Meridia Real Estate III, SOCIMI, S.A.

Annual Accounts

31 December 2018

Directors' Report

2018

(With Independent Auditor's Report Thereon)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Torre Realia
Plaça d'Europa, 41-43
08908 L'Hospitalet de Llobregat
(Barcelona)

Independent Auditor's Report on the Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Meridia Real Estate III, SOCIMI, S.A.

Opinion

We have audited the annual accounts of Meridia Real Estate III, SOCIMI, S.A. (the "Company"), which comprise the balance sheet at 31 December 2018, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Most Relevant Aspects of the Audit

The most relevant aspects of the audit are those that, in our professional judgement, have been considered as the most significant risks of material misstatement in the audit of the annual accounts of the current period. These risks were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

Recoverable amount of investments in Group companies and associates (see notes 2 d), 4 b), 7 and 9)

The Company holds interests in various companies of the Group to which it belongs, and has granted loans to these companies, which are recorded under non-current and current investments in Group companies and associates at 31 December 2018. The Company assesses these assets annually for indications of impairment, for the purpose of determining their recoverable amount. The recoverable amount is calculated by applying valuation techniques which require the exercise of judgement and estimates by the Directors and management. Due to the high level of judgement, the uncertainty associated with these estimates and the significance of the carrying amount of the assets, this has been considered a relevant aspect of our audit.

Our audit procedures included evaluating the design and implementation of key controls related to the process of estimating the recoverable amount of the investments in Group companies and associates, as well as assessing the criteria used by the Company's Directors and management to identify indications of impairment. Furthermore, we evaluated the methodology and assumptions used in estimating the recoverable amount, which take into account the latent unrecognised goodwill of the real estate assets included in the investees, with the involvement of our valuation specialists. We also assessed whether the information disclosed in the annual accounts meets the requirements of the financial reporting framework applicable to the Company.

Valuation of investment property (see notes 2.d, 4.c and 6)

The Company holds a significant amount of its assets in investment property corresponding to real estate property earmarked for lease to obtain revenues. The Company assesses investment property annually for indications of impairment, for the purpose of determining whether its carrying amount exceeds its recoverable amount. The recoverable amount of real estate property is determined by an appraisal performed by an independent expert.

In this regard, this amount is calculated by applying valuation techniques which often require the exercise of judgement by the independent expert and the Directors, as well as the use of assumptions and estimates. Due to the high level of judgement, the uncertainty associated with these estimates and the significance of the carrying amount of the investment property, this has been considered a relevant aspect of our audit.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Our audit procedures included evaluating the design and implementation of key controls related to the investment property valuation process, as well as assessing the methodology and assumptions applied in the preparation of the appraisal used in this process, for which purpose we involved our valuation specialists. We also assessed whether the information disclosed in the annual accounts meets the requirements of the financial reporting framework applicable to the Company.

Other Information: Directors' Report

Other information solely comprises the 2018 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility for the directors' report, in accordance with the requirements of prevailing legislation regulating the audit of accounts, consists of assessing and reporting on the consistency of the directors' report with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. It is also our responsibility to assess and report on whether the content and presentation of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described in the preceding paragraph, the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2018 and the content and presentation of the report are in accordance with applicable legislation.

Directors' Responsibility for the Annual Accounts

The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Company in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, 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 have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Annual Accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts 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 legislation regulating the audit of accounts 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 economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the annual accounts, 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 entity's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

– Conclude on the appropriateness of the Directors' 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts 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 annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

We communicate with the Directors of the entity 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.

From the significant risks communicated to the Directors of Meridia Real Estate III, SOCIMI, S.A., we determine those that were of most significance in the audit of the annual accounts of the current period and which are therefore the most significant risks.

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

KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors ("ROAC") with No. S0702

(*Signed on original in Spanish*)

Joan Manuel Plà Hernàndez
On the Spanish Official Register of Auditors ("ROAC") with No. 20,351

29 April 2019

MERIDIA REAL ESTATE III, SOCIMI, S.A.

Balance Sheets

at 31 December 2018 and 2017

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Assets	*Note*	2018	2017
Investment property	**Note 6**	**26,328,861.57**	**-**
Land		26,273,074.81	-
Investments in adaptation and advances		55,786.76	-
Non-current investments in Group companies and associates		**130,210,602.96**	**90,776,845.96**
Equity instruments	**Note 7**	109,590,000.00	77,560,000.00
Loans to companies	**Note 9**	20,620,602.96	13,216,845.96
Total non-current assets		**156,539,464.53**	**90,776,845.96**
Trade and other receivables		**839,768.69**	**1,548,830.35**
Trade receivables from Group companies and associates	**Note 9**	466,833.59	488,057.37
Other receivables	**Note 9**	13,285.79	290,981.09
Personnel		7,064.00	7,449.00
Public entities, other	**Note 14**	352,585.31	762,342.89
Current investments in Group companies and associates	**Note 9**	**7,995,513.88**	**6,734,684.45**
Loans to companies		7,995,513.88	6,734,684.45
Prepayments for current assets		**22,957.60**	**10,142.00**
Cash and cash equivalents		**5,015,824.07**	**5,348,332.55**
Cash		5,015,824.07	5,348,332.55
Total current assets		**13,874,064.24**	**13,641,989.35**
Total assets		**170,413,528.77**	**104,418,835.31**

The accompanying explanatory notes form an integral part of the annual accounts.

MERIDIA REAL ESTATE III, SOCIMI, S.A.

Balance Sheets

at 31 December 2018 and 2017

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Equity and Liabilities	*Note*	2018	2017
Capital and reserves	**Note 10**	**117,337,527.49**	**72,064,797.92**
Capital			
Registered capital		122,723,624.00	78,500,000.00
Share premium		3,980,126.16	-
(Own shares and equity holdings)		(281,644.00)	(289,900.00)
Prior years' losses		(6,145,302.08)	(1,886,333.23)
Loss for the year		(2,939,276.59)	(4,258,968.85)
Total equity		**117,337,527.49**	**72,064,797.92**
Non-current payables	**Note 12**	**50,557,874.69**	**31,150,905.39**
Other financial liabilities		50,557,874.69	31,150,905.39
Total non-current liabilities		**50,557,874.69**	**31,150,905.39**
Current payables		**118,709.48**	**-**
Loans and borrowings	**Note 12**	118,709.48	-
Group companies and associates, current		**1,355,290.29**	**973,727.78**
Trade and other payables		**1,044,126.82**	**229,404.22**
Other payables	**Note 12**	1,033,362.07	220,563.17
Public entities, other	**Note 14**	10,764.75	8,841.05
Total current liabilities		**2,518,126.59**	**1,203,132.00**
Total equity and liabilities		**170,413,528.77**	**104,418,835.31**

The accompanying explanatory notes form an integral part of the annual accounts.

MERIDIA REAL ESTATE III, SOCIMI, S.A.

Income Statements

for the years ended

31 December 2018 and 2017

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Note	2018	2017
Revenues	**Note 17**	**3,368,735.88**	**1,527,895.78**
Services rendered		1,476,010.70	893,886.33
Finance income from holding company		1,892,725.18	634,009.45
Personnel expenses	**Note 17**	**(122,374.66)**	**(131,925.77)**
Salaries and wages		(95,321.99)	(100,837.34)
Employee benefits expense		(27,052.67)	(31,088.43)
Other operating expenses		**(2,916,826.84)**	**(4,867,996.41)**
External services		(2,915,753.12)	(4,867,996.41)
Taxes		(1,073.72)	-
Other income/(expenses)		**-**	**891,380.56**
Results from operating activities		**329,534.38**	**(2,580,645.84)**
Finance income		**4,620.97**	**623.91**
Marketable securities and other financial instruments		4,620.97	623.91
Finance costs		**(3,274,589.76)**	**(1,679,248.91)**
Group companies and associates		(2,951,088.75)	(1,679,248.91)
Other		(323,501.01)	-
Change in fair value of financial instruments		**1,157.82**	**301.99**
Trading portfolio and other		1,157.82	301.99
Net finance cost		**(3,268,810.97)**	**(1,678,323.01)**
Loss before income tax		(2,939,276.59)	(4,258,968.85)
Loss for the year		**(2,939,276.59)**	**(4,258,968.85)**

The accompanying explanatory notes form an integral part of the annual accounts.

MERIDIA REAL ESTATE III SOCIMI, S.A.

Statements of Changes in Equity

A) Statements of Recognised Income and Expense

for the year ended 31 December 2018

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	2018	2017
Loss for the year	**(2,939,276.59)**	**(4,258,968.85)**
Total recognised income and expense	**(2,939,276.59)**	**(4,258,968.85)**

The accompanying explanatory notes form an integral part of the annual accounts.

MERIDIA REAL ESTATE III, SOCIMI, S.A.

Statements of Changes in Equity

B) Statement of Total Changes in Equity for the years ended 31 December 2018 and 2017

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Registered capital	Share premium	Reserves and prior years' profit and loss	Own shares and equity holdings	Loss for the year	Total
Balance at 31 December 2017	**78,500,000.00**	**-**	**(1,886,333.23)**	**(289,900.00)**	**(4,258,968.85)**	**72,064,797.92**
Recognised income and expense	-	-	-		(2,939,276.59)	**(2,939,276.59)**
Transactions with shareholders or owners						
Capital increases	44,223,624.00	3,980,126.16	-			**48,203,750.16**
Own shares purchased and sold	-	-	-	8,256.00	-	**8,256.00**
Application of losses for the prior year	-	-	(4,258,968.85)		4,258,968.85	**-**
Balance at 31 December 2018	**122,723,624.00**	**3,980,126.16**	**(6,145,302.08)**	**(281,644.00)**	**(2,939,276.59)**	**117,337,527.49**

	Registered capital	Reserves and prior years' profit and loss	Own shares and equity holdings	Loss for the year	Total
Balance at 31 December 2016	**39,391,565.00**	**-**	**-**	**(1,886,333.23)**	**37,505,231.77**
Recognised income and expense	-	-	-	(4,258,968.85)	**(4,258,968.85)**
Transactions with shareholders or owners					
Capital increases	39,108,435.00	-	-	-	**39,108,435.00**
Own shares purchased and sold	-	-	(289,900.00)	-	**(289,900.00)**
Application of losses for the prior year	-	(1,886,333.23)	-	1,886,333.23	**-**
Balance at 31 December 2017	**78,500,000.00**	**(1,886,333.23)**	**(289,900.00)**	**(4,258,968.85)**	**72,064,797.92**

The accompanying explanatory notes form an integral part of the annual accounts.

MERIDIA REAL ESTATE III, SOCIMI, S.A.

