointment decisions the board adopts by virtue of the powers of co-option legally attributed to it shall be preceded by the relevant non-binding report issued by the Appointments and Compensation Committee. Should the board reject the recommendations made by the Appointments and Compensation Committee, it shall state the reasons thereof and record its reasons in the minutes of the meeting.

Re-election:

Directors hold office for a term of four years and may be re-elected once or more times for periods of equivalent duration. Once the term has expired, the appointment shall expire when the following General Meeting is held or the legal time limit for holding the General Shareholders' Meeting which has to resolve on the application of the previous year's accounts has elapsed.

Any proposals for the reappointment of directors which the board of directors decides to bring before the General Shareholders' Meeting should have been previously reported on by the Appointments and Compensation Committee, which shall assess in its recommendation the quality of the work and the dedication to the office during their mandate.

Likewise, the board of directors ensures that any independent directors who are re-elected do not remain on the same committee, except where the tasks in progress or other reasons suggest they should continue on the same committee.

Assessment:

Annually, the Board of Directors carries out an assessment of its functioning and that of its committees. Based on the outcome of this assessment, the Board of Directors proposes an action plan aimed at correcting the deficiencies detected.

Removal:

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

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

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

Where, due to resignation or for other reasons, a director relinquishes office before the end of their term of office, they should explain the reasons in a letter sent to every member of the Board of Directors, notice of which should be given as a relevant fact and explained in the Annual Corporate Governance Report.

C.1.20 Explain how far the annual assessment of the board has led to important changes in its internal organisation, and on the procedures applicable to its activities:

Description of changes
The board of directors meeting held on 27 July 2017 approved the ANNUAL ASSESSMENT ON THE PERFORMANCE OF THE BOARD OF DIRECTORS, ITS AUDIT COMMITTEE AND THE APPOINTMENTS AND COMPENSATION COMMITTEE, produced by the Appointments and Compensation Committee at the Company, concluding that the board of directors operates in an appropriate and efficient manner, pursuant to the provisions of the Articles of Association and the General Meeting's own regulations. Furthermore, it concluded that during 2016, the members of the board of directors performed their duties with diligence and loyalty to the company's corporate interests, without proposing the adoption of any corrective measure, as no deficiency was identified in the Board's performance.

C.1.20. bis Describe the assessment process and the areas that have been assessed by the board of directors aided, as appropriate, by an external consultant, with respect to the diversity of its composition and duties, the functioning and composition of its committees, performance of the Chairman of the board of directors and the Chief Executive of the company and the performance and contribution of each director.

The process to assess the Board of Directors, its committees and its chairman and chief executive officer for 2016 was overseen by the Appointments and Compensation Committee. This process concluded with the Board of Director's approving the assessment's results in its meeting of 27 July 2017.

The main areas assessed were the following:

- The composition, meetings, functioning and most relevant agreements of the Board of Directors;
- Attendance of directors to Board meetings;
- Relationship of the Board of Directors with its committees;
- Performance of the Board chairman and CEO; and
- Performance of the Board of Directors Committees.

The Board of Directors was not assisted by any external consultant in carrying out this assessment.

C.1.20.ter Break down, as appropriate, the business relationship that the consultant or any company within its group maintains with the company or any company in its group.

No services have been required from an external consultant.

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

Article 21 of the Board of Directors Regulations. Resignation of directors:

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

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

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

C.1.22 Paragraph repealed.

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

Yes

No

If so, describe the differences.

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

Yes

No

C.1.25 Indicate whether the Chairman has the casting vote:

Yes

No

Matters for which there is a casting vote

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

C.126 State whether the Articles of Association or the Board Regulations establish any age limit for directors:

Yes

No

C.127 State whether the Articles of Association or the Board Regulations establish a limited mandate for independent directors, other than as set forth in the legal regulations:

Yes

No

C.128 Indicate whether the Articles of Association or the Regulations of the Board of Directors establish specific rules for delegating votes to the board of directors, how this should be done, and in particular, the maximum number of delegations any Director may have, and whether there is any limit as to the director category to which votes may be delegated, other than the limitations imposed by law. If so, give a brief summary of these rules.

Article 16.1 of the Board Regulations sets forth that Directors shall make every effort to attend board meetings and, when they cannot do so in person, they may grant proxy to another Director. Non-executive directors may only grant proxy to another non-executive director. They shall endeavour to grant proxy through a letter sent to the Chairman, and on an exceptional basis to another board member, along with the relevant instructions, provided the wording of the agenda permits this.

C.129 State the number of board of directors meetings held during the financial year. Also indicate, as applicable, the number of times that the Board has met without its Chairman attending. The calculation of attendance includes representations made with specific instructions.

Number of board meetings	5
Number of board meetings held without the chairman in attendance	0

If the Chairman is an executive director, indicate the number of meetings held with no attendance or representation of any executive director and under the chairmanship of the coordinating director.

Number of meetings	0
---------------------------	---

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

Committee	No. of Meetings
AUDIT COMMITTEE	4
APPOINTMENTS AND COMPENSATION COMMITTEE	3

C.130 State the number of board of directors meetings held during the year with all of its members in attendance. The calculation of attendance includes representations made with specific instructions.

Number of meetings attended by all the directors	5
Attendance as a percentage of total votes during the year	100.00%

C.1.31 State whether the individual and consolidated financial statements that are presented to the Board to be approved are certified in advance:

Yes No

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

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

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

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

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

Yes No

If the secretary is not a director, complete the following table:

Name or company name of secretary	Representative
MR JOSE JUAN CANO RESINA	

C.1.34 Paragraph repealed.

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

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

- To propose the appointment of the external auditors of accounts to the board of directors for submission to the General Shareholders Meeting's consideration. Likewise, to propose engagement conditions to the board of directors, the scope of professional mandates and, if applicable, the renewal thereof or not;
- To maintain relationships with the external auditors to receive information on any matters that could jeopardise their independence and regarding any other matters related to the account auditing process, as well as on any other disclosures laid down by account auditing legislation and technical auditing standards;
- To issue a report on an annual basis expressing an opinion of the auditor of accounts' independence prior to the audit report being issued. Said report shall, in any event, state the provision of additional services; in other words, any services provided by the auditor other than auditing services.
- To oversee the auditing agreement is fulfilled, endeavouring to ensure that the opinion on the annual accounts and the audit report's main contents are clearly and accurately worded, in addition to assessing the results of each audit;
- To act as a communications channel between the board of directors and the auditors, assessing the results of each audit and the management team's responses to their recommendations and mediating in the event of discrepancies between them regarding the applicable principles and criteria to draw up the financial statements;
- To oversee the efficacy of the Company's internal controls, internal auditing, as applicable, and its risk management systems, and to verify their integrity by reviewing them periodically in order to identify risks, manage them and make them known, as well as discussing with the auditors of accounts or auditing firms any significant weaknesses detected in the internal control system during the performance of an audit;

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

Yes

No

Outgoing auditor	Incoming auditor
DELOITTE, S.L.	ERNST & YOUNG, S.L.

