# SAINT CROIX HOLDING IMMOBILIER

**A public limited company *(société anonyme)***

**organized under the laws of the Grand Duchy of Luxembourg**

**(the "Company")**

**4,452,197 shares**

This prospectus (the "Prospectus") provides information in relation to the listing on the Official List of the Luxembourg Stock Exchange and admission to trading on the regulated market of the Luxembourg Stock Exchange (the "Admission") which is a regulated market for the purposes of directive 2004/39/EC of 4,452,197 shares with a nominal value of 60.10 EUR each, representing the entire share capital of the Company and issued by the Company under the laws of the Grand Duchy of Luxembourg (the "Shares").

Investors should note that the Company will be subject to risks of a nature and degree not normally encountered in relation to listed securities and additional to those inherent in any equity investment. Investors should in particular note that an investment in the Company is likely to be illiquid for a significant period of time (see *"Risk Factors"* on page 10 of the Prospectus).

To determine the tax implications of investing in the Shares in the light of each Investor's circumstances, particularly regarding dividends, capital gains and Buy-Backs, prospective Investors are urged to consult with their own tax advisors prior to making any investment.

This Prospectus has been approved by the *Commission de Surveillance du Secteur Financier* ("CSSF'), which is the Luxembourg competent authority among others for the purposes of the Luxembourg law of 10 July 2005 *relative aux prospectus pour valeurs mobilières* (the "Prospectus Law") implementing the Prospectus Directive (Directive 2003/71/EC) in Luxembourg. This Prospectus constitutes a "Prospectus" for the purposes of article 5.3 of the Prospectus Directive and the Prospectus Law. In accordance with article 7.7 of the Prospectus Law, the CSSF assumes no responsibility as to the economic and financial soundness of the transaction and the quality or solvency of the Issuer.

The Company accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Company (which has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Neither the Admission, nor the approval of the document by the CSSF shall constitute a warranty or representation by the CSSF or the Luxembourg Stock Exchange as to the competence of service providers or any other party connected with the Company, the adequacy of the information contained in this prospectus, or the suitability of the Company for investment purposes.

**Date: 21 December 2011**

**PRELIMINARY**

*IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS PROSPECTUS YOU SHOULD CONTACT YOUR STOCK-BROKER, BANK MANAGER, TAX ADVISOR, SOLICITOR, ATTORNEY, ACCOUNTANT OR OTHER FINANCIAL ADVISOR.*

*Certain Defined Terms*

In this Prospectus, unless the context otherwise requires, the "Company" refers to SAINT CROIX Holding IMMOBILIER S.A., "we", "us", and "our" refer to SAINT CROIX Holding IMMOBILIER S.A. and statements such as "we believe", "we expect", and "we estimate" refer to the beliefs, expectations and estimates of the Board of Directors of the Company (hereinafter the “Board”). All capitalised terms used in this Prospectus and not otherwise defined herein shall have the meaning ascribed to them in the section "Definitions" below.

This Prospectus must not be distributed for the purpose of making any offering or solicitation of sales in any country and in any circumstances where such offer or solicitation is not authorized and/or would constitute a breach of the applicable laws of the respective jurisdiction.

This Prospectus does not constitute, and may not be used for the purposes of an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. The distribution of this Prospectus in certain jurisdictions may be restricted and accordingly persons into whose possession this Prospectus comes are required to inform themselves about and to observe such restrictions. No action has been taken which would permit a public offering of the Shares in any jurisdiction where action for that purpose would be required. The contents of this Prospectus are not to be construed as a recommendation or advice to any prospective Investor in relation to the subscription, purchase, holding or disposition of Shares and prospective Investors should consult their professional advisers.

No person receiving a copy of this Prospectus in any territory may treat the same as constituting an invitation to subscribe to the Shares, unless in the relevant territory such an invitation could lawfully be made to this person without compliance with any registration or other legal requirements.

The Company has applied for the Admission of its Shares on the basis of the information contained in this Prospectus and in the documents referred to herein. No person has been authorized to give any information or to make any representation other than those contained in this Prospectus, and, if given or made, such information or representation must not be relied upon as having been authorized. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

This Prospectus may be translated into other languages provided that such translation shall be a direct translation of the English text and in the event of a dispute, the English language version shall prevail. All disputes as to the terms thereof shall be governed by, and construed in accordance with, the laws of the Grand Duchy of Luxembourg. It is the responsibility of any person in possession of this Prospectus and any related materials to inform himself of and to observe all applicable laws and regulations of the countries of his nationality, residence, ordinary residence or domicile.

While the Company has compiled, extracted and reproduced market or other industry data from external sources, including third parties or industry or general publications, none of the Company or the Directors have independently verified that data. The information in this Prospectus that has been sourced from third parties has been accurately reproduced and, as far as we are aware and able to ascertain from the information published by the cited sources, no facts have been omitted that would render the reproduced information inaccurate or misleading. Subject to the foregoing, neither the Company nor the Directors can assure Investors of the accuracy or completeness of or take any responsibility for, such data. The source for such third party information is cited whenever such information is used in this Prospectus.

*Anti-Money Laundering*

Measures aimed towards the prevention of money laundering will require a detailed verification of the identity of Shareholders holding more than 5% of the Share for more than 30 days and having advised the Company accordingly. For instance, an individual with such a holding will be required to produce a copy of a passport or identification card duly certified by a notary public, together with evidence of his/her address such as a utility bill or bank statement and date of birth.

The Company reserves the right to request such information as is necessary to verify the identity of a prospective shareholder. In the event of delay or failure by the applicant to produce any information required for verification purposes, each applicant for Shares acknowledges that the Company and its delegates shall be held harmless against any loss arising as a result of a failure to process or a delay in processing his application for Shares if such information and documentation as has been requested by the Company or its delegates has not been provided by the applicant. The Company and its delegates reserve the right to reject an application without assigning any reason therefore, in whole or in part, in which event the application monies or any balance thereof will be returned to the applicant without interest by transfer to the applicant's designated account or by post at the applicant's risk. The Company and its delegates reserve the right to notify the authorities of any suspicious transaction.

*Presentation of Financial Information*

The Company is newly incorporated and has therefore not issued any audited accounts except for the opening accounts. Nevertheless, the financial information of the Subsidiaries has been properly audited since their incorporation in 2009 by different auditors each one. For the purpose of the incorporation of the Company, the interim financial statements of the Subsidiaries as of September 30, 2011 have been audited by DELOITTE S.L. (plaza Pablo Ruiz Picasso n° 1, 28020 Madrid - Spain). The auditor of the Subsidiaries has issued unqualified audit reports.

The Company’s accounts will be prepared in accordance with the International Financial Reporting Standards and will be audited by DELOITTE Audit S.à .r.l,, having its registered seat at 560, rue de Neudorf, L-2220 Luxembourg, Grand-Duchy of Luxembourg.

*Forward-Looking Statements*

This Prospectus contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of such words and phrases as "according to estimates", "anticipates", "assumes", "believes", "could", "estimates", "expects", "intends", "is of the opinion", "may", "plans", "potential", "predicts", "projects", "should", "to the knowledge of', "will", "would" and similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements containing information on future financial results, plans, or expectations regarding our business and management, our future growth or profitability and general economic and regulatory conditions and other matters affecting the Company and the Subsidiaries.

Forward-looking statements reflect our current view of future events, are based on assumptions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause our actual financial condition and results to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements. Our business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate or prediction to become inaccurate.

Accordingly, you should not place undue reliance on the forward-looking statements herein and you are strongly advised to read the section "Risk Factors" on page 10 of the Prospectus. This section includes more detailed descriptions of factors that might have an impact on our business. We cannot give any assurance regarding the future accuracy of the opinions set forth herein or as to the actual occurrence of any predicted developments. After the date of this Prospectus, we assume no obligation, except as required by law, to update any forward-looking statements or to conform these forward-looking statements to our actual results.

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# I. SUMMARY

*The following constitutes the summary of the essential characteristics and risks associated with the Company and the Shares. This summary should be read as an introduction to this Prospectus and contains information included elsewhere in this Prospectus. It is expressly pointed out that this summary is not exhaustive. Reading this summary should, in no way, be considered a substitute for reading this Prospectus in its entirety. Prospective Investors should read this Prospectus thoroughly and completely, including the "Risk Factors", any supplements to this Prospectus required under applicable laws and our consolidated financial statements and other financial information and related notes, before making any decision with respect to investing in the Shares. No civil liability will attach to us in respect of this summary or any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court in a Member State of the European Union or the European Economic Area, the plaintiff may, under the national legislation of such state where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.*

***THE COMPANY***

***General Information***

**"SAINT CROIX HOLDING IMMOBILIER, SOCIÉTÉ ANONYME"** (hereinafter, the **"Company"**) is a limited liability company *(société anonyme),* incorporated under the laws of Luxembourg, having its registered office at 9b, Boulevard Prince Henri, L-1724 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Company Register (Registre de Commerce et des Sociétés) under the number B165103. Its telephone number is +352 29 52 07 1.

The Company activity is limited to the holding of equity interests in Luxembourg and/or foreign companies and mainly in Spanish Real Estate Investments Companies (*"Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario"* (hereinafter referred under the Spanish acronym "SOCIMI") or in other companies, whether resident or not in Spain, which have a corporate purpose similar to those of Spanish SOCIMIs and which are subject to earnings distribution requirements that are similar to that established by legal or statutory policy for Spanish SOCIMIs.

On the date of this Prospectus, the Company owns 100% of two SOCIMIs incorporated under Spanish law, COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A. (hereinafter "CIBRA") and COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009, SOCIMI, S.A. (hereinafter "CIRU"), being hereinafter collectively referred to as the Subsidiaries.

The Subsidiaries were both incorporated in December 2009 under Spanish law and have, mainly as corporate purpose:

a) the acquisition and development of urban real estate for leasing;

b) the ownership of equity interests in other SOCIMIs or in other companies not resident in Spanish territory having a status similar to the SOCIMII's regime in their country of residence;

c) the ownership of equity interests in other companies, whether or not these are domiciled in Spain, under certain condition, among which the main corporate purpose must be the acquisition of urban real estate for leasing; and

d) the holding of shares or interests in collective real estate investment institutions governed by Spanish law 35/2003 of 4 November 2003 on Collective Investment Institutions.

***Share Capital***

On December 19, 2011, the Company's share capital of 267,577,040 EUR is divided into 4,452,197 Shares with a nominal value of 60.10 EUR each. There is no class of Shares.

The Shares have the same voting rights. The Company may issue further classes of Shares. The Company may also issue new Shares in order to finance acquisitions or to exchange such Shares in case of acquisitions.

***Board***

The Board of the Company is composed of 3 Directors. Currently, the Directors are Marco Colomer Barrigón, Patrick Sganzerla and Ismaël Dian.

***Financial information***

The Company is newly incorporated and has no historical financial statements. The assets of the Company are composed of the Subsidiaries that were accounted for an amount of 227.7 million EUR. The Subsidiaries had a turnover of 20.5 millions EUR with net profit of 7.9 millions EUR for the financial year ended on December 2010 and a turnover of 12.6 million EUR with net profit of 7.4 million EUR for the financial year ended on December 2009.

***Auditors***

The current Auditor of the Company is DELOITTE Audit S.à .r.l. which is a duly accredited Chartered Accountant member of the Luxembourg Chartered Accountants Institute (*réviseur d'entreprises agréé membre de l'Institut des Reviseurs d'Entreprises).*

***THE SHARES***

***Listing and admission to trading***

The Company intends to apply for the listing on the Official List of the Luxembourg Stock Exchange and admission to trading on the regulated market of the Luxembourg Stock Exchange of the Shares. We expect that trading of the Shares on the Luxembourg Stock Exchange will commence on December 21, 2011.

***Form of Shares***

The Shares have been issued under Luxembourg laws and are in registered form and in certificated form.

***International Securities Identification number (ISIN)***

CBL long name: SHS SAINTCROIX HOLDING IMMOBILIER S.A.

Common Code: 072069463

ISIN Code: LU0720694636

***Dividend Rights***

All Shares carry full dividend rights if and when declared, from the date the holder acquires such Shares. Dividends will be distributed according to the performance of the Shares.

See also "Dividend Policy" on page 93 of the Prospectus.

***Voting Rights***

Each Share is entitled to one vote at the Company's General Shareholders' Meeting. See "Articles of Incorporation - Voting Rights" on page 89 of the Prospectus.

***Cash flow from the Assets***

The Company owns 100% of the Subsidiaries that will distribute dividend to the Company. The Subsidiaries are bound to distribute at least 90% of their profits pursuant to Spanish law and to their Articles of Associations.

The Company itself commits to distribute 100% of its yearly profits as the case may be after the minimum allocation to the legal reserve will have been made pursuant to law.

The Subsidiaries develop and manage exclusive buildings located in Spain, being mainly hotels, commercial premises, shopping centres and offices. The cash flow derived from the assets of the Subsidiaries comes mainly from lease and capital gains.

***Banks with which the main accounts relating to the transaction are held:***

BGL BNP PARIBAS S.A., having its registered seat at L - 2951 Luxembourg, 50, Avenue J.F. Kennedy and registered with the Luxembourg Company Register (Registre de Commerce et des Sociétés) under the number B6481.

***Risk factors***

The following constitutes a summary of the principal risks relating to the Company, the Shares and the Admission. It is expressly pointed out that this summary of the principal risks is not exhaustive. Reading this summary of the principal risks should, in no way, be considered a substitute for reading the section under the heading *"Risk Factors"* in its entirety. Prospective Investors should read the *"Risk Factors"* thoroughly and completely, before making any decision with respect to investing in the Shares.

Risks relating to the Company:

- risk relating to cyclical nature of the real estate business;
- risks relating to the fluctuation in demand and price of leased properties;
- risks relating to solvency and liquidity of the tenants;
- risks relating to lease regulations in Spain;
- risks relating to the lack of liquidity in real estate investments;
- risks relating to renovating properties to let;
- interest rate fluctuations;
- risks relating to the competitiveness within the market;
- risks relating to changes in applicable law and regulation;
- risks relating to environmental regulations;
- risks relating to technical and material characteristics of property construction;
- risks relating to the concentration of investment activity in Spain;

- risks relating to the structuring of financing;
- risks relating to market rents and real estate prices;
- risks relating to insurance;
- risks relating to the reliance on its key personnel;
- risks relating to discrepancy between the appraisal valuation of the real estate portfolio and the current value of the assets;
- risks relating to limited availability of sites and buildings, and increasing costs of construction and land;
- risks relating to the Company as a new entity;
- risks relating to the Company borrowing money from third parties;
- certain conflicts of interest;
- exchange rate risks;
- risks relating to the indemnification of the others;
- litigation risks;
- privacy laws and other factors;
- the Company's working capital not being adequate to meet its obligations;
- risks relating to the valuation;
- risks relating to taxation.

Risks relating to the Shares:

- illiquidity of the market for Shares;
- risks relating to the source of dividend payments;
- risks relating to the approval of dividends;
- risks relating to projections and estimates.

Risks relating to the Admission:

- risks related to the transfer of Shares by the existing Shareholders;
- risks relating to the market for the Shares;
- risks relating to liquidity;
- risks relating to valuation differential
- risks relating to the volatility of the market; and
- risks relating to the revocation of the listing and admission to trading of the Share.

# II. RISK FACTORS

*Prospective Investors in the Shares should carefully consider the following risks and uncertainties, as well as other information contained in this Prospectus before deciding to invest in any of the Shares. Some of the most significant risks arise from the evolution of the Spanish real estate market. While it is the intention of the Company and the Subsidiaries to implement strategies that are designed to minimize these risks, there can be no assurance that these strategies will be successful. The business of the Company, its financial condition and results of operations have been and might in the future be materially adversely affected by the following risks. If any of the following risks actually occur, the value and trading price of the Shares could decline and Investors could lose all or part of their investment. Described below are the risks and uncertainties the Company believes to be material. However, the risks and uncertainties described below must not be considered exhaustive. Additional risks and uncertainties, including those that the Company is currently not aware of or deems immaterial, may also result in decreased revenues, increased expenses or other events that could result in a decline in the value of the Shares.*

## 1. Specific risk factors affecting the Company or its business sector

The Company is a company domiciled in Luxembourg, the main corporate purpose of which is to hold equity interests in Luxembourg and/or foreign companies and mainly in Spanish Real Estate Investments Companies (Hereinafter referred to as SOCIMI) or in other companies, whether resident or not in Spain, which have a corporate purpose similar to those of SOCIMIs and which are subject to earnings distribution requirements that are similar to those established by legal or statutory policy for SOCIMIs.

Currently, the only assets of the Company are the financial investments in two Spanish companies that operate as “Listed Real Estate Investment Companies” (SOCIMI), in turn regulated by Spanish law 11/2009, of 26 October 2009. A SOCIMI is the Spanish version of a REIT, the main activity of which is to lease urban properties, and which are subject to a special tax regime. The risks detailed below refer to the Company. However, given its primary objective, it also includes the risks associated with its fully-owned investment companies that are resident in Spain and regulated by the law on SOCIMIs, mentioned above.

### *1.1. Cyclical nature of the real estate business*

Changes in the economic situation, both globally and locally, growth in occupation and employment rates, interest rates, inflation, tax legislation and consumer confidence all have a considerable impact on real estate markets. Any unfavourable change in these or in other economic, demographic or social trends in Europe, and in Spain in particular, could translate into a slowdown in the real estate market in these countries. The cyclical nature of the economy in general has been statistically proven, as has that of micro and macroeconomic aspects that directly or indirectly affect the behaviour of the real estate business, in particular the leases that form the basis of the Company's investment activity.

### *1.2. Fluctuation in demand and the price of leased properties*

Although the Subsidiaries’ portfolio of real estate assets is let on a long-term basis to top class tenants operating in stable business and services sectors, the Company runs the risk of these contracts not being renewed by the current tenants when they expire, and of not being able to let the properties to new tenants, or of the lease renewal or new lease contracts (including the costs or refurbishments or other concessions made to the tenants) being less favourable than the current conditions.

### *1.3. Solvency and liquidity of the tenants*

As mentioned above, the tenants of the Subsidiaries assets are associated with sectors that, despite having suffered the effects of the current international crisis, have maintained their commitments to the Subsidiaries in terms of making payments and fulfilling their contractual obligations. Nevertheless, this real estate business depends on the solvency and liquidity of its tenants. These could occasionally experience financial difficulties or may declare themselves bankrupt, which would result in them failing to meet their payment obligations.

*1.4. Lease regulations in Spain*

In Spain, where the Subsidiaries currently have all of their lease assets, leases are subject to specific regulatory provisions regarding the length of contracts, tenants' rights to remain in the property, the termination of contracts and updating of rents. All these factors limit the lessors' flexibility and reduce their capacity to maintain or increase rents to current market levels.

The Subsidiaries, in carrying out their property rental business, abide strictly by all the legislation applying to this activity.

*1.5. Relative lack of liquidity in real estate investments*

Real estate investments, mainly shopping and leisure centres, hotels and office buildings, are relatively illiquid given that, although they are significant economic investments with attractive yields, it is difficult to liquidate them. This is especially so given the current lack of liquidity in the international financial system, with restricted investments, particularly in the real estate sector, and high financial costs requiring anticipated yields to be higher than usual. Such illiquidity could limit the Subsidiaries ability to convert some of its real estate assets into cash within a short time period, in particular those in its investment portfolio, or could require it to significantly lower the price. Such illiquidity could also limit the company's ability to alter the make-up of its property portfolio in response to economic changes or other factors.

*1.6. Renovating properties to let*

This activity is exposed to various risks, including possible delays or excessive costs and problems in finding tenants prepared to pay the planned rents, as well as financial risks arising from the financing required. Any of these factors could increase costs or delay the completion of building work, which would translate into a loss of income, or lead to profits on the investment being lower than expected.

*1.7. Interest rates fluctuations*

Although the Company and its fully-owned Subsidiaries do not have any direct banking debts, the possibility of them having such debts in the future cannot be ruled out. This means that any increase in interest rates would increase the costs of their mortgages and hence make them less attractive. This could cause a reduction in expected yield if these increased costs are not recovered through income from the investments.

*1.8. Competitiveness within the market*

The real estate sectors in Spain are very competitive. Competition in the real estate market can result in an overabundance of properties to let, a drop in rental income, a surfeit of properties available, or a reduction in the prices of real estate assets in general.

Similarly, the heavy competition in these sectors could make it harder to acquire office buildings, shopping and leisure centres, hotels or new assets as a result of an increase in the price of available sites for development.

*1.9. Changes in applicable law and regulation*

The activities of the Subsidiaries are subject to legal and regulatory provisions and various requirements regarding urban development, safety, technical matters, consumer protection, etc. Governments at local, regional, national and European Union level can impose sanctions for failure to comply with these regulations and requirements. Any significant change in these legal and regulatory provisions or a change affecting the way in which these legal and regulatory provisions are applied or interpreted or in their compliance requirements could force the Company to modify its development plans, assume additional costs, or could potentially prevent it from letting its assets.

*1.10. Compliance with environmental regulations*

Governments at local, regional, national and European Union level regulate and establish environmental regulations that apply to the Subsidiaries'' activities. There is no guarantee that the way in which governments at local, regional, national and European Union level or national courts interpret or apply these will not lead to the Subsidiaries and indirectly the Company incurring additional costs.

Regardless of whether or not the Subsidiaries carry out any work, it may deem necessary to check whether the land it acquires is contaminated. If the land under its ownership proves to be contaminated and it is not possible to identify the person responsible for this contamination, the Subsidiaries could be considered responsible for it. The cost of any actions required to eliminate, rectify or investigate such contamination could be very high. If the contamination is not properly rectified, this could make it difficult to sell or let the property affected or to obtain financing using this property as a guarantee.

*1.11. Technical and material characteristics of property construction*

The Subsidiaries' real estate investment activity could lead to the Subsidiaries or the Company being the focus of legal actions arising from the materials used and from any defects in the properties acquired and/or sold, including possible problems caused by third parties contracted by the Subsidiaries, such as architects, engineers and construction contractors. This would be the case if investments in properties under construction are made, assuming management responsibility for them before the construction work is completed.

*1.12. Concentration of investment activity in Spain*

All the investment assets are located in Spain. This means that any unfavourable change in the general economic conditions in Spain, or in demand for commercial properties to let in general, could have a negative impact on the Company's business.

*1.13. Risks relating to the structuring of financing*

The Company has no direct financial debts, and finances its activities entirely through its own capital. However, some assets of one of its Subsidiaries are mortgaged to secure loans owned by the Spanish real estate development company Isla Canela, S.A., which is a related company. The details of the debt still to be paid off, shown on the balance sheet of Isla Canela, S.A., with the relevant Subsidiary's property as guarantee, are shown below: (unaudited figures in EUR)

| **Mortgaged Asset** | **Bank** | **Initial loan** | **Loan amount pending repayment as of September, 30, 2011** | **Final expiry date** |
|---|---|---:|---:|:---:|
| Hotel Barceló | BBVA | 24,000,000 | 15,647,880 | 31/05/2020 |
| Hotel Playa Canela | BBVA | 17,000,000 | 7,192,310 | 28/02/2017 |
| Hotel Riu Atlántico | BBVA | 25,000,000 | 17,107,352 | 31/03/2021 |
| Hotel Iberostar | Santander | 20,800,000 | 9,600,000 | 11/06/2017 |
| Hotel Vincci | BBVA | 4,200,000 | 1,863,866 | 30/04/2016 |
| **Total** | | **91,000,000** | **51,411,408** | |

*1.14. Inability to precisely foresee market rents and real estate prices*

When indirectly investing in properties for its letting business, the Company links the purchase price to the expected yield, applying certain hypotheses about future development costs, future real estate prices and future market rents.

*1.15. Losses stemming from lack of insurance*

The Company makes every effort to take out insurance policies to cover its assets and employees. In general, the insured risks include fire, flood, theft and civil liability. However, certain types of risks cannot be insured against, such as losses caused by acts of terrorism or acts of war, or civil liability arising from environmental contamination, either because these are not usually insured against, or because it is financially impossible to insure against them. Should an uninsured event occur, or one that exceeds the limits of the insurance, the Company could lose all or part of the capital it has indirectly invested in a property, or could be left unable to receive any future income from it.

*1.16. Reliance on its key personnel*

The Company uses the expertise of two Spanish groups of companies specialized in construction, development and real estate investments. Some of the companies belonging to these groups as well as several shareholders of these companies are, directly or indirectly, Shareholders of the Company. As a result, the Company's success depends on the knowledge and expertise of certain Shareholders having considerable experience in the real estate sector and in managing the business. In addition, certain members of the Board have the knowhow allowing the Company to take the correct decisions in terms of investments. If certain members of the executive management team leave or retire, this could have a negative impact on the business. None of the members of the executive management team have signed any non-compete agreement that would enter into effect at the time they leave the Company.

*1.17. Possible discrepancy between the appraisal valuation of the real estate portfolio and the current value of the assets*

Real estate assets of both Subsidiaries are valued each year by qualified and independent real estate experts that are specialized in the type of assets of the Subsidiaries. TECNITASA and GABINETE DE TASACIONES INMOBILIARIAS, S.A., independent external appraisal firms, valued the real estate assets of the Subsidiaries, COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A. and COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009, SOCIMI, S.A., at 115,442,044 EUR and 102,794,960 EUR, respectively. These valuations were carried out in April and May 2011. However, these valuations are based on numerous unconfirmed hypotheses and could differ considerably from the valuation rate that a Spanish mortgage lender would produce or commission. Furthermore, the valuation of some significant real estate assets could have changed since these dates. An updated valuation of the real estate assets of the Subsidiaries have been recently ordered and finished for the purpose of the incorporation of the Company with the following results:

a) COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A. (hereinafter “CIBRA”): Its assets have been valued by TECNITASA at 104,281,119 EUR dated October 2011. In this case, book value of the assets of the company amounts up to 97,605,394 EUR, and as result, there is a gross latent profit not recorded in the book of the Company on September 30, 2011 for a total amount of 6,675,725 EUR. Considering a tax rate at origin of 19%, the net latent profit mentioned amounts up to 5,407,337 EUR.

b) COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009, SOCIMI, S.A. (hereinafter “CIRU”): Its assets have been valued by GABINETE DE TASACIONES INMOBILIARIAS, S.A. at 104,089,752 EUR dated October 2011. In this case, book value is equal to market value, and as a result, there is no latent profit to be considered on September 30, 2011.

*1.18. Limited availability of sites and buildings, and increasing costs of construction and land*

The yield from real estate investments is partly attributable to the length of time a portfolio has been held and its reduced costs. The past profit margins of the real estate development business of the Subsidiaries are partly attributable to the low cost of their land holdings, a large part of which were acquired at a time when prices for such sites were, in general, lower than those of today. Real estate markets have grown, and competition in this sector has intensified considerably over recent years, with a reduction in the number of available buildings as well as a notable increase in costs and less available land, all of which has added to the increased costs of building. The Company may not be able to renew its indirect real estate portfolio or to maintain its current profit margins.

Likewise, at certain times and with certain projects, the heavy competition in these sectors could make it harder to acquire office buildings, shopping and leisure centres or new assets, as a result of the increased price of available sites for development.

*1.19. Risks relating to the Company as a new entity*

We are a newly incorporated Company with no operating history of our own.

The only audited historical financial information available is the opening balance sheet of the Company as well as the historical financial statements of the Subsidiaries, all provided in Appendix 3 of this Prospectus.

*1.20. Borrowing*

Currently, the Company has no direct or indirect financial debt except for the mortgage assets described in point 1.13 above. Although borrowing money to invest in new real estate assets could provide the opportunity for greater capital appreciation and thus, increase returns to the Company, it could also result in decreased returns to the Company if the earnings of the mentioned investments are less than the costs of borrowing the respective investments, maintenance costs or any other costs (direct or indirect) related to the purpose of the Company. In addition, the level of interest rates generally, and, in particular, the rates at which the Company or the Subsidiaries may borrow will ultimately affect the operating results of the Company. If assets used to collateralise loans granted to the Company or the Subsidiaries decrease in value, the Company could be obligated to provide additional collateral to the lender to avoid the acceleration of the loan. Any such acceleration could result in substantial losses. Moreover, counterparties of the borrower, at their sole discretion, may change the leverage limits that they extend to the Company's ultimate disadvantage.

*1.21. Certain conflicts of interest*

The Company and the Subsidiaries act as independent investment holding companies of real estate assets and therefore do not manage any third party assets in any of the forms such as trusts, etc. As a result, in principle, no potential conflicts of interest may arise from the overall investment activity of the Company.

*1.22. Exchange rate risk*

At the moment all the indirect real estate investments of the Company are made in Spain so that all the monetary transactions are denominated in Euro. The income and gains to be earned by the Company are expected to derive from Spain. As a result, the return of the Company on any investment may not be affected by fluctuations in currency exchange rates. Nevertheless, the Company may carry out in the future investments in other countries where the currency is not the euro. In this case, the Company may in its absolute discretion decide to hedge some of its exchange risk coming from the costs or revenues or both.

*1.23. Indemnification*

The Subsidiaries and the Company shall indemnify each of its Directors, officers and agents from and against any and all losses or liabilities incurred or sustained by the Directors, officers or agents directly or indirectly as a result or them acting in their capacities as Directors, officers or agents of the Company incurred otherwise than as a result of the wilful negligence or fraud of the Directors, officers or agents of the Company or by failing to act honestly and in good faith.

*1.24. Litigation risk*

Real estate sector can be a contentious matter. The Company might have some dispute with the tenants due to discrepancies in the appreciation of the correct performance of contracts. The Company and the Subsidiaries will use reasonable endeavours to ensure that lease contracts, acquisitions of properties and their management by the Subsidiaries are conducted in a manner that is able to withstand any challenges. The Company may, however, be named as a defendant in a lawsuit or regulatory action stemming from the conduct of its respective business. In case of the commencement of litigation, the outcome of which cannot be predicted by the Company, the Company might have to bear the costs of defending the claim and, as the case may be, of any adverse judgment or a settlement.

*1.25. Privacy laws and other factors*

Privacy laws and other factors may limit the information the Company or the Subsidiaries may receive. In particular, the privacy laws of Luxembourg, other European states, the United States and other states may limit the information the Company or thye Subsidiary are entitled to receive about data protection legislations.

*1.26. The Company's working capital reserves may not be adequate to meet its obligations*

The Company maintains working capital reserves to provide support to its Subsidiaries to meet their obligations, including operating expenses and premium payments. If one of the Subsidiaries does not have adequate cash reserves to continue its operations and the Company is itself unable to provide support, Investors could suffer substantial loss unless the Company can secure additional funds. Under such circumstances, the Company may need to borrow funds in order to support the Subsidiaries. There is no guarantee that such borrowing will be available to the Company on standard market terms or be available at all.

*1.27. Valuation*

The valuation of the real estate assets is difficult due to the difficult situation of the market itself and the funding problems that currently exist. A number of assumptions must be made in this process. Any change in one of these assumptions may result in substantially different values. While the valuators attempt to provide reasonable valuations for the real estate assets held by the Company through the Subsidiaries, there is no guarantee that these valuations will correspond to the accounting value of the mentioned assets.

*1.28. Risks related to taxation*

The Subsidiaries are two Spanish companies, subject to a special tax regime on the corporate income tax and regulated under Spanish law 11/2009 of 26 October 2009, on “Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario” (Real Estate Investment Trusts, hereinafter, “SOCIMI”, after its Spanish acronym). Such regime is advantageous as the corporate income tax applicable to the yearly profit is lower than the usual rate of 30% of the Spanish corporate income tax. Such rate was of 18% and of 19% respectively for 2009 and 2010 and following). In order to benefit from such regime, the companies must comply with special requirements affecting their dividend distribution policy, the activity of the company (corporate purpose), the breakdown of their assets, recurrent revenue. Their shares must also be admitted to trade on a regulated market of the European Union.

Both Subsidiaries have benefited from this special tax regimen since their incorporation in 2009. They have been paying taxes on the basis of the special tax regime on the basis of a transitory period allowing them to have a delay in order to comply with all the law requirements mentioned above. Such transitory period ends on December 31, 2011. At this moment, the Subsidiaries must comply with all the requirements of the law regulating the SOCIMI.

The Subsidiaries may lose the benefice of the special tax regime established and as a result be taxed on the basis of the general income tax regime, included for the tax period if on the following circumstances arises:

- The exclusion of trading on regulated markets;
- Material breach of the reporting financial obligations;
- The lack of distribution agreement and payment of all or part of the dividends in terms and time limits;
- Waiver for the application of the special tax regime
- Breach of any of the requirements of the Spanish law 11/2009 of 26 October 2009, except if the breach is rectified within the year immediately following.

The loss of the special regime tax would imply that the Subsidiaries are excluded from the benefice of the special tax regime established by the Spanish law 11/2009 of 26 October 2009, unless there is at least five years elapsed since the conclusion of the last period in which the scheme was in force.

There can be no assurance that the Company will always benefit from such regime. Such would have an adverse effect on the funds available for dividend payments.

Furthermore, tax laws and treaties are subject to change that could have material negative implications.

As a consequence, Investors are strongly advised to obtain respective advice from their independent tax advisers.

## 2. Risks relating to the Shares

### *2.1. Illiquid market/or Shares*

As of the date hereof, a trading market for the Shares has not been established. There can be no guarantee that (i) there will be sufficient demand for the Shares to sustain any secondary market for them to develop, (ii) such a secondary market will provide holders of the Shares with substantial liquidity or (iii) such liquidity will continue for the duration of the existence of the Company. The Company is not obligated to create a market for the Shares. Limited liquidity will adversely affect the timing of a holder's resale of Shares or the price obtainable in the case of a resale. Investors may be unable to realize their investments through the resale of their Shares or may only be able to sell their Shares at a price materially lower than the initial purchase price.

### *2.2. Source of dividend payments*

The Shares constitute equity securities of the Company. Dividends are solely payable from the Company's distributable profits. The Company is obliged by its Articles of Associations to distribute 100% of the profits generated during each fiscal year after it has fulfilled and complied with the legal obligation it is subject to, in particular with regards to the constitution of the Company’s legal reserve. It is not expected that significant income will be derived from the sale of real estate assets held by Subsidiaries given the long term investments nature of these assets but it must not be ruled out. As a result, dividends from the Company will derive from collections of dividends from its Subsidiaries which are also obliged by their Articles of Associations to distribute 100% of the profit generated during each fiscal year after fulfilling legal obligations they are subject to, in particular with regards to the constitution of the legal reserve.

### *2.3. Approval or payment of dividends*

Payment of dividends will depend on various factors, including satisfactory business management and good operating income, as well as the possible limitations of any future financing agreements.

### *2.4. Projections and estimates*

The Company relies on projections and estimates developed by the Company or third parties mandated by the Company concerning the performance of its financial investments and of real estate portfolios of the Subsidiaries and with respect to returns on the Shares. Projections are forward-looking statements and are based on various assumptions. Estimates rely on such projections. Actual results are difficult to predict and as they are beyond the Company's control they may differ from those assumed. Changes in interest rates, business, market, financial or legal conditions and further aspects as discussed in this section "Risk Factors" on page 10 might cause actual results to differ materially from those included in any forward-looking statements. Accordingly, there can be no assurance that actual results will not be materially different than the projection on which the Company relies.

## 3. Risks relating to the Admission

### *3.1. Shares for subsequent sale*

The controlling Shareholders of the Company are not bound by any contractual obligation to maintain the percentage of their share holdings. However, the Company is family owned and it is not excluded that the controlling and other major Shareholders will acquire more Shares which can affect the liquidity of Shares. In particular, unless the agreement to which it is referred on page 27 entered into between COGEIN S.L., which is a major Shareholder of the Company and JP Morgan Suisse SA and hedged by J.P. Morgan Securities Ltd. is terminated prior to its maturity date by a settlement in cash, COGEIN S.L. will acquire the Shares of the Company currently held by J.P. Morgan Securities Ltd. at the occasion of the physical settlement of the agreement on its maturity date.

Furthermore, such could affect the ability of Investors to exercise influence decisions adopted by the Shareholders' Meetings of the Company.

### *3.2. Market for the Shares*

The Shares have not yet been admitted for trading on stock markets.

There has been no prior public trading market for the ordinary Shares, and an active trading market may not develop or be sustained in the future.

Although the Company has made a request for its Shares to be admitted for trading on the Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange, there is no assurance that there will be any market for them there, or the level of liquidity of this market. Any delay in the initiation of stock market trading would deprive these Shares of market liquidity, making it harder for Investors to sell them.

The initial price of the Shares has been set by the Company in accordance to the valuation of real estate assets belonging to the Subsidiaries and the major Shareholders, and may not be indicative of the prices at which they will trade on the market. The price has been set at 60.10 EUR. This price involves the totality of the Shares giving as result a stock market capitalisation or market value of 267,624,338 EUR according to the consolidated results of the Subsidiaries on September 30, 2011, produced in line with international financial information regulations.

*3.3. Liquidity*

The Company cannot ensure that the Admission will provide adequate liquidity for listed Shares. Thus, there is a material risk that despite the Admission the Investors will be investing in an illiquid asset.

Future sales of Shares in the public market could cause the price of Shares to fall.

*3.4. Valuation differential*

The Company cannot ensure that the market price of the Shares will reflect their fair value. Generally, the market price of shares of listed companies may vary substantially from such value because of a lack of liquidity or other reasons.

Any dividend payments will be announced in euro and any Investor whose principal currency is not the euro will be subject to exchange rate fluctuations.

*3.5. Stock market volatility*

Share prices can be subject to volatility. The initial price of the Shares may not be indicative of later prevailing market listing prices. Factors such as the evolution of the Company's operating income, negative publicity, changes in the recommendations of stock market analysts, global financial market conditions, securities or in the sectors that the Company operates in could all have a significant negative impact on the listing price of the Shares.

*3.6. Revocation of the listing and admission to trading of the Share*

The Shares are expected to be listed on December 21, 2011. Should the Shares not be officially listed on the Official List of Luxembourg Stock Exchange or included in the Stock Market Interconnection System by December 21, 2011, the Admission will be considered revoked.

Furthermore, should the Shares not be listed on December 31, 2011, the Company and Subsidiaries would lose automatically the benefit of the special tax regime applicable to real estate investment trusts as described under point 1.28 above. Since January 1, 2009, the Subsidiaries benefit from such tax regime while they had to meet the requirement of said Spanish Law 11/2009 to be listed on a regulated market at the latest for December 31, 2011. As a result, if the Shares are not be officially traded on the regulated market of the Luxembourg Stock Exchange, the Subsidiaries would be deemed to have been taxed at the normal rate of 30 % instead of the 19 % that was actually applicable and they would have to reimburse the gain made under said special tax regime applicable to real estate investment trusts. Such would have a significant negative impact on the value of the Shares.

In order to partially prevent such negative impact, the current Shareholders of the Company as listed in page 69, have taken the engagement to indemnify directly the Subsidiaries with an amount equivalent to the net increased tax liability, including any applicable late-payment interest, surcharges and penalties the Subsidiaries would incur following to the lost of the special tax regime applicable to real estate investment trusts.

EVENTHOUGH THE FOREGOING RISK FACTORS ARE DEEMED TO BE EXHAUSTIVE, THEY DO NOT PURPORT TO BE A COMPLETE EXAMINATION OF CONSIDERATIONS INVOLVED IN INVESTING IN THE COMPANY. PROSPECTIVE INVESTORS SHOULD READ THIS ENTIRE PROSPECTUS AND CONSULT WITH THEIR OWN LEGAL, TAX AND FINANCIAL ADVISERS BEFORE DECIDING TO INVEST IN THE COMPANY.

# III. SELECTED FINANCIAL INFORMATION

The following table presents relevant selected financial and other operating data for the Company and should be read in conjunction with the Company's financial statements which are attached to this Prospectus as Appendix 3.

## 1. Opening Balance of the Company

Given that the Company was incorporated on December 1st, 2011 it is a new company with no historic financial information. When the financial information inserted in the Prospectus is referred to **"SAINT CROIX HOLDING IMMOBILIER, SOCIÉTÉ ANONYME"** (the Company), it has been drawn up in accordance with International Financial Reporting Standards (IFRS). Nevertheless, given the lack of historical financial information as explained above, as well as the origin of the company (a contribution in kind operation see hereunder p. 54), the opening balance sheet of the Company will be presented under global consolidation criteria given that the Company, as an individual company, only has 100% of the shares of two Spanish companies fully dedicated to real estate activity. In this respect, the Company presents the information on consolidated basis in order to allow a more in depth understanding of the assets and liabilities of the Company.

The consolidated opening balance sheet of the Company under global consolidation basis and criteria at the date of its incorporation is as follows: (figures are expressed in euro)

| ASSETS | OPENING BALANCE |
|---|---|
| **FIXED ASSETS** | **227,440,517** |
| Investment in Subsidiaries | 227,440,517 |
| **TOTAL ASSETS** | **227,440,517** |

| EQUITY AND LIABILITIES | OPENING BALANCE |
|---|---|
| **EQUITY** | **227,433,517** |
| ***SHAREHOLDERS' EQUITY-*** | |
| Share capital | 227,440,517 |
| Loss at Incorporation | -7,000 |
| **CURRENT LIABILITIES** | **7,000** |
| Other creditors | 7,000 |
| **TOTAL EQUITY AND LIABILITIES** | **227,440,517** |

## 2. Historical Selected Financial Information

The financial information (opening balance sheet shown above) is the result of considering the following premises:

- Global consolidation of two Spanish companies (the Subsidiaries) in which the Company owns the 100% of the shares. This consolidated information has been prepared at September 30, 2011 under IFRS criteria;

- The Subsidiaries incorporated in 2009 present and register their annual accounts under local Spanish GAAP;

- Historical information of the Subsidiaries is referred for two financial years (December 2009 and December 2010);

- As Subsidiaries Financial Information has been drawn up in accordance with Local Spanish GAAP, no unrealized capital gains are considered in its financial information although updated valuations of the real estate assets have been preformed each financial year in order to update the valuations of its assets according to a conservative criteria, i.e. the lowest value between net cost and market value.

The following tables set out selected combined financial and operating information of the Subsidiaries for the financial years ended December 31, 2009 and 2010, and the first nine months of the financial year 2011 (until September 30, 2011). All these figures have been audited. For comparison purposes, we have also included the unaudited figures as of September 30, 2010. At date of this Prospectus, several adjustments have been included in order to show a fair image of the company at its incorporation. The adjustments are explained at the end of this Section, under point 3.

***Income statement data (*in EUR)**

| | **December 31, 2009** | **September 30, 2010** | **December 31, 2010** | **September 30, 2011** |
|---|---|---|---|---|
| **CONTINUING OPERATIONS** | | | | |
| Revenue | 12,628,839 | 15,874,947 | 20,531,933 | 14,794,659 |
| Procurements | - | -950,159 | -1,298,101 | -816,365 |
| Staff costs | - | -1,737,721 | -2,579,433 | -1,287,711 |
| Other operating expenses | -541,632 | -1,690,490 | -2,044,242 | -1,113,614 |
| Depreciation, amortisation charge and impairment and gain/(loss) on disposal of fixed assets | -3,862,257 | -3,895,339 | -5,945,659 | -8,037,163 |
| Allocation to profit or loss of grants | 171,883 | 128,913 | 171,883 | 128,913 |
| **PROFIT FROM OPERATIONS** | **8,396,833** | **7,730,151** | **8,836,381** | **3,668,719** |
| Finance income | 31,969 | 373,697 | 430,130 | 594,275 |
| Finance costs | - | -9,765 | -54 | -43,247 |
| **FINANCIAL PROFIT** | **31,969** | **363,932** | **430,076** | **551,028** |
| **PROFIT BEFORE TAX** | **8,428,802** | **8,094,083** | **9,266,457** | **4,219,747** |
| Income tax | -1,041,457 | -1,046,789 | -1,333,179 | -545,730 |
| **PROFIT FOR THE PERIOD** | **7,387,345** | **7,047,294** | **7,933,278** | **3,674,017** |

***EBITDA reconciliation data (*in EUR)**

| | **December 31, 2009** | **September 30, 2010** | **December 31, 2010** | **September 30, 2011** |
|---|---|---|---|---|
| **PROFIT FOR THE PERIOD** | **7,387,345** | **7,047,294** | **7,933,278** | **3,674,017** |
| Depreciation and amortisation charge | 3,862,257 | 3,895,339 | 5,945,659 | 8,037,163 |
| Allocation to profit or loss of grants | -171,883 | -128,913 | -171,883 | -128,913 |
| **EBITDA** | **11,077,719** | **10,813,720** | **13,707,054** | **11,582,267** |
| **EBITDA margin** | **87.72%** | **68,12%** | **66,76%** | **78.29%** |

EBITDA is defined as operating profit/(loss) before depreciation and amortization, gains/losses on sale of property, plant and equipment and intangible assets and revaluation gains/losses on property, plant and equipment recognized in income statement. EBITDA provides additional performance measure to show effects of the Company's operations which are difficult to recognize directly from the combined financial statements. EBITDA calculations have not been subject to separate auditor's review although items used for calculation of EBITDA have been derived from the audited or reviewed combined financial statements. This measure should not be considered alone or as an alternative to net profit for the period or other data presented in combined financial statements as indicators of financial performance. EBITDA measure is not determined in accordance with generally accepted accounting principles, and thus is susceptible to varying calculations.

***Balance Sheet data (*in EUR)**

| | December 31, 2009 | September 30, 2010 | December 31, 2010 | September 30, 2011 |
|---|---|---|---|---|
| Total assets | 222,584,564 | 229,116,743 | 228,,454,,485 | 227,748,329 |
| Total equity | 219,087,553 | 220,348,975 | 221,234,958 | 221,496,323 |
| Total non-current liabilities | 2,223,887 | 3,419,178 | 3,369,939 | 3,162,587 |
| Total current liabilities | 1,273,124 | 5,348,590 | 3,849,588 | 3,089,419 |
| Loans and borrowings, non-current | - | - | - | - |
| Loans and borrowings, current | - | - | - | - |
| Cash and cash equivalents | - | 1,044,093 | 226,345 | 781,239 |

***Cash Flow data (*in EUR)**

| | December 31, 2009 | September 30, 2010 | December 31, 2010 | September 30, 2011 |
|---|---|---|---|---|
| Net cash flows from operating activities | 11,077,719 | 10,823,485 | 13,707,108 | 11,582,267 |
| Net cash flows from/(used in) financing activities | -1,583,089 | -5,425,159 | -7,254,955 | -3,212,392 |
| Net increase in cash and cash equivalents (1) | 10,285,689 | 1,097,094 | 11,536,181 | 1,498,386 |

(1) It includes “Cash and cash equivalent” as well as “Investments in group companies and associates”, “Non-current financial assets” and “Other financial investments” As of September 30, 2011. For a better understanding of the selected financial information, the aggregate and historical financial information of the Subsidiaries are expressed in Spanish Local GAAP and since its incorporation in 2009 is shown as follows:

*2.1. Financial Information as of December 31, 2009 (in EUR)*

| ASSETS | CIBRA | CIRU | AGGREGATE |
|---|---|---|---|
| **NON-CURRENT ASSETS** | **110,992,089** | **107,131,551** | **218,123,640** |
| Investment property | 100,706,400 | 107,131,551 | 207,837,951 |
| Investments in group companies and associates | 10,270,359 | - | 10,270,359 |
| Non-current financial assets | 15,330 | - | 15,330 |
| **CURRENT ASSETS** | **-** | **4,460,924** | **4,460,924** |
| Inventories | - | - | - |
| Trade and other receivables | - | 4,460,924 | 4,460,924 |
| Accounts receivable from public authorities | - | - | - |
| Investments in group companies and associates | - | - | - |
| Cash and cash equivalents | - | - | - |
| **TOTAL ASSETS** | **110,992,089** | **111,592,475** | **222,584,564** |

| EQUITY AND LIABILITIES | CIBRA | CIRU | AGGREGATE |
|---|---|---|---|
| | | | |
| **EQUITY** | **108,159,277** | **110,928,276** | **219,087,553** |
| ***SHAREHOLDERS' EQUITY-*** | | | |
| Share capital | 103,840,000 | 107,860,208 | 211,700,208 |
| Reserves | - | - | - |
| Profit for the period | 4,319,277 | 3,068,068 | 7,387,345 |
| **NON-CURRENT LIABILITIES** | **2,223,887** | **-** | **2,223,887** |
| Grants related to assets | 1,513,239 | - | 1,513,239 |
| Other non-current liabilities | 710,648 | - | 710,648 |
| **CURRENT LIABILITIES** | **608,925** | **664,199** | **1,273,124** |
| Current payables to group companies and associates | - | - | - |
| Trade and other payables | - | 231,667 | 231,667 |
| Accounts payable to public authorities | 608,925 | 432,532 | 1,041,457 |
| **TOTAL EQUITY AND LIABILITIES** | **110,992,089** | **111,592,475** | **222,584,564** |

| PROFIT AND LOSS ACCOUNT | CIBRA | CIRU | AGGREGATE |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Revenue | 8,330,507 | 4,298,332 | 12,628,839 |
| Procurements | - | - | - |
| Staff costs | - | - | - |
| Other operating expenses | -472,557 | -69,075 | -541,632 |
| Depreciation and amortisation charge | -3,133,600 | -728,657 | -3,862,257 |
| Allocation to profit or loss of grants | 171,883 | - | 171,883 |
| **PROFIT FROM OPERATIONS** | **4,896,233** | **3,500,600** | **8,396,833** |
| Finance income | 31,969 | - | 31,969 |
| Finance costs | - | - | - |
| **FINANCIAL PROFIT** | **31,969** | **-** | **31,969** |
| **PROFIT BEFORE TAX** | **4,928,202** | **3,500,600** | **8,428,802** |
| Income tax | -608,925 | -432,532 | -1,041,457 |
| **PROFIT FOR THE PERIOD** | **4,319,277** | **3,068,068** | **7,387,345** |

*2.2. Financial Information as of December 31, 2010 (in EUR)*

| ASSETS | CIBRA | CIRU | AGGREGATE |
|---|---|---|---|
| | | | |
| **NON-CURRENT ASSETS** | **112,137,918** | **106,124,972** | **218,262,890** |
| Investment property | 100,099,311 | 105,081,582 | 205,180,893 |
| Investments in group companies and associates | 12,023,277 | 1,043,390 | 13,066,667 |
| Non-current financial assets | 15,330 | - | 15,330 |
| **CURRENT ASSETS** | **1,445,437** | **8,746,158** | **10,191,595** |
| Inventories | 62,896 | - | 62,896 |
| Trade and other receivables | 1,150,179 | 209,128 | 1,359,307 |
| Accounts receivable from public authorities | 29,519 | - | 29,519 |
| Investments in group companies and associates | 1,320 | 8,512,208 | 8,513,528 |

| | | | |
|---|---|---|---|
| Cash and cash equivalents | 201,523 | 24,822 | 226,345 |
| **TOTAL ASSETS** | **113,583,355** | **114,871,130** | **228,454,485** |

| EQUITY AND LIABILITIES | CIBRA | CIRU | AGGREGATE |
|---|---|---|---|
| | | | |
| **EQUITY** | **108,769,675** | **112,465,283** | **221,234,958** |
| ***SHAREHOLDERS' EQUITY-*** | | | |
| Share capital | 103,840,000 | 107,860,208 | 211,700,208 |
| Reserves | 936,358 | 665,114 | 1,601,472 |
| Profit for the period | 3,993,317 | 3,939,961 | 7,933,278 |
| **NON-CURRENT LIABILITIES** | **2,048,569** | **1,321,370** | **3,369,939** |
| Grants related to assets | 1,611,809 | 1,321,370 | 2,933,179 |
| Other non-current liabilities | 436,760 | **-** | 436,760 |
| **CURRENT LIABILITIES** | **2,765,111** | **1,084,477** | **3,849,588** |
| Current payables to group companies and associates | 1,505,762 | - | 1,505,762 |
| Trade and other payables | 1,144,410 | 12,363 | 1,156,773 |
| Accounts payable to public authorities | 114,939 | 1,072,114 | 1,187,053 |
| **TOTAL EQUITY AND LIABILITIES** | **113,583,355** | **114,871,130** | **228,454,485** |

| PROFIT AND LOSS ACCOUNT | CIBRA | CIRU | AGGREGATE |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Revenue | 13,662,771 | 6,869,162 | 20,531,933 |
| Procurements | -1,298,101 | - | -1,298,101 |
| Staff costs | -2,499,515 | -79,918 | -2,579,433 |
| Other operating expenses | -1,868,270 | -175,972 | -2,044,242 |
| Depreciation and amortisation charge | -3,895,691 | -2,049,968 | -5,945,659 |
| Allocation to profit or loss of grants | 171,883 | - | 171,883 |
| **PROFIT FROM OPERATIONS** | **4,273,077** | **4,563,304** | **8,836,381** |
| Finance income | 313,435 | 116,695 | 430,130 |
| Finance costs | -36 | -18 | -54 |
| **FINANCIAL PROFIT** | **313,399** | **116,677** | **430,076** |
| **PROFIT BEFORE TAX** | **4,586,476** | **4,679,981** | **9,266,457** |
| Income tax | -593,159 | -740,020 | -1,333,179 |
| **PROFIT FOR THE PERIOD** | **3,993,317** | **3,939,961** | **7,933,278** |

The historical financial information shown above concerning the Subsidiaries has been duly audited every year by DELOITTE, S.L. (Madrid – Spain) in the case of CIBRA and M.R. AUDITORES, S.L. (Madrid – Spain) in the case of CIRU. The two audit firms have issued with regards to the Subsidiaries unqualified audit reports for the financial years 2009 and 2010.

## 3. Financial Information as of September 30, 2011 and reconciliation between Spanish Local GAAP and IFRS

The Subsidiaries have elaborated new interim financial statements under International Financial Reporting Standards as adopted by the European Union as of September 30, 2011. It means that the individual as well as the aggregate balance sheet of the Subsidiaries do not take into consideration any positive effect arising from the valuations of its real estate assets. As a result, no unrealized capital gain has been taken into consideration. This interim financial statements have been duly audited by DELOITTE, S.L. (Madrid - Spain) issuing both unqualified audit reports dated November 2, 2011.

The individual audited financial statements of the Subsidiaries on September 30, 2011, as well as the aggregate ones, are as follows (in EUR):

| ASSETS | CIBRA | CIRU | AGGREGATE |
|---|---|---|---|
| | | | |
| **NON-CURRENT ASSETS** | **111.132.218** | **104,507,738** | **215,639,956** |
| Investment property | 97.605.394 | 103,427,057 | 201,032,451 |
| Investments in group companies and associates | 13.526.524 | | 13,526,524 |
| Non-current financial assets | 300 | 1,080,681 | 1,080,981 |
| **CURRENT ASSETS** | **3.836.926** | **8,271,447** | **12,108,373** |
| Trade and other receivables | 3.095.732 | 186 | 3,095,918 |
| Accounts receivable from public authorities | - | 299,704 | 299,704 |
| Investments in group companies, associates and related parties | 1.320 | 7,929,257 | 7,930,577 |
| Other current inancial assets | - | 935 | 935 |
| Cash and cash equivalents | 739.874 | 41,365 | 781,239 |
| **TOTAL ASSETS** | **114.969.144** | **112,779,185** | **227,748,329** |

| EQUITY AND LIABILITIES | CIBRA | CIRU | AGGREGATE |
|---|---|---|---|
| | | | |
| **EQUITY** | **111.901.795** | **109,594,528** | **221,496,323** |
| ***SHAREHOLDERS' EQUITY-*** | | | |
| Share capital | 106.600.000 | 107,860,208 | 214,460,208 |
| Reserves | 1.807.788 | 1,554,310 | 3,362,098 |
| Profit for the period | 3.494.007 | 180,010 | 3,674,017 |
| **NON-CURRENT LIABILITIES** | **1.914.384** | **1,248,203** | **3,162,587** |
| Grants related to assets | 1.860.975 | - | 1,860,975 |
| Other non-current liabilities | 53.409 | 1,248,203 | 1,301,612 |
| **CURRENT LIABILITIES** | **1.152.965** | **1,936,454** | **3,089,419** |
| Current payables to related parties | 969 | - | 969 |
| Trade and other payables | 206.356 | 1,932,859 | 2,139,215 |
| Accounts payable to public authorities | 945.640 | 3,595 | 949,235 |
| **TOTAL EQUITY AND LIABILITIES** | **114.969.144** | **112,779,185** | **227,748,329** |

In addition, in order to elaborate the financial proforma information of the Company (opening balance), some adjustments have been included in the aggregate figures that give as result a positive adjustment in the share capital of the Company amounting to EUR 53,116,832. The details of the mentioned adjustments are as follows:

- The share capital, before the immediate capital increase, amounts to 227,440,517 EUR represented by 3,784,368 Shares fully subscribed by a contribution in kind operation of 60.10 EUR each, all of the same class and carrying the same rights and obligations. After the immediate capital increase (new cash inflows) for the amount of 40,136,523 EUR through the issuance of 667,829 new Shares of 60.10 EUR each, the Company's share capital amounts to 267,577,040 EUR represented by 4,452,197 Shares of 60.10 EUR par value each, all of the same class and carrying the same rights and obligations.

- A provision for the cost for a total amount of 365,000 EUR to be incurred in relation to the issuing cost and transaction cost in terms of the equity transaction (which include the listing in the Luxembourg Stock Exchange and the incorporation of the Company) has been accounted for as a deduction from equity.

- Given that the consolidated pro forma financial statements of the Company are based on the interim financial statements of the Subsidiaries as of September 30, 2011, the mentioned interim financial statements include a nine months period ending on September 30, 2011 of income statements plus the retained earnings (for 2009 and 2010) of both Subsidiaries. The assumption related to the inception date is September 30, 2011.

All the above adjustments have been included as follows in order to calculate the pro forma financial information of the Company (in EUR):

| ASSETS | AGGREGATE | ASSETS ADJUSTMENT | PRO FORMA GROUP |
|---|---|---|---|
| | | | |
| **NON-CURRENT ASSETS** | **215,639,956** | | **215,639,956** |
| Investment property | 201,032,451 | | 201,032,451 |
| Investments in group companies and associates | 13,526,524 | - | 13,526,524 |
| Non-current financial assets | 1,080,981 | - | 1,080,981 |
| **CURRENT ASSETS** | **12,108,373** | **40,136,523** | **52,244,896** |
| Trade and other receivables | 3,095,918 | - | 3,095,918 |
| Accounts receivable from public authorities | 299,704 | - | 299,704 |
| Investments in group companies, associates and related parties | 7,930,577 | - | 7,930,577 |
| Other current financial assets | 935 | - | 935 |
| Cash and cash equivalents | 781,239 | 40,136,523 | 40,917,762 |
| **TOTAL ASSETS** | **227,748,329** | **40,136,523** | **267,884,852** |

| EQUITY AND LIABILITIES | AGGREGATE | ASSETS ADJUSTMENT (*) | PRO FORMA GROUP |
|---|---|---|---|
| | | | |
| **EQUITY** | **221,496,323** | **39,771,523** | **261,267,846** |
| ***SHAREHOLDERS' EQUITY-*** | | | |
| Share capital | 214,460,208 | 53,116,832 | 267,577,040 |
| Reserves | 3,362,098 | -13,345,309 | -9,983,211 |
| Profit for the period | 3,674,017 | | 3,674,017 |
| **NON-CURRENT LIABILITIES** | **3,162,587** | | **3,162,587** |
| Grants related to assets | 1,860,975 | - | 1,860,975 |
| Other non-current liabilities | 1,301,612 | - | 1,301,612 |
| **CURRENT LIABILITIES** | **3,089,419** | **365,000** | **3,454,419** |
| Current payables to related parties | 969 | - | 969 |
| Trade and other payables | 2,139,215 | 365,000 | 2,504,215 |
| Accounts payable to public authorities | 949,235 | - | 949,235 |
| **TOTAL EQUITY AND LIABILITIES** | **227,748,329** | **47,474,943** | **267,884,852** |

The Company will present consolidated financial information under IFRS.

# IV. LISTING AND ADMISSION TO TRADING

## 1. General information

At the time of its incorporation, the Company's share capital was represented by 3,784,368 Shares. The Shares of the Company are currently not traded on any regulated market. The Shares are expressed in Euros.

On December 19, 2011, the Board has decided to increase the share capital with an amount of 40,136,523 EUR through the issuance of 667,829 new Shares with a nominal value of 60.10 EUR.

Such capital increase has been offered for subscription to existing Shareholders and external Shareholders approached for this purpose by the Company. Some of the founders or existing Shareholders have waived their rights for subscription of new Shares but two of them, PROMOCIONES Y CONSTRUCCIONES PYC PRYCONSA, S.A. and COGEIN, S.L. will subscribe part of the capital increase (23,926,050.40 EUR). New investors have been searched by the Company directly and will subscribe the rest of the capital increase (16,210,472.50 EUR).

An agreement has been concluded between COGEIN S.L., which is a major Shareholder of the Company, and JP Morgan Suisse SA and hedged by J.P. Morgan Securities Ltd. pursuant to which J.P. Morgan Securities Ltd. became a Shareholder of the Company. Under this agreement, J.P. Morgan Securities Ltd. is the owner of 222,544 Shares and can use the Shares in its sole discretion. Upon maturity of this agreement in December 2016 unless the agreement has been terminated early through a settlement in cash, the agreement will be settled by a physical delivery of the Shares currently owned by J.P. Morgan Securities Ltd. to COGEIN S.L.

As a result, the Shares have been subscribed as follows:

- 23,926,050.40 EUR by PROMOCIONES Y CONSTRUCCIONES PYC PRYCONSA, S.A. (8,835,781.80 EUR) and COGEIN, S.L. (15,090,268.60 EUR);
- 13,374,894.40 EUR by J.P. Morgan Securities Ltd;
- 2,835,578.10 EUR by other Investors.

As a result of the capital increase, the share capital of the Company amounts 267,577,039.70 EUR, represented by 4,452,197 Shares with a nominal value of 60.10 each as acknowledged by a notary deed of December 19, 2011. All Shares of the Company have been issued under Luxembourg laws.

The Shares, representing the entire share capital of the Company, are expected to be admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange. The Shares will be accepted for clearance through Euroclear and Clearstream under common code number 072069463. The ISIN code of the Shares of the Company is LU0720694636 and the CBL long name SHS SAINTCROIX HOLDING IMMOBILIER S.A.

The Prospectus, and any supplements to the Prospectus, will be published on the website of the Company www.saintcroixhi.com, and on the website of the Luxembourg Stock Exchange www.bourse.lu.

Any notices relating to the offering will be filed with the CSSF and will be published on the website of the Company www.saintcroixhi.com. In addition, any notices relating to the offering which should be published in Luxembourg in accordance with Luxembourg law, shall be published on the website of the Luxembourg Stock Exchange www.bourse.lu or otherwise as required by Luxembourg law.

## 2. Expected timetable

The expected timetable below lists key dates relating to the Admission.

- Date at which the subscription for the new 667,829 Shares will be made is on December 19, 2011
- Issuance and Delivery Date on December 21, 2011
- Publication of Prospectus on or about December 21, 2011
- Listing Date on or about December 21, 2011

The Company may decide to change the above dates if it deems so necessary for the successful completion of the Admission. Information on any changes in the above dates shall be announced on the websites of the Company (www.saintcroixhi.com). Information on any change of the dates shall be published no later than on the originally set date.

**3. Placing, admission to trading and plan for distribution**

It is considered that the Shares of the Company are listed on the Official List, considering that the admission to trading is subject to the prior and required authorization from the Luxembourg authorities, for which the Company has made appropriate arrangements.

BNP PARIBAS SECURITIES SERVICES, Luxembourg Branch plays the role of custodian and principal paying agent.

On Issuance and Delivery Date, BNP PARIBAS SECURITIES SERVICES, Luxembourg Branch will deliver the Shares to the Investors through Euroclear and Clearstream.

The Company does not intend to enter into any underwriting agreements in connection with the Shares.

There is no transaction aiming at stabilization of the price of the Shares.

There are no lock-up agreements in relation to the Shares.

**4. Market**

The Shares will be traded solely on the regulated market of the Luxembourg Stock Exchange. At the date of issuance of this Prospectus, the Company does not intend to seek listing on any stock exchange other than the Official List of the Luxembourg Stock Exchange.

Any trades of the Shares on the regulated market of the Luxembourg Stock Exchange will be settled through the global system maintained by Clearstream Banking S.A., 42, av. J-F kennedy Luxembourg Grand Duchy of Luxembourg (“Clearstream”) and by Euroclear Bank S.A.IN.V., 1 Boulevard du Roi Albert II, B - 1210 Brussels, Belgium ("Euroclear"). BNP PARIBAS SECURITIES SERVICES, Luxembourg Branch will act as paying agent for these Shares.

The Company will apply for admission to trading on the Luxembourg Stock Exchange’s regulated market and for the listing of its Shares on the Official List of the Luxembourg Stock Exchange. The regulated market of the Luxembourg Stock Exchange is a regulated market for the purpose of the Markets in Financial Instruments Directive (MiFID Directive 2004/39/EC).

Shares on the Luxembourg Stock Exchange’s regulated market are traded, through financial institutions that are members of the Luxembourg Stock Exchange, on each trading day from 9:00 a.m. to 5:30 p.m. (CET), with a pre-opening session from 7:15 a.m. to 9:00 a.m. and a post-closing session from 5:30 p.m. to 5:35 p.m. (during which pre-opening and post-closing sessions trades are recorded but not executed until the opening auction at 9:00 a.m. and the closing auction at 5:35 p.m., respectively). In addition, from 5:35 p.m. to 5:40 p.m., trading can take place at the closing auction price.

The Luxembourg Stock Exchange may suspend trading in a company’s shares if purchases and sales recorded in the system would inevitably result in a price beyond a certain threshold, determined on the basis of a percentage fluctuation from a reference price. Once trading has commenced, suspensions for a reservation period of three minutes (subject to extension by the Luxembourg Stock Exchange) are possible if the price varies either by more than 5% from a reference price (for example, the opening auction price) or by more than 2.50% from the last trade on such securities. The Luxembourg Stock Exchange may also suspend trading of a security admitted to trading on the regulated market of the Luxembourg Stock Exchange in certain circumstances including the occurrence of unusual trading activity in a security. In addition, the CSSF, the Luxembourg securities regulator, may also require the Luxembourg Stock Exchange to suspend trading.

## 5. Payments on the Shares and currency of payment for the Shares

The Shares are all ordinary shares and are entitled to participate in the distribution of earnings and in liquidation surplus under the same conditions as the other Shares without any privileged. The Shares give to their holders the right to assist and vote at the General Meeting and to challenge social arrangements on the same basis as other Shareholders of the Company in accordance with the Articles.

Each Share gives right to one vote, without limit of maximum votes. Any Shareholder may be represented at the General Meeting by another person, even if such person is not a Shareholder.

The Company will declare any payment in respect of the Shares (including dividends) in Euros. All amounts payable by the Company in respect of the Shares will be paid in Euros. All payments by the Company will be made through a paying agent to the participants of Clearstream and Euroclear which will, in turn, distribute such amounts to their participants in accordance with their customary procedures.

The Company will pay all such amounts without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and described under the section "Taxation" on page 97 of this Prospectus. If any such deduction or withholding is required to be made, then the relevant payment will be made subject to such withholding or deduction. The Company will not pay any additional or further amounts in respect of amounts subject to such deduction or withholding. The Company expects that standing customer instructions and customary practices will govern payments by participants of Clearstream and Euroclear to holders.

# V. SECTOR ACTIVITY

The Company provides this section for information purpose only. The section has been established on the basis of sources to which it is specifically referred to. The Company is responsible for the content of this section as well as for the due references provided therein.