Statement of Cash Flows
for the years ended 31 December 2018 and 2017

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Note	2018	2017
Cash flows from operating activities			
Loss for the year before tax		**(2,939,276.59)**	**(4,258,968.85)**
Adjustments for:			
Finance income		(1,897,346.15)	(634,633.36)
Finance costs		3,274,589.76	1,679,248.91
Change in fair value of financial instruments		(1,157.82)	-
Other income and expenses		(12,815.60)	(85.85)
Changes in operating assets and liabilities			
Trade and other receivables		709,061.66	(517,064.05)
Other current assets		-	(432,230.40)
Trade and other payables		814,722.60	47,567.03
Other cash flows from operating activities			
Interest paid		(204,791.53)	(908,485.77)
Dividends received		437,659.86	-
Interest received		140,099.86	623.91
Cash flows from/(used in) operating activities		**320,746.05**	**(5,024,028.43)**
Cash flows from investing activities			
Payments for investments			
Group companies and associates		(32,030,000.00)	(33,040,000.00)
Loans to Group companies and associates		(7,345,000.00)	(14,040,000.00)
Investment property		(13,825,644.30)	-
Proceeds from sale of investments			
Group companies and associates		-	25,000.00
Cash flows used in investing activities		**(53,200,644.30)**	**(47,055,000.00)**
Cash flows from financing activities			
Proceeds from and payments for equity instruments			
Issue of equity instruments		14,203,771.47	39,108,435.00
Acquisition of own equity instruments		(15,160.00)	(17,989,542.00)
Sale of own equity instruments		24,573.82	17,699,642.00
Proceeds from and payments for financial liability instruments			
Issue			
Payables to shareholders		37,999,999.48	17,191,565.06
Group companies and associates		334,205.00	950,000.00
Cash flows from financing activities		**52,547,389.77**	**56,960,100.06**
Net increase/(decrease) in cash and cash equivalents		(332,508.48)	4,881,071.63
Cash and cash equivalents at beginning of period		5,348,332.55	467,260.92
Cash and cash equivalents at end of period		5,015,824.07	5,348,332.55

The accompanying explanatory notes form an integral part of the annual accounts.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(1) General Information

Meridia Real Estate III, SOCIMI, S.A. (hereinafter the Company), is a Spanish company with tax identification number A66696741, incorporated by deed granted before a notary of Barcelona on 20 January 2016, protocol number 148; recorded in the Barcelona Mercantile Registry in Volume 45210, Sheet 144, Page B 4804472, Inscription 1.

The Company's registered office is located at Avenida Diagonal, 640, Barcelona.

As explained in note 7 the Company holds investments in subsidiaries. Consequently, in accordance with prevailing legislation, the Company is the parent of a group of companies. In accordance with generally accepted accounting principles in Spain, consolidated annual accounts must be prepared to give a true and fair view of the financial position of the Group, the results of operations and changes in its equity and cash flows. Details of investments in Group companies, associates and jointly controlled entities are included in Appendix I.

On 29 March 2019 the directors authorised for issue the consolidated annual accounts of Meridia Real Estate III, SOCIMI, S.A. and subsidiaries for 2018, which show consolidated losses of Euros 1,774,720.40 (Euros 4,438,194.98 in 2017) and consolidated equity of Euros 124,256,610.61 (Euros 72,944,324.87 in 2017).

The statutory activity of Meridia Real Estate III, SOCIMI, S.A. is:

(a) The holding of and investment in financial assets and any other type of bonds, shares, and equity holdings, as well as interests in other companies and/or entities, irrespective of their statutory activities, and the purchase, sale, lease and encumbering, in any manner, of securities, except for finance leases and the activities reserved for collective investment undertakings and stock exchange brokers and dealers.

(b) The identification, acquisition, holding, administration, management, conveyance, disposal and/or lease (other than finance lease) of any type of real estate and the performance of real estate development activities.

(c) The identification, acquisition, holding, administration, management, conveyance and/or disposal of any type of company, acting as the holding company of shares and/or any type of equity holding in such companies and/or entities, and the provision, inter alia, of any type of economic, controllable, legal, tax and/or financial services to such companies and/or entities, irrespective of the related statutory activities and or nationality thereof, including the granting of any type of loan and/or credit whenever necessary.

(d) The acquisition by any means of all kinds of loans, credits and/or debts (individually and/or as part of a portfolio) the underlying asset of which is real estate, a mortgage guarantee and/or any other type of pledge.

SOCIMI (Spanish REIT), Law 11/2009

On 27 April 2016 the Company requested from the Spanish taxation authorities that it be included in the special tax regime for SOCIMI (Spanish real estate investment trusts - REIT), regulated by Law 11/2009 of 26 October 2009 governing SOCIMI. The request to be included in this tax regime was approved by the Company's shareholders at the general meeting held on 6 April 2016.

The Company's statutory activities fall within the statutory activities required of SOCIMI in article 2 of Law 11/2009 of 26 October 2009 governing SOCIMI. The Company also holds interests in:

- MRE III – Proyecto Uno, S.L.U., incorporated on 22 March 2016, opted to apply the special tax regime set out in the aforementioned Law on 11 May 2016.

- MRE III – Proyecto Dos, S.L.U., incorporated on 11 May 2016, opted to apply the special tax regime set out in the aforementioned Law on 21 September 2016.

- MRE III – Proyecto Tres, S.L.U., incorporated on 11 May 2016, opted to apply the special tax regime set out in the aforementioned Law on 21 September 2016.

- MRE III – Proyecto Cuatro, S.L.U., incorporated on 9 August 2016, opted to apply the special tax regime set out in the aforementioned Law on 4 August 2017.

- MRE III – Proyecto Cinco, SOCIMI, S.L.U., incorporated on 9 August 2016, opted to apply the special tax regime set out in the aforementioned Law on 12 July 2017.

  At 31 December 2018 the Company fails to meet the following requirements set out by Law 11/2009 of 26 October 2009 governing SOCIMI:

  - Listing on a regulated market or in a multilateral trading system.
  - The obligation to have invested at least 80% of the value of its assets in real estate earmarked for lease, in land for real estate development earmarked for that purpose, and in capital or equity investments in other companies that also acquire and develop urban real estate for lease.

  Nevertheless, the Company's board of directors considers that these requirements will be met within the two-year period permitted by this Law.

- MRE III – Proyecto Seis, S.L.U., incorporated on 6 June 2017, opted to apply the special tax regime set out in the aforementioned Law on 4 August 2017.

- MRE III – Proyecto Siete, S.L.U., incorporated on 6 June 2017, opted to apply the special tax regime set out in the aforementioned Law on 26 September 2017.

- MRE III – Proyecto Ocho, S.L.U., incorporated on 20 July 2017, opted to apply the special tax regime set out in the aforementioned Law on 26 September 2017.

- MRE III – Proyecto Nueve, S.L.U., incorporated on 20 July 2017, opted to apply the special tax regime set out in the aforementioned Law on 26 September 2017.

- MRE III – Proyecto Diez, S.L.U., incorporated on 20 July 2017, opted to apply the special tax regime set out in the aforementioned Law on 16 September 2016.

- MRE III – Proyecto Once, S.L.U., incorporated on 9 August 2017, opted to apply the special tax regime set out in the aforementioned Law on 12 September 2018.

- MRE III – Proyecto Doce, S.L.U., incorporated on 9 August 2017, opted to apply the special tax regime set out in the aforementioned Law on 12 September 2018.

- MRE III – Proyecto Trece, S.L.U., incorporated on 9 August 2017, opted to apply the special tax regime set out in the aforementioned Law on 12 September 2018.

The principal statutory activities of these wholly-owned investees of the Company, as well as the investee MRE III - Proyecto Cinco, SOCIMI, S.A., 77.60% of which is owned by the Company, are the acquisition of urban real estate for its lease. These investees are subject to the same regime established for SOCIMI with regard to the mandatory statutory policy for distribution of profit.

Article 3 of Law 11/2009 also lays down the following investment requirements:

1. SOCIMI must have invested at least 80% of the value of their assets in urban real estate earmarked for lease, in land for real estate development earmarked for that purpose, provided that development begins within three years following its acquisition, and in capital or equity investments in other companies that also acquire and develop urban real estate for lease.

(Continued)

This percentage must be calculated on the basis of the consolidated balance sheet if the company is the parent of a group, in accordance with the criteria set forth in article 42 of the Spanish Code of Commerce, regardless of its place of residence and of the obligation to prepare consolidated annual accounts. Such a group must be composed exclusively of SOCIMI and the other entities referred to in article 2.1 of this Law (companies the principal statutory activities of which are the acquisition and development of urban real estate for lease). This percentage was met at 31 December 2018 and 31 December 2017.

2. Furthermore, at least 80% of the rental income from the tax period corresponding to each year, excluding the rental income deriving from the transfer of the interests and conveyance of the real estate earmarked by the company to achieve its principal statutory activity, once the holding period referred to below has elapsed, should be obtained:

   (a) from the lease of real estate earmarked for the purpose of complying with the principal statutory activity to persons or entities with which none of the circumstances set forth in article 42 of the Spanish Code of Commerce arise, irrespective of their place of residence; and/or

   (b) from dividends or shares in profit from investments held to comply with the principal statutory activity.

   This percentage must be calculated on the basis of the consolidated profit or loss if the company is the parent of a group, in accordance with the criteria set forth in article 42 of the Spanish Code of Commerce, regardless of its place of residence and of the obligation to prepare consolidated annual accounts. Such a group must be composed exclusively of SOCIMI and the other entities referred to in article 2.1 of this Law. This percentage was met at 31 December 2018 and 31 December 2017.

3. The real estate included in the company's assets should remain leased for at least three years. The period of time during which the real estate has been available for lease, up to a maximum of one year, shall be included for calculation purposes.

   The period shall be calculated as follows:

   (a) For real estate included in the company's assets before the company applies the regime, from the beginning of the first tax period in which the special tax regime stipulated in this law applies, provided that at that date, the asset is leased or made available for lease. Otherwise the following shall apply.

   (b) For real estate developed or acquired subsequently by the company, from the date on which they were leased or put up for lease for the first time.

   In the case of shares or capital interests in the entities referred to in article 2.1 of this Law, they should be retained under assets on the company's balance sheet for at least three years following their acquisition or, as appropriate, from the beginning of the first tax period in which the special tax regime set forth in this law applies.

Articles 4 and 5 of Law 11/2009 also set out the following requirements:

1. Throughout the entire tax period, SOCIMI shares must be continuously admitted to trading on a regulated market or on a multilateral trading facility in Spain, any other European Union Member State or the European Economic Area, or on a regulated market in any country or territory with which there is an effective exchange of tax information.

   SOCIMI shares must be registered shares.

(Continued)

All of the Company's shares were admitted to trading on 29 December 2017 in the SOCIMI segment of the Spanish Alternative Equity Market (Mercado Alternativo Bursátil) (MAB-SOCIMI) and therefore this requirement is met.

2. SOCIMI must have minimum share capital of Euros 5 million, which the Company has exceeded; this requirement has therefore been met.

   Non-monetary contributions for capital formation or increase in the form of real estate must be appraised when they are contributed in accordance with article 38 of the revised Spanish Companies Act and, to this end, the independent appraiser appointed by the Mercantile Registrar must be one of the appraisal companies set forth in mortgage market legislation. Non-monetary contributions made in real estate for capital formation or increase in the entities indicated in article 2.1 c) of this Law must be appraised by one of the aforementioned appraisal companies.

   There must only be one class of shares. The Company has met this requirement, as indicated in note 10.

   If the company chooses to apply the special tax regime set forth in this law, its company name must include the words “Sociedad Cotizada de Inversión en el Mercado Inmobiliario, Sociedad Anónima” or the abbreviation thereof, “SOCIMI, S.A.”.

