Meridia Real Estate III, SOCIMI, S.A. and subsidiaries

Consolidated Annual Accounts

31 December 2018

Consolidated 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 Consolidated 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. commissioned by the Board of Directors

Opinion

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

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the accompanying consolidated 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 Consolidated Annual Accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated 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.

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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 consolidated annual accounts of the current period. These risks were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

Valuation of investment property and inventories (see notes 2 d), 4 f, k), 7 and 10)

The Group holds a significant amount of its assets in investment property and inventories corresponding to real estate property, part of which will be destined for lease to obtain revenues and the other part earmarked for sale. The Group assesses investment property and inventories annually for indications of impairment, for the purpose of determining whether their carrying amount exceeds their 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 and inventories, 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 investment property and inventories 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 consolidated annual accounts meets the requirements of the financial reporting framework applicable to the Group.

Other Information: Consolidated Directors' Report

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

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility for the consolidated 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 consolidated directors' report with the consolidated annual accounts, based on knowledge of the Group 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 consolidated 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.

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

Directors' Responsibility for the Consolidated Annual Accounts

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

In preparing the consolidated annual accounts, the Parent's Directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group's internal control.

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

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- Conclude on the appropriateness of the use by the Parent's Directors 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 Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors of the Parent 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 consolidated 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. AND SUBSIDIARIES

Consolidated Balance Sheet

31 December 2018

(Expressed in Euros)

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

Assets	*Note*	31 December 2018	31 December 2017
Intangible assets	**Note 5**	**267,180.99**	**8,772.46**
Concessions		266,330.99	7,922.46
Patents, licences, trademarks and similar rights		850.00	850.00
Property, plant and equipment	**Note 6**	**358,493.21**	**398,991.51**
Technical installations and other items		358,493.21	398,991.51
Investment property	**Note 7**	**293,552,288.41**	**219,015,192.53**
Land		114,934,937.83	65,366,271.82
Buildings		146,096,124.81	117,506,620.90
Investments in adaptation and advances		32,521,225.77	36,142,299.81
Non-current investments		**2,464,262.84**	**2,032,901.21**
Loans to companies	**Note 12**	-	45,398.92
Derivatives	**Notes 12 and 13**	-	69,377.92
Other financial assets	**Note 12**	2,464,262.84	1,918,124.37
Total non-current assets		**296,642,225.45**	**221,455,857.71**
Inventories	**Note 10**	**9,449,016.53**	**-**
Developments in progress		9,449,016.53	-
Trade and other receivables		**3,475,069.70**	**2,925,701.16**
Trade receivables – current	**Note 12**	2,396,524.07	1,577,932.56
Other receivables	**Note 12**	125,643.61	338,704.24
Personnel		15,385.29	13,449.00
Current tax assets	**Note 18**	553.14	2,829.15
Public entities, other	**Notes 12 and 18**	936,963.59	992,786.21
Current investments	**Note 12**	**799,409.69**	**777,682.14**
Loans to companies		45,398.94	104,447.74
Other		754,010.75	673,234.40
Prepayments for current assets		**142,052.47**	**121,609.59**
Cash and cash equivalents		**13,124,136.84**	**8,042,634.75**
Cash		13,124,136.84	8,042,634.75
Total current assets		**26,989,685.23**	**11,867,627.64**
Total assets		**323,631,910.68**	**233,323,485.35**

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

Consolidated Balance Sheet

31 December 2018

(Expressed in Euros)

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

Equity and Liabilities	*Note*	31 December 2018	31 December 2017
Capital and reserves		**116,342,368.28**	**69,715,516.34**
Capital			
Registered capital		122,723,624.00	78,500,000.00
(Shares and investments held by the Parent)		(281,644.00)	(289,900.00)
Share premium		3,980,126.16	-
Reserves		702,540.62	-
Prior years' losses		(9,197,124.30)	(4,177,580.15)
Loss attributable to the Parent		(1,585,154.20)	(4,317,003.51)
Non-controlling interests		**7,909,000.15**	**3,228,808.53**
Total equity	**Note 14**	**124,251,368.43**	**72,944,324.87**
Non-current payables	**Note 16**	**186,558,386.78**	**140,435,013.49**
Loans and borrowings		113,108,297.50	90,814,999.72
Derivatives	**Note 13**	774,039.82	290,901.88
Other financial liabilities		72,676,049.46	49,329,111.89
Total non-current liabilities		**186,558,386.78**	**140,435,013.49**
Current payables	**Note 16**	**8,439,759.90**	**17,620,273.82**
Loans and borrowings		6,051,423.65	3,301,419.47
Derivatives		23,815.19	-
Other financial liabilities		2,364,521.06	14,318,854.35
Trade and other payables		**4,371,698.18**	**2,323,873.17**
Suppliers and trade payables	**Note 16**	3,577,154.24	2,032,285.12
Public entities, other	**Note 18**	624,323.35	283,280.22
Advances from customers		170,220.59	8,307.83
Current accruals		**10,697.39**	**-**
Total current liabilities		**12,822,155.47**	**19,944,146.99**
Total equity and liabilities		**323,631,910.68**	**233,323,485.35**

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

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

Consolidated Income Statement
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.)

	Note	2018	2017
Revenues	**Note 21**	**15,920,548.03**	**9,140,390.16**
Services rendered		15,920,548.03	9,140,390.16
Changes in inventories of finished goods and work in progress		**759,741.71**	**-**
Supplies	**Note 21**	**(866,722.06)**	**-**
Subcontracted work		(106,980.35)	-
Merchandise used		(759,741.71)	-
Other operating income	**Note 21**	**5,145,760.84**	**2,882,856.23**
Non-trading and other operating income (other than rentals)		5,145,760.84	2,882,856.23
Personnel expenses		**(411,394.37)**	**(205,921.53)**
Salaries and wages		(355,771.90)	(165,365.10)
Employee benefits expense	**Note 21**	(55,622.47)	(40,556.43)
Other operating expenses		**(12,068,303.76)**	**(11,035,480.29)**
External services		(10,063,224.48)	(9,641,923.70)
Taxes		(1,903,411.70)	(1,393,556.59)
Losses, impairment and changes in trade provisions		(101,667.58)	-
Amortisation and depreciation	**Notes 5, 6, 7**	**(3,019,727.48)**	**(1,845,690.47)**
Gains and losses from the disposal of investment property		**23,266.24**	**-**
Other income		**532,602.12**	**1,012,254.23**
Results from operating activities		**6,015,771.27**	**(51,591.67)**
Finance income		**301,368.81**	**42,019.41**
Other		40,809.95	42,019.41
Other finance income			
Capitalised borrowing costs		260,558.86	-
Finance costs		**(7,545,744.62)**	**(4,457,379.22)**
Other		(7,545,744.62)	(4,457,379.22)
Change in fair value of financial instruments	**Note 13**	**(551,358.04)**	**28,756.50**
Trading portfolio and other		(551,358.04)	28,756.50
Net finance cost		**(7,795,733.85)**	**(4,386,603.31)**
Loss before income tax		(1,779,962.58)	(4,438,194.98)
Consolidated loss for the year		**(1,779,962.58)**	**(4,438,194.98)**
Loss attributable to the Parent		**(1,585,154.20)**	**(4,317,003.51)**
Loss attributable to non-controlling interests		**(194,808.38)**	**(121,191.47)**

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

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

Consolidated Statement of Changes in Equity

A) Consolidated Statement of Recognised Income and Expense
for the year 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.)

	2018	2017
Consolidated loss for the year	**(1,779,962.58)**	**(4,438,194.98)**
Total recognised income and expense	**(1,779,962.58)**	**(4,438,194.98)**
Total income and expense attributable to the Parent	**(1,585,154.20)**	**(4,317,003.51)**
Total income and expense attributable to non-controlling interests	**(194,808.38)**	**(121,191.47)**

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

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

Consolidated Statement of Changes in Equity

B) Statement of Total Changes in Equity for the year 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	Shares and investments in own equity held by the Parent	Parent's loss for the year	Non-controlling interests	Total
Balance at 31 December 2017	**78,500,000.00**	**-**	**(4,177,580.15)**	**(289,900.00)**	**(4,317,003.51)**	**3,228,808.53**	**72,944,324.87**
Total consolidated recognised income and expense	-	-	-	-	(1,585,154.20)	(194,808.38)	**(1,779,962.58)**
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**
Acquisition/sale of investments from non-controlling interests	-	-	-	-	-	4,875,000.00	**4,875,000.00**
Other changes in equity							
Application of losses for the prior year	-	-	(4,317,003.51)		4,317,003.51	**-**	**-**
Other changes in equity	-	-	(0.02)	-	-	**-**	**(0.02)**
Balance at 31 December 2018	**122,723,624.00**	**3,980,126.16**	**(8,494,583.68)**	**(281,644.00)**	**(1,585,154.20)**	**7,909,000.15**	**124,251,368.43**

	Registered capital	Reserves and prior years' profit and loss	Shares and investments in own equity held by the Parent	Parent's loss for the year	Non-controlling interests	Total
Balance at 31 December 2016	**39,391,565.00**	**-**	**-**	**(4,177,580.15)**	**-**	**35,213,984.85**
Total consolidated recognised income and expense	-	-	-	(4,317,003.51)	(121,191.47)	**(4,438,194.98)**
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)**
Acquisition/sale of investments from non-controlling interests	-	-	-	-	3,350,000.00	**3,350,000.00**
Other changes in equity						
Application of losses for the prior year	-	(4,177,580.15)	-	4,177,580.15	**-**	**-**
Balance at 31 December 2017	**78,500,000.00**	**(4,177,580.15)**	**(289,900.00)**	**(4,317,003.51)**	**3,228,808.53**	**72,944,324.87**

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

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

Statements of Cash Flows for the years 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
Cash flows from operating activities		
Loss for the year before tax	**(1,779,962.58)**	**(4,438,194.98)**
Adjustments for:		
Amortisation and depreciation	3,019,727.48	1,845,690.47
Proceeds from disposals of fixed assets	(23,266.24)	-
Finance income	(301,368.81)	(42,019.41)
Finance costs	7,548,269.99	4,457,379.22
Change in fair value of financial instruments	551,358.04	(28,454.51)
Prepayments/Accruals	(9,745.49)	(123,556.83)
Changes in operating assets and liabilities		
Inventories	(773,755.13)	-
Trade and other receivables	(470,589.51)	(1,150,360.82)
Other current assets	-	(622,970.75)
Trade and other payables	2,030,263.32	988,960.58
Other cash flows from operating activities		
Interest paid	(4,550,220.53)	(2,603,006.48)
Interest received	40,809.95	42,019.41
Income tax received (paid)	2,276.01	-
Net cash flows from (used in) operating activities	**5,283,796.50**	**(1,674,514.10)**
Cash flows from investing activities		
Payments for investments		
Intangible assets	(300,000.00)	(8,772.46)
Property, plant and equipment	-	(404,983.04)
Investment property	(85,586,516.49)	(86,893,961.74)
Other financial assets	(507,040.15)	(1,550,509.73)
Proceeds from sale of investments		
Investment property	60,000.00	-
Other financial assets	104,447.74	98,379.89
Net cash flows used in investing activities	**(86,229,108.90)**	**(88,759,847.08)**
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 of the Parent	(15,160.00)	(17,989,542.00)
Sale of own equity instruments of the Parent	24,573.82	17,699,642.00
Sale of shares to non-controlling interests	4,875,000.00	3,350,000.00
Proceeds from and payments for financial liability instruments		
Issue		
Payables to shareholders	37,999,999.48	36,546,617.00
Loans and borrowings	28,416,387.87	17,191,565.06
Other financial liabilities	3,743,221.34	1,580,797.42
Redemption and repayment of		
Loans and borrowings	(3,220,979.49)	(1,497,697.60)
Net cash flows from financing activities	86,026,814.49	95,989,816.88
Net increase in cash and cash equivalents	5,081,502.09	5,555,455.70
Cash and cash equivalents at beginning of year	8,042,634.75	2,487,179.05
Cash and cash equivalents at year end	13,124,136.84	8,042,634.75

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

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(1) General Information

Meridia Real Estate III, SOCIMI, S.A. (hereinafter "the Company" or "the Parent"), 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.

Meridia Real Estate III, SOCIMI, S.A. is the Parent of a Group formed of subsidiaries ("the Group").

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 (either 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, and 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.

- 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 13 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 13 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 13 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.

(Continued)

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 to be 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.

   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.

(Continued)

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.

   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 14.

   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).

(Continued)

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.

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

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

On 29 March 2019 the Company's board of directors authorised for issue the consolidated annual accounts for 2018.

(b) Comparative information

The consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and the consolidated notes thereto for 2018 include comparative figures for 2017, which formed part of the consolidated 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 consolidated annual accounts are expressed in Euros, the Group'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 Group's accounting principles to prepare these consolidated annual accounts. A summary of the items requiring a greater degree of judgement or which are more complex, is as follows:

- Estimating the useful life of fixed assets requires a high degree of judgement by management, based on historical experience and on the analysis carried out by the Group's technical personnel.

- The recoverable amount of investment property based on appraisals made by independent experts.

- Estimates of valuation adjustments applied to receivables for late payment or insolvency.

- The estimates and assumptions used to assess the need to recognise provisions, due mainly to various claims from customers.

- 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.

(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 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.

(Continued)

The proposed application of 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)

(4) Significant Accounting Policies

(a) Subsidiaries

Subsidiaries are entities, including special purpose entities (SPE), over which the Company, either directly or indirectly through subsidiaries, exercises control as defined in article 42 of the Spanish Code of Commerce. 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 Group or other entities that are exercisable or convertible at the end of each reporting period are considered.

For presentation and disclosure purposes only, Group companies are considered to be those controlled by one or more individuals or entities acting jointly or under the same management through statutory clauses or agreements.

Subsidiaries are fully consolidated.