## 1. Market Overview

(*Source Richard Ellis – www.cbre.eu/emea_en/research/report_results - Global ViewPoint September 2011: August Angst: Its Impact on U.S. and European Real*)

### *1.1. Introduction*

Over the past months, we have seen many signs of distress in financial markets: heightened equity market volatility; sharp losses on European financials; a US$ dollar liquidity squeeze; massive inflows to, and sharp rises in the prices of, safe haven assets (whether gold, the Swiss Franc or U.S. and UK treasuries).

While it is tempting to approve the downgrading of U.S. sovereign debt as the prime cause of the most recent turbulence, the truth is that it was at most a last straw removed from an already shaky foundation. If we look at the pattern of the losses it's clear that four more fundamental issues were troubling markets: fears regarding the U.S., and therefore, world economic growth outlook; fears regarding the policy paralysis in response to the Eurozone fiscal crisis; an increasing fear that the book value of many, if not most major banks does not reflect their true, and perhaps very fragile, positions; and a persistent nervousness about whether a highly leveraged China will be able to sustain its reported growth rates in the face of global economic weakness.

Although the parallels are far from exact, it is unsurprising that in such a fevered atmosphere, certain market commentators have drawn parallels to the period shortly before the collapse of Lehman Brothers in 2008. Accordingly, we are taking this opportunity to briefly recap the issues affecting markets; the medium term impact on economic growth; and assess the likely impact on real estate investment.

### *1.2. A Tale of Two Markets*

The recent financial market volatility stems from a sudden realization that the outlook for the global economy is worse than it had previously been priced in. This was triggered by marked downward revisions to the U.S. Gross domestic product (hereinafter “GDP”) data and continued policy paralysis in the Eurozone.

### *1.3. The U.S.: A classic economic downturn*

On the outlook for U.S. growth, the significant news event was the unexpected and significant revision to the U.S. growth numbers by the NBER (the National Bureau of Economic Research). The NBER announced that a) the U.S. recession had been more severe than previously thought b) the recovery had been less impressive and c) that the U.S. economy was still smaller than its peak size in 2008.

Suddenly, it became clear to everyone why U.S. unemployment had remained so stubbornly high in the face of what had seemed to be impressive economic growth numbers. This makes sense. History tells us that recessions caused by balance sheet impairment (as opposed to an exogenous shock, such as a spike in oil prices) take on average six years to work through. Many had hoped that first quarter and second quarter of 2011 would have led to a sharp recovery but it seems that they only helped to facilitate the Fed's low interest rate policies by allowing the US Federal Reserve (hereinafter the “Fed”) to take a few trillion dollars of U.S. dollar denominated bonds onto its balance sheet that, had they gone to bid in the open market, would have surely caused upward pressure on interest rates.

With the high leverage levels of both the consumer and the U.S. government it makes great intuitive sense for the U.S. to be in a long haul slow return to trend. And if the U.S. economy is really much weaker than it had been previously thought – an economy driven by consumer spending, typically of imported goods – the outlook for the world's exporters is clearly worse than it had been previously thought. With that backdrop, the particularly sharp recent sell off in the equities of the exporting nations, Germany and Korea can be easily understood.

We predict that unless a program of serious debt forgiveness is enacted in the U.S. and the U.K. (at the least) then no actions by the government will ignite economic vibrancy and we will find ourselves stuck in a malaise not dissimilar from what Japan has been stuck in for more than two decades. Our best insights lead us to believe that such a program of debt forgiveness will indeed be enacted in some format and will likely revolve around home mortgage indebtedness.

*1.4. The Eurozone: A completely new kind of systemic crisis*

As for the Eurozone fiscal crisis, this is not an economic issue after all, the aggregate Eurozone public debt to GDP ratio and the budget deficit to GDP ratio are far below that in the U.S. and UK.

Rather, the crisis is a political issue: markets are losing patience with fragmented and reactive policy response from Eurozone policymakers. The problem here is that the Eurozone is a currency union between member states with differing economic structures and productivity rates. So too is the U.S., but these intra state inequalities are partially offset with a common federal tax base and heavy interstate subsidies. For the Euro to survive, the Eurozone will need to thus create a true fiscal union, or at least the mechanisms that approximate it (common tax rates – fiscal risk pooling in the form of Eurobonds). This is of course a massive political project, and one that comes in the teeth of opposition from the Northern European electorate that seems insensible of the fact that a new Deutsche Mark or Northern Euro would immediately appreciate markedly upon creation, killing off the export led recovery in that region.

If the Euro project is to be rescued through fiscal risk pooling, this will take bold political leadership and time, neither of which it seems are available in ample supply today.

Political leadership will be required to clearly articulate the risks of a breakup of the Euro to Northern members who are pining for their former monetary independence, but are insensible to the benefits their export led economies have reaped from a Euro that has been weaker than a Deutsche Mark or Northern Euro would have been. Leadership is also needed to convince the electorate in the Southern states why they should restore price competitiveness through a cut in real incomes rather than just a Euro exit and sharp devaluation of the New Drachma, Peseta etc. In both cases, the potential for political disruption through the rise of far right politics and social unrest/rioting respectively is very real, whether we look at recent riots in the UK and Spain. And in the latter case, the impact on property is immediate and clear, with the cleanup costs and rising insurance premiums affecting the decision to invest in metro areas where flare ups are more likely.

A Euro rescue will also take time. This is in sharp contrast to tackling a crisis in the U.S. or UK, where one can assemble key decision makers in a boardroom over a weekend and thrash out a deal. In Europe, each member state will have its own interests and electoral timetable to meet. In addition, the European Central Bank and European Union will have their own interests. Thus, even if all players were united in the best policy response, getting approval from all constituents (and if necessary ratifying legislation in national parliaments) is a protracted process. The problem is that financial market tolerance for a protracted and piecemeal route to a policy response is fading fast, given the environment of heightened sovereign risk pricing. Indeed, one could see the sharp fall in European equity markets, where politicians are seen to be vacillating, as being in direct contrast to the reprieve that the markets have thus far granted the U.K. who have had a firm policy response to their problems, despite looting in the streets.

Given the low probability of a quick and credible solution to the Euro crisis, it is no surprise to see European financial stocks punished in the markets. After all, they all have sizeable trading book and portfolio exposure to European sovereign bonds. And until that solution is presented, one should expect continued volatility. The European Central Bank has also been pressured into intervening in bond markets to keep Italian and Spanish bond yields below the crucial 7% mark, at which financing becomes unsustainable, and continues to take collateral of all grades onto its balance sheet in return for the wholesale funding that keeps Greece, Portugal and Ireland afloat. Note that these are two actions that the ECB is constitutionally forbidden to do, and which may lead to a collapse/bailout of the ECB itself. In other words, the rules of the game have changed, markets do not know what the new rules are and are understandably skittish.

*1.5. The U.S. and Europe: Commonalities and Differences*

In both the U.S. and European cases, the common themes are that markets are realizing that paying off the bad debts incurred in the 2000-2007 period will impair consumer and government spending for a protracted period of time, pulling down economic growth rates. Worse still, in both regions, political gridlock has put the pressure on central banks to mitigate some of the pain through an interminable supply of cheap money. This is a key difference between the current situation and 2008-2009. When Lehman Brothers went bust and the financial markets seized up, the bad debts sat in the private sector and the deleveraging was incredibly rapid and disruptive. But today the bad debts sit on the books of large multinational banks and the major developed market governments.

Accordingly, this crisis will not unfold in a post Lehman like massive deleveraging but in a “crisis of governments” that will unfold over years rather than months. This crisis is, in its basic form, a crisis of the welfare state, and will result in a reassessment of the implicit pact between citizens and governments in developed economies with worsening demographics. The expectations of what government’s role is, is thus being curtailed by harsh financial realities. The likely outcome has to be that a disappointed electorate adjusts its expectations to a new normal of limited provision of services and higher taxes. The low, but worrying, probability outcome is that they refuse to swallow this bitter pill resulting in widespread social unrest.

The contagion risk from each region operates very differently. The contagion risk from the U.S. operates via the real economy: a U.S. slowdown or recession impairs world trade volumes and thus economic growth, particularly in the world’s exporters (Germany, the Nordics, Asia). The contagion risk from Europe operates via the financial system. Continued policy paralysis and heightened sovereign risk pricing is putting European banks under stress because of the deteriorating quality of their collateral that has resulted in a liquidity squeeze that is raising funding costs (a “credit crunch”). To that end, insofar as the former looks more like a “classic” demand-led recession and the latter looks more like a “Lehman like” financial crisis, it is the Eurozone crisis that one ought to be more worried about, and fearful of its unintended consequences. Given the intertwined nature of the global financial community, it is difficult for any nation to fully insulate itself from this risk.

*1.6. Changes to the near term macroeconomic outlook*

Developed economy growth is likely to be substantially weaker as consumers go through a protracted balance sheet rebuilding exercise; bond market vigilantes prevent counter cyclical fiscal policy; weak U.S. growth filters into weak world trade volumes; and cash rich corporate are reluctant to invest. Emerging market growth is generally expected to be less affected, but history would imply otherwise as the U.S. remains a major market for EM exports. Experience in 2008 also suggests that even small emerging markets with good fundamentals, such as Poland, can see sharp capital infusions in times of financial stress. Japan remains a weak growth, deflationary economy. Commodity economies such as Australia, Norway, Canada and Brazil will see growth downgraded as lower commodity prices and demand feed into their economic growth numbers.

Developed economy inflation is likely to remain markedly higher than in the 2000-2007 period despite weak domestic demand, as central banks increase the quantity of money in the economy. This further erodes standards of living but has the beneficial impact of eroding outstanding public debt. (The exceptions to this rule are the severely fiscally challenged Eurozone countries enduring deflationary busts.) Emerging market inflation should continue to temper as commodity prices fall on weaker growth.

The immense pressure upon the governments to keep rates low should likely cause bond yields in the U.S. and UK to remain at multi decade lows on both the increased chance of second and third quarter of 2011, respectively, as well as safe haven buying. Bond yields in Germany are likely to remain at historic lows during the period of Eurozone policy gridlock. If and when fiscal risk pooling is agreed upon German bond yields are likely to rise to a new convergence level for the Eurozone as a whole. Bond yields in the weaker Eurozone member states will remain artificially suppressed by the ECB in the interim, but will likely come under pressure as bond investors periodically test the ECB's resolve.

With central banks artificially suppressing bond yields, the true economic weakness in the U.S. and UK will continue to be reflected in their currencies, and in the balance sheets of the governments and their newly co opted too big to fail banks. The Euro should remain strong until the ECB finally acts to loosen Eurozone monetary conditions. As a consequence, the Euro, like the Yen, could remain strong even in the face of a severe fiscal crisis, winning the "contest of the Uglies". The Swiss Franc is likely to remain strong on safe haven buying, despite Swiss National Bank intervention, raising the likelihood of the SNB adopting a Euro peg to finally end the damaging appreciation. The Renminbi is likely to continue its slow managed climb to fair value.

*1.7. The medium term economic & financial outlook*

The medium term economic risk is that the central bank monetary easing will succeed in generating inflation but will not stimulate growth, especially in countries where consumers are already indebted; are suffering from falling housing equity; and still fear for their jobs. This would result in 1970s style "stagflation" – a protracted period of high inflation that erodes living standards, and a stagnating economy where growth doesn't necessarily turn negative, but is never positive enough to generate a sustained recovery in employment, and property demand. This seems to be the situation into which the UK has fallen, and depending on the fiscal choices made by the U.S., could be the outcome there too.

The second economic risk applies to countries where the central bank is constrained from such activism and so the burden of the adjustment falls on fiscal policy. This is, at present, the case in the Eurozone, where the ECB cannot embark upon a programme of Quantitative Easing because it has no centralized treasury function, and where interest rates are still above zero. In this case, the burden of adjustment falls on fiscal policymakers to bring down the public debt to GDP ratio by cutting public spending and raising taxes. The problem is that these cuts also dampen economic growth, simultaneously hitting the numerator and the denominator of the debt to GDP ratio. As a result, fiscal austerity doesn't succeed. Rather, the economy falls into a deflationary bust, and social unrest increases. This seems to be the likely outcome in the Eurozone countries such as Greece, Portugal, Ireland, Italy, and Spain that are being forced to enact harsh austerity measures in exchange for bail-out funds.

The medium term options therefore boil down to a stagflationary purgatory or a deflationary bust. In both cases, investors misallocate capital in the desperate need for wealth preservation (under stagflation) or real yield (under both scenarios). In both scenarios, real standards of living erode, and the impact of cutting the public debt burden is to keep growth well below trend. In the former case, one at least knows how to kill off high inflation. In the latter case, as Japan testifies, there is no known solution.

*1.8. The likely impact on financial assets*

The medium term financial prognosis relates to the consequences of a protracted period of zero interest rate policy and quantitative easing as developed market central banks try to mitigate the impact of fiscal easing with cheap and plentiful money. By forcing down the price of bonds this is likely to create a misallocation of capital into higher yielding assets. And this is reflected in our expectation that prime property yields will be bid down to previous cyclical lows despite the weakness of underlying real estate fundamentals. We could see a similar boom in the prices of other high yielding assets, such as corporate bonds.

The second problem is that by turning on the proverbial printing presses, central banks have reduced investors' faith in the value of fiat money, resulting in a misallocation of capital into assets that are zero yielding, such as gold, fine wine, fine art, and arguably, once pricing on super prime property is competed high enough, assets in London, New York and Paris. These assets will be held because they are seen as a safer store of value than paper currency. The only exception appears to be the Swiss Franc, and it comes as no surprise to see the Swiss National Bank intervene in currency markets in attempt to mitigate the damaging impact of rapid Swiss Franc appreciation on this small open economy.

The risk here is that at the point when central banks believe that the risks of inflation and currency devaluation are greater than the risks of an economic downturn, they will stand down and allow interest rates to normalize, which will result in a dramatic fall in the value of alternative stores of value (including property).

*1.9. The immediate impact on real estate pricing and valuations*

The immediate impact on real estate pricing is very small given that directly held assets only crystallize a price in the event of a transaction, and investors will simply withdraw from the market. Indeed, the market for trading direct real estate in the summer months is always fairly thin, so it has not been possible to observe the impact other than in anecdotal evidence of certain deals being postponed, and buyers trying to ask for a last minute discount. The pricing of indirectly held assets has reacted far more quickly. Listed securities were instantaneously repriced, although this largely reflected the wider equity market slump than specific issues relating to the underlying portfolios. Property derivatives and units in unlisted funds saw a modest price adjustment, reflected in the discount on the offer price, although once again few transactions have been done to crystallize that change.

In terms of valuations, once again, the impact has yet to be felt as most direct assets are valued quarterly, if not annually. However, once those valuations are carried out, the deteriorating outlook for the economy could feed through in two ways. First, in the case of an actual deterioration in the cash flow, it could be through the tenant going bust or exercising a break resulting in a loss of income. Second, if the valuer reflects the weaker outlook for economic growth into softer assumptions for rental growth, void periods and lease renewal.

In the first case, it is probably too soon to see a renewed deterioration in economic growth feed into the leasing market. Moreover, with rental values already rebased in most markets it is arguable how much further they can fall. We are, therefore, more likely to see the impact in extended void period and a disappointment in forecasts for rental recoveries. This is of particular concern in the few parts of the market where investors had underwritten robust continued recoveries – such as the Central London office market – and green lit speculative developments on the back of that underwriting.

In the second case, valuations will be moved if there is transactional evidence. Given that there were a few debt driven deals in the developed market, the issue will not be an evaporation of debt, as in 2008, although debt is likely to remain scarce and expensive on a relative basis. Institutional equity investors, typically long term pension and life fund investors are unlikely to trigger sales, preferring to simply withdraw from the market and sit on their current portfolios. Accordingly, the thing that may trigger a widespread rerating of property valuations could be large redemptions from retail funds triggering forced sales, combined with reduced purchasing interest from REIT's whose lower stock prices translates directly into a higher cost of capital, or even a curtailment of new capital. In the U.S. we have also begun to see increased sales and recapitalizations of underwater loans by special servicers from legacy Commercial Mortgage-Backed Securities deals. This will also create some repricing pressures.

In an environment of increasing gloom but no major shock, such as a Lehman Brothers' style bank collapse, we would argue that such an outflow of retail money is unlikely. Indeed, as retail investors search for reliable cash flows at a premium to bonds, property could actually see net inflows. However, as we learned in 2008, in the event of a major market scare, retail investors will withdraw money from all asset classes and wait until the dust settles to reallocate. All correlations go to one, and the inherent attractions of property are washed aside in a generalized asset price rerating.

*1.10. The impact on real estate Investment Strategy*

In an environment of low developed market growth, high inflation, and low bond yields, where bank balance sheets remain impaired, and risk aversion is high, we see three major implications for real estate. In all cases these are reinforcements of trends we were already expecting but we now expect them to last longer and to be more exaggerated in effect.

*1.11. Wealth preserves*

First, extremely averse to risks investors looking for wealth preservation and a degree of currency diversification will continue to invest in "super-prime" properties with reliable cash flows in large, liquid markets. Given keenness in going yields, returns will not be high, but investors are paying a liquidity premium. Indeed, in an environment of heightened sovereign risk pricing, a blue chip corporate signature on a lease in a well located good quality asset is likely to trade at yields matching previous cyclical lows. These assets can typically be traded even in periods of few transactions and financial crisis, and tend to rebound in value before other parts of the market. Investors – especially those looking for "wealth preservation" will therefore be concentrating their allocations on "super-prime" fixed income substitutes and paying prices that return seeking investors cannot compete with. That being said, from a property fundamentals point of view, these investors are likely to allocate to precisely the most vulnerable types of property - Central Business District offices in major financial centres - which will be most at risk from further financial market disruption, particularly in the Eurozone.

*1.12. Core long term investors*

Second, long term investors looking for reliable income, but requiring a return to service, for example, pension payments, will continue to invest in prime (but not "super-prime") and good secondary assets. These assets will give investors access to a cash flow that is relatively secure thanks to the current lease, the quality of the tenant, but more importantly the fundamental relettability of the asset. And they will do so while providing a higher yield than available on bonds.

There are three types of investments that are ideal: multifamily housing, retail that caters to everyday rather than discretionary spending, and low risk mezzanine debt. Multifamily housing has two advantages. The first is structural: most mature markets are undersupplied with good quality, professionally managed multifamily housing because of historic incentives toward owner occupation. The second is cyclical: history shows that in periods where credit is scarce and expensive and in periods of monetary inflation and economic stress multifamily housing performs well.

Investing in retail requires extreme discrimination. Clearly in a consumer sector retrenchment certain types of retail will perform poorly. Assets catering to mid market retailers selling discretionary items in second tier towns are likely to see lower footfall and to suffer from rising voids as spending is concentrated in the most well provisioned and affluent metro areas. However, three types of retail assets have showed incredibly resilient performance. The first is grocery anchored retail centres that attract everyday shopping and are not reliant on discretionary spending. The second is out of town retail parks that offer retailers the opportunity to retail out of larger floor plates, and much cheaper rental levels than on the high street, and offer consumers greater parking provision. The third is prime regionally dominant shopping centres that have maintained very high occupancy rates and turnover through recessions by cannibalizing the catchment of surrounding second tier towns.

Finally, because of the general scarcity of debt capital in the loan to value strata junior to 55-60%, coupled with a growing demand for that level of debt capital, investors are seeing returns on debt that rival those traditionally targeted by investors in the riskier equity strategy. And, in a low growth economy, debt, rather than equity, seems especially compelling.

*1.13. Higher return seeking investors*

Higher return seeking investors historically have two options: either to go where the economic growth is; or to go where the financial distress is at its most severe. With global growth likely to be tame, distress will likely be the more rewarding of those two paths in this next period.

Opportunities that take advantage of distress could involve buying existing loans at a discount or providing rescue capital, often as preferred equity. These strategies have already proved lucrative over the past two years, allowing access to good quality product and managers, at high in going yields, with the potential for an equity kicker.

*1.14. Conclusions:*

(Source BBVA - www.bbvaresearch.com/KETD/fbin/mult/1108_Situacionespana_e_tcm346-265244.pdf?ts=13122011)
(Source OECD - www.oecd.org/country/0,3731,en_33873108_33873806_1_1_1_1_1,00.html)

***The Economic Outlook for Spain (source OECD and BBVA Research)***

Economic growth is projected to strengthen gradually, reaching 1% in 2011 and 1½ per cent in 2012, as the damping impact of downsizing in residential construction diminishes and the international environment improves. As growth picks up, the unemployment rate will fall slowly to around 19% by end 2012. Consumer price inflation will tend to fall, once the effect of rising energy and food prices and the increase in the VAT rates drop out.

The fiscal deficit is projected to decline from 9.2% of GDP in 2010 to 6.3% in 2011 and to 4.4%in 2012, mostly reflecting measures to lower spending. Some planned spending reductions in 2012 still need to be specified and the government should stand ready to introduce further measures if needed. To boost job creation, legal requirements on firms to apply collective bargaining outcomes negotiated at sector levels should be eased. The cost of dismissing workers on permanent contracts should be reduced further, moving closer to a unified contract.

The reforms currently underway are heading in the right direction, although they need to continue to roll out ambitious measures aimed at driving growth.

In Spain, the economy is characterized by frail domestic demand and rallying external demand. Economic growth will remain downbeat in the short-term. Forecasts point to growth of 0.9% in 2011 and close to 2% in 2012.

The immediate recapitalization of the financial system through an injection of private capital would increase its standing and credibility in comparison to international markets, while also enhancing efficiency within the system and easing existing pressures on Spanish public debt. In relation to the remaining reforms, the government has been correct to set specific deadlines and commitments for submitting proposals on a number of hugely important issues, including the changes required to the pension system and the collective bargaining process.

Global economic growth remains upbeat following the close of 2010, standing at 4.8%. It is expected to climb 4.4% in 2011 and in 2012.

According to the “Spain Economic Outlook” report, and following the extensive and effective implementation of expansive fiscal policies at the height of the current economic crisis, in 2010 the Spanish economy embarked on an ambitious project of fiscal consolidation.

This process picked up speed over the second half of 2010, in which the government introduced new discretionary measures and adopted a schedule of necessary structural reforms to correct some of the macroeconomic imbalances that had built up prior to and during the crisis.

Due to this, internal demand has been heavily affected by the shift in fiscal policy and, indirectly, by its effects on spending and investment habits of private agents. Nevertheless, Spanish exports have remained positive since the third quarter of 2009, and even improved in 2010 to help spur on economic recovery.

However, no abrupt short-term change in existing growth patterns for the Spanish economy is predicted. It is estimated that the economy will grow by roughly 0.9% in 2011, enough to generate employment for the first time since the beginning of the crisis, but not enough to have any significant bearing on unemployment figures. This is likely to change in 2012, when the economy reaches 2% growth.

The scenario envisaged poses risks, which will essentially depend on the advances made outside Spain to create viable institutions capable of guaranteeing a duly ordered solution to the current and future sovereign debt crises.

The Spanish government must, in the specific case of the Spanish economy, maintain the sense of urgency with which it has tackled the reform process over recent months. Not only is the nation meeting the objectives of budgetary stability as a whole, but it is also seeking to provide more information and transparency regarding the implementation of the budget across all levels of the government. Moreover, the Fiscal and Financial Policy Committee has already proved its worth by taking strong action against those regional governments that have strayed from their objectives.

In relation to the financial system, the measures are aimed at illustrating the overall solvency of the system, whose capital requirements are limited and can be met by the Spanish economy. The system is currently concentrated in a reduced number of financial institutions.

Furthermore, the increased transparency being demanded of real estate portfolios, alongside with the new stress tests being staged across Europe and the Spanish plan to strengthen the financial sector, which aims to help roll out more demanding capital requirements, a step in the right direction has been made which should help to clear up existing doubts shrouding an enclosed part of the Spanish financial system, provided they are implemented correctly and with due haste.

Immediate recapitalization through an inflow of private capital would make the Spanish economy more credible in comparison to international markets, while also enhancing efficiency within the system, and easing the pressure on Spanish public debt.

The agreement reached between the Spanish government and interest groups will help to improve the outlook and sustainability of the pensions system. Although there are marked similarities between the reform processes for the Spanish and German public pension systems, the Spanish system remains more generous.

According to “Spain Economic Outlook”, the reforms being made to the job market should help create stable and quality employment, while assuaging the concerns of workers and employers alike.

***The European Property Market Overview***

*(source Aberdeen Asset Management* - http://app.reportmail8.co.uk/files/3/aberdeen_global_property_market_outlook.pdf)

**Recent performance**

Investment volumes have started to increase, with 19 billion EUR transacted in Q1 2010. Nevertheless, investment volumes remain low, at just 50% of the four year quarterly average. Prime yields are falling in a growing number of markets, led by the UK, and followed by the more mature and liquid European markets, such as Germany, France and the Nordics. Southern Europe has also started to see some yield falls, although very weak economic performance is dampening investment demand, especially in Spain and Portugal. Across all sectors, prime units, let on long leases to financially robust tenants, are the main targets for investors. Investors remain cautious about property in non-prime locations, let to weaker tenants and with shorter leases.

**Offices**

Occupational demand remained weak across Europe. Vacancy rates continued to rise, although the pace has slowed sharply in the last quarter. Development levels have fallen dramatically across Europe, to some of the lowest levels in history, with bank funding for development remaining practically non-existent. Prime rents fell dramatically across Europe in 2009, although the pace of decline slowed sharply in 2010, with many markets now reporting that rents have stabilised. Rents in Paris and London are now starting to rise rapidly, particularly at the prime end, aided by strong take-up levels and falling availability.

**Retail**

Retail sales growth and consumer sentiment have improved in recent months, although they are still below their long term average. Prime shop rents declined by an average of 4% in the Euro zone in 2009 and further falls took place in 2010, albeit at a slower pace. The contraction of occupier demand has resulted in vacancy rates edging up across Europe.

Restricted supply conditions for the retail sector, in most markets, are likely to facilitate a rebound once consumer spending turns positive. Approximately 50% of the shopping centres planned for delivery across Europe in 2010 have been delayed or cancelled altogether, due to the tighter and more expensive lending environment.

**Outlook**

The outlook continued to gradually improve for the European property market, although the Greek debt crisis has weakened prospects for the smaller, more indebted markets. Prime capital values look set to continue rising over the remainder of the year, aided by the gradual emergence of the European economies from recession, and the sharp fall in equity and corporate bond yields over the previous 18 months. In 2011, the sluggish nature of the economic recovery and rising investor risk aversion, are expected to lead to upward pressure on property yields. For 2012 and thereafter, we project a gradual resumption of yield decline, aided by gradually improving occupier market conditions, and a strengthening of total returns.

The strongest total returns are projected to be in the Nordics, the UK and France. Russia is also expected to perform well, although it carries an exceptionally high level of risk.

Total returns have been boosted by high income returns and a substantial inward yield shift off a very high base. The weakest performers were Greece, Portugal, Italy and Hungary, hindered by weak economic growth, high and rising government debt and modest investment demand.

**Offices**

Office rental values are expected to continue to fall across Europe in 2010, although the pace of decline will continue to slow sharply over the remainder of the year. London will continue to lead the recovery in rental values, and indeed, prime rents have already increased by over 10% so far in 2010. Rental growth across Europe is expected to resume in 2011, albeit at a modest rate of 0.6% in the Euro zone. The huge reduction in development activity across Europe will aid the recovery of rental growth, particularly at the prime end of the market.

**Retail**

In the retail sector, rental levels in prime retail markets are already beginning to stabilise. However, rental growth will be slow to resume, as it requires a sustained recovery of employment markets. We expect only a modest recovery for consumer spending, due to high levels of debt. The outlook for retail rental growth is strongest in France and the Nordic countries, while southern and central Europe is projected to have the weakest prospects.

## 2. The Company's business

The Company and the Subsidiaries are very active in the real estate business, mainly focusing on Hotels, Offices and Retail activities:

### *2.1. Hotel market outlook (local)*

*(Source Richard Ellis - www.cbrehotels.com/NR)*

The hotel sector in major cities of Spain is in a phase and slow recovery. The basis of recovery in the demand extends to both the tourism sector and the business sector. This increase in some Spanish places is detrimental to a decrease in average prices. However, operating results in terms of revenue and profitability of the hotels have improved from 2009 showing the first green shoots of recovery in the sector.

The improvement in demand is accompanied by a predicted increase moderate range. This scenario provides a balance between supply and demand. However, despite this, the high sensitivity to current demand prices is expected to slow this growth while providing a sustainable value over time.

Investment volumes in the hotel sector have remained stable in 2010 over the previous year, a positive result considering the fall of 15% in the hotel sector investment property in Spain for the same period. However, the lack of adequate supply is common among almost all sectors.

***Stabilization in the sector***

In 2010, Spain reached a total of 268 million overnight stays, 6.8% more than in 2009, recovering a level similar to 2008. This improvement has been largely due to the recovery of the foreign demand, which has increased 9.5% over the previous year. In 2010 there were significant improvements in the number of overnight stays from the British market (+6.4) and Germany (+5.7%), which represents more than half of the overnight stays of foreigners in Spain, along with other minor quantitative relevance but most average expenditure, as Russia (+44,7%), USA (+17.3%) and Japan (+16.1%). This rise in demand has encouraged for the first time in the last ten years, in 2010 growth of the tourism sector (+1.0%) has exceeded that of the Spanish economy (-0.2%).

***Growth in urban destinations***

The surge in demand for both markets, home and abroad, was more intense in urban destinations than in vacation travellers.

The influx of travellers on the Spanish coast did not rebound as expected: the Canary Islands exceeded the average growth of Spain, while other destinations like the Balearic Islands, Costa Brava and Costa Blanca shared shy increases in overnight stays. The Costa del Sol was the relevant single vacation that came down the volume of overnight stays compared to 2009.

On the other hand, Madrid and Barcelona have been historical records in number of travellers and overnight stays in 2010. Other cities like Bilbao, Sevilla and Valencia have recovered levels of overnights like those before the crisis. In Madrid, an increase in leisure travel supported by the arrangement of some prestigious international events, coupled with a slight recovery business activity, has made the capital receipt substantial demand, never seen before, which has been welcomed by city hotel owners.

The number of travellers arriving in Madrid in 2010 was of 7.87 million, 9.0% more than in 2009. The number of overnight stays increased to a greater extent, a 10.7% more than in 2009 and 7.4% more than the previous annual maximum of 15 million in 2007. In addition, the average stay per visitor rose by 1.7% to stand at an average of 1.94 days.

The increase in arrivals was not translated completely to the airport activity of Barajas (Madrid), which had an increase of passenger numbers of 3.2% over 2009. This smaller increase was due mainly to the use of alternative ways of transport such as rail, mainly AVE (Alta Velocidad Española).

***Anti cyclical factors***

The city of Barcelona had a significant weight demand for leisure and a strong position as a destination "city breaks" which joined to the Business and Meeting Incentive Conventions and Exhibitions demand, appears to have a seasonally adjusted compared to the demand overnight stays in Madrid. The 78% of foreign overnight stays in Barcelona are to be compared with the 54% of those in Madrid (2010). It has allowed for 2010 to increase the number of overnights stays in a 20.75% to 15.1 million overnight stays, almost reaching for the first time in recorded history, the annual volume in Madrid.

The average stay in the city of Barcelona has increased in the last three years at an annual rate of 6.8% in 2010 reaching 2.34 days on average, higher than the annual rate in Madrid due to the climate that invites in July and August to enjoy longer stays.

Based on the accommodation category by tourists in the provinces of Madrid and Barcelona, there are a higher proportion of nights in 4 * hotels in Madrid than in Barcelona, and vice versa with the 3 *. The main reason is the travel purpose in each city: Madrid on business and Barcelona entertainment.

***More variety in categories***

In 2010, Hotels in Spain increased by 2.4% compared to 2009, an increase below the average growth in the past 5 years (3%). Difficulties in obtaining financing for new projects since two years ago, begins to be reflected in a rationalizing supply growth. Relatively to the national hotel sector per categories, segments 4 * and 3 * cover almost 80% of the total supply (41% and 38% respectively), followed by 2 * to 5 * 11% to 6%. Madrid hotel sector is composed mostly of hotels 4 *: 54% of the total supply. However, the proportion of hotels 4 * has declined slightly since 2000 due to the diversification and balance supply of the city. In Madrid, the growth of supply during this year has reached 3%, also below the average for the past 5 years, *i.e.* 4.3%. Of the 7 hotels opened this year, 6 belong to categories 4 * and a 5 *. It is planned to open 12 new hotels in the city until 2012, with 1425 new rooms.

As for the city of Barcelona, 2010 was the year of slower growth in supply in recent years, with a 2.7% increase of new rooms just to exceed 31,000 hotel rooms. The City currently has 31,776 rooms distributed to 328 hotels. The categories of 4 * and 3 * dominate the market with more than 75% of the market (50.96% and 24.99% respectively). Between 2007 and 2010 the 4* category hotel has been the highest constant growth (5.33%). More recently, in 2010 the 3* category hotel has grown 5.57% in its offer. Looking forward, it is expected that supply of new hotels in Barcelona will increase by 21 new hotels and 1,961 rooms to the end of 2012, 47% of them being a category 4 *.

***A highly dispersed market***

The hotel market in Spain is characterized for being highly fragmented in terms of supply, with the 5 largest operators controlling only 11% of the market. In total, 66.6% of the offer is owned by chains and 33.4% are independent hotels. Sol Meliá Hotels & Resorts is the leading hotel group with 3.54% of supply in terms of rooms, followed by NH Hoteles with 2.71%. Hotel chains have a slightly higher presence than the national average in Madrid with a 79% market share. In Barcelona, this data rises to 82.5% among which only 10.4% are controlled by foreign groups. Leaving this aside, the offer of the independent patrimonial model is being the preferred management model between hotel groups.

***Better results in the whole Europe***

The market outlook has significantly improved in Europe during 2010. According to an analysis conducted by STR Global (a benchmarking company dedicated to research), the top 20 European markets have seen an increase in their average occupancy. Additionally, more than half of them have got it by increasing their average prices. The main capitals like London, Paris and Berlin have recorded increases in average prices by 8.8%, 5.4% and 8.9% respectively.

***Increased demand but at lower prices***

In Spain, the situation has been different in terms of average prices. Although the average occupancy has improved by 3.8%, its average price has declined by 2.2%. This drop in prices has occurred in almost all regions. Catalonia has the highest decrease known.

Operators have had to implement aggressive strategies to capture demand and an increase in average occupancy has come due to the decrease of average prices. However, the cities of Madrid and Barcelona have experienced an increase in Revenue per Available Room (hereinafter RevPAR) of 8.3% and 10.7% respectively. In the case of Madrid, RevPAR improvement has occurred despite a 2.1% drop in average prices to 89.56 EUR. In 2010, average occupancy of the hotels in Madrid was 63.6%, 10.6% more than in 2009 but the average price data is still off, coming from a more serious fall in 2009 (- 17.5%). However, the reduction in prices has been the expected and revenues per room available (RevPAR) have increased to reach 56.95 euro.

In 2010, the average occupancy for Barcelona was 67.2%, 8.1% higher than 2009. This increase in occupancy together with the prices increased by 2.3% to reach 112.75 euro, has resulted in a RevPAR of 75.79 EUR.

***The investment approach in "prime product"***

In 2010, the volume of hotel transactions in Spain remained virtually unchanged from the previous year, reaching 475 million euro, closing the year with 21 operations in comparison with the 29 operations recorded in 2009. The main strategy hotel investment has been focused on very prime core assets operations, solid tenants and fixed rents. One of the most remarkable aspects of the investment in 2010 was the shift in demand towards higher categories. 5 * Hotels concentrated the 29% of investment in 2010 compared to only 14% in 2009. Furthermore, investment in urban hotels (71% of the total) has dominated in comparison to 50% in 2009. Because of this, the average price per room increased by 20.5% to 143.26 euro / room, reflecting improved asset quality and general increase of value in hotel investments.

The yields demanded by investors in general have stabilized in 2010 compared to 2009. The gap between the returns required for prime and secondary properties due to increasing and high interest for the first has been increased. The search for security has also been reflected with a greater number of operations of sale & leaseback, both in acquisitions and sales, retaining their exploitation through contracts lease. Examples of groups that have such disposals made in Spain are Sol Melia Hotels, Hotusa and Abba which has also conducted similar operations in London. NH has also divested properties outside Spain, although these sales have been implemented through management buyout back operations or Over the Counter Management (OTC management).

In addition to investing in prime products, there is an opportunistic demand profile in search of asset belonging to financial institutions undervalued because of their physical condition or management, even below their value replacement, in order to create new added value in the years to come.

The acquisition of hotel projects has significantly been reduced due to the preference for obtaining the cash flows at the purchase moment. There is only tangible demand for hotel projects in prime locations of Madrid and Barcelona, with the target of introducing new offer brands and international management teams with no significant presence in the Spanish hotel market. The entrance of these groups, which operate on contracts management, which are not very usual in Spain, might have a higher chance of penetrating in the coming years, as the Spanish channels are now cautious about providing fixed incomes.

***More flexible contracts***

The new lease contracts signed in 2010 present, in many cases, a large variable component. On the other hand, a significant number of management and franchising contracts have been signed, especially in urban assets with secondary locations or hotels for travellers. Contracts signed have generally been agreed without bank guarantees and the use of corporate guarantee has increased as a method for providing security on the payment of the rent.

***Leasing as a financial solution***

The access to real estate assets financing in general remains very complicated especially in the context of acquisition of new hotels. This is due to the greater uncertainty about their cash flows by the tendency to have more variable types of contract and it does require from financial institutions, a 'special expertise', reducing the range of those which might effectively provide the necessary financing.

During 2010, sales transactions that have been made more easily have been in those assets associated to an existing mortgage debt which has been subrogated to a new owner that has been accepted by the bank. The quality of good previous relationship of the investors with the banks generally makes easier the subrogation process. In addition, if the proportion of equity in comparison with the debts is strengthened, the probability of success in transactions is increased.

Loan to Value ratios for new debt is currently around 55% - 60%. In addition, there is an upward trend in the cost of financing (Spreads) that implies an increase of the required yield goals to be obtained in the investment process.

The real estate financing leasing and renting have been clear players in many of the operations closed; a trend that already has been seen since last year. These formulas differ from traditional bank financing. The bank is in this scenario the owner of the assets, and therefore risks can be taken admitting loan to value ratios up to 100% if the asset's cash flow allows it. Another positive characteristic of leasing contracts are the lower VAT periodic reimbursements due to postponement of the execution of the call option, implying a deferred VAT payment and a more flexible tax treatment.

***Perspectives***

- A continuity recovery is expected in the hotel demand for Spain, driven mainly by foreign demand. It is expected to see the first recoveries nationwide (average price) in the markets, since the occupation is high enough to allow hotels to boost the price without compromising its minimum return required. The hotels that work with clients on business and Meeting Incentives Conventions and Exhibitions segment are expected to get the first increases in rates since 2008.

- There is a high interest from international hotel groups to enter the Spanish hotel market, especially in the major Spanish cities such as Madrid and Barcelona. It is important to point out the potential growth of "low cost" and "express" hotel segments. It is expected to continue the slowdown in some hotel projects given the uncertainties of market and lack of funding.

- An important number of contracts are being renegotiated or are expected to be renegotiated. Due to the expected price falls, such renegotiations will lead to diminish the owners' incomes. It also identifies a growing trend towards models of management and leasing with a high variable component. This trend is reflected not only in the renegotiation process but also in the demands of the main national and international hotel groups.

- Within this scenario, where Hotel owners assume more operational risks, a higher control on assets is required as well as on the asset management that allow the operator and the owner to align their interests. Asset servicing Hotel Management is essential for owners who want to monitor and enhance the variables returns from the hotel and improve its value.

- In terms of investment, lack of funding and the imbalance between market demand for prime assets and secondary ones could be an obstacle to closing a higher volume of operations. On the other hand, it is expected that between 2011 and 2012, new prime assets might become active to market to meet the current demand after completion of the refinancing process now underway.

- An aggregation of the hotels by mergers, acquisitions and strategic alliances could be produced. The lack of liquidity, the need for reinvestment, the desire and / or the need for growth in critical mass and / or market share, obtaining strengthening synergies and positioning, among other things, make these operations an alternative to consider.

*2.2. Offices market outlook (local)*

*(Source Cushman & Wakefield* - www.cushwake.com/cwglobal/jsp/kcReportDetail.jsp*)*

***Overview***

Although Spain has shown tentative signs of economic improvement, with high unemployment and austerity measures underway, these shaky economic conditions have translated into a relatively static office market for 2011. Prime and secondary rents have decreased slightly in almost all submarkets, with the exception of Barcelona’s out of town submarket, which held firm. For both occupiers and investors, sentiment was largely cautious, which kept office activity relatively stable.

***Occupier focus***

Occupier activity varied between submarkets this year. In Barcelona, take-up figures were considerably high, reaching levels not witnessed since 2009. Additionally, leases continued to require longer time lengths to close. Therefore, there still may be some crucial deals signed in the next few months, and this will further enhance activity. Take-up in Madrid increased over the first quarter 2011, although this hides last quarter’s comparatively low figure. The amount of leased second-hand space has almost doubled.

This is most likely due to the halt on current development and continued lack of prime-quality space in the central business district. Although take-up was higher this quarter, supply levels remained relatively consistent. While vacancy remains relatively low in the central areas, in the peripheral submarkets vacancy can be as high as 33%. In Barcelona, any new space that was intended to come onto market for 2011 was completed earlier, and additionally, the majority of ongoing or planned schemes are currently pre-let.

Both of these helped to curb growing supply levels.

***Investments focus***

There has been a notable lack of prime space available in the market, which has considerably affected investment activity. Although secondary space is readily available, either demand lies elsewhere or cost expectations have not been met, and therefore there have been few investment deals this quarter. Subdued activity has hardened yields, most likely for the rest of the year.

***Outlook***

A gradual, albeit restrained, economic growth is anticipated for 2012 and this should keep the overall office market relatively stable. However, this expectation varies per submarket: while rents in Barcelona are expected to have reached bottom for the rest of the year, in Madrid rents are anticipated to fall even further.

Barcelona's vacancy rate should continue to ease down if current occupier demand remains, with only limited new construction expected in the remainder of 2011.

*2.3. Retail market outlook (local)*

***Overview***

According to the latest data from the National Statistics Institute, GDP has increased by 0.8% year-on-year in the first quarter, marking the third consecutive quarter of annual growth. However, unemployment rose over the quarter and is currently above 21%.

Retail sales have continued to decline: volumes (excluding service stations) fell 5.8% year-on-year in May, 1.5% in April and 8.1% in March. However, large chain stores have generally outperformed other distribution classes: sales have been relatively stable since late 2009, even growing by 6.4% year-on-year in April.

***Occupier focus***

Occupier demand remains strong despite challenging trading conditions. Indeed, many major international retailers are actively expanding, and several well-known domestic fashion brands have recently resumed their national expansion plans. Availability is limited, particularly on prime high streets in Barcelona and Madrid, and rents were generally unchanged across all sub-sectors, both in the second quarter and over the past twelve months. Interest is focused on high street pitches in the largest cities, as well as regionally dominant shopping centres and retail parks. Secondary locations, on the other hand, continue to struggle, with vacancy increasing over the quarter and rents coming under downward pressure due to the large number of available units, and many landlords offering incentives and flexible lease terms to attract tenants.

***Investments focus***

Investment activity continues to be constrained by limited availability of debt financing and a shortage of prime stock. Secondary assets are more readily available but are not attracting much interest due to financing restrictions. On the whole, yields were unchanged in the first quarter, hardening slightly for high streets in Bilbao and Málaga. Transactions over the quarter include the sale of a 50% share in Puerto Venecia in Zaragoza for 41 millions EUR to Orion Capital Managers.

***Outlook***

The economic situation is expected to remain challenging for the rest of the year, with high unemployment and limited growth in real disposable income acting as a drag on retail sales; deficit reduction measures are likely to further impact on consumer confidence. However, sustained demand and limited supply should support prime rents going forward. The gap between prime and secondary properties is becoming more pronounced, and a continued shortage of opportunities is likely to impact on transaction volumes in the coming months.

***European Property Investment***

*(Source Cushman & Wakefield - www.cushwake.com/cwglobal/jsp/regionalHome.jspMarket )*

***Summary***

European property markets saw a slow down in activity in the second quarter of 2011 as investors put the brakes on once more, with deals taking longer to complete and buyers more selective. Investment totalled

26.2 billion EUR, 11.5% down on the first quarter, but trends were far from uniform, with offices up and core markets gaining at the expense of the peripheries.

Demand overall is still ahead of supply for prime property and income yields are clearly attractive relative to other asset classes. What is more, signs from the occupational market have been getting more encouraging, at least for property that adds value to the occupier. However, while market fundamentals are supportive, the macro position clearly is not. Uncertainty in global financial markets does not suggest businesses will be more aggressive in expansion any time soon. Equally however, it does little to change the structural drivers which firms are reacting to, such as e-tailing, social media, demographics or sustainability. Nor does it undermine the defensive case for property investment.

Nonetheless, investors feel caught between a rock and a hard place. They want to see credible deficit reduction plans but sentiment is swinging from one extreme to another – fearing either too much debt or too little demand as debt is cut – and increasingly lacking the faith that politicians can deliver.

Hopefully trends will start to clear in the weeks ahead but property markets, like the underlying economy, will remain volatile. GDP growth is likely to be slower than hoped even though the underlying trend will still be for a slow if uneven recovery, driven by company spending and emerging markets, with trends mixed by country based on the scale of debt reduction plans and the productivity of the local economy.

For investors this means continuing to target quality property and locations that can ride out the economic dips and avoiding secondary property which will remain in oversupply. Investors should be cautious of property which is “prime” largely by virtue of its lease and should look to take advantage of emerging areas of supply constraint and ”buy into the dips” where they can.

Activity in the third quarter 2011 is likely to be disrupted by current events and our forecast for investment volumes in the year has been cut to 124 billion EUR from an estimate of 135 billion EUR in the first quarter.

Nonetheless, some pick-up in activity is likely later this year as more property comes to the market. What is more, when nerves start to steady over the sovereign debt crisis, the door may open back into markets which are largely off the list now.

With constrained economic expansion, our forecast for only modest rental growth in the coming year appears right but if caution continues to keep bond yields down, then at least in core markets, prime and near prime yields may come under renewed downward pressure.

***Investment Trends***

Quarterly trends can be hard to read given the time it takes for property to trade and the changing conditions month by month. What can’t be denied though is that less stock has been sold than expected, with volumes in the year to June actually dipping slightly to 122.4 billion EUR. Average deal times have lengthened due partly to very thorough due diligence by sponsors and extended credit approval processes.

Another notable feature of the last quarter was the renaissance of the office sector, with trading up 10% compared to falls of 35% for retail and 46% for industrial. The economic picture has become more favourable for offices. Investment spending by companies is rising and recruitment is up in some cities. What’s more, while much of corporate Europe is not in such a bad shape, consumer expenditure will face pressure for some time to come and this will hold back some areas of the retail market.

The office sector saw its share of activity rise from 36.8% in the first quarter to 46.2% in the second quarter while retail fell back from 40.4% to 29.8% and industrial from 11.3% to 6.4%. One reason for a fall in the retail market share was the fact that fewer large deals were completed than in the opening quarter. Indeed, while a range of investors seem to have rediscovered their faith in the office market, retail remains in high demand.

Domestic funds have been a key driver of activity in most markets and sectors but international investors are a growing source of demand, with their share of activity up to nearly 35% in the first half of the year versus 31% in the second half of 2010.

Investors are very much focussed on prime markets as they look to squeeze risk out of the equation and the best long-leased stock may yet see yields fall further as a result. However while secondary demand is weak, some investors are now ready to take a calculated risk to achieve higher returns – eg on occupancy levels or development.

***Geographical Trends***

There has been evidence of a shift back towards core markets. The big three of the UK, Germany and France maintained their market share at 64% - with Germany the stronger, France stable and the UK down a little but the West overall saw better growth, with Austria, Denmark, Norway and Sweden leading the upturn. The Nordics in fact did particularly well; with volumes up to 4.4 billion EUR in quarter two from 2.4 billion in quarter one. Sweden has re-emerged as a strong favourite across all sectors while Norway and Finland have seen stronger office demand.

At the same time many emerging markets saw their share of activity fall back. Central and Eastern European activity fell from 3.9 billion EUR to 2.1 billion EUR for example.

As in the West however, emerging markets shouldn’t be viewed in one light – Turkey and Russia saw good office demand while Poland is frequently ahead of some western markets in investor risk assessments and is particularly popular for retail. Looking forward, the Czech Republic is also set to see more retail activity.

What was more marked was a fall for the markets most mired by concerns over sovereign debt. The South-European countries saw activity drop 42% between quarter one and two while in the rest of the Eurozone, trading actually rose by 6.7%. The continuing unrest across the Middle East is still having an effect on market confidence in that region meanwhile. That said – there is now a clear favourite location coming out of all the troubles and that is Dubai, with increased enquiries from corporate occupiers as it is seen as a safe haven in the region.

The fundamental strengths of markets like Sweden, Germany and France are set to keep them high in investors’ minds but attitudes towards other markets may become more divergent from the underlying economic or macro trends, particularly as more investors look to take advantage of what may be overly cautious pricing in some areas.

When it comes to property, each country has its own unique overlay to consider – such as the current relative under supply of quality stock in Italy, the availability of high quality stock at high yields in Portugal or the high tenant demand and high yields of Moscow. As a result, where the price is right investors will find potential and it’s the risk-adjusted price that investors need to spend more time researching, not just risk per se.

# VI. THE COMPANY

## 1. General Corporate information

The *Company* was incorporated under the name of "**SAINT CROIX HOLDING IMMOBILIER, SOCIÉTÉ ANONYME"** (hereinafter, the **"Company"**). The Company is a public limited company, a *"Société Anonyme",* established for an unlimited period of time and organized under the laws of the Grand-Duchy of Luxembourg. It was incorporated on December 1st, 2011 by a notary deed of Carlo WERSANDT, notary public, residing in LUXEMBOURG, L-1466, 12, rue Jean Engling. The Company is registered with the Registre de Commerce et des Sociétés (the Luxembourg Trade and Companies' Register) under registration number B165103. Its telephone number is +352 29 52 07 1.

In particular, the Company is subject to the 1915 Luxembourg Companies' Act.

The registered office of the Company is located at 9b, Boulevard Prince Henri, L-1724 Luxembourg, Grand Duchy of Luxembourg.

Pursuant to Article 2 of the Articles, the Company's corporate purpose is the following:

*"The purpose of the Company shall be:*

*a. The holding of equity interests in Luxembourg and/or foreign company(ies) and mainly in Spanish Real Estate Investments Companies (Spanish acronym: SOCIMI) or in other companies, whether resident or not in Spain, which have a corporate purpose similar to those of Spanish SOCIMIs and which are subject to earnings distribution requirements that are similar to that established by legal or statutory policy for Spanish SOCIMIs. These SOCIMIs are to be resident in Spain and covered by the special tax regime under the conditions established in the Spanish law 11/2009 of 26 October 2009.*

*b. In addition, as a complementary activity, the Company may further guarantee, grant loans or otherwise assist the Spanish SOCIMIs in which it holds a direct or indirect participation or which form part of the same group of companies as the Company.*

*Any activities which have to meet any special legal requirement not fulfilled by this Company are excluded."*

## 2. Corporate purpose of the Company and the Spanish SOCIMI Regime

The corporate purpose of the Company is the ownership of 100% of the shares of two public limited companies domiciled in Spain that are incorporated under Spanish Law and regulated under Spanish law 11/2009 of 26 October 2009, on *"Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario" (*Real Estate Investment Trusts, hereinafter, "SOCIMI", after its Spanish acronym).

To better understand the corporate purpose and aims of the Company, it should be noted that the main characteristic of the Subsidiaries (SOCIMI) that are wholly owned by the Company is their obligation to comply with the following requirements, among others:

### *2.1. Corporate purpose*

The main corporate purpose of SOCIMIs is:

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

b) Ownership of equity interests in other SOCIMIs or in other companies not resident in Spanish territory which have the same corporate purpose and which are subject to a similar system as that established for SOCIMIs in terms of the compulsory, legal or statutory policy on the distribution of earnings.

c) Ownership of equity interests in other companies, whether or not these are domiciled in Spain, the main corporate purpose, being the acquisition of urban real estate for leasing, and which are subject to the same system as that established for SOCIMIs in terms of the compulsory, legal or statutory policy on the distribution of earnings, and which comply with the requirements on investment and debt established in Articles 3 and 7 of the Spanish law 11/2009 of 26 October 2009.

d) The entities referred to in this item c) may not hold interests in the capital of other entities or carry out real estate developments. The shares representing the capital of these companies shall be registered, and the entirety of their capital must belong to other SOCIMIs or non-resident companies referred to under letter b) above. In the case of entities domiciled in Spanish territory, these may opt to apply the special tax scheme under the terms set forth in Article 8 of Spanish law 11/2009 of 26 October 2009.

e) The holding of shares or interests in collective real estate investment institutions governed by the Spanish law 35/2003 of 4 November 2003 on Collective Investment Institutions.

The foregoing non-resident entities must be domiciled in countries or territories that effectively exchange tax information pursuant to Additional Provision 1 of the Spanish law 36/2006 of 29 November 2006 on measures for the prevention of tax fraud. The real estate assets located outside of Spain owned by the non-resident entities referred to in letter b) above, must be of the same nature as those located in Spanish territory.

The following are not considered as real estate for the purposes of Spanish law 11/2009 of 26 October 2009:

a) Property with special land registry characteristics regulated by Article 8 of the Revised Text of the Spanish Real Estate Cadastre law, passed by Spanish Royal Legislative Decree 1/2004 of 5 March 2004, and

b) Property used by third parties by means of contracts that comply with the requirements to be considered as financial leases for corporate income tax purposes.

Property must be owned. This specifically includes property resulting from surface, airspace and subsoil rights, registered in the Property Registry and current, and also property owned by the company by means of contracts that comply with the requirements to be considered as financial leases for corporate income tax purposes.

The activity of developing and leasing real estate shall be subject to separate book entries for each property developed or acquired, itemised to show the rent corresponding to each registered property into which it is divided. Operations stemming, as applicable, from other activities should also be recorded separately in order to show the rent derived from them.

Together with the economic activity related to the main corporate purpose, SOCIMIs may engage in other auxiliary activities, these being undertakings generating a total income that does not exceed twenty per cent of the company's total income for a particular tax year.

*2.2. Investment requirements*

SOCIMIs must invest at least eighty per cent of the value of their urban real estate assets destined to leasing in land for real estate development to be used for said purpose provided that the development commences within three years following its acquisition, as well as equity interests in the other entities referred to in paragraph 1, Article 2 of Spanish law 11/2009 of 26 October 2009.

Said percentage shall be calculated on the basis of the consolidated balance sheet should the company be the parent company of a group as per the criteria set forth in Article 42 of the Spanish Code of Commerce, irrespective of its domicile and of the obligation to draw up consolidated annual accounts. Such group shall solely be comprised of SOCIMIs and the rest of the entities referred to in paragraph 1, Article 2 of this Spanish law 11/2009 of 26 October 2009

The value of the asset shall be determined according to the average of the individual, or if applicable, consolidated quarterly balance sheets for a particular tax year. To calculate this value, the company may choose to substitute the book value of the elements included in these balance sheets for the market value; if so, this should be applied to all the balance sheets for that year. In this case, the money or credit rights from the transfer of this real estate or equity interests made in the same year or in previous years shall not be included in the calculation, as applicable, provided that, in the case of the latter, the reinvestment period established in Article 6 of Spanish law 11/2009 of 26 October 2009 has not elapsed.

For the purpose of this calculation, real estate located outside of Spanish territory, including that owned by entities described in point c) of paragraph 1 of Article 2 of Spanish law 11/2009 of 26 October 2009, must be of the same nature as that located in Spanish territory, and tax information must be effectively exchanged with the country or territory where they are located, under the terms established in Additional Provision 1 of the Spanish law 36/2006 of 29 November 2006 on measures for the prevention of tax fraud.

Likewise, at least eighty per cent of the tax period income corresponding to each financial year, excluding income from the transfer of holdings and of real estate both destined to fulfilling their main corporate purpose, must come from the leasing of real estate and from dividends or interests in the profits from such interests once the maintenance period referred to in the following paragraph has elapsed.

Said percentage shall be calculated on the basis of the consolidated profit (loss) should the company be the parent company of a group as per the criteria set forth in Article 42 of the Spanish Code of Commerce, irrespective of its domicile and of the obligation to draw up consolidated annual accounts. Such group shall solely be comprised of SOCIMIs and the rest of the entities referred to in paragraph 1, Article 2 of Spanish law 11/2009 of 26 October 2009.

The real estate constituting the company's assets must be leased for at least three years. Should they be real estate assets developed by the company, the term shall be of seven years. For calculation purposes, the time the real estate assets have been offered for lease shall be counted, up to a maximum of one year.

The term shall be calculated:

a) From the start date of the first tax period in which the special tax scheme set forth in Spanish law 11/2009 of 26 October 2009 applies, in the case of real estate included in the company's assets prior to joining the scheme, as long as that on said date the asset was leased or offered for lease. Otherwise, the provisions set forth in the following point shall apply.

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

In the case of shares or interests in the entities referred to by paragraph 1, Article 2 of Spanish law 11/2009 of 26 October 2009, these must be maintained as part of the company's assets for at least three years from the date of acquisition or, as appropriate, from the initiation of the first tax period in which the special tax scheme set forth in Spanish law 11/2009 of 26 October 2009 applies.

In order to ensure suitable diversification of real estate investments, entities shall have at least three properties assets in their assets and none of them may account for more of the forty per cent of the entity's assets at the moment of acquisition. Said calculation shall be determined on the basis of the consolidated balance sheet of the group referred to in paragraph 1 of this Article and the entity may opt to replace the book value of the assets comprising said balance by their market value.

*2.3. Obligation to trade on regulated markets*

SOCIMI shares must be listed for trading on a regulated Spanish market or those of any other European Union or European Economic Area Member State during the entire tax period. The same obligation is required for interests comprising the capital of the non-domiciled entities referred to by item b), paragraph 1, Article 2 of Spanish law 11/2009 of 26 October 2009.

*2.4. Share capital and company name*

SOCIMIs shall have a minimum share capital of 15,000,000 EUR.

Contributions in kind for incorporating or increasing the share capital in the form of real estate must be valued at the time of contribution, in accordance with the provisions of Article 38 of the Revised Text of the Spanish Limited Companies law. For this purpose, an independent expert appointed by the Company Registrar must be one of the valuation companies established in the mortgage market legislation. Similarly, contributions in kind in the form of real estate for incorporating or increasing the share capital of entities set forth in letter c) of article 2.1 of Spanish law 11/2009 of 26 October 2009 must be valued by one of the aforementioned valuation companies.

The company may only have one kind of share.

When the company has opted for the special tax system established in the Spanish law 11/2009 of 26 October 2009, it must include in its name the denomination «*Sociedad Cotizada de Inversión en el Mercado Inmobiliario, Sociedad Anónima*», or its acronym «SOCIMI, S.A.».

*2.5. Allocation of profit or loss*

SOCIMIs and investee entities domiciled in Spanish territory referred to in letter c) of paragraph 1 of article 2 of Spanish law 11/2009 of 26 October 2009, which have opted to apply the special tax system established in this law, are obliged to distribute the profits obtained during the year among their shareholders in the form of dividends, after having complied with their corresponding company obligations. The distribution of profits obtained during the year must be agreed within six months following the end of each tax year, as follows:

a) At least ninety per cent of the profits not generated from the transfer of real estate and the shares or interests referred to in paragraph 1, article 2 of Spanish law 11/2009 of 26 October 2009, along with any profits corresponding to any rent from ancillary activities.

b) At least fifty per cent of the profits from the transfer of real estate and shares or interests referred to in paragraph 1, article 2 of Spanish law 11/2009 of 26 October 2009, made after expiry of the deadlines referred to in paragraph 3, article 3 of Spanish law 11/2009 of 26 October 2009, subject to fulfilment of the main corporate purpose. The rest of such profits must be reinvested in other properties or interests included under the corporate purpose within the three years following the date of transfer. Failing this, such profits must be fully distributed together with the profits, if any, from the year in which the reinvestment period ends. Should the elements subject to reinvestment be transferred before the maintenance period established in paragraph 3, article 3 of Spanish law 11/2009 of 26 October 2009 elapses, those profits must be fully distributed together with the profits, if any, from the year in which they have been transferred.

The distribution obligation does not cover the proportion of profits, if any, attributable to years in which the company did not pay taxes under the special tax scheme established by the aforementioned Spanish law 11/2009.

c) All the profits from dividends or equity interests paid out by the entities referred to in paragraph 1, Article 2 of Spanish law 11/2009 of 26 October 2009.

The dividends must be paid within the month following the date of the resolution on distribution.

The distribution obligation does not cover the proportion of profits from income subject to the general tax rate.

Where the distribution of dividends is charged to reserves derived from the profits for a year in which the special tax scheme has been applied, the distribution of such dividends must comply with the agreement referred to in the preceding paragraph.

The legal reserve of any companies which have opted to apply the special tax scheme set forth in the Spanish law 11/2009 of 26 October 2009 may not exceed twenty per cent of their share capital. The articles of these companies may not establish any other unavailable reserve other than the legal reserve.

*2.6. Borrowing*

Total debt may not exceed seventy per cent of the Company's assets. The calculation of this limit shall not include the amount of funding that may be obtained by virtue of the provisions of current Spanish legislation on the social housing system.

This percentage shall be calculated according to the individual or consolidated balance sheets using the same formula established in paragraph 1 of Article 3 of Spanish law 11/2009 of 26 October 2009. The entity may choose to substitute the book value for the market value of the assets included in these balance sheets.

## 3. Origin of the Subsidiaries

The two Subsidiaries wholly owned by the Company were incorporated as a result of two simultaneous partial splits described below:

- COMPAÑÍA IBÉRICA DE BIENES RAÍCES, 2009, SOCIMI, S.A. (hereinafter “CIBRA”) was created from the partial split of another company, ISLA CANELA, S.A., on 29 December 2009. The new company, CIBRA, was set up with the leased assets of ISLA CANELA, S.A. valued at 103,840,000 EUR. The assets were valued by TECNITASA, an independent expert appointed for this purpose by the Mercantile Registry. The deed of the partial split and the incorporation of CIBRA was filed with the Mercantile Registry of Madrid on 8 February 2010 and effective from 30 December 2009 (date of initial entry, and from 1 January 2009 for accounting purposes).

- COMPAÑÍA IBÉRICA DE RENTAS URBANAS, 2009, SOCIMI, S.A. (hereinafter “CIRU”) was created from the partial split of another company, COGEIN, S.L., that took place on 22 December 2009. This new company, CIRU, was set up with the leased assets of COGEIN, S.L., valued at 107,860,208 EUR. The assets were valued by GABINETE DE TASACIONES INMOBILIARIAS, S.A., an independent expert appointed for this purpose by the Mercantile Registry. The deed of the partial split and incorporation of CIRU was filed with Mercantile Registry of Madrid on 26 January 2010, and effective from 29 December 2009 (date of initial entry, and from 1 January 2009 for accounting purposes).

The bylaws of both Subsidiaries, (wholly owned by the Company), fully comply with the Spanish law 11/2009 of 26 October 2009, on *“Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario”* (Real Estate Investment Trusts, or its Spanish acronym, SOCIMI)”.

## 4. Origin of the Company share capital

The Company, domiciled in Luxembourg, "SAINT CROIX HOLDING IMMOBILIER, SOCIÉTÉ ANONYME", or SCHI, was incorporated on December 1st, 2011 by means of a contribution in kind, or share swap, through which all the shareholders of the Subsidiaries contributed all their shares to the Company domiciled in Luxembourg, based on the valuation performed on October 2011, based on the equity of both companies with certain fair value adjustments as of September 30, 2011, which determined the share exchange ratio. By means of this share swap or contribution in kind, the Company now holds all the shares of the Subsidiaries.

The share capital of the Company is represented by 4,452,197 Shares with a nominal value of 60.10 EUR each. The Company has been incorporated with 3,784,368 Shares with a nominal value of 60.10 EUR resulting on an initial share capital of 227,440,517 EUR. The capital increase operation was subscribed by new investors and initial Shareholders. Pursuant to this capital increase 667,829 Shares with a nominal value of 60.10 EUR were created.

The following table summarises the resulting changes in the shareholder structure:

### *4.1. History of the share capital of the Subsidiaries*

#### ***a. CIBRA***

- The company was incorporated from the partial split of another company, ISLA CANELA, S.A., on 29 December 2009. The new company, CIBRA, was set up with the leased assets of ISLA CANELA, S.A. valued at 103,840,000 EUR. The assets were valued by TECNITASA, an independent expert appointed for this purpose by the Mercantile Registry. The deed of the partial split and the incorporation of CIBRA were filed with the Mercantile Registry of Madrid on 8 February 2010 and effective from 30 December 2009 (date of initial entry, and from 1 January 2009 for accounting purposes).

- As result, the initial capital share of the company amounted EUR 103,840,000 through the issuance of 1,000,000 new shares of nominal value EUR 103.84 each.

- Currently, the share capital of the company is EUR 106,600,000. The changes in the share capital of the company since its incorporation has been the following:
  - CIBRA undertook a capital increase of EUR 1,520,000, by means of public deed dated 7 March 2011, increasing the nominal value of each share from EUR 103.84 to EUR 105.36. Only cash contributions were used for this operation, and the share capital was increased to EUR 105,360,000.
  - CIBRA undertook a capital increase of EUR 1,240,000, by means of public deed dated 28 March 2011, increasing the nominal value of each share from EUR 105.36 to EUR 106.60. Only cash contributions were used for this operation, and the share capital was increased to EUR 106,600,000

- The changes and evolution in Net Equity of the company since its incorporation is as follows:

| Euro | 2009 | 2010 | 2011 (September 30) |
|---|---|---|---|
| ***SHAREHOLDERS' EQUITY-*** | | | |
| Share capital | 103,840,000 | 103,840,000 | 106,600,000 |
| Reserves | - | 936,358 | 1,807,788 |
| Profit for the period | 4,319,277 | 3,997,317 | 3,494,007 |
| **TOTAL** | **108,159,277** | **108,769,675** | **111,901,795** |

| | | | |
|---|---|---|---|
| **Number of shares** | 1,000,000 | 1,000,000 | 1,000,000 |
| **Nominal value per share (euro)** | 103.84 | 103.84 | 106.60 |

***b. CIRU***

- The company was incorporated from the partial split of another company, COGEIN, S.L., that took place on 22 December 2009. This new company, CIRU, was set up with the leased assets of COGEIN, S.L., valued at EUR 107,860,208. The assets were valued by GABINETE DE TASACIONES INMOBILIARIAS, S.A., an independent expert appointed for this purpose by the Mercantile Registry. The deed of the partial split and incorporation of CIRU was filed with Mercantile Registry of Madrid on 26 January 2010, and effective from 29 December 2009 (date of initial entry, and from 1 January 2009 for accounting purposes).

- As result, the initial capital share of the company amounted EUR 107,860,208 through the issuance of 1,794,679 new shares of nominal value EUR 60.10 each.

- Currently, the share capital of the company is EUR 107,860,208. No movements or changes have occurred in the capital share of the company since its incorporation.