3. Also, as described in article 6 of Law 11/2009 of 26 October 2009 governing SOCIMI, SOCIMI and the entities resident in Spain in which they hold investments that have opted to apply the special tax regime set out by this Law shall be required to distribute the profit for the year to shareholders in the form of dividends, once the related mercantile obligations have been met. The distribution of dividends must be approved within six months of each year end as follows:

   - 100% of the profit arising from dividends or shares of profits distributed by the entities subject to this regime.

   - 50% of the profit arising from the conveyance of real estate and transfer of shares or investments performed once the time periods stipulated in the investment requirements have elapsed must be distributed in full. The remaining profit must be reinvested within three years from the conveyance/transfer date. If the reinvestment does not take place, the remaining 50% will be distributed.

   - At least 80% of the remaining profit generated.

   The investees generating profit during 2017 were MRE III – Proyecto Dos, S.L.U. and MRE III – Proyecto Tres, S.L.U. In compliance with mercantile requirements they distributed dividends to the Company during 2018 in accordance with article 6 of Law 11/2009 of 26 October 2009 regulating SOCIMI (Spanish real estate investment trusts - REIT). MRE III – Proyecto Dos, S.L.U., MRE III – Proyecto Tres, S.L.U., MRE III – Proyecto Cuatro, S.L.U., MRE III – Proyecto Seis, S.L.U., MRE III – Proyecto Siete, S.L.U. and MRE III – Proyecto Ocho, S.L.U. were included for the year ended 31 December 2018. These companies generated profits during 2018 and it is therefore obligatory for dividends to be distributed to the Company once the mercantile obligations relating thereto have been met. The remaining Group companies incurred losses during the year ended 31 December 2018.

   As stipulated in Transitional Provision One of Law 11/2009 of 26 October 2009 governing SOCIMI, the Company may opt to apply the special tax regime under the terms set out in article 8 of this Law, even though it does not meet the requirements set out therein, provided that such requirements are met within two years of the date on which it opts to apply the aforementioned regime.

(Continued)

At 31 December 2018 and 2017 all the requirements set out by Law 11/2009 of 26 October 2009 governing SOCIMI were met.

Failure to meet this condition would require the Company to file income tax returns under the general tax regime from the tax period in which the aforementioned condition was not met, unless this situation were redressed in the following tax period. The Company would also be obliged to pay, together with the amount relating to the aforementioned tax period, the difference between the amount of tax payable under the general tax regime and the amount paid under the special tax regime in the previous tax periods, including any applicable late payment interest, surcharges and penalties.

(2) Basis of Presentation

(a) True and fair view

The annual accounts have been prepared on the basis of the accounting records of Meridia Real Estate III, SOCIMI, S.A. in accordance with prevailing legislation and the Spanish General Chart of Accounts approved by Royal Decree 1514/2007, to give a true and fair view of the equity and financial position at 31 December 2018 and results of operations, changes in equity, and cash flows for the year then ended.

The annual accounts for 2018 were authorised for issue by the board of directors on 29 March 2019.

(b) Comparative information

The balance sheet, income statement, statement of changes in equity, statement of cash flows and the notes thereto for 2018 include comparative figures for 2017, which formed part of the annual accounts approved by shareholders at the annual general meeting held on 29 June 2018.

(c) Functional and presentation currency

The figures disclosed in the annual accounts are expressed in Euros, the Company's functional and presentation currency.

d) Critical issues regarding the valuation and estimation of relevant uncertainties and judgements used when applying accounting principles

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Company's accounting principles to prepare the annual accounts. A summary of the items requiring a greater degree of judgement or which are more complex, is as follows:

- Estimates and assumptions used to assess the recoverability of investments and loans with Group companies and associates.
- Estimates of valuation adjustments applied to receivables for late payment or insolvency.
- Evaluation of the classification of financial instruments as own equity instruments or as financial liabilities.

Although estimates are calculated by the Company's directors based on the best information available at 31 December 2018, future events may require changes to these estimates in subsequent years. Any effect of adjustments to be made in subsequent years would be recognised prospectively.

(Continued)

(3) Application of Losses

The application of the Company's loss for the year ended 31 December 2017, approved by the shareholders at their annual general meeting held on 29 June 2018, was as follows:

	Euros
Basis of allocation	
Loss for the year	(4,258,968.85)
	(4,258,968.85)
Application	
Prior years' losses	(4,258,968.85)
	(4,258,968.85)

The proposed application of the Company's 2018 loss to be submitted to the shareholders for approval at their annual general meeting is as follows:

	Euros
Basis of allocation	
Loss for the year	(2,939,276.59)
	(2,939,276.59)
Application	
Prior years' losses	(2,939,276.59)
	(2,939,276.59)

The Company is subject to the following limitations regarding distribution of dividends as a result of it adopting the tax regime for SOCIMI:

- 100% of the profit arising from dividends or shares of profits distributed by the entities subject to this regime.
- 50% of the profit arising from the conveyance of real estate and transfer of shares or investments performed once the time periods stipulated in the investment requirements have elapsed must be distributed in full. The remaining profit must be reinvested within three years from the conveyance/transfer date. If the reinvestment does not take place, the remaining 50% will be distributed.
- At least 80% of the remaining profit generated.

Dividends must be paid in the month following the distribution agreement date.

(4) Significant Accounting Policies

(a) Foreign currency transactions, balances and cash flows

Foreign currency transactions are accounted for in Euros at the rates of exchange prevailing at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date. Exchange gains and losses arising from this process, as well as those arising from the write off of balances from foreign currency transactions, as recognised in the income statement as income or expense, where applicable, when they arise.

(Continued)

In the statement of cash flows, cash flows from foreign currency transactions have been translated into Euros at the exchange rates at the dates the cash flows occur.

The effect of exchange rate fluctuations on cash and cash equivalents denominated in foreign currencies is recognised separately in the statement of cash flows as effect of exchange rate fluctuations.

Exchange gains and losses arising on the settlement of foreign currency transactions and the translation into Euros of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(b) Financial instruments

(i) Classification and separation of financial instruments

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument.

For measurement purposes, financial instruments are classified under financial assets and financial liabilities held for trading, financial assets and financial liabilities at fair value through profit or loss, loans and receivables, investments held to maturity, available-for-sale financial assets and financial liabilities at amortised cost. Financial instruments are classified into the above categories based on their nature and management's intentions on initial recognition.

(i) Own equity instruments

As described in note 1 to the annual accounts, pursuant to article 6 of Law 11/2009 of 26 October 2009 governing SOCIMI, SOCIMI and the entities resident in Spain in which they hold interests that have opted to apply the special tax regime set out by this Law shall be required to distribute the profit for the year to shareholders in the form of dividends, once the related mercantile obligations have been met. The distribution of dividends must be approved within six months of each year end.

The aforementioned obligation to distribute profits is understood to derive from a legal and non-contractual obligation and from opting voluntarily to apply a special tax regime. This is a self-imposed legal obligation and therefore the definition of financial liability is not met and the equity instruments issued by the Company are classified as equity instruments. Likewise, the distribution of profits is recognised as a reduction in equity when legally enforceable.

(iii) Offsetting principles

A financial asset and a financial liability are offset only when the Company currently has the legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iv) Loans and receivables

Loans and receivables comprise trade and non-trade receivables with fixed or determinable payments that are not quoted in an active market other than those classified in other financial asset categories. These assets are initially recognised at fair value, including transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Nevertheless, financial liabilities which have no established interest rate, which mature or are expected to be settled in the short term, and for which the effect of discounting is immaterial, are measured at their nominal amount.

(v) Amortised cost

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured upon initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the amount receivable/payable on maturity, and minus any reduction for impairment or uncollectibility.

(vi) Fair value

Fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

(vii) Investments in Group companies, associates and jointly controlled entities

Group companies are those over which the Company, either directly, or indirectly through subsidiaries, exercises control as defined in article 42 of the Spanish Code of Commerce, or when the companies are controlled by one or more individuals or entities acting jointly or under the same management through agreements or statutory clauses.

Control is the power to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities. In assessing control, potential voting rights held by the Company or other entities that are exercisable or convertible at the end of each reporting period are considered.

Investments in Group companies are initially recognised at cost, which is equivalent to the fair value of the consideration given, including transaction costs, and are subsequently measured at cost net of any accumulated impairment.

If an investment no longer qualifies for classification under this category, it is reclassified as available-for-sale and is measured as such from the reclassification date.

(viii) Interest and dividends

Interest is recognised using the effective interest method.

Dividends from investments in equity instruments are recognised when the Company is entitled to receive them. If the dividends are clearly derived from profits generated prior to the acquisition date because amounts higher than the profits generated by the investment since acquisition have been distributed, the carrying amount of the investment is reduced.

(ix) Impairment of financial assets

A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and the event or events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company considers there is objective evidence of impairment of loans and receivables and debt instruments when a reduction or delay is incurred in the estimated future cash flows, which could be due to debtor insolvency.

Investments in Group companies, associates and jointly controlled entities and equity instruments carried at cost.

Impairment is calculated by comparing the carrying amount of the investment with its recoverable amount. The recoverable amount is the higher of value in use and fair value less costs to sell.

Value in use is calculated based on the Company's share of the present value of future cash flows expected to be derived from ordinary activities and from the disposal of the asset, or the estimated cash flows expected to be received from the distribution of dividends and the final disposal of the investment.

(Continued)

Nonetheless, and in certain cases, unless better evidence of the recoverable amount of the investment is available, when estimating impairment of these types of assets, the investee's equity is taken into consideration, adjusted, where appropriate, to generally accepted accounting principles and standards in Spain, corrected for any net unrealised gains existing at the measurement date.

The carrying amount of the investment includes any monetary item that is receivable or payable for which settlement is neither planned nor likely to occur in the foreseeable future, excluding trade receivables or trade payables.

In subsequent years, reversals of impairment losses in the form of increases in the recoverable amount are recognised, up to the limit of the carrying amount that would have been determined for the investment if no impairment loss had been recognised.

Impairment of an investment is limited to the amount of the investment, except when contractual, legal or constructive obligations have been assumed by the Company or payments have been made on behalf of the companies. In the latter case, provision is made according to the criteria described in this section.

(x) Financial liabilities

Financial liabilities, including trade and other payables, that are not classified as held for trading or as financial liabilities at fair value through profit or loss are initially recognised at fair value less any transaction costs directly attributable to the issue of the financial liability. After initial recognition, liabilities classified under this category are measured at amortised cost using the effective interest method.

Nevertheless, financial liabilities which have no established interest rate, which mature or are expected to be settled in the short term, and for which the effect of discounting is immaterial, are measured at their nominal amount.

(xi) Derecognition and modifications of financial assets and financial liabilities

The Company derecognises a financial asset, or a part of a financial asset, when the contractual rights to the cash flows from the financial asset expire or have been transferred, provided that substantially all the risks and rewards of ownership have been transferred.

The Company derecognises all or part of a financial liability when it either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

(c) Investment property

Investment property comprises land and property, including that which is under construction or being developed, which is earmarked totally or partially to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business.