Information on the subsidiaries included in the consolidated Group is presented in Appendix I.

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from the date of acquisition, which is when the Group takes control, . Subsidiaries are excluded from the consolidated Group from the date on which control is lost.

Transactions and balances with subsidiaries and unrealised gains or losses have been eliminated upon consolidation. Nevertheless, unrealised losses have been considered as an indicator of impairment of the assets transferred.

The subsidiaries' accounting policies have been adapted to Group accounting policies, for like transactions and other events in similar circumstances.

Likewise, the following companies were incorporated in 2017 and the financial year of these companies is therefore less than a year, from their incorporation date to 31 December 2017, as follows:

- MRE-III Proyecto Seis, S.L.U. was incorporated on 6 June 2017.
- MRE-III Proyecto Siete, S.L.U. was incorporated on 6 June 2017.
- MRE-III Proyecto Ocho, S.L.U. was incorporated on 20 July 2017.

(Continued)

- MRE-III Proyecto Nueve, S.L.U. was incorporated on 20 July 2017.

- MRE-III Proyecto Diez, S.L.U. was incorporated on 20 July 2017.

- MRE-III Proyecto Once, S.L.U. was incorporated on 9 August 2017.

- MRE-III Proyecto Doce, S.L.U. was incorporated on 9 August 2017.

- MRE-III Proyecto Trece, S.L.U. was incorporated on 9 August 2017.

(b) Non-controlling interests

Non-controlling interests in subsidiaries acquired are recognised at the acquisition date at the proportional part of the fair value of the identifiable net assets. Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the Parent. Non-controlling interests' share in profit or loss for the year is also presented separately in the consolidated income statement.

The profit or loss for the year and changes in equity of the subsidiaries attributable to the Group and non-controlling interests, after consolidation adjustments and eliminations, are determined in accordance with the percentage ownership at year end, without considering the possible exercise or conversion of potential voting rights and after discounting the effect of dividends, agreed or otherwise, on preference shares with cumulative rights classified in equity accounts.

The profit/loss and recognised income and expense of subsidiaries are allocated to equity attributable to the Parent and to non-controlling interests in proportion to their investments, even if this results in a balance receivable from non-controlling interests. Agreements entered into between the Group and non-controlling interests are recognised as a separate transaction.

(c) 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.

In the consolidated 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 consolidated 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.

(d) Intangible assets

Intangible assets are measured at cost of acquisition or production, using the same criteria as for determining the cost of production of inventories. Capitalised production costs are recognised under self-constructed assets in the consolidated income statement. Intangible assets are carried at cost, less any accumulated amortisation and impairment.

(i) Subsequent costs

Subsequent costs incurred on intangible assets are recognised in profit and loss, unless they increase the expected future economic benefits attributable to the intangible asset.

(ii) Useful life and amortisation rates

Intangible assets are amortised by allocating the depreciable amount of an asset on a systematic basis over its useful life, by applying the following criteria:

	Amortisation method	**Estimated years of useful life**
Concession	Straight-line	10
Patents and trademarks	Straight-line	10

(e) Property, plant and equipment

(i) Initial recognition

Property, plant and equipment are measured at cost of acquisition or production, using the same criteria as for determining the cost of production of inventories.

(ii) Depreciation

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 Group determines the depreciation charge separately for each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and with a useful life that differs from the remainder of the asset.

Property, plant and equipment are depreciated using the following criteria:

	Depreciation method	**Estimated years of useful life**
Technical installations and machinery	Straight-line	10

(Continued)

The Group reviews residual values, useful lives and depreciation methods at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

(iii) Subsequent costs

Subsequent to initial recognition of the asset, only the costs incurred which increase capacity or productivity or which lengthen the useful life of the asset are capitalised. The carrying amount of parts that are replaced is derecognised. Costs of day-to-day servicing are recognised in profit and loss as incurred.

Replacements of property, plant and equipment that qualify for capitalisation are recognised as a reduction in the carrying amount of the items replaced. Where the cost of the replaced items has not been depreciated independently and it is not possible to determine the respective carrying amount, the replacement cost is used as indicative of the cost of items at the time of acquisition or construction.

(iv) Impairment

The Group measures and determines impairment, as well as reversals of impairment recognised in prior years based on the criteria in section 4 (g) Impairment of non-financial assets subject to amortisation or depreciation.

(f) Investment property

Investment property comprises land and buildings, 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.

Land and 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, are 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.

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.

(Continued)

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 Group 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

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

The Group 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 is made for investment property based on appraisals and valuations made by independent experts in January 2019.

Impairment losses, where applicable, are recognised in the consolidated 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 consolidated 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.

(h) Leases

(i) Lessor accounting

The Group has conveyed the right to use the buildings indicated in note 8 through lease contracts. Leases which transfer to third parties substantially all the risks and rewards incidental to ownership of the assets are classified as finance leases, otherwise they are classified as operating leases.

Given the nature of the lease contracts the Group has signed for the buildings, these contracts are classified as operating leases.

Operating leases

Assets leased to third parties under operating lease contracts are presented according to their nature, applying the accounting policies set out in Investment property.

Operating lease income, net of incentives granted, is recognised in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefits deriving from the leased asset are diminished.

Initial direct costs are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Contingent rents are recognised as income when it is probable that they will be obtained, which is generally when the conditions agreed in the contract arise.

(i) 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 Parent are classified as equity instruments. Likewise, the distribution of profits is recognised as a reduction in equity when legally enforceable.

(Continued)

(iii) *Offsetting principles*

A financial asset and a financial liability are offset only when the Group 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 assets which have no established interest rate, which mature or are expected to be received 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) *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.

It is considered 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.

(Continued)

(viii) 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.

Co-investment loans (see note 16) with interest contingent on the Group achieving a milestone such as obtaining profits, or calculated by reference to the financial performance of the Group company receiving the loan, are measured at cost plus interest payable to the lender as specified in the loan contract. In these cases, transaction costs are recognised on a straight-line basis over the term of the loan.

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.

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

The Group 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 Group 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.

(j) Hedge accounting

The Group recognises as consolidated losses or gains for the year, those losses or gains arising from the measurement of derivatives at fair value, rather than those arising from the application of hedge accounting.

(k) Inventories

Inventories, principally including developments in progress which are all earmarked for sale, are measured at price of acquisition or construction.

Inventories that need a period of more than one year to be officially approved include finance costs accrued prior to becoming available for sale and directly attributable in the acquisition or construction.

Capitalisation of finance costs is suspended in the event construction is interrupted.

Finished developments: these are measured based on the costs incurred in the real estate developments. These costs include those directly applicable to construction that have been approved by the technicians in charge of managing the works, expenses associated with promotion and finance costs incurred during the construction period.

(Continued)

(l) 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.

(m) Provisions

Provisions are recognised when the Group 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.

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 consolidated income statement.

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

The Group 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 Group, 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. In this regard, the Group's main services consist of lease income, as described in note 4(h) above.

(o) 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 are recognised as a reduction in the income tax expense for the year in which it is accrued.

As described in note 1, the companies forming part of the Group adhere 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 companies forming part of the Group are 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 Parent's 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 relate to investments in subsidiaries, associates, jointly controlled entities and joint ventures over which the Group 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.

(ii) Deductible temporary differences

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 relate to investments in subsidiaries and interests in joint ventures, to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient taxable income will be available 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 Group 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.

(Continued)

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

The Group classifies assets and liabilities in the consolidated 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 Group'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 Group'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 Group 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 consolidated annual accounts are authorised for issue.

(q) Environmental issues

The Group 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.

(5) Intangible Assets

Details of intangible assets and movement are as follows:

	Euros		
	31 December 2018		
Description	**Patents, licences, trademarks and similar rights**	**Concessions**	**Total**
Cost at 1 January 2018	850.00	7,922.46	**8,772.46**
Additions	-	300,000.00	**300,000.00**
Cost at 31 December 2018	850.00	307,922.46	**308,772.46**
Accumulated amortisation at 1 January 2018	-	-	**-**
Amortisation	-	(41,591.47)	**(41,591.47)**
Accumulated amortisation at 31 December 2018	-	(41,591.47)	**(41,591.47)**
Carrying amount at 31 December 2018	**850.00**	**266,330.99**	**267,180.99**

(Continued)

Description	Euros 31 December 2017 Patents, licences, trademarks and similar rights	Concessions	Total
Cost at 1 January 2017	-	-	**-**
Additions	850.00	7,922.46	**8,772.46**
Cost at 31 December 2017	850.00	7,922.46	**8,772.46**
Accumulated amortisation at 1 January 2017	-	-	**-**
Amortizaciones	-	-	**-**
Accumulated amortisation at 31 December 2017	-	-	**-**
Carrying amount at 31 December 2017	**850.00**	**7,922.46**	**8,772.46**

Movement in concessions during 2018 comprises the capitalisation of a concession for private use of a public-domain asset used by the Group.

a) Fully depreciated assets

At 31 December 2018 and 31 December 2017 the Group does not have any fully amortised intangible assets in use.

(6) Property, Plant and Equipment

Details of property, plant and equipment and movement are as follows:

Description	Euros 31 December 2018 Technical installations and other items	Total
Cost at 1 January 2018	404,983.04	**404,983.04**
Additions	-	**-**
Cost at 31 December 2018	404,983.04	**404,983.04**
Accumulated depreciation at 1 January 2018	(5,991.53)	**(5,991.53)**
Depreciation	(40,498.30)	**(40,498.30)**
Accumulated depreciation at 31 December 2018	(46,489.83)	**(46,489.83)**
Carrying amount at 31 December 2018	**358,493.21**	**358,493.21**

(Continued)

Description	Euros 31 December 2017 Technical installations and other items	Total
Cost at 1 January 2017	-	-
Additions	404,983.04	**404,983.04**
Cost at 31 December 2017	404,983.04	**404,983.04**
Accumulated depreciation at 1 January 2017	-	-
Depreciation	(5,991.53)	**(5,991.53)**
Accumulated depreciation at 31 December 2017	(5,991.53)	**(5,991.53)**
Carrying amount at 31 December 2017	**398,991.51**	**398,991.51**

Additions for 2017 comprised the acquisition of a photovoltaic installation.

a) Fully depreciated assets

At 31 December 2018 and 31 December 2017 the Company does not have any fully depreciated items of property, plant and equipment in use.

b) Insurance

The Group has taken out insurance policies to cover the risk of damage to its property, plant and equipment. The coverage of these policies is considered sufficient.

(7) Investment Property

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

Description	Euros 31 December 2018 Land	Buildings	Investment in adaptation and advances	Advances	Total
Cost at 1 January 2018	65,366,271.82	120,014,154.80	34,642,299.81	1,500,000.00	**221,522,726.43**
Additions	49,576,229.82	29,035,072.71	4,757,941.48	2,750,000.00	**86,119,244.01**
Transfers	-	2,521,238.86	(9,629,015.52)	(1,500,000.00)	**(8,607,776.66)**
Disposals	(7,563.81)	(30,547.07)	-	-	**(38,110.88)**
Cost at 31 December 2018	114,934,937.83	151,539,919.30	29,771,225.77	2,750,000.00	**298,996,082.90**
Accumulated depreciation at 1 January 2018	-	(2,507,533.90)	-	-	**(2,507,533.90)**
Depreciation	-	(2,937,637.71)	-	-	**(2,937,637.71)**
Disposals	-	1,377.12	-	-	**1,377.12**
Accumulated depreciation at 31 December 2018	-	(5,443,794.49)	-	-	**(5,443,794.49)**
Carrying amount at 31 December 2018	**114,934,937.83**	**146,096,124.81**	**29,771,225.77**	**2,750,000.00**	**293,552,288.41**

	Euros				
	31 December 2017				
Description	Land	Buildings	Investment in adaptation and advances	Advances	Total
Cost at 1 January 2017	43,030,072.03	77,420,671.59	184,384.74	-	**120,635,128.36**
Additions	22,336,199.79	42,409,098.47	34,642,299.81	1,500,000.00	**100,887,598.07**
Transfers	-	184,384.74	(184,384.74)	-	**-**
Cost at 31 December 2017	65,366,271.82	120,014,154.80	34,642,299.81	1,500,000.00	**221,522,726.43**
Accumulated depreciation at 1 January 2017	-	(667,834.96)	-	-	**(667,834.96)**
Depreciation	-	(1,839,698.94)	-	-	**(1,839,698.94)**
Accumulated depreciation at 31 December 2017	-	(2,507,533.90)	**-**	**-**	**(2,507,533.90)**
Carrying amount at 31 December 2017	**65,366,271.82**	**117,506,620.90**	**34,642,299.81**	**1,500,000.00**	**219,015,192.53**

Additions to investment property in 2018 mainly consist of the acquisition of the following properties, together with the additional costs relating to these acquisitions:

- Meridia Real Estate III, SOCIMI, S.A.'s (the Parent) acquisition of five plots of land 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 cost of purchase of these properties. In this connection, other non-current financial liabilities include Euros 12,503,217.27 reflecting the deferred amount for the acquisition of these properties, which are measured at amortised cost (see note 16). The Parent will build offices destined for lease on these plots of land.

- MRE-III- Proyecto Cinco, SOCIMI, S.A.'s acquisition on 9 February 2018 of a property located in the 22@ district of Barcelona for a total amount of Euros 872,000.00. The purpose of these properties is to demolish and refurbish the buildings on them and subsequently build various offices (for lease) and dwellings (for sale), for management by lease. In this connection, in 2018 the costs for demolishing the pre-existing buildings, adjusting the purchase price, as well as the costs for the construction project studies were capitalised for a total of Euros 2,552,827.56, of which Euros 193,074.12 correspond to capitalised finance costs. All the amounts capitalised as a result of the acquisition and adaptation of these properties are recognised under investments in adaptation and advances under investment property.