- The changes and evolution in Net Equity of the company since its incorporation is as follows:

| **Euro** | **2009** | **2010** | **2011 (September 30)** |
|---|---|---|---|
| ***SHAREHOLDERS' EQUITY-*** | | | |
| Share capital | 107,860,208 | 107,860,208 | 107,860,208 |
| Reserves | - | 665,114 | 1,554,310 |
| Profit for the period | 3,068,068 | 3,939,961 | 180,010 |
| **TOTAL** | **110,928,276** | **112,465,283** | **109,594,528** |
| **Number of shares** | 1,794,679 | 1,794,679 | 1,794,679 |
| **Nominal value per share (euro)** | 60.10 | 60.10 | 60.10 |

*4.2. Shareholder structure of the Subsidiaries prior to the share swap and incorporation of the Company*

***c. CIBRA***

| **Shareholder** | **# shares** | **%** |
|---|---|---|
| Andrea Barrigón González | 678,416 | 67.84160% |
| Promociones y Construcciones, PYC, PRYCONSA, S.A. | 180,000 | 18.00000% |
| COGEIN, S.L. | 91,552 | 9.15520% |
| BARMAR SIETE, S.L | 50,032 | 5.00320% |
| **Total** | **1,000,000** | **100.00000%** |

CIBRA shares are registered, with a nominal value of 106.60 EUR per share, giving a total share capital 106,600,000.00 EUR. On September 30, 2011, the interim financial statements of the company have been audited by DELOITTE, S.L. (Madrid – Spain) resulting on an audited net equity at cost value of 111,901,795 EUR plus a net of taxes latent profit on real estate assets of 5,407,337 EUR. For the purpose of the share swap, the company was valued at 117,309,206 EUR, based on its equity plus net of taxes latent profit on real estate assets as of September 30, 2011, audited by DELOITTE, S.L. (Madrid – Spain). It means a value per share of around 117.31 EUR.

***d. CIRU***

| Shareholder | # shares | % |
|---|---|---|
| Marco Colomer Barrigón | 558,504 | 31.11999% |
| José Luis Colomer Barrigón | 557,430 | 31.06015% |
| Gran Vía, 34, S.A. | 335,246 | 18.68000% |
| Andrea Barrigón González | 303,300 | 16.89996% |
| PER 32, S.L. | 39,841 | 2.21995% |
| Compañía Ibérica de Viviendas Siglo XXII, S.L. | 358 | 0.01995% |
| **Total** | **1.794.679** | **100.00000%** |

CIRU shares are registered, with a nominal value of 60.10 EUR per share, giving a total share capital 107,860,208 EUR. As of September 30, 2011, the interim financial statements of the company have been audited by DELOITTE, S.L. (Madrid – Spain) giving as result an audited net equity at cost value of 109,594,528 EUR plus a net of taxes latent profit on real estate assets of 536,783 EUR. For the purpose of the share swap, the company was valued at 110,131,311 EUR, based on its equity plus net of taxes latent profit on real estate assets as of September 30, 2011, audited by DELOITTE, S.L. (Madrid – Spain). It results to a value per share of around 61.37 EUR.

*4.3. Shareholder structure of the Subsidiaries after the share swap and incorporation of the Company*

The aggregate value of the Subsidiaries, audited by DELOITTE, S.L. (Madrid – Spain) on November 2, 2011 amounts to 227,440,517 EUR. This is the total share capital of the Company contributed by the shareholders of the Subsidiaries, or the *pre-money* value*,* to which should be added 40,136,523 EUR of new share capital to be subscribed by new investors, bringing the *post-money* value to 267,577,040 EUR.

On December 1st 2011, the shareholder structure of the Company is therefore as follows:

| Shareholder | # Shares | % |
|---|---|---|
| Andrea Barrigón González | 1,633,887 | 36,69844% |
| Marco Colomer Barrigón | 570,264 | 12,80860% |
| José Luis Colomer Barrigón | 569,167 | 12,78396% |
| Gran Vía, 34, S.A. | 342,305 | 7,68845% |
| Promociones y Construcciones, PYC, PRYCONSA, S.A. | 351,342 | 7,89143% |

| | | |
|---|---|---|
| COGEIN, S.L. | 178,700 | 4,01375% |
| BARMAR SIETE, S.L. | 97,657 | 2,19346% |
| PER 32, S.L. | 40,680 | 0,91371% |
| Compañía Ibérica de Viviendas Siglo XXII, S.L. | 366 | 0,00822% |
| Investors (*) | 667,829 | 14,99999% |
| **Total** | **4,452,197** | **100,00000%** |

(*) A total number of 667,829 new Shares have to be issued by the Company. The use and destination of the new cash inflows coming from these new Shares will be invested in real estate investment opportunities. The breakdown of the new investors can be described as follows:

| Shareholder | Additional Shares | % |
|---|---|---|
| J.P. Morgan Securities Ltd | 222,544 | 4.99852% |
| PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A. | 147,018 | 3.30214% |
| COGEIN, S.L. | 251,086 | 5.63960% |
| Other Investors | 47,181 | 1.05972% |
| **Total** | **667,829** | **14.99999%** |

Following this share swap and contribution in kind, the Subsidiaries have become single-shareholder companies controlled by the Company, the single shareholder not resident in Spain. This means that the share capital of the Subsidiaries remains the same as it was before the aforementioned transaction, as do the number of shares and the nominal value of each share.

“SAINT CROIX HOLDING IMMOBILIER, SOCIÉTÉ ANONYME” therefore exists as a result of the foregoing operation with a share capital of 267,577,040 EUR consisting of 4,452,197 shares with a nominal value of 60.10 EUR per share, registered and freely transferable.

*4.4. Grounds for the share swap transaction*

As discussed above, all the shares of the Subsidiaries will be contributed by their holders to the Company at the time the latter is incorporated. This share swap and corporate restructuring is subject to the tax neutrality system according to Directive 90/434/EEC.

The financial reasons and the grounds justifying the share swap are the following:

a) To guarantee the liquidity of the investment by admitting the shares for trading on a regulated market that maximises the entry of new investors and the rotation of existing shareholders.

b) The Company intends to raise more capital by means of the foregoing operation in order to make the investments needed to ensure it meets its growth targets and to increase its added value. As a liquid and diversified vehicle that is larger than the existing individual companies it will be able to attract new investors, obtaining additional funds that will enable it to make the most of investment opportunities that may arise.

c) To incorporate a new company based in Luxembourg, with a greater range of leased real estate and with more capital that will enable the structure to continue growing in a sector that is currently penalised by the markets.

d) As the Company owns the entire share capital of the Subsidiaries, the operation will result in an economic merger of the Subsidiaries what will allow an unified and coordinated management of the Subsidiaries as well as economies of scale.

## 5. Description of the business of the Company

As indicated under section 5.1.5 of this Registration Document, “SAINT CROIX HOLDING IMMOBILIER, SOCIÉTÉ ANONYME” is the result of the consolidation of two investments in Spanish companies, whose main objective is the acquisition and/or construction of real-estate assets for leasing.

The Company has a 100% shareholding in these investments, which were created as the result of two partial spin-off processes, as described below:

- COMPAÑÍA IBÉRICA DE BIENES RAÍCES, 2009, SOCIMI, S.A. (hereinafter referred to as “CIBRA”) was formed following the partial division of Isla Canela, S.A. which was implemented on 29 December 2009. The productive assets of Isla Canela, S.A. were contributed to this new company at an appraised value of 103,840,000 EUR (appraisal by TECNITASA). The deed of the partial spin-off that created the trading company was entered into the Commercial Registry of Madrid on 8 February 2010, with effect from 30 December 2009 (the filing entry date, effective for accounting purposes from 1 January 2009).

- COMPAÑÍA IBÉRICA DE RENTAS URBANAS, 2009, SOCIMI, S.A. (hereinafter referred to as “CIBRA”) was formed following the partial division of Cogein, S.L., which took place on 22 December 2009. Some of the productive assets of Cogein, S.L. were contributed to this new Company, with an appraised value of 107,860,208 EUR (appraisal by GABINETE DE TASACIONES INMOBILIARIAS, S.A.).The deed of the partial spin-off that created the trading company was entered into the Commercial Registry of Madrid on 26 January 2010, with effect from 29 December 2009 (the filing entry date, effective for accounting purposes from 1 January 2009).

The Articles of Association of the Subsidiaries have the following main corporate purpose:

a) The acquisition and development of urban real estate for leasing. Development activities, including the refurbishment of buildings under the terms set forth by Spanish law 37/1992 of 28 December 1992 on Value Added Tax.

b) The holding of equity interests in other real estate investment trusts (Spanish acronym: SOCIMI) or in other companies not resident in Spanish territory which have the same corporate purpose, and which are subject to a similar system as that established for SOCIMIs in terms of the compulsory, legal or statutory policy on the distribution of earnings.

c) The holding of equity interests in other companies, whether resident or not in Spanish territory, the main corporate purpose of which is to acquire urban property for the letting thereof, and which are subject to the same system as that established for SOCIMIs in terms of compulsory, legal or statutory policy on the distribution of earnings, and which meet the external financing and investment criteria referred to in Articles 3 and 7 of the Spanish law 11/2009 of 26 October 2009. The entities referred to in this item c) may not hold interests in the capital of other entities or carry out real estate developments. The shares representing the capital of these companies shall be registered, and the entirety of their capital must belong to other SOCIMIs or non-resident companies referred to under letter b) above. In the case of entities domiciled in Spanish territory, these may opt to apply the special tax scheme under the terms set forth in Article 8 of Spanish law 11/2009 of 26 October 2009.

d) The holding of shares or interests in collective real estate investment institutions governed by Spanish law 35/2003 of 4 November 2003 on Collective Investment Institutions.

e) To carry out financial and non-financial ancillary activities that generate income that jointly represents no more than 20 percent of the company's income in each tax period.

The above-mentioned activities may also be indirectly carried out by the Companies, in full or in part, through equity interests in other companies with a similar purpose.

Any activities for which the law establishes special requirements with which the Subsidiaries do not comply are excluded.

**"SAINT CROIX HOLDING IMMOBILIER, SOCIÉTÉ ANONYME"** was incorporated on December 1st, 2011. Its corporate purpose is the acquisition of a 100% equity stake in other real estate investment trusts ("*Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario*", or SOCIMI by its Spanish acronym), formed in Spain and regulated by Spanish law 11/2009 of 26 October 2009, among others.

This Company is formed with the clear goal of becoming a key player in the property market, with a vision based on two fundamental mainstays: (i) constant and significant growth, both in terms of business areas and geographical sphere of activity, and (ii) greater diversification. Its prime objective is to offer quality products that satisfy its customers whilst simultaneously consolidating and expanding the Company.

*5.1. Main activities, description of and key factors relating to the nature of the Company's operations and main activities, stating the main service categories for each year of the period covered by the historical financial reporting*

The following table shows the Company's unaudited consolidated results (consolidation of the two investments) broken down into business segments for the years 2009 and 2010; accounts for these financial years having been closed and audited by an independent expert (figures are given in million euro):

| Description | 2009 | 2010 | 2011 (*) |
|---|---|---|---|
| Hotels income | 10,255 | 16,262 | 10,845 |
| Commercial premises income | 767 | 2,538 | 2,356 |
| Office building income | 1,607 | 1,905 | 1,594 |
| **Total leasing income** | **12,629** | **20,705** | **14,795** |
| Hotels costs | - | -4,687 | -2,103 |
| Commercial premises costs | - | - | - |
| Office costs | - | - | - |
| **Total leasing costs** | **-** | **-4,687** | **-2,103** |
| **Gross margin** | **12,629** | **16,018** | **12,692** |
| General expenses | -542 | -1,200 | -1,114 |

| | | | |
|---|---|---|---|
| **EBITDA** | **12,087** | **14,818** | **11,578** |
| **EBT** | **8,429** | **9,266** | **4,220** |
| **Income After Tax** | **7,387** | **7,933** | **3,674** |
| **Dividends paid (**)** | **-** | **5,786** | **6,173** |

*(*) On September 30, 2011 (9 months)*
*(**) Refers to the dividend accrued each financial year that is paid to the shareholder in July of the following year.*

*5.2. Asset Management*

5.2.1. Introduction

One of the main activity areas of the Subsidiaries is the comprehensive development and management of the exclusive buildings that they own and lease. These buildings are basically hotels, commercial premises, office buildings and shopping centres. The Subsidiaries acquire the land and real estate, develops projects, carries out marketing and manages the buildings, as well as maintaining them in optimum condition. The focus is on the continuous renovation of the properties, adapting them to customers' needs and the technological demands of modern society while maximising their value.

Most of the properties that make up the real-estate assets of the Subsidiaries are unique buildings situated in some of the best locations in Madrid and Huelva (Ayamonte). They are leased to important companies from all economic sectors.

With regard to shopping centres, the Subsidiaries have committed to activities based on their capacity for asset enhancement, using commercial property from their portfolio or purchased from third parties, which subsequently becomes part of the Subsidiaries' portfolio of operational shopping centres.

At present, the Subsidiaries have an out-of-town leisure and shopping complex located in Ayamonte (Huelva), to the south of the town centre and reliant on the municipality.

The most important essential criteria on which asset-related activities are based are the following:

**Hotels**

Location on Spain's major transport and tourism routes:

- Flexible spaces with open-plan designs, allowing freedom of distribution and design in work areas.
- Flexible facilities, creating areas without specific functions that can be employed by different users.
- Constructive design, created by architecture teams with extensive experience and professional standing.
- Unique buildings.
- Quality materials, facilitating the preservation of the buildings and reducing ageing.
- Safety of clients and building users guaranteed by qualified human and material resources.
- High level of comfort and convenience in workplace areas.

- The preliminary needs of the client are studied and together we search for the solution that best satisfies their requirements.

**Shopping centres**

- Located in urban areas, in and/or around major cities, with a high level of economic consolidation or significant development capacity.

- Definition of best possible product, considering areas of influence, competition, latent demand, economic capacity - in short, a meticulous study of all variables that might influence the decision to implement a certain type of shopping centre, fully adapted to existing or future demand (integrated leisure and shopping complexes, retail parks with medium-sized outlets, manufacturing centres, leisure centres, etc.).

- Functional buildings with a contemporary design.

- High standard of finish and technical installations, enabling adequate preservation and maintenance of buildings whilst maximising their profitability and durability.

- Easy access, as well as excellent common spaces and services, extensive parking facilities and all kinds of amenities to ensure a pleasant visit for millions of returning customers.

- Meticulous selection of the retail mix, guaranteeing a wide range of top-class establishments, including leading multi-sector local, national and international firms.

5.2.2. Description of activity in Spain

The Subsidiaries' asset-management activities in Spain are focused on the management and development of real-estate assets intended for leasing to third parties. This includes the lease and development of hotels, shopping centres and other real-estate investments, as well as property sales.

Assets become part of the portfolio in one of the following ways:

- Purchase of existing properties.

- Own development of new real-estate assets.

**Identification and acquisition of properties**

The Company examines investment opportunities in hotels, commercial premises and shopping centres with a view to leasing them through a specialised team with many years' experience in the sector and with extensive knowledge of products ripe for investment.

**Development of hotels and shopping centres**

The above criteria are equally applicable to hotel and shopping-centre development, which consists of the following phases/stages:

- **Searching for and purchasing land**: analysis of the different types of land available for purchase, selection of areas and/or cities, scale of the project, potential and maturity of the area, planning viability and time required before the properties can be put into operation.

- **Economic-financial study of the project**, which verifies the feasibility of the project.

- **Project design and construction**, in accordance with the Company's standards and market requirements.

- **Marketing**: searching for high-quality tenants, with medium- and long-term contracts and update-of-income clauses that reflect market variations. The marketing policy aims to achieve the maximum occupancy of the properties at all times.

- **Asset management**, from both the property and development perspective, simultaneously seeking to maximise real-estate value and meet tenant and user requirements.

5.2.3. Financing

The Subsidiaries finance its investment activities in Spain by increasing the resources generated by its main activity, so that almost 100% of the value of the assets is financed with Company resources and to a lesser extent by current liabilities. The Company and its Subsidiaries therefore have full borrowing power from the banks as it is currently free of such liabilities, with the exception of the mortgage loans still pending redemption, as explained under point 4 (Risks) of this document.

5.2.4. Asset management

The Company and its Subsidiaries carry out asset-management activities using their own teams of professionals responsible for maintenance, legal, commercial, planning and economic-financial management, pursuing the best operation of all common services, preserving and strengthening the value of its real-estate assets.

According to the terms and conditions contained in the leasing contracts that are typically signed by the Subsidiaries, tenants are obliged to bear the ordinary maintenance costs of properties, whereas the companies that own them must take responsibility for extraordinary repairs. Notwithstanding the foregoing, maintenance tasks are generally carried out by the owners, using their own resources or subcontracting third parties and then passing on the costs of this service to the tenant.

The Subsidiaries draw up an annual budget that is used as a basis for determining the amount to be passed on to the tenants, who must pay the resulting provisions to meet the expenses incurred in said budget. The budget is monitored periodically over the course of a year, and annually, within the first three months of the following year, the settlement of the annual budget taking place in order to settle with the tenants any differences between the provisions met and the amount resulting from closing of accounts.

*5.3. Description of properties leased*

5.3.1. Overview

| Assets | Valuation in EUR | Owner | Status |
|---|---|---|---|
| Gran Vía 1 - 2º right. | 2,573,613.76 | CIRU | No tenant currently |
| Gran Vía 1 - 1º right. | 2,623,546.18 | CIRU | Leased |
| Gran Vía 1 - 1º left. | 2,347,437.99 | CIRU | Leased |
| Hotel C/Atocha | 29,474,595.33 | CIRU | Leased |
| Commercial Dulcinea, 4 | 1,300,262.35 | CIRU | Leased |

| | | | |
|---|---|---|---|
| Commercial Villaverde C/Rutilo | 1,214,674.88 | CIRU | Leased |
| Offices C/ Pradillo | 16,509,029.87 | CIRU | Leased |
| Commercial C/ Gran Vía 34 (M. Heras) | 1,042,211.00 | CIRU | Leased |
| Commercial C/ Gran Vía 34 (Zara 1 + 2) | 20,562,086.67 | CIRU | Leased |
| Hotel C/ Gran Vía 34 | 20,141,738.88 | CIRU | Leased |
| Commercial C/ Albalá , 7 | 2,552,343.26 | CIRU | Leased |
| Commercial C/ San Antón 25 y 27 (*) | 3,748,211.84 | CIRU | Leased |
| Hotel Barceló Isla Canela | 23,792,075,00 | CIBRA | Leased |
| Hotel Vincci Canela Golf | 4,963,356.00 | CIBRA | Leased (legal proceedings) |
| Hotel Playa Canela | 14,128,222.00 | CIBRA | Leased |
| Commercial Mall Marina Isla Canela | 3,739,196.00 | CIBRA | Leased |
| Hotel Riu Atlántico | 31,746,291.00 | CIBRA | Leased |
| Hotel Iberostar Isla Canela | 23,867,322.00 | CIBRA | Leased |
| Gran Vía, 1 - 2º left | 2,044,657.00 | CIBRA | No tenant currently |
| **Total Investment property** | **208,370,871.01** | | |

There are no negative values or differences given that the external and independent third party valuations have been considered to value the investments properties of the Company at its incorporation.

The valuation reports for each real estate asset are attached to this Prospectus in Appendix 1. To the Company's knowledge, no material changes have occurred between the date of these valuation reports and the date of this Prospectus.

5.3.2. Buildings allocated for hotel use

**a) <u>Vincci Selección Isla Canela Golf</u>**

- **Ownership:** COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009 SOCIMI, S.A.
- **Category:** 5 stars
- **Location:** Isla Canela Tourist Complex (Ayamonte, Huelva), Plot A-8/1B
- **Number of rooms:** 54 rooms + 2 suites
- **Gross floor area:** 3,860 m$^2$ above grade + 518 m$^2$ below grade
- **Year completed:** 2003
- **Date of ownership:** 28 December 2007.
- **Current market value:** 4,963,356 EUR (unrealised capital gain: 1,023,842)
- **Net book value as of September 30, 2011:** 3,939,514 EUR

- **Tenant:** VINCCI HOTELES, S.A.
- **Existing mortgage as of September 30, 2011 on Isla Canela, S.A.:** 1,860,000 EUR
- **Operation:** Leasing
- **Leasing contract characteristics:**
    - **Start:** 25 May 2004
    - **End:** 1 December 2014.
    - **Type of contract:** Fixed rent
    - **Rent increase:** CPI
    - **Annual estimated revenue for 2011:** 420,000 EUR Quarterly collection (January, April, July, October)
    - **Bank guarantee:** 410,000 EUR with maturity 29 May 2012
- **Other:** See Section VI, 14 (legal proceedings)

**b) <u>Hotel Iberostar Isla Canela</u>**

- **Ownership:** COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009 SOCIMI, S.A.
- **Category:** 4 stars
- **Location:** Isla Canela Tourist Complex (Ayamonte, Huelva), Plot D-9.2
- **Number of rooms:** 295 rooms + 5 suites
- **Gross floor area:** 18,114 $m^2$ above grade + 6,672 $m^2$ lower-ground floor + 2.714 $m^2$ terrace
- **Year completed:** 2002
- **Date of ownership:** 1 July 2002
- **Current market value:** 23,867,322 EUR (unrealised capital gain: 2,252,106 EUR)
- **Net book value as of September 30, 2011:** 21,615,216 EUR
- **Tenant:** HISPANO ALEMANA DE MANAGEMENT HOTELERO, S.A.
- **Existing mortgage as of September, 30, 2011 on Isla Canela, S.A.:** 9,600,000 EUR
- **Operation:** Leasing
- **Leasing contract characteristics:**
    - **Start:** 1 December 2007.
    - **End:** 31 October 2012
    - **Type of contract:** Fixed rent
    - **Rent increase:** CPI
    - **Annual estimated revenue for 2011:** 1,970,000 EUR. Quarterly collection (January, April, July, October)
    - **Bank guarantee:** 2,050,000 EUR with maturity 9 July 2012
- **Other:** New conditions under negotiation. See Section VI, 11 (Major Contracts).

**c) <u>Hotel Playa Canela</u>**

- **Ownership:** COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009 SOCIMI, S.A.
- **Category:** 4 stars
- **Location:** Isla Canela Tourist Complex (Ayamonte, Huelva), Plot D-10-1
- **Number of rooms:** 202 rooms
- **Gross floor area:** 13,408 $m^2$ above grade + 4,978 $m^2$ lower-ground floor + 1.664 $m^2$ terrace
- **Year completed:** 2002
- **Date of ownership:** 16 May 2002
- **Current market value:** 14,128,222 EUR
- **Net book value as of September 30, 2011:** 14,128,222 EUR
- **Tenant:** GRUPO HOTELES PLAYA, S.A.
- **Existing mortgage as of September 30 2011 on Isla Canela, S.A.:** 7,190,000 EUR
- **Operation:** Leasing
- **Leasing contract characteristics:**
    - **Start:** 15 July 2002

    - **End:** 31 October 2022
    - **Type of contract:** Fixed rent
    - **Rent increase:** CPI
    - **Annual estimated revenue for 2011:** 1,270,000 EUR. Quarterly collection (February, May, August, November)
    - **Bank guarantee:** 1,470,000 EUR with maturity 18 June 2012
- **Other:** New conditions under negotiation. See Section VI, 11 (Major Contracts).

**d) <u>Hotel Barceló Isla Canela</u>**

- **Ownership:** COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009 SOCIMI, S.A.
- **Category:** 4 stars
- **Location:** Isla Canela Tourist Complex (Ayamonte, Huelva), Plot C-12
- **Number of rooms:** 348 rooms
- **Gross floor area:** 17,756 $m^2$ above grade and 2,738 $m^2$ below grade
- **Year completed:** 1992
- **Date of ownership:** 6 July 1998
- **Current market value as of September 30, 2011:** 23,792,075 EUR (unrealised capital gain: 1,955,236 EUR)
- **Net book value as of September 30, 2011:** 21,836,839 EUR
- **Tenant:** BARCELÓ ARRENDAMIENTOS HOTELEROS, S.L.
- **Existing mortgage as of September 30, 2011on Isla Canela, S.A.:** 15,650,000 EUR
- **Operation:** Leasing
- **Leasing contract characteristics:**
    - **Start:** 1 March 2006
    - **End:** 31 December 2018.
    - **Type of contract:** Fixed rent
    - **Rent increase:** CPI
    - **Annual estimated revenue for 2011:** 2,030,000 EUR. Monthly collection
    - **Bank guarantee:** 2,490,000 EUR with maturity 2 March 2012
- **Other:** New conditions under negotiation. See Section VI, 11 (Major Contracts).

**e) <u>Hotel Riu Atlántico</u>**

- **Ownership:** COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009 SOCIMI, S.A.
- **Category:** 4 stars
- **Location:** Isla Canela Tourist Complex (Ayamonte, Huelva), Plot D-29
- **Number of rooms:** 359 rooms
- **Gross floor area:** 20,116 $m^2$ above grade + 7,988 $m^2$ below grade + 2,207 $m^2$ terrace
- **Year completed:** 2000
- **Date of ownership:** 25 May 2000
- **Current market value as of September 30, 2011:** 31,746,291 EUR (unrealised capital gain: 1,334,188 EUR)
- **Net book value as of September 30, 2011:** 30,412,103 EUR
- **Tenant:** RIUSA II, S.A.
- **Existing mortgage as of September 30, 2011 on Isla Canela, S.A.:** 17,110,000 EUR
- **Operation:** Leasing
- **Leasing contract characteristics:**
    - **Start:** 1 June 2007
    - **End:** 1 April 2013
    - **Type of contract:** Variable rent depending on GPO and revenues
    - **Rent increase:** CPI

  - **Annual estimated revenue for 2011:** 2,410,000 EUR. Quarterly collection (March, June, September, December)
  - **Bank guarantee:** none

**f) Hotel Tryp Atocha**

- **Ownership:** COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI, S.A.
- **Category:** 4 stars
- **Location:** Calle Atocha, 83 and Calle Moratín 10-12 (Madrid)
- **Number of rooms:** 149 rooms + 6 function rooms with capacity of up to 300 people
- **Gross floor area:** 9,228.76 m$^2$ (including basement below grade)
- **Year completed:** Operating and/or Activity Licence granted on 17 December 2001
- **Date of ownership:** 26 December 2001.
- **Market value as of September 30, 2011:** 29,474,595 EUR
- **Book value as of September 30, 2011:** 29,474,595 EUR
- **Operation:** Leasing
- **Tenant:** SOL MELIÁ, S.A.
- **Leasing contract characteristics:**
  - **Start:** 24 June 2002 (delivery date)
  - **End:** 24 March 2022
  - **Type of contract:** Guaranteed Fixed Rent + variable rent indexed to income
  - **Rent increase:** Fixed rent revised annually on 1 September with CPI + variable
  - **Annual estimated revenue for 2011:** 1,699,297 EUR. No variable rent accrued
  - **Bank guarantee:** 1,761,669 EUR with maturity 31 August 2012 Renewable annually

**g) Hotel Tryp Cibeles**

- **Ownership:** COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI, S.A.
- **Category:** 4 stars
- **Location:** Calle Mesoneros Romanos, 15 (Madrid) corner with Calle Gran Vía, 34. Façade overlooking Gran Vía
- **Number of rooms:** 133 bedrooms
- **Gross floor area:** 6,881.28 m$^2$ (including two small basements below grade)
- **Completed:** 15 March 2000 (Certificate of delivery to the tenant)
- **Date of ownership:** 15 May 2002
- **Market value as of September 30, 2011:** 20,141,739 EUR
- **Book value as of September 30, 2011:** 20,141,739 EUR
- **Operation:** Leasing
- **Tenant:** SOL MELIÁ, S.A.
- **Leasing contract characteristics:**
  - **Start:** 15 March 2000 (delivery date)
  - **End:** 15 March 2020
  - **Type of contract:** Guaranteed Fixed Rent + variable rent indexed to income
  - **Rent increase:** Fixed rate revised annually on 1 September with CPI + variable
  - **Annual estimated revenue for 2011:** 1,107,117 EUR. No variable rate accrued.
  - **Bank guarantee:** 1,336,530 EUR with maturity 31 August 2012. Renewable annually.

5.3.3. Buildings for commercial use

**a) Marina Isla Canela Shopping Mall**

- **Ownership:** COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009 SOCIMI, S.A.
- **Description:** Group of four buildings for commercial purposes

- **Location:** Isla Canela Tourist Complex (Ayamonte, Huelva), Plot D-ESC-10/1/2/3/4
- **Year completed:** 2000
- **Gross floor area:** 1,840 $m^2$ above grade + 1,535 $m^2$ below grade + 2,744 $m^2$ terrace
- **Date of ownership:** 17 October 2000
- **Current market value as of September 30, 2011:** 3,739,196 EUR
- **Net book value as of September 30, 2011:** 3,739,196 EUR
- **Operation:** Leasing
    - **Revenue for 2011:** 210,000 EUR

**b) <u>Premises at Calle Rutilo 21, 23 and 25</u>**

- **Ownership:** COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI, S.A.
- **Location:** Calle Rutilo, 21, 23 and 25. Entrance 9, 10 and 11. Premises 2, 3, 4 and 5 (Madrid)
- **Gross floor area:** 593.06 $m^2$
- **Year completed:** 30 April 1997
- **Date of ownership:** 6 April 2000
- **Market value as of September 30, 2011:** 1,214,675 EUR
- **Net book value as of September 30, 2011:** 1,214,675 EUR
- **Operation:** Leasing
- **Tenant:** DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A. (DIA)
- **Leasing contract characteristics:**
    - **Start:** 5 October 2000
    - **End:** 5 October 2020
    - **Rent increase:** Annually on 1 May, with CPI
    - **Annual estimated revenue for 2011:** 79,984 EUR
    - **Bank guarantee:** No

**c) <u>Premises at Calle Gran Vía, 34</u>**

- **Ownership:** COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI, S.A.
- **Location:** Calle Gran Vía, 34 (Madrid)
- **Gross floor area:** 3,347.57 $m^2$ (Basement + Ground Floor + Mezzanine + First Floor + Second Floor)
- **Year completed:** 3 May 2000
- **Date of ownership:** 16 May 2002
- **Market value as of September 30, 2011:** 21,604,298 EUR (unrealised capital gain: 662,695 EUR)
- **Net book value as of September 30, 2011:** 20,941,603 EUR
- **Operation:** Leasing
- **Tenant:** ZARA ESPAÑA, S.A.
- **Leasing contract characteristics:**
    - **Start:** 3 May 2000 (premises delivered)
    - **End:** 3 May 2020
    - **Type of contract:** Fixed rent
      **Rent increase:** Annually on 1 May, with CPI
    - **Annual estimated revenue for 2011:** 2,364,954 EUR
    - **Bank guarantee:** No

**d) <u>Premises at Calle Dulcinea, 4</u>**

- **Ownership:** COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI, S.A.
- **Location:** Calle Dulcinea, 4 – Basement 2 (Madrid)
- **Gross floor area:** 1,037.04 $m^2$
- **Date of ownership:** 21 September 1995
- **Market value as of September 30, 2011:** 1,300,262 EUR

- **Net book value as of September 30, 2011:** 1,300,262 EUR
- **Operation:** Leasing
- **Tenant:** JAVISA SPORT, S.L. (franchise-holder is the gym chain BODY FACTORY)
- **Leasing contract characteristics:**
  - **Start:** 17 February 2003
  - **End:** 17 February 2018
  - **Rent increase:** Annually on 17 February, with CPI. Currently subsidised until 1 July 2011
  - **Annual estimated revenue for 2011:** 102,883 EUR
  - **Bank guarantee:** No

**e) Premises at Calle Albalá, 7**

- **Ownership:** COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI, S.A.
- **Location:** Calle Albalá, 7 (Madrid)
- **Year works completed:** 1 November 2003 (Certificate of delivery)
- **Gross floor area:** 1,521.59 $m^2$ (including basement, ground floor and mezzanine)
- **Date of ownership:** 26 September 2003
- **Market value as of September 30, 2011:** 2,552,343 EUR
- **Net book value as of September 30, 2011:** 2,552,343 EUR
- **Operation:** Leasing
- **Tenant:** CAPRABO, S.A.
  - **Start:** 1 November 2003
  - **End:** 1 November 2028
  - **Rent increase:** Annually on 1 May, with CPI
  - **Revenue for 2011:** 220,875 EUR
  - **Bank guarantee:** No

**f) Premises at Calle San Antón, 25 and 27**

- **Ownership:** COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI, S.A.
- **Location:** Calle San Antón, 25 and 27 (Cáceres)
- **Gross floor area:** 1,735.73 $m^2$
- **Year completed:** 1907
- **Date of ownership:** 15 June 2011
- **Market value as of September 30, 2011:** 3,748,212 EUR
- **Net book value as of September 30, 2011:** 3,748,212 EUR
- **Operation:** Leasing
- **Tenant:** PUNT ROMA, S.L.
- **Leasing contract characteristics:**
  - **Start:** 15 June 2005
  - **End:** 15 December 2035.
  - **Price increase:** Annually on 1 January, with CPI
  - **Annual estimated revenue for 2011:** 147,177 EUR. Rent for the period starting from June 15 to December 31, 2011.
  - **Bank guarantee:** No

5.3.4. Buildings for office space

**a) Premises at Calle Gran Vía, 1**

- **Ownership:** COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI, S.A.
- **Location:** Gran Vía, 1 first floor, left door (Madrid)
- **Gross floor area:** 442 $m^2$ (including proportional part of shared areas)

- **Year completed:** 1907
- **Date of ownership:** 10 February 1998
- **Market value as of September 30, 2011:** 2,347,438 EUR
- **Net book value as of September 30, 2011:** 2,347,438 EUR
- **Operation:** Leasing
- **Tenant:** GULA GULA MADRID, S.L.
- **Leasing contract characteristics:**
    - **Start:** 26 December 1996
    - **End:** 26 December 2016
    - **Price increase:** Annually on 1 January, with CPI
    - **Annual estimated revenue for 2011:** 122,429 EUR
    - **Bank guarantee:** 24,078 EUR (maturity March 28, 2012)

**b) <u>Office building at Gran Vía, 1</u>**

- **Ownership:** COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009 SOCIMI, S.A.
- **Location:** Gran Vía, 1 second floor, left door (Madrid)
- **Gross floor area:** 430 $m^2$
- **Year completed:** 1907
- **Date of ownership:** 19 October 1987
- **Current market value as of September 30, 2011:** 2,044,657 EUR (unrealised capital gain: 110,353 EUR)
- **Net book value as of September 30, 2011:** 1,934,304 EUR
- **Operation:** Leasing
- **Leasing contract characteristics:** Currently without tenant

**c) <u>Office building at Gran Vía, 1</u>**

- **Ownership:** COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI, S.A.
- **Location:** Gran Vía, 1 second floor, right door (Madrid)
- **Gross floor area:** 541.93 $m^2$ (including proportional part of shared areas)
- **Year completed:** 1907
- **Date of ownership:** 15 October 1993
- **Market value as of September 30, 2011:** 2,573,614 EUR
- **Net book value as of September 30, 2011:** 2,573,614 EUR
- **Operation:** Leasing
- **Leasing contract characteristics:** Currently without tenant

**d) <u>Office building at Gran Vía, 1</u>**

- **Ownership:** COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI, S.A.
- **Location:** Gran Vía, 1 first floor, right door (Madrid)
- **Gross floor area:** 541.93 $m^2$ (including proportional part of shared areas)
- **Year completed:** 1907
- **Date of ownership:** 15 October 1993
- **Market value as of September 30, 2011:** 2,623,546 EUR
- **Net book value as of September 30, 2011:** 2,623,546 EUR
- **Operation:** Leasing
- **Tenant:** ARKADIN SPAIN SERVICIOS DE TELECONFERENCIA, S.L.
- **Leasing contract characteristics:**
    - **Start:** 28 October 2011
    - **End:** 28 February 2017
    - **Price increase:** Annually on 1 January, with CPI

- **Annual estimated revenue for 2011:** 0 EUR
- **Annual estimated revenue for 2012:** 82,500 EUR
- **Bank guarantee:** 87,615 EUR (maturity November 3, 2014)

**e) <u>Building at C/Pradillo, 42</u>**

- **Ownership:** COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI, S.A.
- **Location:** Calle Pradillo, 42 (Madrid)
- **Gross floor area:** 7,345.53 m$^2$ (Basements -1 and -2 + Ground Floor + Fourth Floor)
- **Date of ownership:** 27 February 2009
- **Market value as of September 30, 2011:** 16,509,030 EUR
- **Net book value as of September 30, 2011:** 16,509,030 EUR
- **Operation:** Leasing
- **Tenant:** UNIDAD EDITORIAL, S.A.
- **Leasing contract characteristics:**
  - **Start:** 27 February 2009
  - **End:** 26 February 2019
  - **Renewal:** Not provided for in the contract. Lease ends on contract expiry date.
  - **Rent increase:** Annually on 1 March, with CPI
  - **Annual estimated revenue for 2011:** 1,436,148 EUR Monthly collection
  - **Bank guarantee:** 1,702,921 EUR with maturity 31 March 2012. Renewable annually

5.4. Evolution of the market value of the assets

The following table shows the evolution of the value of the asset since the formation of the Subsidiaries in 2009 (figures are given in million Euro):

| Asset | 2010 | 2011 | 2011 |
|---|---|---|---|
| Vincci Selección Isla Canela Golf | 4.70 | 5.67 | 4.96 |
| Hotel Iberostar Isla Canela | 23.70 | 26.94 | 23.87 |
| Hotel Playa Canela | 15.90 | 19.07 | 14.13 |
| Hotel Barceló Isla Canela | 23.70 | 26.66 | 23.79 |
| Hotel Riu Atlántico | 29.20 | 31.08 | 31.75 |
| Hotel Tryp Atocha | 32.17 | 30.09 | 29.47 |
| Hotel Tryp Cibeles | 21.53 | 20.84 | 20.14 |
| **Total Hotels (a)** | **150.90** | **160.35** | **148.11** |
| Marina Isla Canela Shopping Mall | 4.70 | 3.82 | 3.74 |
| Premises at Calle Rutilo 21, 23 and 25 | 1.38 | 1.24 | 1.21 |
| Premises at Calle Gran Vía, 34 | 21.53 | 21.80 | 21.60 |
| Premises at Calle Dulcinea, 4 | 1.53 | 1.35 | 1.30 |
| Premises at Calle Albalá, 7 | 2.87 | 2.62 | 2.55 |

| | | | |
|---|---|---|---|
| Premises at Calle San Antón, 25 and 27 | - | 3.88 | 3.75 |
| **Total Commercial Premises (b)** | **32.01** | **34.71** | **34.15** |
| Office building at Gran Vía, 1 | 10.56 | 10.03 | 9.59 |
| Building at C/Pradillo, 42 | 18.23 | 17.03 | 16.52 |
| **Total Offices (c)** | **28.79** | **27.06** | **26.11** |
| **TOTAL VALUE OF ASSETS (a+b+c)** | **211.70** | **222.12** | **208.37** |

## 6. Employees

At the time of issuing this Prospectus, the Company has no employee. The company is managed by a Board of Directors.

## 7. Share capital

After the incorporation of the Company and the subsequent capital increase performed, the issued share capital of the Company was as on December 1st, 2011 of 267,577,040 EUR divided into 4,452,197 Shares with a nominal value of 60.10 EUR each.

All issued Shares of the Company are registered and have been fully paid up. The Shares have been issued under the applicable legislation of the Grand Duchy of Luxembourg.

The Shares carry voting rights in general meetings on an unrestricted "one share one vote" basis.

The Board is authorized, up to an amount of 60,000,000 EUR and during a period of five years ending on December 1st, 2016, to increase in one or several times the subscribed capital, within the limits of the authorized capital. Such authorization given to the Board has been granted without further limitation regarding the number of authorised shares. Such increased amount of capital may be subscribed for and issued in the form of shares to be paid-up in cash. The Board is authorized to proceed without reserving to the existing Shareholders a preferential right to subscribe to the Shares to be issued.

## 8. Major and Particular Shareholders

All Shares are fully paid. All Shareholders have to report their holding to the Company in case they cross a threshold of 5% of the voting rights that are attached to the Shares.

The Shareholders of the Company on December 16, 2011 are:

| Shareholder | # Shares | % |
|---|---|---|
| Andrea Barrigón González | 1,633,887 | 36.69844% |
| Marco Colomer Barrigón | 570,264 | 12.80860% |
| José Luis Colomer Barrigón | 569,167 | 12.78396% |
| Gran Vía, 34, S.A. | 342,305 | 7.68845% |

| | | |
|---|---|---|
| Promociones y Construcciones, PYC, PRYCONSA, S.A. | 498,360 | 11.19357% |
| COGEIN, S.L. | 429,786 | 9.65335% |
| BARMAR SIETE, S.L. | 97,657 | 2.19346% |
| PER 32, S.L. | 40,680 | 0.91371% |
| Compañía Ibérica de Viviendas Siglo XXII, S.L. | 366 | 0.00822% |
| J.P. Morgan Securities Ltd | 222,544 | 4.99852% |
| Other Investors | 47,181 | 1.05972% |
| **Total** | **4,452,197** | **100.00000%** |

The Articles do not contain specific provisions relating to a delay, deferral or prevention of the change of control of the Company.

The Articles do not provide for specific provisions according to which Shareholders must disclose their holdings in the Company.

The Directors of the Company are not aware of any agreement the operation of which may at a subsequent date result in a change of control of the Company.

It should be noted that some of the Company's Directors have invested in the Company either personally or through other companies they have relations with. In particular, Marco Colomer Barrigón who will be a director of the Company and who is the Chief Executive Officer of Promociones y Construcciones, PYC, PRYCONSA, S.A., a Spanish company being Shareholder of the Company.

It is to be noted that more than 70% of the Shares of the Company are currently held by the members of the same family, *i.e.* Andrea Barrigón González, Marco Colomer Barrigón and José Luis Colomer Barrigón.

The Colomer family and especially Ms. Andrea Barrigón González (mother), Mr. Marco (Director and Chairman of the Company) and Mr. José Luis Colomer Barrigón (both sons) own directly and/or indirectly almost all the capital of the Company, except for the percentage of Shares owned by BARMAR SIETE, S.L. and the other Investors. The Company can be described as a family controlled company.

Except from legal provisions, there are no specific measures in place that would ensure that the control is not abused.

These Shareholders reserve themselves the right to create a controlling vehicle which would be incorporated as a holding company to which they would contribute their equity interest in the Company.

The details regarding the Company’s founders can be presented as follows:

| **Name** | **Business Addresses** | **Functions in the Company** | **Activities** |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Andrea Barrigón Gonzalez | Apolonio Morales, 21 (Madrid - Spain) | Not applicable | Retired |
| Promociones y Construcciones, PYC, Pryconsa, S.A. | Glorieta de Cuatro Caminos 6 y 7 (Madrid – Spain) | Not applicable | Construction and real estate development |
| COGEIN, S.L. | San Bernardo 64 (Madrid – Spain) | Not applicable | Construction and real estate development |
| Barmar Siete, S.L. | Canalejo 6 (Madrid – Spain) | Not applicable | Real Estate investments |
| Marco Colomer Barrigón | Apolonio Morales, 17 (Madrid – Spain) | Director | Entrepeneur and CEO of several companies |
| Jose Luis Colomer Barrigón | Villanueva 5 (Madrid – Spain) | Not applicable | Professor |
| Gran Vía 34, S.A. | San Vicente Ferrer 60 (Madrid –Spain) | Not applicable | Real Estate investments |
| PER 32, S.L. | San Vicente Ferrer 60 (Madrid –Spain) | Not applicable | Real Estate investments |
| Compañía Ibérica de Viviendas Siglo XXII, S.L. | San Bernado 64 (Madrid – Spain) | Not applicable | Real Estate investments |

## 9. Management of the Company and Corporate Governance

### *9.1. Directors*

According to the Articles, the Board must consist of at least 3 Directors. The term of office of a Director may not exceed 6 years (renewable). The members of the Board are elected and can be removed by a simple majority of the votes validly cast at the General Meeting. If the General Meeting does not designate a Chairman, the Board shall appoint one from among its members, as well as one or several Vice Chairman, should it deem this to be necessary. The General Meeting may decide to appoint Directors of category A (Category A Director) and of category B Directors (Category B Director).

The Company complies with the corporate governance regime applicable in Luxembourg. The Directors monitor the Company's affairs and must apply due diligence when carrying out their responsibilities. A Director who is unable to attend a meeting may authorize another Director in writing to be his proxy. The Directors may from time to time cause the Company to enter into agreements with third parties for the provision of services to the Company.

Should a Director discover a conflict of interest he or she is obligated to inform the Company accordingly and must not vote on the subject causing the conflict of interest.

Any Director having an interest in a transaction submitted for approval to the Board conflicting with that of the Company, shall be obliged to advise the Board thereof and to cause a record of his statement to be included in the minutes of the meeting. He may not take part in any related deliberations. At the next following General Meeting, before any other resolution is put to vote, a special report shall be made on any transactions in which any of the Directors may have had an interest conflicting with that of the Company.

The General Meeting may agree to remunerate the Directors for attending meetings of the Board and additionally, where appropriate, to agree on a fixed annual compensation. Directors and other officers of the Company, both past and present, are entitled to indemnification from the Company to the fullest extent permitted by law against liability and all expenses reasonably incurred by them in connection with any claim, action, suit or proceeding in which they are involved by virtue of their being or having been a Director or other officer respectively. The Company may purchase and maintain for any Director or other officer insurance against any such liability. However, no indemnification shall be provided against any liability to the Company or its Shareholders by reason of wilful misconduct of a Director in the exercise of his office. Biographical information regarding the members of the Board of the Company is set forth below.

The Company may only be legally bound by collegial resolution adopted by the Board.

| | | |
|---|---|---|
| Marco Colomer Barrigón | Category A Director | Of Spanish nationality, born on 14 December 1960 in Madrid, residing in Calle Apolonio Morales, 17, Madrid, Spain<br><br>He has a wide experience of the real estate sector and has been managing different real estate companies (*a.o.* from Pryconsa Group and Cogein Group). He is also acting as CEO of all these companies. In addition he has been member of the board of BANCO POPULAR ESPAÑOL and member of the "Global Advisory Council" in the "Chase Manhattan Private Bank," today J. P. Morgan.<br><br>This office will end at the ordinary General Meeting to be held in 2017. |
| Patrick Sganzerla | Category B Director | Of French nationality, born on 28 March 1968 in Toulon (France), residing rue Tony Dutreux 30, L-1429 Luxembourg.<br><br>He has an experience of chartered accountant and auditor in Luxembourg and France and has worked for audit firms. He has also practice his accounting skills in a Luxembourg holding Company.<br><br>This office will end at the ordinary General Meeting to be held in 2017. |
| Ismaël Dian | Category B Director | Of Belgian Nationality, born on 15 November 1979 in Virton (Belgium), residing rue Chanoine Gringoire, B-6820 Florenville, Belgium<br><br>He has an experience of accountant and |

| | | |
|---|---|---|
| | | Tax specialist having worked for various fiduciaries and audit firms. He further specializes in real estate market being certified as Specialist in Real Estate in Luxembourg (Lux Alfi).<br><br>This office will end at the ordinary General Meeting to be held in 2017. |

It should be noted that some of the Directors also work for companies with which the Company has contractual relationships.

In particular, Marco Colomer Barrigón is in charge of the different functions within the following companies related to the family Colomer Barrigón:

| | |
|---|---|
| COGEIN, S.L. | Chairman and CEO |
| ROYAL INMOBILIARIA, S.A | CEO (Rep.Cogein,S.L.) and Board Secretary (Rep. Cogein,S.L. |
| COMPAÑÍA IBERICA DE BIENES RAICES 2009, SOCIMI, S.A. | CEO |
| COMPAÑÍA IBERICA DE RENTAS URBANAS 2009, SOCIMI, S.A. | Chairman and CEO |
| SORANSA 1989, S.A.U. | CEO |
| COMPAÑÍA IBERICA DE VIVIENDAS SIGLO XXII, S.L. | Chairman and CEO |
| ISLA CANELA, S.A. | CEO |
| GRAN VIA, 34, S.A. | Chairman and CEO |
| PROMOCIONES Y CONSTRUCCIONES PYC PRYCONSA, S.A. | CEO |
| BOETTICHER Y NAVARRO, S.A. | Chairman and CEO |
| PROPIEDADES CACEREÑAS, S.L. | Chairman and CEO |
| PRYGECAM ARROYOMOLINOS VIVIENDA JOVEN, S.L. | Chairman |
| PRYGECAM MOSTOLES VIVIENDA JOVEN, S.L. | Chairman |
| PLANIFICACION RESIDENCIAL Y GESTION S.A. (PRYGESA) | Director (Rep. Pryconsa) |
| PER 32, S.L. | Chairman and CEO |
| GESTORA DE PROMOCIONES AGROPECUARIAS, S.A. | CEO |
| TENIVI, S.L. | CEO |
| RENOVERCIA SOLAR ECIJA 1 AL 19, S.L.U. | Director (Rep. Codes Capital Partners, S.L.) |
| INVERETIRO, S.L. | Chairman and CEO |
| ANOA FINANZAS, S.L. | Chairman and CEO |
| PRYCONSA REZIDENTIAL DRUMUL TABEREI, S.R.L. (Rumania) | Director (Rep. Pryconsa) |
| GESTORA DE SOLARES, S.L. | Director |
| TENEDORA DE SOLARES, S.L. | Director |
| TENEDORA DE TERRENOS, S.L. | Director |

Moreover, Marco Colomer Barrigón is one of the major Shareholders of the Company referred to in page 69

Regarding Mr. Patrick Sganzerla and Mr. Ismaël Dian, it is to be noted that the Company rents an office in Luxembourg to a Luxembourg Company, FPS OFFICE CENTER S.à.r.l., having its registered office at L-1330 Luxembourg, Boulevard Grande-Duchesse Charlotte, 46 (hereinafter "FPS OFFICE CENTER") pursuant a *Service Rental Agreement* signed on 2011. FPS OFFICE CENTER is owned by Mr. Patrick Sganzerla and Mr. Ismaël Dian.

Unless otherwise disclosed above, the Company hereby certifies that it is not aware of any conflicts of interest between any duties of the Directors to the Company and their private interest or other duties.

There are no remuneration or audit committees. The Company however, reserves the right to set up such committees. The Company hereby certifies that none of the members of its administrative, management or supervisory bodies has been convicted of fraudulent offences in the previous five years, and that none has been subject to any bankruptcy, receivership or liquidation proceedings or any official public incrimination and/or sanctions in the previous five years.

There is no service contract concluded between the Directors and the Company or the Subsidiaries providing for benefits upon termination of employment

No option regarding the Shares of the Company have been granted to the Directors at the date of this Prospectus.

There is no such arrangement or understanding with major Shareholders, customers, suppliers or others, pursuant to which any Directors was selected as a member of the administrative, management or supervisory bodies or member of senior management.

There is no restriction agreed by the Directors on the disposal within a certain period of time of their holdings in the Company's securities.

### *9.2. Entities in which the Directors are manager or member of the administrative, management or supervisory bodies or partner in the previous five years*

#### 9.2.1. Marco Colomer Barrigón

The entities of which Mr Marco Colomer Barrigón is a member of the administrative, management or supervisory bodies or partner for the last five years are detailed under point 9.1 above. All these mandates are in force.

#### *9.2.2.* Patrick Sganzerla

Mr. Patrick Sganzerla has been manager and/or member of the board of directors of the following companies incorporated under Luxembourg law for the last five years:

FPS Audit S.à r.l.
Fiduciaire Patrick Sganzerla S.à r.l.
Sofidec S.à r.l.
FPS Office Center S.à r.l.
Insurance & Reinsurance Consultant Agency S.A.
La Balme S.A.
Calista Capital Spf
Gaïa International Financial Investment S.A.
Geyser Investments S.A.
G&P Properties S.à r.l.

Lux Investments Company S.A.
Socavia III S.à r.l.
Turbolux S.à r.l.
R.H. Conseil S.à r.l.
Plazza Investment & Properties S.à r.l.
Mederach Investments S.à r.l.
Walter Mnagement & Financing S.A.
West & Orient S.à r.l.

All these mandates are in force.

*9.2.3.* Ismaël Dian

Mr. Ismaël Dian has been manager and/or member of the board of directors of the following companies incorporated under Luxembourg law for the last five years:

Captiva 2 Juna Holding S.à r.l.
Mekong Corporation S.à r.l.
Captiva 2 KQ Holding S.à r.l.
Captiva 2 Johannes S.à r.l.
Kemisse S.à r.l.
Mercurio Retail S.à r.l.
MRP Investments S.à r.l.
MRP Investments 2 S.à r.l.
Captiva Nexis S.à r.l.
Mercurio Retail Holding S.à r.l.
Captiva Healthcare S.à r.l.
Captiva Industrial S.à r.l.
Captiva Capital III GP S.à r.l.
MRP Apollo Investment S.à r.l.
SDB Mercurio S.à r.l.
Trian Institutional Real Estate I S.A.
Captiva MIV S.à r.l.
Mercurio Asset Management S.à r.l.
Axiom Asset 3 S.à r.l.
Axiom Asset 4 S.à r.l.
Sky II GP A S.à r.l.
Sky II GP B S.à r.l.
Sky II Asset A S.à r.l.
Sky II Asset B S.à r.l.
Sky II Acquisition C S.à r.l.
Fiduciaire Patrick Sganzerla S.à r.l.
Sofidec S.à r.l.
FPS Office Center S.à r.l.
ID Consulting Sàrl

All these mandates are in force.

*9.3. Organisational structure*

According to the Articles, The Board is validly constituted only if a majority of Directors is present or represented at the Board meeting with at least one Director of each categories, A and B Director in case the shareholders have qualified the Directors as Category A Director(s) and Category B Director(s).

All resolutions to be adopted by the Board shall be taken by a majority vote of the Directors with, as the case may be, at least one vote of each categories of Directors. Furthermore, the Company is bound towards third parties in all matters by the joint signature of any Category A Director and any Category B Director or by the joint signature of two Directors in case no Director has been qualified as Category A Director or Category B Director.

the Board shall be responsible for representing the Company, both in court and outside court, as a body, being empowered in the broadest sense to carry out general contracting, to conduct all kinds of actions and businesses, whether obligatory or provided for legally, of ordinary or extraordinary administration and strict jurisdiction, with regard to all types of goods, movable and immovable assets, money, transferable securities and commercial bills, with no other exception than in relation to matters which are the competence of other bodies or which are not included in the corporate purpose.

The Board may appoint from among its members an Executive Committee or one or more Managing Directors, determining the individuals responsible for these functions and their expected performance. It may delegate to the latter, in part or in full, temporarily or permanently, such faculties as are delegable according to law.

The Board may also delegate its representative powers to one or more Directors on a permanent basis, determining, if they designate more than one, whether they have to act jointly or whether they can act separately.

### *9.4. Convening of General Meeting*

The convening notices for the General Meeting will be issued by the Board while such duties will not fall on the Principal Paying Agent. Investors will be notified of the occurrence of any General Meeting through Euroclear or Clearstream.

## 10. Financial Information

### *10.1. Financial Statements*

The Company will prepare audited financial statements as of December 31, 2011.

Any future published financial statements including interim financial information prepared by the Company, will be available free of charge at the registered office of the Company, the address of which is set out on page 6 of this Prospectus.

The Company's Auditor is DELOITTE Audit S.à .r.l., an independent public accounting firm which is a duly accredited Chartered Accountant member of the Luxembourg Chartered Accountants Institute (*réviseur d'entreprises agréé membre de l'Institut des Reviseurs d'Entreprises).*

The financial year of the Company ends on 31 December of each year.

To the Company's knowledge, there are currently no significant factors, including unusual or infrequent events or new developments, including governmental, economic, fiscal, monetary or political policies or other factors that might materially affect, or might materially affects, directly or indirectly, the Company's operations except for the risks included in the Section II (Risk Factors) of the Prospectus.

### *10.2. Working Capital Statement*

As of the date of the Prospectus, the Company believes that it has sufficient working capital *(i.e.* its ability to access cash and other available liquid resources) to meet the cash requirements for the assets owned by the Subsidiaries and the Company and all other costs associated with the operation of the Company for a period of 12 months. Following this 12 months period, the Company's ability to meet its other expenses will depend on the normal performance of the lease contracts which are subject to a number of risks and can only be estimated on a best guess basis. Nevertheless, all the lease contracts of the Subsidiaries are long term contracts. The normal activity and the tenant´s compliance to the terms and conditions of these long term contracts will allow the Subsidiaries and the Company to meet their obligations.

*10.3. Capital Resources*

Until the date of publication of this Prospectus, the needs of the Company resources have been covered mainly by combining cash generated during the ordinary course of activities of the Subsidiaries and own resources. The Company and the Subsidiaries have no bank debt.

The Subsidiaries and the Company have no direct debt. In fact the cash flow generated by the Subsidiaries and the Company is positive and it allows them to lend the excess funds to related companies. For further developments regarding this point please refer to page 84 and following.

Nevertheless, as of September 30, 2011, although CIBRA has no direct financial debt and finances its activities entirely through its own resources, some of its assets are mortgaged in order to secure loans owned by the Spanish Real Estate Development Company Isla Canela, S.A.

The details of the debt still to be paid off, shown on the balance sheet of Isla Canela, S.A., with the relevant Subsidiary's property as guarantee, are shown below: (figures in EUR)

| Mortgaged Asset | Bank | Initial loan | Loan amount pending repayment as of September, 30, 2011 | Final expiry date |
|---|---|---|---|---|
| Hotel Barceló | BBVA | 24,000,000 | 15,647,880 | 31/05/2020 |
| Hotel Playa Canela | BBVA | 17,000,000 | 7,192,310 | 28/02/2017 |
| Hotel Riu Atlántico | BBVA | 25,000,000 | 17,107,352 | 31/03/2021 |
| Hotel Iberostar | Santander | 20,800,000 | 9,600,000 | 11/06/2017 |
| Hotel Vincci | BBVA | 4,200,000 | 1,863,866 | 30/04/2016 |
| **Total** | | **91,000,000** | **51,411,408** | |

To the Company's knowledge there are no restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the issuer's operations.

Here is a detail of the composition of the funding structure of the Subsidiaries for the period covered by the historical financial information (in EUR):

| 2009 (Euro) | CIBRA | CIRU | AGGREGATE |
|---|---|---|---|
| Net Equity | 108,159,277 | 110,928,276 | 219,087,553 |
| Non-current liabilities (1) | 710,648 | - | 710,648 |

| | | | |
|---|---|---|---|
| **Permanent resources (2)** | **108,869,926** | **110,928,276** | **219,798,201** |
| Other non-current liabilities (3) | 1,513,239 | - | 1,513,239 |
| Current liabilities (4) | 608,925 | 664,199 | 1,273,124 |
| **Total Equity and liabilities** | **110,992,090** | **111,592,475** | **222,584,564** |
| | | | |
| Net Equity | 97.40% | 99.40% | 98.40% |
| Non-current liabilities | 0.60% | - | 0.30% |
| **Permanent resources** | **98.00%** | **99.40%** | **98.70%** |
| Other non-current liabilities | 1.50% | - | 0.70% |
| Current liabilities | 0.50% | 0.60% | 0.60% |
| **Total Equity and liabilities** | **100.00%** | **100.00%** | **100.00%** |

| 2010 (Euro) | CIBRA | CIRU | AGGREGATE |
|---|---|---|---|
| Net Equity | 108,769,675 | 112,465,283 | 221,234,958 |
| Non-current liabilities (1) | 436,760 | **-** | 436,760 |
| **Permanent resources (2)** | **109,206,435** | **112,465,283** | **221,671,718** |
| Other non-current liabilities (3) | 1,611,809 | 1,321,370 | 2,933,179 |
| Current liabilities (4) | 2,765,111 | 1,084,477 | 3,849,588 |
| **Total Equity and liabilities** | **113,583,355** | **114,871,130** | **228,454,485** |
| | | | |
| Net Equity | 95.80% | 97.90% | 96.80% |
| Non-current liabilities | 0.40% | - | 0.20% |
| **Permanent resources** | **96.20%** | **97.90%** | **97.00%** |
| Other non-current liabilities | 1.40% | 1.10% | 1.30% |
| Current liabilities | 2.40% | 1.00% | 1.70% |
| **Total Equity and liabilities** | **100.00%** | **100.00%** | **100.00%** |

| 2011 (9 months) (Euro) | CIBRA | CIRU | AGGREGATE |
|---|---|---|---|
| Net Equity | 111.901.795 | 109,594,528 | 221,496,323 |
| Non-current liabilities (1) | 53.409 | 1,248,203 | 1,301,612 |
| **Permanent resources (2)** | **111,955,204** | **110,842,731** | **222,797,935** |
| Other non-current liabilities (3) | 1.860.975 | - | 1,860,975 |
| Current liabilities (4) | 1.152.965 | 1,936,454 | 3,089,419 |
| **Total Equity and liabilities** | **114,969,144** | **112,779,185** | **227,748,329** |
| | | | |
| Net Equity | 97.30% | 97.20% | 97.30% |
| Non-current liabilities | 0.05% | 1.10% | 0.60% |
| **Permanent resources** | **97.35%** | **98.30%** | **97.90%** |
| Other non-current liabilities | 1.60% | - | 0.80% |
| Current liabilities | 1.10% | 1.70% | 1.30% |
| **Total Equity and liabilities** | **100.00%** | **100.00%** | **100.00%** |

(1) Long term liabilities with third parties
(2) Net equity + non-current liabilities
(3) Grants
(4) Short term liabilities with third parties

*10.4. Cash Flows*

*10.4.1. Outflows*

According to the budget elaborated through the long term contracts of the Subsidiaries it is expected to disburse approximately 500,000 EUR annually for the maintenance of the assets and recurrent investments to be made. In addition it is estimated that approximately 6,500,000 EUR will be paid as dividends and approximately 980,000 EUR would be disburse as overheads.

*10.4.2. Inflows*

According to the long term lease contracts listed in the Section VI point 5.3 in force signed by the Subsidiaries it is expected to collect approximately EUR 14,460,000 annually in terms of income from leased assets. In addition it is estimated that approximately EUR 800,000 will be collected as financial interests as result of the financial contracts signed by the Subsidiaries with related companies. More information is provided regarding these contracts in the Section VI point 12.

*10.5. Net Sales and Revenue*

The detail and evolution of revenues since the incorporation of the Subsidiaries in 2009 can be described as follows (in EUR):

| **2009** | **CIBRA** | **CIRU** | **AGGREGATE** |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Revenue | 8,330,507 | 4,298,332 | 12,628,839 |
| Other operating expenses | -472,557 | -69,075 | -541,632 |
| **Net margin** | **7,857,950** | **4,229,257** | **12,087,207** |
| **Net margin / Revenue** | **94.30%** | **98.40%** | **95.70%** |

| **2010** | **CIBRA** | **CIRU** | **AGGREGATE** |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Revenue | 13,662,771 | 6,869,162 | 20,531,933 |
| Procurements | -1,298,101 | - | -1,298,101 |
| Staff costs | -2,499,515 | -79,918 | -2,579,433 |
| Other operating expenses | -1,868,270 | -175,972 | -2,044,242 |
| **Net margin** | **7,996,885** | **6,613,272** | **14,610,157** |
| **Net margin / Revenue** | **58.50%** | **96.30%** | **71.20%** |

| **September 30, 2011 (9 months)** | **CIBRA** | **CIRU** | **AGGREGATE** |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Revenue | 9,056,871 | 5,737,788 | 14,794,659 |
| Procurements | -816,365 | - | -816,365 |
| Staff costs | -1,233,442 | -54,269 | -1,287,711 |
| Other operating expenses | -941,922 | -171,692 | -1,113,614 |
| **Net margin** | **6,065,142** | **5,511,827** | **11,576,969** |
| **Net margin / Revenue** | **67.00%** | **96.10%** | **78.30%** |

*10.5.1. Evolution for CIBRA*

In 2009, all the real estate assets of the CIBRA were leased and resulted on a total revenue of 8,330,507 EUR and a net margin of 7,857,950 EUR after deduction of operating expenses. It resulted on a net margin of 94.30%. Nevertheless, during 2010, one of the assets of CIBRA changed its conditions. It implied that the lease agreement in force linked to Hotel RIU Atlántico became a management contract between April 1st, 2010 and May 31st, 2011 instead of a lease contract. Accordingly, during the mentioned period, an increase of revenues and costs was implied given that the business risk of the hotel management was in charge of CIBRA (more revenue and more costs for sales). It has no relevant effect on the net margin of the company (7,857,950 EUR in 2009 and 7,996,885 EUR in 2010) but, as commented it implies an increase of revenues and costs of sales in the period and as a consequence a decrease of the ratio net margin / revenues. Currently, as from May 31st, 2011, the contract reverted to a lease contract.

*10.5.2. Evolution in CIRU*

The revenue of CIRU in 2009 amounted 4,298,332 EUR in comparison to 2010 totaling 6,869,162 EUR. An important increase of 60% between these two years occurred. Such is due to the fact that although CIRU was incorporated in 2009 through a spin-off operation, revenues associated to certain assets were not transferred to the new company for the whole period of 12 months given that the revenues had been already declared from a tax point of view in the previous company. These assets are Hotel TRYP Cibeles (effect 1.08 million euro) and Gran Vía 34 Commercial premises leased to ZARA España, S.A. (1.30 million euro). In addition an upgrade of the lease contract with ZARA España, S.A. was agreed in 2010 that implied a slight increase of revenues for CIRU.

On the other hand, during 2011, the expected revenues for the period of 12 months will be higher than in 2010 (12 months) as a consequence of the lease contract upgrade mentioned in the prior paragraph with regards to ZARA España, S.A. as well as the fact that a new real estate asset has been included in the portfolio of investments of the company since June 2011 (Premises at Calle San Antón, 25 and 27 in Cáceres – Spain).

*10.6. Capitalization and Indebtedness*

The Board considers the current capitalization of the Company appropriate. The Company has no consolidated debt except for the obligations mentioned in point 10.3 above. No borrowings from third parties are currently contemplated. In addition, the new proceeds coming on the occasion of the Company's incorporation will be enough to afford the contemplated new investments to be made.

The following table presents the Companies´ capitalization as of September 30, 2011:

- on an actual basis; and
- on a pro forma basis after giving effect to the adjustments described in pro forma financial information.

The information below is not indicative of the Company's future capitalization or indebtedness. This table should be read in conjunction with the pro forma financial Information in Appendix 2 of this Prospectus and the Company's financial statements and the related notes thereto, included in Appendix 2.

| | HISTORICAL UNADJUSTED INFORMATION | | | PRO FORMA ADJUSTMENTS | PRO FORMA GROUP |
|---|---|---|---|---|---|
| | CIBRA | CIRU | AGGREGATE | | |
| LONG-TERM DEBT (1) | - | - | - | - | - |

| | | | | | |
|---|---|---|---|---|---|
| Other non-current liabilities | - | - | - | - | - |
| **SHORT-TERM DEBT (1)** | **1,152,965** | **1,936,454** | **3,089,419** | **365,000** | **3,454,419** |
| Payables to group and assoc. | 969 | - | 969 | - | 969 |
| Trade and other payables | 206,356 | 1,932,859 | 2,139,215 | 365,000 | 2,504,215 |
| Accounts payable to public authorities | 945,640 | 3,595 | 949,235 | - | 949,235 |
| **TOTAL DEBT (2)** | **1,152,965** | **1,936,454** | **3,089,419** | **365,000** | **3,454,419** |
| **EQUITY** | **111,901,795** | **109,594,528** | **221,496,323** | **39,771,523** | **261,267,846** |
| **TOTAL CAPITALIZATION (3)** | **113,054,760** | **111,530,982** | **224,585,742** | **40,136,523** | **264,722,265** |

**Notes:**
(1) All short-term debt and long-term debt presented is unguaranteed and unsecured.
(2) Represents total debt plus total equity.
(3) There has been no material change in the capitalization and indebtedness of the Companies since September 30, 2011.

*10.7. Borrowing Requirements and Funding Structure*

Given the current estimations of cash inflows and outflows, the Board does not expect that the Company will have to borrow money to cover its regular cash flow requirements nor those of the Subsidiaries.