Buildings that are being constructed or developed for future use as investment property are classified as Investment property - Investments in adaptation and advances, until they are completed. Nevertheless, redevelopment work to extend or improve property is classified as investment property.

Investment property is initially measured at cost or cost of production. The purchase price comprises the amount invoiced by the seller, after deduction of any discounts, rebates or other similar items, such as interest incorporated into the nominal amount, plus any additional costs incurred to bring the goods to a saleable condition and other costs directly attributable to the acquisition After initial recognition assets are depreciated and, where applicable, subject to impairment.

Advances on account of investment property are initially measured at cost. In subsequent years, advances accrue interest at the supplier's incremental borrowing rate when the period between payment and the receipt of the asset exceeds one year.

(Continued)

The acquisition cost of assets fully or partially acquired in exchange for contingent consideration includes the best estimate of the present value of the aforementioned consideration. Changes to the estimates of the contingent consideration are recognised as an adjustment to the value of the assets. Changes related to variables such as interest rates or the Consumer Price Index are treated as an adjustment to the effective interest rate.

Property, plant and equipment are depreciated by allocating the depreciable amount of the asset on a systematic basis over its useful life. The depreciable amount is the cost of an asset, less its residual value. The Company determines the depreciation expense separately for each component, which has a significant cost in relation to the total cost of the item and a useful life different to the rest of the item. In this regard, items which due to their characteristics are depreciated between 5 and 10 years are recorded under Buildings, in addition to those items which are purely buildings which are indicated in the following point.

Investment property is depreciated applying the following policies:

	Depreciation method	Estimated years of useful life
Buildings	Straight-line	50

(d) Impairment of non-financial assets subject to amortisation or depreciation

The Company evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. This analysis iwas made based on appraisals and valuations made by independent experts in January 2019.

Impairment losses, where applicable, are recognised in the income statement.

At the end of each reporting period the Company assesses whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. Impairment losses are only reversed if there has been a change in the estimates used to calculate the recoverable amount of the asset.

A reversal of an impairment loss is recognised in the income statement. The increased carrying amount of an asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

After an impairment loss or reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods based on its new carrying amount.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Provisions

Provisions are recognised when the Company has a present obligation (legal, contractual, constructive or tacit) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

(Continued)

If it is not probable that an outflow of resources will be required to settle an obligation, the provision is reversed. The effect of provisions is recognised as a finance cost in the income statement.

(g) Revenue from the sale of goods and rendering of services

The Company recognises revenue based on the economic substance of the transaction.

Revenue is recognised when it is probable that the economic benefits or returns associated with the transaction will flow to the Company, and the amount of revenue can be measured reliably.

Revenue from the sale of goods or services is measured at the fair value of the consideration received or receivable.

(i) Services rendered

Revenues associated with the rendering of services are recognised in the income statement by reference to the stage of completion at the reporting date when revenues, the stage of completion, the costs incurred and the costs to complete the transaction can be estimated reliably and it is probable that the economic benefits derived from the transaction will flow to the Company. The Company's main services correspond to management fee services to its subsidiaries.

(h) Income tax

The income tax expense or tax income for the year comprises current tax and deferred tax.

Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Current and deferred tax are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or from a business combination.

Government assistance provided in the form of deductions and other tax relief applicable to income tax payable is recognised as a reduction in the income tax expense for the year in which it is accrued.

As described in note 1, the Company adheres to the tax regime for SOCIMI regulated by Law 11/2009 of 26 October 2009 governing SOCIMI. In compliance with certain requirements set out by this Law, the Company is subject to an income tax rate of 0%. The requirements to be met are set out in the section "SOCIMI (Spanish REIT), Law 11/2009" of note 1. Article 10 of this Law also regulates the special tax regime for shareholders and especially dividends on account of profits or reserves to which the special tax regime set forth in this Law has been applied, as well as the income obtained from the transfer or reimbursement of the investment in capital of the companies which have opted to apply this regime.

The board of directors monitors compliance with the requirements stipulated in this Law, for the purpose of maintaining the tax advantages thereof. It estimates that these requirements will be met in the terms and conditions stipulated and income tax for the year will be recognised.

(i) Taxable temporary differences

Taxable temporary differences are recognised in all cases except where:

- They arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.
- They are associated with investments in subsidiaries, associates, jointly controlled entities and interests in joint ventures over which the Company is able to control the timing of the reversal of the temporary difference and it is not probable that the difference will reverse in the foreseeable future.

(Continued)

(ii) Recognition of deductible temporary differences, tax credits and tax loss carryforwards

Deductible temporary differences are recognised provided that:

- it is probable that sufficient taxable income will be available against which the deductible temporary difference can be utilised, unless the differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.
- they correspond to the temporary differences associated with investments in subsidiaries and interests in joint ventures that will reverse in the foreseeable future and sufficient taxable income is expected to be generated against which the temporary differences can be offset.

(iii) Measurement

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted. The tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities.

(i) Classification of assets and liabilities as current and non-current

The Company classifies assets and liabilities in the balance sheet as current and non-current. Current assets and liabilities are determined as follows:

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Company's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within 12 months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least 12 months after the reporting date.
- Liabilities are classified as current when they are expected to be settled in the Company's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within 12 months after the reporting date or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.
- Financial liabilities are classified as current when they are due to be settled within 12 months after the reporting date, even if the original term was for a period longer than 12 months, and an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting date and before the annual accounts are authorised for issue.

(j) Environmental issues

The Company takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

Expenses derived from environmental activities are recognised as other operating expenses in the period in which they are incurred.

(k) Transactions between Group companies

Transactions between Group companies are recognised at fair value of the consideration given or received. The difference between this value and the amount agreed is recognised in line with the underlying economic substance of the transaction.

(5) Risk Management Policy

(a) Financial risk factors

The Company's activities are exposed to various financial risks: market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk, and cash flow interest rate risk. The Company's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Company's profits.

Risks are managed by the Risk Management Unit in accordance with policies approved by the board of directors. This department identifies, evaluates and mitigates financial risks in close collaboration with the Company's operational units. The board of directors issues global risk management policies in writing, as well as policies for specific issues such as currency risk, interest rate risk, liquidity risk, the use of derivatives and non-derivative instruments, and investments of cash surpluses.

(i) Credit risk

The Company is not significantly exposed to credit risk. The Company has policies to limit the amount of risk with any one financial institution.

Valuation allowances for bad debts, and the review of individual balances based on customers' credit ratings, market trends and the historical analysis of bad debts at an aggregated level require a high degree of judgement.

(ii) Liquidity risk

The Company applies a prudent policy to cover its liquidity risks based on having sufficient cash as well as sufficient financing through credit facilities.

Details of financial assets and financial liabilities by contractual maturity date are provided in appendices II and IV.

(6) Investment Property

Details of investment property and movement during the year are as follows:

Description	Land	Investments in adaptation and advances	Total
Cost at 1 January 2018	-	-	-
Additions	26,273,074.81	55,786.76	**26,328,861.57**
Cost at 31 December 2018	26,273,074.81	55,786.76	**26,328,861.57**
Carrying amount at 31 December 2017	**26,273,074.81**	**55,786.76**	**26,328,861.57**

On 17 December 2018 the Company acquired five plots of land in Sant Martí de Provençals – PMU "La escocesa" sector in Barcelona for a total of Euros 26,273,074.81, including the costs associated with this purchase. A portion of the payment of this purchase has been deferred until March 2020. The impact of discounting this deferred payment totals Euros 427,430.85, which lowers the aforementioned purchase cost of these plots. In this connection, other non-current financial liabilities include Euros 12,503,217.27 reflecting the deferred amount for the acquisition of these plots, which are measured at amortised cost (see note 12). The Company will build offices earmarked for rental.

(a) Fully depreciated/amortised assets

At 31 December 2018 and 2017 there are no fixed assets in use which have been fully depreciated.

(b) Insurance

The Company has taken out insurance policies to cover the risk of damage to its investment property. The coverage of these policies is considered sufficient.

(Continued)

(c) Income and expenses from investment property

Details of non-income-generating investment property at 31 December 2018 are as follows:

		Euros	
		31.12.2018	
Description	% vacant	Cost	Net
Calle Pere IV, Barcelona	100.00%	26,328,861.57	26,328,861.57
		26,328,861.57	26,328,861.57

(7) Investments in Equity Instruments of Group Companies and Associates

Details of investments in equity instruments of Group companies and associates are as follows:

	Euros	
	2018	2017
	Non-current	Non-current
Group companies		
Equity investments	109,590,000.00	77,560,000.00
Total	109,590,000.00	77,560,000.00

(a) Investments in Group companies

Details of investments in Group companies are provided in Appendix I.

The Company has tested its investments for impairment based on the appraisals of the investees' property performed by an independent expert in January 2019. At 31 December 2018 and 2017 the Company has not recognised any impairment as the realisable value of the investments is higher than the carrying amount.

(8) Financial Assets by Category

(a) Classification of financial assets by category

The classification of financial assets by category and class is as follows:

	Euros			
	2018		2017	
	Non-current	Current	Non-current	Current
	Carrying amount	Carrying amount	Carrying amount	Carrying amount
Loans and receivables				
Loans to Group companies				
Fixed rate	18,580,000.00	7,805,000.00	12,400,000.00	6,640,000.00
Interest	2,040,602.96	190,513.88	816,845.96	94,684.45
Trade receivables and other receivables from Group companies	-	466,833.59	-	488,057.37
Other receivables	-	13,285.79	-	290,981.09
Personnel	-	7,064.00	-	7,449.00
Total financial assets	**20,620,602.96**	**8,482,697.26**	**13,216,845.96**	**7,521,171.91**

The carrying amount of financial assets does not differ significantly from the fair value.

(Continued)

(9) Investments and Trade Receivables

(a) Investments in Group companies and associates

Details of investments in Group companies and associates are as follows:

	Euros			
	2018		2017	
	Non-current	Current	Non-current	Current
Group				
Loans				
Fixed rate	18,580,000.00	7,805,000.00	12,400,000.00	6,640,000.00
Interest	2,040,602.96	190,513.88	816,845.96	94,684.45
Other			-	-
Total	**20,620,602.96**	**7,995,513.88**	**13,216,845.96**	**6,734,684.45**

Non-current loans to Group companies at 31 December 2018 reflect those extended to the following:

(i) MRE - III - Proyecto Uno, S.L.U. for an amount of Euros 5,820,000.00, and its corresponding accrued interest payable amounting to Euros 1,151,713.46. The interest rate on this loan stands at 8.1% and is payable upon maturity thereof. This loan falls due on 31 December 2023.

(ii) MRE - III - Proyecto Seis, S.L. for an amount of Euros 1,500,000.00, and its corresponding accrued interest payable amounting to Euros 178,875.00. The interest rate on this loan stands at 8.1% and is payable upon maturity thereof. This loan falls due on 31 December 2022.

(iii) MRE - III - Proyecto Ocho, S.L. for an amount of Euros 5,900,000.00, and its corresponding accrued interest payable amounting to Euros 557,550.00. The interest rate on this loan stands at 8.1% and is payable upon maturity thereof. This loan falls due on 31 December 2023.