  During 2018 MRI-III-Proyecto Cinco, SOCIMI, S.A. decided that the properties earmarked for housing would be transferred to developments in progress for sale and therefore, various properties for a value of Euros 8,607,776.66 have been reclassified to inventories (see note 10).

- On 8 March 2018 the investee MRE-III-Proyecto Siete, S.L.U. acquired a logistics warehouse in Alovera, Guadalajara. The total costs of the acquisition, including those associated with the purchase, amounted to Euros 10,514,535.40, which included investment property advances of Euros 1,500,000 at 31 December 2017. This contract set out a series of conditions to be met by the purchaser and buyer.

  This asset, which is recognised as investment property, is encumbered by a mortgage from a financial institution, as indicated in note 16, the outstanding balance of which at 31 December 2018 amounts to Euros 4,250,000.00.

(Continued)

- Following the purchases on 22 March 2018, 3 May 2018 and 29 May 2018, the investee MRE-III-Proyecto Nueve, S.L.U. acquired an office building in Madrid for a total of Euros 26,915,870.48, including costs associated with the purchase. This office building is managed by leasing it to third parties. At 31 December 2018 95.48% of the total surface area had been leased.

  This asset, which is recognised as investment property, is encumbered by a mortgage from a financial institution, as indicated in note 16, the balance payable of which at 31 December 2018 amounts to Euros 14,356,374.99 (see note 16).

- MRE-III- Proyecto Diez, S.L.U.'s acquisition on 5 December 2018 of an industrial building located in Alcalá de Henares (Madrid) for a total amount of Euros 15,250,000.00. This building is managed by leasing it to third parties. At 31 December 2018 88.24% of the total available surface area has been leased.

  This asset, which is recognised as investment property, is encumbered by a mortgage from a financial institution, as indicated in note 16, the balance payable of which at 31 December 2018 amounts to Euros 9,150,000.00 (see note 16).

- Euros 2,750,000 corresponding to an advance for the purchase of some property was recognised as an advance payment for investment property. This advance and the acquisition of this property were regulated by a sale and purchase agreement dated 28 December 2018 and executed by MRE-III-Proyecto ONCE, S.L.U. This agreement sets out a number of conditions to be met by the buyer and seller, with the deadline to execute the transfer of ownership of the property in a public deed being 28 February 2019. Should the sale fall through, the investee may lose this advance payment. At the date of preparation of these consolidated annual accounts, the purchase option had been exercised and a sale and purchase deed relating to the property was signed on 31 January 2019 for Euros 27,500,000.00.

Disposals of investment property in 2018 correspond to the sale of a property by MRE-III-Proyecto Tres, S.L.U. on 4 December 2018. The property was encumbered by a mortgage from a financial institution of Euros 21,256.78. This mortgage was cancelled on 30 November 2018.

Changes in investment property in 2017 principally consisted of the acquisition of the following properties, together with the additional costs relating to these acquisitions:

- MRE-III-Proyecto Cuatro, S.L.U.'s acquisition, by means of sale and purchase deeds, of an industrial building in Seseña, Toledo on 30 June 2017. A total amount of Euros 8,447,855.61 was capitalised on this acquisition, including the associated costs. This building is managed by leasing it to third parties. At 31 December 2018 and 2017 the total available surface area has been leased in full.

  This asset, which is recognised as investment property, is encumbered by a mortgage from a financial institution, as indicated in note 16, the outstanding balance of which at 31 December 2018 amounts to Euros 4,492,724.85 (Euros 4,318,750.04 at 31 December 2017).

- In July and August 2017 MRE-III-Proyecto Cinco, SOCIMI, S.A. acquired various properties located in the 22@ district of Barcelona. A portion of the payment of these purchases amounting to Euros 13,949,253.36 was deferred until July, August and September 2018; the impact of discounting these deferred payments totals Euros 350,993.27, which lowered the cost of purchase of these properties. At 31 December 2018 this deferred payment has been fully settled. The aforementioned sale and purchase deeds set potential price adjustments (upward only) in the event that the subdivision project results in the lower amount of land conveyed to the public authorities than established at the date of purchase, which would result in an increase in the square metres of the roof surface. On 22 November 2018 the “Urban Improvements Plan for District 22@A” was approved and therefore the subdivision plan which affects the properties acquired by MRE-III-Proyecto Cinco, SOCIMI, S.A. Consequently, as set out in the related sale and purchase agreement, the company has recognised an adjustment to the price of Euros 323,796.32 (see note 16).

(Continued)

In addition, in October 2017 the Company acquired certain buildings located in the 22@ district in Barcelona for an amount of Euros 2,416,960.00. Furthermore, capital was increased by Euros 3,350,000, as executed in a public deed on 27 October 2017, through a non-monetary contribution of a percentage of a property located in the 22@ district of Barcelona.

- MRE-III-Proyecto Seis, S.L.U.'s acquisition of an office building in Madrid on 21 July 2017 for a total amount of Euros 16,895,499.14. This amount includes the costs associated with the purchase. This office building is managed by leasing it to third parties. At 31 December 2018 and 2017 the total available surface area had been leased in full.

  This asset, which is recognised as investment property, is encumbered by a mortgage from a financial institution, as indicated in note 16, the outstanding balance of which at 31 December 2018 amounts to Euros 9,030,749.52 (Euros 9,500,000.00 at 31 December 2017).

- On 5 October 2017 the investee MRE-III-Proyecto Tres, S.L.U. acquired premises located in Esplugues de Llobregat (Barcelona). With the acquisition of the aforementioned premises, the Group became the sole owner of the building in which they are located. Also, at the same date, a Euros 1,500,000.00 loan was arranged to secure the property acquired, which matures in 2024 and retains the same terms and conditions as the mortgage already held by the investee (see note 16). The arrangement of an interest rate hedging contract, which also matures in 2024, is associated with this new loan.

- On 8 November 2017, the investee MRE III Proyecto Ocho, S.L.U. acquired a shopping centre, with an approximate surface area of 34,300 m2, and the related trademark in Gavá (Barcelona). This asset is recognised as collateral for a mortgage loan (see note 16), the outstanding balance of which at 31 December 2018 amounts to Euros 21,903,000.00 (Euros 22,350,000.00 at 31 December 2017).

a) Fully depreciated assets

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

b) Insurance

The Group 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**	**Accumulated depreciation**	**Impairment**	**Net**
Omega building	51.47%	6,662,365.66	(239,194.61)	-	6,423,171.05
Julian Camarillo, 29 CityPark	41.27%	2,698,643.91	(73,207.72)	-	2,625,436.19
Julian Camarillo 29, Diapasón	46.89%	358,256.59	(85,635.40)	-	272,621.19
Brussels CityPark	41.66%	498,673.14	(17,780.66)	-	480,892.48
Athens CityPark	62.24%	1,407,917.20	(40,343.40)	-	1,367,573.80
London CityPark	5.94%	154,306.94	(5,241.93)	-	149,065.01
Virgilio II	100.00%	9,647,290.71	(299,340.17)	-	9,347,950.54
Australia Building, Viladecans	10.90%	1,915,118.56	(36,446.78)	-	1,878,671.78
Brasil Building, Viladecans	24.58%	3,543,472.67	(67,190.53)	-	3,476,282.14
Torre Inbisa – Plaza Europa – Hospitalet	23.12%	825,930.68	(18,112.47)	-	807,818.21
La Estrella – Tajonar - Pamplona	63.77%	88,231.12	(3,054.75)	-	85,176.37
Alovera building	64.42%	6,772,945.73	(89,854.89)	-	6,683,090.84
Barnasud	22.35%	7,938,749.17	(128,200.47)	-	7,810,548.70
Las Fuentes building	4.52%	1,216,597.34	(7,512.44)	-	1,209,084.90
Industrial building Alcalá de Henares	11.76%	1,821,335.34	(1,454.51)	-	1,819,880.83
		45,549,834.76	(1,112,570.73)	-	44,437,264.03

Details of non-income-generating investment property at 31 December 2017 are as follows:

		Euros			
		31.12.2017			
Description	**% vacant**	**Cost**	**Accumulated depreciation**	**Impairment**	**Net**
Omega building	65.37%	8,461,267.89	(174,436.46)	-	8,286,831.43
Julian Camarillo, 29 CityPark	69.36%	4,227,975.98	(113,311.97)	-	4,114,664.01
Julian Camarillo 29, Diapason	79.60%	882,706.58	(13,281.85)	-	869,424.73
Brussels CityPark	53.12%	635,850.14	(14,195.94)	-	621,654.20
Athens CityPark	62.23%	1,319,477.28	(20,567.43)	-	1,298,909.85
London CityPark	20.47%	531,761.47	(11,310.97)	-	520,450.50
Australia Building, Viladecans	17.03%	2,999,793.08	(56,943.47)	-	2,942,849.61
Brasil Building, Viladecans	17.03%	2,455,039.29	(46,551.90)	-	2,408,487.39
Av. Paisos Catalans - Esplugues	5.67%	935,938.24	(12,203.39)	-	923,734.85
La Estrella - Tajonar - Pamplona	100.00%	176,469.23	(3,547.73)	-	172,921.50
Suelo 22@	100.00%	33,923,619.58	0.00	-	33,923,619.58
Barnasud	4.77%	1,687,813.12	(3,495.85)		1,684,317.27
		58,237,711.88	(469,846.96)	-	57,767,864.92

Details of income and expenses from investment property are as follows:

	Euros	
	2018	**2017**
Rental revenue	15,926,017.19	9,140,390.16
Non-trading and other income	5,145,760.84	2,882,856.23
Operating expenses		
From income-generating investments	(7,774,950.23)	(4,966,338.47)
From non-income-generating investments	(2,082,294.36)	(1,181,834.03)
Net	11,214,533.44	5,875,073.89

(Continued)

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

(8) Operating Leases - Lessor

At 31 December 2018 and 31 December 2017 the Group leases to third parties under an operating lease a significant percentage of the total available surface area (69.41% and 73.44%, respectively). The most significant contracts are those with durations between two and 12 years.

Future minimum payments receivable under non-cancellable operating leases are as follows:

	2018	2017
Less than one year	11,274,373.33	10,952,886.40
One to five years	13,624,408.63	16,268,811.11
Over five years	3,025,662.71	3,413,795.87
	27,924,444.67	**30,635,493.38**

Minimum payments comprise income received from customers which have and will have lease agreements in force as of January 2019.

(9) Risk Management Policy

(a) Financial risk factors

The Group'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 Group's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Group's profits.

Risks are managed by the Risk Management Unit in accordance with policies approved by the Parent's board of directors. This unit identifies, evaluates and mitigates financial risks in close collaboration with the Group's operational units. The Parent'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 Group is not significantly exposed to credit risk. Derivative and cash transactions are only performed with financial institutions that have high credit ratings. The Group 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 Group 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.

(Continued)

(iii) Cash flow and fair value interest rate risks

The Group 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 Group 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 by the Group directly with fixed interest rates. Through interest rate swaps the Group undertakes to exchange on a quarterly basis the difference between fixed interest and variable interest with other parties. The difference is calculated based on the contracted notional principal amount.

(10) Inventories

(a) Inventories

Details of inventories are as follows:

	Euros	
	2018	**2017**
Property business		
Opening balance at 1 January	-	-
Additions	827,226.45	-
Transfers (note 6)	8,607,776.66	
Advances to suppliers	14,013.42	-
	9,449,016.53	**-**

At 31 December 2018 inventories comprise developments in progress of MRE-III-Proyecto Cinco, SOCIMI, S.A. corresponding to housing earmarked for sale. During 2018 costs of Euros 827,226.45 have been capitalised, Euros 67,484.74 of which correspond to capitalisable finance costs and Euros 113,175.77 of which correspond to the adjusted purchase price (see note 16). Remaining costs mainly reflect demolition costs.

(b) Insurance

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

(11) Financial Assets by Category

(a) Classification of financial assets by category

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

	Euros	
	31 December 2018	
	Non-current	Current
	Carrying amount	Carrying amount
Loans and receivables		
Loans to third parties	-	45,398.94
Other	517,967.65	698,195.64
Security and other deposits	1,946,295.19	55,815.11
Trade and other receivables	-	2,396,524.07
Other receivables	-	125,643.61
Personnel	-	15,385.29
Total financial assets	**2,464,262.84**	**3,336,962.66**

	Euros	
	31 December 2017	
	Non-current	Current
	Carrying amount	Carrying amount
Other assets at fair value through profit or loss		
Derivative financial instruments	69,377.92	-
Total	69,377.92	-
Loans and receivables		
Loans to third parties	45,398.92	104,447.74
Other	-	669,981.85
Security and other deposits	1,918,124.37	3,252.55
Trade and other receivables	-	1,577,932.56
Other receivables	-	338,704.24
Personnel	-	13,449.00
Total	1,963,523.29	2,707,767.94
Total financial assets	**2,032,901.21**	**2,707,767.94**

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

(Continued)

(12) Investments and Trade Receivables

(a) Investments

Details of investments are as follows, in Euros:

	31 December 2018	
	Non-current	Current
Unrelated parties		
Loans	-	45,398.94
Other	517,967.65	698,195.64
Security and other deposits	1,946,295.19	55,815.11
Total	**2,464,262.84**	**799,409.69**

	31 December 2017	
	Non-current	Current
Unrelated parties		
Derivative financial instruments	69,377.92	-
Loans	45,398.92	104,447.74
Other	-	669,981.85
Security and other deposits	1,918,124.37	3,252.55
Total	**2,032,901.21**	**777,682.14**

Non-current financial assets mainly reflect security deposits received from customers for the lease of spaces and which it is under the obligation to deposit with the pertinent entity (INCASOL, Instituto de la Vivienda de Madrid, Consejería de Fomento de Castilla la Mancha, etc.) depending on location. There is no obligation to deposit security deposits in Navarra. Non-current investments include amounts that the Group has deposited with public bodies. On the contrary, other non-current financial liabilities comprise amounts that the Group has received from its customers for security deposits (see note 16).