*10.8. Investments*

The Company considers that having regards to the date of construction of the assets owned by the Subsidiaries and to the maintenance program to which these assets are subject, it is not to be feared that the investments could in short term evolve in such a manner that it would have a negative effect on the generation of income for the Subsidiaries and, hence, the Company. Nevertheless, according to the renegotiations that are being in course with some tenants, it could be necessary to make some investments in two of the hotels in CIBRA. The total expected investments could amount around 3,000,000.00 EUR. Notwithstanding the foregoing, if it would be necessary to make some kind of overhaul or improvement in property assets, the Company or its Subsidiaries would have sufficient resources to afford it.

The Subsidiaries' and Company's principal investments are real estate assets for lease purpose. The Company and the Subsidiaries have only invested in assets with long term contracts, with attractive yields (over 5%), where tenants are known for their reliability and fine reputation. The Company and its Subsidiaries are constantly contemplating new investments. There is an internal investment procedure to mitigate risks. In order to fund possible investments referred to in this Prospectus, the Company and the Subsidiaries would use cash flows generated by their recurrent operations and bank financing, if needed, case by case, and always according to the financial situation of the market that will determine the leverage of the financial structure of each investment.

*10.8.1. Principal investments made by the Company and the Subsidiaries for 2009 and 2010 financial years*

a. The Company

Since its incorporation on December 1st, 2011 and until the date of this Prospectus, no new investment was made by the Company.

b. CIRU

Apart from the investments made as result of the spin-off operation which resulted on the incorporation of the Company (see Section VI, point 5.3), the unique investment made by the company took place on June 15, 2011 for commercial uses. The main characteristics of that investment are the following:

***Premises at Calle San Antón, 25 and 27***

- **Ownership:** COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI, S.A.
- **Location:** Calle San Antón, 25 and 27 (Cáceres)
- **Gross floor area:** 1,735.73 m$^2$
- **Year completed:** 1907
- **Date of ownership:** 15 June 2011
- **Market value as of September 30, 2011:** 3,748,212 EUR
- **Net book value as of September 30, 2011:** 3,748,212 EUR
- **Acquisition value:** 3,881,604 EUR

c. CIBRA

Apart from the investments made as result of the spin-off operation which gave as result the incorporation of the Company (see Section VI, point 5.3), no investment was made as from the incorporation of the Company.

*10.8.2. Principal investments that are in progress*

The Company, through its Subsidiaries has already identified several possible investments for which negotiations have already been engaged while it is expected that a formal agreement might intervene already before the end of the year. The major characteristics are:

**a) <u>Elderly Residence</u>**

- **Ownership:** SANTANDER DE LEASING S.A.E.F.C.
- **Transferor user**: PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.
- **Financing Leasing:** As of September 30, 2011, the balance of the financing leasing amounts up to EUR 2.12m, with the final maturity date as of December 12, 2014
- **Location:** Calle Valle de Toranzo 3 - 5 (Madrid)
- **Gross floor area:** 5.752 m$^2$
- **Date of ownership:** 12 December 2002,
- **Market value as of September 30, 2011:** 7,854,925.94EUR
- **Net book value as of September 30, 2011:** 7,771,125.00 EUR
- **Operation:** Leasing
- **Tenant (Assignee):** SANITAS RESIDENCIAL, S.L.U.
- **Leasing contract characteristics:**
  - **Start:** 18 December 2006
  - **End:** 18 February 2017
  - **Fixed rent evolution per years to come:**
    - 2011: 310,000 EUR
    - 2012: 350,000 EUR
    - 2013: 390,000 EUR
    - 2014: 440,000 EUR
    - 2015: 490,000 EUR
    - 2016: 550,000 EUR
    - 2017: 100,000 EUR (only 2 months)
  - **Variable rent:** In addition, a variable rent related to the evolution of the business will be calculated at the end of each year according to the EBITDA.
  - **Annual estimated revenue:** 310,000 EUR Monthly collection
  - **Bank guarantee:** 0.34m

**b) <u>Commercial Premises</u>**

- **Ownership:** PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.
- **Location:** Calle Caleruega 66-70 (Madrid)
- **Gross floor area:** 362 $m^2$
- **Date of ownership:** 1 April 2001
- **Market value as of September 30, 2011:** 980,766.00 EUR
- **Net book value as of September 30, 2011:** 360,000.00 EUR
- **Operation:** Leasing
- **Tenant:** SIGLA, S.A. (Grupo VIPS).
- **Leasing contract characteristics:**
    - **Start:** 1 January 2002
    - **End:** 18 December 2016
    - **Fixed rent:** Fixed rent
    - **Annual estimated revenue:** 90,000 EUR Monthly collection

**c) <u>Commercial Premises</u>**

- **Ownership:** CODES CAPITAL PARTNERS, S.L.
- **Location:** Plaza España 5 (Castellón)
- **Gross floor area:** 3.314 $m^2$
- **Date of ownership:** 1 June 2010
- **Market value as of September 30, 2011:** 15,090,281.46 EUR
- **Net book value as of September 30, 2011:** 15,061,036.00 EUR
- **Operation:** Leasing
- **Tenant:** ZARA ESPAÑA, S. A.
- **Leasing contract characteristics:**
    - **Start:** 18 November 2003
    - **End:** 18 November 2023
    - **Fixed rent:** Fixed rent
    - **Annual estimated revenue:** 1,260,000 EUR Monthly collection

## 11. Major Contracts

Apart from the contracts described in this Section, point 5.3, where assets for lease are described, and contracts with related parties described in point 12 of this Section, there are no more relevant contract to detail.

The Company has currently no contract in force whose evolution has significant importance to individual financial position. This declaration applies to the Company itself and to the Subsidiaries. However, some lease contracts for one of the Subsidiaries, CIBRA, are in process of being renegotiated. It will result that the fixed income currently earned by those contracts will become variable income to be determined on basis of the evolution of the profit and loss accounts for the leased hotels. Nevertheless, it will not imply any negative effect for the financial position of the Company or the Subsidiary.

In particular, the main contracts currently being renegotiated are the following:

a) Hotel Playa Canela: CIBRA is renegotiating with Grupo Hoteles Playa, S.A. new conditions for the mentioned hotel. The negotiations are quite advanced. Major changes are as follows:

    i. Fixed rent will become variable rent according to the net income with a minimum and maximum rent per room and year

    ii. Extension of the lease agreement validity until 2022

b) Hotel Iberostar: CIBRA is renegotiating with HISPANO ALEMANA DE MANAGEMENT HOTELERO, S.A. new conditions for the mentioned hotel. The negotiations are quite advanced. Major changes are as follows:

   i. Fixed rent will become variable rent according to the net income with a minimum and maximum rent per room and year

   ii. Extension of the lease agreement validity until 2022

c) Hotel Barceló: CIBRA is renegotiating with BARCELÓ ARRENDAMIENTOS HOTELEROS, S.L. new conditions for the mentioned hotel. The negotiations are quite advanced. Major changes are as follows:

   i. Fixed rent will become variable rent according to the net income with a minimum and maximum rent per room and year

   ii. Extension of the lease agreement validity until 2022

## 12. Related Party Transaction

The contracts described hereunder are the main contracts in force passed between the Company or the Subsidiaries and other related parties.

Concerning CIBRA, the following contracts are to be mentioned:

a) As of January 1, 2010, Isla Canela, S. A. (18% owned by Promociones y Construcciones, PYC, PRYCONSA, S.A., current Shareholder of the Company) and CIBRA signed an "Agreement for Provision of Guarantee Mortgage Service" under which CIBRA will provide a mortgage guarantee service to support the reimbursement or full repayment of the mortgage loan agreements with financial entities signed by Isla Canela, S.A. and the financial institutions. Isla Canela S.A. is committed to repay the banks the complete loans and any other costs accrued until the final repayment of loans guaranteed by mortgage. For the provision of services described above, the Company will pay to CIBRA, an annual amount equivalent to 0,25% of the annual average balance outstanding of loans guaranteed by mortgage, calculated at December 31 of each year. This amount will be invoiced and paid on the last day of each calendar year. This amount may be modified annually by agreement between the parties according to market prices.

   As a result of the Contract described, CIBRA has invoiced Isla Canela, S.A. to the following amounts:

   - In 2010: 148,658.41 EUR

   - In 2011, until September 30: 105,822.07 EUR

b) On January 1, 2010, Promociones y Construcciones, PYC, PRYCONSA, S.A. (herein after PRYCONSA) and CIBRA signed a "Servicing Agreement" under which PRYCONSA provides technical, financial, legal, accounting, administrative, computer and collection services assistance to CIBRA in order to allow the realization of CIBRA's activities under the best conditions for business efficiency, especially in relation to the lease of real estate. For this services agreement, CIBRA will pay to PRYCONSA the annual sum of 30,000.00 EUR, to be invoiced and paid at the end of each year increased with applicable VAT. This amount will be reviewed by mutual agreement at the end of each year in order to be adjusted to actual provided services according to the evolution of activities and resources of CIBRA. In any event, the annual fees are reviewed every year based on the consumer price index each year.

   As a result, PRYCONSA has invoiced to CIBRA the following amounts:

- In 2010: 30,000.00 EUR
- In 2011, until September 30: 23,242.50 EUR

c) On January 1, 2010, PRYCONSA and CIBRA, signed a "Credit Line Agreement" under which CIBRA finances PRYCONSA with the cash excess generated by the lease activity. The remuneration to be paid by PRYCONSA is calculated on the basis of EURIBOR (at three months) + 125 basis points. The accrued interests are calculated on a yearly basis and invoiced on the last day of the calendar year, accumulating the mentioned interest to principal outstanding balance.

As a result of the contract described above, CIBRA has invoiced to PRYCONSA the following amounts:

- In 2010: 46,485.09 EUR
- In 2011, until September 30: 135,354.49 EUR

d) On January 1, 2010, Isla Canela, S.A. and CIBRA signed a "Credit Line Agreement" under which CIBRA finances to Isla Canela, S.A. with the cash excess generated by the lease activity. The remuneration to be paid by Isla Canela, S.A. is calculated on the basis of EURIBOR (three months) + 25 basis points. The accrued interests are calculated under a yearly basis and invoiced on the last day of the calendar year, accumulating the mentioned interest to principal outstanding balance.

It is a three year period contract, automatically renewable for periods equal to three years, unless expressly terminated by either party giving notice of one month from the date of expiration of the period of validity.

As a result of the Contract described CIBRA has invoiced to Isla Canela, S.A. the following amounts:

- In 2010: 108,565.10 EUR
- In 2011, until September 30: 101,994.57 EUR

Concerning CIRU, the following contracts are to be mentioned:

a) On January 1, 2010, COGEIN, S.L. (hereinafter COGEIN) and CIRU, signed a "Credit Line Agreement" under which CIRU finances COGEIN with the cash excess generated by the lease activity. The remuneration to be paid by COGEIN is calculated on the basis of the Legal Interest. The accrued interests are calculated on a yearly basis and invoiced on the last day of the calendar year, accumulating the mentioned interest to principal outstanding balance.

It is a three year period contract, automatically renewable for periods equal to three years, unless expressly terminated by either party giving notice of one month from the date of expiration of the period of validity.

As a result of the contract described above, CIRU has invoiced to COGEIN the following amounts:

- In 2010: 116,656.43 EUR
- In 2011, until September 30: 33,425.95 EUR

b) On January 1, 2010, Propiedades Cacereñas, S.L. and CIRU signed a "Credit Line Agreement" under which CIRU finances to the first one with the cash excess generated by the lease activity. The remuneration to be paid by Propiedades Cacereñas, S.L. is calculated on the basis of the legal Interest. The accrued interests are calculated on a yearly basis and invoiced on the last day of the calendar year, accumulating the mentioned interest to principal outstanding balance.

   It was just a one year period contract that finalized on December 31, 2010.

c) On December 23, 2009, Propiedades Cacereñas, SL and CIRU signed a lease contract on a part of the offices of Calle San Bernardo, 64, Madrid, with telephone, mail and other services. The value of the contract is agreed in four thousand euro (4,000.00 EUR) per year, plus VAT, to be revised every year according to the Consumer Price Index, published by the Spanish National Statistics Institute.

   The contract was signed for a five years period, renewable for periods of five years in addition.

**13. Research & Development and Intellectual Property**

Given the nature of the activity developed by the Company, it does not need to invest in research and development. Furthermore, the activity of the Company and the Subsidiaries is not dependent on patents or trademarks. Therefore, the Company and the Subsidiaries are not subject to the payment of royalties.

**14. Legal proceedings**

On the date of this Prospectus and during a period covering the previous 12 months, except for the legal proceeding described in this section, the Company and the Subsidiaries are not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware) which may have, or have had in the recent past significant effects on the Company's or the Subsidiaries' financial position or profitability.

CIBRA is involved in a dispute with a tenant of one of its hotels (Vincci Hoteles, S.A.). The dispute concerns an advanced termination of lease contract where the tenant alleges that CIBRA would have breach the contract. On the date of this Prospectus both parties have made an express reservation of actions to clarify the dispute to the courts. Whatever the result of this proceeding, there cannot be any significant impact on the Company or the Subsidiaries.

**15. Mandatory Takeover Bids/Squeeze-out/Sell-out Rules**

The Luxembourg law of 19 May 2006 *portant transposition de la directive 2004/25/CE du Parlement européen et du Conseil du* 21 *avril 2004 concernant les offres publiques d'acquisition* (the "Public Takeover Law") applies to takeover bids in relation to the securities of companies governed by the law of a Member State of the European Union or the European Economic Area, if all or some of those securities are admitted to trading on a regulated market in one or more Member States of the European Union or the European Economic Area. The Shares fall within the meaning of the term "securities".

As the Company is incorporated under Luxembourg law and the Shares are admitted to trading on the regulated market of the Luxembourg Stock Exchange, the CSSF is the competent authority to supervise bids. Matters relating to the consideration offered in the case of a bid including the price, matters relating to the bid procedure including information on the offeror's decision to make a bid, the content of the offer document and the disclosure of the bid and matters relating to the conditions under which the board of the target company may undertake any action which might result in the frustration of the bid should be dealt with in accordance with the applicable laws and regulations of Luxembourg.

### Mandatory Bids

The Public Takeover Law provides that if a person, acting alone or in concert, acquires securities of the Company which, when added to any existing holdings of the Company's securities, give such person voting rights representing 33 1/3% of all of the voting rights attached to the issued shares in the Company, this person is obliged to make an offer for the remaining shares in the Company. In a mandatory bid situation the "fair price" is considered to be the highest price paid for the securities during the 12-month period preceding the mandatory bid.

### Squeeze-out Rights

According to the Public Takeover Law any natural or legal person that holds a total of at least 95% of a company's share capital carrying voting rights and 95% of such company's voting rights as a result of a public bid regarding the shares of a target company may acquire the remaining shares in the target company by exercising a squeeze-out against the holders of the remaining shares. The price shall take the same form as the consideration offered in the bid or shall be in cash. Cash shall be offered at least as an alternative. Following a voluntary bid, the consideration offered in the bid shall be presumed to be fair where, through acceptance of the bid, the bidder has acquired securities representing not less than 90% of the capital carrying voting rights comprised in the bid. Following a mandatory bid, the consideration offered in the bid is presumed to be fair. The squeeze-out must be exercised by the bidder no later than three months after the end of the period of acceptance of the bid.

### Sell-out Rights

According to the Public Takeover Law, if any natural or legal person, alone or together with persons acting in concert with it, hold(s) a total of at least 90% of a company's share capital carrying voting rights and 90% of such company's voting rights as a result of a public bid regarding the shares of a target company, any shareholder may exercise a sellout with respect to his/her shares. Such right must be exercised no later than three months after the end of the period of acceptance of the bid. The price shall be determined in the same manner as the one described above in respect of the squeeze-out procedure.

## 16. Provisions preventing a change of control

The Articles do not contain any provisions that would have the effect of delaying, deferring or preventing a change in control of the Company and that would operate only with respect to a merger, acquisition or corporate restructuring involving the Company or the Subsidiaries.

## 17. Information on trends

### *17.1. Most significant recent developments in production, sales and inventory, and costs and sale prices from the end of the previous year to the date of the registration document*

Since 31 December 2010, the Subsidiaries in which the Company has invested, *i.e.* COMPAÑÍA IBÉRICA DE BIENES RAICES 2009, SOCIMI, S.A. (CIBRA) and COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009, SOCIMI, S.A. (CIRU) have continued to carry out their management activities of leased assets with no important changes, and no circumstances have arisen that could significantly affect their business.

However, in 2011 the following operations took place:

- CIBRA: CIBRA undertook a capital increase of EUR 1,520,000, by means of public deed dated 7 March 2011, increasing the nominal value of each share from EUR 103.84 to EUR 105.36. Only cash contributions were used for this operation, and the share capital was increased to EUR 105,360,000.

- CIBRA: CIBRA undertook a capital increase of EUR 1,240,000, by means of public deed dated 28 July 2011, increasing the nominal value of each share from EUR 105.36 to EUR 106.60. Only cash contributions were used for this operation, and the share capital was increased to EUR 106,600,000

- CIBRA: The shareholder agreement to change company shares to registered shares was notarised by means of public deed dated 30 September 2011.

- CIRU: On 1 September 2011, a resolution was passed to remove Article 8 from the company's bylaws, eliminating all limitations on the free transfer of shares.

- CIRU: A 24 square meter annexe to the building at Gran Vía nº 1, 1º Derecha in Madrid was segregated and sold by means of public deed dated 30 September 2011.The sale price was EUR 50,000.

- Both CIRU and CIBRA: A communal area in the building at Gran Vía nº 1 was sold after it was declassified and segregated, by means of public deed dated 4 August 2011. Based on their share of ownership, CIRU received 23.27% equivalent to EUR 23,270 and CIBRA received 6% totalling EUR 6,000.

- CIRU: On 15 June 2011, the company purchased a 1,735.73 square meter property situated in calle San Antón number 25 and 27 and Avenida de España nº 1 in Cáceres, Spain, by means of a private deed of sale. The purchase price of the property was EUR 3,881,603.71. The property has been leased to Punt Roma S.L. since 15 July 2005 for a period of 30 years. The current rent received by the lessor is EUR 22,642.68 per month, giving an annual yield of 7%.

*17.2. Information on any known developments risks, claims, commitments or events that could reasonably have a significant effect on the prospects of the Company, at least for the current year.*

The Subsidiaries have received no reports of any developments, risks, claims, commitments, events or any other circumstances (other than those described on Section II and Section V of this prospectus) that could reasonably have a significant effect on the company's prospects for the current year.

# VII. ARTICLES OF INCORPORATION

The following information is a summary of the relevant aspects of the Articles as well as the applicable Luxembourg corporate law; *i.e.* the information must not be considered exhaustive.

## 1. Form of the Shares

All Shares have been and, according to the Articles, will be issued as registered shares in certificated form.

Each Share has a nominal value of 60.10 EUR.

There is no specific provision provided in the Articles governing the ownership threshold above which a shareholder ownership must be disclosed.

## 2. Board of Directors

All the provisions with respect to the Directors and the Board have been described under Section VI point 9.

Except from the provisions regarding the authorized capital, there are no provision of the Articles that would have an effect of delaying, deferring or preventing a change in control of the Company.

## 3. Voting rights

At the General Meeting, each Share confers on the holder the right to cast one vote. Each Shareholder is entitled to attend the General Meeting, in person or through a proxy attending the meeting in person, and to address such meeting and exercise voting rights, in accordance with the Articles.

All Shares in the Company carry the same voting rights. The Company's major Shareholders do not have different voting rights. No other securities grant any voting rights to their holders.

The annual General Meeting is called by the Board and must necessarily be held within the first six (6) months of each year at the place indicated in the convening notice within the municipality where the Company has its registered office. Shareholders that represent alone or in aggregate at least one fifth of the Company's issued share capital may, pursuant to law, request the Board to convene a General Meeting. Such request must be made in writing and include an indication of the agenda.

Unless otherwise indicated the time stated in the convening notice is always Central European Time. Extraordinary General Meetings of Shareholders may be convened by the Board. An Extraordinary General Meeting can be held whenever the Board deems it necessary. The Board shall determine the items on the agenda of such meeting.

At the annual General Meeting, the Shareholders shall consider the following matters:

- written annual report prepared by the Board;
- written report prepared by the independent Auditor *(reviseur d'entreprises);*
- adoption of the annual accounts;
- the Company's reserves and dividend policy and any proposal to pay dividends;
- in connection with the adoption of the annual report, a formal release of the Board from legal liability under Luxembourg law for their business role over the previous year;

- appointment and dismissal of the Board's members; and
- any proposals placed on the agenda by the Board.

The convening notice will indicate the time and place of the General Meeting as well as the conditions of admission thereto, the agenda and the quorum and majority requirements provided for by Luxembourg law and, if different, the Articles.

Unless otherwise required by the Articles or Luxembourg corporate law, all resolutions of the General Meeting shall in principle be adopted by a simple majority of votes cast, no quorum being required.

Notices for every General Meeting shall be announced in a public advertisement in the Luxembourg Official Gazette (the “Mémorial”), in one of the other Luxembourg newspapers and in media which may reasonably be relied upon for the effective diffusion to the public throughout the European Economic Area, and which are accessible rapidly and on a non-discriminatory basis, at least thirty (30) days before the date set for the General Meeting. However, if all the Shares are registered, the Board may replace the legally-required publications with a written notice to each Shareholder or interested party in accordance with legal provisions.

The advertisement shall contain at least the date and the location of the General Meeting, all the items that must be discussed and, where required by law, the right of Shareholders to go to the registered office and examine, and where relevant obtain, immediately and free of charge, any documents that must be submitted for the approval of the General Meeting and legally-required technical reports. It may also state the date on which the General Meeting will be held in the second convening, if applicable.

Shareholders may take part in the General Meeting and vote in person, or by a proxy attending the meeting in person.

No resolution of the General Meeting may be adopted on a matter not included in the agenda, except where the entire share capital is present at the General Meeting.

## 4. Amendments to the rights of Shareholders

Any amendments to the rights of Shareholders require an amendment to the Articles and are subject to the same quorum and majority requirements as for an extraordinary General Meeting, *i.e.* a Majority Shareholder Consent.

Any resolution to amend the Articles must be taken before a Luxembourg notary public and such amendments must be published in accordance with Luxembourg regulations. The Articles do not provide for any specific conditions that are more stringent than is required by Luxembourg law.

There are no Share classes.

## 5. Decision of the General Meeting submitted to two-third of the vote

The General Meeting can validly take decisions upon the issue of bonds, notes or similar securities, capital increases or decreases, the transformation, merger or demerger of the Company, and in general, any amendment to the Articles of Association, the resolution will be validly passed provided that a majority of two-thirds (2/3) of the votes is expressed.

There is no provision in the Articles imposing more stringent conditions in order to decide changes in the capital than those already required by law.

## 6. Pre-emption rights

No pre-emption rights exist for any Shares except for what concerns the legal preferential subscription right in accordance with the 1915 Companies' Act.

## 7. Dividends and other distributions

Following the Admission, all Shares will be entitled to any dividends declared after the first trading date. Dividends will be distributed according to the performance of the Shares.

There are no other securities giving rights to dividends.

In accordance with the law, 5% of the net profit of the Company will be set aside every year in order to build up the legal reserve. This deduction ceases to be compulsory when the legal reserve amounts to 10% of the issued share capital. The remaining balance of the net profit will be at the disposal of the General Meeting. Dividends, when payable, will be distributed at the time and place fixed by the Board within the limits of the decision of the General Meeting. Furthermore, interim dividends may be paid by the Board within the conditions provided for by the 1915 Luxembourg Companies' Act. The General Meeting may decide to assign profits and distributable reserves to the reimbursements of the capital without reducing the corporate capital.

The Company commits to distribute 100% of the profits.

Distributions are made to Shareholders pro rata to the aggregate amount of Shares held by each Shareholder.

Declared and unpaid dividends held by the Company for the account of its Shareholders do not bear interest. Under Luxembourg law, claims for dividends lapse in favour of the Company five years after the date on which the dividends have been declared.

Neither the Articles of Association nor Luxembourg law contain any restrictions on the payment of dividends specifically applicable to non-Luxembourg resident holders of ordinary shares.

## 8. Transfer of Shares

The Shares are freely transferable in accordance with the legal requirements for registered Shares. Except for the restrictions set forth in "Selling Restrictions" there are no prohibitions on disposal or restrictions with respect to the transferability of the Shares.

## 9. Redemption

The Company shall redeem all the Shares to the extent and under the terms permitted by the Articles and Luxembourg corporate law. The Shares so redeemed will be cancelled at the next extraordinary General Meeting of the Company.

## 10. Contributions in kind

The Company may agree to issue Shares as consideration for a contribution in kind of securities or other assets, provided that such securities or other assets comply with its investment objectives and strategy and are in compliance with the conditions set forth in the relevant Luxembourg law, in particular, the obligation to deliver a valuation report from the Auditor which shall be available for inspection by the Shareholders. Any costs incurred in connection with a contribution in kind shall be borne by the relevant Shareholders.

## 11. Liquidation

In the event of the liquidation, dissolution or winding-up of the Company, the assets remaining after allowing for the payment of all liabilities will be paid out to the Shareholders pro rata to their respective shareholdings. The decision to liquidate, dissolve or wind-up requires the approval of at least two-thirds of the votes cast at an extraordinary general meeting of Shareholders where at first call at least 50% of the issued share capital is represented, with no quorum being required at a reconvened meeting. Irrespective of whether the liquidation is subject to a vote at the first or a subsequent extraordinary general meeting of

Shareholders, it requires the approval of at least two-thirds of the votes cast at the extraordinary general meeting of Shareholders.

# VIII. DIVIDEND POLICY

Subject to applicable law, all Shares are entitled to participate equally in dividends derived when, as declared by the Shareholders at the Company's General Shareholders' Meeting and/or the Board.

The Company as well as the Subsidiaries commit to distribute 100% of their profits according to their Articles of association. The Subsidiaries are even legally obliged to distribute their profits pursuant to the Spanish law 11/2009 of 26 October 2009.

For a description of the Luxembourg statutory framework within which the Company is able to declare dividends, please refer to page 91 of the Prospectus.

The Company pays dividends gross of any withholding taxes and assumes no responsibility for withholding of taxes at the source.

The amount of the dividend per shares distributed by the Subsidiaries for the two last financial years can be summarized as follow:

| | | **DIVIDEND** | |
|---|---|---|---|
| **Figures in EUR** | **# Shares** | **2009** | **2010** |
| **CIBRA** | 1,000,000 | 3,382,919 | 3,121,887 |
| **dividend per share (€)** | | 3.38 | 3.12 |
| **CIRU** | 1,794,679 | 2,402,954 | 3,050,765 |
| **dividend per share (€)** | | 1.34 | 1.70 |

# IX. SERVICE PROVIDERS

## 1. Listing Agent

PricewaterhouseCoopers S.à.r.l. having its registered seat at 400 route d'Esch L-1014 Luxembourg will act as Listing Agent

## 2. Principal Paying Agent, Common Depository and Custodian

BNP PARIBAS SECURITIES SERVICES, Luxembourg Branch, having its Luxembourg office at 33, rue de Gasperich, L-5959 Hesperange will act as Principal Paying Agent, Common Depository, Custodian as well as Registrar and Transfer Agent.

## 3. Auditors

The Auditor will be DELOITTE Audit S.à .r.l., having its registered seat at 560, rue de Neudorf, L-2220 Luxembourg, Grand-Duchy of Luxembourg

# X. FEES AND EXPENSES

## 1. Listing Costs

The Company will bear the Listing Costs, including costs and expenses associated with the initial listing of the Company, unless the Board decides otherwise. For the avoidance of doubt, this shall include without limitation all legal costs associated with the structuring and drafting of the Company's listing documents and any other fees that were necessary or useful for the listing of the Company's Shares.

The Company estimates that the Listing Costs will amount to approximately 280,000 EUR.

## 2. Company Expenses

The Company's operating expenses will be borne by all Shares on a *prorata* basis.

Such expenses may include but are not limited to:

- any stamp and other duties, taxes, governmental charges, commissions, brokerage, transfer fees, registration fees and other charges payable in respect of the acquisition, holding or realization of an investment and foreign exchange transactions carried out in connection therewith;
- interest on borrowings and charges incurred in the course of negotiating, effecting, varying or terminating the terms of borrowings;
- any costs incurred in respect of shareholders meetings;
- the fees and expenses of the Auditor;
- the costs incurred for printing, publishing, dispatching and revising offering memoranda as well as printing and publishing annual and interim reports and any other reports which accompany the same;
- the fees and expenses of the Directors, including travel expenses, and the costs of purchasing and maintaining insurance for current or former Directors or officers of the Company;
- the fees and expenses of accountants, lawyers and other professional advisers of the Company;
- expenses incurred in the preparation, printing and dispatching of certificates, tax vouchers, warrants, proxy forms and contract notes;
- all fees and expenses incurred in relation to the incorporation and initial organization of the Company, the initial issue of the Shares, advertising and promotion of the Company;
- the management fees; and
- any other costs and expenses that are incurred in the proper course of business.

The Company estimates that the operating expenses will amount approximately to 56,000 EUR on a yearly basis.

## 3. Director Fees

As the Company is newly incorporated there is no historic to be provided regarding the remuneration of the Directors.

The Articles of Association state that each Director shall be paid an annual remuneration for his or her services at a rate to be determined from time to time by the Board. Given the Company is a new entity, there is no remuneration agreed at the time of issuance of this Prospectus.

In accordance with Article 16 of the Articles, the General Meeting may agree to remunerate the Directors for attending meetings of the Board and additionally, where appropriate, to agree on a fixed annual compensation.

The schedules to the financial statements of the Company detailing the remuneration of directors during the considered year will include the following information:

- the remuneration of each director (including, among others, allowances and fixed remuneration, any other additional remuneration, any remuneration under profit sharing, etc.), and

- deliveries to directors stock, stock options or other instruments linked to the value of action, detailing the number of shares or options granted during the year and the conditions of its exercise of options outstanding at the end of the year and pricing options and any changes made during the year in the conditions of exercise of options already granted.

It is intended to pay the Directors as follow:

- Mr. Marco Colomer Barrigón: a yearly compensation of 12,000 EUR

- Mr. Patrick Sganzerla: a yearly compensation of 2,950 EUR

- Ismaël Dian: a yearly compensation of 2,950 EUR

# XI. TAXATION

## 1. Taxation in Luxembourg

The following information is of a general nature only and is based on the laws in force in Luxembourg at the date of this Prospectus. It does not purport to be a comprehensive description of all of the tax considerations that might be relevant to an investment decision. It is included herein solely for preliminary information purposes. It is not intended to be, nor should it be construed to be, legal or tax advice. It is a description of the essential material Luxembourg tax consequences with respect to the Shares and may not include tax considerations that arise from rules of general application or that are generally assumed to be known to Shareholders. This summary is based on the laws in force in Luxembourg on the date of this Prospectus and is subject to any change in law that may take effect after such date. Prospective Shareholders should consult their professional advisers with respect to particular circumstances, the effects of state, local or foreign laws to which they may be subject and as to their tax position.

Please be aware that the residence concept used under the respective headings applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax *(impôt sur Ie revenu des collectivités),* municipal business tax *(impôt commercial communal),* a solidarity surcharge *(contribution au fonds de I'emploi),* as well as personal income tax *(impôt sur Ie revenu)* generally. Corporate shareholders may further be subject to net wealth tax *(impôt sur la fortune)* as well as other duties, levies or taxes. Corporate income tax, municipal business tax, as well as the solidarity surcharge invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

*Withholding Tax*

Dividends paid by the Company to the Shareholders are as a general rule subject to a 15% withholding tax in Luxembourg.

However, subject to the provisions of an applicable double tax treaty, the rate of withholding tax may be reduced.

Furthermore, a withholding exemption applies under the Luxembourg participation exemption if at the time, the income is made available, (i) the receiving shareholder is an eligible parent and (ii) has held or commits itself to hold for an uninterrupted period of at least 12 months a participation in the Company of at least 10% of the share capital or of an acquisition price of at least 1,200,000 EUR. Eligible parents include (i) another company covered by Article 2 of the amended EC Parent-Subsidiary Directive (90/435/EC) or a Luxembourg permanent establishment thereof, (ii) a Luxembourg permanent establishment of a company limited by share capital resident in a State having concluded a tax treaty with Luxembourg, (iii) a Swiss company limited by share capital which is effectively subject to corporate income tax in Switzerland without benefiting from an exemption, (iv) a company limited by share capital or a cooperative company resident in a Member State of the European Economic Area other than a EU Member State and liable to a tax corresponding to Luxembourg corporate income tax or Luxembourg permanent establishment thereof.

No withholding tax is levied on capital gains and liquidation proceeds.

***Taxation of income derived from and capital gains realized on the Shares by Luxembourg residents***

*Individual Shareholders*

Dividends derived from the Shares by resident individuals Shareholders, who act in the course of the management of either their private wealth or their professional/business activity, are subject to income tax at the ordinary progressive rates (with a top marginal rate of currently 41.34%). Under current Luxembourg tax laws, 50% of the gross amount of dividends received by resident individuals from a fully-taxable Luxembourg resident company is exempt from income tax. A tax credit is further granted for the 15% withholding tax.

Capital gains realized on the disposal of the Shares by Luxembourg resident individual Shareholders, who act in the course of the management of their private wealth, are not subject to income tax, unless said capital gains qualify either as speculative gains or as gains on a substantial participation. Capital gains are deemed to be speculative gains and are subject to income tax at ordinary rates if the Shares are disposed of within 6 months after their acquisition or if their disposal precedes their acquisition. Participation is deemed to be substantial where a resident individual shareholder holds, either alone or together with his spouse/partner and/or minor children, directly or indirectly at any time within the 5 years preceding the disposal, more than 10% of the share capital of the Company. A Shareholder is also deemed to alienate a substantial participation if he acquired free of charge, within the 5 years preceding the transfer, a participation that was constituting a substantial participation in the hands of the alienator (or the alienators in case of successive transfers free of charge within the same 5 year period). A disposal may include a sale, an exchange, a contribution or any other kind of alienation of the Shares. Capital gains realized on a substantial participation more than 6 months after the acquisition thereof are subject to income tax according to the half-global rate method *(i.e.* half of the average rate obtained on the total income according to the ordinary progressive income tax rates is applied to the capital gains realized on the substantial participation). Capital gains realized on the disposal of the Shares by resident Luxembourg individual Shareholders, who act in the course of their professional/business activity, are subject to income tax at ordinary progressive rates (with a top marginal rate of currently 41.34%). Taxable gains are determined as being the difference between the price for which the Shares have been disposed of and the lower of their cost or book value.

*Luxembourg resident corporate Shareholders*

Dividends derived from the Shares by a Luxembourg fully-taxable resident company are subject to income taxes (at an aggregate maximum rate of 28.80% in Luxembourg-city, including corporate income tax, municipal business tax and the solidarity surcharge), unless the conditions of the participation exemption regime, as described below, are satisfied.

Should the conditions of the participation exemption not be fulfilled, 50% of the gross dividends received by a Luxembourg fully-taxable resident company from either a Luxembourg resident fully taxable company, a fully taxable company resident in a country with which Luxembourg has concluded a double tax treaty or a company covered by Article 2 of the amended EC Parent-Subsidiary Directive (90/435/EC), are exempted. A tax credit is further granted for the 15% withholding tax.

Under the participation exemption regime, dividends derived from the Shares by a Luxembourg fully-taxable resident company may be exempt from income taxes if at the time such dividend is put at the Shareholders' disposal cumulatively (i) it has held or commits itself to hold the Shares for an uninterrupted period of 12 months, (ii) during this uninterrupted period of 12 months the Shares represent a participation in the Company of at least 10% of the share capital or of an acquisition price of at least 1,200,000 EUR. Liquidation proceeds are assimilated to dividends received for the purpose of the participation exemption and may be exempt under the same conditions. Shares held through a fiscally transparent entity are considered as being a direct participation proportionally to the percentage held in the net assets of the transparent entity. Capital gains realized by a Luxembourg fully-taxable resident company on the Shares are subject to income taxes, unless the conditions of the participation exemption regime, as described below, are satisfied. Taxable gains are determined as being the difference between the price for which the Shares have been disposed of and the lower of their cost or book value.

Under the participation exemption regime, capital gains realized on the Shares by a Luxembourg fully-taxable resident company may be exempt from income taxes if at the time the capital gain is realised cumulatively (i) it has held or commits itself to hold the Shares for an uninterrupted period of 12 months and (ii) during this uninterrupted period of 12 months the Shares represent a participation in the Company of at least 10% of the share capital or of an acquisition price of at least 6,000,000 EUR. Shares held through a fiscally transparent entity are considered as being a direct participation proportionally to the percentage held in the net assets of the transparent entity.

*Taxes exempt Shareholders*

Shareholders who are undertakings for collective investment subject to the Luxembourg law of 20 December 2002, specialized investment funds governed by the Luxembourg law of 13 February 2007 or family wealth management companies governed by the Luxembourg law of 11 May 2007 are exempt from income tax in Luxembourg. Dividends derived from and capital gains realized on the Shares are thus not subject to income tax in their hands.

***Taxation of income derived from and capital gains realized on the Shares by Luxembourg non-residents***

Non-resident Shareholders who have neither a permanent establishment nor a permanent representative in Luxembourg to which the Shares are attributable are generally not liable to any Luxembourg income tax, on capital gains realized upon sale of Shares, except for capital gains realised on a substantial participation (see above) within the 6 month period following the acquisition date thereof that are subject to income tax in Luxembourg at ordinary rates (subject to the provisions of an applicable double tax treaty).

However, a non-resident Shareholder will be subject to a 15% withholding tax on dividend distributed by a Luxembourg resident company unless the Luxembourg exemption regime or a Double tax treaty applies (please refer to our previous comments in this respect).

Dividends received by a Luxembourg permanent establishment or permanent representative of a non-resident, as well as capital gains realised on the Shares, are subject to Luxembourg income tax, unless at the time the dividend is put at its disposal, the conditions of the participation exemption regime are satisfied i.e. the permanent establishment (i) qualifies for the participation exemption (see above), (ii) has held or commits itself to hold the Shares for an uninterrupted period of 12 months, (iii) during this uninterrupted period of 12 months the Shares represent a participation of at least 10% of the share capital of the Company or of an acquisition price of at least 1,200,000 EUR for dividend / 6,000,000 EUR for capital gains. Should the conditions of the participation exemption not be fulfilled, 50% of the gross dividends received by a Luxembourg permanent establishment or permanent representative from either a Luxembourg resident fully taxable company, a fully taxable company resident in country with which Luxembourg has concluded a double tax treaty or a company covered by Article 2 of the amended EC Parent-Subsidiary Directive (90/435/EC) will be taxable. A tax credit is further granted for the 15% withholding tax.

***Other taxes***

*Net Wealth Tax*

In principle, only Shareholders which are Luxembourg resident corporate entities or Luxembourg permanent establishments of foreign entities will be subject annually to a 0.5% net wealth tax computed on the unitary value of the Company's Shares as of 1$^{st}$ January of said year. SIF, funds, and individuals are not subject to net wealth tax.

However, corporate Shareholder referred to above could benefit from an exemption on the value of the Shares provided it holds a participation in the Company representing at least 10% of the share capital of the Company or having an acquisition price of at least 1,200,000 EUR on 1$^{st}$ January.

Luxembourg net wealth tax is not levied on the Shares in the hands of a Shareholder if (i) such Shareholder is resident in Luxembourg and qualifies as an undertaking for collective investment governed by the Luxembourg law of 20 December 2002, a securitization company governed by the Luxembourg law of 22 March 2004, a company subject to the Luxembourg law of 15 June 2004 on venture capital vehicles, a specialized investment fund governed by the Luxembourg law of 13 February 2007 or a family wealth management company governed by the Luxembourg law of 11 May 2007, or (ii) the Shares are not attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg of a corporate entity.

*Registration taxes and stamp duties*

The disposal of the Shares is not subject to a Luxembourg registration tax or stamp duty other than a fixed 12 EUR registration duty in case of a voluntary registration.

The issuance of the Shares by the Company is as a general rule subject to 75 EUR fixed capital duty.

*Inheritance tax and gift tax*

Under Luxembourg tax law, where an individual Shareholder is a resident of Luxembourg for inheritance tax purposes at the time of his/her death, the Shares are included in his or her taxable basis for inheritance tax purposes.

Gift tax may be due on a gift of donation of the Shares, if the gift is embodied in a Luxembourg notarial deed or otherwise registered.

## 2. Taxation in Spain

**Dividend payments**

The dividends distributed by the Subsidiaries against profits or reserves in relation with financial years for which the special tax regime established by the aforementioned Spanish law 11/2009 has been implemented shall receive the following treatment:

a. When the recipient is a Spanish tax resident for income tax or a non-resident for income tax with permanent establishment, the income to integrate in the taxable amount will be obtained by multiplying by 100/81 the received dividends. On such income the deduction to prevent double taxation regulated in Article 30 of the Spanish corporate income tax law 4/2004 of March 5, 2004 shall not apply. In this case, the full tax paid abroad may be deducted from the income tax base. This deduction does not apply in the cases listed in paragraph 4 of Article 30 of aforementioned Spanish law 4/2004, except for the case mentioned under letter e) of this paragraph, in such case a deduction of 19 percent of the dividend received is applicable. For what concerns the dividends paid on reserves derived from profits subject to the general tax rate, the general Spanish tax regime shall apply.

b. When the recipient is a Spanish taxpayer for withholding tax (individually taxable), the dividend received is exempted from the withholding tax.

c. When the recipient is a Spanish non resident taxpayer for income tax without permanent establishment, the dividend income received is exempted from income tax, except if such person resides in a country or territory with which there is no effective exchange of tax information, as provided in the first additional provision of Spanish law 36/2006 of November 29, 2006 concerning measures for the prevention of tax fraud.

**Capital gains**

The income derived from the transfer of shares in companies which have opted for the application of aforementioned Spanish law 11/2009 will receive the following treatment:

a. If the transferor is a Spanish resident taxable under the corporate income tax or a non-resident taxpayer for income tax with a permanent establishment, a deduction from the tax payable under the conditions provided in Article 30.5 of the Spanish corporate income tax law 4/2004 of March 5, 2004 may be applied on the part of the realized capital gain corresponding to the accumulated reserves generated by the company during all the period when the transferor have held the shares if these reserves correspond to income taxable under the general tax regime. On the other side, the part of the realized capital gains corresponding to the accumulated reserves generated by the company during all the period when the transferor has held the shares if the mentioned reserves have been generated by income taxable under the special tax regime of the aforementioned Spanish Law 11/2009, the income obtained would be subject to an income tax of 19 percent. The taxable amount will be determined by multiplying the income with 100/81.

b. If the transferor is a Spanish taxpayer for withholding tax (individually taxable), the capital gain or loss shall be determined as provided in Article 37.1 a) of Spanish law 35/2006, of November 28, 2006 regarding the tax income of individuals (withholding tax) and other modifications of the Spanish corporate income tax law 4/2004 of March 5, 2004 and the Spanish regulation regarding the withholding tax applied to non-resident:

   - In case of capital gain, it shall be exempted from tax with the limit of the positive difference between the result of multiplying 10 percent of the purchase price by the number of years during which the shares were held within the period when the company applied the aforementioned special tax regime provided in the aforementioned Spanish law 11/2009 and the amount of exempted dividends referred to in subparagraph b) of paragraph 1 of this article that have been paid during the period the shares sold were in possession of the transferor. However, the capital gains generated in the transmission of shares shall not be exempted if they have been acquired from a related party in the terms set out in Article 16 of the Spanish corporate income tax law 4/2004 of March 5, 2004, with the limit of the amount of the loss obtained in the transmission of such shares.

   - In case of capital loss, only the part that exceeds the amount of exempted dividends referred to in subparagraph b) of paragraph 1 of aforementioned Article 16 will be considered if these exempted dividends have been paid during the year prior to the transfer of the shares.

c. If the transferor is a non-resident taxpayer for income tax without permanent establishment, the exempted income is determined in the manner provided in the previous paragraph, except if such person resides in a country or territory with which there is no effective exchange of tax information as provided in Spanish law 36/2006 of November 29, 2006 for the prevention of tax fraud. The remaining income is subject to income tax.

# XII. GENERAL INFORMATION

## 1. Admission

This Prospectus has been prepared in connection with the Admission of 4,452,197 Shares. The Shares are denominated in EUR and are registered Shares in certificated form.

We anticipate the following timetable (subject to extension or shortening) for the Admission:

| | |
|---|---|
| Approval of Prospectus by the CSSF | December 21, 2011 |
| CSSF posts approved Prospectus on the website of the Luxembourg Stock Exchange | December 21, 2011 |
| Admission to trading | December 21, 2011 |

## 2. Trading

The Company expects the Shares to be actively traded. The Company expects that the trading will commence in the end of December 2011.

## 3. ISIN

| | |
|---|---|
| Common Code: | 072069463 |
| ISIN Code: | LU0720694636 |
| CBL long name: | SHS SAINTCROIX HOLDING IMMOBILIER S.A. |

## 4. Information derived from third parties

This Prospectus contains a number of references to data, statistical information and studies prepared by third parties such as Market analysis and market research focused on Real Estate Sectors by Richard Ellis and Cushman & Wakefield.

The Prospectus includes a certificate and accompanying documentation of the updated valuation report on the Subsidiaries' real estate assets. The valuations of the assets have been made by express request of the Company and its Subsidiaries by the real estate consultants TECNITASA (Avenida de Europa 26, 2$^{nd}$ floor, Pozuelo de Alarcón, Madrid - Spain) and GABINETE DE TASACIONES INMOBILIARIAS, S.A.(Rafael Herrera 11, 28036 Madrid – Spain).

Both consultants have no significant financial interest in or connection with the Company or its Subsidiaries of any kind, outside the strictly professional relationship related with the service valuation of the property portfolio. The certificates of the valuations reports are included in this Prospectus with consent of the valuators.

The information from others described in the previous section has been accurately reproduced and to the extent that the Company and the Subsidiaries are aware and can determine from the information published by such third parties, it has not omitted any facts that would make the reproduced information inaccurate or misleading

## 5. Confidentiality

Each Shareholder shall be prohibited from using for such Shareholder's own private or commercial purposes any confidential or proprietary information in relation to the Company or the Board, including confidential information relating to the Subsidiaries and the real estate portfolios, to which such Shareholder may have access by reason of an investment in the Company, and from disclosing any such confidential or proprietary information to third parties, except those employees, principals or agents of the Shareholder whose access to such information is reasonably necessary for such Shareholder's operations and who are bound by non-disclosure obligations similar to those described herein.

### 6. Significant or material change

Save as disclosed in this Prospectus, there has been no significant change in the financial or trading position of the Company since December 1st, 2011 and there has been no material adverse change in the financial position or prospects of the Company since December 1st, 2011.

### 7. Documents available for inspection

Copies of the following documents may be obtained free of charge during usual business hours on any Business Day at the office of the Company:

- the Articles;
- the Prospectus;
- the updated valuation reports of the assets of the Subsidiaries
- the interim financial statements of the Subsidiaries as of September 30, 2011 duly audited;
- the historical financial information of the Subsidiaries; and
- the proforma financial statements of the Company as of September 30, 2011.

As long as the Shares of the Company are listed on the Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Company will make available the notices to the public in written form at places indicated by announcements to be published in a leading newspaper having a general circulation in Luxembourg or on the Luxembourg Stock Exchange's website *(www.bourse.lu)* or by any other means considered equivalent pursuant to the Prospectus Law. Moreover, the Prospectus will be published on the website of the Luxembourg Stock Exchange *(www.bourse.lu).*

### 8. Authorization

The General Meeting has authorized the Board to increase the share capital of the Company up to an amount of 60,000,000 EUR, including the issued share capital of the Company. The Board is further authorized to perform the above share capital increases without reserving a preferential subscription right to the existing Shareholders of the Company.

### 9. Liquidation

In the event of liquidation of the Company, and subject to Luxembourg laws and the Articles, the liquidation shall be carried out by one or several liquidators that may be physical persons or legal entities appointed by the General Meeting.

### 10. Post Admission Reporting

The Company will issue periodic reports in accordance with the Luxembourg law of 11 January 2008 *relative aux obligations de transparence concernant l'information sur les émetteurs dont les valeurs mobilières sont admises à la négociation sur un marché réglementé.*

# XIII. DEFINITIONS

The following definitions shall apply throughout this Prospectus unless the context otherwise requires. References to "sections" are to sections of this Prospectus.

| | |
|---|---|
| *1915 Companies' Act* | The Luxembourg law of 10 August 1915 governing commercial companies (loi du 10 Août 1915 *concernant les sociétés commerciales).* |
| *Admission* | Listing of the Shares on the Official List of the Luxembourg Stock Exchange and admission of Shares to trading on the Luxembourg Stock Exchange's regulated market. |
| *Articles ; Articles of Association ; Articles of Incorporation* | The articles of association of the Company. |
| *Auditor* | DELOITTE Audit S.à .r.l., having its registered seat at 560, rue de Neudorf, L-2220 Luxembourg, Grand-Duchy of Luxembourg, duly accredited Chartered Accountant, member of the Luxembourg Chartered Accountants Institute (*réviseur d'entreprises agréé membre de l'Institut des Reviseurs d'Entreprises).* |
| *Board* | The board of directors of the Company. |
| *Business Day* | All days on which banks are open for business in the Grand Duchy of Luxembourg. |
| *CIBRA* | The company COMPAÑÍA IBÉRICA DE BIENES RAÍCES, 2009, SOCIMI, S.A. incorporated under Spanish law with registered office at Glorieta de Cuatro Caminos 6 and 7 (Madrid – Spain) and registered with the Spanish Commercial register under the number A-85855609. CIBRA was created on 29 December 2009 pursuant to a partial split of ISLA CANELA, S.A., a Spanish company having its registered seat at Glorieta de Cuatro Caminos 6 and 7 (Madrid – Spain) and registered with the Spanish Commercial register under the number A-78079852. The aforementioned deed was filed with the Mercantile Registry of Madrid on 8 February 2010 and effective from 30 December 2009. |
| *CIRU* | The company COMPAÑÍA IBÉRICA DE RENTAS URBANAS, 2009, SOCIMI, S.A. incorporated under Spanish law with registered office at San Vicente Ferrer 60 (Madrid - Spain) and registered with the Spanish Commercial register under the number A85851624. CIRU was created on 22 December 2009 pursuant to a partial split of COGEIN, S.L., a Spanish company having its registered seat at San Bernardo 64 (Madrid - Spain) and registered with the Spanish |

| | |
|---|---|
| | Commercial register under the number B28102556. The aforementioned deed was filed with the Mercantile Registry of Madrid on 26 January 2010and effective from 29 December 2009. |
| *Clearstream* | Clearstream Banking S.A., 42, av. J-F kennedy Luxembourg Grand Duchy of Luxembourg. |
| *Company* | SAINT CROIX HOLDING IMMOBILIER, SOCIÉTÉ ANONYME, a public limited company, organized under the laws of the Grand-Duchy of Luxembourg, incorporated on December 1st, 2011, with registered seat at 9b, Boulevard Prince Henri, L-1724 Luxembourg, Grand Duchy of Luxembourg and registered with the Registre de Commerce et des Sociétés (the Luxembourg Trade and Companies' Register) under registration number B165103. |
| *Courts* | Judicial court in the appropriate jurisdiction or receivership public instance as the case maybe. |
| *CSSF* | The *Commission de Surveillance du Secteur Financier.* |
| *Custodian* | BNP PARIBAS SECURITIES SERVICES, Luxembourg Branch, having its Luxembourg office at 33, rue de Gasperich, L-5959 Hesperange, and registered with the Luxemburgish commercial register under the number B0086862. |
| *Issuance and Delivery Date* | Date at which the Shares will be issued and delivered to the Shareholders. |
| *Director(s)* | Member(s) of the Board of the Company. |
| *Distributions* | Distributions in the form of dividends or Buy-Backs. |
| *EEA* | European Economic Area. |
| *EU* | The European Union. |
| *EUR* | The Euro, the currency of the European Economic and Monetary Union. |
| *Euroclear* | Euroclear Bank S.A.IN.V., 1 Boulevard du Roi Albert II, B - 1210 Brussels, Belgium. |
| *GDP* | Gross domestic product. |
| *General Meeting* | Ordinary and/or extraordinary meetings of Shareholders of the Company. |
| *IAS* | International Accounting Standards. |
| *IFRS* | International Financial Reporting Standards. |
| *Institutional Investors* | Selected corporate entities (legal persons) and non-corporate entities other than individuals, responding to the definition of qualified investors |

| | |
|---|---|
| | of the Prospectus Directive. |
| *Investors* | Investors envisaging to subscribe Shares in the Company. |
| *Listing Agent* | PricewaterhouseCoopers S.à.r.l. having its registered seat at 400 route d'Esch L-1014 Luxembourg. |
| *Listing Costs* | Costs and expenses associated with the initial listing of the Shares, as set forth in the section *Fees and Expenses* herein. |
| *Listing Date* | First day for the Shares to be listed on the Official List of the Luxembourg Stock Exchange. |
| *Luxembourg Stock Exchange* | The Company SOCIETE DE LA BOURSE DE LUXEMBOURG, incorporated under Luxembourg Law and having its registered at 11, avenue de la Porte-Neuve L - 2227 Luxembourg, Grand Duchy of Luxembourg |
| *Member State* | A Member State of the European Economic Area. |
| *Mémorial* | Official gazette in Luxembourg - Mémorial C, Recueil des Sociétés et Associations. |
| *MiFID* | Directive 2004/39/EC of the European Parliament and of the Council of April 21, 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC. |
| *Official List* | The official list of the Luxembourg Stock Exchange. |
| *Principal Paying Agent* | BNP PARIBAS SECURITIES SERVICES, Luxembourg Branch having its Luxemburgish office at 33, rue de Gasperich, L-5959 Hesperange, and registered with the Luxemburgish commercial register under the number B0086862. |
| *Prospectus* | The present prospectus. |
| *Prospectus Directive* | Directive 2003/71/EC of the European Union including any relevant implementing measure in each relevant Member State. |
| *Public Takeover Law* | The Luxembourg law of 19 May 2006 *portant transposition de la directive 2004/25/CE du Parlement européen et du Conseil du* 21 *avril 2004 concernant les offres publiques d'acquisition.* |
| *Regulation 809/2004, Prospectus Regulation* | Commission Regulation (EC) no 809/2004 of April 29, 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as |

| | |
|---|---|
| | well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements. |
| *Shareholder or Shareholders* | Holder(s) of Shares. |
| *Shares* | The 4,452,197 shares with a nominal value of 60.10 EUR each, representing the entire share capital of the Company. |
| *SOCIMI* | Listed Real Estate Investment Companies in accordance with the Spanish law 11/2009, of 26 October 2009 on *Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario".* |
| Spanish Law 11/2009 | Spanish Law 11/2009, of 26 October 2009, regulating real estate investment trusts in Spain |
| *Subsidiaries* | Mean CIRA and CIRU as further described on page 52. |
| *Takeover Directive* | Directive 2004/25/EC of the European Parliament and of the Council of April 21, 2004, on takeover bids. |

# APPENDIX 1. VALUATION REPORTS

To the Company's knowledge, no material changes have occurred between the date of these valuation reports and the date of this Prospectus.

The valuation reports reproduced here are a translation of the Spanish original reports into English. The Company takes full responsibility in respect with the correct translation of these reports.

## I. VALUATION REPORT OF CIRU

1. Premises Calle Dulcinea, 4

*Gabinete de Tasaciones Inmobiliarias, S.A.*

Page 1/2 Dossier no. 75M1110006

# VALUATION CERTIFICATE

GABINETE DE TASACIONES INMOBMIARIAS, S.A., pursuant to order ECO/805/2003 of 27 March, issued by the Ministry of the Economy, on the appraisal of property and fees for certain financial purposes (Official Spanish Gazette, "BOE", No. 85, Wednesday 9 April 2003), and its subsequent amendment by Order EHA / 3011/2007 of 4 October, published in BOE No. 249, Wednesday, 17 October 2007, summarising the update of the previous valuation report, dossier number 75M1103019 dated 03/05/2011, for mortgage purposes, requested by COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009, SOCIMI, S.A., executed by: Joaquin Santos Galilea, Technical Architect

CERTIFIES:

It is the opinion of this Company that the appraisal value of the element of the finished and occupied commercial premises located in Calle Dulcinea, number 4, basement 2, Cuatro Caminos district, in the city of Madrid, municipal district of Madrid, province of Madrid, as referenced in the Report number 75M1110006, and which is registered under: VOLUME 2684, BOOK 2225, FOLIO 39, PROPERTY 54927, in Property Registry no. 6 in MADRID, with Land Registry number 0778701-VK4707H-0071JY, totals:

**ONE MILLION THREE HUNDRED THOUSAND TWO HUNDRED EUROS (€1,300,200.00).** Mortgage value based on market value obtained as **MARKET VALUE BASED ON FUTURE EXPECTED INCOME** for an unencumbered property.

Established values:

| Property | Address | Area (m2) | Value from discounting agreed rents | Value Future Expected Income | Comparative Market Value | Appraised Value | As New Insurance |
|---|---|---|---|---|---|---|---|
| 54927 | C/ Dulcinea, 4 - Sot, | 922.15 | 1,433,049.92 | 1,300,262.35 | 1,501,514.15 | 1,300,262.35 | 652,882.20 |

ESTABLISHED VALUES

| | | Units (€/m2) | Total (€) |
|---|---|---|---|
| Gross Replacement Value | | 1,499.45 | 1,382,717.00 |
| Net Replacement Value | | 1,237.49 | 1,141,151.00 |
| New Construction Cost | | 708.00 | 652,882.20 |
| Amount attributable to land | | 791.45 | 729,835.00 |
| Surface area used | 922.15 m² | | |
| Usable area used | 878.23 m² | | |
| Comparative Market Value | | 1,628.28 | 1,501,514.15 |
| MV derived from Discounting Expected Rents | | 1,410.03 | 1,300,262.35 |
| MV derived from Discounting Current Rent | | 1,554.03 | 1,433,049.92 |
| Value adopted | | | 1,300,200.00 |

**Mortgage Value** **€1,300,200.00**

Insurance value (New replacement) €652,882.20

Quality of the surrounding area: Average - High Value ratio: EBC

Quality of the property: Average Trend: EBC

Madrid Company Registry, Volume 12,281, Folio 153, Section 8, Page M-194659,
Valuation Company entered in the Banco de España Special Register on 21 July 1969 under no. 4567.
C.I.F. A-79164919. Rafael Herrera 11, 28036 Madrid
Tel: 9137139750 Fax: 913789742 www.gtisa.es

ISO 9001:2000
no. reg 32602
CERTIFIED BY:

*Gabinete de Tasaciones Inmobiliarias, S.A.*

Page 2/2 Dossier no. 75M1110006

# VALUATION CERTIFICATE

**CONCLUSIVE REPORT**

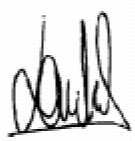
**IMPORTANT NOTES:**

**- PROPERTY REFERENCE: Note that the Land Registry reference was obtained from the Land Registry website and does not appear on the *Nota Simple* [registry entry statement]. (A3R)**

**- URBAN DEVELOPMENT STATUS: Note that a business and/or operating license for the commercial premises must either be provided or obtained. (A3U)**

**- PROTECTION, TENANCY AND OCCUPATION ARRANGEMENT: Note that the Resident's Association bylaws have not been provided. As such, the property has been valued on the understanding that the only limits to its use as a commercial premises are those established by existing town planning rules. We are not aware of any other limitations or circumstances that could affect the value of the property. (A3V)**

| | |
|---|---|
| Property visit date | 24/10/2011 |
| Report issue date | 27/10/2011 |
| Certificate issue date | 27/10/2011 |
| Expiry date of the report and certificate | 27/04/2012 |



Electronic signature of the company representative

VALUER:
Joaquín Santos Galilea
Technical Architect

This document comprises 2 pages. The document is not valid unless it is signed by the authorised G.T.I. S.A. representative. As the property is valued free of charges and/or encumbrances, these must be deducted, as applicable, from the appraisal value, unless indicated to the contrary in the report.

Madrid Company Registry, Volume 12,281, Folio 153, Section 8, Page M-194659,
Valuation Company entered in the Banco de España Special Register on 21 July 1969 under no. 4567.
C.I.F. A-79164919. Rafael Herrera 11, 28036 Madrid
Tel: 9137139750 Fax: 913789742 www.gtinn.es

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no. reg 32602
CERTIFIED BY:

2. Building Calle Pradillo, 42

*Gabinete de Tasaciones Inmobiliarias, S.A.*

Page 1/3 Dossier no. 75M1110009

# VALUATION CERTIFICATE

GABINETE DE TASACIONES INMOBMIARIAS, S.A., pursuant to order ECO/805/2003 of 27 March, issued by the Ministry of the Economy, on the appraisal of property and fees for certain financial purposes (Official Spanish Gazette, "BOE", No. 85, Wednesday 9 April 2003), and its subsequent amendment by Order EHA / 3011/2007 of 4 October, published in BOE No. 249, Wednesday, 17 October 2007, summarising the update of the previous valuation report, dossier number 75M1104001 dated 03/05/2011, requested by COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009, SOCIMI, S.A., executed by: Joaquin Santos Galilea, Technical Architect

CERTIFIES:

That it is the opinion of this Company that the appraisal value of the finished and occupied building for tertiary industry office use, located in Calle Pradillo, number 42, Ciudad Jardin district, in the city of Madrid, municipal district of Madrid, province of Madrid, as referenced in the Report number 75M1110009, the details of the property in Property Registry no 14 of Madrid and its Land Registry details being specified in the following table, totals:

**SIXTEEN MILLION FIVE HUNDRED NINE THOUSAND EUROS (€16,509,000.00). Mortgage value set according to market value, obtained as the MARKET VALUE FROM DISCOUNTING EXPECTED RENTS, on the assumption that the property is free of charges.**

Mortgage value disaggregated by property:

| Address | Property Registration | Area (m2) | Value from discounting agreed rents | Value from discounting expected rents | Comparative Market Value | Appraised Value | New Insurance Value |
|---|---|---|---|---|---|---|---|
| Basement -2 and -1 | 13504 | 2,639.90 | 2,333,859.78 | 2,049,522.48 | 2,895,090.33 | 2,049,522.48 | 1,246,032.80 |
| Ground floor | 13505 | 938.00 | 3,202,816.85 | 2,812,613.32 | 2,725,802.17 | 2,812,613.32 | 885,472.00 |
| First Fl Rt. | 13506 | 492.86 | 1,752,998.75 | 1,539,428.53 | 1,478,438.80 | 1,539,428.53 | 465,259.84 |
| First Fl. left. | 13507 | 508.14 | 1,107,346.47 | 1,587,155.00 | 1,524,274.42 | 1,587,155.00 | 479,684.16 |
| Second Fl. Rt. | 13508 | 492.86 | 1,770,528.73 | 1,554,822.81 | 1,493,839.20 | 1,554,822.81 | 465,259.84 |
| Second Fl. Left. | 13509 | 508.14 | 1,825,419.94 | 1,603,026.55 | 1,540,152.28 | 1,603,026.55 | 479,684.16 |
| Third Fl. Rt. | 13510 | 492.86 | 1,788,058.72 | 1,570,217.10 | 1,509,239.61 | 1,570,217.10 | 465,259.84 |
| Third Fl. Left | 13511 | 508.14 | 1,843,493.40 | 1,618,898.10 | 1,556,030.14 | 1,618,898.10 | 479,684.16 |
| Fourth Fl. Rt. | 13512 | 514.88 | 1,886,258.80 | 1,656,453.33 | 1,592,757.88 | 1,656,453.33 | 486,046.72 |
| Fourth Fl. | 13513 | 156.12 | 588,602.96 | 516,892.66 | 487,828.41 | 516,892.66 | 147,377.28 |
| | | **7,251.90** | 18,799,384.40 | 16,509,029.87 | 16,803,453.23 | 16,509,029.87 | 5,599,760.80 |

Madrid Company Registry, Volume 12,281, Folio 153, Section 8, Page M-194659,
Valuation Company entered in the Banco de España Special Register on 21 July 1969 under no. 4567.
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CERTIFIED BY:

*Gabinete de Tasaciones Inmobiliarias, S.A.*

Page 2/3 Dossier no. 75M1110009

# VALUATION CERTIFICATE

| ESTABLISHED VALUES | | Units (€/m2) | Total (€) |
|---|---|---|---|
| Gross Replacement Value | | 2,153.85 | 15,619,520.00 |
| Net Replacement Value | | 1,968.53 | 14,275,580.00 |
| New Construction Cost | | 772.18 | 5,599,761.00 |
| Amount attributable to land | | 1,381.67 | 10,019,760.00 |
| Constructed area adopted | 7,251.90 m2 | | |
| Useful area adopted | 6,651.94 m2 | | |
| Comparative Market Value | | 2,317.11 | 16,803,453.23 |
| MV derived from Discounting Expected Rents | | 2,276.51 | 16,509,029.87 |
| MV derived from Discounting Current Rent | | 2,592.34 | 18,799,384.40 |
| Value adopted | | | 16,509,000.00 |
| **Mortgage Value** | | **16,509,000.000** | |
| Insurance value (New replacement) | | 5,599,761,000 | |

Quality of the surrounding area: Average Valuation Ratio: DCB
Quality of the property: Mid - High Trend: DCB

**REPORT ISSUED WITHOUT CAUTIONARY**

**NOTES:**

**- TECHNICAL VALUATION: Note that property has been valued as being unencumbered, specifically according to the conditions described in the deed of sale dated 27/02/2009 notarised by Luis Pérez-Escolar Hernando, and filed under protocol number 559. (A20)**

**Note that the disaggregated properties have been valued exclusively for the purpose of establishing mortgage share, being subject to a single mortgage, pursuant to the provisions of articles 119 and 246 of the Mortgage Act and 216 of the Mortgage Regulations, and that this group of properties should be taken to be a single unit with regard to operation and use. Therefore, to prevent jeopardising the guarantee, the power to cancel the mortgage if any of the properties comprising the building is sold to a third party, set forth in article 221 of the Mortgage Regulations, should be prevented or limited. (A2R)**

**Note that in the case of the property rented to UNIDAD EDITORIAL, S.A., the lease is current, although it can be seen that the entire building is practically empty. Therefore, for appraisal purposes, we have taken into account the existing lease agreement, and erring on the side of caution, have established the mortgage value at the lowest value based on market rents and the current lease agreement. To the best of our knowledge, no other lease agreement exists. If such an agreement does, however, exist, it could affect the mortgage value if it has a negative effect on the conditions set forth in this report. (A30)**

*Gabinete de Tasaciones Inmobiliarias, S.A.*



Dossier no. 75M1110009

# VALUATION CERTIFICATE

| | |
|---|---|
| Date property viewed | 25/10/2011 |
| Date report issued | 27/10/2011 |
| Date certificate issued | 27/10/2011 |
| Expiry date of report and certificate | 27/04/2012 |

VALUER:
Joaquin Santos
Galilea

Electronic signature of the company representative

This document comprises 3 pages. The document is not valid unless it is signed by the authorised G.T.I. S.A. representative. As the property is valued free of charges and/or encumbrances, these must be deducted, as applicable, from the appraisal value, unless indicated to the contrary in the report.