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

Yes

No

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

Yes

No

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

Yes

No

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

	Company	Group
Number of consecutive years	1	0
Number of years audited by the current audit firm / Number of years that the company has been audited (%)	14.29%	0.00%

C.140 Indicate and, if applicable, provide details of whether there is a procedure whereby directors can receive external advice:

Yes No

Details of the procedure

Article 16.2 of the Board Regulations sets forth that:

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

C.141 State whether there is a procedure to enable directors to gain access to the information they need to prepare for meetings of governing bodies with sufficient time:

Yes No

Details of the procedure

Pursuant to Article 8.2 a) and c) of the Board Regulations:

2. The Chairman is the maximum authority in terms of the effective functioning of the board of directors. In addition to carrying out the duties that are legally and statutorily attributed to the board of directors, he shall be responsible for:

- a) Convening and presiding over meetings of the board of directors, setting the agenda of meetings and leading discussions and debates.
- c) Ensure that Directors receive sufficient information in advance to deliberate on matters in the agenda.

C.142 State whether the company has established rules that require directors to report on and, as applicable, resign in cases where the company's good standing and reputation may be harmed. If so, describe said rules:

Yes No

Explain the rules

Pursuant to Article 21.2.d) of the Board Regulations:

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

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

C.143 State whether any member of the board of directors has reported to the company that he has been tried or that legal proceedings have been brought against him for any of the offences set forth in Article 213 of the Corporate Enterprises Act:

Yes No

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

- C.144 List the significant agreements signed by the company and that come into force, are modified or are terminated in the case of a change in control of the company resulting from a take-over bid, and their effects.

None

- C.145 Identify in general terms and state in detail any agreements between the company and its directors, executives or employees that set forth severance or guarantee clauses where these stand down or are unfairly dismissed, or upon termination of the contractual relationship due to a take-over bid.

Number of beneficiaries: 0

Type of beneficiary: None

Description of Agreement:

There are no agreements on this issue.

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

	Board of Directors	General Shareholders Meeting
Body that authorises the clauses	Yes	No

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

C.2 Board of Directors Committees

- C.2.1 List all the committees of the board of directors, their members and the proportion of Executive, Proprietary, Independent and other non-executive Directors thereon:

AUDIT COMMITTEE

Name	Position	Category
MR JUAN CARLOS URETA DOMINGO	CHAIRMAN	Independent
MR JOSE LUIS COLOMER BARRIGÓN	MEMBER	Proprietary
MS OFELIA MARÍA MARÍN-LOZANO MONTÓN	SECRETARY	Independent

% of proprietary directors	33.33%
% of independent directors	66.67%

% other non-executive directors	0.00%
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Explain the functions of this committee, describe its organisational and working procedures and rules and summarise its most important activities during the financial year.

Article 14.9 of the Board of Director's Regulations sets forth that:

Without prejudice to the other tasks assigned under the applicable regulations, the Articles of Association or by the Board, the Audit Committee shall be appointed the following basic responsibilities:

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

Identify the director appointed as member of the audit committee taking into account their knowledge and experience of accountancy, auditing, or both, and report on how many years the chairman of this committee has held the post.

Name of the experienced director	MS OFELIA MARÍA MARÍN-LOZANO MONTÓN
No. of years chairman in post	1

APPOINTMENTS AND COMPENSATION COMMITTEE

Name	Position	Category
MS OFELIA MARÍA MARÍN-LOZANO MONTÓN	CHAIRMAN	Independent
MR JUAN CARLOS URETA DOMINGO	MEMBER	Independent
MR JOSE LUIS COLOMER BARRIGÓN	SECRETARY	Proprietary

% of proprietary directors	33.33%
% of independent directors	66.67%
% other non-executive directors	0.00%

Explain the functions of this committee, describe its organisational and working procedures and rules and summarise its most important activities during the financial year.

Article 14.7 of the Board of Director's Regulations sets forth that:

Without prejudice to the other tasks assigned under the applicable regulations, the Articles of Association or by the Board, the Appointments and Compensation Committee shall be appointed the following basic responsibilities:

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

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

	Number of female directors							
	2017		2016		2015		2014	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	1	33.00%	0	0.00%	0	0.00%	0	0.00%
APPOINTMENTS AND COMPENSATION COMMITTEE	1	33.00%	1	33.00%	1	33.00%	1	33.00%

C.2.3 Paragraph repealed

C.2.4 Paragraph repealed.

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

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

The Audit Committee and Appointments and Compensation Committee modified their composition and complemented their functions (Articles 13 and 14) during 2017 to adapt to the CNMV requirement of 18 August 2017, in which all its members were Non-executive Directors as provided for in the Board Regulations. This amendment was approved by the board of directors meeting held on 26 October 2017.

The board of directors meeting held on 27 July 2017 approved the ANNUAL ASSESSMENT ON THE PERFORMANCE OF THE BOARD OF DIRECTORS, ITS AUDIT COMMITTEE AND THE APPOINTMENTS AND COMPENSATION COMMITTEE, produced by the Appointments and Compensation Committee at the Company.

C.2.6 Paragraph repealed.

D RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Explain the procedure, if any, to approve transactions with related parties and parties within the group.

Procedure for reporting approval of related party transactions

Pursuant to Article 4.3.t) of the Board Regulations, the board of directors is responsible for:

t) The approval, subject to a report from the Audit Committee, of transactions that the company or group companies execute(s) with its directors, under the terms provided for in Articles 229 and 230, or with shareholders, either on an individual or joint basis, who retain a significant interest, including shareholders represented on the board of directors at the Company or at other Companies that form part of the same group or individuals related thereto.

The affected Directors or those representing or associated to affected shareholders must abstain from participating in the debate and vote on the agreement in question. Only transactions that simultaneously satisfy the three following conditions shall be exempt from the aforementioned approval:

1. Those that are carried out under agreements with standardised conditions and are applied in a general way to numerous clients;
2. Those that are carried out at established rates or prices, which in general are set by the supplier of the good or service; and
3. Their amount does not exceed 1% of the company's annual revenues.

Furthermore, Article 35 of the Board Regulations (Business Opportunities), establishes that:

1. Directors may not use the name of the Company nor cite their position as directors in order to carry out transactions on their own behalf or on behalf of parties related to them.
2. Directors may not make investments or carry out any transactions associated with the Company's assets, of which they have knowledge through the performance of their duties, for their own benefit or for the benefit of those related to them, when such an investment or transaction has been offered to the Company, or in which the Company has an interest, unless the Company has rejected the investment or transaction without the involvement of the director.

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

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

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

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

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

1,350 (in thousand euros).

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

Transactions with related and/or Group companies are dealt with by the board of directors and the Audit Committee, with each and every contract signed and in force with related and/or Group companies (subsidiaries) expressly mentioned in the financial statements for each year.

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

Yes

No

Identify subsidiaries that are listed in Spain:

Listed subsidiary company

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

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

State the mechanisms created for resolving any conflicts of interest between the listed subsidiary and the other companies in the Group:

Mechanisms to resolve any possible conflicts of interest

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's Risk Management System, including tax risks.