(iv) MRE - III - Proyecto Nueve, S.L. for an amount of Euros 2,660,000.00, and its corresponding accrued interest payable amounting to Euros 148,212.00. The interest rate on this loan stands at 8.1% and is payable upon maturity thereof. This loan falls due on 31 December 2025.

(v) MRE - III - Proyecto Diez, S.L. for an amount of Euros 2,700,000.00, and its corresponding accrued interest payable amounting to Euros 4,252.50. The interest rate on this loan stands at 8.1% and is payable upon maturity thereof. This loan falls due on 31 December 2025.

Non-current loans to Group companies at 31 December 2017 reflect those extended to the following:

(i) MRE - III - Proyecto Uno, S.L.U. for an amount of Euros 5,000,000.00, and its corresponding accrued interest payable amounting to Euros 688,145.96. The interest rate on this loan stands at 8.1% and is payable upon maturity thereof. This loan falls due on 31 December 2023.

(ii) MRE - III - Proyecto Seis, S.L. for an amount of Euros 1,500,000, and its corresponding accrued interest payable amounting to Euros 55,687.50. The interest rate on this loan stands at 8.1% and is payable upon maturity thereof. This loan falls due on 31 December 2022.

(iii) MRE - III - Proyecto Ocho, S.L. for an amount of Euros 5,900,000.00, and its corresponding accrued interest payable amounting to Euros 73,012.50. The interest rate on this loan stands at 8.1% and is payable upon maturity thereof. This loan falls due on 31 December 2023.

All the aforementioned loans are subordinated to repayment of the loans and borrowings of MRE-III-Proyecto Uno, S.L.U., MRE-III-Proyecto Seis, S.L.U., MRE-III-Proyecto Ocho, S.L.U., MRE-III-Proyecto Nueve, S.L.U., and MRE-III-Proyecto Diez, S.L.U. Therefore, the loan capital cannot be repaid and accrued interest cannot be paid until all of these investees' loans and borrowings have been settled in full.

At 31 December 2018 current loans reflect the following one-off drawdowns from financing facilities for these companies:

(i) MRE - III - Proyecto Uno, S.L.U. amounting to Euros 955,000.00.

(ii) MRE - III - Proyecto Cuatro, S.L.U. amounting to Euros 300,000.00.

(iii) MRE - III - Proyecto Seis, S.L.U. amounting to Euros 150,000.00.

(iv) MRE - III - Proyecto Siete, S.L.U. amounting to Euros 3,175,000.00.

(v) MRE - III - Proyecto Nueve, S.L.U. amounting to Euros 475,000.00.

(vi) MRE - III - Proyecto Once, S.L.U. amounting to Euros 2,750,000.00.

These credit facilities accrue interest at an annual rate of 4%, payable upon maturity thereof, which in all cases is prior to 31 December 2019 and can be renewed annually.

At 31 December 2017 current loans reflect the following one-off drawdowns from financing facilities for these companies:

(i) MRE - III - Proyecto Uno, S.L.U. amounting to Euros 1,150,000.00.

(ii) MRE - III - Proyecto Cuatro, S.L.U. amounting to Euros 50,000.00.

(iii) MRE - III - Proyecto Cinco, SOCIMI, S.A. amounting to Euros 5,390,000.00.

(iv) MRE - III - Proyecto Siete, S.L.U. amounting to Euros 50,000.00.

These credit facilities accrued interest at an annual rate of 4%, payable upon maturity thereof, which in all cases was prior to 31 December 2018 and could be renewed annually.

(b) Trade and other receivables

Details of trade and other receivables, in Euros, are as follows:

	2018	2017
	Current	**Current**
Group		
Trade receivables	466,833.59	488,057.37
Related parties		
Advances to creditors	13,285.79	290,981.09
Unrelated parties		
Personnel	7,064.00	7,449.00
Public entities, other	352,585.31	762,342.89
Total	**839,768.69**	**1,548,830.35**

(Continued)

Trade receivables from Group companies, in Euros, are as follows:

	2018	2017
	Current	Current
MRE - III - Proyecto Uno, S.L.U.	121,593.66	227,383.96
MRE - III - Proyecto Dos, S.L.U.	40,429.13	40,429.13
MRE - III - Proyecto Tres, S.L.U.	47,371.50	47,371.50
MRE - III - Proyecto Cuatro, S.L.U.	19,642.84	18,621.90
MRE - III - Proyecto Cinco, SOCIMI, S.A	58,193.44	69,587.10
MRE - III - Proyecto Seis, S.L.U.	32,465.81	31,853.25
MRE - III - Proyecto Siete, S.L.U.	25,421.35	6,534.00
MRE - III - Proyecto Ocho, S.L.U.	60,847.88	46,276.53
MRE - III - Proyecto Nueve, S.L.U.	52,414.94	-
MRE - III - Proyecto Diez, S.L.U.	8,083.82	-
MRE - III - Proyecto Once, S.L.U.	369.22	-
Total	**466,833.59**	**488,057.37**

(c) Classification by maturity

The classification of financial assets by maturity is shown in Appendix II.

(10) Equity

Details of equity and movement during the year are shown in the statement of changes in equity.

(a) Capital

At 31 December 2017 the Company's share capital amounted to Euros 78,500,000.00 and was represented by 78,500,000 shares of Euros 1 par value each, subscribed and fully paid.

During 2017 share capital was increased by Euros 13,478,670.00, as approved by the shareholders at a general meeting held on 29 June 2017, formalised by public deed on 29 June 2017 and entered in the Mercantile Registry on 18 July 2017.

In addition, during 2017 share capital was increased by Euros 7,629,765.00, as approved by the shareholders at a general meeting held on 19 July 2017, formalised by public deed on 20 July 2017 and entered in the Mercantile Registry on 23 August 2017.

Lastly, during 2017 share capital was increased by Euros 18,000,000.00, as approved by the shareholders at a general meeting held on 29 September 2017, formalised by public deed on 29 September 2017 and entered in the Mercantile Registry on 17 October 2017.

At a general meeting held on 29 June 2018 the shareholders agreed to increase share capital by Euros 13,036,393 through the issue of up to a maximum of 13,036,393 new ordinary shares, with the same rights as those currently outstanding. The par value of new shares was Euros 1.00 and the share premium was Euros 0.09 per share, whereas the total issue rate was Euros 1.09. The total effective value of the issue once the preferential and discretional subscription periods had ended was Euros 14,203,771.47, of which Euros 13,030,983 correspond to the par value and Euros 1,172,788.47 to the share premium. The minutes were formalised by public deed on 05 December 2018 and filed at the Mercantile Registry on 23 January 2019.

(Continued)

At the general meeting held on 17 December 2018 the shareholders agreed to increase share capital by Euros 31,192,641 with a share premium of Euros 2,807,377.69 through debt-for-equity swaps with the shareholders. The minutes were formalised by public deed on 20 December 2018 and were filed in the Mercantile Registry on 23 January 2019.

Consequently, at 31 December 2018 the Company's share capital amounts to Euros 122,723,624.00 and is represented by 122,723,624 shares of Euros 1 par value each, subscribed and fully paid.

Companies which hold a direct or indirect interest of at least 10% in the share capital of the Company are as follows:

	2018		2017	
	Shares			
Company	**Number**	**Percentage**	**Number**	**Percentag e**
The Church Pension	19,360,989	15.78%	12,366,896	15.75%
Periza Industries S.à.r.l.	16,134,158	13.15%	10,305,745	13.13%
	35,495,147	**28.93%**	**22,672,641**	**28.88%**

Movement of issued and outstanding shares is as follows:

	Euros	
	Ordinary shares	
	2018	**2017**
1 January 2018	78,210,100.00	39,391,565.00
Capital increases	44,223,624.00	39,108,435.00
Own shares	8,256.00	(289,900.00)
31 December 2018	122,441,980.00	78,210,100.00

Although at 31 December 2018 the Company's equity is lower than share capital, representing 96% thereof (92% at 31 December 2017), this situation is mainly due to the Company's operating expenses prior to obtaining revenues from dividends and sales. This situation will be reversed in forthcoming years. No cash requirements have been observed which cannot be covered by the Company's equity, or future funds contributed by the shareholders to cover acquisitions in forthcoming years. Therefore, there are no doubts regarding the application of the going concern principle, despite the Company's equity being lower than its share capital.

At 31 December 2018 and 31 December 2017 all the shares are of the same class and have the same characteristics and rights.

(b) Share premium

This reserve is freely distributable.

(c) Own shares

At an extraordinary general meeting held on 28 April 2017 the shareholders agreed to authorise the acquisition of a maximum of 25,115,601 own shares at a price of Euro 1 par value per share. This authorisation was given for the purpose of their subsequent sale to new investors on the same date. The authorisation to acquire 300,000 new shares to be subsequently transferred to the liquidity provider was also recorded in the same shareholders' minutes.

Movement in own shares during the years has been as follows:

		Euros	
	Number	**Nominal**	**Average cost of acquisition / sale**
Balance at 01.01.2018	289,900.00	289,900.00	1.00
Acquisitions	15,160.00	15,160.00	1.08
Disposals	(23,416.00)	(23,416.00)	1.08
Balance at 31.12.2018	281,644.00	281,644.00	1.00

		Euros	
	Number	**Nominal**	**Average cost of acquisition / sale**
Balance at 01.01.2017	-	-	-
Acquisitions	17,989,542	17,989,542.00	1.00
Disposals	(17,699,642)	(17,699,642.00)	1.00
Balance at 31.12.2017	289,900.00	289,900.00	1.00

The purchase and sale of own shares in 2017 took place mainly as part of the process of making equivalent the funds paid up by former and new shareholders, in such a way that the percentage of capital paid up is the same for all these shareholders once equivalence has taken place using the mechanism through the Company of acquiring and selling own shares.

The sale of own shares has not given rise to significant results.

Own shares are comprised as follows:

	2018			**2017**		
		Euros			**Euros**	
Company	Number	Nominal	Cost	Number	Nominal	Cost
MERIDIA REAL ESTATE III, SOCIMI, S.A.	281,644	281,644	281,644	289,900	289,000	289,000
	281,644	281,644	281,644	289,900	289,900	289,900

(Continued)

These own shares are available to the liquidity provider on the Alternative Equity Market.

(11) Financial Liabilities by Category

(a) Classification of financial liabilities by category

A classification of financial liabilities by category and class is provided in Appendix III.

The carrying amount of financial liabilities does not differ significantly from their fair value.

(12) Payables and Trade Payables

(a) Group companies and associates

Details of payables are as follows:

	Euros			
	2018		2017	
	Non-current	Current	Non-current	Current
Group				
Loans	-	1,284,205.00	-	950,000.00
Interest	-	71,085.29	-	23,727.78
Related parties				
Fixed-interest rate loans from shareholders	33,854,238.81	-	29,854,218.02	-
Interest on loans from shareholders	4,200,418.61	-	1,296,687.37	-
Total	**38,054,657.42**	**1,355,290.29**	**31,150,905.39**	**973,727.78**

Payables to shareholders reflect various loans from the Company's shareholders which accrue interest at a fixed annual rate of 8%. This interest is payable upon maturity of the loan, unless it is paid in advance as agreed with the management company. These loans fall due on 5 February 2022.