Madrid Company Registry, Volume 12,281, Folio 153, Section 8, Page M-194659,
Valuation Company entered in the Banco de España Special Register on 21 July 1969 under no. 4567.
C.I.F. A-79164919. Rafael Herrera 11, 28036 Madrid
Tel: 9137139750 Fax: 913789742 www.gtisa.es

ISO 9001:2000
no. reg 32602
CERTIFIED BY:

3. Premises Calle Gran Via, 34 and Hotel Tryp Cibeles

# VALUATION CERTIFICATE

GABINETE DE TASACIONES INMOBMIARIAS, S.A., pursuant to order ECO/805/2003 of 27 March, issued by the Ministry of the Economy, on the appraisal of property and fees for certain financial purposes (Official Spanish Gazette, "BOE", No. 85, Wednesday 9 April 2003), and its subsequent amendment by Order EHA / 3011/2007 of 4 October, published in BOE No. 249, Wednesday, 17 October 2007, summarising the update of the previous valuation report, dossier number 75M1105001 dated 09/05/2011, for mortgage purposes, requested by COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009, SOCIMI, S.A., executed by: Joaquín Santos Galilea, Technical Architect

CERTIFIES:

It is the opinion of this Company that the appraisal value of the finished and occupied commercial and hotel premises located in Calle Gran Vía, number 34, Universidad district, in the city of Madrid, municipal district of Madrid, province of Madrid, as referenced in the Report number 75M1110010, and which is registered under: VOLUME 262, BOOK 262, FOLIO 83, PROPERTY 1159, in Property Registry no. 27 in MADRID, with Land Registry number 0348406-VK4704G-0001BS, totals:

**FORTY ONE MILLION SEVEN HUNDRED FORTY-SIX THOUSAND EUROS (€41,746,000.00),** obtained as **MARKET VALUE BASED ON FUTURE EXPECTED INCOME.**

Established values:

| Property Registration | Address | Area (m2) | Net replacement value | Future Future Value Existing Leases | Value from discounting expected rents | Comparative Market Value | Appraised Value | New Insurance Value |
|---|---|---|---|---|---|---|---|---|
| 1,159 | C/ Gran Vía, 34 — PREMISES 2 (ZARA ESPAÑA) | 674.37 | 16,048,928.73 | 25,867,008.87 | 20,562,086.67 | 21,117,011.48 | 20,562,086.67 | 2,844,706.24 |
| | C/ Gran Vía, 34 — PREMISES 3 (ZARA ESPAÑA) | 334.11 | 826,055.47 | 1,398,372.29 | 1,042,211.00 | 1,086,915.09 | 1,042,211.00 | 236,549.88 |
| | — C/ Gran Vía, 34 HOTEL (SOL MELIÁ) | 6,881.28 | 26,675,380.22 | 20,440,495.59 | 20,141,738.88 | | 20,141,738.88 | 9,743,892.48 |
| L.R. Ref. | 0348406VK470400001BS | 10,228.85 | 43,550,364.42 | 47,705,876.76 | 41,746,036.56 | | 41,746,036.56 | 12,825,148.60 |

ESTABLISHED VALUES

| | | Units (€/m2) | Total (€) |
|---|---|---|---|
| Gross Replacement Value | | 4,687.48 | 47,947,560.00 |
| Net Replacement Value | | 4,257.60 | 43,550,364.42 |
| New Construction Cost | | 1,253.82 | 12,825,148.60 |
| Amount attributable to land | | 3,433.66 | 35,122,410.00 |
| Constructed area adopted | 10,228.85 m2 | | |
| Useful area adopted | 8,445.26 m2 | | |
| MV derived from Discounting Expected Rents | | 4,081.21 | 41,746,036.56 |
| MV derived from Discounting Current Rent | | 4,663.86 | 47,705,876.76 |
| Value adopted | | | 41,746,000.00 |

Madrid Company Registry, Volume 12,281, Folio 158, Section 8, Page M-194659,
Valuation Company entered in the Banco de España Special Register on 21 July 1969 under no. 4567.
C.I.F. A-79164919. Rafael Herrara 11, 28036 Madrid
Tel: 9187189750 Fax: 918789742 www.gtisa.es

ISO 9001:2000
no. reg 32602
CERTIFIED BY:

*Gabinete de Tasaciones Inmobiliarias, S.A.*

Page 2/2 Dossier no. 75M1110010

# VALUATION CERTIFICATE

| | |
|---|---|
| **Mortgage Value** | **€41,746,000.00** |
| Value of insurance (as new) | €12,825,150.00 |

Quality of the surrounding area: Average - High Value ratio: DBB
Quality of the property: Mid - High Trend: DBB

REPORT ISSUED WITHOUT CAUTIONARY

NOTES:

- PROPERTY REFERENCE: Note that the Land Registry reference was obtained from the Land Registry website, and does not appear on the *Nota Simple* [registry entry statement]. (A3R)

- URBAN DEVELOPMENT STATUS: Note that a business and/or operating license for the commercial premises and hotel must either be provided or obtained. (A2U)

- PROTECTION, TENANCY AND OCCUPATION ARRANGEMENT: Note that according to the *Nota Simple* [registry entry statement], entry 6 of the former Property Registry no. 5 and property 7270 mentions a lease. We have no information ON the terms and conditions of this lease, so the appraisal value has been established based on the rental agreements to which we have had access. Any variation in this regard could affect the appraisal value. (A20)

Note that the operating costs of the building to be used as a hotel were not provided, so average ratios for this sector were used to calculate these figures. (A1V)

| | |
|---|---|
| Property visit date | 25/10/2011 |
| Report issue date | 27/10/2011 |
| Certificate issue date | 27/10/2011 |
| Expiry date of the report and certificate | 27/04/2012 |

Electronic signature of the company representative

VALUER:
Joaquin Santos Galilea
Technical Architect

This document comprises 2 pages. The document is not valid unless it is signed by the authorised G.T.I. S.A. representative. As the property is valued free of charges and/or encumbrances, these must be deducted, as applicable, from the appraisal value, unless indicated to the contrary in the report.

Madrid Company Registry, Volume 12,281, Folio 153, Section 8, Page M-194659,
Valuation Company entered in the Banco de España Special Register on 21 July 1969 under no. 4567.
C.I.F. A-79164919. Rafael Herrera 11, 28036 Madrid
Tel: 913739750 Fax: 913789742 www.gtisa.es

ISO 9001:2000
no. reg 32602
CERTIFIED BY:

4. Premises Calle Rutilo, 21 23 and 25

# VALUATION CERTIFICATE

GABINETE DE TASACIONES INMOBMIARIAS, S.A., pursuant to order ECO/805/2003 of 27 March, issued by the Ministry of the Economy, on the appraisal of property and fees for certain financial purposes (Official Spanish Gazette, "BOE", No. 85, Wednesday 9 April 2003), and its subsequent amendment by Order EHA / 3011/2007 of 4 October, published in BOE No. 249, Wednesday, 17 October 2007, summarising the update of the previous valuation report, dossier number 75M1103018 dated 03/05/2011, for mortgage purposes, requested by COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009, SOCIMI, S.A., executed by: Joaquín Santos Galilea, Technical Architect

CERTIFIES:

That it is the opinion of this Company that the appraisal value of the 4 elements of the finished and occupied commercial premises located in Calle Rutilo, number 21, 23 and 25, ground floor 2 to 5, San Fermin district, in the city of Madrid, municipal district of Madrid, province of Madrid, as referenced in the Report number 75M1110005, the Property Registry and Land Registry details of the property being specified in the following table, totals:

**ONE MILLION TWO HUNDRED FOURTEEN THOUSAND SIX HUNDRED EUROS (€1,214,600.00). Mortgage value based on market value obtained as MARKET VALUE BASED ON FUTURE EXPECTED INCOME for an unencumbered property.**

The appraisal value disaggregated by properties for the purpose of establishing mortgage share total:

| Property Registration | Address | Land Registry Reference | Surface area (m2) | Value from discounting agreed rents | Value from discounting expected rents | Comparative Market Value | Mortgage Value | New Insurance Value |
|---|---|---|---|---|---|---|---|---|
| 1474 | C/ Rutilo, 21, Entrance 9 - | 1789702VK4618H 0237JY | 140.74 | 286,547.07 | 284,798.14 | 334,265.39 | 284,796.14 | 74,732.94 |
| 1534 | C/ Rutilo, 23, Entrance 10 - | 1789702VK4618H02670R | 91.42 | 193,575.66 | 192,393.82 | 226,081.34 | 192,393.62 | 48,544.02 |
| 1536 • | C/ Rutilo, 23, Entrance 10 - | 1789702VK4618H0268HT | 229.88 | 480,441.62 | 477,505.91 | 559,912.87 | 477,505.91 | 122,066.28 |
| 1608 | C/ Rutilo, 25, Entrance 11 - | 1789702VK4618H0304LI | 131.02 | 261,577.37 | 259,979.02 | 305,137.52 | 259,979.02 | 69,571.62 |
| | | | | 1,222,142.73 | 1,214,674.88 | 1,425,397.13 | 1,214,674.88 | 314,914.86 |

| ESTABLISHED VALUES | | Units (€/m2) | Total (€) |
|---|---|---|---|
| Gross Replacement Value | | 1,885.04 | 1,117,943.00 |
| Net Replacement Value | | 1,826.63 | 1,083,302.00 |
| New Construction Cost | | 531.00 | 314,914.90 |
| Amount attributable to land | | 1,354.04 | 803,027.60 |
| Surface area used | 593.06 m² | | |
| Usable area used | 553.53 m² | | |
| Comparative Market Value | | 2,403.46 | 1,425,397.13 |
| MV derived from Discounting Expected Rents | | 2,048.15 | 1,214,674.88 |
| MV derived from Discounting Current Rent | | 2,060.74 | 1,222,142.73 |
| Value adopted | | | 1,214,600.00 |

**Mortgage Value** **€1,214,600.00**

Insurance value (New replacement) €314,914.90

Madrid Company Registry, Volume 12,281, Folio 158, Section 8, Page M-194659,
Valuation Company entered in the Banco de España Special Register on 21 July 1969 under no. 4567.
C.I.F. A-79164919. Rafael Herrara 11, 28036 Madrid
Tel: 9187189750 Fax: 918789742 www.gtisa.es

ISO 9001:2000
no. reg 32602
CERTIFIED BY:

*Gabinete de Tasaciones Inmobiliarias, S.A.*

Page 2/2 Dossier no. 75M1110005

# VALUATION CERTIFICATE

| | |
|---|---|
| Quality of the surrounding area: Average | Valuation Ratio: ECC |
| Quality of the property: Average | Trend: ECC |

**REPORT ISSUED WITHOUT CAUTIONARY**

**NOTES:**

**- PROPERTY REFERENCE: Note that if the property is re-registered in the Land Registry, the location information of the appraised properties must be updated to match the location information contained in the report. (A3R)**

**Note that the Land Registry reference was obtained from the Land Registry website and does not appear on the *Nota Simple* [registry entry statement]. (A3R)**

**- URBAN DEVELOPMENT STATUS: Note that a business and/or operating license for the commercial premises must either be provided or obtained (A3U)**

**- PROTECTION, TENANCY AND OCCUPATION ARRANGEMENT: Note that the Resident's Association bylaws have not been provided. As such, the property has been valued on the understanding that the only limits to its use as a commercial premises are those established by existing town planning rules. We are not aware of any other limitations or circumstances that could affect the value of the property. (A3V)**

**Note that the disaggregated properties have been valued exclusively for the purpose of establishing mortgage share, being subject to a single mortgage, pursuant to the provisions of articles 119 and 246 of the Mortgage Act and 216 of the Mortgage Regulations, and that this group of properties should be taken to be a single unit with regard to operation and use. Therefore, to prevent jeopardising the guarantee, the power to cancel the mortgage if any of the properties comprising the building is sold to a third party, set forth in article 221 of the Mortgage Regulations, should be prevented or limited. (A2R)**

| | |
|---|---|
| Date property viewed | 24/10/2011 |
| Date report issued | 27/10/2011 |
| Date certificate issued | 27/10/2011 |
| Expiry date of report and certificate | 27/04/2012 |

VALUER:
Joaquín Santos
Galilea

Electronic signature of the company representative

This document comprises 2 pages. The document is not valid unless it is signed by the authorised G.T.I. S.A. representative. As the property is valued free of charges and/or encumbrances, these must be deducted, as applicable, from the appraisal value, unless indicated to the contrary in the report.

5. Premises Calle Albala, 7

*Gabinete de Tasaciones Inmobiliarias, S.A.*

Page 1/2 Dossier no. 75M1110007

# VALUATION CERTIFICATE

GABINETE DE TASACIONES INMOBMIARIAS, S.A., pursuant to order ECO/805/2003 of 27 March, issued by the Ministry of the Economy, on the appraisal of property and fees for certain financial purposes (Official Spanish Gazette, "BOE", No. 85, Wednesday 9 April 2003), and its subsequent amendment by Order EHA / 3011/2007 of 4 October, published in BOE No. 249, Wednesday, 17 October 2007, summarising the update of the previous valuation report, dossier number 75M1103020 dated 03/05/2011, for mortgage purposes, requested by COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009, SOCIMI, S.A., executed by: Joaquín Santos Galilea, Technical Architect

CERTIFIES:

It is the opinion of this Company that the appraisal value of the finished and occupied commercial premises located in Calle Albalá, number 7, Simancas district, in the city of Madrid, municipal district of Madrid, province of Madrid, as referenced in the Report number 75M1110007, and which is registered under: VOLUME 2153, BOOK 1167, FOLIO 31, PROPERTY 59767, in Property Registry no. 17 in MADRID, with Land Registry number 7665301-VK4776F-0001QL, totals:

**TWO MILLION FIVE HUNDRED FIFTY-TWO THOUSAND THREE HUNDRED EUROS (€2,552,300.00). Mortgage value based on market value obtained as MARKET VALUE BASED ON FUTURE EXPECTED INCOME for an unencumbered property**

| Property Registration | Address | Area (m2) | Value from discounting agreed rents | Value from discounting expected rents | Comparative Market Value | Appraised Value | New Insurance Value |
|---|---|---|---|---|---|---|---|
| 59767 | C/ Albalá, 7 | 1,521.59 | 3,038,618.16 | 2,552,343.26 | 3,120,350.23 | 2,552,343.26 | 897,738.10 |

| ESTABLISHED VALUES | | Units (€/m2) | Total (€) |
|---|---|---|---|
| Gross Replacement Value | | 1,652.95 | 2,515,104.00 |
| Net Replacement Value | | 1,558.55 | 2,371,466.00 |
| New Construction Cost | | 590.00 | 897,738.10 |
| Amount attributable to land | | 1,062.95 | 1,617,366.00 |
| Surface area used | 1,521.59 m² | | |
| Usable area used | 1,420.80 m² | | |
| Comparative Market Value | | 2,050.72 | 3,120,350.23 |
| MV derived from Discounting Expected Rents | | 1,677.42 | 2,552,343.26 |
| MV derived from Discounting Current Rent | | 1,997.00 | 3,038,618.16 |
| Value adopted | | | 2,552,300.00 |

**Mortgage Value** **€2,552,300.00**

Insurance value (New replacement) €897,738.10

Quality of the surrounding area: Average Valuation Ratio: ECC
Quality of the property: Average Trend: ECC

UNCONDITIONAL CONCLUSIVE REPORT

Madrid Company Registry, Volume 12,281, Folio 153, Section 8, Page M-194659,
Valuation Company entered in the Banco de España Special Register on 21 July 1969 under no. 4567.
C.I.F. A-79164919. Rafael Herrera 11, 28036 Madrid
Tel: 913713970 Fax: 913789742 www.gtisa.es

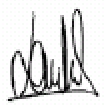
ISO 9001:2000
no. reg 32602
CERTIFIED BY:

*Gabinete de Tasaciones Inmobiliarias, S.A.*

Page 2/2 Dossier no. 75M1110007

# VALUATION CERTIFICATE

| | |
|---|---|
| Property visit date | 24/10/2011 |
| Report issue date | 27/10/2011 |
| Certificate issue date | 27/10/2011 |
| Expiry date of the report and certificate | 27/04/2012 |



VALUER:
Joaquín Santos
Galilea
Technical Architect

Electronic signature of the company representative

This document comprises 2 pages. The document is not valid unless it is signed by the authorised G.T.I. S.A. representative. As the property is valued free of charges and/or encumbrances, these must be deducted, as applicable, from the appraisal value, unless indicated to the contrary in the report.

Madrid Company Registry, Volume 12,281, Folio 153, Section 8, Page M-194659,
Valuation Company entered in the Banco de España Special Register on 21 July 1969 under no. 4567.
C.I.F. A-79164919. Rafael Herrero 11, 28036 Madrid
Tel: 9137139750 Fax: 913789742 www.gtisa.es

ISO 9001:2000
no. reg 32602
CERTIFIED BY:

6. Hotel Tryp Atocha, Calle Atocha, 83

# VALUATION CERTIFICATE

GABINETE DE TASACIONES INMOBMIARIAS, S.A., pursuant to order ECO/805/2003 of 27 March, issued by the Ministry of the Economy, on the appraisal of property and fees for certain financial purposes (Official Spanish Gazette, "BOE", No. 85, Wednesday 9 April 2003), and its subsequent amendment by Order EHA / 3011/2007 of 4 October, published in BOE No. 249, Wednesday, 17 October 2007, summarising the update of the previous valuation report, dossier number 75M1104046 dated 03/05/2011, for mortgage purposes, requested by COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009, SOCIMI, S.A., executed by: Joaquín Santos Galilea, Technical Architect

HEREBY CERTIFIES:

That it is the opinion of this Company that the appraisal value of the finished and occupied building for hotel use, located in Calle Atocha, number 83, in the city of Madrid, municipal district of Madrid, province of Madrid, as referenced in the Report number 75M1110011, the details of the property in Property Registry no. 2 of Madrid and its Land Registry details being specified in the following table, totals:

**TWENTY-NINE MILLION FOUR HUNDRED AND SEVENTY-FOUR THOUSAND FIVE HUNDRED EUROS (€29,474,500.00). Mortgage value based on market value obtained as MARKET VALUE BASED ON FUTURE EXPECTED INCOME, (end of lease)**

The appraisal value disaggregated by properties for the purpose of establishing mortgage share total:

| Prop. Reg. | Address | RC | Sup. (m2) | Curr. Val.. Lease Rent. | Appraisal Fut.Exp.Rent. | Net Repl. . Value | Appraised Value | New Insurance Value |
|---|---|---|---|---|---|---|---|---|
| 2478 | C/ Atocha, 83 | 0939819VK4703H0001WR | | 22,434,053.67 | 23,006,914.00 | 25,469,433.93 | 22,434,053.67 | 9,946,413.47 |
| | C/ Moratín, 10 | 0939810VK4703H0001DR | | | | | | |
| 74106 | C/ Atocha, 83 dup. | 0939818VK4703H0001HR | | 4,241,538.12 | 4,349,847.07 | 4,815,428.21 | 4,241,538.12 | 1,880,538.06 |
| 1548 | C/ Moratín, 12 | 0939811VK4703H0001XR | | 2,799,003.54 | 2,870,476.94 | 3,177,715.31 | 2,799,003.54 | 1,240,972.63 |
| | | | 9,228.76 | 29,474,595.33 | 30,227,238.02 | 33,462,577.44 | 29,474,595.33 | 13,067,924.16 |

| ESTABLISHED VALUES | | Units (€/m2) | Total (€) |
|---|---|---|---|
| Gross Replacement Value | | 4,070.93 | 37,569,640.00 |
| Net Replacement Value | | 3,625.90 | 33,462,577.44 |
| New Construction Cost | | 1,416.00 | 13,067,920.00 |
| Amount attributable to land | | 2,654.93 | 24,501,720.00 |
| Surface area used | 9,228.76 m2 | | |
| Usable area used | 7,382.97 m2 | | |
| MV derived from Discounting Expected Rents | | 3,275.33 | 30,227,238.02 |
| MV derived from Discounting Current Rent | | 3,193.78 | 29,474,595.33 |
| Value adopted | | | 29,474,500.00 |
| **Mortgage Value** | | **€29,474,500.00** | |
| Insurance value (New replacement) | | €13,067,924.16 | |

Madrid Company Registry, Volume 12,281, Folio 158, Section 8, Page M-194659,
Valuation Company entered in the Banco de España Special Register on 21 July 1969 under no. 4567.
C.I.F. A-79164919. Rafael Herrara 11, 28036 Madrid
Tel: 9187189750 Fax: 913789742 www.gtisa.es

ISO 9001:2000
no. reg 32602
CERTIFIED BY:

*Gabinete de Tasaciones Inmobiliarias, S.A.*

Page 2/2 Dossier no. 75M1110011

# VALUATION CERTIFICATE

Quality of the surrounding area: Average
Quality of the property: Mid - High

Valuation Ratio: ECB
Trend: ECB

CONSTRAINTS:

**The mortgage value is subject to registry of the Declaration of New Construction based on the new appraisal, as the existing entry refers to the original building. (C1R)**

IMPORTANT NOTES:

**Note that the disaggregated properties have been valued exclusively for the purpose of establishing mortgage share, being subject to a single mortgage, pursuant to the provisions of articles 119 and 246 of the Mortgage Act and 216 of the Mortgage Regulations, and that this group of properties should be taken to be a single unit with regard to operation and use. Therefore, to prevent jeopardising the guarantee, the power to cancel the mortgage if any of the properties comprising the building is sold to a third party, set forth in article 221 of the Mortgage Regulations, should be prevented or limited. (A2R)**

**Note that property 2478 has two Land Registry references (C/ Atocha, 83, registered under 0939819-VK4703H-0001WR and C/ Moratín, 10, registered under 0939810- VK4703H-0001DR). (A3R)**

**Note that no operating licence has been provided. (A3U)**

**Note that the operating costs of the building to be used as a hotel were not provided, so average ratios for this sector were used to calculate these figures. (A1V)**

| | |
|---|---|
| Property visit date | 25/10/2011 |
| Report issue date | 27/10/2011 |
| Certificate issue date | 27/10/2011 |
| Expiry date of the report and certificate | 27/04/2012 |

VALUER:
Joaquín Santos
Galilea

Electronic signature of the company representative

This document comprises 2 pages. The document is not valid unless it is signed by the authorised G.T.I. S.A. representative. As the property is valued free of charges and/or encumbrances, these must be deducted, as applicable, from the appraisal value, unless indicated to the contrary in the report.

Madrid Company Registry, Volume 12,281, Folio 153, Section 8, Page M-194659,
Valuation Company entered in the Banco de España Special Register on 21 July 1969 under no. 4567.
C.I.F. A-79164919. Rafael Herrera 11, 28036 Madrid
Tel: 9137139750 Fax: 913789742 www.gtisa.es

ISO 9001:2000
no. reg 32602
CERTIFIED BY:

7. Office building at Calle Gran Via, 1 (first and second floors)

# VALUATION CERTIFICATE

GABINETE DE TASACIONES INMOBMIARIAS, S.A., pursuant to order ECO/805/2003 of 27 March, issued by the Ministry of the Economy, on the appraisal of property and fees for certain financial purposes (Official Spanish Gazette, "BOE", No. 85, Wednesday 9 April 2003), and its subsequent amendment by Order EHA / 3011/2007 of 4 October, published in BOE No. 249, Wednesday, 17 October 2007, summarising the update of the previous valuation report, dossier number 75M1104002 dated 03/05/2011, for mortgage purposes, requested by COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009, SOCIMI, S.A., executed by: Joaquín Santos Galilea, Technical Architect

CERTIFIES:

That it is the opinion of this Company that the appraisal value of the finished and occupied building for office use, located in Calle Gran Vía, number 1, floors 1 and 2, Cortes district, in the city of Madrid, municipal district of Madrid, province of Madrid, as referenced in the Report number 75M1110008, the details of the property in Property Registry no 28 of Madrid and its Land Registry details being specified in the following table, totals:

**SEVEN MILLION FIVE HUNDRED FORTY-FOUR THOUSAND FIVE HUNDRED EUROS (€7,544,500.00). Mortgage value based on market value for an unencumbered property obtained from the sum of the MARKET VALUE BASED ON FUTURE EXPECTED INCOME (end of lease) for property 1363 and the MARKET VALUE BASED ON FUTURE EXPECTED INCOME of properties 1361 and 1365, being properties that can be sold separately.**

| Property Registration | Address | Land Registry Reference | Surface area (m²) | Value from discounting agreed rents | Future Value Expected Income | Comparative Market Value | Appraised Value | As New Insurance |
|---|---|---|---|---|---|---|---|---|
| 1363 | C/ Gran Vía, 1— 1° left. | 0847106VK4704F0006FI | 461.02 | 2,347,437.99 | 2,437,366.04 | 2,795,109.37 | 2,347,437.99 | 435,202.88 |
| 1361 | C/ Gran Vía, 1— 1° rt. | 0847106VK4704F0007G0 | 529.93 | 0.00 | 2,623,546.18 | 3,032,139.19 | 2,623,546.18 | 562,785.66 |
| 1365 | C/ Gran Vía, 1— 2° rt. | 0847106VK4704F00091A | 529.93 | 0.00 | 2,573,613.76 | 3,001,511.52 | 2,573,613.76 | 562,785.66 |
| | | | **1,520.88** | **2,347,437.99** | **7,634,525.98** | **8,828,760.08** | **7,544,597.93** | **1,560,774.20** |

| ESTABLISHED VALUES | | Units (€/m2) | Total (€) |
|---|---|---|---|
| Gross Replacement Value | | 4,762.65 | 7,357,726.00 |
| Net Replacement Value | | 4,343.29 | 6,709,858.00 |
| New Construction Cost | | 1,026.79 | 1,586,262.00 |
| Amount attributable to land | | 3,752.36 | 5,796,952.00 |
| Surface area used | 1,544.88 m² | | |
| Usable area used | 1,247.09 m² | | |
| Comparative Market Value | | 5,714.85 | 8,828,760.08 |
| MV derived from Discounting Expected Rents | | 4,941.83 | 7,634,525.98 |
| MV derived from Discounting Current Rent | | 4,883.61 | 7,544,597.93 |
| Value adopted | | | 7,544,500.00 |

**Mortgage Value** **€7,544,500.00**

Insurance value (New replacement) €1,560,774.00

*Gabinete de Tasaciones Inmobiliarias, S.A.*

Page 2/2 Dossier no. 75M111 0008

# VALUATION CERTIFICATE

Quality of the surrounding area: Average - High Value ratio: EBB
Quality of the property: Mid - High Trend: EBB

UNCONDITIONAL CONCLUSIVE REPORT

IMPORTANT NOTES:

**- PROPERTY REFERENCE: Note that the Land Registry reference was obtained from the Land Registry website, and does not appear on the *Nota Simple* [registry entry statement]. (A3R)**

**- URBAN DEVELOPMENT STATUS: Note that a business and/or operating license for the commercial premises must either be provided or obtained. (A3U)**

**- PROTECTION, TENANCY AND OCCUPATION ARRANGEMENT: Note that the Resident's Association bylaws have not been provided. As such, the property has been valued on the understanding that the only limits to its use as a commercial premises are those established by existing town planning rules. We are not aware of any other limitations or circumstances that could affect the value of the property. (A3V)**

**Note that there is an entry concerning property 1361 (1° Rt.), from which the ground floor annexe accessed from Calle Caballero de Gracia, with a surface area of approximately 24 m2, has been segregated. Said annexe has not been considered for appraisal purposes. (A3R)**

| | |
|---|---|
| Date property viewed | 25/10/2011 |
| Date report issued | 27/10/2011 |
| Date certificate issued | 27/10/2011 |
| Expiry date of report and certificate | 27/04/2012 |

VALUER:
Joaquín Santos Galilea
Building Technician

Electronic signature of the company representative

This document comprises 2 pages. The document is not valid unless it is signed by the authorised G.T.I. S.A. representative. As the property is valued free of charges and/or encumbrances, these must be deducted, as applicable, from the appraisal value, unless indicated to the contrary in the report.

Madrid Company Registry, Volume 12,281, Folio 153, Section 8, Page M-194659,
Valuation Company entered in the Banco de España Special Register on 21 July 1969 under no. 4567.
C.I.F. A-79164919. Rafael Herrera 11, 28036 Madrid
Tel: 9137139750 Fax: 913789742 www.gtiza.es

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CERTIFIED BY:

8. Premises at Calle San Anton, 25-27

*Gabinete de Tasaciones Inmobiliarias, S.A.*

Page 1/3 Dossier no. 75M1110012

# VALUATION CERTIFICATE

GABINETE DE TASACIONES INMOBILIARIAS, S.A., in compliance with the provisions of Ministry of Economy Order ECO/805/2003 of 27 March on the appraisal of real estate assets and certain rights for particular financial purposes (Spanish Official Gazette [BOE] No. 85 of Wednesday 9 April 2003), and its subsequent modification by Order EHA / 3011/2007 of 4 October, published in BOE No. 249 of Wednesday 17 October 2007; summarising the report on which the appraisal value for mortgage purposes is based, requested by COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009, SOCIMI, S.A, executed by: Joaquín Santos Galilea, Technical Architect

CERTIFIES:

That it is the opinion of this Company that the appraisal value of the finished and occupied commercial premises, located in Calle San Antón, number 25-27 in the city of Caceres, municipal district of Caceres, province of Caceres, as referenced in the Report number 75M1110012, the details of the property in Property Registry no 2 of Caceres and its Land Registry details being specified in the following table, totals:

**THREE MILLION SEVEN HUNDRED FORTY-EIGHT THOUSAND TWO HUNDRED EUROS (€3,748,200.00). Mortgage value based on market value obtained as MARKET VALUE BASED ON FUTURE EXPECTED INCOME for an unencumbered property.**

**Appraisal value disaggregated by property for the purpose of establishing mortgage share:**

| Address | Property Registration | Area (m2) | Value from discounting agreed rents | Market Value and Static Residual | Appraised Value | New Insurance Value |
|---|---|---|---|---|---|---|
| C/ San Antón, 25-27 - Basement | 62783 | 223.89 | 339,540.15 | 332,978.26 | 339,540.15 | 105,676.08 |
| C/ San Antón, 25-27 - Ground Fl | 62784 | 372.16 | 1,612,568.17 | 1,581,404.00 | 1,612,568.17 | 175,659.52 |
| C/ San Antón, 25-27 - 1st Rt | 62785 | 142.44 | 308,596.05 | 302,632.18 | 308,596.05 | 67,231.68 |
| C/ San Antón, 25-27 - 1st Left. | 62786 | 232.70 | 504,144.20 | 494,401.21 | 504,144.20 | 109,834.40 |
| C/ San Antón, 25-27 - 2nd Rt | 62787 | 142.44 | 197,501.47 | 206,067.87 | 197,501.47 | 134,463.36 |
| C/ San Antón, 25-27 - 2nd Left. | 62788 | 179.47 | 248,845.75 | 259,639.15 | 248,845.75 | 169,419.68 |
| C/ San Antón, 25-27 - 3rd Rt | 62789 | 142.11 | 172,413.42 | 205,590.46 | 172,413.42 | 134,151.84 |
| C/ San Antón, 25-27 - 3rd Left. | 62790 | 134.98 | 163,763.02 | 195,275.49 | 163,763.02 | 127,421.12 |
| C/ San Antón, 25-27 - 4' Rt. | 62791 | 85.46 | 103,683.42 | 123,634.93 | 103,683.42 | 80,674.24 |
| C/ San Antón, 25-27 - 4th Left | 62792 | 80.08 | 97,156.19 | 115,851.69 | 97,156.19 | 75,595.52 |
| | | **1,735.73** | **3,748,211.84** | **3,817,475.24** | **3,748,211.84** | **1,180,127.44** |

Madrid Company Registry, Volume 12,281, Folio 153, Section 8, Page M-194659,
Valuation Company entered in the Banco de España Special Register on 21 July 1969 under no. 4567.
C.I.F. A-79164919. Rafael Herrera 11, 28036 Madrid
Tel: 9137139750 Fax: 913789742 www.gtinsa.es

ISO 9001:2000
no. reg 32602
CERTIFIED BY:

*Gabinete de Tasaciones Inmobiliarias, S.A.*

Page 2/3 Dossier no. 75M1110012

# VALUATION CERTIFICATE

| ESTABLISHED VALUES | | Units (€/m2) | Total (€) |
|---|---|---|---|
| Gross Replacement Value | | 1,582.02 | 2,745,954.00 |
| Net Replacement Value | | 1,854.50 | 3,218,911.00 |
| New Construction Cost | | 781.92 | 1,357,194.00 |
| Amount attributable to land | | 1,242.59 | 2,156,796.00 |
| Surface area used | 1,735.73 m² | | |
| Usable area used | 1,263.75 m² | | |
| MV derived from Discounting Current Rent | | 2,159.44 | 3,748,211.84 |
| Static Residual and Comparative MV (current values) | | 2,199.35 | 3,817,475.24 |
| Value adopted | | | 3,748,200.00 |
| **Mortgage Value** | | **€3,748,200.00** | |
| Insurance value (New replacement) | | €1,180,127.44 | |

Quality of the surrounding area: Average Valuation Ratio: DCC
Quality of the property: Average Trend: DCC

**REPORT ISSUED WITHOUT CAUTIONARY**

**NOTES:**

**- PROPERTY REFERENCE: Note that the disaggregated properties have been valued exclusively for the purpose of establishing mortgage share, being subject to a single mortgage, pursuant to the provisions of articles 119 and 246 of the Mortgage Act and 216 of the Mortgage Regulations, and that this group of properties should be taken to be a single unit with regard to operation and use. Therefore, to prevent jeopardising the guarantee, the power to cancel the mortgage if any of the properties comprising the building is sold to a third party, set forth in article 221 of the Mortgage Regulations, should be prevented or limited. (A2R)**

**- URBAN DEVELOPMENT STATUS: Note that a business and/or operating license for the commercial premises must either be provided or obtained. (A3U)**

*Gabinete de Tasaciones Inmobiliarias, S.A.*

Page 3/3 Dossier no. 75M1110012

# VALUATION CERTIFICATE

| | |
|---|---|
| Date property viewed | 26/10/2011 |
| Date report issued | 31/10/2011 |
| Date certificate issued | 31/10/2011 |
| Expiry date of report and certificate | 30/04/2012 |

VALUER:
Joaquín Santos
Galilea

Electronic signature of the company representative

This document comprises 3 pages. The document is not valid unless it is signed by the authorised G.T.I. S.A. representative. As the property is valued free of charges and/or encumbrances, these must be deducted, as applicable, from the appraisal value, unless indicated to the contrary in the report.

Madrid Company Registry, Volume 12,281, Folio 153, Section 8, Page M-194659,
Valuation Company entered in the Banco de España Special Register on 21 July 1969 under no. 4567.
C.I.F. A-79164919. Rafael Herrera 11, 28036 Madrid
Tel: 9137139750 Fax: 913789742 www.gtisa.es

ISO 9001:2000
no. reg 32602
CERTIFIED BY:

## II. VALUTION REPORTS FOR CIBRA

### 1. Barceló Isla Canela Hotel

TECNITASA

File No. :21-11-0479-11/815-000; Certificate Data Sheet No. 1/3

**Applicant Entity.: (8002-0000)**
s/Ref.: .
Subject:

**CIA IBERICA DE BIENES RAICES 2009,**
GLORIETA DE CUATRO CAMINOS, Nº 6-7
28020 – MADRID

**TÉCNICOS EN TASACIÓN, S.A. (TECNITASA)**
**CERTIFY:**

That made the appraisal report accompanying the record number of 21-11-0479-11/815-000, appraised value of being valued, obtained by the method of update operations economic, is twenty-three million seven hundred and ninety-two thousand seventy-five euros

Purpose of Valuation: I.L.A.E. – BARCELÓ ISLA CANELA HOTEL 4 *
Location: Calle de las Codornices, Nº 2, 21409, ISLA DE CANELA, Ayamonte, Huelva
Purpose of the appraisal: Mortgage guarantee

**THIS APRRAISAL IS MADE IN ACCORDANCE WITH THE PROVISIONS OF THE OM ECO 805/2003, WHICH WAS REPORTED FOR COMPLIANCE OF ART. 61 OF THIS ORDER FOR APPRAISALS ISSUED BY VALUATION COMPANIES APPROVED BY THE BANK OF SPAIN.**

(ECO/805/2003 Order of March 27, on valuation of real property and certain rights for certain financial purposes, published in the B.O.E. of April 9, 2003. Revised by Order EHA/3011/2007, of October 4, published in the BOE of October 17, 2007, and Order EHA/564/2008, of October 28, published in the BOE of March 5, 2008.)

**ASSESSED VALUE = MORTGAGE VALUE: 23.792.075,00 €**

CONDITIONING
The appraisal value is issued without conditions.

GENERAL INFORMATION
TECNITASA, Técnicos en Tasación, SA, Valuation Company approved and supervised by the Bank of Spain, is a member of ATASA (Professional Association of Valuation Companies of Spain).
ATASA is a member of the Board of the Committee of the International Valuation Standards (IVSC - International Valuation Standards Council), along with other professional associations of the valuation around the world. Among them: the Appraisal Institute USA, China Appraisal Society, the Council Real Estate Affairs of the Netherlands, and RICS - Royal Institution of Chartered Surveyors.
The IVSC publishes the International Valuation Standards, which include, among others, the Spanish Law for Valuation of Real Estate (ECO Ministerial Order 805/2003).
These International Valuation Standards (IVS - International Valuation Standards) have been adopted as standards of evaluation by various professional associations, including by RICS - Royal Institution of Chartered Surveyors.
TECNITASA, therefore, is trained and is competent to make assessments properties according to IVS standards, while meeting the most demanding and stringent requirements imposed in Spain for the mortgage appraisal and approval and supervision by the Bank of Spain.
The RICS rules refers to quite a number of main condition (ethics, independence, objectivity, confidentiality, etc), which are fully met by TECNITASA.

Domicilio Social: Avda. de Europa, 26 - 2ª Planta, Edificio Ática
28224 Pozuelo de Alarcón (Madrid)
Sociedad inscrita en el Registro de Entidades especializadas en tasación del Banco de con el nº 4315

File No. :21-11-0479-11/815-000; Certificate Data Sheet No. 2/3

You are cautioned that accounting documents of the past three years have not been available. The data provided for the calculation of income Update have been obtained from the average ratios of sector, obtained in the TECNITASA database.

You are cautioned that documentation supporting the costs involved and attributable the property valuated have not been available, considering the usual percentage of monthly expenses on the monthly rent for this type of property.

You are cautioned that Registry describes the property as under construction, pending to register the term of the construction, although the Opening License of the Hotel object under study has been disposed.

You are cautioned that the documentation provided of the Property Registry 9799 reflects a mortgage in favor of BANCO BILBAO VIZCAYA ARGENTARIA, SA. Property value obtained has not been deducted due to this load.

**COMMENTS**

The date of registration provided simple note is: 10/17/2011.

To obtain the appraisal value, methods used and values derived from them are detailed below:
Replacement value: 28.944.424,15 €

Update Revenue, economic exploitation properties: 23.792.075,46 €

| IDENTIFICATION | CADASTRAL REFERENCE | ID REGISTRAL | Registro, Sec., Book, Book, Page, Entry |
|---|---|---|---|
| Hotel | 44567/02/PB4145N/0001LE | 9799 | AYAMONTE , 271, 1150, 127, 14ª |

Registered holder: COMPAÑÍA IBÉRICA DE BIENES RAICES 2009 SOCIMI, S.A. (100% of full domain).
The building is currently in use.

| VALUES (€) | LAND | BUILDING | COST | UPDATE (1) |
|---|---|---|---|---|
| Hotel-9799 | 15.107.352,90 | 8.684.722,56 | 28.944.424,15 | 23.792.075,46 |

(1) Update Revenue, property in economic exploitation.

| V. ASSESSMENT | S.UTIL (m²) | S. ADOPTED (m²) | INSURANCE (1) | APPRAISED VALUE (€) |
|---|---|---|---|---|
| Hotel-9799 | - - - | 20.927,21 | 23.857.019,40 | 23.792.075,46 |

(1) Amount of insurance (gross replacement value less plot value, OM ECO/805/2003): 23.857.019,40 €

Domicilio Social: Avda. de Europa, 26 - 2ª Planta, Edificio Ática
28224 Pozuelo de Alarcón (Madrid)

Sociedad inscrita en el Registro de Entidades especializadas en tasación del Banco de con el nº 4315

Inscrita en Registro Mercantil de Madrid al Tomo 2.718, Folio 192, Sección 8ª Hoja nº M-[illegible]

C.I.F. A-[illegible]

TECNITASA

**File No. :21-11-0479-11/815-000; Certificate Data Sheet No. 3/3**

The insurance value is the minimum amount specified for the purposes of liability insurance and fire insurance purposes and other damage to the continent required in the first additional provision of the OM ECO 805/2003, which states that damage insurance must not be less than the replacement value Gross less plot value.

In R.D. 716/2009 states that the amount insured should match the appraised value excluding the value of the property not insured by nature, particularly the plot.
The result of excluding the plot value of the appraised value is 8.684.722,10 €.

Limitations to the domain:
Charges: In the documentation provided of the Property Registry 9799 reflects a mortgage in favor of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. And a fiscal condition.

ISSUE DATE: October 24, 2011
SIMPLE NOTE DATE SUBMITTED: October 17, 2011
DATE OF VISIT: October 21, 2011
EXPIRY DATE: April 23, 2012

Seal and Signature of Representative of the Company

TECNITASA
Fdo: D. Fernando Garcia - Marcos Álvarez
Complejo Empresarial Ática - Avda. de Europa 26
Edif. 5, 2D - 28224 - Pozuelo de Alarcón - Madrid
t.902 06 05 04
f.91 782 38 27
atencionalcliente@tecnitasa.es
www.tecnitasa.es

The appraiser,

Signed.: Mª IRANZU PUEYO URROZ

**Validity of the assessment**
This appraisal is valid only for the purpose indicated in this report. TecniTasa has no responsibility for the use of data, methods, or any other assumption adopted in the report, for any purpose of the appraisal or different reports from the expressed. This Certificate is not valid without the file number and without the seal of Técnicos en Tasación, S.A.
**Protection of personal data**
Under the provisions of Law 15/1999, TÉCNICOS EN TASACIÓN, SA reports that the personal information contained in this document are contained in a file owned by the company whose purpose is the provision of valuation services and, for customers, its management or commercial communications sent by TECNITASA Group that may be of interest, and recognizes its holders the right to access, rectification, cancellation and opposition to such data, free of charge by sending request to TÉCNICOS EN TASACIÓN, SA Avenida de Europa, 26 - Building 5, 2 D. Attica Enterprise Centre 28224 Pozuelo de Alarcón (Madrid), to tecnitasa@tecnitasa.es or fax number 91 4113827.
Also, TÉCNICOS EN TASACIÓN, SA, reports that are required by law to cede part of such data to the Bank of Spain, the CNMV, the General Directorate of Insurance, financial institutions involved as the agents and owners of the property subject to taxation, used in the exercise of the functions and powers that are established.
**Third-party data access by customer**
For the proper development of this document, TÉCNICOS EN TASACIÓN, SA, has tried in behalf of client data third staff, making the processor and assuming a commitment to: a) treated only as directed the client. b) apply or use them for purposes other than the provision of valuation services contracted. c) Do not communicate, even to conservation, other people, except those agencies or private entities to be addressed in strict compliance with the Act or the duties entrusted by the customer, are expressly authorized by the client to hire those entities of their choice which intervention necessary for the provision of valuation services contracted. d) Ensure the adoption and implementation of safety measures, under the provisions of data protection legislation, necessary in terms of data accessed. e) Save all secrecy and confidentiality of such data being transferred to the personnel involved in the treatment of their obligation to keep secret. f) Once the appraisal service, TÉCNICOS EN TASACIÓN, SA returned to the client personal data stored processed on their computer just like any support or document stating, proceeding thereupon, to its removal, unless legal obligation custody or preservation is needed against potential legal liabilities.

Domicilio Social: Avda. de Europa, 26 - 2ª Planta, Edificio Ática
28224 Pozuelo de Alarcón (Madrid)
Sociedad inscrita en el Registro de Entidades especializadas en tasación del Banco de España con el nº 4315
Inscrita en Registro Mercantil de Madrid al Tomo 2.718, Folio 180, Sección 8ª

2. Marina Isla Canela Shopping Mall

TECNITASA

File No. :21-11-0482-11/815-000; Certificate Data Sheet No. 1/5

**Applicant Entity.: (8002-0000)**
s/Ref.: .
Subject:

**CIA IBERICA DE BIENES RAICES 2009,**
GLORIETA DE CUATRO CAMINOS, Nº 6-7
28020 – MADRID

**TÉCNICOS EN TASACIÓN, S.A. (TECNITASA)**

**CERTIFY:**

That made the appraisal report accompanying the record number of 21-11-0482-11/815-000, appraised value of being valued, obtained by the method of update operations economic, is three million seven hundred and thirty-nine thousand one hundred ninety-five euros and eighty-seven cents.

Purpose of Valuation: MALL "MARINA ISLA CANELA"
Location: Calle Cuatro Vientos / Cl Boca Honda, 21409, ISLA DE CANELA, Ayamonte, Huelva
Purpose of the appraisal: Mortgage guarantee

**THIS APRRAISAL IS MADE IN ACCORDANCE WITH THE PROVISIONS OF THE OM ECO 805/2003, WHICH WAS REPORTED FOR COMPLIANCE OF ART. 61 OF THIS ORDER FOR APPRAISALS ISSUED BY VALUATION COMPANIES APPROVED BY THE BANK OF SPAIN.**

(ECO/805/2003 Order of March 27, on valuation of real property and certain rights for certain financial purposes, published in the B.O.E. of April 9, 2003. Revised by Order EHA/3011/2007, of October 4, published in the BOE of October 17, 2007, and Order EHA/564/2008, of October 28, published in the BOE of March 5, 2008.)

**ASSESSED VALUE = MORTGAGE VALUE: 3.739.195,87 €**

**CONDITIONING**
The appraisal value is issued without conditions.

**GENERAL INFORMATION**
TECNITASA, Técnicos en Tasación, SA, Valuation Company approved and supervised by the Bank of Spain, is a member of ATASA (Professional Association of Valuation Companies of Spain).
ATASA is a member of the Board of the Committee of the International Valuation Standards (IVSC - International Valuation Standards Council), along with other professional associations of the valuation around the world. Among them: the Appraisal Institute USA, China Appraisal Society, the Council Real Estate Affairs of the Netherlands, and RICS - Royal Institution of Chartered Surveyors.
The IVSC publishes the International Valuation Standards, which include, among others, the Spanish Law for Valuation of Real Estate (ECO Ministerial Order 805/2003).
These International Valuation Standards (IVS - International Valuation Standards) have been adopted as standards of evaluation by various professional associations, including by RICS - Royal Institution of Chartered Surveyors.
TECNITASA, therefore, is trained and is competent to make assessments properties according to IVS standards, while meeting the most demanding and stringent requirements imposed in Spain for the mortgage appraisal and approval and supervision by the Bank of Spain.
The RICS rules refers to quite a number of main condition (ethics, independence, objectivity, confidentiality, etc), which are fully met by TECNITASA.

Domicilio Social: Avda. de Europa, 26 - 2ª Planta, Edificio Ática 28224 Pozuelo de Alarcón (Madrid)
Sociedad inscrita en el Registro de Entidades especializadas en tasación del Banco de ... con el nº 4315
Inscrita en Registro Mercantil de Madrid al Tomo 3.710, Folio 100, Sección 8ª Hoja nº M-...
C.I.F. A-78116324

This Certificate is not valid without the file number and without the seal of Técnicos en Tasación, S.A.

016787/11 - 2011

Dirección: Domicilio Social: Avda. de Europa, 26 - 2ª Planta, Edificio Ática nº 5, 28224 Pozuelo de Alarcón (Madrid) - SociedadInscrita en el Registro de Entidades especializadas en tasación del Banco de España con nº 4315-20-12-85

TECNITASA

**File No. :21-11-0482-11/815-000; Certificate Data Sheet No. 2/5**

You are cautioned that the cadastral references contained in the attached registration simple notes are not correct. Cadastral Descriptive and Graphical Consultations with the correct cadastral references are attached, and those are the indicated in this report.

You are cautioned that certificate of the administrator have not been provided, neither Community Statutes, in order to analyse any possible limitation for the use of property under study.

You are cautioned that activity licences of the various business located in this mall Marina Isla Canela have not been provided.

You are cautioned that documentation supporting the costs involved and attributable to different parts of the Mall valuated have not been available, considering the usual percentage of monthly expenses on the monthly rent for this type of property.

You are cautioned that registred surface (1.535,22 m²/c), and Cadastral (1.534 m²/c) of the Basement are virtually the same, both being much lower than that recorded (2.463,59 m²/c). For this valuation the adopted surface is the registred one.

**COMMENTS**

The date of registration provided simple note is: 10/18/2011.
To obtain the appraisal value, methods used and values derived from them are detailed below:

Replacement value: 3.739.195,87 €
Comparison Value: 3.739.195,87 €
Update Revenue, Property Leased: 2.261.907,76 €

Registered holder: COMPANY REAL ESTATE CORPORATION 2009 SOCIMI, SA (100% of full domain) for the 4 registered properties comprising the property under study, namely:
-Finca 12661, Volume 1103, Book 260, Page 52, Entry 3 rd.
-Finca 12662, Volume 1103, Book 260, Page 55, Entry 3 rd.
-Finca 12663, Volume 1103, Book 260, Page 58, Entry 3 rd.
-Finca 12664, Volume 1103, Book 260, Page 61, Entry 3 rd.
The building is currently in use.

| VALUES (€) | LAND | BUILDING | COMPARISON | COST | UPDATE (1) |
|---|---|---|---|---|---|
| Shopping Mall | | | | | |
| Ground floor | | | | | |
| Local 1-1-2 | 110.201,52 | 48.048,39 | 158.249,91 | 158.249,91 | --- |
| Local 1-2-3 | 54.202,90 | 23.632,72 | 77.835,62 | 77.835,62 | --- |
| Local 1-3-4 | 59.048,35 | 25.745,37 | 84.793,72 | 84.793,72 | 128.655,54 |
| Local 1-4-5 | 29.524,18 | 12.872,68 | 42.396,86 | 42.396,86 | 42.545,57 |

This Certificate is not valid without the file number and without the seal of Técnicos en Tasación, S.A.

016767/11 - 2011

TECNITASA

**File No. :21-11-0482-11/815-000; Certificate Data Sheet No. 3/5**

| VALUES (€) | LAND | BUILDING | COMPARISON | COST | UPDATE (1) |
|---|---|---|---|---|---|
| Local 1-5-6 | 57.824,45 | 25.211,73 | 83.036,18 | 83.036,18 | 118.816,87 |
| Local 2-1-7 | 59.048,35 | 25.745,37 | 84.793,72 | 84.793,72 | 85.939,47 |
| Local 2-1.A-8 | 54.202,90 | 23.632,72 | 77.835,62 | 77.835,62 | 78.596,22 |
| Local 2-2-9 | 56.309,62 | 24.551,26 | 80.860,88 | 80.860,88 | 83.204,02 |
| Local 2-3-10 | 53.891,90 | 23.497,13 | 77.389,03 | 77.389,03 | 121.117,03 |
| Local 2-4-11 | 57.824,45 | 25.211,73 | 83.036,18 | 83.036,18 | 139.678,30 |
| Local 2-5-12 | 29.524,18 | 12.872,68 | 42.396,86 | 42.396,86 | 54.939,37 |
| Local 3-1/2-13 | 111.726,38 | 48.713,24 | 160.439,62 | 160.439,62 | 161.894,80 |
| Local 3-3-14 | 111.585,94 | 48.652,00 | 160.237,94 | 160.237,94 | 240.144,54 |
| Local 3-4-15 | 112.348,37 | 48.984,42 | 161.332,79 | 161.332,79 | 199.798,64 |
| Local 3-5-16 | 56.179,20 | 24.494,40 | 80.673,60 | 80.673,60 | --- |
| Local 3-6-17 | 29.524,18 | 12.872,68 | 42.396,86 | 42.396,86 | 42.731,66 |
| Local 4-1-18 | 111.726,38 | 48.713,24 | 160.439,62 | 160.439,62 | 199.361,35 |
| Local 4-2-19 | 29.524,18 | 12.872,68 | 42.396,86 | 42.396,86 | 42.731,58 |
| Local 4-3-20 | 168.527,57 | 73.478,82 | 242.006,39 | 242.006,39 | 243.346,92 |
| Local 4-4-21 | 57.694,03 | 25.154,88 | 82.848,91 | 82.848,91 | 150.964,26 |
| Local 4-5-22 | 53.891,90 | 23.497,13 | 77.389,03 | 77.389,03 | 127.441,62 |
| Floor | | | | | |
| Local 1A-23 | 87.258,34 | 38.045,05 | 125.303,39 | 125.303,39 | --- |
| Local 2A-24 | 87.258,34 | 38.045,05 | 125.303,39 | 125.303,39 | --- |
| Local 3A-25 | 86.977,44 | 37.922,58 | 124.900,02 | 124.900,02 | --- |
| Local 4A-26 | 86.977,44 | 37.922,58 | 124.900,02 | 124.900,02 | --- |
| Commercial Basement | | | | | |
| Basement | | | | | |
| Garaje/Almacén-27 | 191.733,63 | 477.514,82 | 669.248,45 | 669.248,45 | --- |
| Commercial Other | | | | | |
| Terrazas-Galleries-28 | --- | 466,754.40 | 466,754.40 | 466,754.40 | --- |
| TOTAL | 2.004.536,12 | 1.734.659,75 | 3.739.195,87 | 3.739.195,87 | 2.261.907,76 |

(1) Update Revenue, property in economic exploitation.

Domicilio Social: Avda. de Europa, 26 - 2ª Planta, Edificio Alica 28224 Pozuelo de Alarcón (Madrid)

Sociedad inscrita en el Registro de Entidades especializadas en tasación del Banco de con el nº 4315

Inscrita en Registro Mercantil de Madrid al Tomo 2.718, Folio 190, Sección 8ª

TECNITASA

**File No. :21-11-0482-11/815-000; Certificate Data Sheet No. 4/5**

| **V. ASSESSMENT** | S.UTIL (m²) | S. ADOPTED (m²) | INSURANCE (1) | APPRAISED VALUE (€) |
|---|---|---|---|---|
| Shopping Mall | | | | |
| Ground floor | | | | |
| Local 1-1-2 | 98,87 | 109,85 | 59.319,00 | 158.249,91 |
| Local 1-2-3 | 48,7 | 54,03 | 29.176,20 | 77.835,62 |
| Local 1-3-4 | 53,82 | 58,86 | 31.784,40 | 84.793,72 |
| Local 1-4-5 | 26,52 | 29,43 | 15.892,20 | 42.396,86 |
| Local 1-5-6 | 53,3 | 57,64 | 31.125,60 | 83.036,18 |
| Local 2-1-7 | 53,82 | 58,86 | 31.784,40 | 84.793,72 |
| Local 2-1A-8 | 48,7 | 54,03 | 29.176,20 | 77.835,62 |
| Local 2-2-9 | 53,82 | 56,13 | 30.310,20 | 80.860,88 |
| Local 2-3-10 | 50,15 | 53,72 | 29.008,80 | 77.389,03 |
| Local 2-4-11 | 53,3 | 57,64 | 31.125,60 | 83.036,18 |
| Local 2-5-12 | 26,52 | 29,43 | 15.892,20 | 42.396,86 |
| Local 3-1/2-13 | 107,12 | 111,37 | 60.139,80 | 160.439,62 |
| Local 3-3-14 | 107,05 | 111,23 | 60.064,20 | 160.237,94 |
| Local 3-4-15 | 107,45 | 111,99 | 60.474,60 | 161.332,79 |
| Local 3-5-16 | 53,3 | 56 | 30.240,00 | 80.673,60 |
| Local 3-6-17 | 26,52 | 29,43 | 15.892,20 | 42.396,86 |
| Local 4-1-18 | 107,12 | 111,37 | 60.139,80 | 160.439,62 |
| Local 4-2-19 | 26,52 | 29,43 | 15.892,20 | 42.396,86 |
| Local 4-3-20 | 160,94 | 167,99 | 90.714,60 | 242.006,39 |
| Local 4-4-21 | 53,3 | 57,51 | 31.055,40 | 82.848,91 |
| Local 4-5-22 | 50,15 | 53,72 | 29.008,80 | 77.389,03 |
| Floor | | | | |
| Local 1A-23 | 80,9 | 86,98 | 46.969,20 | 125.303,39 |
| Local 2A-24 | 80,9 | 86,98 | 46.969,20 | 125.303,39 |
| Local 3A-25 | 80,7 | 86,7 | 46.818,00 | 124.900,02 |
| Local 4A-26 | 80,7 | 86,7 | 46.818,00 | 124.900,02 |
| Commercial Basement | | | | |
| Basement | | | | |
| Garaje/Almacén-27 | 2.052,5 | 1.535,22 | 589.524,48 | 669.248,45 |
| Commercial Other | | | | |
| Terrazas-Galleries-28 | - - - | 2.744 | 576,240.00 | 466,754.40 |
| TOTAL | 3.742,69 | 6.086,24 | 2.141.555,28 | 3.739.195,87 |

Domicilio Social: Avda. de Europa, 26 - 2ª Planta, Edificio Atica
28224 Pozuelo de Alarcón (Madrid)
Sociedad inscrita en el Registro de Entidades
especializadas en tasación del Banco de
con el nº 4315

TECNITASA

File No. :21-11-0482-11/815-000; Certificate Data Sheet No. 5/5

| NAME | S.UTIL | S. ADOPTED | VALUE |
|---|---|---|---|

**(1) Amount of insurance (gross replacement value less plot value, OM ECO/805/2003): 2.141.555,28 €**

The insurance value is the minimum amount specified for the purposes of liability insurance and fire insurance purposes and other damage to the continent required in the first additional provision of the OM ECO 805/2003, which states that damage insurance must not be less than the replacement value Gross less plot value.

In R.D. 716/2009 states that the amount insured should match the appraised value excluding the value of the property not insured by nature, particularly the plot.
The result of excluding the plot value of the appraised value is 1.734.659,75 €.

Limitations to the domain:

Charges: The documentation provided of the Properties Registry numbers 12661, 12662, 12663 and 12664 reflect a fiscal condition.

ISSUE DATE: October 26, 2011
SIMPLE NOTE DATE SUBMITTED: October 18, 2011
DATE OF VISIT: October 21, 2011
EXPIRY DATE: April 25, 2012

Seal and Signature of Representative of the Company

TECNITASA
Fdo: D. Fernando García - Marcos Álvarez
Complejo Empresarial Ática • Avda. de Europa 26
Edif. 5, 2D - 28224 - Pozuelo de Alarcón - Madrid
t.902 06 05 04
f.91 782 38 27
atencionalcliente@tecnitasa.es
www.tecnitasa.es

The appraiser,

Signed.: Mª IRANZU PUEYO URROZ

**Validity of the assessment**
This appraisal is valid only for the purpose indicated in this report. TecniTasa has no responsibility for the use of data, methods, or any other assumption adopted in the report, for any purpose of the appraisal or different reports from the expressed. This Certificate is not valid without the file number and without the seal of Técnicos en Tasación, S.A.

**Protection of personal data**
Under the provisions of Law 15/1999, TÉCNICOS EN TASACIÓN, SA reports that the personal information contained in this document are contained in a file owned by the company whose purpose is the provision of valuation services and, for customers, its management or commercial communications sent by TECNITASA Group that may be of interest, and recognizes its holders the right to access, rectification, cancellation and opposition to such data, free of charge by sending request to TÉCNICOS EN TASACIÓN, SA Avenida de Europa, 26 - Building 5, 2 D. Attica Enterprise Centre 28224 Pozuelo de Alarcón (Madrid), to tecnitasa@tecnitasa.es or fax number 91 4113827.
Also, TÉCNICOS EN TASACIÓN, SA, reports that are required by law to cede part of such data to the Bank of Spain, the CNMV, the General Directorate of Insurance, financial institutions involved as the agents and owners of the property subject to taxation, used in the exercise of the functions and powers that are established.

**Third-party data access by customer**
For the proper development of this document, TÉCNICOS EN TASACIÓN, SA, has tried in behalf of client data third staff, making the processor and assuming a commitment to: a) treated only as directed the client. b) apply or use them for purposes other than the provision of valuation services contracted. c) Do not communicate, even to conservation, other people, except those agencies or private entities to be addressed in strict compliance with the Act or the duties entrusted by the customer, are expressly authorized by the client to hire those entities of their choice which intervention necessary for the provision of valuation services contracted. d) Ensure the adoption and implementation of safety measures, under the provisions of data protection legislation, necessary in terms of data accessed. e) Save all secrecy and confidentiality of such data being transferred to the personnel involved in the treatment of their obligation to keep secret. f) Once the appraisal service, TÉCNICOS EN TASACIÓN, SA returned to the client personal data stored processed on their computer just like any support or document stating, proceeding thereupon, to its removal, unless legal obligation custody or preservation is needed against potential legal liabilities.

3. Office Building, Calle Gran Via, 1 (second floor, left door)

TECNITASA

File No. : 28-28-3803-09/903-A02; Certificate Data Sheet No. 1/4

**Applicant Entity.: (8002-0000)**
s/Ref.: .
Subject:

**CIA IBERICA DE BIENES RAICES 2009,**
GLORIETA DE CUATRO CAMINOS, Nº 6-7
28020 – MADRID

**TÉCNICOS EN TASACIÓN, S.A. (TECNITASA)**
**CERTIFY:**

That made the appraisal report accompanying the record number of 28-28-3803-09/903-A02, appraised value of being valued, obtained by the method of update operations economic, is two million forty-four thousand six hundred fifty-six euros and fifty-six cents.

Purpose of Valuation: INDIVIDUAL OFFICE WITHOUT DIRECT ACCESS
Location: Calle Gran Vía, Nº.1, Planta 2ª, Puerta Izquierda, 28013, Madrid
Purpose of the appraisal: Mortgage guarantee

**THIS APRRAISAL IS MADE IN ACCORDANCE WITH THE PROVISIONS OF THE OM ECO 805/2003, WHICH WAS REPORTED FOR COMPLIANCE OF ART. 61 OF THIS ORDER FOR APPRAISALS ISSUED BY VALUATION COMPANIES APPROVED BY THE BANK OF SPAIN.**

(ECO/805/2003 Order of March 27, on valuation of real property and certain rights for certain financial purposes, published in the B.O.E. of April 9, 2003. Revised by Order EHA/3011/2007, of October 4, published in the BOE of October 17, 2007, and Order EHA/564/2008, of October 28, published in the BOE of March 5, 2008.)

**ASSESSED VALUE = MORTGAGE VALUE: 2.044.656,56 €**

**CONDITIONING**
The appraisal value is issued without conditions.

**GENERAL INFORMATION**
TECNITASA, Técnicos en Tasación, SA, Valuation Company approved and supervised by the Bank of Spain, is a member of ATASA (Professional Association of Valuation Companies of Spain).
ATASA is a member of the Board of the Committee of the International Valuation Standards (IVSC - International Valuation Standards Council), along with other professional associations of the valuation around the world. Among them: the Appraisal Institute USA, China Appraisal Society, the Council Real Estate Affairs of the Netherlands, and RICS - Royal Institution of Chartered Surveyors.
The IVSC publishes the International Valuation Standards, which include, among others, the Spanish Law for Valuation of Real Estate (ECO Ministerial Order 805/2003).
These International Valuation Standards (IVS - International Valuation Standards) have been adopted as standards of evaluation by various professional associations, including by RICS - Royal Institution of Chartered Surveyors.
TECNITASA, therefore, is trained and is competent to make assessments properties according to IVS standards, while meeting the most demanding and stringent requirements imposed in Spain for the mortgage appraisal and approval and supervision by the Bank of Spain.
The RICS rules refers to quite a number of main condition (ethics, independence, objectivity, confidentiality, etc), which are fully met by TECNITASA.

Domicilio Social: Avda. de Europa, 26 - 2ª Planta, Edificio Ática 28224 Pozuelo de Alarcón (Madrid)
Sociedad inscrita en el Registro de Entidades especializadas en tasación del Banco de con el nº 4315

TECNITASA

**File No. :28-28-3803-09/903-A02; Certificate Data Sheet No. 2/3**

You are cautioned that the surfaces tested in the visit are less than the surfaces described in cadastral document. Surface with common components included is adopted for this valuation, as there are no morphological differences between registration description and reality, and there is no doubt of the correct identification of the property or its features and apparent breaches of planning regulations apply have not been observed.

You are cautioned that certificate of the administrator neither Community States have not been provided.

You are cautioned that the cadastral reference of the property as well as the cadastral descriptive and graphic information have been obtained in the OVC (Virtual Office of Cadastre) by the address of property.

**MORTGAGE VALUE SPECIFIC WARNINGS**

***You are cautioned that due to market developments and the trend obtained from this evolution, it is estimated that there is a possibility that the appraised value of this property will reduce. For this reason, and under Article 23 of the ECO 805/2003 a downward adjustment of the value obtained by comparison has been made.***

**COMMENTS**

Notes: This appraisal is an update, the previous certificate was issued under the number of 28-28-3803-09/903-A01 record, dated 05/04/2011.

The date of registration provided simple note is: 10/21/2011.

To obtain the appraisal value, methods used and values derived from them are detailed below:
Replacement Value: 1.591.121,21 €
Comparison Value: 2.152.270,06 €
Comparison Adjusted Value: 2.044.656,56 €

| **IDENTIFICATION** | CADASTRAL REFERENCE | ID REGISTRAL | Registro, Sec., Book, Book, Page, Entry |
|---|---|---|---|
| Office S/Access | 08471/06/VK4704F/0008HP | 1367 | MADRID 28, 29, 2371, 107, 3ª |

Registered holder: COMPAÑÍA IBÉRICA DE BIENES RAICES 2009 SOCIMI, S.A. (100% of full domain).
The property is currently in use.

| **VALUES (€)** | LAND | BUILDING | COST | COMPARISON | COMPARISON ADJUSTED |
|---|---|---|---|---|---|
| Office S/acceso-1367 | 1.489.876,13 | 554.780,43 | 1.591.121,21 | 2.152.270,06 | 2.044.656,56 |

TECNITASA

**File No. :28-28-3803-09/903-A02; Certificate Data Sheet No. 3/3**

| V. ASSESSMENT | S.UTIL (m²) | S. ADOPTED (m²) | INSURANCE (1) | APPRAISED VALUE (€) |
|---|---|---|---|---|
| Office S/acceso-1367 | 358,05 | 429,66 | 335.134,80 | 2.044.656,56 |

**(1) Amount of Insurance (gross replacement value less plot value, OM ECO/805/2003): 335.134,80 €**

The insurance value is the minimum amount specified for the purposes of liability insurance and fire insurance purposes and other damage to the continent required in the first additional provision of the OM ECO 805/2003, which states that damage insurance must not be less than the replacement value Gross less plot value.

In R.D. 716/2009 states that the amount insured should match the appraised value excluding the value of the property not insured by nature, particularly the plot.
The result of excluding the plot value of the appraised value is 554.780,43 €.

ISSUE DATE: October 21, 2011
SIMPLE NOTE DATE SUBMITTED: October 21, 2011
DATE OF VISIT: October 21, 2011
EXPIRY DATE: April 20, 2012

Seal and Signature of Representative of the Company

TECNITASA
Fdo: D. Fernándo García - Marcos Álvarez
Complejo Empresarial Ática - Avda. de Europa 26
Edif. 5, 2D - 28224 - Pozuelo de Alarcón - Madrid
t.902 06 05 04
f.91 782 38 27
atencionalcliente@tecnitasa.es
www.tecnitasa.es

The appraiser,

Signed.: FRANCISCO JAVIER LEON JIMENEZ

**Validity of the assessment**
This appraisal is valid only for the purpose indicated in this report. TecniTasa has no responsibility for the use of data, methods, or any other assumption adopted in the report, for any purpose of the appraisal or different reports from the expressed. This Certificate is not valid without the file number and without the seal of Técnicos en Tasación, S.A.
**Protection of personal data**
Under the provisions of Law 15/1999, TÉCNICOS EN TASACIÓN, SA reports that the personal information contained in this document are contained in a file owned by the company whose purpose is the provision of valuation services and, for customers, its management or commercial communications sent by TECNITASA Group that may be of interest, and recognizes its holders the right to access, rectification, cancellation and opposition to such data, free of charge by sending request to TÉCNICOS EN TASACIÓN, SA Avenida de Europa, 26 - Building 5, 2 D. Attica Enterprise Centre 28224 Pozuelo de Alarcón (Madrid), to tecnitasa@tecnitasa.es or fax number 91 4113827.
Also, TÉCNICOS EN TASACIÓN, SA, reports that are required by law to cede part of such data to the Bank of Spain, the CNMV, the General Directorate of Insurance, financial institutions involved as the agents and owners of the property subject to taxation, used in the exercise of the functions and powers that are established.
**Third-party data access by customer**
For the proper development of this document, TÉCNICOS EN TASACIÓN, SA, has tried in behalf of client data third staff, making the processor and assuming a commitment to: a) treated only as directed the client. b) apply or use them for purposes other than the provision of valuation services contracted. c) Do not communicate, even to conservation, other people, except those agencies or private entities to be addressed in strict compliance with the Act or the duties entrusted by the customer, are expressly authorized by the client to hire those entities of their choice which intervention necessary for the provision of valuation services contracted. d) Ensure the adoption and implementation of safety measures, under the provisions of data protection legislation, necessary in terms of data accessed. e) Save all secrecy and confidentiality of such data being transferred to the personnel involved in the treatment of their obligation to keep secret. f) Once the appraisal service, TÉCNICOS EN TASACIÓN, SA returned to the client personal data stored processed on their computer just like any support or document stating, proceeding thereupon, to its removal, unless legal obligation custody or preservation is needed against potential legal liabilities.