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

To control risks inherent to its operations, the Company has established a variety of risk control and assessment systems, which is led and supervised directly by the board of directors; as set out in Article 4.3 of its Regulations, the Board is responsible for:

- supervising the effective functioning of the committees set up.
- establishing general strategies and policies of the company.
- drafting financial statements and submitting them to the General Shareholders Meeting.
- decisions relating to the remuneration of directors, within the framework of the Articles of Association and, where applicable, the remuneration policy approved by the General Shareholders Meeting.
- policy regarding treasury shares.
- approving the strategic or business plan, the yearly budget and management objectives, investment and financing policy, corporate social responsibility policy and dividend policy.
- establishing risk management and control policy, including tax policy, and supervising internal information and control systems.
- establishing the corporate governance policy for the company and the group of which it is the parent company; its organisation and functioning and, specifically, the approval or amendment of its own regulations.
- approving financial reports that the company, as a listed company, must periodically disclose.
- defining the structure of the group of which the company is the parent company.
- approving investments or operations that, due to their significant value or special characteristics, are considered strategic or involve a particular tax risk, except those that are approved by the General Shareholders' Meeting.
- approval of the creation or acquisition of stakes in special-purpose entities or those domiciled in countries or territories deemed to be tax havens, as well as any other transactions or operations of an analogous nature which could erode the transparency of the company or group due to their complexity.
- approving, subject to a report submitted by the audit committee, related-party or intragroup transactions.

- establishing the company's tax strategy.

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

- Investments and disposals.
- Borrowing levels for all items.
- Control and monitoring of Strategic Plans and Budget compliance.
- Investment limits on fixed-asset elements allocated to leases.

The Audit Committee's duties:

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

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

- Investment Department: This department is responsible for informing the board about any strategic decisions, investments and disposals which are relevant to the Company or the Group, as well as their suitability for the Budget and Strategic Plans before the board adopts any resolutions on them. The department currently comprises one person, who meets as often as is necessary with the Chairman and Chief Executive Officer to study all investment transactions involving real estate acquisitions, disposals, credits and loans, as well as any other relevant transactions which could involve risks to the Company's operations and solvency.
- Finance Department, which provides the board with all the economic and financial reporting on a quarterly basis in order to control and assess risks. The Finance Department prepares and provides the Audit Committee with the information it requires and analyses business risk monitoring and control as part of its duty to identify them in addition to drafting the individual and consolidated Group financial statements.
- Technical Department, which oversees all building, refurbishment or corrective or preventive maintenance works carried out directly or by contracting third parties in order to ensure they are properly executed in all phases. It also supervises suppliers.

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

The Risk Management System is the responsibility of the board of directors, which has delegated its supervision and maintenance responsibilities to the Audit Committee.

The Group's Financial Department prepares and provides the Audit Committee with the information the latter requires and analyses as part of its duty to identify, control and monitor risks to the business.

E.3 State the main risks, including tax risks, which may affect business goal achievement.

The main risks identified by the Group in the attainment of its objectives are: RISKS SPECIFIC

TO THE COMPANY AND ITS BUSINESS SECTOR

Company operations, transactions and results are subject to risks linked to the business sector in which it operates, in addition to risks specific to the Company. Risks may materialise or get worse as a result of changes in competitive, economic, political, legal, regulatory, social, business or financial conditions and, therefore, all shareholders and investors must bear them in mind.

Below are the most relevant risks that may affect the Company, divided into 2 categories:

- risks specific to the Company's business sector;
- risks specific to the Company.

A) RISKS SPECIFIC TO THE BUSINESS SECTOR

- Risks deriving from the cyclical nature of the real-estate business.
- High levels of competition in the real-estate business in Spain may affect the Company's capacity to invest appropriately.
- Risks inherent to the management of real estate assets.
- Risks deriving from the solvency and liquidity of lessees.
- The real-estate sector is regulated and, therefore, any substantial change to the applicable regulations may adversely affect the Company.
- Property investments are relatively illiquid, which could make it difficult to embark upon disinvestments.

- g) The Company may undertake divestments at an inopportune time in terms of maximising their value and could even experience losses.
- h) Any cost associated with a potential investment that ultimately remains unrealised may negatively affect Saint Croix as a Company.
- i) Due diligence undertaken concerning an investment may fail to detect all risks and responsibilities resulting therefrom.
- j) In the renovation or remodelling of its properties, the Company will often rely on the actions of third parties hired and may be exposed to liability deriving from their actions.
- k) The Company may be exposed to liabilities and/or obligations in the future relating to properties sold.
- l) Any forced expropriation of a Company asset may have an adverse impact.
- m) The Company applies a wide-ranging investment policy, which may be subject to change and, therefore, the composition of the Company's asset portfolio may vary.
- n) Any investment made by the Company as part of a joint venture carries associated risks that may have an adverse impact on the Company.

B) RISKS SPECIFIC TO THE COMPANY

- a) The Company is managed externally by the management of Grupo Pryconsa and, therefore, is dependent on its capacity, experience and criteria.
- b) Concentration of the Company's investment activity in Spain.
- c) A significant part of the Company's assets are hotels and therefore, are connected to the tourism industry.
- d) Risks deriving from the indebtedness of Saint Croix as a Company.
- e) A significant part of total invoicing from income at the Company is linked to a limited number of large customers and assets.
- f) The Company may be adversely affected by any change in tax legislation, including the Real Estate Investment Trust (SOCIMI) system, which could negatively impact the Company.
- g) The requirements for preserving the status of SOCIMI may limit the capacity and flexibility of Saint Croix as a Company to make investments or repay its debts.
- h) Some property transfers may lead to negative repercussions on Saint Croix as a Company in accordance with the SOCIMI system.
- i) The assessment of the Company's real estate assets portfolio may not accurately and precisely reflect their actual value.
- j) Risk of fluctuation in interest rates
- k) Inability to precisely foresee the market prices of real estate assets and rents.
- l) Risk of damage to real estate assets and losses deriving from events not covered by insurance policies.
- m) A decrease in the credit rating of Saint Croix may negatively affect the Company.
- n) Shareholders and Directors at the Company may experience a conflict of interests with any of the companies that form Saint Croix or a direct or indirect significant interest in a transaction that the Company is considering.
- o) Risk of a conflict of interests in transactions with related parties.
- p) Concentration of the Company's body of shareholders in the Colomer family, which has a very significant and decisive influence thereon.
- q) Judicial and extra-judicial actions.
- r) Dependence on certain key individuals in terms of management at the Company.
- s) The Company's cash reserves may be insufficient to satisfy its obligations.

E.4 State whether the entity has a risk tolerance level, including for tax risk.

No risk tolerance level has been set on a formal basis. Notwithstanding the size of the Company and the characteristics and manner in which it goes about its business, all investment, divestment and financing activities can be analysed on an individual basis by the board of directors and the corresponding Committees, meaning that the risk level assumed is constantly assessed by the board of directors.

E.5 State which risks, including tax risks, have had an impact over the year.

No significant risks materialised in 2017.

E.6 Explain the response and supervision plans for the entity's main risks, including tax risks.