Group loans comprise payables to the following investees:

- loan from the investee MRE III-Proyecto Dos, S.L.U. with Euros 784,205.00 drawn down at 31 December 2018 (Euros 950,000.00 at 31 December 2017), which falls due on 1 April 2019 and accrues interest at an annual rate of 4%, Euros 59,418.63 having accrued and being payable at 31 December 2018 (Euros 23,727.78 at 31 December 2017).

- loan from the investee MRE III-Proyecto Ocho, S.L.U. with Euros 500,000.00 drawn down at 31 December 2018 (Euros 0.00 at 31 December 2017), which falls due on 3 June 2019 and accrues interest at an annual rate of 4%, Euros 11,666.66 having accrued and being payable at 31 December 2018 (Euros 0.00 at 31 December 2017).

(b) Suppliers of fixed assets

	Euros
	2018
	Non-current
Unrelated parties	
Suppliers of fixed assets	12,503,217.27
Total	**12,503,217.27**

At 31 December 2018 suppliers of fixed assets fully comprise the amount payable for the acquisition of land described in note 6, measured at amortised cost.

(Continued)

(c) Loans and borrowings

Details of loans and borrowings are as follows:

	Euros
	2018
	Current
Interest on loans and borrowings	118,709.48
Total	**118,709.48**

The interest payable at 31 December 2018 comprises the amount payable on the loan facility with Banco Santander S.A., which was arranged on 16 January 2018, falls due on 16 January 2019 and can be renewed every six months until 16 January 2021.

At 31 December 2018 no amount has been drawn down.

This loan requires compliance with certain financial ratios. In accordance with the agreed terms, the degree of compliance with the financial ratios and levels will be determined at each year end and the Company must provide specific financial information during the 180 days subsequent to each year end. At 31 December 2018 these financial ratios were met.

(d) Trade and other payables

Details of trade and other payables are as follows:

	Euros	
	2018	2017
	Current	Current
Related parties		
Suppliers and trade payables	36,272.18	51,604.04
Unrelated parties	-	-
Suppliers and trade payables	997,089.89	168,959.13
Public entities, other	10,764.75	8,841.05
Total	**1,044,126.82**	**229,404.22**

Payables to related parties mainly reflect amounts payable to Meridia Capital Partners SGEIC, S.A. for services rendered, as well as services rendered by other related companies. Meridia Capital Partners SGEIC, S.A. is the management company of the Company and its subsidiaries. As indicated in note 16, the former receives management fees and also success fees if a series of conditions are met, the principal condition being the generation of a stipulated return to the shareholders upon liquidation of the investment vehicle to which the Company belongs. Once this return has been met the management company receives a percentage of the surplus. At 31 December 2018 and 2017 no amounts have been recognised for this item.

(e) Classification by maturity

The classification of financial liabilities by maturity is shown in Appendix IV.

(13) Late Payments to Suppliers. "Reporting Requirement". Third Additional Provision of Law 15/2010 of 5 July 2010

Details of the average supplier payment period are as follows:

	2018 Days	2017 Days
Average supplier payment period	76	33
Transactions paid ratio	78	34
Transactions payable ratio	17	15

	Amount in Euros	Amount in Euros
Total payments made	2,065,774.12	5,260,366.79
Total payments outstanding	59,804.63	310,867.21

(14) Taxation

Details of balances with public entities are as follows:

	Euros	
	2018 Current	2017 Current
Assets		
Value added tax and similar taxes	326,272.56	762,329.24
Other	26,312.75	13.65
	352,585.31	**762,342.89**
Liabilities		
Social Security	2,547.04	2,288.93
Withholdings	8,217.71	6,552.12
	10,764.75	**8,841.05**

The Company has the following main applicable taxes open to inspection by the Spanish taxation authorities:

Tax	Years open to inspection
Income tax	2016 and 2017
Value added tax	2016 to 2018
Tax on Economic Activities	2016 to 2018
Personal income tax	2016 to 2018

Due to different possible interpretations of prevailing tax legislation, additional tax liabilities could arise in the event of inspection. In any case, the Company's board of directors does not consider that any such liabilities that could arise would have a significant effect on these annual accounts.

(a) Income tax

A reconciliation of net income and expenses for the year and the tax loss is shown in Appendix V.

The relationship between the income tax expense/(income) and accounting profit/(loss) for the year is provided in Appendix VI.

No income tax expense has been recorded.

(Continued)

Because the applicable tax rate is zero, the Company has not recognised the tax effect of tax loss carryforwards as deferred tax assets, the amounts and reversal periods of which are as follows:

	Euros	
Year	**2018**	**2017**
2016	(1,884,419.21)	(1,884,419.21)
2017	(4,254,240.08)	(4,254,240.08)
2018 (provisional)	(2,939,276.59)	-

(15) Environmental Information

At 31 December 2018 and 31 December 2017 the Company had no significant assets for protecting or improving the environment, nor did it incur any expenses of an environmental nature during the year.

The Company's board of directors does not consider that there are any significant contingencies relating to the protection and improvement of the environment. Therefore, at 31 December 2018 and 31 December 2017 it is not considered necessary to recognise a provision for liabilities and charges of this nature.

Due to the nature of its activity, the Company does not have any emission allowances.

(16) Related Party Balances and Transactions

Details of balances with related parties are provided in notes 9 and 12.

(a) Related party transactions

The Company’s transactions with related parties are as follows:

	Euros			
2018	**Shareholders**	**Group**	**Related parties**	**Total**
Finance income from holding companies				
Services rendered	-	1,476,010.70	-	1,476,010.70
Dividends	-	437,659.86	-	437,659.86
Interest on loans	-	1,455,065.32	-	1,455,065.32
Total income	-	3,368,735.88	-	3,368,735.88
Expenses				
Services received	-	-	2,477,190.79	2,477,190.79
Interest on loans	2,903,731.24	47,357.51	-	2,951,088.75
Total expenses	2,903,731.24	47,357.51	2,477,190.79	5,428,279.54

(Continued)

2017	Euros Shareholders	Group	Related parties	Total
Finance income from holding companies				
Services rendered	-	893,886.33	-	893,886.33
Interest on loans	-	634,009.45	-	634,009.45
Total income	-	1,527,895.78	-	1,527,895.78
Expenses				
Services received	-	-	4,181,879.92	4,181,879.92
Interest on loans	1,643,143.35	36,105.56	-	1,679,248.91
Total expenses	1,643,143.35	36,105.56	4,181,879.92	5,861,128.83

(b) Information on the Company's board of directors and senior management personnel

In 2018 and 2017 the directors did not receive any remuneration, loans or advances, nor did the Company extend any guarantees on their behalf. The Company has no pension or life insurance obligations with its former or current directors. There is no senior management personnel at 31 December 2018 and 2017.

During 2018 and 2017 amounts of Euros 31 thousand and Euros 31 thousand, respectively, have been paid for a public liability insurance policy for the Company's directors to cover damages and losses caused by actions or omissions in the performance of their duties.

(c) Transactions other than ordinary business or under terms differing from market conditions carried out by the directors of the Company

In 2018 and 2017 the Company's board of directors has not carried out any transactions other than ordinary business or applying terms that differ from market conditions with the Company or any other Group company.

(d) Conflicts of interest concerning the board of directors

The directors of the Company and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

(17) Income and Expenses

(a) Revenues

Details of revenues by category of activity are as follows:

	Euros 2018	2017
Services rendered - Management fees	1,476,010.70	893,886.33
Finance income from holding company	1,892,725.18	634,009.45
	3,368,735.88	**1,527,895.78**

All services are provided in Spain.

(Continued)

(b) Employee benefits expense and provisions

Details of employee benefits expense and provisions are as follows:

	Euros	
	2018	2017
Employee benefits expense		
Social Security payable by the Company	25,327.44	29,275.43
Other employee benefits expenses	1,725.23	1,813.00
	27,052.67	**31,088.43**

(c) Employee information

At 31 December 2018 and 2017 the Company had one female employee in the superior technical category and one female employee who is a director. At 31 December 2018 and 2017 the Company had no employees with a disability rating equal to or higher than 33%.

The average headcount of the Company in 2018 and 2017 is two employees.

(d) Emission allowances

Due to the nature of its activity, the Company does not have any emission allowances.

(18) Audit Fees

The auditor of the Company's annual accounts, and other individuals and companies related to the auditor as defined by Audit Law 19/1988 of 12 July 1988 have invoiced the Company the following fees for professional services:

	Euros	
	2018	2017
Audit services	8,176.00	8,000.00
Other services	32,388.00	133,500.00

The amounts detailed in the above table include the total fees for services rendered in the years ended 31 December 2018 and 2017, irrespective of the date of invoice.

(19) Legislative Requirements arising from Status as SOCIMI, Law 11/2009

In compliance with the reporting obligations set forth in article 11 of Law 11/2009 of 26 October 2009 governing SOCIMI, the following is indicated:

Observation requirement	2018 information
a) Reserves from years prior to the application of the tax regime set forth in this Law.	The Company was incorporated on 20 January 2016, incurring losses in 2016 and 2017 and therefore there are no reserves from years prior to the application of the tax regime set forth in this Law.
b) Reserves from years in which the tax regime set forth in this Law has been applied, differentiating between the portion that comes from income subject to a 0% or 19% tax rate, and those which, where applicable, have been taxed at the general tax rate.	Because the Company incurred losses in 2016 and 2017 there are no reserves from the periods during which the tax regime set forth by the aforementioned Law has been applied.

(Continued)

<table>
<tr><th>Observation requirement</th><th>2018 information</th></tr>
<tr><td>c) Dividends distributed with a charge to profits for each year in which the tax regime set forth by this Law has been applied, differentiating between the portion that comes from income subject to a 0% or 19% tax rate and those which, where applicable, have been taxed at the general tax rate.</td><td rowspan="3">At 31 December 2017 the investees which generated profits were MRE III – Proyecto Dos, S.L.U. and MRE III – Proyecto Tres, S.L.U. Accordingly, in compliance with article 6 of Law 11/2009 of 26 October 2009 governing SOCIMI, the Company received dividends in 2018.

At 31 December 2018 the investees which have generated profits are MRE III – Proyecto Dos, S.L.U., MRE III – Proyecto Tres, S.L.U., MRE III – Proyecto Cuatro, S.L.U., MRE III – Proyecto Seis, S.L.U., MRE III – Proyecto Siete, S.L.U. and MRE III – Proyecto Ocho, S.L.U. It is therefore obligatory for dividends to be distributed to the Company once the mercantile obligations relating thereto have been met. The remaining Group companies incurred losses during the year ended 31 December 2018.

The Company incurred losses in 2017 and 2018 and, as a result, has not distributed dividends to its shareholders, nor will it be obliged to in 2019.</td></tr>
<tr><td>d) In the event of dividends distributed with a charge to reserves, designation of the year from which the applied reserve originates and whether they have been taxed at a 0% or 19% tax rate or at the general tax rate.</td></tr>
<tr><td>e) Dividend distribution agreement date referred to in sections c) and d) above.</td></tr>
<tr><td>f) Acquisition date of the properties earmarked for lease and of shares in the capital of the entities to which article 2.1 of the above Law refers.</td><td>Investments in the capital of the subsidiaries which have adhered to the SOCIMI tax regime coincide with the following incorporation dates of these companies, as they were incorporated by the Company:

- MRE III – Proyecto Uno, S.L.U. incorporated on 22 March 2016.