Domicilio Social: Avda. de Europa, 26 - 2ª Planta, Edificio Atica
28224 Pozuelo de Alarcón (Madrid)

Sociedad Inscrita en el Registro de Entidades especializadas en tasación del Banco de con el n.º 4315

Inscrita en Registro Mercantil de Madrid
al Tomo 2.719, Folio 192, Sección 8ª
Hoja nº M-48015

C.I.F. A-78116324

This Certificate is not valid without the file number and without the seal of Técnicos en Tasación, S.A.



Dirección: Domicilio Social: Avda. de Europa, 26 - 2ª Planta, Edificio Atica nº 5, 28224 Pozuelo de Alarcón (Madrid) - Sociedadinscrita en el Registro de Entidades especializadas en tasación del Banco de España con nº 4315-20-12-85

4. Hotel Iberostar Isla Canela *

TECNITASA

TECNITASA

**File No. :21-11-0480-11/815-000; Certificate Data Sheet No. 1/3**

**Applicant Entity.: (8002-0000)**
s/Ref.: .
Subject:

**CIA IBERICA DE BIENES RAICES 2009,**
GLORIETA DE CUATRO CAMINOS, Nº 6-7
28020 – MADRID

## TÉCNICOS EN TASACIÓN, S.A. (TECNITASA)
**CERTIFY:**

That made the appraisal report accompanying the record number of 21-11-0480-11/815-000, appraised value of being valued, obtained by the method of update operations economic, is twenty-three million eight hundred and sixty-seven thousand three hundred twenty-two euros

Purpose of Valuation: I.L.A.E. – IBEROSTAR ISLA CANELA HOTEL 4 *
Location: Avenida de la Mojarra, Nº 9, 21409, ISLA DE CANELA, Ayamonte, Huelva
Purpose of the appraisal: Mortgage guarantee

**THIS APRRAISAL IS MADE IN ACCORDANCE WITH THE PROVISIONS OF THE OM ECO 805/2003, WHICH WAS REPORTED FOR COMPLIANCE OF ART. 61 OF THIS ORDER FOR APPRAISALS ISSUED BY VALUATION COMPANIES APPROVED BY THE BANK OF SPAIN.**

(ECO/805/2003 Order of March 27, on valuation of real property and certain rights for certain financial purposes, published in the B.O.E. of April 9, 2003. Revised by Order EHA/3011/2007, of October 4, published in the BOE of October 17, 2007, and Order EHA/564/2008, of October 28, published in the BOE of March 5, 2008.)

**ASSESSED VALUE = MORTGAGE VALUE: 23.867.322,00 €**

**CONDITIONING**
The appraisal value is issued without conditions.

**GENERAL INFORMATION**
TECNITASA, Técnicos en Tasación, SA, Valuation Company approved and supervised by the Bank of Spain, is a member of ATASA (Professional Association of Valuation Companies of Spain).
ATASA is a member of the Board of the Committee of the International Valuation Standards (IVSC - International Valuation Standards Council), along with other professional associations of the valuation around the world. Among them: the Appraisal Institute USA, China Appraisal Society, the Council Real Estate Affairs of the Netherlands, and RICS - Royal Institution of Chartered Surveyors.
The IVSC publishes the International Valuation Standards, which include, among others, the Spanish Law for Valuation of Real Estate (ECO Ministerial Order 805/2003).
These International Valuation Standards (IVS - International Valuation Standards) have been adopted as standards of evaluation by various professional associations, including by RICS - Royal Institution of Chartered Surveyors.
TECNITASA, therefore, is trained and is competent to make assessments properties according to IVS standards, while meeting the most demanding and stringent requirements imposed in Spain for the mortgage appraisal and approval and supervision by the Bank of Spain.
The RICS rules refers to quite a number of main condition (ethics, independence, objectivity, confidentiality, etc), which are fully met by TECNITASA.

Domicilio Social: Avda. de Europa, 26 - 2ª Planta, Edificio Ática 28224 Pozuelo de Alarcón (Madrid)
Sociedad inscrita en el Registro de Entidades especializadas en tasación del Banco de con el nº 4315
Inscrita en Registro Mercantil de Madrid el Tomo 3.719, Folio 190, Sección 8ª Hoja nº M-48015

TECNITASA

**File No. :21-11-0480-11/815-000; Certificate Data Sheet No. 2/3**

You are cautioned that accounting documents of the past three years have not been available. The data provided for the calculation of income Update have been obtained from the average ratios of sector, obtained in the TECNITASA database.

You are cautioned that documentation supporting the costs involved and attributable the property valuated have not been available, considering the usual percentage of monthly expenses on the monthly rent for this type of property.

You are cautioned that registration in the documentation provided to the Property Registry 12684 reflects a mortgage in favor of BANCO SANTANDER CENTRAL HISPANO, SA. Property value obtained has not been deducted due to this load.

**COMMENTS**

The date of registration provided simple note is: 10/17/2011.

To obtain the appraisal value, methods used and values derived from them are detailed below:
Replacement value: 33.996.889,08 €

Update Revenue, economic exploitation properties: 23.867.322,06 €

| **IDENTIFICATION** | CADASTRAL REFERENCE | ID REGISTRAL | Registro, Sec., Book, Book, Page, Entry |
|---|---|---|---|
| Hotel | 68654/02/PB4166N/0001IT | 12684 | AYAMONTE , 260, 1103, 123, 4ª |

Registered holder: COMPAÑÍA IBÉRICA DE BIENES RAICES 2009 SOCIMI, S.A. (100% of full domain).
The building is currently in use.

| **VALUES (€)** | LAND | BUILDING | COST | UPDATE (1) |
|---|---|---|---|---|
| Hotel-12684 | 9.949.220,82 | 13.918.101,24 | 33.996.889,08 | 23.867.322,06 |

(1) Update Revenue, property in economic exploitation.

| **V. ASSESSMENT** | S.UTIL (m²) | S. ADOPTED (m²) | INSURANCE (1) | APPRAISED VALUE (€) |
|---|---|---|---|---|
| Hotel-12684 | - - - | 24.786,3 | 31.230.738,00 | 23.867.322,06 |

**(1) Amount of insurance (gross replacement value less plot value, OM ECO/805/2003): 31.230.738,00 €**

The insurance value is the minimum amount specified for the purposes of liability insurance and fire insurance purposes and other damage to the continent required in the first additional provision of the OM ECO 805/2003, which states that damage insurance must not be less than the replacement value Gross less plot value.

In R.D. 716/2009 states that the amount insured should match the appraised value excluding the value of the property not insured by nature, particularly the plot.
The result of excluding the plot value of the appraised value is 13.918.101,18 €.

TECNITASA

**File No. :21-11-0480-11/815-000; Certificate Data Sheet No. 3/3**

Limitations to the domain:

Charges: In the documentation provided of the Property Registry 12684 reflects a mortgage in favor of BANCO SANTANDER CENTRAL HISPANO, S.A.

ISSUE DATE: October 24, 2011
SIMPLE NOTE DATE SUBMITTED: October 17, 2011
DATE OF VISIT: October 21, 2011
EXPIRY DATE: April 23, 2012

Seal and Signature of Representative of the Company

TECNITASA
Fdo: D. Fernándo García - Marcos Álvarez
Complejo Empresarial Ática - Avda. de Europa 26
Edif. 5, 2D - 28224 - Pozuelo de Alarcón - Madrid
t.902 06 05 04
f.91 782 38 27
atencionalcliente@tecnitasa.es
www.tecnitasa.es

The appraiser,

Signed.: Mª IRANZU PUEYO URROZ

**Validity of the assessment**

This appraisal is valid only for the purpose indicated in this report. TecniTasa has no responsibility for the use of data, methods, or any other assumption adopted in the report, for any purpose of the appraisal or different reports from the expressed. This Certificate is not valid without the file number and without the seal of Técnicos en Tasación, S.A.

**Protection of personal data**

Under the provisions of Law 15/1999, TÉCNICOS EN TASACIÓN, SA reports that the personal information contained in this document are contained in a file owned by the company whose purpose is the provision of valuation services and, for customers, its management or commercial communications sent by TECNITASA Group that may be of interest, and recognizes its holders the right to access, rectification, cancellation and opposition to such data, free of charge by sending request to TÉCNICOS EN TASACIÓN, SA Avenida de Europa, 26 - Building 5, 2 D. Attica Enterprise Centre 28224 Pozuelo de Alarcón (Madrid), to tecnitasa@tecnitasa.es or fax number 91 4113827.

Also, TÉCNICOS EN TASACIÓN, SA, reports that are required by law to cede part of such data to the Bank of Spain, the CNMV, the General Directorate of Insurance, financial institutions involved as the agents and owners of the property subject to taxation, used in the exercise of the functions and powers that are established.

**Third-party data access by customer**

For the proper development of this document, TÉCNICOS EN TASACIÓN, SA, has tried in behalf of client data third staff, making the processor and assuming a commitment to: a) treated only as directed the client. b) apply or use them for purposes other than the provision of valuation services contracted. c) Do not communicate, even to conservation, other people, except those agencies or private entities to be addressed in strict compliance with the Act or the duties entrusted by the customer, are expressly authorized by the client to hire those entities of their choice which intervention necessary for the provision of valuation services contracted. d) Ensure the adoption and implementation of safety measures, under the provisions of data protection legislation, necessary in terms of data accessed. e) Save all secrecy and confidentiality of such data being transferred to the personnel involved in the treatment of their obligation to keep secret. f) Once the appraisal service, TÉCNICOS EN TASACIÓN, SA returned to the client personal data stored processed on their computer just like any support or document stating, proceeding thereupon, to its removal, unless legal obligation custody or preservation is needed against potential legal liabilities.

Domicilio Social: Avda. de Europa, 26 - 2ª Planta, Edificio Atica
28224 Pozuelo de Alarcón (Madrid)

Sociedad Inscrita en el Registro de Entidades especializadas en tasación del Banco de con el n.º 4315

Inscrita en Registro Mercantil de Madrid al Tomo 2.719, Folio 192, Sección 8ª
Hoja nº M-48015

C.I.F. A-78116324

This Certificate is not valid without the file number and without the seal of Técnicos en Tasación, S.A.

016771/11 - 2011

5. Hotel Playa Canela

TECNITASA

TECNITASA

File No. :21-11-0478-11/815-000; Certificate Data Sheet No. 1/3

**Applicant Entity.: (8002-0000)**
s/Ref.: .
Subject:

**CIA IBERICA DE BIENES RAICES 2009,**
GLORIETA DE CUATRO CAMINOS, Nº 6-7
28020 – MADRID

## TÉCNICOS EN TASACIÓN, S.A. (TECNITASA)
## CERTIFY:

That made the appraisal report accompanying the record number of 21-11-0478-11/815-000, appraised value of being valued, obtained by the method of update operations economic, is fourteen million one hundred and twenty-eight thousand two hundred twenty-two euros

Purpose of Valuation: I.L.A.E. – PLAYA CANELA HOTEL 4 *
Location: Avenida de la Mojarra, Nº 10, 21409, ISLA DE CANELA, Ayamonte, Huelva
Purpose of the appraisal: Mortgage guarantee

**THIS APRRAISAL IS MADE IN ACCORDANCE WITH THE PROVISIONS OF THE OM ECO 805/2003, WHICH WAS REPORTED FOR COMPLIANCE OF ART. 61 OF THIS ORDER FOR APPRAISALS ISSUED BY VALUATION COMPANIES APPROVED BY THE BANK OF SPAIN.**

(ECO/805/2003 Order of March 27, on valuation of real property and certain rights for certain financial purposes, published in the B.O.E. of April 9, 2003. Revised by Order EHA/3011/2007, of October 4, published in the BOE of October 17, 2007, and Order EHA/564/2008, of October 28, published in the BOE of March 5, 2008.)

**ASSESSED VALUE = MORTGAGE VALUE: 14.128.222,00 €**

**CONDITIONING**
The appraisal value is issued without conditions.

**GENERAL INFORMATION**
TECNITASA, Técnicos en Tasación, SA, Valuation Company approved and supervised by the Bank of Spain, is a member of ATASA (Professional Association of Valuation Companies of Spain).
ATASA is a member of the Board of the Committee of the International Valuation Standards (IVSC - International Valuation Standards Council), along with other professional associations of the valuation around the world. Among them: the Appraisal Institute USA, China Appraisal Society, the Council Real Estate Affairs of the Netherlands, and RICS - Royal Institution of Chartered Surveyors.
The IVSC publishes the International Valuation Standards, which include, among others, the Spanish Law for Valuation of Real Estate (ECO Ministerial Order 805/2003).
These International Valuation Standards (IVS - International Valuation Standards) have been adopted as standards of evaluation by various professional associations, including by RICS - Royal Institution of Chartered Surveyors.
TECNITASA, therefore, is trained and is competent to make assessments properties according to IVS standards, while meeting the most demanding and stringent requirements imposed in Spain for the mortgage appraisal and approval and supervision by the Bank of Spain.
The RICS rules refers to quite a number of main condition (ethics, independence, objectivity, confidentiality, etc), which are fully met by TECNITASA.

Domicilio Social: Avda. de Europa, 26 - 2ª Planta, Edificio Ática
28224 Pozuelo de Alarcón (Madrid)
Sociedad inscrita en el Registro de Entidades especializadas en tasación del Banco de con el nº 4315

TECNITASA

**File No. :21-11-0478-11/815-000; Certificate Data Sheet No. 2/3**

You are cautioned that accounting documents of the past three years have not been available. The data provided for the calculation of income Update have been obtained from the average ratios of sector, obtained in the TECNITASA database.

You are cautioned that documentation supporting the costs involved and attributable the property valuated have not been available, considering the usual percentage of monthly expenses on the monthly rent for this type of property.

You are cautioned that registration in the documentation provided of the Property Registry 15534 reflects a mortgage in favor of BANCO BILBAO VIZCAYA ARGENTARIA, SA. Property value obtained has not been deducted due to this load.

You are cautioned that the plot of property under study, according to his registration description is affected in its east boundary, parallel to the line of demarcation, a 10 m approximately, by a strip protection easement, according to the third transitional provision of Coasts Law 22/1988. According to Article 25 of the Act, the width of the easement of protection shall be 20 meters, in which buildings for a residence or room are prohibited. This does not affect the building of the property under consideration, which is spread more than 24 meters from the east boundary of the plot.

## COMMENTS

The date of registration provided simple note is: 10/17/2011.

To obtain the appraisal value, methods used and values derived from them are detailed below:
Replacement value: 25.323.585,22 €

Update Revenue, economic exploitation properties: 14.128.222,27 €

| IDENTIFICATION | CADASTRAL REFERENCE | ID REGISTRAL | Registro, Sec., Book, Book, Page, Entry |
|---|---|---|---|
| Hotel | 69667/01/PB4166N/0001IT | 15534 | AYAMONTE , 316, 1374, 126, 4ª |

Registered holder: COMPAÑÍA IBÉRICA DE BIENES RAICES 2009 SOCIMI, S.A. (100% of full domain).
The building is currently in use.

| VALUES (€) | LAND | BUILDING | COST | UPDATE (1) |
|---|---|---|---|---|
| Hotel-15534 | 8.997.056,98 | 5.131.165,29 | 25.323.585,22 | 14.128.222,27 |

(1) Update Revenue, property in economic exploitation.

| V. ASSESSMENT | S.UTIL (m²) | S. ADOPTED (m²) | INSURANCE (1) | APPRAISED VALUE (€) |
|---|---|---|---|---|
| Hotel-15534 | - - - | 18.385,73 | 22.062.876,00 | 14.128.222,27 |

Domicilio Social: Avda. de Europa, [illegible] - 2ª Planta, Edificio Ática
[illegible] Pozuelo de Alarcón (Madrid)

Sociedad inscrita en el Registro de Entidades especializadas en tasación del Banco de con el nº [illegible]

Inscrita en Registro Mercantil de Madrid el Tomo [illegible], Folio [illegible], Sección 8ª Hoja nº M-[illegible]

C.I.F. A-[illegible]

TECNITASA

**File No. :21-11-0478-11/815-000; Certificate Data Sheet No. 3/3**

**(1) Amount of insurance (gross replacement value less plot value, OM ECO/805/2003): 22.062.876,00 €**

The insurance value is the minimum amount specified for the purposes of liability insurance and fire insurance purposes and other damage to the continent required in the first additional provision of the OM ECO 805/2003, which states that damage insurance must not be less than the replacement value Gross less plot value.

In R.D. 716/2009 states that the amount insured should match the appraised value excluding the value of the property not insured by nature, particularly the plot.
The result of excluding the plot value of the appraised value is 5.131.165,02 €.

Limitations to the domain:

Charges: In the documentation provided of the Property Registry 15534 reflects a mortgage in favor of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. And a fiscal condition.

ISSUE DATE: October 24, 2011
SIMPLE NOTE DATE SUBMITTED: October 17, 2011
DATE OF VISIT: October 21, 2011
EXPIRY DATE: April 23, 2012

Seal and Signature of Representative of the Company

TECNITASA
Fdo: D. Fernándo García - Marcos Álvarez
Complejo Empresarial Ática - Avda. de Europa 26
Edif. 5, 2D - 28224 - Pozuelo de Alarcón - Madrid
t.902 06 05 04
f.91 782 38 27
atencionalcliente@tecnitasa.es
www.tecnitasa.es

The appraiser,

Signed.: Mª IRANZU PUEYO URROZ

**Validity of the assessment**
This appraisal is valid only for the purpose indicated in this report. TecniTasa has no responsibility for the use of data, methods, or any other assumption adopted in the report, for any purpose of the appraisal or different reports from the expressed. This Certificate is not valid without the file number and without the seal of Técnicos en Tasación, S.A.

**Protection of personal data**
Under the provisions of Law 15/1999, TÉCNICOS EN TASACIÓN, SA reports that the personal information contained in this document are contained in a file owned by the company whose purpose is the provision of valuation services and, for customers, its management or commercial communications sent by TECNITASA Group that may be of interest, and recognizes its holders the right to access, rectification, cancellation and opposition to such data, free of charge by sending request to TÉCNICOS EN TASACIÓN, SA Avenida de Europa, 26 - Building 5, 2 D. Attica Enterprise Centre 28224 Pozuelo de Alarcón (Madrid), to tecnitasa@tecnitasa.es or fax number 91 4113827.
Also, TÉCNICOS EN TASACIÓN, SA, reports that are required by law to cede part of such data to the Bank of Spain, the CNMV, the General Directorate of Insurance, financial institutions involved as the agents and owners of the property subject to taxation, used in the exercise of the functions and powers that are established.

**Third-party data access by customer**
For the proper development of this document, TÉCNICOS EN TASACIÓN, SA, has tried in behalf of client data third staff, making the processor and assuming a commitment to: a) treated only as directed the client. b) apply or use them for purposes other than the provision of valuation services contracted. c) Do not communicate, even to conservation, other people, except those agencies or private entities to be addressed in strict compliance with the Act or the duties entrusted by the customer, are expressly authorized by the client to hire those entities of their choice which intervention necessary for the provision of valuation services contracted. d) Ensure the adoption and implementation of safety measures, under the provisions of data protection legislation, necessary in terms of data accessed. e) Save all secrecy and confidentiality of such data being transferred to the personnel involved in the treatment of their obligation to keep secret. f) Once the appraisal service, TÉCNICOS EN TASACIÓN, SA returned to the client personal data stored processed on their computer just like any support or document stating, proceeding thereupon, to its removal, unless legal obligation custody or preservation is needed against potential legal liabilities.

Domicilio Social: Avda. de Europa, 26 - 2ª Planta, Edificio Ática 28224 Pozuelo de Alarcón (Madrid)

Sociedad inscrita en el Registro de Entidades especializadas en tasación del Banco de con el nº 4315

Inscrita en Registro Mercantil de Madrid al Tomo 2.719, Folio 190, Sección 8ª

6. Hotel Riu Atlantico

TECNITASA

TECNITASA

File No. :21-11-0477-11/815-000; Certificate Data Sheet No. 1/4

Applicant Entity.: (8002-0000)
s/Ref.: .
Subject:

CIA IBERICA DE BIENES RAICES 2009,
GLORIETA DE CUATRO CAMINOS, Nº 6-7
28020 – MADRID

**TÉCNICOS EN TASACIÓN, S.A. (TECNITASA)**
**CERTIFY:**

That made the appraisal report accompanying the record number of 21-11-0477-11/815-000, appraised value of being valued, obtained by the method of update operations economic, is thirty-one million seven hundred and forty-six thousand two hundred ninety-one euros

Purpose of Valuation: I.L.A.E. – RIU ATLANTICO HOTEL 4 *
Location: Avenida de la Mojarra, Nº 29, 21409, ISLA DE CANELA, Ayamonte, Huelva
Purpose of the appraisal: Mortgage guarantee

**THIS APRRAISAL IS MADE IN ACCORDANCE WITH THE PROVISIONS OF THE OM ECO 805/2003, WHICH WAS REPORTED FOR COMPLIANCE OF ART. 61 OF THIS ORDER FOR APPRAISALS ISSUED BY VALUATION COMPANIES APPROVED BY THE BANK OF SPAIN.**

(ECO/805/2003 Order of March 27, on valuation of real property and certain rights for certain financial purposes, published in the B.O.E. of April 9, 2003. Revised by Order EHA/3011/2007, of October 4, published in the BOE of October 17, 2007, and Order EHA/564/2008, of October 28, published in the BOE of March 5, 2008.)

| ASSESSED VALUE = MORTGAGE VALUE: 31.746.291,00 € |
|---|

CONDITIONING
The appraisal value is issued without conditions.

GENERAL INFORMATION
TECNITASA, Técnicos en Tasación, SA, Valuation Company approved and supervised by the Bank of Spain, is a member of ATASA (Professional Association of Valuation Companies of Spain).
ATASA is a member of the Board of the Committee of the International Valuation Standards (IVSC - International Valuation Standards Council), along with other professional associations of the valuation around the world. Among them: the Appraisal Institute USA, China Appraisal Society, the Council Real Estate Affairs of the Netherlands, and RICS - Royal Institution of Chartered Surveyors.
The IVSC publishes the International Valuation Standards, which include, among others, the Spanish Law for Valuation of Real Estate (ECO Ministerial Order 805/2003).
These International Valuation Standards (IVS - International Valuation Standards) have been adopted as standards of evaluation by various professional associations, including by RICS - Royal Institution of Chartered Surveyors.
TECNITASA, therefore, is trained and is competent to make assessments properties according to IVS standards, while meeting the most demanding and stringent requirements imposed in Spain for the mortgage appraisal and approval and supervision by the Bank of Spain.
The RICS rules refers to quite a number of main condition (ethics, independence, objectivity, confidentiality, etc), which are fully met by TECNITASA.

Domicilio Social: Avda. de Europa, 26 - 2ª Planta, Edificio Ática 28224 Pozuelo de Alarcón (Madrid)
Sociedad inscrita en el Registro de Entidades especializadas en tasación del Banco de ... con el nº 4315

TECNITASA

File No. :21-11-0477-11/815-000; Certificate Data Sheet No. 2/4

You are cautioned that accounting documents of the past three years have not been available. The data provided for the calculation of income Update have been obtained from the average ratios of sector, obtained in the TECNITASA database.

You are cautioned that documentation supporting the costs involved and attributable the property valuated have not been available, considering the usual percentage of monthly expenses on the monthly rent for this type of property.

You are cautioned that documentation provided of the Property Registry 12.697 reflects a mortgage in favor of BANCO BILBAO VIZCAYA ARGENTARIA, SA. Property value obtained has not been deducted due to this load.

You are cautioned that the cadastral reference contained in the Simple Note Registration attached is not correct. Cadastral Descriptive and Graphical Consultation with the correct Cadastral reference is attached, and that is the one indicated in this report.

You are cautioned that the plot of property under study, according to his registration description is affected in its northeastern edge, near the line of demarcation, by a zone of Easement Protection in an strip of 16,62 meters wide with an area of 2.745,83 m². It's also affected in its east boundary, close to the line of demarcation of beach on the Easement Area Protection, in a strip 10 meters wide, with an area of 1.550,79 m², according to the layout Third Transitional Law 22/1988 of Costs. In accordance with Article 25 of the Act, the width of protection this easement will be 20 meters for buildings to be prohibited to residence or room. This does not affect the building of the property under study, separated more than 24 meters from the east boundary of the plot.

**COMMENTS**

The date of registration provided simple note is: 10/17/2011.
To obtain the appraisal value, methods used and values derived from them are detailed below:

Replacement value: 38.547.446,40 €
Update Revenue, economic exploitation properties: 31.746.291,38 €

| IDENTIFICATION | CADASTRAL REFERENCE | ID REGISTRAL | Registro, Sec., Book, Book, Page, Entry |
|---|---|---|---|
| Hotel | 77692/01/PB4177S/0001OA | 12697 | AYAMONTE , 448, 1706, 225, 6ª |

Registered holder: COMPAÑÍA IBÉRICA DE BIENES RAICES 2009 SOCIMI, S.A. (100% of full domain).
The building is currently in use.

Domicilio Social: Avda. de Europa, 26 - 2ª Planta, Edificio Ática
28224 Pozuelo de Alarcón (Madrid)

Sociedad inscrita en el Registro de Entidades especializadas en tasación del Banco de
con el nº 4315

Inscrita en Registro Mercantil de Madrid
al Tomo 2.719, Folio 190, Sección 8ª
Hoja nº M-46015

C.I.F. A-78116324

TECNITASA

File No. :21-11-0477-11/815-000; Certificate Data Sheet No. 3/4

| VALUES (€) | LAND | BUILDING | COST | UPDATE (1) |
|---|---|---|---|---|
| Hotel-12697 | 10.926.835,20 | 20.819.456,18 | 38.547.446,40 | 31.746.291,38 |

(1) Update Revenue, property in economic exploitation.

| V. ASSESSMENT | S.UTIL (m²) | S. ADOPTED (m²) | INSURANCE (1) | APPRAISED VALUE (€) |
|---|---|---|---|---|
| Hotel-12697 | - - - | 28.104 | 35.411.040,00 | 31.746.291,38 |

**(1) Amount of insurance (gross replacement value less plot value, OM ECO/805/2003): 35.411.040,00 €**

The insurance value is the minimum amount specified for the purposes of liability insurance and fire insurance purposes and other damage to the continent required in the first additional provision of the OM ECO 805/2003, which states that damage insurance must not be less than the replacement value Gross less plot value.

In R.D. 716/2009 states that the amount insured should match the appraised value excluding the value of the property not insured by nature, particularly the plot.
The result of excluding the plot value of the appraised value is 20.819.455,80 €.

Limitations to the domain:
Charges: In the documentation provided of the Registry Property 12697 reflects a mortgage in favor of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. And a fiscal condition.

TECNITASA

**File No. :21-11-0477-11/815-000; Certificate Data Sheet No. 4/4**

ISSUE DATE: October 24, 2011
SIMPLE NOTE DATE SUBMITTED: October 17, 2011
DATE OF VISIT: October 21, 2011
Expiry date: April 23, 2012

Seal and Signature of Representative of the Company

TECNITASA
Fdo: D. Fernándo García - Marcos Álvarez
Complejo Empresarial Ática - Avda. de Europa 26
Edif. 5, 2D - 28224 - Pozuelo de Alarcón - Madrid
t.902 06 05 04
f.91 782 38 27
atencionalcliente@tecnitasa.es
www.tecnitasa.es

The appraiser,

Signed.: Mª IRANZU PUEYO URROZ

**Validity of the assessment**
This appraisal is valid only for the purpose indicated in this report. TecniTasa has no responsibility for the use of data, methods, or any other assumption adopted in the report, for any purpose of the appraisal or different reports from the expressed. This Certificate is not valid without the file number and without the seal of Técnicos en Tasación, S.A.
**Protection of personal data**
Under the provisions of Law 15/1999, TÉCNICOS EN TASACIÓN, SA reports that the personal information contained in this document are contained in a file owned by the company whose purpose is the provision of valuation services and, for customers, its management or commercial communications sent by TECNITASA Group that may be of interest, and recognizes its holders the right to access, rectification, cancellation and opposition to such data, free of charge by sending request to TÉCNICOS EN TASACIÓN, SA Avenida de Europa, 26 - Building 5, 2 D. Attica Enterprise Centre 28224 Pozuelo de Alarcon (Madrid), to tecnitasa@tecnitasa.es or fax number 91 4113827.

Also, TÉCNICOS EN TASACIÓN, SA, reports that are required by law to cede part of such data to the Bank of Spain, the CNMV, the General Directorate of Insurance, financial institutions involved as the agents and owners of the property subject to taxation, used in the exercise of the functions and powers that are established.
**Third-party data access by customer**
For the proper development of this document, TÉCNICOS EN TASACIÓN, SA, has tried in behalf of client data third staff, making the processor and assuming a commitment to: a) treated only as directed the client. b) apply or use them for purposes other than the provision of valuation services contracted. c) Do not communicate, even to conservation, other people, except those agencies or private entities to be addressed in strict compliance with the Act or the duties entrusted by the customer, are expressly authorized by the client to hire those entities of their choice which intervention necessary for the provision of valuation services contracted. d) Ensure the adoption and implementation of safety measures, under the provisions of data protection legislation, necessary in terms of data accessed. e) Save all secrecy and confidentiality of such data being transferred to the personnel involved in the treatment of their obligation to keep secret. f) Once the appraisal service, TÉCNICOS EN TASACIÓN, SA returned to the client personal data stored processed on their computer just like any support or document stating, proceeding thereupon, to its removal, unless legal obligation custody or preservation is needed against potential legal liabilities.

Domicilio Social: Avda. de Europa, 26 - 2ª Planta, Edificio Ática
28224 Pozuelo de Alarcón (Madrid)

Sociedad inscrita en el Registro de Entidades
especializadas en tasación del Banco de
con el nº 4315

Inscrita en Registro Mercantil de Madrid
al Tomo 2.719, Folio 192, Sección 8ª

7. Vincci Seleccion Isla Canela Golf

TECNITASA

TECNITASA

File No. :21-11-0481-11/815-000; Certificate Data Sheet No. 1/3

**Applicant Entity.: (8002-0000)**
s/Ref.: .
Subject:

**CIA IBERICA DE BIENES RAICES 2009,**
GLORIETA DE CUATRO CAMINOS, Nº 6-7
28020 – MADRID

**TÉCNICOS EN TASACIÓN, S.A. (TECNITASA)**
**CERTIFY:**

That made the appraisal report accompanying the record number of 21-11-0481-11/815-000, appraised value of being valued, obtained by the method of update operations economic, is four million nine hundred and sixty-three thousand three hundred fifty-six euros

Purpose of Valuation: I.L.A.E. – VINCCI CANELA GOLF HOTEL 5 *
Location: Calle Golf Norte – Campo de Golf, Parcela A-8/1, 21409, ISLA DE CANELA, Ayamonte, Huelva
Purpose of the appraisal: Mortgage guarantee

**THIS APRRAISAL IS MADE IN ACCORDANCE WITH THE PROVISIONS OF THE OM ECO 805/2003, WHICH WAS REPORTED FOR COMPLIANCE OF ART. 61 OF THIS ORDER FOR APPRAISALS ISSUED BY VALUATION COMPANIES APPROVED BY THE BANK OF SPAIN.**

(ECO/805/2003 Order of March 27, on valuation of real property and certain rights for certain financial purposes, published in the B.O.E. of April 9, 2003. Revised by Order EHA/3011/2007, of October 4, published in the BOE of October 17, 2007, and Order EHA/564/2008, of October 28, published in the BOE of March 5, 2008.)

| **ASSESSED VALUE = MORTGAGE VALUE: 4.963.356,00 €** |
| --- |

**CONDITIONING**
The appraisal value is issued without conditions.

**GENERAL INFORMATION**
TECNITASA, Técnicos en Tasación, SA, Valuation Company approved and supervised by the Bank of Spain, is a member of ATASA (Professional Association of Valuation Companies of Spain).
ATASA is a member of the Board of the Committee of the International Valuation Standards (IVSC - International Valuation Standards Council), along with other professional associations of the valuation around the world. Among them: the Appraisal Institute USA, China Appraisal Society, the Council Real Estate Affairs of the Netherlands, and RICS - Royal Institution of Chartered Surveyors.
The IVSC publishes the International Valuation Standards, which include, among others, the Spanish Law for Valuation of Real Estate (ECO Ministerial Order 805/2003).
These International Valuation Standards (IVS - International Valuation Standards) have been adopted as standards of evaluation by various professional associations, including by RICS - Royal Institution of Chartered Surveyors.
TECNITASA, therefore, is trained and is competent to make assessments properties according to IVS standards, while meeting the most demanding and stringent requirements imposed in Spain for the mortgage appraisal and approval and supervision by the Bank of Spain.
The RICS rules refers to quite a number of main condition (ethics, independence, objectivity, confidentiality, etc), which are fully met by TECNITASA.

Domicilio Social: Avda. de Europa, 26 - 2ª Planta, Edificio Ática
28224 Pozuelo de Alarcón (Madrid)
Sociedad inscrita en el Registro de Entidades especializadas en tasación del Banco de con el nº 4315

TECNITASA

File No. :21-11-0481-11/815-000; Certificate Data Sheet No. 2/3

You are cautioned that accounting documents of the past three years have not been available. The data provided for the calculation of income Update have been obtained from the average ratios of sector, obtained in the TECNITASA database.

You are cautioned that documentation supporting the costs involved and attributable the property valuated have not been available, considering the usual percentage of monthly expenses on the monthly rent for this type of property.

You are cautioned that the documentation provided of the Property Registry 13757 reflects a mortgage in favor of BANCO BILBAO VIZCAYA ARGENTARIA, SA. Property value obtained has not been deducted due to this load.

**COMMENTS**

The date of registration provided simple note is: 10/17/2011.

To obtain the appraisal value, methods used and values derived from them are detailed below:
Replacement value: 5.873.627,70 €

Update Revenue, economic exploitation properties: 4.963.355,92 €

| IDENTIFICATION | CADASTRAL REFERENCE | ID REGISTRAL | Registro, Sec., Book, Book, Page, Entry |
|---|---|---|---|
| Hotel | 27802/02/PB4128S/0001QI | 13757 | AYAMONTE , 283, 1240, 83, 6ª |

Registered holder: COMPAÑÍA IBÉRICA DE BIENES RAICES 2009 SOCIMI, S.A. (100% of full domain).
The building is currently in use.

| VALUES (€) | LAND | BUILDING | COST | UPDATE (1) |
|---|---|---|---|---|
| Hotel-13757 | 2.099.549,70 | 2.863.806,22 | 5.873.627,70 | 4.963.355,92 |

(1) Update Revenue, property in economic exploitation.

| V. ASSESSMENT | S.UTIL (m²) | S. ADOPTED (m²) | INSURANCE (1) | APPRAISED VALUE (€) |
|---|---|---|---|---|
| Hotel-13757 | - - - | 3.890 | 4.901.400,00 | 4.963.355,92 |

**(1) Amount of Insurance (gross replacement value less plot value, OM ECO/805/2003): 4.901.400,00 €**

The insurance value is the minimum amount specified for the purposes of liability insurance and fire insurance purposes and other damage to the continent required in the first additional provision of the OM ECO 805/2003, which states that damage insurance must not be less than the replacement value Gross less plot value.

In R.D. 716/2009 states that the amount insured should match the appraised value excluding the value of the property not insured by nature, particularly the plot.
The result of excluding the plot value of the appraised value is 2.863.806,30 €.

Domicilio Social: Avda. de Europa, 26 - 2ª Planta, Edificio Ática
28224 Pozuelo de Alarcón (Madrid)

Sociedad inscrita en el Registro de Entidades
especializadas en tasación del Banco de
con el nº 4315

Inscrita en Registro Mercantil de Madrid
al Tomo 2.719, Folio 192, Sección 8ª
Hoja nº M-46015

C.I.F. A-78116324

TECNITASA

File No. :21-11-0481-11/815-000; Certificate Data Sheet No. 3/3

Limitations to the domain:

Charges: In the documentation provided of the Property Registry 13757 reflects a mortgage in favor of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. And a fiscal condition.

ISSUE DATE: October 24, 2011
SIMPLE NOTE DATE SUBMITTED: October 17, 2011
DATE OF VISIT: October 21, 2011
EXPIRY DATE: April 23, 2012

Seal and Signature of Representative of the Company

TECNITASA
Fdo: D. Fernando García - Marcos Álvarez
Complejo Empresarial Ática - Avda. de Europa 26
Edif. 5, 2D - 28224 - Pozuelo de Alarcón - Madrid
t.902 06 05 04
f.91 782 38 27
atencionalcliente@tecnitasa.es
www.tecnitasa.es

The appraiser,

Signed.: Mª IRANZU PUEYO URROZ

**Validity of the assessment**
This appraisal is valid only for the purpose indicated in this report. TecniTasa has no responsibility for the use of data, methods, or any other assumption adopted in the report, for any purpose of the appraisal or different reports from the expressed. This Certificate is not valid without the file number and without the seal of Técnicos en Tasación, S.A.

**Protection of personal data**
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Also, TÉCNICOS EN TASACIÓN, SA, reports that are required by law to cede part of such data to the Bank of Spain, the CNMV, the General Directorate of Insurance, financial institutions involved as the agents and owners of the property subject to taxation, used in the exercise of the functions and powers that are established.

**Third-party data access by customer**
For the proper development of this document, TÉCNICOS EN TASACIÓN, SA, has tried in behalf of client data third staff, making the processor and assuming a commitment to: a) treated only as directed the client. b) apply or use them for purposes other than the provision of valuation services contracted. c) Do not communicate, even to conservation, other people, except those agencies or private entities to be addressed in strict compliance with the Act or the duties entrusted by the customer, are expressly authorized by the client to hire those entities of their choice which intervention necessary for the provision of valuation services contracted. d) Ensure the adoption and implementation of safety measures, under the provisions of data protection legislation, necessary in terms of data accessed. e) Save all secrecy and confidentiality of such data being transferred to the personnel involved in the treatment of their obligation to keep secret. f) Once the appraisal service, TÉCNICOS EN TASACIÓN, SA returned to the client personal data stored processed on their computer just like any support or document stating, proceeding thereupon, to its removal, unless legal obligation custody or preservation is needed against potential legal liabilities.

# APPENDIX 2. PRO FORMA FINANCIAL INFORMATION

Deloitte.

Deloitte Audit
Société à responsabilité limitée
560, rue de Neudorf
L-2220 Luxembourg
B.P. 1173
L-1011 Luxembourg

Tel: +352 451 451
Fax: +352 451 452 992
www.deloitte.lu

## REPORT OF THE REVISEUR D'ENTREPRISES AGREE ON THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

To the Board of Directors
Saint Croix Holding Immobilier S.A.
9b, Boulevard Prince Henri
L-1724 Luxembourg

In our capacity as *réviseur d'entreprises agréé* of Saint Croix Holding Immobilier S.A. (the "Company") and in application of Commission Regulation (EC) 809/2004, as amended, we have drawn up this report on the unaudited pro forma consolidated financial information of the Company ("Pro Forma Information") as of September 30, 2011 and for the nine-month period then ended included in Appendix 2 of the Company's prospectus dated on or around December 21, 2011.

This Pro Forma Information has been prepared, for illustrative purposes only, to provide information about how the incorporation of the Company by means of:

- the incorporation of the Company through which all the shareholders of COMPAÑÍA IBÉRICA DE BIENES RAÍCES, 2009, SOCIMI, S.A. ("CIBRA") and COMPAÑÍA IBÉRICA DE RENTAS URBANAS, 2009, SOCIMI, S.A. ("CIRU"), *i.e.* the "Subsidiaries", contributed all their shares to the Company by means of a contribution in kind and
- the subsequent capital increase of 40,136,523 EUR presented by 667,829 shares with a nominal value of 60.10 each to allow cash inflows from new investors and also existing shareholders

might have affected the unaudited consolidated balance sheet of the Company as at September 30, 2011 and the unaudited consolidated profit and loss account for the nine-month period ended September 30, 2011 if the transactions occurred on January 1, 2011 for the unaudited consolidated profit and loss account and if the transactions occurred on September 30, 2011 for the unaudited consolidated balance sheet. Because of its nature, it addresses a hypothetical situation and may not be indicative of the financial position or results that could have been evidenced if the transactions or events would have occurred at a prior date compared to the real date.

The Board of Directors of the Company is responsible for the preparation of the Pro Forma Information, in accordance with the requirements of Commission Regulation (EC) 809/2004, as amended, regarding Pro Forma Information.

Deloitte.

It is our responsibility to provide an opinion, as required by Item 7 of Annex II of Commission Regulation (EC) 809/2004, as amended, as to the appropriate compilation of the Pro Forma Information. We are not responsible expressing any other opinion on the Pro Forma Information or on any of its constituent elements.

We performed our work in accordance with the practice guideline (*recommandation professionnelle*) issued by the *Institut des Réviseurs d'Entreprises* in relation to the role of the *réviseur d'entreprises agréé* in the context of the publication of a prospectus. Our work, which involved no independent examination of any of the underlying pro forma information, consisted primarily of comparing the pro forma information with the source documents, considering the evidence supporting the adjustments and discussing with the Directors of the Company to obtain the information and explanations we considered necessary.

We planned and performed our work so as to obtain the information and explanations we considered necessary to provide reasonable assurance that the Pro Forma Information has been properly compiled on the basis stated.

In our opinion:

- the Pro Forma Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

This report is issued exclusively in the context of the issuance of the Company's prospectus dated on or around December 21, 2011 and may not be used for any other purpose.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

December 20, 2011

The unaudited pro forma consolidated financial information of the Company ("Pro Forma Information") presented hereafter has been prepared solely to present the consolidated balance sheet and consolidated profit and loss account of the Company as if the following transactions had been completed as stated below:

- The incorporation of the Company through which all the shareholders of COMPAÑÍA IBÉRICA DE BIENES RAÍCES, 2009, SOCIMI, S.A. ("CIBRA") and COMPAÑÍA IBÉRICA DE RENTAS URBANAS, 2009, SOCIMI, S.A. ("CIRU"), *i.e.* the "Subsidiaries", contributed all their shares to the Company by means of a contribution in kind,

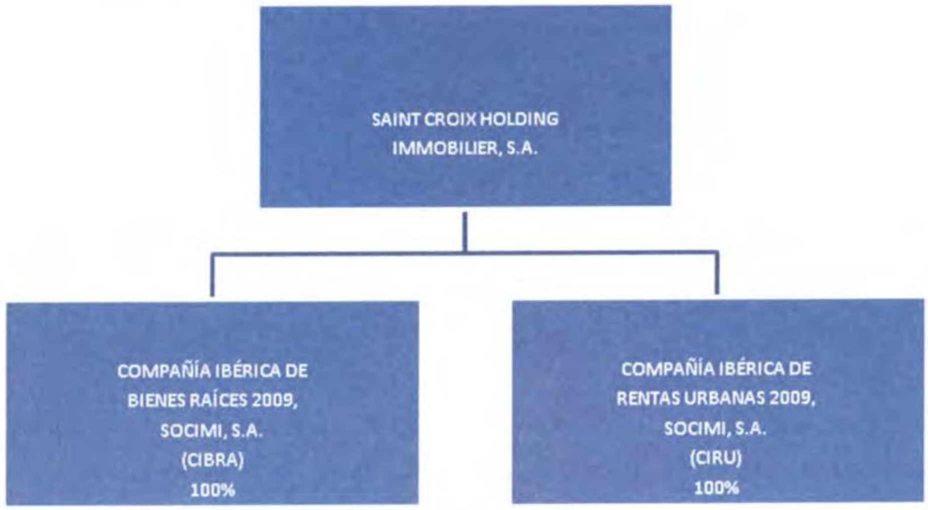
- The subsequent capital increase of 40,136,523 EUR presented by 667,829 Shares with a nominal value of 60.10 each to allow cash inflows from new investors and also existing shareholders as described below ("Subsequent Capital Increase").

The Company was incorporated under the name of "SAINT CROIX HOLDING IMMOBILIER, SOCIÉTÉ ANONYME". The Company is a public limited company, a "Société Anonyme", established for an unlimited period of time and organized under the laws of the Grand-Duchy of Luxembourg. It was incorporated on December 1st, 2011 by a notary deed of Carlo WERSANDT, notary public, residing in LUXEMBOURG, L-1466, 12, rue Jean Engling. The Company was registered with the Registre de Commerce et des Sociétés (the Luxembourg Trade and Companies' Register). The registered office of the Company is located at 9b, Boulevard Prince Henri, L-1724 Luxembourg, Grand Duchy of Luxembourg. The Company's activity will be limited to the holding of equity interests in Luxembourg and/or foreign companies and mainly in Spanish Real Estate Investments Companies ("Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario" (hereinafter referred under the Spanish acronym "SOCIMI") or in other companies, whether resident or not in Spain, which will have a corporate purpose similar to those of Spanish SOCIMIs and which will be subject to earnings distribution requirements similar to that established by legal or statutory policy for Spanish SOCIMIs. In particular, the Company will be subject to the 1915 Luxembourg Companies' Act.

The Company was incorporated by means of a contribution in kind, through which the shareholders of the two Subsidiaries contributed all their shares to the Company, based on the valuation performed by the Board of Directors of the Company on December 1st, 2011. The valuation used was derived from the net equity of both Subsidiaries as of September 30, 2011 modified by fair value adjustments, which resulted in the share exchange ratio. By means of this share swap or contribution in kind, the Company holds all the shares of the two Subsidiaries. The Company was incorporated with 3,784,368 Shares with a nominal value of 60.10 EUR resulting on an initial share capital of 227,440,517 EUR.

A capital increase operation is expected to be performed just after the mentioned incorporation. The capital increase will be subscribed by new investors and also founders Shareholders. The capital increase will imply the issuance of 667,829 new Shares with a nominal value of 60.10 EUR, totalling 40,136,523 EUR.

After all these operations, the Company will own 100% of the Shares of the Subsidiaries. The Company and the Subsidiaries will form a group as follows:




The Pro Forma Information has been prepared for illustrative purposes only. Because of its nature, it addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results. It does not purport to indicate the results of operations or the combined financial position that would have resulted had the transactions been completed on January 1, 2011 for the unaudited consolidated profit and loss account and if the transactions occurred on September 30, 2011 for the unaudited consolidated balance sheet, nor is it intended to be indicative of expected results of operations in future periods or the future financial position of the Company. The pro forma adjustments are based upon available information and certain assumptions that the Company believes to be reasonable.

The pro forma financial information should be read in conjunction with the notes thereto as well as the historical financial statements of the Subsidiaries as of September 30, 2011 as incorporated in Appendix 3 of the Prospectus.

## Pro Forma Balance Sheet on September 30, 2011

| ASSETS | HISTORICAL UNADJUSTED INFORMATION | | | PRO FORMA ADJUSTMENTS | PRO FORMA GROUP |
|---|---|---|---|---|---|
| | CIBRA | CIRU | AGGREGATE | | |
| | Note 1 | Note 1 | Note 2 | Note 3 | |
| **NON-CURRENT ASSETS** | **111,132,218** | **104,507,738** | **215,639,956** | **-** | **215,639,956** |
| Investment property | 97,605,394 | 103,427,057 | 201,032,451 | - | 201,032,451 |
| Investment in group companies and associates | 13,526,524 | - | 13,526,524 | - | 13,526,524 |
| Non-current financial assets | 300 | 1,080,681 | 1,080,981 | - | 1,080,981 |
| **CURRENT ASSETS** | **3,836,926** | **8,271,447** | **12,108,373** | **40,136,523** | **52,244,896** |
| Trade and other receivables | 3,095,732 | 186 | 3,095,918 | - | 3,095,918 |
| Accounts receivable from public authorities | - | 299,704 | 299,704 | - | 299,704 |
| Investment in group companies, associates and related parties | 1,320 | 7,929,257 | 7,930,577 | - | 7,930,577 |
| Other current financial assets | - | 935 | 935 | - | 935 |
| Cash and cash equivalents | 739,874 | 41,365 | 781,239 | 40,136,523 | 40,917,762 |
| **TOTAL ASSETS** | **114,969,144** | **112,779,185** | **227,748,329** | **40,136,523** | **267,884,852** |

| EQUITY AND LIABILITIES | HISTORICAL UNADJUSTED INFORMATION | | | PRO FORMA ADJUSTMENTS | PRO FORMA GROUP |
|---|---|---|---|---|---|
| | CIBRA | CIRU | AGGREGATE | | |
| | Note 1 | Note 1 | Note 2 | Note 3 | |
| **EQUITY** | **111,901,795** | **109,594,528** | **221,496,323** | **39,771,523** | **261,267,846** |
| ***SHAREHOLDERS' EQUITY-*** | | | | | |
| Share capital | 106,600,000 | 107,860,208 | 214,460,208 | 53,116,832 | 267,577,040 |
| Reserves | 1,807,788 | 1,554,310 | 3,362,098 | -13,345,309 | -9,983,211 |
| Profit for the period | 3,494,007 | 180,010 | 3,674,017 | - | 3,674,017 |
| **NON-CURRENT LIABILITIES** | **1,914,384** | **1,248,203** | **3,162,587** | **-** | **3,162,587** |
| Grants related to assets | 1,860,975 | - | 1,860,975 | - | 1,860,975 |
| Other non-current liabilities | 53,409 | 1,248,203 | 1,301,612 | - | 1,301,612 |
| **CURRENT LIABILITIES** | **1,152,965** | **1,936,454** | **3,089,419** | **365,000** | **3,454,419** |
| Current payable to related parties | 969 | - | 969 | - | 969 |
| Trade and other payables | 206,356 | 1,932,859 | 2,139,215 | 365,000 | 2,504,215 |
| Accounts payable to public authorities | 945,640 | 3,595 | 949,235 | - | 949,235 |
| **TOTAL EQUITY AND LIABILITIES** | **114,969,144** | **112,779,185** | **227,748,329** | **40,136,523** | **267,884,852** |

## Pro Forma Income Statement for the nine-month period ending September 30, 2011

| | HISTORIAL UNADJUSTED INFORMATION | | | PRO FORMA ADJUSTMENTS | PRO FORMA GROUP |
|---|---|---|---|---|---|
| | CIBRA | CIRU | AGGREGATE | | |
| | Note 1 | Note 1 | Note 2 | Note 4 | |
| **CONTINUING OPERATIONS** | | | | | |
| Revenue | 9,056,871 | 5,737,788 | 14,794,659 | - | 14,794,659 |
| Procurements | -816,365 | - | -816,365 | - | -816,365 |
| Staff costs | -1,233,442 | -54,269 | -1,287,711 | - | -1,287,711 |
| Other operating expenses | -941,922 | -171,692 | -1,113,614 | - | -1,113,614 |
| Depreciation and amortisation charge | -2,397,513 | -1,537,476 | -3,934,989 | - | -3,934,989 |
| Impairment and gain/(loss) on disposal of fixed assets | -103,521 | -3,998,653 | -4,102,174 | | -4,102,174 |
| Allocation to profit or loss of grants | 128,913 | - | 128,913 | - | 128,913 |
| **PROFIT FROM OPERATIONS** | **3,693,021** | **-24,302** | **3,668,719** | **-** | **3,668,719** |
| Finance income | 345,654 | 248,621 | 594,275 | - | 594,275 |
| Finance costs | -25,676 | -17,571 | -43,247 | - | -43,247 |
| **FINANCIAL PROFIT** | **319,978** | **231,050** | **551,028** | **-** | **551,028** |
| **PROFIT BEFORE TAX** | **4,012,999** | **206,748** | **4,219,747** | **-** | **4,219,747** |
| Income tax | -518,992 | -26,738 | -545,730 | - | -545,730 |
| **PROFIT FOR THE PERIOD** | **3,494,007** | **180,010** | **3,674,017** | **-** | **3,674,017** |

### *1. Basis of presentation*

The pro forma financial information has been prepared based on:

- the historical unadjusted information representing the audited interim financial statements of the Subsidiaries as of and for the nine month period ended September 30, 2011, which were prepared in accordance with International Financial Reporting Standards as adopted in the European Union ("IFRS"), and

- the pro forma adjustments made to reflect the consolidated financial position as if the incorporation of the Company by means of a contribution in kind and the immediate capital increase to allow cash inflows from new investors had occurred on January 1, 2011 for the unaudited consolidated profit and loss account and as if the transactions occurred on September 30, 2011 for the unaudited consolidated balance sheet.

- The pro forma consolidated financial information has been prepared on the basis that the business combination has been accounted for under common control using predecessor accounting. Accordingly, the pro forma consolidated financial information has been prepared as a continuation of the combined financial statements of the Subsidiaries as if the Company had been in existence throughout the reported periods presented and adjusting the Company's share capital to reflect the legal share capital.

There are no differences between the accounting policies applied by the Subsidiaries in the audited interim financial statements of the Subsidiaries as of September 30, 2011 as incorporated in Appendix 3 of the Prospectus. In addition, the accounting policies adopted by the Company are the same than the accounting policies applied by the two Subsidiaries in the audited interim financial statements of the Subsidiaries as of September 30, 2011 as incorporated in Appendix 3 of the Prospectus.

## 2. *Explanatory notes to the pro forma financial information*

***Note 1:***

The amounts of historical unadjusted information have been obtained from the audited interim financial statements of the Subsidiaries as of September 30, 2011 and for the nine month period then ended, which were prepared in accordance with International Financial Reporting Standards as adopted in the European Union ("IFRS").

***Note 2:***

The aggregate information consists of the aggregation of the CIBRA and CIRU unadjusted information as of September 30, 2011 and for the nine-month period then ended.

There are no intercompany adjustments or eliminations to detail.

***Note 3:***

***Note 3.1: Cash and cash equivalents:***

Cash and cash equivalents were adjusted with the immediate capital (new cash inflows) whereby 667,829 of new Shares with a nominal value of 60.10 EUR, totalling 40,136,523 were assumed to be issued just after the incorporation of the Company. The capital increase will be subscribed by new investors and also existing shareholders.

***Note 3.2: Share capital:***

| | **Refer.** | **Euros** |
|---|---|---|
| Adjustment relating to the incorporation of the Company via contribution in kind at fair value | **(i)** | 12,980,309 |
| Adjustment relating to the immediate capital increase for new cash inflows | **(ii)** | 40,136,523 |
| **Total Adjustment** | | **53,116,832** |

(i) The Company was incorporated by means of a contribution in kind, through which all the shareholders of the two Subsidiaries contributed all their shares to the Company, based on the valuation performed by the Board of Directors of the Company on December 1st, 2011 based on the net equity of both Subsidiaries as of September 30, 2011 and affecting certain fair value adjustments, which determined the share exchange ratio. The adjustment relating to the incorporation of the Company via the contribution in kind at fair value amounted to 12,980,309 EUR.

(ii) The pro forma Company's share capital, before the immediate capital increase, amounts to 227,440,517 EUR represented by 3,784,368 Shares fully subscribed by a contribution in kind operation of EUR 60.10 par value each, all of the same class and carrying the same rights and obligations. After the immediate capital increase (new cash inflows) for the amount of 40,136,523 EUR through the issuance of 667,829 new Shares of 60.10 EUR par value each, the pro forma Company's share capital amounts to 267,577,040 EUR represented by 4,452,197 Shares of 60.10 EUR par value each, all of the same class and carrying the same rights and obligations.

***Note 3.3: Reserves and Profit for the period:***

| | Refer. | Euros |
|---|---|---|
| Adjustment relating to the incorporation of the Company via contribution in kind at fair value | **3.2 (i)** | (12,980,309) |
| Adjustment relating to the provision for issuing costs and transaction cost in terms of the equity transaction | **(ii)** | (365,000) |
| **Total Adjustment** | | **(13,345,309)** |

(i) Given that the consolidated pro forma financial information of the Company are based on the interim financial statements of the Subsidiaries as of September 30, 2011, the mentioned interim financial statements include a nine months period ending September 30, 2011 of income statements plus the retained earnings (for 2009 and 2010) of the Subsidiaries. The adjustment relates to the incorporation of the Company via contribution in kind at fair value (refer to 3.2 (i)).

(ii) The adjustment relating to the provision for issuing costs and transaction cost in terms of the equity transaction a total amount of EUR 365,000 (which includes the listing on the Official List of the Luxembourg Stock Exchange and the incorporation of the Company) has been accounted for as a deduction from equity.

***Note 3.4: Trade and other payables:***

A provision for the cost for a total amount of 365,000 EUR to be incurred in relation to the issuing cost and transaction cost in terms of the equity transaction (which include the listing on the Official List of the Luxembourg Stock Exchange and the incorporation of the Company) has been made and accounted for as an deduction from equity (see Note 3.2).

***Note 4:***

The operating expenses relating to the Company for purposes of the pro forma information for the nine-month period ended September 30, 2011 is deemed to be insignificant and has therefore not been considered as a pro forma adjustment.

***Note 5:***

The following are key assumptions in terms of the income tax of the Subsidiaries:

The provision for taxes and the effective tax rate that were used in the preparation of the historical financial information as of September 30, 2011 and for the nine-month period then ended were based on the assumption that the special tax regime applicable to real estate investment trusts ("REITs" or "SOCIMIs") were applicable. Under current regulations, the Company opted to apply the special tax regime applicable to REITs or SOCIMIs, which, on the basis of compliance with certain requirements, provides for, inter alia, a reduction of the corporate income tax rate from 30% to 19%. As of the date of this Prospectus, the Subsidiaries do not meet the requirement of listing on a regulated market of the Subsidiary itself or its parent. In this respect, it is the intention of the Board of Directors to take the actions required to meet these requirements within two years from the date on which it opted to apply the aforementioned regime as provided for by current legislation.

In order to meet with Article 4 of Law 11/2009, of October 26, 2009, regulating real estate investment trusts in Spain, the shareholders of Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A. jointly with the shareholders of Compañía Ibérica de Rentas Urbanas 2009 SOCIMI, S.A., will provide the total shares in those companies to incorporate the Company in Luxembourg with a corporate purpose similar to that of the Company and to seek admission to listing in Luxembourg, so as to comply with the consultation of the Spanish tax authorities (Dirección General de Tributos) on personal income taxes published on March 4, 2011 in the framework of the Law.

1. *General regime*

The income tax expense is recognised in the income statement, unless it arises as a consequence of a transaction, the result of which is recorded directly in equity, in which case the income tax expense is also recognised in equity.

The income tax expense for the year is calculated on the basis of taxable profit for the year. The taxable profit differs from the net profit reported in the income statement because it excludes income and expense items that are taxable or deductible in other years and also excludes items that will never be taxable or deductible. The Company's liability for current income tax is calculated using tax rates which have been approved at the balance sheet date.

Deferred tax assets and liabilities are the amounts expected to be recoverable or payable on differences between the carrying amounts of assets and liabilities in the interim financial statements and their tax bases used in calculating the taxable profit. They are recognised using the balance sheet liability method and are quantified at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

However, the deferred tax assets are only recognised to the extent that it is considered probable that the Subsidiaries will have sufficient taxable profits in the future against which the deferred tax assets can be utilised.

The deferred tax assets and liabilities recognised are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

2. *SOCIMI tax regime*

Taxes are accrued in proportion to the dividends distributed by the Subsidiaries. Dividends received by shareholders are tax-exempt, unless the recipient is an individual subject to income tax or a permanent establishment of a foreign entity, in which case a tax credit will be taken on the gross tax payable such that the income will be taxed at the rate applicable to the shareholder. However, all other income will not be taxed provided that it is not distributed to shareholders.

The special tax regime for REITs is based on the application of a 19% (2009: 18%) income tax charge provided that they meet certain requirements, mainly the following:

- SOCIMIs must have at least 15 millions EUR in capital.

- Non-monetary contributions for capital formation or increase in the form of property must be valued when they are contributed in accordance with the consolidated Spanish limited Spanish limited liability company law 1564/1989, December 22, 1989 and, to this end, the independent appraiser appointed by the Mercantile Registrar must be one of the appraisal companies envisaged in property market law. Non-monetary contributions in the form of property for capital formation or increase at the aforementioned non-resident companies must be appraised by one of the aforementioned appraisal companies.

- They may only issue one class of shares.

- If the company chooses to avail itself of the special tax regime established in Spanish Law 11/2009, its company name must include the words "Sociedad Cotizada de Inversión en el Mercado Inmobiliario, Sociedad Anónima" or the abbreviation thereof, "SOCIMI, S.A." (REIT).

- SOCIMIs are required to distribute in the form of dividends to shareholders, once the related corporate obligations have been met, the profit obtained in the year, the distribution of which must be approved within six months of each year-end, as follows:

- At least 90% of profit not arising from the aforementioned transfers of property, shares or investments and of profit from ancillary activities.

- At least 50% of the profits arising from the transfer of property, shares or investments, performed once the deadlines referred to in Article 3.3 of Law 11/2009 have expired, which are used to achieve the company's principal object. The remainder of these profits should be reinvested in other buildings or investments related to the performance of this object within three years from the transfer date. Otherwise these profits should be distributed in full together with any profit arising in the year in which the reinvestment period expires.

- All of the profit arising from dividends or shares of profits distributed by the aforementioned entities. The dividend must be paid within one month from the dividend declaration date. The payment obligation does not extend to the portion of profit arising from income subject to the standard tax rate.

- When dividends are distributed with a charge to reserves out of profit for a year in which the special tax regime had been applied, the distribution must be approved subject to the conditions set out in the preceding paragraph. These dividends will be subject to a 19% withholding tax for shareholders.

- The legal reserve of companies which have chosen to avail themselves of the special tax regime established in aforementioned Spanish Law 11/2009 must not exceed 20% of the share capital. The by-laws of these companies may not establish any other restricted reserve.

- Borrowings may not exceed 70% of the company's assets.

Spanish Law 11/2009 also requires certain disclosures to be made in the financial statements for each year.

***Note 6:***

The following were key assumptions in relation to the measurement and estimation of uncertainty:

In preparing the consolidated pro forma financial information of the Company, estimates were made in order to measure certain of the assets, liabilities, income, expenses and obligations. These estimates relate basically to the following:

- The assessment of possible impairment losses on certain assets
- The useful life of property assets
- The calculation of provisions
- The estimation of the corporate deferred tax

Although these estimates were made on the basis of the best information available considering the interim financial statements on September 30, 2011 of the Subsidiaries, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming periods. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the income statements for the years affected.

# APPENDIX 3. FINANCIAL STATEMENTS OF THE COMPANY AND THE SUBSIDIARIES

The financial statements of the Subsidiaries reproduced here are a translation of the Spanish original financial statements into English. The Company takes full responsibility in respect with the correct translation of these financial statements.

## I. AUDITED OPENEING BALANCE SHEET OF THE COMPANY

# SAINT CROIX HOLDING IMMOBILIER S.A.

Société Anonyme

## Opening balance sheet on incorporation at December 1, 2011 (incorporation date) and a summary of significant accounting policies and other explanatory information and report of the réviseur d'entreprises agréé

9b, Boulevard Prince Henri
L-1724 Luxembourg
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**List of contents**

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To the Directors of
Saint Croix Holding Immobilier S.A.
9b, Boulevard Prince Henri
L-1724 Luxembourg

**REPORT OF THE REVISEUR D'ENTREPRISES AGREE**

We have audited the accompanying opening balance sheet of Saint Croix Holding Immobilier S.A. (the "Company") on incorporation at December 1, 2011 and a summary of significant accounting policies and other explanatory information (collectively the "Opening Balance Sheet"). The Opening Balance Sheet has been prepared under the responsibility of the Board of Directors using the basis of preparation described in Note 2.

*Responsibility of the Board of Directors for the Opening Balance Sheet*

The Board of Directors is responsible for the preparation and fair presentation of this Opening Balance Sheet in accordance with the basis of preparation described in Note 2. This includes determining that the basis of preparation is an acceptable basis for the preparation of the Opening Balance Sheet in the circumstances, and for such internal control as the Board of Directors determines is necessary to enable the preparation of an Opening Balance Sheet that is free from material misstatement, whether due to fraud or error.

*Responsibility of the réviseur d'entreprises agréé*

Our responsibility is to express an opinion on the Opening Balance Sheet based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Opening Balance Sheet is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Opening Balance Sheet. The procedures selected depend on the *réviseur d'entreprises agréé's* judgement, including the assessment of the risks of material misstatement of the Opening Balance Sheet, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the Opening Balance Sheet in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Deloitte.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the Opening Balance Sheet. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the Opening Balance Sheet presents fairly, in all material respects, the financial position of the Company on incorporation at December 1, 2011 in accordance with the basis of preparation described in Note 2.

*Emphasis of matter - Basis of preparation*

We draw attention to Note 2 within the Opening Balance Sheet, which describes the basis of preparation. The Opening Balance Sheet has been prepared for the sole purpose of inclusion in the Prospectus of the Company in relation to the listing of its shares on the Official List of the Luxembourg Stock Exchange and their admission to trading on the regulated market of the Luxembourg Stock Exchange. The Opening Balance Sheet and this report and are not suitable for any other purpose. Our opinion is not qualified in respect of this matter.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

**SAINT CROIX HOLDING IMMOBILIER S.A.**
**Société Anonyme**

**Opening balance sheet**
**As at incorporation date on December 1, 2011**

| | Notes | December 1, 2011 EUR |
|---|---|---|
| **ASSETS** | | |
| **Fixed assets** | | |
| Investment in Subsidiaries | 5 | 227 440 517 |
| **Total assets** | | **227 440 517** |
| **EQUITY AND LIABILITIES** | | |
| **Capital and reserves** | | |
| Issued capital | 3 | 227 440 517 |
| Loss at Incorporation | | (7 000) |
| **Total capital and reserves** | | **227 433 517** |
| **Current liabilities** | | |
| Other creditors | 4 | 7 000 |
| **Total equity and liabilities** | | **227 440 517** |

The accompanying notes form an integral part of the opening balance sheet.

**SAINT CROIX HOLDING IMMOBILIER S.A.**
**Société Anonyme**

**Notes to the opening balance sheet as at incorporation date on December 1, 2011**

***Note 1 – Corporate information***

Saint Croix Holding Immobilier S.A. (hereafter "the Company") is a Luxembourg holding company incorporated on December 1, 2011 as a "Société Anonyme" for an unlimited period of time, subject to general company law. Its registered office is established at 9b, Boulevard Prince Henri, L-1724 Luxembourg.

The Company's financial year begins on 1 January and ends on 31 December of each year with the exception for the first financial year which began on December 1, 2011 (incorporation date) and will end on December 31, 2011.