See sections E.1 and E.4.

F INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN RELATION TO THE INTERNAL CONTROL OVER FINANCIAL REPORTING SYSTEM (ICFR)

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

F.1 The company's control environment

Report at least the following, highlighting their main features:

F.1.1. What bodies and/or areas are responsible for: (i) the existence and maintenance of an adequate and effective internal control over financial reporting system (ICFR); (ii) its implementation, and (iii) its supervision.

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

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

- Departments and/or mechanisms responsible for: (i) designing and reviewing the organisational structure; (ii) clearly defining areas of responsibility and authority, with a suitable distribution of tasks and functions; and (iii) the existence of sufficient procedures for these to be properly disseminated within the entity.

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

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

On 28 April 2016, the Board of Directors approved the Internal Securities Market Conduct Regulations created by the Audit Committee, in compliance with the provisions of Article 225.2 of Royal Legislative Decree 4/2015 of 23 October, approving the consolidated text of the Securities Market Act (hereinafter the "TRLMV").

The objective of the Regulation is to align the behaviour of the Company, its governing bodies, employees and representatives with the rules of conduct that, as part of activities relating to the securities market, must be complied with by the aforementioned parties, as set out in the "TRLMV", and Royal Decree 1333/2005, of 11 November, on market abuse.

As a listed company, it is the duty and intention of the Company (including the aforementioned parties) to act with maximum diligence and transparency in all its undertakings, reducing the risk of conflicts of interests to a minimum and ensuring, in summary, proper and timely information for investors, all of the above to the benefit of market integrity.

Furthermore, the Company's corporate culture and values are conveyed effectively on a daily basis. Given the size of the Company, which only employs two people, this way of conveying them is perfectly adequate.

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

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

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

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

- Regular training and refresher courses on, at least, accounting standards, audits, internal control and risk management for staff involved in preparing and reviewing financial reports and evaluating the ICFR.

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

F.2 Financial reporting risk assessment

Report, at least:

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

- Whether the process exists and is documented.

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

- Whether the process covers all financial reporting assertions (existence and occurrence; completeness; evaluation; presentation, disclosure and comparability; and rights and obligations), whether it is updated and how often.

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

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

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

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

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

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

- Which governing body of the company supervises the process.

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

F.3 Control activities

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

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

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

The procedure sets out the relevance of certain judgements, estimates and forecasts subject to a greater or lesser degree of uncertainty or the choice of certain accounting principles could have on financial reporting. As regards these issues, the procedures which should exist internally are covered, including those performed by the board of directors to review and approve judgements, estimates and provisions. A Risk Map has been created, as part of which the processes set out below were identified, since they are deemed to have a significant impact on the Group's financial reporting:

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

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

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

The section on Accounts Closure in the Company's Procedures Manual describes the review and authorisation procedures for the financial reporting to be published on the securities markets, indicating who is responsible for it (Finance Department, Audit Committee and board of directors), its frequency (Q1, H1, Q3 and H2), the official formats of the National Securities Market Commission (CNMV) for the reporting and a description of the documents to be sent to regulators.

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

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

1. Corporate Rule on Information System Management. This rule sets out all aspects of physical security (backup copies, server maintenance and access, contingency and disaster recovery plan), software security (access control, registration and de-registration procedure, firewalls, etc.), duty segregation policy, information record and traceability policy, privacy policy, development policy, maintenance policy (incident management and user help desk) and training.

2. Corporate Rule on the Data Protection Act (LOPD) and Media. This rule aims to set out the action framework to comply with existing personal data protection legislation and the Internet and e-mail use policy, along with security and control aspects for the IT tools provided by the Company. The security measures set forth in the Rule cover both the data processing of automated or computer files and hard copy records.

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

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

F.4 Reporting and Communications

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

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

The Audit Committee, in coordination with the Group's Financial Manager, is responsible for setting and keeping the Group's accounting policies up to date, as set forth in the Company's Procedures Manual.

The Financial Manager is also in charge of resolving any doubts and conflicts that may arise from their interpretation with the support of the department's staff and, if needed, external experts.

The Company is developing an Accounting Policies Manual, which will be updated regularly. The aim of the Manual, which is currently being prepared, is to set the criteria to be followed for drawing up separate financial statements according to the Spanish New General Chart of Accounts (NPGC).

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

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

F.5 Supervision of the system

Report, stating its main features, including at least:

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

In 2017, a variety of actions have continued to be carried out in connection with the ICFR, the development of relevant documents (corporate rules, risk matrices and controls, policies and procedures) and the design of the control activities needed to fulfil current legislation.

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

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

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

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

The Board Regulations set forth that the board should establish, either directly or through the Audit Committee, an objective, professional and ongoing relationship with the Company's external auditors appointed by the General Meeting, respect their independence and ensure that they are provided with all the necessary information. The Board Regulations establish that it is the responsibility of the Audit Committee to discuss any significant weaknesses detected in the internal control system during the course of the audit with the auditors. The Audit Committee may request additional information and request the clarifications it deems necessary in order to set its own criteria and issue its corresponding report to the Board of Directors.

F.6 Other relevant information

It has not been considered necessary to provide further information.

F.7 External auditor report

Report on:

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

Annual financial information has been reviewed by an external auditor before being communicated to the market.

G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the Company's degree of compliance with the recommendations of the Code of Good Governance for listed companies.

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

1. The articles of association of listed companies should not limit the maximum number of votes that a single shareholder may cast, nor contain other restrictions that stand in the way of a company take-over through the acquisition of its shares in the market.

Complies

Explain

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

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

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

Complies

Partially complies

Explain

Not applicable

3. That during the ordinary general meeting, in addition to circulating the annual corporate governance report in writing, the chairman of the board of directors verbally informs the shareholders, in sufficient detail, of the most important aspects of the company's corporate governance and, in particular:

a) About changes that have occurred since the last ordinary general meeting.

b) About specific reasons why the company does not follow any of the recommendations in the Corporate Governance Code and, if any, alternative rules applicable in this area.

Complies

Partially complies

Explain

4. That the company defines and promotes a policy of communication and contact with shareholders, institutional investors and voting advisers which fully respects regulations against market abuse and gives similar treatment to shareholders who are in the same position.

And that the company publishes the policy on its website, including information relating to the way in which it is put into practice and identifying the contact persons or those responsible for carrying it out.

Complies

Partially complies

Explain

At year-end 2017, there is no policy regarding communication and contact with shareholders or with institutional investors or formally approved voting advisers. However, the Company considers that the communication with its shareholders is adequate, and, to date, has not considered the formal approval of a policy in this regard to be essential.

5. That the board of directors does not bring a proposal to the general meeting for delegation of powers to issue shares or convertible securities which exclude preferential subscription rights for more than 20% of the company's capital at the time of delegation.

And that when the board of directors approves any issue of shares or convertible securities excluding preferential subscription rights, the company immediately publishes reports on its website about this exclusion as referred to under company law.