- MRE III – Proyecto Dos, S.L.U. incorporated on 11 May 2016.

- MRE III – Proyecto Tres, S.L.U. incorporated on 11 May 2016.

- MRE III – Proyecto Cuatro, S.L.U. incorporated on 9 August 2016.

- MRE III – Proyecto Cinco, SOCIMI, S.A. incorporated on 9 August 2016.

- MRE III – Proyecto Seis, S.L.U. incorporated on 6 June 2017.

- MRE III – Proyecto Siete, S.L.U. incorporated on 6 June 2017.</td></tr>
</table>

(Continued)

	- MRE III – Proyecto Ocho, S.L.U. incorporated on 20 July 2017. - MRE III – Proyecto Nueve, S.L.U. incorporated on 20 July 2017. - MRE III – Proyecto Diez, S.L.U. incorporated on 20 July 2017. - MRE III – Proyecto Once, S.L.U. incorporated on 9 August 2017. - MRE III – Proyecto Doce, S.L.U. incorporated on 9 August 2017. - MRE III – Proyecto Trece, S.L.U. incorporated on 9 August 2017.
g) Identification of the asset that qualifies as part of the 80% mentioned in article 3.1 of this Law.	The asset that qualifies as part of the 80% as described in article 3 of this Law, corresponds to all of the real estate acquired by the subsidiaries and which is earmarked for lease, as follows: - Investment property in Sant Martí de Provençals – PMU “La escocesa” sector in Barcelona with a carrying amount and gross value of Euros 26,273,074.81 at 31 December 2018. - MRE III - Proyecto Uno, S.L.U. with an interest of Euros 23,000,000 and investment property with a carrying amount of Euros 53,424,594.51 at 31 December 2018 and value, excluding depreciation, of Euros 55,442,642.14 (at 31 December 2017 a carrying amount of Euros 53,942,000 and value, excluding depreciation, of Euros 54,559,000). - MRE III - Proyecto Dos, S.L.U. with an interest of Euros 9,900,000 and investment property with a carrying amount of Euros 30,993,796.79 at 31 December 2018 and value, excluding depreciation, of Euros 32,096,138.80 (at 31 December 2017 a carrying amount of Euros 31,423,000 and value, excluding depreciation, of Euros 33,031,000). - MRE III - Proyecto Tres, S.L.U. with an interest of Euros 11,600,000 and investment property with a carrying amount of Euros 37,597,647.87 at 31 December 2018 and value, excluding depreciation, of Euros 38,5984,818.28 (at 31 December 2017 a carrying amount of Euros 37,671,000 and value, excluding depreciation, of Euros 38,177,000).

(Continued)

	- MRE III - Proyecto Cuatro, S.L.U. with an interest of Euros 4,510,000 and investment property with a carrying amount of Euros 9,159,012.83 at 31 December 2018 and value, excluding depreciation, of Euros 9,291,401.15 (at 31 December 2017 a carrying amount of Euros 8,441,000 and value, excluding depreciation, of Euros 8,485,000). - MRE III - Proyecto Cinco, S.L.U. with an interest of Euros 28,500,000 and investment property with a carrying amount of Euros 28,416,874.64 at 31 December 2018 and a value, excluding depreciation, of Euros 28,416,874.64 (at 31 December 2017 a carrying amount of Euros 33,924,000). - MRE III - Proyecto Seis, S.L.U. with an interest of Euros 6,300,000 and investment property with a carrying amount of Euros 16,596,758.94 at 31 December 2018 and value, excluding depreciation, of Euros 16,895,499.14 (at 31 December 2017 a carrying amount of Euros 16,803,000 and value, excluding depreciation, of Euros 16,895,000). - MRE III - Proyecto Siete, S.L.U. with an interest of Euros 3,050,000 and investment property with a carrying amount of Euros 10,375,041.83 at 31 December 2018 and value, excluding depreciation, of Euros 10,514,535.40 (at 31 December 2017 a carrying amount of Euros 1,500,000 and value, excluding depreciation, of Euros 1,500,000). - MRE III - Proyecto Ocho, S.L.U. with an interest of Euros 9,000,000 and investment property with a carrying amount of Euros 35,065,581.06 at 31 December 2018 and value, excluding depreciation, of Euros 35,639,184.95 (at 31 December 2017 a carrying amount of Euros 35,311,000 and value, excluding depreciation, of Euros 35,384,000). - MRE III - Proyecto Nueve, S.L.U. with an interest of Euros 9,700,000 and investment property with a carrying amount of Euros 26,749,666.13 at 31 December 2018 and value, excluding depreciation, of Euros 26,915,870.48 (at 31 December 2017 the company had no investment property or interests in other companies). - MRE III - Proyecto Diez, S.L.U. with an interest of Euros 4,000 thousand and investment

(Continued)

	property with a carrying amount of Euros 15,237,631.71 at 31 December 2018 and value, excluding depreciation, of Euros 15,250,000 (at 31 December 2017 the company had no investment property or interests in other companies). - MRE III – Proyecto Once, S.L.U. with an interest of Euros 10,000, and with no investment property or interests in other companies. - MRE III – Proyecto Doce, S.L.U. with an interest of Euros 10,000, and with no investment property or interests in other companies. - MRE III – Proyecto Trece, S.L.U. with an interest of Euros 10,000, and with no investment property or interests in other companies.
h) Reserves from years in which the special tax regime provided in this Law is applicable which have been applied in the tax period other than for the distribution thereof or to offset losses, identifying the year in which these reserves arise.	The Company was incorporated on 20 January 2016, incurring losses in 2016 and 2017 and therefore there are no reserves from years prior to the application of the tax regime set forth in this Law.

(20) Events after the Reporting Period

The following subsequent events have taken place since 31 December 2018:

- In January 2019 the Company subscribed and fully paid a capital increase in the subsidiary MRE III – Proyecto Once, S.L.U., comprising 6,990,000 shares of Euros 1 par value each.

- In January 2019 the Company also subscribed and fully paid a capital increase in MRE III – Proyecto Doce, S.L.U., comprising 190,000 shares of Euros 1 par value each.

MERIDIA REAL ESTATE III, SOCIMI., S.A.

Information on Group Companies
31 December 2018

(Expressed in Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Name	Registered office	Activity	Auditor	% ownership	Capital	Prior years' losses	Profit/(loss) for the year	Total equity	Carrying amount of investment
MRE III – Proyecto Uno, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	100%	23,000,000.00	(1,551,019.82)	(602,732.81)	20,846,247.37	23,000,000.00
MRE III – Proyecto Dos, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	100%	9,900,000.00	-	531,856.69	10,525,406.61	9,900,000.00
MRE III – Proyecto Tres, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	100%	11,600,000.00	-	1,405,705.55	13,177,036.39	11,600,000.00
MRE III – Proyecto Cuatro, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	100%	4,510,000.00	(366,904.97)	289,030.52	4,432,125.55	4,510,000.00
MRE III – Proyecto Cinco, SOCIMI, S.A.	Av. Diagonal 640, Barcelona	Real estate	KPMG	77.60%	36,725,000.00	(544,243.76)	(869,827.67)	35,310,928.57	28,500,000.00
MRE III – Proyecto Seis, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	100%	6,300,000.00	(252,955.89)	183,102.47	6,230,146.58	6,300,000.00
MRE III – Proyecto Siete, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	100%	3,050,000.00	(82,045.78)	296,087.30	3,264,041.52	3,050,000.00
MRE III – Proyecto Ocho, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	100%	9,000,000.00	(364,403.21)	881,196.47	9,516,793.26	9,000,000.00
MRE III – Proyecto Nueve, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	100%	9,700,000.00	(5,454.33)	(293,850.32)	9,400,695.35	9,700,000.00
MRE III – Proyecto Diez, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	100%	4,000,000.00	(1,418.83)	(37074.22)	3,961,506.95	4,000,000.00
MRE III – Proyecto Once, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	Unaudited	100%	10,000.00	(1,561.40)	(43,641.81)	(35,203.21)	10,000.00
MRE III – Proyecto Doce, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	Unaudited	100%	10,000.00	(1,502.85)	(1,249.62)	7,247.53	10,000.00
MRE III – Proyecto Trece S.L.U.	Av. Diagonal 640, Barcelona	Real estate	Unaudited	100%	10,000.00	(1,502.85)	(1,096.37)	7,400.78	10,000.00
									109,590,000.00

This appendix forms an integral part of note 7 to the annual accounts, in conjunction with which it should be read.

MERIDIA REAL ESTATE III, SOCIMI., S.A.

Information on Group Companies
31 December 2017

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Name	Registered office	Activity	Auditor	% ownership	Capital	Prior years' losses	Profit/(loss) for the year	Total equity	Carrying amount of investment
MRE III – Proyecto Uno, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	100%	23,000,000.00	(1,435,938.80)	(115,081.02)	21,448,980.18	23,000,000.00
MRE III – Proyecto Dos, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	100%	9,900,000.00	(261,666.74)	521,011.66	10,159,344.92	9,900,000.00
MRE III – Proyecto Tres, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	100%	11,600,000.00	(590,450.60)	1,033,646.32	12,043,195.72	11,600,000.00
MRE III – Proyecto Cuatro, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	100%	4,510,000.00	(1,595.39)	(365,309.58)	4,143,095.03	4,510,000.00
MRE III – Proyecto Cinco, SOCIMI, S.A.	Av. Diagonal 640, Barcelona	Real estate	KPMG	77.67%	15,000,000.00	(1,595.39)	(542,648.37)	14,455,756.24	11,650,000.00
MRE III – Proyecto Seis, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	100%	6,300,000.00	-	(252,955.89)	6,047,044.11	6,300,000.00
MRE III – Proyecto Siete, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	100%	1,550,000.00	-	(82,045.78)	1,467,954.22	1,550,000.00
MRE III – Proyecto Ocho, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	100%	9,000,000.00	-	(364,403.21)	8,635,596.79	9,000,000.00
MRE III – Proyecto Nueve, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	Unaudited	100%	10,000.00	-	(5,454.33)	4,545.67	10,000.00
MRE III – Proyecto Diez, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	100%	10,000.00	-	(1,418.83)	8,581.17	10,000.00
MRE III – Proyecto Once, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	Unaudited	100%	10,000.00	-	(1,561.40)	8,438.60	10,000.00
MRE III – Proyecto Doce, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	Unaudited	100%	10,000.00	-	(1,502.85)	8,497.15	10,000.00
MRE III – Proyecto Trece S.L.U.	Av. Diagonal 640, Barcelona	Real estate	Unaudited	100%	10,000.00	-	(1,502.85)	8,497.15	10,000.00
								78,439,526.95	**77,560,000.00**

This appendix forms an integral part of note 7 to the annual accounts, in conjunction with which it should be read.

MERIDIA REAL ESTATE III, SOCIMI, S.A.