Loans reflect an amount payable of Euros 45,398.92 at 31 December 2018 (Euros 149,846.66 at 31 December 2017) corresponding to loans given to lessees and falling due on 26 May 2019.

Instruments at fair value through profit or loss include the value of certain derivatives held by some of the subsidiaries at 31 December 2017 (see note 13).

(Continued)

(b) Trade and other receivables

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

	2018 Current	2017 Current
Related parties		
Advances to creditors	13,285.79	290,981.09
Unrelated parties		
Trade receivables	2,396,524.07	1,577,932.56
Other receivables	112,357.82	47,723.15
Personnel	15,385.29	13,449.00
Current tax assets (note 18)	553.14	2,829.15
Public entities, other (note 18)	936,963.59	992,786.21
Total	**3,475,069.70**	**2,925,701.16**

Trade receivables include balances receivable from customers for the lease of the buildings that the Group holds as investment property.

(c) Classification by maturity

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

(13) Derivative Financial Instruments

(a) Interest rate swaps

The Group has the following financial swaps through its subsidiaries:

- On 29 April 2016 MRE-III-Proyecto Uno, S.L.U. entered into a financing agreement with Caixabank, S.A. and Banco Santander, S.A., which includes an interest rate swap to hedge exposure to interest rate fluctuations on the loan. The interest rate on these swaps is a fixed annual rate of 0.255% and variable pegged to Euribor at 3 months, payable on a quarterly basis, in both financial institutions.

Type of transaction	Start date	Maturity date	Initial nominal value
Financial interest rate swap:			
- CaixaBank, S.A.	29/04/2016	29/04/2023	9,900,000.00
- Banco Santander, S.A.	29/04/2016	29/04/2023	9,900,000.00

The fair value of financial swaps is based on the market values of equivalent derivative financial instruments at the reporting date. The Company does not apply hedge accounting for these instruments. Their change in fair value is recognised as income or expense in the income statement for the year (loss of Euros 161,793.48 in 2018 and profit of Euros 203,637.69 in 2017).

The value of this derivative at 31 December 2018 stands at Euros 95,789.86 in Caixabank, S.A. and Euros 96,357.13 in Banco Santander, S.A., both recognised as non-current liabilities (Euros 14,640.84 in Caixabank, S.A. and Euros 15,712.67 in Banco Santander, S.A. at 31 December 2017).

(Continued)

- On 6 October 2016 MRE-III-Proyecto Dos, S.L.U. entered into a syndicated loan agreement with Caixabank, S.A. and Banco Sabadell, S.A., which includes an interest rate swap to hedge exposure to interest rate fluctuations on the loan. The interest rate on these swaps is a fixed annual rate of 0.13% and variable pegged to Euribor at 3 months, payable on a quarterly basis, in both financial institutions.

Type of transaction	Start date	Maturity date	Initial nominal value
Financial interest rate swap:			
- La Caixa, S.A.	06/10/2016	06/10/2020	6,124,800.00
- Banco Sabadell, S.A.	06/10/2016	06/10/2020	6,124,800.00

The fair value of financial swaps is based on the market values of equivalent derivative financial instruments at the reporting date. The Company does not apply hedge accounting for these instruments. Their change in fair value is recognised as income or expense in the income statement for the year (loss of Euros 33,977.00 in 2018 and profit of Euros 28,803.40 in 2017).

The value of the Caixabank, S.A. derivative at 31 December 2018 amounts to Euros 15,031.92 recognised as a non-current liability (at 31 December 2017 it was recognised as a non-current asset of Euros 1,904.52), whilst the Banco Sabadell, S.A. derivative is recognised as a non-current liability of Euros 15,027.89 at 31 December 2018 (a non-current asset of Euros 2,012.67 at 31 December 2017).

- On 30 September 2016 MRE-III-Proyecto Tres, S.L.U. entered into a loan agreement with Caixabank, S.A. which includes an interest rate swap to hedge exposure to interest rate fluctuations on the loan. The interest rate on this swap is a fixed annual rate of 0.11% and variable pegged to Euribor at 3 months, payable on a quarterly basis.

Type of transaction	Start date	Maturity date	Initial nominal value
Financial interest rate swap	30/09/2016	30/09/2021	12,064,860.00

The fair value of financial swaps is based on the market values of equivalent derivative financial instruments at the reporting date. The Company does not apply hedge accounting for these instruments. Their change in fair value is recognised as income or expense in the income statement for the year (loss of Euros 83,121.72 in 2018 and profit of Euros 56,561.79 in 2017).

The value of this derivative amounts to Euros 17,660.99, recognised as a non-current liability at 31 December 2018 (Euros 65,460.73 recognised as a non-current asset at 31 December 2017).

Likewise, on 5 October 2017 the Company entered into an interest rate swap agreement with Caixabank, S.A. to hedge its exposure to fluctuations in interest rates on the loan taken out with the same entity on the same date. The interest rate on this swap is a fixed annual rate of 0.51% and variable pegged to Euribor at 3 months, payable on a quarterly basis.

Type of transaction	Start date	Maturity date	Initial nominal value
Financial interest rate swap	05/10/2017	30/09/2024	900,000.00

(Continued)

The fair value of financial swaps is based on the market values of equivalent derivative financial instruments at the reporting date. The Company does not apply hedge accounting on these instruments and their change in fair value is recognised as income or expense in the consolidated income statement for the year (loss of Euros 7,828.70 in 2018 and Euros 5,954.28 in 2017).

The value of this derivative amounts to Euros 13,782.98, recognised as a non-current liability at 31 December 2018 (Euros 5,954.28 recognised as a non-current liability at 31 December 2017).

- On 21 July 2017 MRE-III-Proyecto Seis, S.L.U. entered into a loan agreement with Banco Santander, S.A. which includes an interest rate swap to hedge exposure to interest rate fluctuations on the loan. The interest rate on this swap is a fixed annual rate of 0.55% and variable pegged to Euribor at 12 months, payable on a half-yearly basis.

Type of transaction	Start date	Maturity date	Initial nominal value
Financial interest rate swap	21/07/2017	21/01/2022	7,125,000.00

The fair value of financial swaps is based on the market values of equivalent derivative financial instruments at the reporting date. The Company does not apply hedge accounting on these instruments and their change in fair value is recognised as income or expense in the consolidated income statement for the year (loss of Euros 33,961.48 in 2018 and loss of Euros 75,974.39 in 2017).

The value of this derivative amounts to Euros 109,935.87 recognised as a non-current liability at 31 December 2018 (Euros 75,974.39 at 31 December 2017).

- On 8 November 2017 MRE-III-Proyecto Ocho, S.L.U. entered into an interest rate swap agreement with Bankia, S.A. to hedge its exposure to fluctuations in interest rates on the loan taken out with the same financial institution on the same date. The interest rate on this swap is a fixed annual rate of 0.675% and variable pegged to Euribor at 3 months, payable on a quarterly basis.

Type of transaction	**Fecha de inicio**	**Maturity date**	**Initial nominal value**
Financial interest rate swap	08/11/2017	30/12/2023	19,020,750.00

The fair value of financial swaps is based on the market values of equivalent derivative financial instruments at the reporting date. The Company does not apply hedge accounting on these instruments and their change in fair value is recognised as income or expense in the consolidated income statement for the year (losses of Euros 106,741.19 in 2018 and Euros 178,619.70 in 2017). The value of this derivative amounts to Euros 285,360.89 at 31 December 2018 (Euros 178,619.70 at 31 December 2017) and therefore it is recognised as a non-current liability.

(Continued)

- On 22 March 2018 MRE-III-Proyecto Nueve, S.L.U. entered into an interest rate swap agreement with Caixabank, S.A. to hedge its exposure to fluctuations in interest rates on the loan taken out with the same financial institution on the same date. The interest rate on this swap is a fixed annual rate of 0.3% and variable pegged to Euribor at 3 months, payable on a quarterly basis.

Type of transaction	Start date	Maturity date	Initial nominal value
Financial interest rate swap	22/03/2018	31/03/2022	9,868,500.00

The fair value of financial swaps is based on the market values of equivalent derivative financial instruments at the reporting date. The Company does not apply hedge accounting on these instruments and their change in fair value is recognised as income or expense in the consolidated income statement for the year (losses of Euros 125,092.29 in 2018). The value of this derivative amounts to Euros 125,092.29 at 31 December 2018 and is therefore recognised as a non-current liability.

(14) 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 Parent'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 13,036,393.00 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 13,030,983.00 correspond to the par value and Euros 1,172,788.47 to the share premium. The minutes were formalised by public deed on 13 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 31,192,641.00 through debt-for-equity swaps with the shareholders. The nominal amount 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. Therefore, the total effective amount of issue was Euros 33,999,978.69, of which Euros 31,192,641.00 corresponded to the par value and Euros 2,807,337.69 to share premium. The minutes were formalised by public deed on 11 January 2019 and were filed in the Mercantile Registry on 23 January 2019.

Consequently, at 31 December 2018 the Parent'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 Parent are as follows:

	31 December 2018		31 December 2017	
Company	Number of shares	Percentage ownership	Number of shares	Percentage ownership
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	39,391,565
Capital increases	44,223,624	39,108,435
Own shares	8,256	(289,900)
31 December 2018	**122,441,980**	**78,210,100**

Although at 31 December 2018 the Parent's equity is lower than share capital, representing 96% thereof (92% at 31 December 2017), this situation is mainly due to the Parent’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.

(Continued)

(b) Share premium

This reserve is freely available up to the limit of the accumulated losses.

(c) Own shares

At an extraordinary general meeting held on 28 April 2017 the Parent's 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	289,900.00	1.00
Acquisitions	15,160	15,160.00	1.08
Disposals	(23,416)	(23,416.00)	1.08
Balance at 31.12.2018	281,644	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	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.

Details of the own share portfolio are as follows:

	Euros					
	2018			2017		
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.

(c) Non-controlling interests

Details of non-controlling interests and movement are shown as follows, in Euros:

Company	Balance at 1 January 2018	Additions arising from transactions with the Group	Share of profits/(losses)	Balance at 31 December 2018
MRE III – Proyecto Cinco, SOCIMI, S.A.	3,228,808.53	4,875,000.00	(194,808.38)	7,909,000.15
Total	**3,228,808.53**	**4,875,000.00**	**(194,808.38)**	**7,909,000.15**

Company	Balance at 1 January 2017	Additions arising from transactions with the Group	Share of profits/(losses)	Balance at 31 December 2017
MRE III – Proyecto Cinco, SOCIMI, S.A.	-	3,350,000.00	(121,191.47)	3,228,808.53
Total	**-**	**3,350,000.00**	**(121,191.47)**	**3,228,808.53**

As indicated in note 1, during 2018 the Group increased capital through a non-monetary contribution of Euros 4,875,000.00 (Euros 3,350,000.00 during 2017) in the investee MRE-III-Proyecto Cinco, SOCIMI, S.A., through which the non-controlling interests in this company hold 22.40% (22.33% in 2017).

(15) 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.

(16) Payables and Trade Payables

(a) Payables

Details of payables are as follows:

	Euros 31.12.2018 Non-current	Euros 31.12.2018 Current
Related parties		
Fixed-interest rate loans from shareholders	33,854,238.81	-
Interest on loans from shareholders	4,200,418.61	-
Unrelated parties		
Contingent interest rate loans	18,375,000.00	-
Interest	366,318.53	590,547.87
Loans and borrowings	115,774,940.50	6,100,464.88
Loans and borrowings (fees and commissions and other expenses deducted from the liability of the loan)	(2,666,643.00)	(477,462.48)
Interest	-	428,421.25
Trading derivatives	774,039.82	-
Interest - derivative financial instruments	-	23,815.19
Other financial liabilities (security and other deposits)	3,376,856.24	219,891.61
Suppliers of fixed assets	12,503,217.27	1,554,081.58
Total	**186,558,386.78**	**8,439,759.90**

	Euros 31.12.2017 Non-current	Euros 31.12.2017 Current
Related parties		
Fixed-interest rate loans from shareholders	29,854,218.02	-
Interest on loans from shareholders	1,296,687.37	-
Unrelated parties		
Contingent interest rate loans	15,000,000.00	-
Interest	139,386.07	358,421.35
Loans and borrowings	93,402,259.72	3,277,737.30
Loans and borrowings (fees and commissions and other expenses deducted from the liability of the loan)	(2,587,260.00)	(393,591.09)
Interest	-	417,273.26
Trading derivatives	290,901.88	-
Other financial liabilities (security and other deposits)	3,038,820.43	-
Suppliers of fixed assets	-	13,960,433.00
Total	**140,435,013.49**	**17,620,273.82**

Payables to related parties include various non-current fixed-interest rate loans from the Parent's shareholders which accrue interest at an annual rate of 8%. This interest is payable upon maturity of the loan, unless it is paid in advance as agreed with the shareholders. These loans fall due on 5 February 2022.

(Continued)

Non-related party payables - Loans and borrowings Contingent interest rate loans from shareholders, as follows:

- Loan amounting to Euros 5,000,000.00 arranged between MRE-III-Proyecto Uno, S.L.U. and the Company's shareholder, Periza Industries S.à.r.l., on 27 April 2016, maturing on 27 April 2031. At this stage the amount initially given must be paid, as it is subordinate to the loan extended by Banco Santander, S.A. and CaixaBank, S.A. The loan accrues interest equal to 15.15% of the net profit/loss, although this accrual is not applicable at 31 December 2018 or 31 December 2017, due to accumulated losses having been reported.

- Loan amounting to Euros 5,000,000.00 arranged between MRE-III-Proyecto Dos, S.L.U. and the Company's shareholder, Periza Industries S.à.r.l. on 29 September 2016, maturing on 29 September 2031. As this loan is subordinate to that extended by Banco Sabadell, S.A. and CaixaBank, S.A., it cannot be repaid until the loans and borrowings have been settled in full. The loan bears interest equal to 33.56% of net profit/loss and accrued interest totalling Euros 277,766.14 during the year ended 31 December 2018 (interest of Euros 216,754.27 at 31 December 2017).