Complies

Partially complies

Explain

6. That listed companies drawing up the reports listed below, whether on a compulsory or voluntary basis, publish them on their website sufficiently in advance of the ordinary general meeting being held, even if their circulation is not mandatory:
- a) Report on the independence of the auditor.
 - b) Reports on the work of the audit and appointments and remuneration committees.
 - c) Audit committee report on related-party transactions.
 - d) Report on the corporate social responsibility policy.

Complies Partially complies Explain

The Company believes that said reports form part of the internal scope of management at the company and does not believe it is appropriate for the board of directors to disseminate them.

7. That the company transmits General Shareholders' Meetings live on its website.

Complies Explain

The Company does not believe that their live broadcasting is mandatory, nor has the board of directors received any suggestion to this end by any of the Company's shareholders.

8. That the audit committee ensures that the board of directors makes every effort to present financial statements to the General Shareholders Meeting that are free from limitations or qualifications in the audit report and, in exceptional circumstances where they may exist, both the Chairman of the Audit Committee and the auditors shall provide the shareholders with a clear explanation of the content and scope of such limitations or qualifications.

Complies Partially complies Explain

9. That the company permanently publishes the requirements and procedures that it will accept to prove ownership of shares, the right to attend the General Shareholders Meeting and the exercise or delegation of the voting rights.

And that such requirements and procedures facilitate the shareholders' attendance and the exercise of their right to vote and that they are applied in a non-discriminatory manner.

Complies Partially complies Explain

10. That where any legitimate shareholder has, prior to the General Shareholders Meeting being held, exercised the right to supplement the agenda or submit new proposals for resolution, the company:

- a) Immediately circulates such supplementary points and new proposals for resolution.
- b) Publicises the attendance card form or vote delegation or remote voting form with the amendments needed so that the new points on the agenda and alternative proposals for resolution may be voted on under the same terms as those proposed by the board of directors.
- c) Puts all such points or alternative proposals to the vote and applies the same voting rules as those for the points made by the board of directors including, in particular, the assumptions or deductions on the outcome of the vote.

d) Report, after the General Shareholders Meeting, the breakdown of the vote on such supplementary points or alternative proposals.

Complies Partially complies Explain Not applicable

11. That, in the event that the company foresees payment of fees for attendance at the General Shareholders Meeting, it sets up a general policy on such fees beforehand and that said policy is stable.

Complies Partially complies Explain Not applicable

12. That the board of directors performs its duties with a unity of purpose and independence of judgement, gives the same treatment to all shareholders who are in the same position and is guided by company interest, understood to be the achievement of a profitable business that is sustainable in the long term, that promotes its continuity and the maximisation of the company's financial value.

And that in pursuing company interests, apart from respecting the laws and regulations and behaviour based on good faith, ethics and respect for commonly accepted uses and good practice, it seeks to reconcile company interest with, as appropriate, the legitimate interests of its employees, suppliers, customers and other stakeholders who may be affected, along with the impact of the company's activities on the community as a whole and the environment.

Complies Partially complies Explain

13. That, in the interests of effectiveness and participation, the board of directors should comprise no fewer than five and no more than 15 members.

Complies Explain

14. That the board of directors approves a policy for selecting directors that:

- a) Is specific and verifiable.
- b) Ensures that proposals for appointment or re-election are based on prior analysis of the board of directors' needs.
- c) Encourages diversity of knowledge, experience and gender.

That the result of prior analysis of the board of directors' needs is included in an explanatory report from the appointments committee which is published when calling the General Shareholders Meeting to which it is submitted for ratification, appointment or re-election of each director.

And that the policy for selecting directors promotes the objective that by 2020 the number of female directors is at least 30% of the total number of members of the board of directors.

The appointments committee will verify compliance with the policy for selecting directors annually and will report on it in the annual corporate governance report.

Complies Partially complies Explain

At year-end 2017 there is no formally approved director selection policy. The Company bases its appointment proposals based on a prior analysis of the needs of the Board of Directors and selects its directors based on high standards of knowledge, experience, merit and gender diversity, among other aspects. To date, the formal approval of a director selection policy has not been considered essential.

15. Non-executive proprietary directors and independent directors should comprise a significant majority of the board of directors, and the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage shareholdings of the executive directors in the company.

Complies

Partially complies

Explain

16. That the ratio of proprietary directors to the total number of non-executive directors should not be greater than the existing ratio between the capital of the company represented by such directors and the remaining capital.

These criteria may be flexible:

- a) In companies with high capitalisation where shareholdings that are legally considered to be significant are scarce.
- b) In companies in which there are numerous shareholders represented on the board of directors and these shareholders have no links between them.

Complies

Explain

17. That independent directors represent at least half of all the directors.

Nevertheless, where the company does not have high capitalisation or where, even if it does, it has one shareholder, or several acting jointly, who control more than 30% of the share capital, the number of independent directors represents, at least, one-third of all the directors.

Complies

Explain

18. That companies publish and update the following information about their directors on their web site:

- a) Professional background and biography.
- b) Other boards of directors to which they belong, whether or not they are listed companies, along with information about their other remunerated activities, whatever they may be.
- c) Indication of the director's category stating, in the case of proprietary directors, the shareholder that they represent or with whom they have ties.
- d) Date of their first appointment as a director in the company as well as the date of subsequent re-appointments.
- e) Shares and share options held by the director.

Complies

Partially complies

Explain

19. That the annual corporate governance report, after verification by the appointments committee, explains the reasons why proprietary directors have been appointed on behalf of shareholders with shareholdings of less than 3% in the company capital and the reasons for ignoring, if applicable, formal requests for presence on the Board from shareholders with shareholdings equal to or greater than others who have successfully proposed proprietary directors.

Complies

Partially complies

Explain

Not applicable

20. Proprietary directors should tender their resignation once the shareholder they represent transfers its entire interest in the company. They should also do so in the relevant number where such a shareholder reduces its interest in the company down to a level that would require a reduction in the number of proprietary directors.

Complies Partially Complies Explain Not applicable

21. The board of directors does not propose the removal of any independent director before the statutory period for which the director has been appointed concludes, unless the board of directors has just cause, based on a report by the appointments committee. In particular, it will be understood that just cause exists where the director takes up new posts or undertakes new obligations which prevent him/her from dedicating the time needed to perform the duties of the post of director, or failing to carry out the duties inherent to the post or he/she falls into any of the circumstances which cause him/her to lose his/her independent status, in accordance with the provisions of applicable law.

The removal of independent directors may also be proposed as a result of mergers, take-overs or other similar corporate actions that change the structure of the company's capital when such changes in the structure of the board of directors obey the criteria of proportionality indicated in Recommendation 16.

Complies Explain

22. Companies should establish rules that require directors to inform and, as applicable, resign when circumstances arise that could damage the company's good standing and reputation, and in particular they should be obliged to notify the board of any criminal proceedings in which they are involved and of subsequent developments in the proceedings.

If a director is indicted or sent for trial for any of the offences provided for in company law, the board of directors shall examine the case as soon as possible and, based on the specific circumstances, decide whether the director should continue in their post. The board of directors reports and explains all such occurrences in the annual corporate governance report.