Classification of Financial Assets by Maturity

for the year ended 31 December 2018

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros			
	2018	**Years subsequent to 2023**	**Less current portion**	**Total non-current**
Investments in Group companies and associates				
Loans to Group companies	7,805,000.00	18,580,000.00	(7,805,000.00)	**18,580,000.00**
Interest	190,513.88	2,040,602.96	(190,513.88)	**2,040,602.96**
Other	-	-		
Trade and other receivables				
Trade receivables from Group companies and associates	466,833.59	-	(466,833.59)	**-**
Advances to creditors	13,285.79	-	(13,285.79)	**-**
Personnel	7,064.00	-	(7,060.00)	**-**
Total	**8,482,697.26**	**20,620,602.96**	**(8,482,693.26)**	**20,620,602.96**

This appendix forms an integral part of note 9 to the annual accounts, in conjunction with which it should be read.

MERIDIA REAL ESTATE III, SOCIMI, S.A.

Classification of Financial Assets by Maturity

for the year ended 31 December 2017

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros			
	2017	**Years subsequent to 2022**	**Less current portion**	**Total non-current**
Investments in Group companies and associates				
Loans to Group companies	6,640,000.00	12,400,000.00	(6,640,000.00)	**12,400,000.00**
Interest	94,684.44	816,845.96	(94,684.44)	**816,845.96**
Other	-	-	-	**-**
Trade and other receivables				
Trade receivables from Group companies and associates	488,057.37	-	(488,057.37)	**-**
Advances to creditors	290,981.09		(290,981.09)	
Personnel	7,449.00	-	(7,449.00)	**-**
Total	**7,521,171.90**	**13,216,845.96**	**(7,521,171.90)**	**13,216,845.96**

This appendix forms an integral part of note 9 to the annual accounts, in conjunction with which it should be read.

MERIDIA REAL ESTATE III, SOCIMI, S.A.

Details of Financial Liabilities by Category
for the year ended 31 December 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros	
	Non-current	Current
	Carrying amount	Carrying amount
Debts and payables		
Payables to shareholders		
Loans	33,854,238.81	1,284,205.00
Interest	4,200,418.61	71,085.29
Suppliers of fixed assets	12,503,217.27	-
Trade and other payables		
Other payables	-	1,033,362
Total financial liabilities	**50,557,874.69**	**2,388,652.36**

This appendix forms an integral part of note 11 to the annual accounts, in conjunction with which it should be read.

MERIDIA REAL ESTATE III, SOCIMI, S.A.

Details of Financial Liabilities by Category
for the year ended 31 December 2017

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros	
	Non-current	Current
	Carrying amount	Carrying amount
Debts and payables		
Payables to shareholders		
Loans	29,854,218.02	950,000.00
Interest	1,296,687.37	23,727.78
Trade and other payables		
Other payables	-	220,563.17
Total financial liabilities	**31,150,905.39**	**1,194,290.95**

This appendix forms an integral part of note 11 to the annual accounts, in conjunction with which it should be read.

MERIDIA REAL ESTATE III, SOCIMI, S.A.

Classification of Financial Liabilities by Maturity

for the year ended 31 December 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	2019	2020	2022	Less current portion	Total non-current
Debts and payables					
Payables to shareholders					
Loans	1,284,205.00		33,854,238.81	(1,284,205.00)	33,854,238.81
Interest	71,085.29		4,200,418.61	(71,085.29)	4,200,418.61
Suppliers of fixed assets	-	12,503,217.27	-	-	12,503,217.27
Trade and other payables					
Group companies	9,501.21		-	(9,501.21)	-
Payables, related parties	26,770.97		-	(26,770.97)	-
Other payables	997,089.89		-	(997,089.89)	-
Total financial liabilities	**2,388,652.36**	**12,503,217.27**	**38,054,657.42**	**(2,388,652.36)**	**50,557,874.69**

This appendix forms an integral part of note 12 to the annual accounts, in conjunction with which it should be read.

MERIDIA REAL ESTATE III, SOCIMI, S.A.

Classification of Financial Liabilities by Maturity

for the year ended 31 December 2017

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros			
	2018	**2022**	**Less current portion**	**Total non-current**
Debts and payables				
Payables to shareholders				
Loans	950,000.00	29,854,218.02	(950,000.00)	29,854,218.02
Interest	23,727.78	1,296,687.37	(23,727.78)	1,296,687.37
Trade and other payables				
Payables, related parties	51,604.04	-	(51,604.04)	-
Other payables	168,959.13	-	(168,959.13)	-
Total financial liabilities	**1,194,290.95**	**31,150,905.39**	**(1,194,290.95)**	**31,150,905.39**

This appendix forms an integral part of note 12 to the annual accounts, in conjunction with which it should be read.

MERIDIA REAL ESTATE III, SOCIMI, S.A.
Reconciliation of Net Income and Expense with the Tax Loss

for the year ended 31 December 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	2018						
	Euros						
	Income statement			Income and expense recognised in equity			
	Increases	Decreases	Net	Increases	Decreases	Net	Total
Income and expenses for the period	-	-	(2,939,276.59)	-	-	-	(2,939,276.59)
Loss before income tax	-	-	(2,939,276.59)	-	-	-	(2,939,276.59)
Tax loss	-	-	**(2,939,276.59)**	-	-	**-**	**(2,939,276.59)**

This appendix forms an integral part of note 14 to the annual accounts, in conjunction with which it should be read.

MERIDIA REAL ESTATE III, SOCIMI, S.A.
Reconciliation of Net Income and Expense with the Tax Loss
for the year ended 31 December 2017

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	2017						
	Euros						
	Income statement			Income and expense recognised in equity			
	Increases	Decreases	Net	Increases	Decreases	Net	Total
Income and expenses for the period	-	-	(4,258,968.85)	-	-	-	(4,258,968.85)
Loss before income tax	-	-	(4,258,968.85)	-	-	-	(4,258,968.85)
Permanent differences	4,728.77	-	4,728.77	-	-	-	4,728.77
Tax loss			**(4,254,240.08)**			**-**	**(4,254,240.08)**

This appendix forms an integral part of note 14 to the annual accounts, in conjunction with which it should be read.

MERIDIA REAL ESTATE III, SOCIMI, S.A.
Relationship between the Income Tax Expense/(Income) and Profit/(Loss)

for the year ended 31 December 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros		
2018	**Profit and loss**	**Equity**	**Total**
Income and expenses for the period before tax	2,939,268.82	-	2,939,268.82
Tax at 0%	-	-	-
	-	**-**	**-**

This appendix forms an integral part of note 14 to the annual accounts, in conjunction with which it should be read.

MERIDIA REAL ESTATE III, SOCIMI, S.A.

Relationship between the Income Tax Expense/(Income) and Profit/(Loss)

for the year ended 31 December 2017

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros		
2017	**Profit and loss**	**Equity**	**Total**
Income and expenses for the period before tax	(4,258,968.85)	-	(4,258,968.85)
Tax at 0%	-	-	-
	-	**-**	**-**

This appendix forms an integral part of note 14 to the annual accounts, in conjunction with which it should be read.

Directors' Report

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

In compliance with Article 262 of Royal Legislative Decree 1/2010 of 2 July 2010, which approves the Revised Spanish Companies Act, we state the following:

1. Business performance and situation of the Company

In 2018 the Company was in its investment phase.

During the year it increased its capital by Euros 44,223,624 (Euros 13,030,983 through monetary contributions and Euros 31,192,641 through debt-for-equity swaps) and received loans from its shareholders totalling Euros 28,000,000.

With these funds the Company has made investments of Euros 32,030,000 in its investees and has given them long-term financing amounting to Euros 6,010,000.

All of the Company's shares were admitted to trading on 29 December 2017 in the SOCIMI segment of the Spanish Alternative Equity Market (Mercado Alternativo Bursátil) (MAB-SOCIMI) and therefore the requirement set out in article four of Law 11/2009 is met.

2. Research and development

No research or development costs were incurred during 2018 or 2017.

3. Own shares

During 2018 the Company has had the following movement in own shares:

		Euros	
	Number	**Nominal**	**Average cost of acquisition / sale**
Balance at 01.01.2018	289,900.00	289,900.00	1.00
Acquisitions	15,160.00	15,160.00	1.08
Disposals	(23,416.00)	(23,416.00)	1.08
Balance at 31.12.2018	281,644.00	281,644.00	1.00

During 2017 the Company had the following movement in own shares:

		Euros	
	Number	**Nominal**	**Average cost of acquisition / sale**
Balance at 31.12.2017	-	-	-
Acquisitions	17,989,542	17,989,542.00	1.00
Disposals	(17,699,642)	(17,699,642.00)	1.00
Balance at 31.12.2018	289,900.00	289,900.00	1.00

4. Financial risk management policies and objectives

(a) Financial risk factors

The Company's activities are exposed to various financial risks: market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk, and cash flow interest rate risk. The Company's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Company's profits.

Risks are managed by the Risk Management Unit in accordance with policies approved by the Company's board of directors. This department identifies, evaluates and mitigates financial risks in close collaboration with the Company's operational units. The Company's board of directors issues global risk management policies in writing, as well as policies for specific issues such as currency risk, interest rate risk, liquidity risk, the use of derivatives and non-derivative instruments, and investments of cash surpluses.

(i) Credit risk

The Company is not significantly exposed to credit risk. Derivative and cash transactions are only performed with financial institutions that have high credit ratings. The Company has policies to limit the amount of risk with any one financial institution.

Valuation allowances for bad debts, and the review of individual balances based on customers' credit ratings, market trends and the historical analysis of bad debts at an aggregated level require a high degree of judgement.

(ii) Liquidity risk

The Company applies a prudent policy to cover its liquidity risks based on having sufficient cash as well as sufficient financing through credit facilities.

(iii) Cash flow and fair value interest rate risks

The Company manages cash flow interest rate risks through variable to fixed interest rate swaps. These interest rate swaps convert variable interest rates on borrowings to fixed interest rates. The Company obtains non-current borrowings with variable interest rates and swaps these for fixed interest rates that are normally lower than if the financing had been obtained directly with fixed interest rates. Through interest rate swaps the Company undertakes to exchange the difference between fixed interest and variable interest with other parties on a quarterly basis. The difference is calculated based on the contracted notional principal amount.

5. Derivative financial instruments

The Company does not have any financial instruments.

6. Average supplier payment period

The average payment period for suppliers is 76 days. The amount exceeding the limit stipulated by Late Payment Law shall be recovered in 2018 through stricter control over payments.

7. Significant events after the reporting period

The following subsequent events have taken place since 31 December 2018:

- In January 2019 the Company subscribed and fully paid a capital increase in the subsidiary MRE III – Proyecto Once, S.L.U., comprising 6,990,000 shares of Euros 1 par value each.

- In January 2019 the Company also subscribed and fully paid a capital increase in MRE III – Proyecto Doce, S.L.U., comprising 190,000 shares of Euros 1 par value each.

MERIDIA REAL ESTATE III, SOCIMI, S.A.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

On 29 March 2019 the board of directors of MERIDIA REAL ESTATE III, SOCIMI., S.A., prepared the annual accounts and the directors' report for the year ended 31 December 2018. The annual accounts comprise the documents that precede this certification.

Signed:

Mr Javier Faus	Mr José Luis Raso	Ms Elisabet Gómez