- Loan amounting to Euros 5,000,000 arranged between MRE-III-Proyecto Tres, S.L.U. and the Company's shareholder, Periza Industries S.à.r.l. on 29 September 2016, maturing on 29 September 2031. As this loan is subordinate to that extended by CaixaBank, S.A., it cannot be repaid until the loans and borrowings have been settled in full. The loan bears interest equal to 30.1% of net profit/loss and accrued interest totalling Euros 539,714.18 during the year ended 31 December 2018 (interest of Euros 281,053.15 at 31 December 2017).

- Loan amounting to Euros 3,375,000.00 arranged between MRE-III-Proyecto Cinco, S.L.U. and the Company's shareholder, Periza Industries S.à.r.l., on 8 March 2018, maturing on 8 March 2033. The loan will be fully repaid either at the contract end date or on a prior date if any of the circumstances stipulated in the contract arise. This loan accrues interest at a rate of 8.4% on the Company’s accumulated net profit at reporting date. At 31 December 2018 no interest has been accrued as the Company has incurred losses.

  Loans and borrowings:

  i. Loan agreement arranged by MRE-III-Proyecto Uno, S.L.U. with CaixaBank, S.A. and Banco Santander, S.A. on 29 April 2016, maturing on 29 April 2023, for a maximum amount of Euros 30,000,000.00, with each financial institution contributing 50%. This loan is structured into three tranches: Tranche A of Euros 22,000,000.00 (partial financing of the cost of acquisition, costs derived from the acquisition, and expenses and fees and commissions incurred on the arrangement of the Financing Documents), Tranche B of Euros 5,000,000.00 and Tranche C of Euros 3,000,000.00 (distributions permitted). At 31 December 2018 and 2017 Tranche A has been drawn down in full; Tranche B is drawable from 29 July 2018 onwards, and Tranche C may be drawn down from 29 July 2019 onwards.

     The loan agreement sets out a repayment schedule, with increasing instalments, up to 29 April 2023, whereupon an aggregate amount of 25% of the total extended will have been repaid. The following repayment will be for the remaining 75% of the loan.

     Furthermore, the loan has the following guarantees:

     - First position real estate mortgage on the properties; the obligation will be for 130% of the guaranteed obligations.
     - Pledging of the shares representing 100% of the share capital.
     - Irrevocable powers to the lender.

The carrying amount of the investment property pledged to secure the loan is Euros 53,708,796.73 at 31 December 2018 (Euros 53,942,068.64 at 31 December 2017). The loan is subject to compliance with certain obligations relating to specific financial ratios for continuity purposes. In accordance with the agreed terms, the degree of achievement of the financial ratios and levels will be determined at each year end. At 31 December 2018 and 2017 the financial ratios have been met. In this regard, the loan includes mandatory early repayments based on surplus cash flows. A current amount corresponding to the surplus cash flow has been recognised at 31 December 2018 and 2017.

ii. Syndicated loan agreement arranged by MRE-III-Proyecto Dos, S.L.U. with CaixaBank, S.A. and Banco Sabadell, S.A. on 6 October 2016, maturing on 6 October 2024, for a total amount of Euros 18,560,000.00, with each financial institution contributing 50%.

The loan agreement sets out a repayment schedule, with increasing instalments, up to 6 July 2024, whereupon an aggregate amount of 34.565% of the total extended will have been repaid. The following repayment, due on 6 October 2024, will be for the remaining 65.435% of the loan.

Furthermore, the loan has the following guarantees:

- Three irrevocable powers to the lender
- Full mortgage pledge on the real estate assets
- Pledging of the shares representing 100% of the share capital
- Pledging of the rights to receivables derived from all project contracts and hedging instruments, and pledge commitment for all the project contracts that have not yet been awarded
- Pledging of the rights to receivables from the reimbursement of all open current account balances

The carrying amount of the investment property pledged to secure the loan is Euros 30,993,796.79 at 31 December 2018 (Euros 31,423,247.28 at 31 December 2017). The loan is subject to compliance with certain obligations relating to specific financial ratios for continuity purposes. In accordance with the agreed terms, the degree of achievement of the financial ratios and levels will be determined at each year end. At 31 December 2018 and 31 December 2017 the financial ratios have been met. The loan includes mandatory early repayments based on surplus cash flows; the amount of surplus cash flows expected to be paid in the short term has been recognised under current liabilities at 31 December 2018 and 2017.

iii. Loan agreement for a total of Euros 20,108,100.00 arranged by MRE-III-Proyecto Tres, S.L.U. with CaixaBank, S.A. on 30 September 2016, maturing on 30 September 2024. Furthermore, on 5 October 2017 the company also entered into a loan with CaixaBank, S.A. for a total amount of Euros 1,500,000.00, maturing on 30 March 2025.

The loan agreement signed in 2016 sets out a repayment schedule, with increasing instalments, up to 30 September 2024, whereupon an aggregate amount of 29.25% of the total extended will have been repaid. The following repayment, due on 30 September 2024, will be for the remaining 70.75% of the loan.

Furthermore, the loan has the following guarantees:

- First position full floating real estate mortgage, with a mortgage obligation for 130% of each of the guaranteed obligations (derived from the loan agreement and the interest rate hedging contract).
- First position pledging of the rights to receivables derived from insurance contracts, the purchase agreement, interest rate hedging contracts, lease contracts and borrowers' accounts.
- Irrevocable powers to the lender

(Continued)

- Pledging by the Parent to the lender of the shares representing 100% of the share capital of the borrower to ensure compliance with the borrower's obligations.

On the other hand, the loan agreement signed in 2017 sets out a repayment schedule, with increasing instalments, up to 30 December 2024, whereupon an aggregate amount of 26.56% of the total extended will have been repaid. The following repayment, due on 30 March 2025, will be for the remaining 73.43% of the loan.

Furthermore, this loan has the following guarantees:

- First position full floating real estate mortgage, with a mortgage obligation for 130% of each of the guaranteed obligations.

The carrying amount of the investment property pledged to secure the two loans is Euros 37,608,942.97 at 31 December 2018 (Euros 37,671,326.41 at 31 December 2017). The loan is subject to compliance with certain obligations relating to specific financial ratios for continuity purposes. In accordance with the agreed terms, the degree of achievement of the financial ratios and levels will be determined at each year end. At 31 December 2018 and 31 December 2017 the Company has complied with the financial ratios. The loan includes mandatory early repayments based on surplus cash flows; the amount of surplus cash flows expected to be paid in the short term has been recognised under current liabilities.

iv. Loan agreement for a total of Euros 7,315,000.00 arranged by MRE-III-Proyecto Cuatro, S.L.U. with Banco Popular Español, S.A. on 30 June 2017, maturing on 30 June 2025; the loan includes an initial drawdown amounting to Euros 4,400,000.00 and a second drawdown of Euros 336,474.73 during 2018, and the rest will become available through the submission of certificates of work completion and invoices for the construction and/or refurbishment of the industrial buildings or adjacent areas.

The loan agreement sets out a repayment schedule up to 30 June 2025, whereupon an aggregate amount of 29.54% of the total extended will have been repaid. The following repayment, due on 30 June 2025, will be for the remaining 70.45% of the loan.

Furthermore, the loan has the following guarantees:

- Real estate mortgage for the total amount of the loan, as well as covering one year of interest at a predetermined fixed rate, one and a half years of late payment interest and an amount of Euros 500,000.00 in costs.

The carrying amount of the investment property pledged to secure the loan is Euros 9,159,012.83 at 31 December 2018 (Euros 8,441,411.99 at 31 December 2017). The loan is subject to compliance with certain obligations relating to specific financial ratios for continuity purposes. In accordance with the agreed terms, the degree of achievement of the financial ratios and levels will be determined at each year end. At 31 December 2018 and 2017 the financial ratios have been met.

v. Loan agreement for a total of Euros 9,500,000.00 arranged by MRE-III-Proyecto Seis, S.L.U. with Banco Santander, S.A. on 21 July 2017, maturing on 21 July 2022.

The loan agreement sets out a repayment schedule, with increasing instalments, up to 21 July 2022, whereupon an aggregate amount of 38.58% of the total extended will have been repaid. The following repayment, due on 21 July 2022, will be for the remaining 71.42% of the loan.

Furthermore, the loan has the following guarantees:

- First position real estate mortgage on the property; the obligation will be 125% of the amount of the financing.

- Pledging of the shares representing 100% of the share capital.

- First position pledging of the rights to receivables derived from insurance contracts, the purchase agreement, interest rate hedging contracts, lease contracts and borrowers' accounts.

The carrying amount of the investment property pledged to secure the loan is Euros 16,596,758.94 at 31 December 2018 (Euros 16,802,884.03 at 31 December 2017). The loan is subject to compliance with certain obligations relating to specific financial ratios for continuity purposes. In accordance with the agreed terms, the degree of achievement of the financial ratios and levels will be determined at each year end. At 31 December 2018 and 2017 the financial ratios have been met. The loan includes mandatory early repayments based on surplus cash flows; the amount of surplus cash flows expected to be paid in the short term has been recognised under current liabilities.

vi. Loan agreement for a total of Euros 4,250,000.00 arranged by MRE-III-Proyecto Siete, S.L.U. with Bankinter, S.A. on 12 December 2018, maturing on 5 June 2020.

vii. Loan agreement arranged by MRE-III-Proyecto Ocho, S.L.U. with Bankia, S.A. on 8 November 2017, maturing on 8 November 2032, for a total of Euros 25,361,000.00, divided into two tranches: tranche A amounting to Euros 22,350,000.00, to be used solely for financing the real estate assets, the photovoltaic plant and the costs associated with the capital increase and intra-group loan, and tranche B amounting to Euros 3,011,000.00, to be used solely for financing 50% of CAPEX. This final tranche, from which no amount had been drawn down at 31 December 2018, is subject to conditions precedent on each drawdown. Tranche B may be requested up to 8 May 2020 and any amount not drawn down at that date will be cancelled.

The loan agreement sets out a repayment schedule, with increasing instalments throughout its term until maturity on 8 November 2032.

Furthermore, the loan has the following guarantees:

- First position full floating real estate mortgage, with a mortgage obligation for 130% of each of the guaranteed obligations.

The carrying amount of the investment property pledged to secure the loan is Euros 35,424,074.27 at 31 December 2018 (Euros 35,310,634.60 at 31 December 2017). The loan is subject to compliance with certain obligations relating to specific financial ratios for continuity purposes. In accordance with the agreed terms, the degree of achievement of the financial ratios and levels will be determined at each year end. At 31 December 2018 and 2017 the financial ratios have been met. The loan includes mandatory early repayments based on surplus cash flows; the amount of surplus cash flows expected to be paid in the short term has been recognised under current liabilities.

viii. Loan agreement arranged by MRE-III-Proyecto Nueve, S.L.U. with Caixabank, S.A. on 22 March 2018, maturing on 22 March 2025, for a total of Euros 17,050,000.00, divided into two tranches: tranche A amounting to Euros 14,575,000.00 associated with the purchase of the property and tranche B amounting to Euros 2,475,000.00, associated with the financing of Capex investments for the refurbishment and fitting out of the property.

The loan agreement sets out a repayment schedule up to 22 March 2025, whereupon an aggregate amount of 28.50% of the total extended will have been repaid. The following repayment, due on 22 March 2025, will be for the remaining 71.50% of the loan.

Furthermore, the loan has the following guarantees:

- First position full floating real estate mortgage, with an aggregate total mortgage obligation of Euros 19,470,477.84 for each of the guaranteed obligations.

(Continued)

The carrying amount of the investment property pledged to secure the loan is Euros 26,749,666.13 at 31 December 2018. The loan is subject to compliance with certain obligations relating to specific financial ratios for continuity purposes. In accordance with the agreed terms, the degree of achievement of the financial ratios and levels will be determined at each year end. At 31 December 2018 the financial ratios have been met.

ix. Loan agreement arranged by MRE-III-Proyecto Diez, S.L.U. with Banco Santander, S.A. on 5 December 2018, maturing on 5 December 2025, for a total of Euros 10,291,432.00, divided into two tranches: tranche A amounting to Euros 9,150,000.00 associated with the purchase of a property and tranche B amounting to Euros 1,141,432.00 associated with the financing of capex investments for the refurbishment and fitting out of the property.

The loan agreement sets out a repayment schedule up to 05 December 2025, whereupon an aggregate amount of 26.67% of the total extended will have been repaid. The following repayment, due on 05 December 2025, will be for the remaining 73.33% of the loan.

Furthermore, the loan has the following guarantees:

- First position full floating real estate mortgage on the asset, to secure the obligations assumed by the borrower by virtue of the financing. The borrower’s mortgage liability shall be set at 125% of the principal of the financing.

- First position pledge on all of the borrower's shares.

- First position pledge on the receivables deriving from the project contracts and the guarantees to secure the lease contracts.

- First position pledge on the receivables deriving from the project accounts.

The carrying amount of the investment property pledged to secure the loan is Euros 15,237,631.71 at 31 December 2018.

Security and other deposits reflect the amount of security deposits received from the lessees of the Company's properties (see note 11).

Current and non-current fixed asset suppliers mainly reflect the amounts payable for the acquisition by MRE-III- Proyecto Cinco, SOCIMI, S.A. and Meridia Real Estate III, Socimi, S.A. of the property described in note 5.

(b) Other information on payables

(i) Main characteristics of payables

The terms and conditions of loans and payables are shown in Appendix V.