The purpose of the Company shall be:

a) The holding of equity interests in Luxembourg and /or foreign company(ies) and mainly in Spanish real Estate Investments Companies (Spanish acronym: SOCIMI) or in other companies, whether resident or not in Spain, which have a corporate purpose similar to those of Spanish SOCIMIs and which are subject to earning distribution requirements that are similar to that established by legal or statutory policy for Spanish SOCIMIs. These SOCIMIs are to be resident in Spain and covered by the special tax regime under the conditions established in the Spanish law 11/2009 of 26 October.

b) In addition, as a complementary activity, the Company may further guarantee, grant loans or otherwise assist the Spanish SOCIMIs in which it holds a direct or indirect participation or which form part of the same group of companies as the Company.

Any activities which have to meet any special legal requirements not fulfilled by this Company are excluded.

***Note 2 – Significant accounting policies***

**2.1. Statement of compliance**

The opening balance sheet as at December 1, 2011 has been prepared for the purpose of inclusion in the prospectus of Saint Croix Holding Immobilier S.A. in relation to the listing on the Official List of the Luxembourg Stock Exchange and admission to trading on the regulated market of the Luxembourg Stock Exchange.

**2.2. Basis of preparation**

The opening balance sheet of the Company has been prepared following the measurement and recognition criteria of the International Financial Reporting Standards as adopted in the European Union that are relevant to the account balances included in the opening balance sheet. It has been prepared on the historical cost basis. Historical costs are usually based on the fair value of the consideration given in exchange for assets. The same accounting policies and method of computation are followed as the ones that would apply to the establishment of annual financial statements.

**SAINT CROIX HOLDING IMMOBILIER S.A.**
**Société Anonyme**

**Notes to the opening balance sheet as at incorporation date on December 1, 2011 (cont.)**

***Note 2 – Significant accounting policies (cont. and end)***

### 2.2. Basis of preparation *(cont. and end)*

The principal accounting policies are set below:

#### 2.2.1 Investments in Subsidiaries

Investments in subsidiaries have been recorded at cost. In instances where the Directors identify impairment, such impairment is recognised as a deduction from the cost.

#### 2.2.2. Foreign currencies

The opening balance sheet are presented in the currency of the primary economic environment in which the Company operates (its functional currency), which is the Euro (EUR).

Transactions made in a currency other than the EUR are recognized at the rates of exchange prevailing at the date of the relevant transactions. As of December 1, 2011, there are no items expressed in a currency other than the EUR.

#### 2.2.3. Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax. Taxable profit may differ from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**SAINT CROIX HOLDING IMMOBILIER S.A.**
**Société Anonyme**

**Notes to the opening balance sheet as at incorporation date on December 1, 2011 (cont.)**

***Note 3 – Issued capital***

The Company's equity consists of ordinary shares.

| | 1/12/2011 EUR |
|---|---|
| **Issued capital:** | |
| 3 784 368 ordinary shares of EUR 60.10 each | 227 440 517 |

The Company was incorporated by means of a contribution in kind, through which the shareholders of the two Subsidiaries contributed all their shares to the Company, based on the valuation performed by the Board of Directors of the Company on December 1, 2011. The valuation used was derived from the net equity of both Subsidiaries as of September 30, 2011 modified by fair value adjustments. By means of this contribution in kind, the Company holds all the shares of the two Subsidiaries. The Company was incorporated with 3 784 368 Shares with a nominal value of EUR 60.10 resulting on an initial share capital of EUR 227 440 517.

***Note 4 – Trade payables***

This item is composed of amounts due to the notary in connection with expenses incurred at incorporation for an amount of EUR 7 000.

***Note 5 –* Investments in Subsidiaries**

For purposes of this Opening Balance Sheet, the Board of Directors has determined that the deemed cost of the investments is equivalent to the value attributed to the shares acquired in the context of the contribution in kind transaction as disclosed in note 3.

| | Shareholding | Country of incorporation | 1/12/2011 |
|---|---|---|---|
| **Subsidiaries** | | | |
| COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A. | 100% | Spain | 117 309 206 |
| COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009, SOCIMI, S.A. | 100% | Spain | 110 131 311 |
| **Total investments** | | | 227 440 517 |

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

**Société Anonyme**

**Notes to the opening balance sheet as at incorporation date on December 1, 2011 (cont. and end)**

***Note 6 – Related Party Disclosure***

The shareholders of the Subsidiaries of the Company became the Shareholders of the Company as a consequence of the contribution in kind transaction described in note 3.

Some of the Company's Directors have invested in the Company either personally or through other companies they have relations with, in particular, Marco Colomer Barrigón, who is a director of the Company and who is the Chief Executive Officer of Promociones y Construcciones, PYC, PRYCONSA, S.A., a Spanish company being Shareholder of the Company.

The majority of the shares of the Company are currently held directly and indirectly by the members of the same family and the Company can be described as a family controlled company.

These Shareholders reserve themselves the right to create a controlling vehicle which would be incorporated as a holding company to which they would contribute their equity interest in the Company.

***Note 7 – Subsequent event***

In accordance with the notarial deed dated December 19, 2011, the share capital of the Company was increased by an amount of EUR 40 136 522.90 so as to raise its current share capital of EUR 227 440 516.80 to EUR 267 577 039.70 by the issuance of 667 829 shares with a nominal value of EUR 60.10.

The Company is also in a process of being listed. Transaction costs that related to the listing of the Company have been estimated at EUR 365 000.

## II. FINANCIAL STATEMENTS OF CIRU

1. Financial year 2009

# COMPAÑÍA IBERICA DE RENTAS URBANAS 2009 SOCIMI, S.A.

## ANNUAL ACCOUNTS FOR FINANCIAL YEAR 2009

1. Audit Report

2. Financial Statements

2.1 Balance Sheet
2.2 Profit and Loss Account
2.3 Cash Flow Statement
2.4 Statement of Changes in Net Assets and Liabilities

3. Report on Financial Year 2009

4. Management Report

Madrid, 30 March 2010

MR AUDITORES S.L.

B-79489126 Paseo de la Castellana, 172 – 28046
MADRID
Registered in the Official Register of Accounts Auditors (ROAC) under number SO-542

**Auditors' Report on the Annual Accounts**

**To the Shareholders of Compañía Ibérica de Rentas Urbanas 2009 SOCIMI, S.A.**

*1. We have audited the annual accounts of Compañía Ibérica de Rentas Urbanas 2009 SOCIMI, S.A., comprising the balance sheet as at 31 December 2009, the profit and loss account, the statement of changes in net assets, the cash flow statement and the report on the annual accounts for the financial year ending on the said date, which the Directors of the Company are responsible for drawing up. Our duty is to give an opinion regarding the above mentioned annual accounts as a whole, on the basis of the work carried out in accordance with the generally accepted audit principles, which require us to examine, by means of selective testing, the supporting evidence, the accounting principles applied and the estimates made.*

*2. The Company was incorporated on 22 December 2009, as shown in Note 1 of the report, with effect for accounting purposes on 1 January 2009.*

*3. In our opinion, the attached Annual Accounts for the financial year 2009 reflect, in all significant aspects, Compañía Ibérica de Rentas Urbanas 2009 SOCIMI, S.A. as at 31 December 2009 and the results of its operations, of the changes to its net assets and of the cash flows for the financial year ending on the said date, and contain all necessary and sufficient information for their appropriate interpretation and understanding, in accordance with the applicable accounting rules and principles generally accepted under Spanish law.*

*4. The attached management report for 2009 contains information deemed appropriate in relation to the Company's situation, the development of its business and other matters, and is not an integral part of the annual accounts. We have verified that the accounting information contained in the above mentioned management report is consistent with the information contained in the annual accounts for 2009. Our task as auditors is limited to checking the management report to the extent mentioned in this paragraph, and does not include reviewing information obtained from any sources other than the Company's accounting records.*

*MR AUDITORES S.L.*
*Registered in the Official Register of Accounts Auditors (ROAC) under number SO-542*
*Registered with the Spanish Institute of Chartered Accountants (ICJCE)*

*Partner: Pascual Blanco Fernández*

*Madrid, 24 June 2010*

| 2. Financial Statements<br><br>2.1 Balance Sheet | **2009** |
|---|---|
| **COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI S.A.** | |
| | |
| **Balance as at 31/12/2009** | |
| | |
| **A. NON-CURRENT ASSETS** | 107,131,550.63 |
| | |
| III. Real estate investments | |
| Real estate for rental purposes | 107,860,207.90 |
| Accumulated depreciation of real estate investments | -728,657.27 |
| Total real estate investments | 107,131,550.63 |
| | |
| **Total Non-Current Assets** | **107,131,550.63** |
| | |
| | |
| | |
| **B. CURRENT ASSETS** | |
| | |
| III. Trade and other receivables | |
| | |
| Other accounts receivable | 4,460,923.88 |
| Total trade and other receivables and other accounts receivable | 4,460,923.88 |
| | |
| Total current assets | 4,460,923.88 |
| | |
| **TOTAL ASSETS** | **111,592,474.51** |
| | |
| | |
| | |
| **NET ASSETS AND LIABILITIES** | |
| | |
| **A. SHAREHOLDERS' EQUITY** | |
| I. Capital | |
| Share capital | 107,860,207.90 |
| Authorised capital | 107,860,207.90 |
| Total capital | **107,860,207.90** |
| | |
| **VII. Results for the year** | **3,068,068.20** |
| | |
| | |
| **TOTAL EQUITY** | **110,928,276.10** |

| | |
|---|---|
| **C. CURRENT LIABILITIES** | |
| | |
| **V. Trade and other payables** | |
| Liabilities due to current tax | 432,531.75 |
| **Total trade and other payables** | **432,531.75** |
| **VI. Short Term Deferred Expenses** | |
| Income received in advance | 231,666.66 |
| **Total Short Term Deferred Expenses** | **231,666.66** |
| | |
| **TOTAL CURRENT LIABILITIES** | **231,666.66** |
| | |
| **TOTAL LIABILITIES** | **111,592,474.51** |
| | |
| The attached Notes 1 to 18 of the Report form an integral part of the balance sheet for the financial year ending 31 December 2009. | |

| **2. Financial Statements** | **2009** | |
|---|---|---|
| | | |
| **2.2 Profit and Loss Account** | | |
| | | |
| **COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI S.A.** | | |
| | | |
| **ONGOING OPERATIONS** | | |
| | | |
| **PROFIT AND LOSS ACCOUNT AS AT 31/12/2009** | | |
| Real property leases | 4,298,331.87 | |
| **Total Turnover** | **4,298,331.87** | |
| | | |
| Other services | -69,074.65 | |
| **Total other operating expenses** | **-69,074.65** | |
| | | |
| Depreciation of real estate investments | -728,657.27 | |
| **Total depreciation of fixed assets** | **-728,657.27** | |
| | | |
| **Operating profit (loss)** | 3,500,599.95 | |
| | | |
| **Profit (loss) before tax** | **3,500,599.95** | |
| **Tax on profit** | **432,531.75** | |
| **Profit (loss) for the year from ongoing operations** | **3,068,068.20** | |
| | | |
| | | |
| **The attached Notes 1 to 18 of the Report form an integral part of the profit and loss account for the financial year ending 31 December 2009.** | | |
| | | |
| | | |
| | | |
| | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | **CASH FLOWS** | | |
| **CIA IBERICA DE RENTAS URBANAS 2009 SOCIMI S.A.** | | | | | | |
| | | | | YEAR | 2009 | |
| A) CASH FLOW FROM OPERATING ACTIVITIES | | | | | | |
| 1. Pre-tax profit (loss) for the year | | | | | | 3,500,599.95 |
| 2. Adjustments to profit (loss) | | | | | 728,657.27 | |
| | a) Depreciation of real estate investments | | | | 728,657.27 | |
| | k) Other income and expenditure | | | | -432,531.75 | |
| 3. Changes to working capital | | | | | **-4,028,392.13** | |
| | b) Debts receivable and other receivables | | | | -4,460,923.88 | |
| | e) Other current liabilities | | | | 432,531.75 | |
| 4. Other cash flow from operating activities | | | | | **231,666.66** | |
| | e) Other payments or collections | | | | 231,666.66 | |
| 5. Cash flow from operating activities (+-1+-2+-3+-4) | | | | | **432,531.75** | |
| E) NET INCREASE / REDUCTION IN CASH OR EQUIVALENT (+-5+-8+-12) | | | | | 1+5+8+12 | 0.00 |
| Cash or equivalent at the beginning of the financial year | | | | | | 0.00 |
| Cash or equivalent at the end of the financial year | | | | | | 0.00 |
| | | | **Variation during the year** | | | **0.00** |

| | | | | |
|---|---|---|---|---|
| **2. Financial Statements** | | | | |
| **2.4 Statement of changes in net assets** | | | | |
| **B)** | | | | |
| **COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI S.A.** | | | | |
| | | | **FINANCIAL YEAR 2009** | |
| | | | | |
| | | **Capital** | **Profit (loss)** | **Total** |
| | | | | |
| | | | | |
| INITIAL BALANCE AS AT 1 JANUARY 2009 | | 0.00 | 0.00 | 0.00 |
| | | | | |
| I. Profit (loss) in the profit and loss account | | | 3,068,068.20 | 3,068,068.20 |
| | | | | |
| II. Operations with members and owners | | | | |
| Incorporation of the Company | | 107,860,207.90 | | 107,860,207.90 |
| | | | | |
| | | | | |
| **2009 END OF YEAR BALANCE** | | **107,860,207.90** | **3,068,068.20** | **110,928,276.10** |
| | | | | |
| Notes 1 to 18 of the attached Report are part of this statement of changes in net assets. | | | | |

# COMPAÑÍA IBERICA DE RENTAS URBANAS 2009 SOCIMI, S.A.

**Annual Report**

**Financial Year 2009**

Madrid, 30 March 2010

**3. Annual Report for Financial Year 2009**

**Note 1**

**1.1 COMPANY NAME, ADDRESS AND CORPORATE AIM**

**1.1.1** The company's name is Compañia Ibérica de Rentas Urbanas 2009, SOCIMI S.A., and it is governed by its Articles of Association, the Spanish Law on Public Limited Companies (*Ley de Sociedades Anónimas*) and other laws and, in particular, by Law 11/2009 of 26 October 2009 governing Listed Property Market Investment Companies (*Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario, SOCIMIs*).

The company was created on 22 December 2009 under a public deed executed before the Notary Public Mr Luis Pérez Escolar under number 3432 of his protocol, as a result of the partial division of the commercial company Cogein S.L. and creation of the company Compañia Ibérica de Rentas Urbanas 2009, SOCIMI S.A., which was created for an indefinite time.

In a resolution passed at the Universal Extraordinary Meeting of Shareholders of Cogein S.L. of 18 December 2009, it was resolved to segregate part of its assets and transfer them to the new company, Compañia Ibérica de Rentas Urbanas 2009, SOCIMI S.A.

All the legal requirements were complied with, including the requirement to file the Draft Terms of Division of the Company, which was filed on 26 November 2009 in Madrid Commercial Register, and the mandatory publications in the press and in the Official Gazette of the Commercial Register (BORME).

Note 8 of the report discusses in detail the division operation, the modification of Cogein S.L.'s equity, the corporate operations connected to the incorporation of the Listed Property Market Investment Company and the real property brought into to the said company.

**1.1.2** Registered Address

The registered address is at Calle de San Vicente Ferrer, 60, 28004 Madrid.

**1.1.3** The Company's corporate aim is comprised of:

a) The acquisition and development of urban real property for rental purposes. The development business includes refurbishing buildings in accordance with the terms of the Spanish Value Added Tax Law (Law 37/1992 of 28 December 1992, *Ley del Impuesto sobre el Valor Añadido)*.

b) The ownership of equity interests in other SOCIMIs and other entities which are not resident in Spain whose corporate aim is the same as the former and which are governed by a similar legal system to that governing SOCIMIs as regards the mandatory or legal policy, or the policy arising from the Articles of Association, governing the distribution of profit.

c) The ownership of equity interests in the share capital of other entities, which may or may not be resident in Spain, whose main or corporate aim is the acquisition of urban properties for rental purposes and which are governed by the same legal system to that governing SOCIMIs as regards the mandatory or legal policy, or the policy arising from the Articles of Association, governing the distribution of profit, and which meet the third party finance and investment requirements referred to in Articles 3 and 7 of the said Law.

The entities to which this paragraph c) relates may not have equity interests in the share capital of other entities or carry out real estate development. The shares representing such entities' capital must be registered shares and all of their capital must belong to other SOCIMIs or non-resident entities as referred to in paragraph b) above. In the case of entities which are resident in Spain, such entities may choose to apply to be governed by the special tax regime in accordance with the conditions set forth in Article 6 of the said Law.

d) The ownership of shares or equity interests in Collective Real Estate Investment Institutions (*Instituciones de Inversión Colectiva Inmobiliaria*) governed by the Spanish Law on Collective Investment Institutions (Law 35/2003 of 4 November 2003, *Ley de Instituciones de Inversión Colectiva*).

e) The conduct of other financial or non-financial ancillary activities which generate income in total accounting for less than 20% of the company's income in each tax period.

The above activities may also be carried out by the Company fully or partly indirectly by means of equity interests in one or more other Companies with an analogous aim.

All those activities for whose exercise the law requires compliance with special requirements which are not met by this Company are excluded.

**- Requirements for the Buildings:**

- In accordance with Law 11/2009 of 26 October 2009, the following are not deemed to constitute real property:

- The following are not deemed to constitute real property for the purposes of this Law:

Real property with special characteristics for cadastral purposes (Article 8 of the Consolidated Text of the Law on the Property Cadastre (*Ley del Catastro Inmobiliario*), Royal Legislative Decree 1/2004 of 5 March 2004).

Properties whose use is assigned to third parties by means of contracts which are deemed to constitute financial leases for the purposes of the Spanish Company Law (*Impuesto de Sociedades*).

Real property must be acquired in ownership or by means of finance leasing. Property resulting from surface rights, air rights or rights to build under an existing edification which are registered in the Land Register during their term is deemed to be included.

**Separate Accounting for the Activities**

The Company keeps separate accounts for each property developed or acquired, so that the income from each building or land register property into which it is divided can be ascertained.

Separate accounts must also be kept for any other activities which may be carried out.

**1.2 ACCOUNTING YEAR**

The accounting year starts on 1 January and ends on 31 December of each year.

**1.3. SHARE CAPITAL**

As at 31/12/2009, the share capital is €107,860,207.90, represented by 1,794,679 fully paid up shares with a par value of €60.10 each, numbered consecutively from 1 to 1,794,679 inclusive, all of them with the same corporate rights.

**1.4 BOARD OF DIRECTORS**

The current composition of the Board of Directors is as follows:

**CHAIRMAN**
Mr Marco Colomer Barrigón
National Identity Card (DNI) No. 0.695.218-C

**DIRECTOR**
Mr José Luis Colomer Barrigón
National Identity Card (DNI) No. 695.217-I.

**SECRETARY**

Mr José Luis Colomer Hernández
National Identity Card (DNI) No. 14.418.728-M

**JOINT EXECUTIVE DIRECTORS**

Mr Marco Colomer Barrigón
National Identity Card (DNI) No. 0.695.218-C
Mr José Luis Colomer Hernández
National Identity Card (DNI) No. 14.418.728-M
[SIGNATURES]

### 1.5. SHAREHOLDING STRUCTURE

The Company’s shareholders are:

| **Shareholders, all of them with voting rights** | **Shares** | **Par value** |
|---|---|---|
| José Luis Colomer Barrigón | 557,427 | 60.1 |
| Marco Colomer Barrigón | 558,504 | 60.1 |
| Inmobiliaria Palentina SL | 358 | 60.1 |
| Andrea Barrigón González | 303,300 | 60.1 |
| Gran Vía 34 SA | 335,246 | 60.1 |
| Per 32 SL | 39,841 | 60.1 |
| **Undivided shares between all the shareholders, in the proportions specified.*** | 3 | 60.1 |
| **Totals** | | **1,794,679** |

| | |
|---|---|
| *José Luis Colomer Barrigón | 31.06% |
| Marco Colomer Barrigón | 31.12% |
| Inmobiliaria Palentina SL | 0.02% |
| Andrea Barrigón González | 16.90% |
| Gran Vía 34 SA | 18.68% |
| Per 32 SL | 2.22% |
| | 100.00% |

The amounts corresponding to the value of the shares have been fully paid by the *en bloc* inclusion of the parts of the divided company’s assets which are attributed to the beneficiary, as shown in the certification, draft terms of division and incorporation deed.

**Note 2**

**2.1 BASIS OF PRESENTATION OF THE ANNUAL ACCOUNTS AND MAIN ACCOUNTING PRINCIPLES APPLIED**

**2.2.1 FAITHFUL PICTURE**

The annual accounts have been drawn up on the basis of the Company's accounting records and are presented in accordance with the commercial legislation currently in force and with the rules stipulated in the General Accounting Plan, so as to show a true and fair view of the Company's assets, financial situation and results. The cash flow statement has likewise been drawn up in accordance with the rules and criteria laid down in the General Accounting Plan, and they reflect the evolution and status of the Company's liquid resources.

There have been no exceptional reasons causing us, in order to show a true and fair of the Company, not to apply legal accounting provisions, affecting the Company's assets, financial situation and results.

**2.1.2 ACCOUNTING PRINCIPLES**

In the provision of a true and fair view of the Company, there have been no exceptional reasons to refrain from applying any mandatory accounting principles.

**2.1.3 CRITICAL ASPECTS OF THE VALUATION AND ESTIMATION OF UNCERTAINTY**

There are no key assumptions, or data on the estimation of uncertainty at year-end, which involve a significant risk or may result in significant changes to the value of the assets and liabilities.

There are no significant changes to accounting estimates which affect the current year or which are expected to affect any future years.

The management is not aware of any significant uncertainties in relation to events or conditions which may raise significant doubts as to whether the company will be able to continue operating normally.

**2.1.4. COMPARISON OF INFORMATION**

The Company presents its Annual Accounts without any comparison figures for 2008, since it was created in December 2009.

**2.1.5. CHANGES IN ACCOUNTING CRITERIA**

There have been no adjustments due to changes in accounting criteria during the year.

**2.1.6. CORRECTION OF ERRORS**

There have been no adjustments for the rectification of errors during the year.

### 2.1.7. ACCOUNTING STATEMENTS AND DEFINITIONS

When recording its operations, the Company applies the rules set forth in the General Accounting Plan.

### 2.1.8. INITIAL VALUATION OF ASSETS AND LIABILITIES

The real properties contributed during the incorporation process have been valued at €107,860,213.22 by the expert appointed by the Commercial Register.

**Note 3**

### 3.1 APPROPRIATION OF PROFIT

The Board of Directors will propose to the General Meeting the following distribution of the profit obtained during the Financial Year 2009:

| | |
|---|---|
| Profit for the year before taxes | 3,500,599.95 |
| Company Tax | -432,531.75 |
| Profit for the year after taxes | **3,068,068.20** |
| **Appropriations:** | |
| To the legal reserves | 350,060.00 |
| To voluntary reserves | 315,054.00 |
| To dividends | 2,402,954.20 |
| Total | **3,068,068.20** |

The distribution of profit is governed by the provisions of Article 6 of Law 11/2009 of 16 October 2009 governing SOCIMIs. Below is a summary of the said provision:

- At least 90% of the profit not arising from the transfer of equity interests in companies which are not SOCIMIs but which are subject to an analogous tax and regulatory regime.

- At least 90% of the profit from ancillary activities.

- At least 50% of the profit from the transfer of assets included in the main corporate aim, once the holding periods have expired. The rest of the profit must be reinvested in the same type of assets within 3 years. If there is no such reinvestment, they must be distributed together with the profit for the year on which the reinvestment deadline falls. If they are transferred before the end of the holding period, they must be distributed in the same period as the transfer. The distribution obligation does not include the part of the profit attributable to the period immediately preceding the application of the special tax regime.

- 100% of the profit from dividends and equity interests in profits from companies in which the Company has an equity interest in pursuance of the main corporate aim.

- The dividend must be paid out within one month after the date of the distribution resolution.

- The distribution obligation does not affect profit which is subject to the standard rate.

- The only unavailable reserve envisaged is the Legal Reserve, which may not exceed 20% of the share capital.

**Note 4**

**4.1 RULES OF ACCOUNTING AND VALUATION**

The following accounting criteria were applied to the various accounting entries:

**4.1.1. Fixed Intangible Assets**

There are no entries of this type.

**4.1.1.1 Development Costs**

No details of these are provided since the balance sheet contains no entries of this type.

**4.1.1.2 Industrial Property**

No details of these are provided since the balance sheet contains no entries of this type.

**4.1.1.3. Computer Applications**

No details of these are provided since the balance sheet contains no entries of this type.

**4.2.1. Fixed Tangible Assets**

Fixed tangible assets shall be valued at their acquisition price or production cost, in accordance with Accounting and Valuation Rule (N*orma de Registro y Valoración*) No. 1.

After the initial recording, fixed tangible assets shall be valued at their acquisition price or production cost, minus accumulated depreciation; and, where applicable, the accumulated value of the value corrections made to reflect recorded impairment losses shall also be taken into account.

Depreciation shall be established systematically and rationally on the basis of the assets' useful life and their residual value, in view of their annual depreciation resulting from their operation, use and enjoyment. This is without prejudice to considering their technical or commercial obsolescence.

The interest accrued up to the time of implementation of the fixed tangible assets, if such implementation has taken place, is included in the cost of such assets, and interest accrued after that time is recorded as financial expenses.

The costs of extending, refurbishing and improving fixed assets are included in the fixed assets.

The costs of fixed assets incurred within the company itself, are valued at their production cost, comprised of the raw materials valued at their acquisition price, the direct costs of extensions, refurbishment and improvements, and the proportional amount of indirect costs and expenses.

The balance sheet contains no adjustments of value made under the law for this financial year.

The loss of value experienced by fixed tangible assets is corrected by means of depreciation accounts, and it is recorded annually on the basis of the years of useful life in accordance with the linear method.

If a significant decrease is observed in the market value of an asset at year-end as compared with its historic cost, the corresponding Impairment Loss is recorded.

The depreciation of Real Estate Investments and Fixed tangible Assets is calculated linearly by applying the following coefficients calculated on the basis of their useful life.

| **Real Estate Investments and Investments in Other Tangible Assets** | **COEFFICIENTS** |
|---|---|
| Buildings | 2% |
| Plant | 12% |
| Machinery | 10% |
| Tooling | 10% |
| Other installations | 12% |
| Furniture | 10% |
| IT processing equipment | 17% |
| Transport equipment | 16% |
| Other fixed tangible assets | 10% |

#### 4.2.2. Special Rules for Real Estate Investments

It is comprised of several different real estate investments, all of them fully owned by the Company, without any restrictions on making real estate investments from the income arising from them or from the resources obtained from transferring them or disposing of them in any other way. There are no contractual obligations for the acquisition, construction or development of investments or for repairs, maintenance or improvement work.

The costs and expenses arising from their exploitation are recorded in the appropriate entries of the profit and loss account.

They relate to several different urban properties which have been acquired by the company as a result of its incorporation and valued at €107,860,213.22 by the expert appointed by the Commercial Register.

**a) Undeveloped Land**

The costs of conditioning, such as enclosure, earthwork, sanitation and drainage, demolishing constructions where necessary in order to make way for new ones, the costs of inspections and drawing up plans when such costs are incurred before the acquisition, as well as, where applicable, the initial estimate of the current value of the current obligations arising from the costs of conditioning the land, will be included in the acquisition price.

Undeveloped plots do not depreciate since they have an unlimited life. However, if the initial value includes the conditioning costs, that part of the value of the land depreciates throughout the period and as the financial yield or profit is obtained.

**b) Structures**

Their acquisition price or production cost also includes all installations and elements which are permanent, the rates inherent in the construction and the fees payable for project design and management. The value of the land, buildings and other constructions must be valued separately.

**c) Plant and Tooling**

Their valuation includes all acquisition or manufacturing and construction costs until they are in operating condition.

**4.2.3. Other Aspects of Real Estate Investments**

The interest accrued up to the time of implementation of the fixed tangible assets, if such implementation has taken place, is included in the cost of such assets, and interest accrued after that time is recorded as financial expenses.

The costs of extending, refurbishing and improving fixed assets are included under fixed assets. Those acquired abroad are accounted for under their acquisition price.

The costs of fixed assets incurred within the company itself are valued at their production cost, comprised of the raw materials valued at their acquisition price, the direct costs of extensions, refurbishment and improvements, and the proportional amount of indirect costs and expenses.

If a significant decrease is observed in the market value of an asset at year-end as compared with its historic cost, the corresponding impairment loss is recorded.

**4.2.4 Investment Requirements**

**The content of Article 3 of Law 11/2010 is summarised below:**

**<u>At least 80% of the assets in:</u>**

- Urban buildings for rental purposes.

- Land for the development of properties for rental purposes, provided that the development begins within 3 years after the acquisition.

- Equity interest in entities falling within the scope of the main corporate aim.

- The percentage is calculated on the basis of the consolidated balance sheet, if the SOCIMI is the controlling entity of a group according to the criteria of Article 42 of the Commercial Code, considering the equity interests in entities with the same main corporate aim.

- The value of the assets is determined in accordance with the average of the quarterly balance sheets, with the option of replacing the carrying amounts by the market values.

**At least 80% of the income of the tax period** resulting from rental and/or equity interests in the profit from the property falling within the scope of the main corporate aim, with the following provisions:

- Income derived from the conveyance of such property is not taken into account.

- Once the holding period for the investments has elapsed.

- The percentage shall be calculated, where applicable, based on the consolidated figures.

**Holding period for property falling within the scope of the main corporate aim**

- Rental buildings: 3 years after the start of application of the special tax regime if the buildings predate the application of the said regime; 7 years after the first rental or after the first offer to rent if the buildings are acquired or developed thereafter.

- Equity interests in other entities: 3 years after acquisition.

**Diversification:**

- At least 3 buildings in the assets.

- No building may account for more than 40% of the assets at the time of acquisition; the calculation shall be based on consolidated figures, where applicable, and carrying amounts may be replaced by market values.

**4.2.5. Leases**

The tangible assets acquired through finance leasing are recorded in the category of assets corresponding to the rented asset and depreciated over their useful life using the same method as that used for assets held in ownership.

Leases are classified as finance leases if, under their terms and conditions, the risks and benefits of ownership are substantially transferred to the lessee. Other leases are classified as operating leases.

The depreciation policy for assets under finance leasing is similar to that applied to the company’s own fixed tangible assets. If it is not reasonably certain that the lessee will eventually obtain ownership at the end of the lease agreement, the asset is depreciated either during the estimated useful life or during the term of the lease agreement, whichever is shorter.

The interest arising from financing fixed assets through finance leases is charged against the profit for the year in accordance with the effective interest rate criterion, as a function of the repayment of the debt.

**4.2.6. Barter Transactions**

In commercial barter transactions, the fixed assets received are valued at the fair value of the asset given in exchange, unless there is clearer evidence of the fair value of the asset received and subject to its limit. Any differences in valuation that may arise when the item given in exchange is retired shall be entered in the profit and loss account.

Barter transactions are considered to be commercial in nature if the configuration (risk, schedule and amount) of the cash flows from the fixed asset received is different from the configuration of the cash flows from the asset given in exchange, or if the current value of the cash flows after taxes on the company's activities affected by the barter transaction changes as a consequence of the transaction.

In addition, any differences arising from the above mentioned causes must be significant when relative to the fair value of the exchanged assets. Barter transactions involving assets of the same nature and use for the company are assumed to be non-commercial.

If the barter transaction is non-commercial or it is impossible to obtain a reliable estimate of the fair value of the elements involved in the transaction, the fixed intangible asset received is valued at the carrying amount of the asset given in exchange plus, where applicable, the monetary consideration given in exchange, which may not exceed the fair value (if known) of the fixed asset received, if the latter value is lower. There were no transactions of this type.

**4.2.7. Financial Instruments**

**4.2.7.1 Non-Current Financial Assets and Other Financial Assets**

When initially recorded, these assets are accounted for at their fair value plus the costs directly attributable to the transaction, except in the case of financial assets at fair value with changes in profit or loss.

On the balance sheet, financial assets are classified as either current or non-current: current if they mature within one year or less, and non-current if they mature in more than one year.

**4.2.7.2 Information on the Relevance of the Financial Assets**

**a) Financial Assets (other than equity investments in group, multi-group and affiliated companies) and Financial Liabilities**

A breakdown of the composition of these assets and liabilities is shown in the following tables:

## A) FINANCIAL ASSETS

| | Long-Term Financial Instruments | | | Short-Term Financial Instruments | | | |
|---|---|---|---|---|---|---|---|
| | **Equity Instruments** | **Debt Securities** | **Credit Derivatives and Others** | **Equity Instruments** | **Debt Securities** | **Credit derivatives and others** | **TOTAL** |
| Assets at fair value with changes in the profit and loss account | | | | | | | |
| | | | | | | | |
| Held for trading | | | | | | | |
| | | | | | | | |
| Others | | | | | | | |
| | | | | | | | |
| Held-to-maturity investments | | | | | | | |
| | | | | | | | |
| Loans and receivables | | | 4,460,293.88 | | | | 4,460,293.88 |
| | | | | | | | |
| Assets available for sale | | | | | | | |
| Valued at fair value | | | | | | | |
| | | | | | | | |
| Valued at cost | | | | | | | |
| Hedge derivatives | | | | | | | |
| | | | | | | | |
| TOTAL | | | **4,460,293.88** | **0.00** | **0.00** | **0.00** | **4,460,293.88** |

## b) FINANCIAL LIABILITIES

| | Long-term financial instruments | | | Short-Term Financial Instruments | | | |
|---|---|---|---|---|---|---|---|
| | **Equity Instruments** | **Debt Securities** | **Credit derivatives and others** | **Equity Instruments** | **Debt Securities** | **Credit derivatives and others** | **TOTAL** |
| Debts and accounts payable | | | | | | | |
| | | | | | | | |
| Liabilities at fair value with changes in the profit and loss account | | | | | | | |
| Held for trading | | | | | | | |
| Others | | | | | | 231,666.66 | 231,666.66 |
| | | | | | | | |
| Hedge derivatives | | | | | | | |
| | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **TOTAL** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **231,666.66** | **231,666.66** |

**b) Financial Assets and Liabilities at Fair Value with Changes in the Profit And Loss Account**

There are no entries of this type.

**c) Other Issues**

According to the rules of valuation, where appropriate it is necessary to report reclassifications, classifications by maturity date, assets provided and accepted by way of security, and value adjustments for impairment due to credit risk, and default or breach of contract.

The main characteristics of the various headings in the preceding tables are explained in detail below:

**Loans and Receivables:** These are non-derivative financial instruments with fixed or determinable payments not traded in an active market. After their initial entry, they are measured at amortised cost using the effective interest rate method.

"Amortised cost" is understood to mean the initial cost of acquiring a financial asset or liability minus principal repayments, plus or minus (as applicable) the part systematically attributed to any difference between the initial cost and the repayment value on maturity. In the case of financial assets, the amortised cost also includes any reduction for impairment.

The effective interest rate is the discount rate that exactly matches the value of a financial instrument to all its estimated cash flows of all kinds through its residual life.

Deposits and guarantees are recorded at the amount disbursed to meet contractual commitments.

Changes for impairment and reversals of impairment losses on financial assets are recorded in the profit or loss for the period for the difference between their carrying amount and the present value of the recoverable cash flows.

However, credits from commercial transactions that mature in one year or less and that do not have a contractual interest rate, as well as advances and credits to employees, dividends receivable and payments required on financial instruments for an amount which is expected to be collected in the short term, may be valued at their nominal value if the effect of not discounting the cash flows is not significant.

**Held-to-Maturity Investments:** Non-derivative financial assets with fixed or determinable payments and with a fixed maturity date that the company has the intention and ability to hold until maturity. After their initial entry, they are also measured at amortised cost.

**Financial Assets at Fair Value with Changes in Profit or Loss:** These include the financial assets held for trading and financial assets managed and measured using the fair value model. They are measured at fair value in the balance sheet and changes are recorded in the income statement.

**Held-for-Trading Financial Assets:** These are financial assets acquired for the purpose of selling them in the short term, equity instruments or debt securities, forming part of a portfolio of specified financial instruments managed together, and for which there is recent evidence of actions to obtain short-term profit; i.e. a financial derivative that is neither a financial guarantee contract nor has been designated as a hedge instrument.

After being initially recorded as such, they are accounted for at fair value, and any changes are recorded in the profit and loss account.

**Non-Current Assets and Disposal Groups Held for Sale:** Non-current assets or asset groups are classified as held for sale if their carrying amount will be recovered principally through sale rather than through continuing use. In order for this to be the case, the assets or asset groups must be available for immediate sale in their present condition, and their sale must be highly probable.

Disposal groups represent components of the company that have been sold or disposed of by any other means, or that have been classified as held for sale. These components comprise groups of operations and cash flows that can be distinguished, both operationally and for financial reporting purposes, from the rest of the assets. They represent business lines or geographical areas which can be considered to be separate from the rest. They also include the acquisition of a subsidiary acquired solely for resale purposes. The balance sheet contains no non-current assets or disposal groups held for sale.

**Financial Assets Available For Sale:** This category includes debt securities and equity instruments of other companies that are not classified in any of the above categories.

They are initially measured at fair value which, unless there is evidence to the contrary, is the price of the transaction which must be equal to the fair value of the consideration given, plus the transaction costs directly attributable to it.

Subsequent valuations are carried out at fair value, without deducting the costs of the transaction.

Changes in fair value shall be recorded directly under net equity until the financial asset is removed from the balance sheet or an impairment loss is recorded, at which time the amount recorded will be entered in the profit and loss account.

Valuation adjustments for impairment which must at least be made at year-end, and profit and losses on monetary financial assets in foreign currency, shall be recorded in the profit and loss account.

**Net Assets and Liabilities**: An equity instrument represents a residual interest in the net assets of a company after deducting all its liabilities.

Equity instruments and other equity issued by the Company are recorded at the proceeds received in equity, net of direct issue costs.

**Share Capital:** Shares are classified as capital. All shares have voting rights, and details are included in Notes 1.3 and 1.5 of the report. Expenses directly attributable to the issue or acquisition of new shares are recorded under equity as a deduction from the amount thereof.

**Treasury Shares:** They are recorded as a reduction in equity. No loss or gain from the purchase, sale, issue or redemption of treasury shares is recorded.

**Financial Liabilities:** Financial liabilities are classified in accordance with the content of contractual agreements, taking into account their economic substance.

**Debts And Accounts Payable:** Interest-bearing bank overdrafts and loans are recorded at the amount received, net of direct issue costs. Financial charges, including premiums payable on settlement or redemption and direct issue costs, are recorded in the income statement on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Loans are classified as current items unless the company has the unconditional right to defer repayment of the debt for at least 12 months from the balance sheet date.

Trade payables are not expressly interest-bearing and are recorded at their nominal value.

Debts from commercial transactions with maturity not exceeding one year and without a contractual interest rate or other payment obligations, whose amount is expected to be settled in the short term, may be valued at their nominal value if the effect of not discounting the cash flows is not significant.

Subsequent valuations will be carried out at amortised cost. Interest will be recorded in the profit and loss account using the effective interest rate method. The content of the preceding paragraph applies to maturities of less than one year.

It is worth noting that all cases not covered in the preceding sections on the valuation of Financial Assets and Liabilities will be governed by Accounting and Valuation Rule No. 9 for Financial Instruments of the General Accounting Plan.

**Current / Non-Current Classification of Debts:** In the attached balance sheet, debts are classified on the basis of their maturity dates; i.e. debts due to be settled within 12 months or less are classified as current debts, and those due to be settled in more than 12 months are classified as non-current items.

### 4.2.8. Information Relating to the Profit and Loss Account and Net Equity

The total revenue recorded in the income statement comes from receipts of payment from real property leases, for a total of €6,069,185.68.

### 4.2.9. Hedging

No hedging transactions have been carried out.

### 4.2.10. Group, Multi-group and Associated Companies

The company has no equity interests in other companies.

### 4.2.11. Other Information

There are no firm commitments for the sale or purchase of financial assets, or foreseeable sources of finance.

## NOTE 5

### 5.1 EQUITY

As at 31/12/2009, the share capital is €107,860,207.90, represented by 1,794,679 fully paid up shares with a par value of €60.10 each, numbered consecutively from 1 to 1,794,679 inclusive, all of them with the same rights and obligations.

There is no capital increase in progress, and there is no capital authorised by the General Meeting. All shares have the same economic rights.

The shares do not include any profit-participating or convertible bonds or similar financial instruments.

The availability of the reserves is subject to no limitations other than as referred to in the creation and provision of the legal reserve and the clauses of Law 11/2009 of 26 October 2009.

Details of the company's shareholding structure can be found in Note 1.5 of the report.

There are no options or other contracts issued by the company on its own equity.

The breakdown of the transactions on the company's own equity carried out during 2009 is as follows:

| | Balance as at 01/01/2009 | Changes during the Period | Balance as at 31/12/2009 |
|---|---|---|---|
| Share capital | | 107,860,207.90 | 107,860,207.90 |
| Legal reserve | 0.00 | 350,060.00 | 350,060.00 |
| Voluntary reserve | 0.00 | 315,054.00 | 315,054.00 |
| | | | |
| Profit (loss) for 2009 | 0.00 | 3,068,068.20 | 3,068,068.20 |
| **TOTAL** | **0.00** | **111,593,390.10** | **111,593,390.10** |

There have been no transaction in own shares and there is no balance in treasury shares.

**NOTE 6**

**6.1. INVENTORIES**

There are no entries of this type.

**NOTE 7**

**7.1. FOREIGN CURRENCY TRANSACTIONS**

There are no transactions in foreign currency.

**NOTE 8**

**8.1 EXPLANATORY SUMMARY OF THE COMPANY'S INCORPORATION OPERATIONS**

**8.1.1 OPERATIONAL INSTRUMENTS**

The SOCIMI was created, at the same time as through its incorporation, THROUGH THE PARTIAL DIVISION OF THE ASSETS OF COGEIN S.L., AND THE TRANSFER BY THE SAID COMPANY TO THE SOCIMI, CÍA IBERICA DE ARRENDAMIENTOS URBANOS 2009 SOCIMI, S.A., OF:

- A number of properties valued at €107,860,213.22 by the expert appointed by the Commercial Register as a valuation of non-monetary contributions in accordance with Article 5.2 of Law 11/2009 on Listed Property Market Investment Companies. The shareholders of Cogein S.L., who are also shareholders of the newly created company, received 1,794,679 shares with a par value of €60.10 each, representing 100% of the share capital of the new company, which is €107,860,207.90.

The Draft Terms of Partial Division were approved by the divided company, Cogein S.L., at an Extraordinary General Meeting of Shareholders held on 18 November 2009, and filed at Madrid Commercial Register on 26 November of the same year.

Once all the legal requirements had been met, including those relating to the publication of the division, all resolutions, the partial division of Cogein S.L. and the creation of Compañía Ibérica de Rentas Urbanas 2009 SOCIMI, S.A. were executed in a public deed before Madrid Notary Public Mr Luis Pérez Escolar under no. 3432 of his protocol.

The said public deed expressly recorded the fact that the Company was choosing to be covered by the special tax regime contained in Law 11/2009 of 26 October 2009, without prejudice to the fact that this option had been resolved at the Extraordinary General Meeting at which the division resolution was passed. In spite of this, the Tax Authorities were notified of this choice in a written communication dated 23 September 2009.

It was also recorded in the above mentioned deed executed by the Company, and included in the Draft Terms of Division and in the Division Resolutions, that the Company had chosen to be covered by the tax regime set forth in Chapter VIII, Article 96 of the Consolidated Text of the Company Tax Law (*Ley del Impuesto sobre Sociedades*). The Tax Authorities were informed of this choice in a written communication dated 23 December 2009.

Pursuant to the provisions of the Draft Terms of Division, the Deed of Division and the Transitional Provision of the Articles of Association, the transactions relating to the segregated assets carried out by the divided company COGEIN S.L. will be deemed to have been carried out on behalf of the company benefiting from the division from 1 January 2009.

The contributions of real property in the division process comprise the following properties:

| Property | Date of acquisition | Historic cost | Appraisal value | Surface area in $m^2$ | No. of rooms (hotels) | Revenue from leases in 2009 |
|---|---|---|---|---|---|---|
| Building on Calle Pradillo, 42 | 27/02/2009 | 17,762,500.00 | 18,227,307.90 | 7,251.90 | | 1,158,333.34 |
| Flat on Calle Gran Vía, 1, 2° Dcha. | 15/10/1993 | 570,505.15 | 2,873,000.00 | 529.93 | | 143,169.36 |
| Flat on Calle Gran Vía, 1, 1° Izda. | 10/02/1998 | 541,882.60 | 2,730,000.00 | 461.02 | | 118,926.67 |
| Flat on Calle Gran Vía, 1, 1° Dcha. | 08/01/1990 | 474,790.57 | 3,013,000.00 | 553.93 | | 135,450.23 |
| Unit no. 2 – door no. 9, La Perla building * | 30/04/1997 | | | 140.74 | | 5,163.49 |
| Unit no. 3 – door no. 10, La Perla building * | 30/04/1997 | | | 91.42 | | 19,709.98 |
| Unit no. 4 – door no. 10, La Perla building * | 30/04/1997 | | | 229.88 | | 197,099.82 |
| Unit no. 5 – door no. 11, La Perla building * | 30/04/1997 | 290,770.82 | 1,379,700.00 | 131.02 | | 78,430.48 |
| Commercial premises on Calle Dulcinea, 4 | 21/09/1995 | 446,843.47 | 1,525,000.00 | 922.15 | | 96,280.91 |
| Industrial premises on Calle Albalá, 7 | 26/09/2003 | 846,985.13 | 2,873,300.00 | 1,521.59 | | 215,519.58 |
| Hotel Sol Melia at Calle Atocha, | 26/12/2001 | 38,939,393.23 | 32,173,400.00 | 9,228.76 | 149 | 1,951,081.35 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 53 | | | | | | |
| Hotel Tryp at Calle Gran Vía, 34 | 26/12/2001 | 45,845,703.16 | 43,065,500.00 | 10,228.85 | **133 | 179,166.66 |
| **Sums** | | **105,719,374.13** | **107,860,207.90** | **31,291.19** | **149** | **4,298,331.87** |

Note * The appraisal value and cost are the total amounts for the 4 commercial units.

**Note ** This amount is from the rental of Hotel Tryp, Gran Vía, 34, in November and December 2009. The 2010 figure will include a full year and is expected to add up to €1,074,999.96. At today's values, the total annual Rental Revenue figure, adjusted to take this into account, is €5,194,165.17.**

### 8.1.2 Types of Contracts Entered Into with Lessees

All office buildings and commercial premises are rented out under standard lease agreements. With regard to the two hotels, the lease agreements relating to them include the buildings, installations and facilities.

### 8.1.3 Total Revenue Forecasts

Forecasts have been made using discount rates of 2.10% for the first year, 2.70% for the second year and 3.10% for the third year, with the following results:

| | |
|---|---|
| One year | 4,209,923 |
| Two years | 4,099,243 |
| Three years | 3,975,987 |

**NOTE 9**

**9.1. TAX ON PROFIT**

The special Income Tax regime applicable to the company is set forth in Article 9 of Law 11/2009 of 26 October 2009.

Companies that have opted for the tax regime established in the said law shall be governed by the provisions of the Consolidated Text of the Company Tax Law, without prejudice to the special provisions contained in the above mentioned Article 9 of Law 11/2009, which is summarised below:

**Tax Base**

- Exemption of 20% of the income from renting housing, if such income accounts for more than 50% of assets, determined as provided in Article 3 of Law 11/2009.

- Self-assessment is made on the part of the gross tax base that proportionally matches the agreed dividend paid, excluding the part of the tax base arising from income which is subject to the general rate.

- In the case of dividends or disposals (other than those used for offsetting losses) against reserves of financial years in which the special tax regime was applied, the self-assessment shall include the part of the gross tax base from the year from which they originate which proportionally corresponds to the dividend or disposal, excluding any from income which is subject to the standard rate.

**Tax Rates**

- 18% on income to which the special tax regime applies.

- Standard rate for all other income.

**Tax Credits and Allowances**

- These apply in accordance with the provisions of the general regime.

- The tax credit for reinvestments in relation to transfers of goods falling within the corporate aim after the expiry of the holding periods shall apply at a rate of 6% (as compared with 12% under the general regime), taking into account the part included in the tax base for self-assessment purposes.

### 9.1.2 Reconciliation of Net Income and Expenditure from the Period with the Corporate Income Tax Base

| Profit and Loss Account | | | Income and Expenditure Charged to Net Assets and Liabilities | | |
|---|---|---|---|---|---|
| Accounting Profit (or Loss) from Ongoing Operations | | 3,500,599.95 | Profit (or loss) charged to Net Assets and Liabilities | | 0.00 |
| | Increases | Reductions | Increases | Reductions | |
| Applied to Legal Reserves | | 350,060.00 | | | |
| Applied to Voluntary Reserves | | 315,054.00 | | | |
| Gross Tax base for FY 2009 | | 2,402,954.20 | | | |
| Company Tax 18% | | 432,531.75 | | | |
| Permanent differences +- | | | | | |
| Temporary differences +- | | | | | |

Company Tax has been calculated taking into account that all income for the year is taxed under the special regime applicable to SOCIMIs under Articles 8 and 9 of Law 11/2009 of 27 October 2009.

Within the Company Tax settlement period, the amount of tax payable is as follows:

| | |
|---|---|
| - Tax | €432,531.75 |
| - Temporary differences | ------ |
| - Withholdings and payments on account | ------- |
| - Net tax liability | €432,531.75 |

The Company has all of its Company Tax, Personal Income Tax, Value Added Tax and other charges applicable to it open for tax inspection.

The directors consider that there are no tax risks for significant amounts.

## 9.2 LEGAL REQUIREMENTS OF SOCIMI STATUS UNDER LAW 11/2009

### 9.2.1 Particularities of the Appropriation of Profit, Distribution of Dividends and other Aspects Related to the Acquisition of Assets Falling Within the Scope of the Main Corporate Aim and the Distribution of Reserves

- Retained earnings from years predating the application of the special tax regime.

- Profit applied to reserves for each year of application of the special tax regime, distinguishing between the part governed by the said special regime and the part governed by the general regime, as well as the one corresponding to transfers, indicating the amount reinvested and the amount pending reinvestment.

- Dividends paid against profit for each year, distinguishing between the parts governed by each tax regime.

- Dividends paid out of reserves, designating the year in which they arose and distinguishing between the parts governed by each tax regime.

- Date of the dividend distribution resolutions.

- Date of acquisition of the assets falling within the main corporate aim.

- Specification of the assets included in the calculation for investment ratio purposes (80%).

- Disposals from reserves for purposes other than the distribution of dividends or offsetting of losses, distinguishing between the parts covered by each tax regime.

**9.2.3 Other Formal Obligations**

At the Tax Agency's request:

- Detailed information on the calculations carried out to determine the result of the distribution of expenses between the various different sources of income.

To its shareholders:

- The necessary information to enable them to comply with the tax regime. This must be provided together with the payment of the dividend.

- The loss of the special tax regime must be notified in the same tax period in which the circumstances causing the loss have occurred.

**9.2.4. Special Tax Rules for the Shareholders**

- Withholding on dividends: Not applicable.

**Non-Resident Permanent Establishments and Companies**

- Dividends from income which is subject to the special rate: gross-up considering the said rate: D x 100 / (100 -18) = D x 100/82.

- DDID: min(18% x Beneficiary Rate) x Dividend under the Special Tax Regime.

- The limitations and exclusions of Article 30.4 TRIS continue to apply although, where applicable, the 18% rate will apply to paragraph e).

- Dividends from income which is subject to the special rate: DDID in accordance with the general regime.

- In transfers of equity interests in the SOCIMI or a similar company, DDID applies in accordance with the above criteria.

- If the equity interest was acquired from a related entity or person, losses shall be taken into account only to the extent that they exceed the related transferor's exempted income.

**Natural Persons**

- The dividend received is considered exempt income.

- In transfers, the gain is exempt up to the difference (10% of the acquisition price per year of holding in which the special regime was applied) minus (exempt dividends received during the same period). If the equity interest was acquired from a related entity which made a loss, only the amount of the loss will be exempt:

**Non-Resident Without a Permanent Establishment**

- The same rules apply as for Personal Income Tax (IRPF). Provided the entity is resident in a country/territory with no effective exchange of tax information.

*Key to abbreviations:*
*TRIS: Consolidated Text of the Company Law*
*DDID: Tax credit for double taxation on dividends*
*D: Dividends*

**9.2.5 Compliance with the SOCIMI's Reporting Position under Article 11 of Law 11/2009**

The Company declares:

In connection with the reporting obligations set forth in paragraphs a), d) and h) of Article 11.1 of the Law, none of the circumstances envisaged therein have taken place, and there is therefore no information to report.

- b) , c) and e): The profit before tax of €3,500,599.95 obtained in 2009 originates exclusively from income subject to Company Tax at the rate of 18% by application of the special tax regime.

10% (€350,060.00) is paid into the legal reserve; €315,054.00 into Voluntary Reserves, €2,402,964.20 is paid out as Dividends, and €432,531.75 is allocated to current tax. In order to do all of the above, appropriate resolutions will be passed, at the proposal of the Board of Directors, at the next General Meeting.

f) The details of the properties' acquisition date and identification of the assets taken into account in the calculation of the 80% referred to in Article 3.1 of Law 11/2009 can be found in Note 8 of the report, section 8.1.1.

g) The buildings, valued at €107,860,207.90 by the expert appointed by the Commercial Register and contributed to the Company on its creation, account for 100% of its real estate assets.

**NOTE 10**

**10.1 INCOME AND EXPENSES**

The income recorded on an accrual basis originates entirely from leases of property, and adds up to €4,298,331.87 for 2009.

The costs are comprised of the depreciation of real estate for the sum of €728,657.27, plus costs for external services in the sum of €69,074.65.

**NOTE 11**

**11.1 PROVISIONS AND CONTINGENCIES**

The probable or certain liabilities of any nature arising from ongoing litigation, claims, endorsements, guarantees, indemnifications and outstanding obligations of an indeterminate amount were reserved against the profit for the year, according to a reasonable estimate of their amount, since there were no contingencies during the year resulting in the establishment of provisions.
[singature]

**NOTE 12**

**12.1. INFORMATION ON THE ENVIRONMENT**

Environmental activities are those whose purpose is to prevent, reduce or repair damage to the environment.

Due to its nature, the company's activities do not have a significant impact on the environment. The costs incurred in the acquisition of systems, equipment and installations whose purpose is to eliminate, limit or control any possible impact on the environment that could result from the Company's normal course of business are considered investments in fixed assets.

All other expenses related to the environment, other than those incurred for the acquisition of fixed assets, are considered expenses for the year.

The Company's Directors consider that no significant liabilities or expenses relating to environmental matters will result from the Company's activities.

**NOTE 13**

**13.1 EVENTS AFTER THE CLOSING DATE**

There have been no circumstances or events affecting the true picture, the results of transactions or the financial statements of the company up to 31 December 2009.

**NOTE 14**

**14.1 SUBSIDIES**

There are no transactions of this type.

**NOTE 15**

**15.1. BUSINESS COMBINATIONS**

There are no entries of this type.

### 15.2 JOINT VENTURES

There are no entries of this type.

### 15.3. NON-CURRENT ASSETS HELD FOR SALE

There are no entries of this type.

### 15.4. DISCONTINUED OPERATIONS

There are no entries of this type.

### 15.5. LONG-TERM PAYMENTS TO PERSONNEL

There is no remuneration of this kind.

### 15.6. PAYMENTS TO BOARD MEMBERS AND SENIOR MANAGEMENT

The members of the Board of Directors and Senior Management staff have not received any remuneration of any kind, nor have any contributions been made to employee savings or social pension plans, and no insurance contracts have been entered into.

## NOTE 16

**INFORMATION ON ACTIVITIES AND EQUITY INTERESTS IN OTHER COMPANIES, UNDER ART.127ter OF THE LAW ON PUBLIC LIMITED COMPANIES (*LEY DE SOCIEDADES ANONIMAS*), IN ENTITIES CARRYING OUT A SIMILAR OR COMPLEMENTARY BUSINESS AS THAT COMPRISING THE COMPANY'S CORPORATE AIM.**

EQUITY INTERESTS AND POSITIONS IN OTHER COMPANIES HELD BY MEMBERS OF THE BOARD OF DIRECTORS OF COMPAÑIA IBERICA DE RENTAS URBANAS 2009, S.A., SOCIMI

| HOLDER | COMPANY IN WHICH THE INTEREST IS HELD | ACTIVITY | EQUITY INTEREST | OFFICE HELD IN COMPANY IN WHICH INTEREST IS HELD |
|---|---|---|---|---|
| JOSÉ LUIS COLOMER HERNÁNDEZ | PRYCONSA | CONSTRUCTION | 0.82% | CHAIRMAN |
| | SORANSA 1989 S.A. | PERI DEVELOPMENT | 0% | CHAIRMAN<br>CHIEF EXECUTIVE OFFICER |
| | INMOBILIARIA PALENTINA S.L. | CONSTRUCTION | 0.01% | SECRETARY<br>(Rep Cogein SL) |
| | GRAN VÍA 34 S.A. | CONSTRUCTION | 0.02% | MEMBER OF THE BOARD |
| | CIA IBERICA DE RENTAS URBANAS 2009 S.A. | REAL ESTATE INVESTMENT EXPLOITATION | 0.00% | VICE-CHAIRMAN |
| | CIA IBÉRICA DE BIENES RAÍCES 2009, S.A. | REAL ESTATE INVESTMENT EXPLOITATION | 0 | CHAIRMAN |
| ANDREA BARRIGÓN GONZÁLEZ | PRYCONSA | CONSTRUCTION | 0.04% | NONE. |
| | INMOBILIARIA PALENTINA S.L. | CONSTRUCTION | 99.99% | NONE. |
| | PROPIEDADES CACEREÑAS S.L. | CONSTRUCTION | 2.51% | NONE. |
| | COGEIN S.L. | CONSTRUCTION | 25% | NONE. |
| | CIA IBERICA DE RENTAS URBANAS 2009 S.A. | REAL ESTATE INVESTMENT EXPLOITATION | 16.90% | MEMBER |
| | CIA IBÉRICA DE BIENES RAÍCES 2009, S.A. | REAL ESTATE INVESTMENT EXPLOITATION | 0.6505 | NONE. |
| MARCO COLOMER BARRIGÓN | PRYCONSA | CONSTRUCTION | 0.00003% | CHIEF EXECUTIVE OFFICER |
| | SORANSA 1989 S.A. | PERI DEVELOPMENT | 0% | CHIEF EXECUTIVE OFFICER<br>CHAIRMAN |
| | COGEIN S.L. | CONSTRUCTION | 23% | CHIEF EXECUTIVE OFFICER |
| | GRANVIA 34 S.A. | CONSTRUCTION | 0.00% | CHIEF EXECUTIVE OFFICER<br>(Rep Cogein SL) |
| | ROYAL INMOBILIARIA S.A. | CONSTRUCTION | 30% | (Rep Cogein SL)<br>SECRETARY (Rep Cogein SL) |
| | PROPIEDADES CACEREÑAS S.L. | CONSTRUCTION | 21.58% | CHAIRMAN<br>CHIEF EXECUTIVE OFFICER |
| | CIA IBERICA DE RENTAS URBANAS 2009 S.A. | REAL ESTATE INVESTMENT EXPLOITATION | 31.12% | CHAIRMAN |
| | CIA IBÉRICA DE BIENES RAÍCES 2009, S.A. | REAL ESTATE INVESTMENT EXPLOITATION | 0 | CHIEF EXECUTIVE OFFICER |

| | | | | |
|---|---|---|---|---|
| JOSÉ LUIS COLOMER BARRIGÓN | PRYCONSA | CONSTRUCTION | 0.00003% | MEMBER |
| | SORANSA 1989 S.A. | PERI DEVELOPMENT | 0% | MEMBER |
| | COGEIN S.L. | CONSTRUCTION | 24% | MEMBER |
| | GRANVIA 34 S.A. | CONSTRUCTION | 0.00% | MEMBER |
| | ROYAL INMOBILIARIA S.A. | CONSTRUCTION | 30% | NONE |
| | PROPIEDADES CACEREÑAS S.L. | CONSTRUCTION | 21.58% | MEMBER |
| | CIA IBERICA DE RENTAS URBANAS 2009 S.A. | REAL ESTATE INVESTMENT EXPLOITATION | 31.06% | MEMBER |
| | CIA IBÉRICA DE BIENES RAÍCES 2009, S.A. | REAL ESTATE INVESTMENT EXPLOITATION | 0 | MEMBER |

Below are details of the activities undertaken by the various members of the Boards of Directors of Companies carrying on the same, similar or complementary activities, regardless of whether or not they have an equity interest in such companies:

| Director's Name | Company |
|---|---|
| **JOSÉ LUÍS COLOMER HERNÁNDEZ** | Chairman and Chief Executive Officer of Royal Inmobiliaria, S.A.<br>Chairman and Director of Isla Canela S.A. |
| **MARCO COLOMER BARRIGÓN** | Secretary and Chief Executive Officer of Inmob. Palentina, S.L.<br>Chief Executive Officer of Isla Canela, S.A. |
| **JOSÉ LUIS COLOMER BARRIGÓN** | Member of the Board of Isla Canela, S.A.<br>Member of the Board of Inmobiliaria Palentina, S.L.<br>Member of the Board of Gran Vía, 34, S.A. |
| | |

**NOTE 17**

**17.1 INFORMATION ON THE REMUNERATION OF THE AUDITORS**

The professional fees for the auditing of the Annual Accounts for the year ended 31 December 2009 add up to €4,700.00. During the year, the company has not carried out any other transactions with its audit firm or with entities in its group or with any other company linked to it by reason of shared ownership, management or control.

**NOTE 18**

**PROVISIONS FOR IMPAIRMENT**

In view of the application of the valuation rules at the close of the year, the Company has not deemed it necessary to make reversible provisions for impairment in real estate investments, since they have been valued by the expert appointed by the Commercial Register as part of the division process, for the same value recorded in the balance sheet before allowing for depreciation.

Madrid, 30 March 2010

# MANAGEMENT REPORT

**Economic Trends**

In 2009 the Spanish economy suffered the most intense effects of the economic crisis with decreasing demand, reduction of production and lack of liquidity. This crisis has been very significant and particularly severe in the real estate sector.

**Future of the Company**

Compañia Ibérica de Rentas Urbanas 2009 SOCIMI, S.A. was created in 2009 with an excellent portfolio of real estate investments, with contracts for the lease of business premises, office buildings and hotels.

The overall investment has been valued by an expert appointed by the Commercial Register, who valued the properties, and a pre-company-tax profit of €3,500,599.95 was obtained for financial year 2009.

These figures, added to the soundness and experience of its shareholders in the real estate area, make it possible to look at the future in the belief that the company's business will experience moderate yet firm growth.

**Treasury Shares**

As at 31 December 2009, the Company has no treasury shares.

Madrid, 30 March 2010

2. Financial year 2010

**COMPAÑIA IBERICA DE RENTAS**

**URBANAS 2009 SOCIMI, S.A**.



Madrid, 30 March 2011

# COMPAÑIA IBERICA DE RENTAS URBANAS 2009 SOCIMI, S.A.

**Annual Report.**
**Accounting Year 2010**

Madrid, 30 March 2011

1. – Annual Report for the Accounting Year 2010

NOTE 1

1.1 – COMPANY'S NAME, BUSINESS ADDRESS AND PURPOSE

1.1.1 – The company's name is Compañia Ibérica de Rentas Urbanas 2009, SOCIMI S.A., and it is governed by its Articles of Association, the Law of Corporations and other laws, particularly Law 11 of 26 October 2009 governing Listed Public Limited Real Estate Investment Companies.

The company was founded on 22 December 2009 by notarized instrument before the Notary Don Luís Pérez Escolar, under no. 3432 of his records, through partial spin-off of the company Cogein S.L. and creation of Compañia Ibérica de Rentas Urbanas 2009, SOCIMI S.A., an entity created for an indefinite period of time.

By an agreement adopted in the Extraordinary and Universal General Shareholders Meeting of Cogein S.L. on the 18 December 2009, it was agreed to split-off of one part of its assets, which was to be transferred to the newly created company Compañia Ibérica de Rentas Urbanas 2009, SOCIMI S.A.

All the legal requirements were met, including the filing of the corporate break-up plan on 26 November 2009 in the Madrid Trade Register and the obligatory publication of notices in the press and in the B.O.R.M.E. [Official Bulletin of the Commercial Register].

Note 8 of the report gives a detailed comment on the corporate break-up operation, the change in the equity capital of Cogein, S.L., the corporate transactions of the founding of the SOCIMI, and the real estate belonging to that company.

1.1.2. – Business Address

The business address is in Madrid, postal district 28004, Calle de San Vicente Ferrer no. 60.

1.1.2. – The corporate purpose is:

a) The acquisition and promotion of urban real estate for rental purposes. The promotional activities include the rehabilitation of buildings in accordance with the provisions of Law 37 of 28 December 1992 on the Value Added Tax.

b) The holding of shares in SOCIMIs or of other entities not domiciled in Spanish territory that have the same corporate purpose and are subject to similar rules as the SOCIMIs with respect to the mandatory profit-distribution policy imposed by law of by the articles of association.

c) The holding of shares in other entities, whether domiciled in Spanish territory or not, whose main corporate purpose is the acquisition of urban real estate for rental purposes and that are subject to the rules established for the SOCIMIs with respect to the mandatory profit-distribution policy imposed by law of by the articles of association and that meet the external financing and investment requirements referred to in Articles 3 and 7 of this Law.

The entities referred to in paragraph (c) above must not hold any shares in any other entities or promote real estate. The shares representing the capital of those entities must be in registered form and all the capital must belong to other SOCIMIs or non-resident entities referred to in paragraph (b) above. Entities residing in Spanish territory may opt for the application of the special tax rules under the conditions set out in Article 6 of this Law.

d) The holding of shares or units in Collective Real Estate Investment Institutions regulated by Law 35 of 4 November 2003 on Collective Investment Institutions.

e) Carrying out other incidental financial or non-financial activities which, taken as a whole, generate less than 20% of the company's income in each tax period.
The activities enumerated above may also be carried out by the Company, in whole or in part, in an indirect manner, by holding interests in other companies with similar purposes.

All activities whose exercise is subject to special legal requirements not satisfied by the Company are excluded.

**- Listing of the company's shares on a regulated market.**

The shares of the SOCIMI must be admitted for trading on a regulated market in Spain or in any other Member State of the European Union or European Economic Area continuously throughout the relevant tax period. The time limit for complying with said obligation is 2 years after the date of the option to apply the special tax rules, i.e., 23 December 2009, so that said time limit will expire on 23 December 2011, as stipulated by the First Temporary Provision of said Law. By reason of all of the foregoing, in order to apply the special tax rules for the first time, it is necessary to meet the above-mentioned requirement by the end of the time limit, in a manner equivalent to that stipulated in Article 8 of Law 11 of 2009, for the initial application of the special tax rules.

**- Requirements for the Buildings**

- According to Law 11 of 26 October 2009, the following are not considered real estate:

a) Buildings with special characteristics for the purposes of the cadastre (Article 8 of the Merged Tex of the Real Estate Cadastre Act, Royal Decree Leg.1 of the 5th of March of 2004)

b) Buildings the use of which is assigned to third parties under contracts that are considered finance leases for the purposes of the Company Tax (*Impuesto sobre Sociedades*).

c) The real estate must be acquired by ownership or by means of a finance lease. Surface, air and subsurface rights registered in the Property Register are considered to be included [in the real estate] during their effective period.

**Separate accounting for the activities**

The Company shall keep separate accounting records for each building promoted or acquired in such a way as to identify the income from each building or subdivision thereof in the land register.

Separate accounting records must also be kept for any other activities that are carried out.