Complies Partially complies Explain

23. All of the directors should clearly state their opposition if they consider that a proposed decision submitted to the board of directors may be contrary to the company's interests. In particular, independent and other directors who are not affected by any potential conflict of interest should oppose decisions that may be detrimental to shareholders not represented on the board of directors.

Where the board of directors passes significant or repeated decisions regarding which a director has expressed serious reservations, said director should draw his conclusions and, if he chooses to resign, he should explain the reasons for doing so in the letter mentioned in the following recommendation.

This recommendation also applies to the secretary of the board of directors, even though they may not be a director.

Complies Partially Complies Explain Not applicable

24. Where a director relinquishes office before the end of his term, either through resignation or for any other reason, he should explain the reasons thereof in a letter to be sent to all of the members of the board of directors. And, notwithstanding the fact that this departure is reported as a significant event, the reason for the departure is reported in the annual corporate governance report.

Complies Partially complies Explain Not applicable

25. That the appointments committee ensures that non-executive directors have sufficient time available to perform their duties properly.

That the company rules set out the maximum number of company boards that its directors may belong to:

Complies Partially complies Explain

Although the Appointments and Compensation Committee periodically reviews the temporary availability of the Company's non-executive directors, at year-end 2017 there was no provision in the Board Regulations which limits the number of boards of directors in other companies to which they can be party.

The Company considers that limiting the number of boards of directors in other companies to which they can be party could be an obstacle when it comes to attracting highly qualified directors with sufficient experience. That is why, to date, the Company has not considered it appropriate to include a provision in the Board Regulations in this respect, and assesses the temporary availability of each candidate to form part of the Company's Board of Directors on a case by case basis.

26. The board of directors is to meet as frequently as required to efficiently perform its functions, at least eight times a year, following the schedule of dates and matters established at the start of the year, and each director, individually, may propose other items not initially included on the agenda.

Complies Partially complies Explain

The Company considers that the Board of Directors meets with the necessary frequency to effectively perform its functions and, in any case, it does so following the schedule of dates and issues established prior to the start of each year, and the directors may propose any points in addition to those initially planned on the agenda.

However, in 2017 the Board of Directors met five times instead of the eight allocated by this recommendation. For the time being, and given the Company's particular characteristics and size, it does not believe it necessary to increase the number of Board meetings to a minimum of eight, notwithstanding the fact that, should circumstances so prevail, the number of meetings could be greater.

27. Directors may only be absent when it is essential and the number of absences should be included in the annual corporate governance report. When non-attendance is inevitable, the absent director may nominate a proxy and provide instructions.

Complies Partially complies Explain

28. When directors or the secretary raise concerns about a proposal or, in the case of directors, about the performance of the company, and such concerns are not resolved by the board of directors, these concerns are recorded in the minutes at the behest of the director raising them.

Complies Partially complies Explain Not applicable

29. The company sets up appropriate channels so that directors may obtain the advice needed to perform their duties, including, if deemed fit in the circumstances, external advice payable by the company.

Complies Partially complies Explain

30. Independently of the knowledge demanded from the directors to carry out their duties, the companies also offer directors with the opportunity to participate in knowledge refresher programmes where the circumstances so require.

Complies

Explain

Not applicable

31. The agenda at meetings clearly shows the points regarding which the board of directors must make a decision or adopt a resolution so that the directors can study them or gather the information needed for their adoption beforehand.

Where, exceptionally, on the grounds of urgency, the chairman wishes to submit decisions or resolutions for the board of directors' approval which do not appear on the agenda, prior, express consent will be required from the majority of directors present, and this will be duly recorded in the minutes.

Complies

Partially complies

Explain

32. Directors are periodically informed about changes in shareholdings and the opinion that significant shareholders, investors and ratings agencies have about the company and its group.

Complies

Partially complies

Explain

33. The chairman, being responsible for the effective functioning of the board of directors, in addition to carrying out the duties that are legally and statutorily attributed thereto, prepares and submits a programme of dates and matters to be addressed to the board of directors; organises and coordinates the periodic assessment of the board and, if necessary, the company's Chief Executive Officer; ensures that sufficient time is given to the discussion of strategic matters, and agrees and reviews knowledge refresher programmes for each director where the circumstances so require.

Complies

Partially complies

Explain

34. Where there is a coordinating director, the articles of association or board of directors' regulations offer him/her the following powers, in addition to the powers provided by the law: chair the board of directors in the absence of the chairman and vice-chairmen, if any; speak up for non-executive directors concerns; maintain contact with investors and shareholders to establish their points of view for the purposes of forming an opinion on their concerns, particularly in relation to the company's corporate governance; and coordinate the chairman's succession plan.

Complies

Partially Complies

Explain

Not applicable

35. That the secretary of the board of directors takes particular care so that, in their actions and decisions, the board of directors are aware of the recommendations on good governance contained in this Code of Good Governance applicable to the company.

Complies

Explain

36. Once a year the board of directors, in plenary session, assesses and adopts, as necessary, an action plan correcting shortcomings detected in relation to:

- a) The quality and efficiency of the board of directors' work.
- b) The operation and composition of its committees.
- c) The diversity of the composition and powers of the board of directors.
- d) The performance of the Chairman of the board of directors and the Chief Executive Officer of the company.
- e) The performance and contribution of each director, paying particular attention to those responsible for the various committees of the board.

Assessment of the various committees will be based on the report that they submit to the board of directors and, with respect to the board, the report submitted by the appointments committee.

Every three years, the board of directors will be aided in carrying out the assessment by an external consultant, whose independence will be verified by the appointments committee.

The business relationship of the consultant, or any company in its group, with the company, or any company in its group, must be broken down in the annual corporate governance report.

The process and the areas assessed will be described in the annual corporate governance report.

Complies Partially complies Explain

Although the Board of Directors assesses the terms indicated in the recommendation annually, there is no external consultant to assist the Company in this task every three years. In this regard, the Company has not considered it necessary to outsource this task to an external consultant.

37. When there is an executive committee, the participation structure of the different director categories is similar to that of the main board of directors and its secretary is the Secretary of the Board.

Complies Partially complies Explain Not applicable

38. The board of directors is always aware of the issues discussed and the decisions adopted by the executive committee and each member of the board of directors receives a copy of the minutes of the executive committee's meetings.

Complies Partially complies Explain Not applicable

39. Members of the audit committee, particularly its chairman, are appointed on the basis of their knowledge and experience in accountancy, auditing or risk management and the majority of its members are independent directors.

Complies Partially complies Explain

40. Under supervision of the audit committee, there is a unit that carries out the internal audit function, tasked with ensuring the proper functioning of the information and internal control systems and that functionally comes under the non-executive chairman of the board or of the audit committee.

Complies Partially complies Explain

At year-end 2017, the Company did not have a unit which could assume the internal audit function. The Company has a very small number of employees, none of whom are qualified to perform internal audit tasks. As a result, implementation of this measure would imply hiring at least one new employee, which the Company does not currently consider necessary.

41. The manager of the unit responsible for the internal audit function submits his/her annual work plan to the audit committee, directly reports corresponding incidents and submits an activity report to the committee at the end of every year.