(c) Trade and other payables

Details of trade and other payables are as follows:

	Euros
	31.12.2018
	Current
Related parties	
Suppliers and trade payables	99,131.58
Unrelated parties	
Suppliers and trade payables	3,478,022.66
Public entities	624,323.35
Advances from customers	170,220.59
Total	**4,371,698.18**

	Euros
	31.12.2017
	Current
Related parties	
Suppliers and trade payables	150,252.03
Unrelated parties	
Suppliers and trade payables	1,882,033.09
Public entities	283,280.22
Advances from customers	8,307.83
Total	**2,323,873.17**

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 observed in note 20, 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.

(d) Classification by maturity

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

(Continued)

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

Details of late payments to suppliers by consolidated companies are as follows:

	2018	2017
	Days	Days
Average supplier payment period	43.64	38
Transactions paid ratio	48.89	41
Transactions payable ratio	25.27	17
	Amount in Euros	Amount in Euros
Total payments made	11,183,846.68	12,276,075.76
Total payments outstanding	2,346,892.10	1,306,196.52

(18) Taxation

Details of balances with public entities are as follows:

	Euros
	31.12.2018
	Current
Assets	
Current tax assets	553.14
Value added tax and similar taxes	936,963.59
	937,516.73
Liabilities	
Value added tax and similar taxes	531,236.13
Social Security	2,547.04
Withholdings	90,540.18
	624,323.35

	Euros
	31.12.2017
	Current
Assets	
Current tax assets	2,829.15
Value added tax and similar taxes	992,786.21
	995,615.36
Liabilities	
Value added tax and similar taxes	248,194.68
Social Security	5,132.33
Withholdings	29,953.21
	283,280.22

(Continued)

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

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

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

(a) Income tax

A reconciliation of net income and expenses for the year with the taxable income is provided in Appendix VI.

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

No income tax expense has been recorded.

The Group has not recognised the tax effect of available tax loss carryforwards as deferred tax assets, the amounts and reversal periods of which are as follows:

	Euros	
Year	**31.12.2018**	**31.12.2017**
2016	(4,177,580.15)	(4,177,580.15)
2017	(4,438,194.98)	(4,438,194.98)
2018 (provisional)	(4,496,460.64)	-

(19) 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 Parent'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.

Given its activity, the Group does not have any emission allowances.

(20) Related Party Balances and Transactions

Details of balances with related parties are provided in notes 12 and 16.

(Continued)

(a) Group transactions with related parties

The Group's transactions with related parties are as follows:

2018	Euros		
	Shareholders	**Related parties**	**Total**
Expenses			
Services received	-	2,759,796.53	2,759,796.53
Interest on loans	2,903,731.24	-	2,903,731.24
Total expenses	**2,903,731.24**	**2,759,796.53**	**5,663,527.77**

2017	Euros		
	Shareholders	**Related parties**	**Total**
Expenses			
Services received	-	4,181,879.92	4,181,879.92
Interest on loans	1,643,143.55	-	1,643,143.55
Total expenses	**1,643,143.55**	**4,181,879.92**	**5,825,023.47**

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

During the year ended 31 December 2018 and in 2017 the directors did not receive any remuneration, loans or advances, nor did the Parent extend any guarantees on their behalf. The Parent has no pension or life insurance obligations with the Parent's former or current directors. There is no senior management personnel at 31 December 2018 and 2017.

During the years ended 31 December 2018 and 2017 Euros 31 thousand has 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 Parent

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

(d) Conflicts of interest concerning the board of directors

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

(21) Income and Expenses

(a) Revenues

Details of revenues by category of activity are as follows:

	Euros	
	2018	2017
Lease income	15,920,548.03	9,140,390.16
Non-trading and other operating income (other than rentals)	5,145,760.84	2,876,120.09
Sale of electricity	-	6,736.14
	21,066,308.87	**12,023,246.39**

The Group's revenues are mainly generated from the lease of buildings to third parties.

Likewise, income is also obtained from passing on the various joint expenses and utility costs to the lessors of the premises. This income is recognised as Other operating income.

All services are provided in Spain.

(b) Supplies and change in inventories

At 31 December 2018 these mainly reflect costs capitalised and recognised under inventories (see note 10).

(c) 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	53,897.24	38,743.43
Other employee benefits expenses	1,725.23	1,813.00
	55,622.47	**40,556.43**

(d) Employee Information

At 31 December 2018 and 2017 there were four employees (one under the category of administrative staff and three under the category of directors), corresponding to three female employees and one male employee. At 31 December 2018 and 2017 the Company had no employees with a disability rating equal to or higher than 33%.

(e) Emission allowances

Given its activity, the Group does not have any emission allowances.

(22) Audit Fees

The auditor of the Group'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 Group the following fees for professional services:

	Euros	
	2018	**2017**
Audit services	98,539.00	92,750.00
Other services	29,679.00	123,500.00
	128,218.00	**216,250.00**

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

(23) 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.
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.	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. The rest of the investees incurred losses in 2017.
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.	At 31 December 2017 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.
e) Dividend distribution agreement date referred to in sections c) and d) above.	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.

(Continued)

Observation requirement	2018 information
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.	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. - 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.

(Continued)

Observation requirement	2018 information
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 53,708,796.73 at 31 December 2018 and value, excluding depreciation, of Euros 55,729,498.97 (at 31 December 2017 a carrying amount of Euros 53,942,068.64 and value, excluding depreciation, of Euros 55,125,676.06), as well as security deposits totalling Euros 511,941.50 (Euros 424,899.74 at year end 2017). - 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 31,423,247.28 and value, excluding depreciation, of Euros 32,030,975.91), as well as security deposits totalling Euros 326,315.47 (Euros 324,017.01 at year end 2017). - MRE III - Proyecto Tres, S.L.U. with an interest of Euros 11,600,000 and investment property with a carrying amount of Euros 37,606,184.97 at 31 December 2018 and value, excluding depreciation, of Euros 38,606,876,56 (at 31 December 2017 a carrying amount of Euros 37,671,326.41 and value, excluding depreciation, of Euros 38,177,090.19), as well as security deposits totalling Euros 330,467.87 (Euros 299,752.56 at year end 2017). - 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 8,441,411.99 and value, excluding depreciation, of Euros 8,485,942.61), as well as security deposits totalling Euros 107,673.00 (Euros 106,875.30 at 31 December 2017). - MRE III – Proyecto Cinco, S.L.U. with an interest of Euros 28,500,000 and investment property with a carrying amount of Euros 28,740,670.48 at 31 December 2018 and value, excluding depreciation, of Euros 28,740,670.48.

(Continued)

	- 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 16,802,884 and value, excluding depreciation, of Euros 16,895,499.14), as well as security deposits totalling Euros 178,655.86 (Euros 178,655.86 at 31 December 2017). - 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 1,500,000.00), as well as security deposits totalling Euros 168,720.84. - 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 35,520,130.50 (at 31 December 2017 a carrying amount of Euros 35,310,634.60 and value, excluding depreciation, of Euros 35.383.922,94), as well as security deposits totalling Euros 517,967.65 (Euros 578,923.90 at year end 2017). - 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 a value, excluding depreciation, of Euros 26,915,870.48, as well as security deposits totalling Euros 202,645.98. - MRE III – Proyecto Diez, S.L.U. with an interest of Euros 4,000,000.00 and investment property with a carrying amount of Euros 15,475,177.08 at 31 December 2018 and value, excluding depreciation, of Euros 15,487,545.37, as well as security deposits totalling Euros 119,874.67. - 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.

Observation requirement	2018 information
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 Parent 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.

(24) Events after the Reporting Period

On 31 January 2019 the Group, through its subsidiaries MRE-III Proyecto Once, S.L.U. and MRE-III Proyecto Doce, S.L.U., acquired the three-star Tryp Chamartín Hotel (Madrid), with a surface area of 12,580 m2, 199 rooms and eight meeting rooms, as well as two adjacent retail premises and 94 parking spaces, for a total of Euros 27.5 million.

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

Details of Investments in Subsidiaries
31 December 2018
(Expressed in Euros)

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

				Investment		
Company	Registered office	Activity	Auditor	Group company holding the interest	% ownership	Amount of the interest
MRE III – Proyecto Uno, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	Meridia Real Estate III, SOCIMI, S.A.	100%	23,000,000.00
MRE III – Proyecto Dos, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	Meridia Real Estate III, SOCIMI, S.A.	100%	9,900,000.00
MRE III – Proyecto Tres, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	Meridia Real Estate III, SOCIMI, S.A.	100%	11,600,000.00
MRE III – Proyecto Cuatro, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	Meridia Real Estate III, SOCIMI, S.A.	100%	4,510,000.00
MRE III – Proyecto Cinco, SOCIMI, S.A.	Av. Diagonal 640, Barcelona	Real estate	KPMG	Meridia Real Estate III, SOCIMI, S.A.	77.60%	28,500,000.00
MRE III – Proyecto Seis, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	Meridia Real Estate III, SOCIMI, S.A.	100%	6,300,000.00
MRE III – Proyecto Siete, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	Meridia Real Estate III, SOCIMI, S.A.	100%	3,050,000.00
MRE III – Proyecto Ocho, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	Meridia Real Estate III, SOCIMI, S.A.	100%	9,000,000.00
MRE III – Proyecto Nueve, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	Meridia Real Estate III, SOCIMI, S.A.	100%	9,700,000.00
MRE III – Proyecto Diez, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	Meridia Real Estate III, SOCIMI, S.A.	100%	4,000,000.00
MRE III – Proyecto Once, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	Unaudited	Meridia Real Estate III, SOCIMI, S.A.	100%	10,000.00
MRE III – Proyecto Doce, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	Unaudited	Meridia Real Estate III, SOCIMI, S.A.	100%	10,000.00
MRE III – Proyecto Trece, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	Unaudited	Meridia Real Estate III, SOCIMI, S.A.	100%	10,000.00

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

Details of Investments in Subsidiaries
31 December 2017
(Expressed in Euros)

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

				Investment		
Company	Registered office	Activity	Auditor	Group company holding the interest	% ownership	Amount of the interest
MRE III – Proyecto Uno, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	Meridia Real Estate III, SOCIMI, S.A.	100%	23,000,000.00
MRE III – Proyecto Dos, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	Meridia Real Estate III, SOCIMI, S.A.	100%	9,900,000.00
MRE III – Proyecto Tres, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	Meridia Real Estate III, SOCIMI, S.A.	100%	11,600,000.00
MRE III – Proyecto Cuatro, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	Meridia Real Estate III, SOCIMI, S.A.	100%	4,510,000.00
MRE III – Proyecto Cinco, SOCIMI, S.A.	Av. Diagonal 640, Barcelona	Real estate	KPMG	Meridia Real Estate III, SOCIMI, S.A.	77.67%	11,650,000.00
MRE III – Proyecto Seis, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	Meridia Real Estate III, SOCIMI, S.A.	100%	6,300,000.00
MRE III – Proyecto Siete, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	Meridia Real Estate III, SOCIMI, S.A.	100%	1,550,000.00
MRE III – Proyecto Ocho, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	KPMG	Meridia Real Estate III, SOCIMI, S.A.	100%	9,000,000.00
MRE III – Proyecto Nueve, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	Unaudited	Meridia Real Estate III, SOCIMI, S.A.	100%	10,000.00
MRE III – Proyecto Diez, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	Unaudited	Meridia Real Estate III, SOCIMI, S.A.	100%	10,000.00
MRE III – Proyecto Once, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	Unaudited	Meridia Real Estate III, SOCIMI, S.A.	100%	10,000.00
MRE III – Proyecto Doce, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	Unaudited	Meridia Real Estate III, SOCIMI, S.A.	100%	10,000.00
MRE III – Proyecto Trece, S.L.U.	Av. Diagonal 640, Barcelona	Real estate	Unaudited	Meridia Real Estate III, SOCIMI, S.A.	100%	10,000.00

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

Classification of Financial Assets 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.)

	Euros							
2018	**2019**	**2020**	**2021**	**2022**	**2023**	**Years subsequent to 2023**	**Less current portion**	**Total non-current**
Loans and receivables								
Loans to third parties	45,398.94	-	-	-	-	-	(45,398.94)	-
Security and other deposits	55,815.11	-	-	-	-	-	(55,815.11)	-
Other	698,195.64	910,882.62	309,062.62	206,669.76	251,129.10	786,518.74	(698,195.64)	2,464,262.84
Debt securities								
Trade and other receivables	2,396,524.07	-	-	-	-	-	(2,396,524.07)	-
Other receivables	125,643.61	-	-	-	-	-	(125,643.61)	-
Personnel	15,385.29	-	-	-	-	-	(15,385.29)	-
Total financial assets	**3,336,962.66**	910,882.62	**309,062.62**	**206,669.76**	**251,129.10**	**786,518.74**	**(3,336,962.66)**	**2,464,262.84**

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

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

Classification of Financial Assets 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.)

2017	**Euros**							
	2018	**2019**	**2020**	**2021**	**2022**	**Years subsequent to 2022**	**Less current portion**	**Total non-current**
Other assets at fair value through profit or loss								
Derivative financial instruments	-	-				69,377.92	-	69,377.92
Total	-	**-**				**69,377.92**	-	**69,377.92**
Loans and receivables								
Loans to third parties	104,447.74	45,398.92	-	-	-	-	(104,447.74)	45,398.92
Security and other deposits	3,252.55	467,080.92	489,003.91	250,002.77	96,003.41	616,033.36	(3,252.55)	1,918,124.37
Other	669,981.85	-	-	-	-	-	(669,981.85)	-
Debt securities								
Trade and other receivables	1,577,932.56	-	-	-	-	-	(1,577,932.56)	-
Other receivables	338,704.24						(338,704.24)	
Personnel	13,449.00	-	-	-	-	-	(13,449.00)	-
Total financial assets	**2,707,767.94**	**512,479.84**	**489,003.91**	**250,002.77**	**96,003.41**	**616,033.36**	**(2,707,767.94)**	**2,032,901.21**

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

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

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		
Related companies		
Fixed-interest rate loans from shareholders	33,854,238.81	-
Interest on fixed-interest rate loans from shareholders	4,200,418.61	-
Contingent interest rate loans	18,375,000.00	-
Interest on contingent interest rate loans	366,318.53	590,547.87
Loans and borrowings		
Loan	115,774,940.49	6,100,464.88
Commissions which are deducted from liability of the loan	(2,666,642.99)	(477,462.48)
Interest	-	428,421.25
Derivatives	774,039.82	23,815.19
Other financial liabilities	3,376,856.24	219,891.61
Suppliers of fixed assets	12,503,217.27	1,554,081.58
Trade and other payables		
Suppliers and trade payables	-	3,577,154.24
Advances from customers	-	170,220.59
Total financial liabilities	**186,558,386.78**	**12,187,134.73**

This appendix forms an integral part of note 15 to the consolidated annual accounts, in conjunction with which it should be read.

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

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		
Related companies		
Fixed-interest rate loans from shareholders	29,854,218.02	-
Interest on fixed-interest rate loans from shareholders	1,296,687.37	-
Contingent interest rate loans	15,000,000.00	-
Interest on contingent interest rate loans	139,386.07	358,421.35
Loans and borrowings		
Loan	93,402,259.72	3,277,737.30
Commissions which are deducted from liability of the loan	(2,587,260.00)	(393,591.09)
Interest	-	417,273.26
Derivatives	290,901.88	-
Other financial liabilities	3,038,820.43	13,960,433.00
Trade and other payables		
Suppliers and trade payables	-	2,032,285.12
Advances from customers	-	8,307.83
Total financial liabilities	**140,435,013.49**	**19,660,866.77**

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

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.)

	Euros							
	2019	**2020**	**2021**	**2022**	**2023**	**Subsequent years**	**Less current portion**	**Total non-current**
Payables								
Fixed-interest rate loans from shareholders		-	-	-	-	33,854,238.81		33,854,238.81
Interest on fixed-interest rate loans from shareholders		-	-	-	-	4,200,418.61		4,200,418.61
Loans and borrowings	6,100,464.88	9,535,661.25	5,808,414.50	13,136,119.02	21,904,357.94	65,390,387.78	(6,100,464.88)	115,774,940.49
Commissions which are deducted from liability of the loan	(477,462.48)	(517,946.06)	(477,462.48)	(504,672.11)	(367,350.35)	(799,211.99)	477,462.48	(2,666,642.99)
Interest	428,421.25	-	-	-	-	-	(428,421.25)	
Derivatives	23,815.19	30,059.81	17,660.99	125,092.29	477,507.88	123,718.85	(23,815.19)	774,039.82
Other financial liabilities	1,773,973.19	13,412,009.29	406,337.20	339,439.65	355,795.30	1,366,492.07	(1,773,973.19)	15,880,073.51
Contingent interest rate loans from shareholders		-	-	-	-	18,375,000.00		18,375,000.00
Interest on contingent interest rate loans from shareholders	590,547.87	-	-	-	-	366,318.53	(590,547.87)	366,318.53
Trade and other payables								
Suppliers and trade payables	3,577,154.24	-	-	-	-	-	(3,577,154.24)	
Advances from customers	170,220.59	-	-	-	-	-	(170,220.59)	
Total	**12,187,134.73**	**22,459,784.29**	**5,754,950.21**	**13,095,978.85**	**22,370,310.77**	**122,877,362.66**	**(12,187,134.73)**	**186,558,386.78**

This appendix forms an integral part of note 16 to the consolidated annual accounts, in conjunction with which it should be read.

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

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	**2019**	**2020**	**2021**	**2022**	**Subsequent years**	**Less current portion**	**Total non-current**
Payables								
Fixed-interest rate loans from shareholders	-	-	-	-	-	29,854,218.02	-	29,854,218.02
Interest on fixed-interest rate loans from shareholders	-	-	-	-	-	1,296,687.37	-	1,296,687.37
Loans and borrowings	3,277,737.30	3,392,493.55	4,537,879.98	4,869,133.23	11,949,869.48	68,652,883.48	(3,277,737.30)	93,402,259.72
Commissions which are deducted from liability of the loan	(393,591.09)	(407,346.50)	(407,346.50)	(407,346.50)	(390,006.20)	(975,214.30)	393,591.09	(2,587,260.00)
Interest	417,273.26	-	-	-	-	-	(417,273.26)	-
Derivatives	-	-	-	-	-	290,901.88	-	290,901.88
Other financial liabilities	13,960,433.00	-	-	-	-	3,038,820.43	(13,960,433.00)	3,038,820.43
Contingent interest rate loans from shareholders	-	-	-	-	-	15,000,000.00	-	15,000,000.00
Interest on contingent interest rate loans from shareholders	358,421.35	139,386.07	-	-	-	-	(358,421.35)	139,386.07
Trade and other payables								
Suppliers and trade payables	2,032,285.12	-	-	-	-		(2,032,285.12)	-
Advances from customers	8,307.83	-	-	-	-		(8,307.83)	-
Total	**19,660,866.77**	**3,124,533.12**	**4,130,533.48**	**4,461,786.73**	**11,559,863.28**	**117,158,296.88**	**(19,660,866.77)**	**140,435,013.49**

This appendix forms an integral part of note 16 to the consolidated annual accounts, in conjunction with which it should be read.

MERIDIA REAL ESTATE III, SOCIMI, S.A. AND SUBSIDIARIES
Main characteristics of payables
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		
						Carrying amount	
Type	Currency	Nominal rate	Effective interest rate	Maturity	Nominal amount	Current	Non-current
RELATED PARTIES							
Shareholders	Euros	8%	8%	2022	33,854,238.81	-	33,854,238.81
Interest						-	4,200,418.61
					33,854,238.81	-	38,054,657.42
NON-RELATED PARTIES - Not financial institutions							
Periza Industries S.à.r.l	Euros	30.12048% on the results for each year, provided that the amount accumulated from previous years is positive.	0.00%	2031	5,000,000.00	-	5,000,000.00
Periza Industries S.à.r.l	Euros	15.15% on the results for each year, provided that the amount accumulated from previous years is positive.	4.67%	2031	5,000,000.00	-	5,000,000.00
Interest						199,991.62	138,465.71
Periza Industries S.à.r.l	Euros	33.56% on the results for each year, provided that the amount accumulated from previous years is positive.	10.92%	2031	5,000,000.00	-	5,000,000.00
Interest						390,556.25	227,852.58
Periza Industries S.à.r.l	Euros	8.4% on the results for each year, provided that the amount accumulated from previous years is positive.	0.00%	2033	3,375,000.00	-	3,375,000.00
					18,375,000.00	590,547.87	18,741,318.29

This appendix forms an integral part of note 16 to the consolidated annual accounts, in conjunction with which it should be read.

MERIDIA REAL ESTATE III, SOCIMI, S.A. AND SUBSIDIARIES
Main characteristics of payables
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		
						Carrying amount	
Type	**Currency**	**Nominal rate**	**Effective interest rate**	**Maturity**	**Nominal amount**	**Current**	**Non-current**
NON-RELATED PARTIES - financial institutions							
						118,709.48	
MRE-III-Proyecto Uno, S.L.U.							
Loans and borrowings (Tranche A)	Euros	3 month Euribor + spread	3.88%	2023	20,674,967.20	770,000.20	19,904,967.00
Loans and borrowings (Tranche B)	Euros	3 month Euribor + spread		2023	5,000,000.00	-	-
Loans and borrowings (Tranche C)	Euros	3 month Euribor + spread		2023	3,000,000.00	-	-
Commission on loans and borrowings						(123,618.59)	(411,497.51)
Interest	Euros					118,213.12	
MRE-III-Proyecto Dos, S.L.U.							
Loans and borrowings	Euros	3 month Euribor + spread	2.67%	2024	17,353,600.00	1,501,473.12	15,852,126.88
Commission with credit institutions	Euros					(74,939.62)	(363,457.14)
Interest	Euros					86,007.67	-
MRE-III-Proyecto Tres, S.L.U.							
Loans and borrowings	Euros	3 month Euribor + spread	2.80%	2024	19,207,113.82	1,084,727.45	18,133,390.67
Commission with credit institutions	Euros					(90,818.27)	(438,954.97)
Interest	Euros					1,147.09	-
Loans and borrowings	Euros	3 month Euribor + spread	2.80%	2024	1,500,000.00	52,500.00	1,404,375.00
Interest	Euros					163.16	-
MRE-III-Proyecto Cuatro, S.L.U.							
Loans and borrowings	Euros	Euribor 3 months + market margin	2.38%	2025	4,156,250.12	162,499.94	3,993,750.18
Commission with credit institutions	Euros	Euribor 3 months + market margin				-	336,474.73
Interest	Euros	Euribor 3 months + market margin				(22,982.82)	(126,436.97)

MERIDIA REAL ESTATE III, SOCIMI, S.A. AND SUBSIDIARIES
Main characteristics of payables
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		
						Carrying amount	
Type	**Currency**	**Nominal rate**	**Effective interest rate**	**Maturity**	**Nominal amount**	**Current**	**Non-current**
MRE-III-Proyecto Seis, S.L.U.							
Loans and borrowings	Euros	Euribor at 6 months + market margin	2.32%	2022	9,030,749.52	576,124.47	8,454,625.05
Commission with credit institutions	Euros	Euribor at 6 months + market margin				(27,135.28)	(108,615.47)
Interest	Euros	Euribor at 6 months + market margin				92,705.58	-
MRE-III-Proyecto Siete, S.L.U.							
Loans and borrowings	Euros	Fixed 2.50%	2.44%	2020	4,250,000.00	-	4,250,000.00
Commission with credit institutions	Euros					-	(40,483.58)
Interest	Euros					7,673.61	-
MRE-III-Proyecto Ocho, S.L.U.							
Loans and borrowings (Tranche A)	Euros	3 month Euribor + spread	3.15%	2032	21,903,000.00	1,489,644.00	20,413,356.00
Loans and borrowings (Tranche B)		-			3,011,000.00		
Commission with credit institutions	Euros					(56,196.17)	(722,964.59)
Interest	Euros					-	-
MRE-III-Proyecto Nueve, S.L.U.							
Loans and borrowings (Tranche A)	Euros	Euribor 3 months + market margin	2.13%	2025	14,575,000.00	291,500.00	14,064,874.99
Loans and borrowings (Tranche B)		-					
Commission with credit institutions	Euros				2,475,000.00	(50,004.73)	(265,719.55)
Interest	Euros					6,998.73	-
MRE-III-Proyecto Diez, S.L.U.							
Loans and borrowings (Tranche A)	Euros	Fixed 3.12%	3.91%	2025	9,150,000.00	148,180.51	8,967,000.00
Loans and borrowings (Tranche B)	Euros	Euribor 12 months + market margin			1,141,432.00	-	-
Commission with credit institutions	Euros					(31,767.00)	(188,513.22)
Interest	Euros					20,618.00	
					136,428,112.60	6,051,423.65	113,108,297.50
Total					**188,657,351.40**	**6,641,971.52**	**169,904,273.21**

This appendix forms an integral part of note 16 to the consolidated annual accounts, in conjunction with which it should be read.

MERIDIA REAL ESTATE III, SOCIMI, S.A. AND SUBSIDIARIES
Main characteristics of payables
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		
						Carrying amount	
Type	Currency	Nominal rate	Effective interest rate	Maturity	Nominal amount	Current	Non-current
RELATED PARTIES							
Shareholders	Euros	8%	8%	2022	29,854,218.02	-	29,854,218.02
Interest							1,296,687.37
					29,854,218.02	-	31,150,905.39
UNRELATED PARTIES - not financial institutions							
Periza Industries S.à.r.l	Euros	30.12048% on the results for each year, provided that the amount accumulated from previous years is positive.	0.00%	2031	5,000,000.00	-	5,000,000.00
Periza Industries S.à.r.l	Euros	15.15% on the results for each year, provided that the amount accumulated from previous years is positive.	3.45%	2031	5,000,000.00	-	5,000,000.00
Interest						156,063.08	60,691.19
Periza Industries S.à.r.l	Euros	33.56% on the results for each year, provided that the amount accumulated from previous years is positive.	4.48%	2031	5,000,000.00	-	5,000,000.00
Interest					-	202,358.27	78,694.88
					15,000,000.00	358,421.35	15,139,386.07

This appendix forms an integral part of note 16 to the consolidated annual accounts, in conjunction with which it should be read.

MERIDIA REAL ESTATE III, SOCIMI, S.A. AND SUBSIDIARIES
Main characteristics of payables
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		
						Carrying amount	
Type	**Currency**	**Nominal rate**	**Effective interest rate**	**Maturity**	**Nominal amount**	**Current**	**Non-current**
NON RELATED PARTIES - financial institutions							
MRE-III-Proyecto Uno, S.L.U.							
Loans and borrowings (Tranche A)	Euro	Euribor 3 months + market margin	3.88%	2023	21,309,609.00	634,642.00	20,674,967.00
Loans and borrowings (Tranche B)	Euro	Euribor 3 months + market margin		2023	5,000,000.00	-	-
Loans and borrowings (Tranche C)	Euro	Euribor 3 months + market margin		2023	3,000,000.00		
Commission on loans and borrowings						(123,544.42)	(534,510.40)
Interest	Euro					120,362.74	-
MRE-III-Proyecto Dos, S.L.U.							
Loans and borrowings	Euros	Euribor 3 months + market margin	2.65%	2024	18,003,200.00	1,051,153.12	16,952,046.88
Commission with credit institutions	Euros				-	(74,944.00)	(439,465.56)
Interest	Euros				-	91,663.91	-
MRE-III-Proyecto Tres, S.L.U.							
Loans and borrowings	Euros	Euribor at 3 months + market margin	2.259%	2024	19,705,937.98	477,567.24	19,228,370.74
Commission with credit institutions	Euros					(77,168.68)	(545,406.48)
Interest	Euros				-	1,320.73	-
Loans and borrowings	Euros	Euribor at 3 months + market margin	2.69%	2025	1,500,000.00	35,625.00	1,456,875.00
Interest	Euros				-	130.88	-
MRE-III-Proyecto Cuatro, S.L.U.							
Loans and borrowings	Euros	Euribor at 3 months + market margin	2.90%	2025	4,138,750.04	162,499.94	4,156,250.10
Commission with credit institutions	Euros					(22,668.62)	(149,738.85)
Interest	Euros				-	-	-
MRE-III-Proyecto Seis, S.L.U.							
Loans and borrowings	Euros	Euribor at 3 months + market margin	2.86%	2022	9,500,000.00	469,250.00	9,030,750.00
Commission with credit institutions	Euros					(39,069.20)	(138,936.48)
Interest	Euros				-	108,642.33	-
MRE-III-Proyecto Ocho, S.L.U.							
Loans and borrowings	Euros	Euribor at 3 months + market margin	2.29%	2032	22,350,000.00	447,000.00	21,903,000.00
Commission with credit institutions	Euros					(56,196.17)	(779,202.23)
Interest	Euros				-	95,152.67	-
					104,507,497.02	3,301,419.47	90,814,999.72
Total					**149,361,715.04**	**3,659,840.82**	**137,105,291.18**

This appendix forms an integral part of note 16 to the consolidated annual accounts, in conjunction with which it should be read.