Complies Partially complies Explain Not applicable

42. In addition to those provided for by the law, the audit committee is responsible for the following functions:

1. In connection with reporting and internal control systems:

- a) Supervising the drafting process and integrity of the financial reporting relating to the Company and, as applicable, to the group, reviewing compliance with regulatory requirements, the appropriate scope of consolidation and the correct application of accounting principles.
- b) Safeguarding the independence and effectiveness of the unit responsible for the internal audit function; proposing the selection, appointment, re-election and removal of the manager of the internal audit service; proposing the budget for this service; approving its focus and work plans, ensuring that its activity is mainly focused on relevant risks for the company; receiving periodic information about its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.
- c) Establishing and supervising a mechanism that allows employees to report confidentially and, if possible and considered appropriate, anonymously, any potentially significant irregularities, particularly financial and accounting, they discover within the Company.

2. In relation to the external auditor:

- a) If the external auditor resigns, examining the circumstances leading up to the resignation.
- b) Ensuring that the external auditor's remuneration for their work does not compromise their quality or independence.
- c) Making sure the company notifies a change of auditor as a relevant fact to the National Securities Market Commission (CNMV), attaching thereto a statement on any disagreements, if any, with the outgoing auditor and their content.
- d) Ensuring that the external auditor has an annual meeting with the board of directors in plenary to report on the work carried out and on the evolution of the accounting position and risks to the company.
- e) Ensuring that the company and the external auditor follow prevailing regulations on the provision of services other than audit services, the limits on the concentration of business with the auditor and, in general, any other regulations on the independence of the auditors;

Complies Partially complies Explain

These provisions are not expressly contemplated in full in Article 13 of the Board Regulations; however, they are de facto carried out by the Audit Committee.

43. The Audit Committee may summon any employee or executive of the company and may require the appearance of the same without the presence of any other executive.

Complies Partially complies Explain

44. The Audit Committee is informed about structural and corporate amendment transactions that the company plans to carry out for analysis and prior reporting to the Board of Directors about their financial terms and their accounting impact and, in particular, as appropriate, on the proposed swap ratio.

Complies Partially complies Explain Not applicable

45. The risk management and control policy should identify at least:

- a) The different types of risk, either financial or non-financial, (operational, technological, legal, social, environmental, reputational, amongst others) to which the company is exposed, including contingent liabilities and other off-balance sheet risks amongst financial and economic risks.
- b) The level of risk that the company considers acceptable.
- c) The measures planned to mitigate the impact of identified risks should they materialise.
- d) The internal control and information systems that will be used to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

Complies Partially complies Explain

The Company does not have a formally approved risk management and control policy. However, the various types of risk faced by the Company and the measures expected to mitigate their impact are identified, and the Company has not thus far considered the formal approval of a risk management and control policy, which includes the aspects indicated in this recommendation, to be essential.

46. Under the direct supervision of the audit committee or, as appropriate, a specialist committee of the board of directors, there is an internal risk control and management system run by an internal unit or department at the company which is expressly given the following functions:

- a) Ensuring the proper functioning of the risk control and management systems and, in particular, that all significant risks that may affect the company are adequately identified, managed and quantified.
- b) Actively taking part in drawing up risk strategy and in important decisions on its management.
- c) Ensuring that risk control and management systems suitably mitigate risks within the framework of the policy defined by the board of directors.

Complies Partially complies Explain

At year-end 2017, the Company did not have a unit which could assume the internal risk management and control function. The Company has a very small number of employees, none of whom are qualified to perform internal risk management and control tasks. In addition, given that the Company is not of significant size, it does not consider the creation of a specific internal unit absolutely necessary.

47. The members of the Appointments and Compensation committee (or the Appointments Committee and Compensation Committee, if they are separate) are appointed endeavouring to ensure that they have suitable knowledge, skills and experience for the functions that they are called to perform and that the majority of such members are independent directors.

Complies Partially complies Explain

48. Companies with high capitalisation have separate Appointments and Compensation Committees.

Complies

Explains

Not applicable

49. The appointments committee consults the Chairman of the board of directors and the Chief Executive Officer of the company, particularly regarding issues concerning executive directors.

And that any director can request the appointments committee to take into consideration potential candidates to cover any director vacancies, if, in their opinion, they deem the candidate appropriate.

Complies

Partially complies

Explain

50. The compensation committee carries out its functions independently and, apart from the functions allotted to it by the law, also carries out the following:

- a) Proposing the basic conditions of contracts for senior management to the board of directors.
- b) Monitoring compliance with the remuneration policy established by the company.
- c) Periodically reviewing the remuneration policy applicable to directors and senior management, including systems of remuneration with shares and their application, in addition to ensuring that individual remuneration is proportionate to that paid to the company's other directors and senior management.
- d) Ensuring that possible conflicts of interest do not affect the independence of the external advice given to the committee.
- e) Verifying the information regarding directors' and senior management's remuneration contained in the various corporate documents, including the annual report on directors' remuneration.

Complies

Partially complies

Explain

51. The Compensation Committee consults the chairman and the Chief Executive Director of the company, particularly regarding issues concerning executive directors.

Complies

Partially complies

Explain

52. The rules on the composition and functioning of the supervision and control committees are contained in the board of directors' rules and are consistent with those applicable to the committees that are legally mandatory in accordance with the above-mentioned recommendations, including:

- a) That they are exclusively made up of non-executive directors, with a majority of independent directors.
- b) The chairmen are independent directors.
- c) The board of directors appoints the members of these committees taking into account the knowledge, skills and experience of the directors and the tasks of each committee; it discusses their proposals and reports, and during the first plenary session following their meetings, gives account of their activities which responds to the work carried out;
- d) The committees should be able to seek external advice whenever they see fit to perform their duties.
- e) Minutes of their meetings are drawn up and made available to all the directors.

Complies

Partially complies

Explain

Not applicable

53. Supervision of compliance with the corporate governance rules, internal rules of conduct and corporate social responsibility policy is the responsibility of one committee or distributed amongst several committees of the board of directors which may include the audit, appointment or corporate social responsibility committee, if there is one, or a specialist committee that the board of directors, exercising its powers of self-organisation, decides to create for that purpose, to which the following functions are given, as a minimum:

- a) Supervising compliance and internal codes of conduct, as well as the company's rules of corporate governance
- b) Supervising the communications strategy and relationship with shareholders and investors, including small and medium shareholders.
- c) Periodically assessing the adequacy of the company's corporate governance system, for the purpose that it complies with its mission to promote company interests and takes into account, as appropriate, the legitimate interests of other stakeholders.
- d) Reviewing the company's corporate responsibility policy, ensuring that it is directed at creating value.
- e) Monitoring corporate social responsibility strategy and practices and assessing the level of compliance therewith.
- f) Supervising and assessing relationship processes with the various stakeholders.
- g) Assessing all matters relating to the company's non-financial risks including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordinating the process for non-financial and diversity information reporting in accordance with applicable regulations and international reference standards.

Complies

Partially complies

Explain

At year-end 2017, the Company had not assigned the functions indicated in the recommendation to any of the Board of Directors Committees. The Company will, however, study assigning said functions to one of the existing committees moving forwards.