Appendix VI

MERIDIA REAL ESTATE III, SOCIMI, S.A. AND SUBSIDIARIES
Reconciliation of net income and expenses for the year 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	-	-	(1,779,962.58)	-	-	-	(1,779,962.58)
Loss before income tax	-	-	(1,779,962.58)	-	-	-	(1,779,962.58)
Tax loss	-	-	**(1,779,962.58)**		-	**-**	**(1,779,962.58)**

This appendix forms an integral part of note 18 to the consolidated annual accounts, in conjunction with which it should be read.

MERIDIA REAL ESTATE III, SOCIMI, S.A. AND SUBSIDIARIES
Reconciliation of net income and expenses for the year 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	-	-	(4,438,194.98)	-	-	-	(4,438,194.98)
Loss before income tax	-	-	(4,438,194.98)	-	-	-	(4,438,194.98)
Tax loss			**(4,438,194.98)**			**-**	**(4,438,194.98)**

This appendix forms an integral part of note 18 to the consolidated annual accounts, in conjunction with which it should be read.

MERIDIA REAL ESTATE III, SOCIMI, S.A. AND SUBSIDIARIES
Relationship between the income tax expense/(income) and profit (loss) for the year
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	**Gains and losses**	**Equity**	**Total**
Income and expenses for the period before tax	(1,779,962.58)	-	(1,779,962.58)
Tax at 0%	-	-	-
	-	-	-

This appendix forms an integral part of note 18 to the consolidated annual accounts, in conjunction with which it should be read.

MERIDIA REAL ESTATE III, SOCIMI, S.A. AND SUBSIDIARIES
Relationship between the income tax expense/(income) and profit (loss) for the year
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	**Gains and losses**	**Equity**	**Total**
Income and expenses for the period before tax	(4,438,194.98)	-	(4,438,194.98)
Tax at 0%	-	-	-
	-	-	-

This appendix forms an integral part of note 18 to the consolidated annual accounts, in conjunction with which it should be read.

(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 Group

The Group is in its investment phase. The Group has made the following investments during 2018:

- On 17 December 2018 Meridia Real Estate III, SOCIMI, S.A., acquired five plots of land in Sant Martí de Provençals – PMU “La escocesa” sector in Barcelona.

- On 9 February 2018 MRE-III-Proyecto Cinco, S.L.U. acquired a property located in the 22@ district in Barcelona.

- On 8 March 2018 MRE-III-Proyecto Siete, S.L.U. acquired a logistics warehouse located in Alovera (Guadalajara).

- On 22 March 2018 MRE-III-Proyecto Nueve, S.L.U. acquired a shopping centre located in Madrid. This shopping centre is managed by leasing it to third parties. At 31 December 2018 95.48% of the total available surface area had been leased.

- MRE-III-Proyecto Diez, S.L.U., acquired an industrial building located in Alcalá de Henares (Madrid)

These acquisitions have caused the value of the investment property to increase with regard to 31 December 2017 (amounting to Euros 293,314,743.04 at 31 December 2018), also leading to a rise in lease income.

2. Research and development

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

3. Own shares

During 2017 the Group has had the following movement in own shares:

	Euros		
	Number	Nominal	Average purchase price
Balance at 31.12.2016	-	-	-
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	289,900	1.00

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

	Euros		
	Number	**Nominal**	**Average cost of acquisition / sale**
Balance at 01.01.2018	-	-	-
Acquisitions	15,160	15,160.00	1.00
Disposals	(23,416)	(23,416.00)	1.00
Balance at 31.12.2018	(8,256)	(8,256.00)	1.00

4. Financial risk management policies and objectives

(a) Financial risk factors

The Group'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 Group's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Group's profits.

Risks are managed by the Risk Management Unit in accordance with policies approved by the Parent's board of directors. This unit identifies, evaluates and mitigates financial risks in close collaboration with the Group's operational units. The Parent'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 Group is not significantly exposed to credit risk. Derivative and cash transactions are only performed with financial institutions that have high credit ratings. The Group 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 Group 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 Group 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 Group 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 by the Group directly with fixed interest rates. Through interest rate swaps the Group undertakes to exchange on a quarterly basis the difference between fixed interest and variable interest with other parties. The difference is calculated based on the contracted notional principal amount.

5. Derivative financial instruments

The Group has the following financial swaps through its subsidiaries:

- On 29 April 2016 MRE-III-Proyecto Uno, S.L.U. entered into a financing agreement with Caixabank, S.A. and Banco Santander, S.A., which includes an interest rate swap to hedge exposure to interest rate fluctuations on the loan. The interest rate on these swaps is a fixed annual rate of 0.255% and variable pegged to Euribor at 3 months, payable on a quarterly basis, in both financial institutions.

Type of transaction	Start date	Maturity date	Initial nominal value
Financial interest rate swap:			
- CaixaBank, S.A.	29/04/2016	29/04/2023	9,900,000.00
- Banco Santander, S.A.	29/04/2016	29/04/2023	9,900,000.00

The fair value of financial swaps is based on the market values of equivalent derivative financial instruments at the reporting date. The Company does not apply hedge accounting for these instruments. Their change in fair value is recognised as income or expense in the income statement for the year (loss of Euros 161,793.48 in 2018 and profit of Euros 203,637.69 in 2017). The value of this derivative at 31 December 2018 stands at Euros 95,789.86 in Caixabank, S.A. and Euros 96,357.13 in Banco Santander, S.A., both recognised as non-current liabilities (Euros 14,640.84 in Caixabank, S.A. and Euros 15,712.67 in Banco Santander, S.A. at 31 December 2017).

- On 6 October 2016 MRE-III-Proyecto Dos, S.L.U. entered into a syndicated loan agreement with Caixabank, S.A. and Banco Sabadell, S.A., which includes an interest rate swap to hedge exposure to interest rate fluctuations on the loan. The interest rate on these swaps is a fixed annual rate of 0.13% and variable pegged to Euribor at 3 months, payable on a quarterly basis, in both financial institutions.

Type of transaction	Start date	Maturity date	Initial nominal value
Financial interest rate swap:			
- La Caixa, S.A.	06/10/2016	06/10/2020	6,124,800.00
- Banco Sabadell, S.A.	06/10/2016	06/10/2020	6,124,800.00

The fair value of financial swaps is based on the market values of equivalent derivative financial instruments at the reporting date. The Company does not apply hedge accounting for these instruments. Their change in fair value is recognised as income or expense in the income statement for the year (loss of Euros 33,977.00 in 2017 and profit of Euros 28,803.40 in 2017). The value of the Caixabank, S.A. derivative at 31 December 2018 amounts to Euros 15,031.92 as a non-current liability (at 31 December 2017 it was a non-current asset of Euros 1,904.52), whilst the Banco Sabadell, S.A. derivative is a non-current liability of Euros 15,027.89 at 31 December 2018 (a non-current asset of Euros 2,012.67 at 31 December 2017).

- On 30 September 2016 MRE-III-Proyecto Tres, S.L.U. entered into a loan agreement with Caixabank, S.A. which includes an interest rate swap to hedge exposure to interest rate fluctuations on the loan. The interest rate on this swap is a fixed annual rate of 0.11% and variable pegged to Euribor at 3 months, payable on a quarterly basis.

Type of transaction	Start date	Maturity date	Initial nominal value
Financial interest rate swap	30/09/2016	30/09/2021	12,064,860.00

The fair value of financial swaps is based on the market values of equivalent derivative financial instruments at the reporting date. The Company does not apply hedge accounting for these instruments. Their change in fair value is recognised as income or expense in the income statement for the year (loss of Euros 83,121.72 in 2018 and profit of Euros 56,561.79 in 2017). The value of this derivative amounts to Euros 17,660.99, recognised as a non-current liability at 31 December 2018 (Euros 65,460.73 recognised as a non-current asset at 31 December 2017).

Likewise, on 5 October 2017 the Company entered into an interest rate swap agreement with Caixabank, S.A. to hedge its exposure to fluctuations in interest rates on the loan taken out with the same entity on the same date. The interest rate on this swap is a fixed annual rate of 0.51% and variable pegged to Euribor at 3 months, payable on a quarterly basis.

Type of transaction	**Start date**	**Maturity date**	**Initial nominal value**
Financial interest rate swap	05/10/2017	30/09/2024	900,000.00

The fair value of financial swaps is based on the market values of equivalent derivative financial instruments at the reporting date. The Company does not apply hedge accounting on these instruments and their change in fair value is recognised as income or expense in the consolidated income statement for the year (loss of Euros 7,828.70 in 2018 and Euros 5,954.28 in 2017). The value of this derivative amounts to Euros 13,782.98, recognised as a non-current liability at 31 December 2018 (Euros 5,954.28 recognised as a non-current liability at 31 December 2017).

- On 21 July 2017 MRE-III-Proyecto Seis, S.L.U. entered into a loan agreement with Banco Santander, S.A. which includes an interest rate swap to hedge exposure to interest rate fluctuations on the loan. The interest rate on this swap is a fixed annual rate of 0.55% and variable pegged to Euribor at 12 months, payable on a half-yearly basis.

Type of transaction	Start date	Maturity date	Initial nominal value
Financial interest rate swap	21/07/2017	21/01/2022	7,125,000.00

The fair value of financial swaps is based on the market values of equivalent derivative financial instruments at the reporting date. The Company does not apply hedge accounting on these instruments and their change in fair value is recognised as income or expense in the consolidated income statement for the year (loss of Euros 33,961.48 in 2018 and loss of Euros 75,974.39 in 2017). The value of this derivative amounts to Euros 109,935.87 recognised as a non-current liability at 31 December 2018 (Euros 75,974.39 at 31 December 2017).

- On 8 November 2017 MRE-III-Proyecto Ocho, S.L.U. entered into an interest rate swap agreement with Bankia, S.A. to hedge its exposure to fluctuations in interest rates on the loan taken out with the same financial institution on the same date. The interest rate on this swap is a fixed annual rate of 0.675% and variable pegged to Euribor at 3 months, payable on a quarterly basis.

Type of transaction	**Start date**	**Maturity date**	**Initial nominal value**
Financial interest rate swap	08/11/2017	30/12/2023	19,020,750.00

The fair value of financial swaps is based on the market values of equivalent derivative financial instruments at the reporting date. The Company does not apply hedge accounting on these instruments and their change in fair value is recognised as income or expense in the consolidated income statement for the year (losses of Euros 106,741.19 in 2018 and Euros 178,619.70 in 2017). The value of this derivative amounts to Euros 285,360.89 at 31 December 2018 (Euros 178,619.70 at 31 December 2017) and therefore it is recognised as a non-current liability.

On 22 March 2018 MRE-III-Proyecto Nueve, S.L.U. entered into an interest rate swap agreement with Caixabank, S.A. to hedge its exposure to fluctuations in interest rates on the loan taken out with the same financial institution on the same date. The interest rate on this swap is a fixed annual rate of 0.3% and variable pegged to Euribor at 3 months, payable on a quarterly basis.

Type of transaction	**Start date**	**Maturity date**	**Initial nominal value**
Financial interest rate swap	22/03/2018	31/03/2022	9,868,500.00

The fair value of financial swaps is based on the market values of equivalent derivative financial instruments at the reporting date. The Company does not apply hedge accounting on these instruments and their change in fair value is recognised as income or expense in the consolidated income statement for the year (losses of Euros 125,092.29 in 2018). The value of this derivative amounts to Euros 125,092.29 at 31 December 2018 and is therefore recognised as a non-current liability.

6. Average supplier payment period

The average supplier payment period for the Spanish Group companies is 43.64 days.

7. Significant events after the reporting period

On 31 January 2019 the Group, through its subsidiaries MRE-III Proyecto Once, S.L.U. and MRE-III Proyecto Doce, S.L.U., acquired the three-star Tryp Chamartín Hotel (Madrid), with a surface area of 12,580 m2, 199 rooms and eight meeting rooms, as well as two adjacent retail premises and 94 parking spaces, for a total of Euros 27.5 million.

On 29 March 2018, pursuant to the requirements of article 253.2 of the Revised Spanish Companies Act and article 37 of the Spanish Code of Commerce, the board of directors of MERIDIA REAL ESTATE III, SOCIMI, S.A. authorised for issue the consolidated annual accounts and consolidated directors' report for the year ended 31 December 2018. The consolidated annual accounts comprise the documents that precede this certification.

Signed:

Mr. Javier Faus	Mr. José Luis Raso	Ms. Elisabet Gómez