54. The corporate social responsibility policy includes the principles or undertakings that the company assumes voluntarily in its relationships with the various stakeholders and identifies, as a minimum:

- a) The aims of the corporate social responsibility policy and the development of support tools.
- b) Corporate strategy in relation to sustainability, the environment and social matters.
- c) Specific practices in matters related to: shareholders, employees, customers, suppliers, social matters, the environment, diversity, tax responsibility, respect for human rights and the prevention of illegal behaviour.
- d) The methods or systems for monitoring the results of the application of specific practices listed under the previous letter, associated risks and their management.
- e) Mechanisms for supervising non-financial risk, company ethics and behaviour.
- f) Channels for communication, participation and dialogue with stakeholders.
- g) Responsible communication practices that avoid the manipulation of information and safeguard integrity and honour.

Complies

Partially complies

Explain

At year-end 2017, the Company did not have a corporate social responsibility policy. Given the size of the Company and its limited number of employees, for the time being, the Board of Directors has not considered producing a corporate social responsibility policy to be necessary.

55. The company reports, in a separate document or in the management report, on matters related to corporate social responsibility, using one of the internationally accepted methodologies to do so.

Complies Partially complies Explain

The Company does not produce a corporate social responsibility report nor report on this matter in the annual corporate governance report. This is due to the fact that, at year-end 2017, the Company had not established a corporate social responsibility policy and had not carried out any actions in this area during 2017.

56. Directors' remuneration is sufficient to attract and retain directors with the desired profile and to remunerate the dedication, qualification and responsibility that the post demands, but not so high as to compromise the independent opinion of non-executive directors.

Complies Explain

57. Variable remuneration linked to company and personal performance is limited to executive directors, in addition to remuneration with shares, options or rights over shares or instruments referenced to share value and long-term savings systems such as pension plans, retirement plans or other social benefits systems.

Giving shares by way of remuneration to non-executive directors may be contemplated when this is conditional on said shares being retained until they cease to be directors. The foregoing will not be applicable to shares that a director needs to dispose of, as appropriate, to pay for the costs related to their acquisition.

Complies Partially complies Explain

Article 21 of the Articles of Association do not state that variable remuneration may only be offered to Executive Directors: Article 21.3 establishes that in addition to the remuneration system set out in the preceding sections (allowances, fixed and variable remuneration), Directors may be remunerated in the form of shares, or by option rights over shares, in addition to remuneration referenced to the value of shares, provided that the application of any of these systems is approved in advance by the General Shareholders Meeting. Said approval shall establish, as appropriate, the number of shares to be provided to each Director, the strike price of the option, the value of shares taken as a reference and the duration of the remuneration system.

58. In the case of variable remuneration, payment policies incorporate the limits and technical safeguards required to ensure that such remuneration is in line with the professional performance of the beneficiaries and is not solely derived from the general evolution of the markets or the business sector of the company or from other similar circumstances.

In particular, the variable components of remuneration:

- a) Are bound to performance criteria that are predefined and measurable and that such criteria consider the risk assumed to obtain a result.
- b) Promote the company's sustainability and include non-financial criteria that are appropriate for the creation of long-term value, such as compliance with the company's internal rules and procedures and its policies for risk control and management.
- c) Are set up on the basis of a balance between fulfilling objectives in the short-, medium- and long-term that make it possible to reward continuous performance during a period of time that is sufficient to appreciate the contribution to sustainable creation of value, in such a way that the elements for measuring this performance are not solely based around one-off, occasional or extraordinary events.

Complies Partially complies Explain Not applicable

The Company's remuneration policy does not expressly incorporate any of the specific elements indicated in this recommendation in terms of setting the variable component of director remuneration. The setting of the variable component of remuneration is performed by the Board of Directors in response to criteria such as the responsibilities assumed, the performance or the dedication employed by each director, so some of these criteria are taken into account in practice. The Company did not consider it necessary to expressly include these elements in the current remuneration policy, approved in June 2015, giving greater discretion to the Board of Directors. However, the Company will assess its inclusion in the preparation of the new remuneration policy when the current one expires.

59. Payment of a significant part of variable components of remuneration is deferred for a sufficient minimum period of time to verify that the remuneration terms previously set up have been fulfilled.

Complies Partially complies Explain Not applicable

60. Remuneration linked to the company's results should take into consideration any possible qualifications in the auditor's report that might reduce such results.

Complies Partially complies Explain Not applicable

61. A significant percentage of the executive directors' variable remuneration is linked to the handover of shares or financial instruments referenced to their value.

Complies Partially complies Explain Not applicable

In 2017, there was no percentage of variable remuneration linked to the handover of shares or financial instruments referenced to the share's value.

The CEO is also a significant shareholder of the Company, so his interests as an executive director are fully aligned with that of the shareholders. That is why the Company does not consider it necessary to include these components in their variable remuneration.

62. Once the shares or options or rights over shares relating to the remuneration system have been allotted, the directors may not transfer ownership of a number of shares equivalent to twice their annual fixed remuneration, nor may they exercise the options or rights until a period of, at least, three years has passed since their allotment.

The foregoing will not be applicable to shares that a director needs to dispose of, as appropriate, to pay for the costs related to their acquisition.

Complies Partially complies Explain Not applicable

63. Contractual agreements include a clause that allows the company to claim repayment of the variable components of remuneration where the payment has not been adjusted to the terms for performance or where they were paid in the light of data which is later proven to be inaccurate.

Complies Partially complies Explain Not applicable

The Company's contract with the CEO does not include a clawback clause on the variable components of his remuneration. The Company has not considered including a clause of this type necessary given the insignificant nature of the variable components of his remuneration.

64. Payments for termination of contract do not exceed an amount established as the equivalent of two years total annual remuneration and they are not paid until the company has been able to prove that the director fulfilled the performance criteria set up beforehand.

Complies

Partially complies

Explain

Not applicable

H OTHER INFORMATION OF INTEREST

1. If there are any other relevant aspects concerning the company's corporate governance or that of the group's entities not covered in the other sections of this report, but which should be included to provide more comprehensive and reasoned information on the structure and governance practices of the company or of its group, please provide brief details thereof.

2. Any other information, clarification or further details concerning previous sections of the report may also be included in this section in so far as they are relevant and not reiterative.

More specifically, state whether the company is subject to legislation other than Spanish legislation on corporate governance matters and, as applicable, include any information it is obliged to provide which is different from the information required in this report.

3. The company may also state if it has voluntarily joined other international, industry-specific or any other kind of codes on ethical principles or best practice. If so, state the code in question and the date the company joined it.

1. There is no relevant additional aspect concerning corporate governance that has not been covered in this annual report. 2. The Company is not subject to any legislation on corporate governance matters other than Spanish legislation.
3.- The Company has not voluntarily adhered to any of the aforementioned codes.

This Annual Corporate Governance Report was approved by the company's board of directors at its meeting held on 28/02/2018.

State whether any directors either voted against or abstained from voting with regard to the approval of this Report.

Yes

No

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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