**1.2 – ACCOUNTING YEAR**

The accounting year shall begin on 1 January and end on 31 December of each year.

**1.3 – SHARE CAPITAL**

The share capital as at 31 Dec. 2010 is EUR 107,860,207.90, represented by 1,794,679 shares with a par value of EUR 60.10 each, bearing the numbers 1 through 1,794,679 accordingly, fully paid up, all carrying equal rights and entitlements.

**1.4 –BOARD OF DIRECTORS**

The current members of the Board of Directors are as follows:

**CHAIRMAN**
Mr Marco Colomer Barrigón
National ID Card No. 0.695.218-C

**NON-EXECUTIVE BOARD MEMBER**
Mr José Luís Colomer Barrigón
National ID Card No. 0.695.217-L

**SECRETARY**
Mr José Luís Colomer Hernández
National ID Card No. 14.418.728-M

**JOINT EXECUTIVE DIRECTORS**
Mr Marco Colomer Barrigón
National ID Card No. 0.695.218-C

Mr José Luis Colomer Hernández
National ID Card No. 14.418.728-M

**1.5 – SHAREHOLDING STRUCTURE**

The shareholders are as follows:

| Shareholders with voting rights | No. of shares | Par value (in euros) |
|---|---|---|
| Jose Luís Colomer Barrigón | 567,427 | 60.1 |
| Marco Colomer Barrigón | 568,504 | 60.1 |
| Cía. Ibérica de Viviendas Siglo XXII, SL | 358 | 60.1 |
| Andrea Barrigón González | 303,300 | 60.1 |
| Gran Via 34 S.A. | 335,246 | 60.1 |
| Per 32 S.L. | 39,841 | 60.1 |
| **Jointly owned amount of all shareholders in the specified proportion*** | 3 | 60.1 |
| **Total** | **1,794,679** | |

| | |
|---|---|
| *Mr Jose Luís Colomer Barrigón | 31.06% |
| Mr Marco Colomer Barrigón | 31.12% |
| Cía. Ibérica de Viviendas Siglo XXII, SL | 0.02% |
| Ms Andrea Barrigón González | 16.90% |
| Gran Vía 34, S.A. | 18.68% |
| Per 32 S.L. | 2.22% |
| | 100.00% |

The amounts corresponding to the price of the shares have been fully paid in by incorporating all the shares in the assets of the broken-up company, which are transferred to the beneficiary company, as shown in the certification, corporate division plan and the articles of association.

**NOTE 2**

**2.1 – BASES OF PRESENTATION OF THE ANNUAL ACCOUNTS AND MAIN ACCOUNTING PRINCIPLES USED**

**2.1.1 FAITHFUL PICTURE**

The annual accounts have been prepared from the Company's accounting records and are presented in accordance with the applicable commercial laws and rules established in the General Accounting Plan, in order to give a faithful picture of the Company's assets, financial situation and earnings. Similarly, the Cash Flow Statement was prepared in accordance with the standards and criteria established in the General Accounting Plan and reflect the changes in the Company's liquid resources and their current situation.

There were no exceptional reasons, in order to show a faithful picture of the Company, not to apply any provisions of accounting law that affect doing so with respect to the Company's assets, financial situation and earnings.

**2.1.2 ACCOUNTING PRINCIPLES**
To show a faithful picture, there were no exceptional reasons that would justify the failure to apply any obligatory accounting principles.

**2.1.3 CRITICAL ASPECTS OF VALUATION AND ESTIMATION OF UNCERTAINTY**
There are no key assumptions or data regarding the estimation of uncertainty as at the closing date of the financial year that carry material risk or might result in material changes in the value of the assets and liabilities.

There are no significant changes in the accounting estimates that affect the current accounting year or that are expected to be capable of affecting future accounting years.

Management is not aware of any major uncertainties concerning events or conditions that might raise significant doubts about the possibility of the company continuing to operate normally.

**2.1.4 COMPARISON OF INFORMATION**

In accordance with the provisions of the Fifth Temporary Provision of Royal Decree 1159/2010, this year's annual accounts have been treated as equivalent to initial annual accounts, since the comparative figures of the prior accounting year have not been adapted to the new criteria, so that any comparison between the two accounting years must take that fact into account.

**2.1.5 CHANGES IN ACCOUNTING CRITERIA**
No adjustments were made by reason of changes in the accounting criteria during the accounting year.

**2.1.6 CORRECTION OF ERRORS**
No adjustments were made for the sake of error correction during the accounting year.

### 2.1.7 ACCOUNTING STATEMENTS AND DEFINITIONS

In recording its transactions, the Company follows the rules laid down by the General Accounting Plan.

### 2.1.8 INITIAL VALUATION OF ASSETS AND LIABILITIES

The expert appointed by the Commercial Registry appraised the value of the properties added in the course of the Company's foundation at EUR 107,860,213.22.

**NOTE 3**

### 3.1 APPROPRIATION OF PROFIT

The Board of Directors will propose to the General Meeting the following appropriation of profit obtained in the accounting year 2010:

| | |
|---|---|
| Profit for the year before taxes | 4,679,980.49 |
| Company Tax | -740,019.57 |
| Profit for the year after taxes | **3,939,960.92** |

**Appropriations**:

| | |
|---|---|
| To legal reserves | 467,998.05 |
| To voluntary reserves | 421,198.24 |
| To dividends | 3,050,764.63 |
| Total | **3,939,960.92** |

The profit is distributed in accordance with the provisions of Article 6 of Law 11 of 26 October 2009 governing the obligation to distribute the profit obtained during accounting year, less the corresponding commercial liabilities, in the form of dividends, whose distribution must be decided upon within six months after the close of each accounting year, in the following way:

- At least 90% of the profit not resulting from the conveyance of real estate and shares or equity interests in companies other than SOCIMIs but are subject to a similar regulatory and fiscal framework;

- At least 90% of the profit derived from secondary activities

- At least 50% of the profit derived from the conveyance of property falling within the scope of the company's main purpose, once the holding periods have elapsed. The rest of the profit must be reinvested in the same type of property within 3 years thereafter, failing which, it must be distributed together with the profit of year in which said time limit for reinvestment expires; if the conveyance occurs before the expiry of the holding period, the profit must be distributed in the period in which the conveyance occurs. The distribution obligation does not affect the portion of the profit attributable to the period prior to the application of the special tax rules.

- 100% of the profit derived from dividends and profit-sharing interests in companies in which equity interests are held, as referred to subsection 1 of Article 2 of Law 11/2009, pursuant to the company's main purpose.

- The dividend must be distributed within one month after the date of approval of distribution

- The distribution obligation does not affect profit taxed at the normal rate

- The only unavailable reserve is considered to be the Legal Reserve, which must not exceed 20% of the share capital.

**NOTE 4**

**4.1 RULES OF ACCOUNTING AND VALUATION**
The accounting criteria applied to the various entries are as follows:

**4.1.1 Fixed intangible assets**

There are no entries of this type.

**4.1.1.1 Development costs**

Not itemized because no such entry is in the Balance Sheet.

**4.1.1.2 Industrial Property**

Not itemized because no such entry is in the Balance Sheet.

**4.1.1.3 Computer applications**

Not itemized because no such entry is in the Balance Sheet.

**4.2.1 Fixed tangible assets:**

The fixed tangible assets are valued at their purchase price or cost of production, in accordance with Accounting and Valuation Rule 1.

Following their initial recognition, fixed tangible items are valued at their purchase price or cost of production less any cumulative depreciation and, where applicable, any cumulative value adjustments for impairment recognised.

Depreciation is calculated in a systematic and rational manner as a function of the useful economic life of the assets and their residual value, taking into account the annual impairment due to operation and use, as well as their technical or commercial obsolescence, where applicable.

Any interest expenses that accrue up to the time of initial start-up of fixed tangible assets are included in the costs of those assets, whereas any interest expenses that accrue thereafter are recognised as financial expenses.

The costs of expansion, upgrading and improvements of a fixed asset are added to the costs of the asset.

The balance sheet does not contain any value adjustments required by law during the accounting year.

The adjustments for losses of value suffered by the fixed tangible assets are made by means of depreciation accounts; the value is written down annually over the asset's useful economic life using the straight-line depreciation method.

If for any reason a significant reduction in an asset's historic cost is observed and its market value is lower at the close of the accounting year, then a provision will be recognised for the corresponding impairment.

The write-downs on the Real Estate Investments and Fixed Tangible Assets are calculated using the straight-line depreciation method at the followings, over the useful economic life of the asset.

| **Real Estate Investments and Investments in Other Tangible Assets** | **RATES** |
|---|---|
| Buildings | 2% |
| Plant | 12% |
| Machinery | 10% |
| Tooling | 10% |
| Other installations | 12% |
| Furniture | 10% |
| IT processing equipment | 17% |
| Transport equipment | 16% |
| Other fixed tangible assets | 10% |

**4.2.2 Special rules for Real Estate Investments**:

This category is composed of various real estate investments, all of them fully owned by the Company, and there are no restrictions on making real estate investments with the income derived from them or from the resources obtained through their sale or disposal by any other means. There are no contractual obligations for the acquisition, construction or development of investments or for repair, maintenance or improvements.

The income and expenditure from the investment activities are recorded in the corresponding entries of the profit and loss statements.

They relate to various urban properties that were incorporated into the Company for the purpose of its formation; the expert appointed by the Commercial Registry appraised the value of those properties at EUR 107,860,213.22.

**a) Undeveloped land.**

The price of acquisition includes the costs of preparation, such as enclosures, earthwork, sanitation and drainage structures, demolition of buildings when necessary in order to build new facilities, the costs of inspection and surveying, when performed prior to acquisition, and, where applicable, the initial estimate of the actual value of the liabilities resulting from the costs of rehabilitation of the land.

The land is not depreciated because it has an unlimited economic life. However, if the initial value includes the costs of rehabilitation, then that portion of the value of the land is depreciated over the period during which the economic profit and yield are obtained.

**b) Structures**

The price of acquisition or production cost also includes all the installations and elements of a permanent nature, the taxes inherent in the building, and the optional project management and planning fees. The values of the land, of the buildings and other structures have been itemised.

**c) Plant and Tooling**

The valuation includes all the costs of acquisition or manufacture and construction until it is made ready for operation.

**4.2.3 Other aspects regarding real estate investments**

Any interest expenses accrued up to the time at which the fixed tangible assets are put into operation and included in the cost of those assets and subsequently recognised as accrued financial expenses.

The costs of expansion, upgrading and improvements of the fixed assets are added to the costs of the asset in question. External costs are recognised in the acquisition price of the relevant asset.

The costs of the fixed asset produced in the Company itself are valued at the cost of production, composed of the raw materials valued at their acquisition price, the direct costs of the expansion, upgrading and improvements, as well as the proportional percentage of the indirect costs and expenses.

If for any reason a significant reduction is observed between an asset's historic cost and its market value at the close of the accounting year, then a provision will be recognised for the corresponding impairment.

**4.2.4 Investment Requirements**

**The contents of Article 3 of Law 11/2009 are summarized below:**

**<u>At least 80% of the assets in:</u>**

- Urban buildings for rental purposes

- Land for the promotion of buildings for rental purposes, provided that the promotion begins within 3 years after the acquisition.

- Equity investments in entities falling within the scope of the main corporate purpose.

- The percentage shall be calculated from the consolidated balance sheet, if the SOCIMI is the controlling entity of a group according to the criteria of Article 42 of the Commercial Code, considering the equity interests in entities falling within the same main corporate purpose.

- The value of the assets shall be determined in accordance with the average of the individual balance sheets or, as the case may be, consolidated quarterly balance sheets, with the option of replacing the book values by the market values.

**At least 80% of the income of the tax period** resulting from rental and/or equity interests in the profits from the property falling within the scope of the main corporate purpose, with the following provisos:

- Income derived from the conveyance of said property is not taken into account
- Once the holding period for the investments has elapsed
- The percentage shall be calculated, where applicable, based on the consolidated figures.

**Holding period for property falling within the scope of the main corporate purpose**

- Rental buildings: 3 years after the start of applying the special rules, if the buildings predate the application of the special tax rules; 7 years after the first rental or after the first offer to rent if the buildings are bought thereafter;

- Equity interests in other entities: 3 years after acquisition.

**Diversification:**

- At least 3 buildings among the assets

- No building may represent more than 40% of the assets at the time of acquisition; the calculation be based on consolidated figures, where applicable, and book values may be replaced by market values.

**4.2.5 Leasing**

The tangible assets acquired through finance leasing are recognised in the category of assets corresponding to the rental building and depreciated over their useful economic life according to the same method used for owned assets.

Leases are classified as finance leases whenever their terms and conditions substantially transfer the risks and rewards of ownership to the lessee. Other leases are classified as operating leases.

The policy of depreciation of assets under finance leasing is similar to that applied to the Company's own fixed tangible assets. If it is not reasonably certain that the lessee will ultimately obtain ownership of the asset upon termination of the lease, the asset is depreciated over the estimated economic life or the term of the lease, whichever is shorter.

Interest relating to the financing of assets under financing leases is charged to profit for the year, in accordance with the effective interest method, on the basis of the repayment of the debt.

**4.2.6 Barter Transactions**

In commercial barter transactions, the real estate received is valued at the fair value of the asset given in exchange, unless there is clearer evidence of the fair value of the asset received, which is not to exceed the latter [i.e., the fair value of the asset given in exchange]. The balancing item for any differences in valuation that may arise through the retirement of the item given in exchange shall be the profit-and-loss account.

A barter transaction is considered to be commercial in nature if the configuration (risk, schedule and amount) of the cash flows from the asset received differ from the configuration of the cash flows of the asset given in exchange, or if the present value of the cash flows after taxes on the Company's activities affected by the barter transaction appears to be changed as a consequence of the transaction.

Moreover, it is necessary that any of the differences arising for the above-mentioned causes be significant relative to the fair value of the exchanged assets.

A barter transaction is assumed to be non-commercial if the assets exchanged are of the same nature and use for the company.

If the barter transaction is non-commercial or it is impossible to obtain a reliable estimate of the fair value of the elements that occur in the transaction, the fixed intangible asset received is valued at the book value of the asset given in exchange plus, where applicable, the monetary consideration given in exchange, not to exceed the fair value, if known, of the asset received, if the latter value is lower.

There were no transactions of that type.

**4.2.7 Financial Instruments**

**4.2.7.1 Non-current financial assets and other financial assets**

If recognised initially, these assets are accounted for at fair value plus the costs directly attributable to the transaction, except in the case of financial assets at fair value through profit or loss.

On the balance sheet, financial assets are classified as current if they mature in one year or less or non-current if they mature in more than one year.

**4.2.7.2 Information about the relevancy of the financial assets**

**a) Financial Assets (other than equity investments in the group, multi-group and affiliated companies) and Financial Liabilities**

These assets and liabilities are broken down in the tables below:

**The amount of EUR 1,043,389.59 contained in the Financial Assets table corresponds to the guarantees deposited in the IVIMA** (*Madrid Housing Institute*).

**A) FINANCIAL ASSETS**

| | Long-term financial instruments | | | Short-term financial instruments | | | |
|---|---|---|---|---|---|---|---|
| | **Equity Instruments** | **Debt securities** | **Credit derivatives and others** | **Equity Instruments** | **Debt securities** | **Credit derivatives and others** | **TOTAL** |
| Financial assets at fair value through profit and loss | | | | | | | |
| | | | | | | | |
| Held for trading | | | | | | | |
| | | | | | | | |
| Others | | | | | | | |
| | | | | | | | |
| Held-to-maturity investments | | | | | | | |
| | | | | | | | |
| Loans and receivables** | | | **1,043,389.59** | | | **8,721,336.13** | **9,764,725.72** |
| | | | | | | | |
| Assets available for sale | | | | | | | |
| | | | | | | | |
| Valued at cost | | | | | | | |
| | | | | | | | |
| Hedge derivatives | | | | | | | |
| | | | | | | | |
| **TOTAL** | | | **1,043,389.59** | **0.00** | **0.00** | **8,721,336.13** | **9,764,725.72** |

**B) FINANCIAL LIABILITIES**

| | **Long-term financial instruments** | | | **Short-term financial instruments** | | | |
|---|---|---|---|---|---|---|---|
| | **Equity Instruments** | **Debt securities** | **Credit derivatives and others** | **Equity Instruments** | **Debt securities** | **Credit derivatives and others** | TOTAL |
| **Debts and accounts payable** | | | | | | | |
| | | | | | | | |
| **Liabilities at fair value through profit and loss** | | | | | | | |
| **Held for trading** | | | | | | | |
| **Others** | | | 1,321,,370.32 | | | **1,084,476.51** | **2,405,846.83** |
| **Valued at cost** | | | | | | | |
| | | | | | | | |
| **Hedge derivatives** | | | | | | | |
| | | | | | | | |
| **TOTAL** | **0.00** | **0.00** | **1,321,,370.32** | **0.00** | **0.00** | **1,084,476.51** | **2,405,846.83** |

**b) Financial Assets and Liabilities at fair value through profit and loss**

There are no entries of this type.

The entry of 1,321,370.32 corresponds to security received from clients. And the entry of 1,072,114.07 corresponds to debts to the Public Administration.

**c) Other issues**

According to the rules of valuation, where applicable it is necessary to report reclassifications of classifications by maturity date, assets sold and accepted by way of security, and value adjustments for impairment due to credit risk and default or breach of contract.

The main characteristics of the various headings in the preceding tables shown are explained in detail below:

**Loans and receivables**: these are non-derivative financial instruments with fixed or determinable payments not traded in an active market. After their initial recognition, they are measured at amortised cost using the "effective interest method".

The "amortised cost" is understood to be the initial cost of a financial asset or liability minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount. In the case of financial assets, amortised cost also includes any reduction for impairment.

The effective interest rate is the discount rate that exactly matches the net carrying amount of a financial instrument to all its estimated cash flows of all kinds through its residual life.

The deposits and guarantees are recognised at the amount disbursed to meet the contractual commitments.

Period changes for impairment and reversals of impairment losses on financial assets are recognised in the consolidated income statement for the difference between their carrying amount and the present value of the recoverable cash flows.

Nevertheless, credits from commercial transactions that mature in one year or less and that do not have a contractual interest rate, as well as advances and credits to employees, dividends receivable and payments required on financial instruments the amount of which is expected to be collected in the short term, may be valued at their nominal value if the effect of not discounting the cash flows is insignificant.

**Held-to-maturity investments**: These include non-derivative financial assets with fixed or determinable payments and with a fixed maturity date that the company has the intention and ability to hold to the date of maturity. After their initial recognition, they are also measured at amortised cost.

**Financial assets at fair value through profit or loss**: These include the financial assets held for trading and financial assets managed and measured using the fair value model. These assets are measured at fair value in the consolidated balance sheet and changes are recognised in the consolidated income statement.

**Held-for-trading financial instruments**: these are financial assets acquired for the purpose of sale in the short term, equity instruments and debt securities, forming part of a portfolio of specified financial instruments managed together, and for which there is recent evidence of actions to obtain profits in the short term, or a financial derivative that is neither a financial guarantee contract nor designated as a hedge instrument.

After their initial recognition as such, they is carried at its fair value, and any changes that occur are recognised in the profit and loss account.

**Non-current assets held for sale and discontinued operations.** Non-current assets or disposal groups are classified as held for sale if their carrying value will be recovered principally through sale rather than through continuing use. For that to be the case, the assets or disposal groups must be available for immediate sale in their present condition and their sale must be highly probable.

Discontinued operations represent components of the Company that have been sold or have been otherwise disposed of by the Company or that have been classified as held for sale. Those components comprise groups of operations and cash flows that can be distinguished, operationally and for financial reporting purposes, from the rest of the assets. They represent lines of business or geographical areas that can be considered separate from the rest and also include subsidiaries acquired solely for the purpose of resale.

There are no non-current assets held for sale or discontinued operations on the balance sheet.

**Available-for-sale financial assets.** This category includes all the debt securities and equity instruments held in other companies that have not been classified in any of the previous categories.

Such assets are initially valued at their fair value which, in the absence of evidence to the contrary, will be the transaction price, which ought to be equivalent to the fair value of the valuable consideration given, plus the costs of the transaction that are directly attributable to it.

Subsequent valuation will be based on the asset's fair value, without deducting the transaction costs.

Any changes that occur in the fair value are recognised directly in equity until the financial asset is disposed of or it is determined that it has become impaired, at which time the amount recognised in equity will be recognised in the profit or loss for the year.

The value adjustments for impairment, which should be made at least by the close of the accounting year, and the profit and loss from monetary financial assets denominated in foreign currency, are recognised in profit and loss for the year.

**Equity**: An equity instrument represents a residual interest in the assets of the Company after deducting all of its liabilities.

Capital and other equity instruments issued by the Company are recognised in equity at the proceeds received, less direct issue costs.

**Share capital**: Shares are classified as capital. All the shares carry voting rights, as itemised in Notes 1.3 and 1.5 of the Report.

Expenses directly attributable to the issue of acquisition of new shares are recognised in equity as a deduction from the amount thereof.

**Treasury shares**: Such shares are recognised as a reduction of equity. No gain or loss from the purchase, sale, issue or retirement of treasury shares is recognised.

**Financial liabilities**: Financial liabilities are classified in accordance with the content of the contractual arrangements, bearing in mind the underlying economic context.

**Borrowings and accounts payables:** Interest-bearing bank loans and overdrafts are recognised at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are recognised in the income statement on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Loans are classified as current items unless the Group has the unconditional right to defer repayment of the debt for at least 12 months from the consolidated balance sheet date.

Trade payables are not expressly interest-bearing and are recorded at their nominal value.

Debts from commercial transactions that mature in one year or less and that do not have a contractual interest rate, and other payment obligations that are expected to be settled in the short term, may be valued at their nominal value if the effect of not discounting the cash flows is insignificant.

The subsequent valuation is based amortised cost. Interest expenses are recognised in profit and loss using the effective interest method. The contents of the previous section are applicable with respect to maturities of less than one year.

It should be pointed out that, in all the stipulations of the foregoing sections concerning the valuation of Financial Assets and Liabilities, Accounting and Valuation Rule No. 9 for Financial Instruments in the General Accounting Plan is authoritative.

**Current/Non-current classification**: In the accompanying consolidated balance sheet, debts payable within 12 months are classified as current items and debts payable in more than 12 months as non-current items.

**4.2.8. Information related to the profit and loss account and equity**

All the income contained in the Income Statement comes from building rental payments, totalling EUR 6,869,161.65.

**4.2.9. Accounting Hedges**

No hedging operations were performed.

**4.2.10. Group, multi-group and associated companies.**

The company does not have any equity interests in other companies.

**4.2.11. Other information**

There are no firm commitments to buy or sell financial assets or foreseeable sources of financing.

**NOTE 5**

**5.1. EQUITY**

The share capital as at 31 December 2010 is EUR 107,860,207.90, represented by 1,794,679 shares with a par value of EUR 60.10 each, bearing the numbers 1 through 1,794,679 accordingly, fully paid up, all carrying equal rights and obligations.

No capital increase is in progress, or capital authorised by the Shareholders' Meeting. The shares all carry the same economic rights.

The shares do not incorporate any participation certificates, convertible bonds or similar financial instruments.

There is no restriction on the availability of reserves other than above-mentioned formation and allocation of the legal reserve and the precautionary measures established by Law 11 of 26 October 2009.

The company's shareholders are itemized in Note 1.5 of the report.

The movements in equity capital during accounting year 2010 are shown below:

| | **Balance as at 1 Jan. 2010** | **Changes in the period** | **Balance as at 31 Dec. 2010** |
|---|---|---|---|
| Share capital | 107,860,207.90 | | 107,860,207.90 |
| Legal reserve | 0.00 | 0.00 | 0.00 |
| Voluntary reserve | 0.00 | 0.00 | 0.00 |
| Profit/Loss for 2009 | 3,068,068.20 | -3,068,068.20 | 0.00 |
| Legal reserve | | 350,060.00 | 350,060.00 |
| Voluntary reserve | | 315,054.00 | 315,054.00 |
| Profit/loss for the period | | 3,939,960.92 | 3,939,960.92 |
| **TOTAL** | **110,928,276.10** | **1,537,006.72** | **112,465,282.82** |
| | | | |

No transactions were performed with treasury shares and there is no balance of treasury shares.

**NOTE 6**

**6.1. INVENTORY**

There are no entries of this nature.

**NOTE 7**

**7.1. FOREIGN CURRENCY TRANSACTIONS**

There are no foreign currency transactions.

**NOTE 8**

**8.1 INFORMATIVE SUMMARY OF THE OPERATIONS INVOLVED IN FOUNDING THE COMPANY**

**8.1.1. OPERATIONAL INSTRUMENTATION**

The SOCIMI was created, concurrently with its formation, BY THE SPLIT-OFF OF PART OF THE ASSETS OF COGEIN S.L. AND THE CONTRIBUTION OF THE FOLLOWING ASSETS TO THE SOCIMI CÍA IBERICA DE ARRENDAMIENTOS URBANOS 2009 SOCIMI, S.A.:

- Various properties appraised at EUR 107,860,213.22 by the expert appointed by the Commercial Registry, according to the valuation of non-cash contributions under Article 5.2 of Law 11/2009 on Listed Real Estate Investment Companies; the shareholders of Cogein S.L, who are now the shareholders of the new company that was formed, received 1,794,679 shares with a par value of EUR 60.10 each, which represent 100% of the new company's share capital, which amounts to EUR 107,860,207.90.

The company that was split up, Cogein S.L., approved the Spin-Off Plan in the Extraordinary General Shareholders' Meeting held on 18 November 2009, and that Plan was filed with the Madrid Commercial Register on 26 November of that same year.

Once all the legal requirements had been met, including those concerning public notice of the split-up, all the agreements were notarised by the Madrid Notary Don Luís Pérez Escolar, under no. 3432 of his records, through partial spin-off of the company Cogein S.L. and creation of Compañia Ibérica de Rentas Urbanas 2009, SOCIMI S.A.

That notarised instrument expressly stated that the Company would adhere to the special tax rules under Law 11 of 26 October 2009, without prejudice to the fact that the request for that option was approved in the Extraordinary General Meeting in which the split-up was approved. Nevertheless, the exercise of that option was communicated to the Tax Authorities by a letter dated 23 December 2009.

That fact is likewise noted in the aforementioned instrument of the Company, as well as the Division Plan and Draft Terms of Division, which opted for application of the tax rules under Chapter VIII, Article 96 of the Recast Version of the Company Tax (*Texto Refundido de la Ley del Impuesto sobre Sociedades*). The exercise of that option was communicated to the Tax Authorities by a letter dated 23 December 2009.

According to the provisions of the Division Plan and Draft Terms of Division, as well as the Temporary Provision of the Articles of Association, the operations concerning the segregated assets performed by the divided company COGEIN S.L. were understood to be performed on behalf of that beneficiary of the divisive reorganisation as from 1 January 2009.

The contributions of fixed tangible assets to the divisive reorganisation process are integrated as follows:

| | Hotel | Premises | Hotel | Building | Premises | Premises | Premises | Flats in | |
|---|---|---|---|---|---|---|---|---|---|
| INCOME STATEMENT | Cibeles | G. Vía 34 | Atocha | Pradillo | Rutilo | Duclinea | Albalá | Gran Vía | Total |
| Rental income | 1,081,450 | 1,933,620 | 1,659,900 | 1,399,267 | 77,700 | 99,539 | 215,972 | 401,715 | 6,869,161 |
| Total income | 1,081,450 | 1,933,620 | 1,659,900 | 1,399,267 | 77,700 | 99,539 | 215,972 | 401,715 | 6,869,161 |
| Cost of Sales | | | | | | | | | |
| Gross Margin | 1,081,450 | 1,933,620 | 1,659,900 | 1,399,267 | 77,700 | 99,539 | 215,972 | 401,715 | 6,869,161 |
| | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Indirect costs | -12,582 | -22,496 | -19,312 | -16,280 | -903 | -1,158 | -2,513 | -4,674 | -79,918 |
| Home owners' association | | | | | | | | | |
| Advertising | | | | | | | | | |
| Others (indirect) | -12,582 | -22,496 | -19,312 | -16,280 | -903 | -1,158 | -2,513 | -4,674 | -79,918 |
| Net margin | 1,068,868 | 1,911,124 | 1,640,588 | 1,382,987 | 76,797 | 98,381 | 213,459 | 397,041 | 6,789,243 |
| | 99% | 99% | 99% | 99% | 99% | 99% | 99% | 99% | 99% |
| General expenses | -20,693 | -32,856 | -31,411 | -63,256 | -3,678 | -5,675 | -12,551 | -5,853 | -175,973 |
| Real Property Tax [IBI] | | -12,120 | -10,200 | -48,251 | -2,277 | -3,889 | -8,874 | | -85,612 |
| Chamber of Commerce | | | | | | | | | |
| Economic Activities Tax [IAE] | -1,649 | -2,948 | -2,531 | -2,133 | -118 | -152 | -329 | -613 | -10,473 |
| Professional services (indirect) | | | | | | | | | |
| Insurance premium | -9,095 | | -3,410 | | -567 | -718 | -1,362 | -1,544 | -16,695 |
| Others (indirect) | -9,949 | -17,788 | -15,270 | -12,872 | -715 | -916 | -1,986 | -3,696 | -63,192 |
| EBITDA | 1,048,175 | 1,878,268 | 1,609,177 | 1,319,731 | 73,119 | 92,706 | 200,907 | 391,188 | 6,613,271 |
| | 97% | 97% | 97% | 94% | 94% | 93% | 93% | 97% | 96% |
| Amortisations | -523,549 | -336,798 | -692,789 | -281,211 | -20,856 | -24,478 | -44,749 | 125,538 | 2,049,968 |
| Provisions | | | | | | | | | |
| Financial (indirect) | 18,369 | 32,844 | 28,195 | 23,767 | 1,320 | 1,691 | 3,668 | 6,823 | 116,677 |
| EBT | 542,994 | 1,574,314 | 944,583 | 1,062,287 | 53,583 | 69,919 | 159,826 | 272,473 | 4,679,980 |
| | 50% | 81% | 57% | 76% | 69% | 70% | 74% | 68% | 68% |

### 8.1.2 Types of leases signed with lessees

All the offices and office buildings are leased under standard leases. Regarding the two hotels, their leases include the buildings, installations and furniture.

### 8.1.3 Estimates of Total Income

These estimates are calculated on the assumption of a growth rate of 4.30% for the first year, 6.30% for the second, resulting the following results expressed in thousands of euros.

One year 7,164
Two years 7,615

**NOTE 9**

**9.1 INCOME TAX**

The special tax rules for the company regarding the Corporate Income Tax are provided by Article 9 of Law 11 of 26 October 2009.

Companies that have opted for the application of the special tax rules provided by said Law are regulated by the provisions of the Recast Version of the Company Tax (*Texto Refundido de la Ley del Impuesto sobre Sociedades*), without prejudice to the special rules provided by the above-cited Article 9 of Law 11/2009, which is summarised below:

**Tax Base**

- Exemption of 20% of the income from home rental, if said income accounts for more than 50% of the assets, calculated according to the stipulations of Article 3 of Law 11/2009.

- The self-assessment is based on the portion of the Tax Base which corresponds to the proportion of distributed dividends granted, excluding the income subject to normal tax rates.

- In cases of dividends or disposals (other than compensation for losses) charged to the reserves of accounting periods in which the special tax rules were applied, the self-assessment should include the portion of the Tax Base of the original period that corresponds to the proportion of the dividends or disposals, while excluding the income subject to normal tax rates.

**Tax Rates**

- 19% of the income subject to the special tax rules

- The normal rate on the rest of the income:

**Deductions and allowances**

- These are applicable according to the general tax rules.

- The deduction for reinvestment with respect to the conveyance of property assigned to the company's main purpose, after the holding periods have elapsed.

**9.1.2 Reconciliation of the net income and expenditure for the period with the corporate income tax base.**

**Accounting profit from continued operations 4,679,980.49 Profit recognised in Equity**

| | Increases | Decreases | Increases | Decreases |
|---|---|---|---|---|
| Permanent differences * | 844,075,21 | 0.00 | 0.00 | 0.00 |
| Tax base for 2010 accounting year | | 5,524,055.70 | | |
| Appropriation to legal reserves | | 467,277.20 | | |
| Appropriation to voluntary reserves | | 421,198.24 | | |
| Corporate income tax at 19% | | 740,019.57 | 0.00 | 0.00 |

*** The amount of 844,075.21 is added to the Accounting Profit to form a permanent difference which arises from the rate of book depreciation applied to the market value of the depreciable assets, unlike the rule under tax law, which uses the acquisition value.**

For the calculation of the Corporate Income Tax, it has been taken into account that all the income from the period is taxed under the special rules for SOCIMIs under Articles 8 and 9 of Law 11 of 27 October 2009.

Within the Corporate Income Tax payment period, the tax liability is as follows:

| | |
|---|---|
| - Income Tax | 740,019.57 |
| - Temporary Differences: | ……………….. |
| - Withholdings and payments on account | -177,876.16 |
| - Net tax liability | EUR 562,143.41 |

The Company keeps all the taxes, companies, personal income tax, value added tax and other taxes of the years 2009 and 2010 available for tax inspection.

The board members consider that there is no material tax risk.

**9.2 LEGAL REQUIREMENTS OF SOCIMI STATUS UNDER LAW 11/2009**

**9.2.1 Particularities of the appropriation of profits, distribution of dividends and other aspects related to the acquisition of property assigned to the company's main purpose and the distribution of reserves**

- Retained earnings from periods prior to the application of the special tax rules

- Profit appropriated to reserves in each period of application of the special tax rules, differentiating the part pertaining to that period from the part subject to normal tax rules and from the part corresponding to conveyances, indicating the amount invested and pending reinvestment.

- Dividends distributed out of the income each year, differentiating the portions pertaining to each set of tax rules.

- Dividends distributed out of reserves, designating the period of origin and differentiating the portions pertaining to each set of tax rules.

- Date of acquisition of the property assigned to the company's main purpose.

- Identification of the assets used for the calculation of the reinvestment rate (80%)

- Disposals of reserves for purposes other than the distribution of dividends or compensation for losses, differentiating the portions pertaining to each set of tax rules.

**9.2.3 Other Formal Obligations**

At the request of the Tax Office:

- Detailed information about the calculations made to determine the result of the distribution of costs among the various sources of income.

To the shareholders:

- Information necessary for the shareholders to comply with the tax rules. This information should be supplied together with the dividend payment.

- Forfeiture of the benefits of the special tax rules should be communicated in the same tax period as the circumstances occur that result in the forfeiture.

**9.2.4 Special tax rules for the Shareholders**

- Retention from dividends: not applicable

**Non-Resident Permanent Establishments and Companies**

- Dividends out of income taxed at the special rate: gross-up based on the rate in question:
D x 100/ (100-19) = D x 100/81

- DDID [deduction]: min. (19% x beneficiary rate) x Dividend subject to Special Rules

- The limitations and exclusions of Article 30.4 of the TRIS (Recast Corporate Income Tax Law) are maintained, although 19% may be applied for letter (e), where applicable.

- Dividends out of income taxed at normal rate: DDID according to general rules.

- Transfers of equity interests in the SOCIMI or the like, the DDID is applied according to the above criteria.

-If the equity interest was acquired from an affiliated entity or individual, the losses are counted only insofar as they exceed the exempt income in the affiliated transferor.

**Natural persons**

- The dividend collection is considered tax-exempt income.

- In transfers, the profit is exempt up to the limit of the difference (10% of the acquisition price per year of holding in which the special rules were applied) less (tax-exempt dividends collected in the same period). If the equity interest was acquired in an affiliated entity that obtained a loss, only the amount above the loss will be exempt.

**Non-resident without Permanent Establishment**

- The same rules are applied as for IRPF, provided that it resides in a country/territory with which there is no actual interchange of tax information.

*Key to abbreviations used***:**

*TRIS: Texto Refundido Impuesto Sociedades (Recast Version of Corporate Income Tax)*
*DDID: Deduction for Double Taxation of Dividends*
*D: Dividends*

**9.2.5 Compliance with the reporting position of SOCIMI, Article 11 of Law 11/2009**

The Company represents and warrants:

- None of the facts occurred related to the reporting obligations under subsections (a), (d) and (h) of subsection (1) of Article 11 of said Law, so there is nothing to report.

- subsections (b), (c) and (e): The earnings before taxes obtained in financial year 2010 of EUR 4,679,980.49 came exclusively from income subject to the Corporate Income Tax at 19% pursuant to the special tax rules.

-10% of that amount, i.e., EUR 467,998.05, is appropriated to the Legal Reserve; EUR 421,198.24 to the Voluntary Reserve; EUR 3,050,764 to Dividends and EUR 740,019.57 to current tax.

For all of the foregoing, the relevant decisions will be made at the next General Meeting, at the proposal of the Board of Directors.

- f) The list of the acquisition date[s] of the building[s] and the identification of the assets used to calculate the 80% mentioned in Article 3.1 of Law 11/2009 is given in subsection 8.1.1 of NOTE 8 of the report.

- g) The totality of the buildings, valued at EUR 107,860,207.90 by the expert appointed by the Commercial Register and contributed to the Company at the time of its formation, represents 100% of its fixed tangible assets.

**NOTE 10**

**10.1 INCOME AND EXPENSES**

The income, which is recorded according to the accrual method, comes entirely from building rental, amounted to EUR 6,869,161.65 in the 2010 financial year.

The Net Financial Gain (Loss) in the 2010 financial year was a profit of EUR 116,677.28.

The expenses arose from the depreciation of fixed tangible assets and buildings in the amount of EUR 2,049,968.19, plus expenses for External Services and Other Taxes in the amount EUR 175,971.92 and Personnel Expenses in the amount of EUR 79,918.33.

In the 2009 financial year, the building rental income amounted to EUR 4,298,331.87. Write-downs of real estate investments amounted to 728,657.27 and the other operating expenses totalled EUR 69,074.65.

**NOTE 11**

**11.1 PROVISIONS AND CONTINGENCIES**

Probable or certain liabilities of any kind, whether arising out of current litigation, claims, endorsements, guarantees, indemnifications or pending obligations of an indeterminate amount are provisioned against the net earnings for the year, in accordance with a fair estimate of their amount; no contingency occurred during the reporting period that gave rise to the formation of such provisions.

**NOTE 12**

**12.1 INFORMATION ON THE ENVIRONMENT**

Environmental activity is defined as activity that is intended to prevent, reduce or repair environmental damage.

The company, by nature, does not have a significant environmental impact.

The expenses incurred to purchase systems, equipment and installations whose purpose is to eliminate, limit or control the possible environmental impact that might be caused in the normal course of the Company's activities are considered investments in fixed tangible assets.

The rest of the expenses related to the environment, apart from the expenses incurred to buy fixed tangible assets, are considered current expenses of the period.

The Company's board members believe that no material liabilities or expenses will arise by reason of any environmental issues that may be related to their activities.

**NOTE 13**

**13.1 EVENTS AFTER THE CLOSING DATE**

No facts or events have occurred that affect the true and faithful picture of the results of the operations and the company's financial statements, which were closed on 31 December 2010.

**NOTE 14**

**14.1 SUBSIDIES**
There were no operations of this type.

**NOTE 15**

**15.1. BUSINESS COMBINATIONS**
There are no items of this type.

**15.2. JOINT VENTURES**
There are no items of this type.

**15.3. NON-CURRENT ASSETS HELD FOR SALE**
There are no items of this type.

**15.4. DISCONTINUED OPERATIONS**
There are no items of this type.

**15.5. LONG-TERM PAYMENTS TO PERSONNEL**
There are no items of this type.

**15.6. PAYMENTS TO BOARD MEMBERS AND TOP MANAGEMENT**
The members of the Board of Directors and top managers did not receive any form of remuneration, no contributions have been made to the employee savings or pension plans, and no type of insurance contract has been agreed upon.

## NOTE 16

## INFORMATION ON ACTIVITIES AND EQUITY INTERESTS IN OTHER COMPANIES, ARTICLE 229 OF THE RECAST VERSION OF THE LAW ON CORPORATIONS, IN ENTITIES WITH ACTIVITIES THAT ARE SIMILAR OR COMPLEMENTARY TO THOSE CONSTITUTING THE COMPANY'S PURPOSE.

EQUITY INTERESTS AND OFFICES HELD IN OTHER COMPANIES BY THE MEMBERS OF THE BOARD OF DIRECTORS OF SOCIMI COMPAÑIA IBÉRICA DE RENTAS URBANAS 2009, SOCIMI S.A.

| HOLDER | COMPANY IN WHICH INTEREST IS HELD | ACTIVITY | EQUITY INTEREST | OFFICE HELD IN COMPANY IN WHICH INTEREST IS HELD |
|---|---|---|---|---|
| JOSE LUIS COLOMER HERNANDEZ | PRYCONSA | CONSTRUCTION | 0.82% | CHAIRMAN |
| | SORANSA 1989, S.A. | PROMOTION OF PERI | 0% | CHAIRMAN |
| | INMOBILARIA PALENTINA, S.L. | CONSTRUCTION | 0.01% | EXECUTIVE DIRECTOR SECRETARY (Rep. Cogein S.L.) |
| | GRANVIA 34, S.A. | CONSTRUCTION | 0.02% | VOTING BOARD MEMBER |
| | CIA. IBERICA DE RENTAS URBANAS 2009, S.A. | REAL ESTATE OPERATING/INVESTMENT | 0.00% | VICE-CHAIRMAN |
| | CIA. IBERICA DE BIENES RAICES 2009 S.A. | REAL ESTATE OPERATING/INVESTMENT | 0 | CHAIRMAN |
| ANDREA BARRIGON GONZALEZ | PRYCONSA | CONSTRUCTION | 0.04% | NONE |
| | INMOBILARIA PALENTINA, S.L. | CONSTRUCTION | 99.99% | NONE |
| | PROPIEDADES CACEREÑAS, S.L. | CONSTRUCTION | 2.51% | NONE |
| | COGEIN, S;L. | CONSTRUCTION | 25% | NONE |
| | CIA. IBERICA DE RENTAS URBANAS 2009, S.A. | REAL ESTATE OPERATING/INVESTMENT | 16.90% | NONE |
| | CIA. IBERICA DE BIENES RAICES 2009 S.A. | REAL ESTATE OPERATING/INVESTMENT | 0.6505 | NONE |
| MARCO COLOMER BARRIGON | PRYCONSA | CONSTRUCTION | 0.00003% | EXECUTIVE DIRECTOR |
| | SORANSA 1989, S.A. | PROMOTION OF PERI | 0% | EXECUTIVE DIRECTOR |
| | COGEIN, S.L. | CONSTRUCTION | 23% | CHAIRMAN EXECUTIVE DIRECTOR |
| | GRANVIA 34, S.A. | CONSTRUCTION | 0.00% | Rep. Cogein SL |
| | ROYAL INMOBILARIA, S.A. | CONSTRUCTION | 30% | SECRETARY (Rep. Cogein) |
| | PROPIEDADES CACEREÑAS, S.L. | CONSTRUCTION | 21.55% | EXECUTIVE DIRECTOR |
| | CIA. IBERICA DE RENTAS URBANAS 2009, S.A. | REAL ESTATE OPERATING/INVESTMENT | 31.12% | CHAIRMAN |
| | CIA. IBERICA DE BIENES RAICES 2009 S.A. | REAL ESTATE OPERATING/INVESTMENT | 0 | EXECUTIVE DIRECTOR |
| JOSE LUIS COLOMER BARRIGON | PRYCONSA | CONSTRUCTION | 0.00003% | VOTING BOARD MEMBER |
| | SORANSA 1989, S.A. | PROMOTION OF PERI | 0% | VOTING BOARD MEMBER |
| | COGEIN, S.L. | CONSTRUCTION | 23% | VOTING BOARD MEMBER |
| | GRANVIA 34, S.A. | CONSTRUCTION | 0.00% | VOTING BOARD MEMBER |
| | ROYAL INMOBILARIA, S.A. | CONSTRUCTION | 30% | NONE |
| | PROPIEDADES CACEREÑAS, S.L. | CONSTRUCTION | 21.58% | VOTING BOARD MEMBER |
| | CIA. IBERICA DE RENTAS URBANAS 2009, S.A. | REAL ESTATE OPERATING/INVESTMENT | 31.06% | VOTING BOARD MEMBER |
| | CIA. IBERICA DE BIENES RAICES 2009 S.A. | REAL ESTATE OPERATING/INVESTMENT | 0 | VOTING BOARD MEMBER |

The following table shows the activities performed by the various members of the Board of Directors in companies with the same, similar or complementary companies; they hold no equity interests in said companies:

| Board Member's Name | Company |
|---|---|
| **JOSÉ LUíS COLOMER HERNÁNDEZ** | Chairman and Executive Director of Royal Inmobilaria, S.A.<br>Chairman and Executive Director of Isla Canela S.A. |
| **MARCO COLOMER BARRIGÓN** | Secretary and Executive Director of Cía. Ibérica de Viviendas Siglo XXII, S.L.<br>Executive Director of Isla Canela S.A. |
| **JOSÉ LUIS COLOMER BARRIGÓN** | Voting Board Member of Isla Canela S.A.<br>Voting Board Member of Cía. Ibérica de Viviendas Siglo XXII, S.L.<br>Voting Board Member of Gran Vía, 34, S.A. |

The persons closely related to the board members within the meaning of Article 231 TRLSC (Recast Version of the Law on Corporations) hold no equity interests in companies that would be create a conflict interest.

**NOTE 17**

**17.1 INFORMATION ON THE REMUNERATION OF THE AUDITORS**

The fees of the Audit Firm for the annual accounts of the period ended on 31 December 2010 amounted to EUR 4,700.00. During said period, the company did not perform any other transaction with its audit firm or with other entities of the same group of companies to which said firm belongs, nor with any other company with which it is affiliated through common ownership, management or control.

**NOTE 18**

**PROVISIONS FOR IMPAIRMENT**

Since the Company applied the rules of valuation at the close of the financial year, it was not thought necessary to recognise reversible provisions for impairment in the Real Estate Investments, since they were appraised by an expert appointed by the Commercial Register in the course of the spin-off at the same value recognised in the Balance Sheet before allowance for depreciation.
Nevertheless, the Board of Directors, in keeping with principle of prudent accounting, has commissioned an updated appraisal of the Company's real estate assets.

**NOTE 19**

**INFORMATION ON DEFERRAL OF PAYMENTS TO SUPPLIERS**

The Company did not have any accounts payable to supplier as at the close of the 2010 accounting period.

Madrid 30 March, 2011

| **2. Financial Statements**<br>**2.1 Balance Sheet** | **2010** | **2009** |
|---|---|---|
| **COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI S.A.** | | |
| | | |
| **Balance as at 31/12/2010** | | |
| | | |
| **A. NON-CURRENT ASSETS** | | |
| | | |
| **III. Real estate investments** | 107,860,207.90 | 107,860,207.90 |
| Real estate for rental purposes | -2,778,625.46 | -728,657.27 |
| **Total real estate investments** | **105,081,582.44** | **107,131,550.63** |
| | | |
| **V. Long-term financial investments** | | |
| | | 0.00 |
| 5. Other long-term financial assets/guarantees | 1,043,389.59 | 0.00 |
| | | |
| Total long-term financial investment | **1,043,389.59** | 0.00 |
| | | |
| **Total Non-Current Assets** | **106,124,972.03** | **107,131,550.63** |
| | | |
| **B. CURRENT ASSETS** | | |
| | | |
| III. Trade and other receivables | | |
| | | |
| 1 Trade and other receivables | 209,128.18 | 4,460,923.88 |
| | | |
| Total trade and other receivables | **209,128.18** | **4,460,923.88** |
| | | |
| V. Short-term financial investments | | |
| 2. Short-term credits | 8,511,371.00 | |
| 5. Other short-term deposits/financial assets | 836.94 | 0.00 |
| | | |
| **Total short-term financial investments** | **8,512,207.94** | 0.00 |
| | | |
| VII Cash and cash equivalents | | |
| | | |
| 1. Liquid assets | 24,821.50 | 0.00 |
| | | |
| Total cash and cash equivalents | **24,821.50** | 0.00 |
| | | |
| **Total Current Assets** | **8,746,157.62** | **4,460,923.88** |
| | | |
| **TOTAL ASSETS** | **114,871,129.65** | **111,592,474.51** |

| | | |
|---|---|---|
| **NET ASSETS AND LIABILITIES** | **2010** | **2009** |
| | | |
| **A. SHAREHOLDERS' EQUITY** | **112,465,282.82** | **110,928,276.10** |
| I. Capital | | |
| Share capital | 107,860,207.90 | 107,860,207.90 |
| Authorised capital | 107,860,207.90 | 107,860,207.90 |
| Total capital | **107,860,207.90** | **107,860,207.90** |
| | | |
| **III Reserves** | | |
| 1. Legal Reserve | 350,060.00 | 0.00 |
| 2. Other Reserves | 315,054.00 | 0.00 |
| Total Reserves | **665,114.00** | 0.00 |
| | | |
| **VII. Results for the year** | **3,939,960.92** | **3,068,068.20** |
| | | |
| **B. NON-CURRENT LIABILITIES** | | |
| | | |
| **II Long-term debt** | | |
| | | |
| 5. Long-term liability for money received as security | 1,321,370.32 | 0.00 |
| **Total long-term debts** | **1,321,370.32** | **0.00** |
| | | |
| **Total non-current liabilities** | **1,321,370.32** | **0.00** |
| | | |
| **C. CURRENT LIABILITIES** | | |
| | | |
| **V. Trade and other payables** | | |
| 3. Sundry payables | 12,362.44 | 0.00 |
| **Total trade and other payables** | **12,362.44** | 0.00 |
| | | |
| **6. Other debts to Public Administrations** | | |
| | | |
| 5. Other debts to Public Administrations | 332,094.50 | |
| 6. Liabilities due to current tax | 740,019.57 | 432,531.75 |
| | | |
| **Total** other debts to Public Administrations | **1,072,114.07** | **432,531.75** |
| | | |
| **VI. Short Term Deferred Expenses** | | |
| Income received in advance | 0.00 | 231,666.66 |
| **Total Short Term Deferred Expenses** | 0.00 | **231,666.66** |
| | | |
| **Total Current Liabilities** | **1,084,476.51** | **664,198.41** |
| | | |
| **TOTAL LIABILITIES** | **114,871,129.65** | **111,592,474.51** |

| | | |
|---|---|---|
| The attached Notes 1 to 19 of the appended Report form an integral part of the Balance Sheet for the financial year ending 31 December 2010. | | |

| **2. Financial Statements** | **2010** | **2009** |
|---|---|---|
| | | |
| **2.2 Profit and Loss Account** | | |
| | | |
| **COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI S.A.** | | |
| | | |
| **A) ONGOING OPERATIONS** | | |
| Real property leases | 6,869,161.65 | 4,298,331.87 |
| **Total Turnover** | **6,869,161.65** | **4,298,331.87** |
| | | |
| 6. Personnel expenses | | |
| a) Wages and salaries | -69,608.22 | 0.00 |
| b) Social security charges | -10,310.11 | 0.00 |
| **Total personnel expenses** | **-79,918.33** | |
| | | |
| 7 a) Other services | -79,887.37 | -69,074.65 |
| b) Other taxes | -96,084.55 | 0.00 |
| | | |
| **Total other operating expenses** | -175,971.92 | **-69,074.65** |
| | | |
| Depreciation of fixed tangible assets | -562,240.93 | |
| Depreciation of real estate investments | -1,487,727.26 | -728,657.27 |
| **Total depreciation of fixed assets** | **-2,049,968.19** | **-728,657.27** |
| | | |
| **A.1 Operating profit (loss)** | **4,563,303.21** | **3,500,599.95** |
| | | |
| **12. Financial income** | 116,695.28 | 0.00 |
| B2 Other financial income | 116,695.28 | 0.00 |
| | | |
| **13 Financial expense** | **-18.00** | **0.00** |
| B Other financial expense | -18.00 | 0.00 |
| | | |
| **A.2 Financial profit (loss)** | 116,677.28 | 0.00 |
| | | |
| **Profit (loss) before tax** | **4,679,980.49** | **3,500,599.95** |
| **Tax on profit** | **740,019.57** | **432,531.75** |
| **Profit (loss) for the year from ongoing operations** | **3,939,960.92** | **3,068,068.20** |
| The Notes 1 to 19 of the attached Report form an integral part of the Profit and Loss Account for the financial year ending 31 December 2010. | | |
| | | |

| | | | |
|---|---|---|---|
| **2 – Financial Statements** | **CASH FLOWS** | | |
| **2.3 – Cash flows** | | | |
| | | | |
| **CIA IBERICA DE RENTAS URBANAS 2009 SOCIMI S.A.** | | | |
| | | | |
| | YEAR | 2010 | 2009 |
| | | | |
| **A) CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| | | | |
| 1. Pre-tax profit (loss) for the year | | 4,679,980.49 | **3,500,599.95** |
| | | | |
| 2. Adjustments to profit (loss) | | **1,193,271.34** | **728,657.27** |
| a) Depreciation of real estate investments | | 2,049,968.19 | 728,657.27 |
| g) Financial income | | -116,695.28 | |
| h) Financial expense | | 18.00 | |
| k) Other income and expenditure | | -740,019.57 | |
| | | | |
| 3. Changes to working capital | | 6,656,805.59 | **-4,460,923.88** |
| | | | |
| b) Accounts receivable and other receivables | | 4,250,958.76 | -460,923.88 |
| d) Accounts payable and other payable | | 1,084,476.51 | |
| f) Other non-current assets and liabilities | | 1,321,370.32 | |
| | | | |
| 4. Other cash flow from operating activities | | -547,521.13 | **231,666.66** |
| | | | |
| a) Interest expense | | -18.00 | |
| c) Interest income | | 116,695.28 | |
| d) Income tax paid | | -432,531.75 | |
| e) Other payments or collections | | -231,666.66 | 231,666.66 |
| | | | |
| Cash flow from operating activities (+-1+-2+-3+-4) | | **11,982,536.29** | 0.00 |
| | | | |
| B) CASH FLOW FROM INVESTMENT ACTIVITIES | | | |
| | | | |

| | | | |
|---|---|---|---|
| 6. Payments for investments | | | **-9,554,760.59** |
| | | | |
| e) Other financial assets | | | -8,511,371.00 |
| g) Other assets | | | -1,043,389.59 |
| | | | |
| 7. Collections from disinvestments | | | 0.00 |
| | | | |
| **3. Cash flow from investment activities** | 7-6) | | **-9,554,760.59** |
| | | | |
| **C) CASH FLOW FROM FINANCING ACTIVITIES** | | | 0.00 |
| | | | |
| 9. Collections and payments on equity securities | | | 0.00 |
| | | | |
| 10. Collections and payments on financial liability securities | | | 0.00 |
| | | | |
| 11. Payments on dividends and return on other equity securities | | | -2,402,954.20 |
| | | equity | |
| **12. Cash flow from financing activities (+-9+-10+-11)** | | | **-2,402,954.20** |
| | | | |
| D) Effect of exchange rate fluctuations | | | 0.00 |
| | | | |
| **E) NET INCREASE / REDUCTION IN CASH OR EQUIVALENT (+-5+-8+-12)** | | | **24,821.50** |
| | | | |
| | | | |
| Cash or equivalent at the beginning of the financial year | | | 0.00 |
| | | | |
| Cash or equivalent at the end of the financial year | | | **24,821.50** |
| | | | |
| | | | |

| **2.Financial Statements** | YEAR 2010 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **2.4 Statement of changes** | | | | | | | | |
| **In net assets** | | | | | | | | |
| **COMPAÑÍA IBÉRICA DE RENTAS** | | | | | | | | |
| **URBANAS 2009 SOCIMI S.A.** | | | | **Profit (loss)** | **Profit (loss)** | | **Assets available** | |
| | | **Legal** | **Voluntary** | **from prior** | **for the** | | **for sale at** | |
| | **Capital** | **Reserve** | **Reserve** | **years** | **year** | **Dividends** | **fair value** | **Total** |
| E) FINAL BALANCE OF 2009 | 107,860,207.90 | | | 3,068,068.20 | | | 0.00 | |
| I. Total income and expenses recognised | | | | | 3,939,960.92 | | | 3,939,960.92 |
| II. Operations with the members and owners | | | | -3,068,068.20 | | 2,402,954.20 | | -3,068.20 |
| Application of profit (loss) | | 350,060.00 | 315,054.00 | | | -2,402,954.20 | 0.00 | 665,114.00 |
| F) FINAL BALANCE OF 2010 | 107,860,207.90 | 350,060.00 | 315,054.00 | 0.00 | 3,939,960.92 | 0.00 | 0.00 | 112,465,282.82 |

**2 – Financial Statements**
**2.4 – Statement of Changes in Net Assets**

| **Compañia Ibérica de Rentas Urbanas 2009, SOCIMI S.A.** | **2010** | **2009** |
|---|---|---|
| A) | | |
| | | |
| **Profit (loss) for the year** | **3,939,960.92** | **3,068,068.20** |
| | | |
| Interest and expense recognised in equity | 0.00 | |
| | | |
| Transfers to profit and loss accounts | 0.00 | |
| | | |
| **Total income and expense recognised** | **3,939,960.92** | **3,068,068.20** |

Notes 1 to 19 of the report form an integral part of this Financial Statement.

## COMPAÑIA IBÉRICA DE RENTAS URBANAS 2009, SOCIMI S.A.

### 3- Management Report

For the financial year ended on 31 December 2010

### Business Trend, Situation of the Company and Outlook

The year 2010 may be called the year of the start of the sovereign debt crisis which continues in a latent manner up to the present day. The root of the problem first appeared during the year 2009, when the governments set up tax stimulus measures in an attempt to partially make up for the intense contraction in the private sector, which is common in periods of recession. In such periods, tax income drops significantly, spending on unemployment benefits and tax stimuli increase, and governments issue considerable amounts of debt to finance their activities.

At the start of 2010, all the countries in the Euro zone presented a multi-year adjustment plan to the European Commission in order to achieve a convergence towards balance. The United Kingdom, despite not belonging to the Euro zone, also presented an important adjustment plan, since it had one of the most swollen deficits. In contrast, the United States opted for the opposite approach, in the hope that its own growth would later provide a solution to the deficit problem.

The period between May and October was relatively calm, and the countries of the Euro zone designed a rescue mechanism, the European Financial Stability Fund (EFSF), which was to be used in case certain other countries needed help. Moreover, the fiscal accounts of those countries improved very significantly as compared to 2009, suggesting that progress was being made towards the objectives of the adjustments. One exception was Portugal, where the accounts showed no improvement at all and, although they would attain the objective, they did so by taking extraordinary measures rather than by following the above-mentioned adjustment plan.

During the last two months of the year, the German government raised doubts about what would happen in 2013 when the EFSF was scheduled to terminate, which meant the start of a second wave of the crisis with one clear victim, Ireland, which was forced to ask for rescue from that mechanism, due to the complicated situation in its financial sector, which in turn needed to be bailed out by the government. Moreover, investors are continuing to keep an eye on Portugal and Spain.

In terms of growth, the disparity between the countries in the Euro zone became increasingly apparent in the course of 2010. Germany and some of the core countries underwent spectacular growth, with very solid fundamentals. France and Italy recovered more slowly, and the peripheral countries are clearly lagging behind.

Inflation in the developed countries in 2010 remained at relatively low levels, with a foreseeable resurgence of inflation through raw material price increases in 2011.

The financial year 2011 will be a year of positive growth and consolidation of the recovery. After a year of spectacular growth in certain cases, such as Germany, it is possible that in 2011 the economies will almost have reached their potential. In the case of the United States, growth of approximately 3.0% is expected in 2011, following the growth rate of approximately 2.9% in 2010.

In the case of the Euro zone, the growth rate is predicted to be about 1.6% throughout 2011, after approximate growth of 1.7% throughout 2010.

In the case of the emerging countries, China has begun to clamp down on the disproportionate growth of credit in 2009 by taking various measures, including by raising the required capital reserves of banks and increasing interest rates somewhat. Growth in 2010 was about 10% and for the government's objective for 2011 is 9%. Moreover, the countries of Latin America have also had a very good year in 2010, with growth rates above 5% in three largest economies, with hopes that 2011 will continue at a similar pace.

## The Company's Activities

In 2010, the property rental income reached about EUR 6,869 thousand, versus 4,298 thousand in 2009.

For the next two years, it is estimated that the income, assuming that the current conditions continue to prevail, will amount, in thousands of Euros, to EUR 7,164 in 2011 and EUR 7,614 in 2012.

Earnings after tax were EUR 4,679 thousand. The Board of Directors will propose to the General Meeting to appropriate EUR 468 thousand to the Legal Reserve, EUR 421 thousand to the Voluntary Reserve and a Dividend of EUR 3,051 thousand.

No investments or disinvestments in Real Estate Assets were performed in 2010.

### Significant events since the closing date in 2010

Nothing to add to the comments in the Report.

### Research and development

Nothing to report, in light of the Company's corporate purpose.

### Acquisition of treasury shares

The Company did not conduct any manner of trading in its own shares in the course of 2010.

## Auditors' Report on the Annual Accounts

**To the Shareholders of Compañía Ibérica de Rentas Urbanas 2009 SOCIMI, S.A.**

*1. We have audited the annual accounts of Compañía Ibérica de Rentas Urbanas 2009 SOCIMI, S.A., comprising the balance sheet as at 31 December 2010, the profit and loss account, the statement of changes in net assets, the cash flow statement and the report on the annual accounts for the financial year ending on the said date. The members of the Board of Directors are responsible for drawing up the company's annual accounts in accordance with the applicable financial reporting guidelines, as indicated in* ***Note 2*** *of the attached report. Our responsibility is to express an opinion regarding the above mentioned annual accounts as a whole, on the basis of the work carried out in accordance with the generally accepted audit principles in Spain, which require us to examine, by means of selective sampling, whether the supporting evidence, the accounting principles applied and the estimates made comply with the applicable financial reporting guidelines.*

*2. On 24 June 2010, we issued our audit report on the annual accounts of 2009, in which we expressed a favourable opinion.*

*3. Without prejudice to our audit opinion, we wish to call your attention to* ***subsection 2.1.4 of Note 2*** *of the report, which points out that the appended annual accounts are the first accounts that have been drawn up, in accordance with the rules set out in the General Accounting Plan as amended by Royal Decree 1159/2010.*

*With that in mind, in accordance with the provisions of subparagraph (1) of the Fifth Temporary Provision (Disposición Tranistoria Quinta) of Royal Decree 1159/2010, these annual accounts* have been treated as equivalent to initial annual accounts, since the comparative figures of the prior financial year have not been adapted to the new criteria, so that any comparison between the two financial years must take that fact into account.

*4. In our opinion, the attached Annual Accounts for financial year 2010 reflect, in all significant aspects, a faithful image of the net assets and financial situation of Compañía Ibérica de Rentas Urbanas 2009 SOCIMI, S.A. as at 31 December 2010 and the results of its operations, of the changes to its net assets and of the cash flows for the financial year ending on the said date, in accordance with the applicable financial guidelines, particularly in accordance with the accounting rules and principles contained therein.*

*4. The attached management report for 2010 contains the explanations that the Board of Directors deemed appropriate in relation to the Company's situation, the development of its business and other matters, and is not an integral part of the annual accounts. We have verified that the accounting information contained in the above mentioned management report is consistent with the information contained in the annual accounts for 2010. Our task as auditors is limited to checking the management report to the extent mentioned in this paragraph, and does not include reviewing information obtained from any sources other than the Company's accounting records.*

***MR AUDITORES S.L.***
*Registered in the Official Register of Accounts Auditors (ROAC) under number SO-542*
*Registered with the Spanish Institute of Chartered Accountants (ICJCE)*

*Partner: Pascual Blanco Fernández*
*[SIGNATURE]*

***Madrid, 11 May 2011***

Madrid Commercial Register. Ledger of Companies (Libro de Sociedades), Volume 364, Folio 25, Sheet M-7151, Tax ID: B-79489126

3. Financial year 2011 (closed on September 30, 2011)

# Compañía Ibérica de Rentas Urbanas 2009 SOCIMI, S.A.

Auditors´ Report on special-purpose interim Financial Statements for the period of nine moths as of September 30, 2011

*Translation of a report originally issued in Spanish based on our work performed in accordance with International Standards on Auditing and of interim financial statements originally issued in Spanish and prepared in accordance with International Financial Reporting Standards as adopted by the European Union (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.*

Deloitte.

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Fax: +34 915 14 51 80
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*Translation of a report originally issued in Spanish based on our work performed in accordance with International Standards on Auditing and of interim financial statements originally issued in Spanish and prepared in accordance with International Financial Reporting Standards as adopted by the European Union (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.*

AUDITORS' REPORT ON SPECIAL-PURPOSE INTERIM FINANCIAL STATEMENTS

To the Shareholders of COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI, S.A., at the request of Company management:

We have audited the accompanying interim financial statements of COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI, S.A., which comprise the interim balance sheet at 30 September 2011 and the related interim income statement, interim statement of changes in equity, interim statement of recognised income and expense and interim statement of cash flows for the nine-month period then ended, as well as a summary of the significant accounting policies and other explanatory information. The interim financial statements were prepared by the Company's directors in accordance with International Financial Reporting Standards in order to comply with the information requirements associated with the incorporation of a Luxembourg company through the non-monetary contribution of all the shares of COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI, S.A.

**Responsibility of the directors in relation to the interim financial statements**

The Company's directors are responsible for the preparation and fair presentation of the interim financial statements, in conformity with International Financial Reporting Standards as adopted by the European Union, and for the internal control that they consider necessary to permit the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

**Responsibility of the auditor**

Our responsibility is to express an opinion on the aforementioned interim financial statements based on our audit. We performed our work in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit in order to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures in order to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures selected, including the assessment of the risk of material misstatement in the financial statements, whether due to fraud or error, depend on the auditor's judgement. In performing the aforementioned risk assessments, the auditor takes into account the internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate based on the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes the assessment of the appropriateness of the accounting policies used, of the reasonableness of the accounting estimates made by the directors and of the overall presentation of the financial statements.

We consider that the audit evidence we have obtained provides a sufficient and appropriate basis for our audit opinion.

**Limitation on the scope**

As mentioned in Note 4 to the interim financial statements, the Company has obtained an updated valuation of its investment properties at September 30, 2011. This appraisal was conducted by an independent expert unrelated to the Company and has determined a loss of EUR 3,998,000, which has been recognized under "Impairment and gains on disposals of fixed assets" in the accompanying income statement. Since we have not received asset valuations at December 31, 2010, we could not determine whether some of the impairment, if any, corresponds to 2010 and accordingly, we could not assess the reasonableness of the valuation of investment properties at December 31, 2010.

**Opinion**

In our opinion, except for the effects of any adjustments which might have been considered necessary had we been able to satisfy ourselves as to the valuation of the investment properties at 31 December 2010, the accompanying interim financial statements present fairly, in all material respects, the financial position of COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI, S.A. at 30 September 2011, and its results and cash flows for the nine-month period then ended, in conformity with International Financial Reporting Standards as adopted by the European Union.

**Emphasis of matter paragraph**

Without qualifying our opinion, we draw attention to Note 1 to the interim financial statements, which indicates that under current regulations, the Company opted to apply the special tax regime applicable to real estate investment trusts ("REITs" or "SOCIMIs"), which, on the basis of compliance with certain requirements, provides for, inter alia, a reduction of the corporate income tax rate from 30% to 19%. As mentioned in Note 1, to the date of this report, it does not meet the requirement of listing on a regulated market of the Company or its parent company. In this respect, the directors intend to take the actions required to meet these requirements within two years from the date on which it was opted to apply the aforementioned regime, as provided for by current legislation.

**Accounting basis**

Without qualifying our opinion, we draw attention to Note 2 to the interim financial statements, which describes the accounting basis used by the directors in the preparation thereof and which indicates that the interim financial statements were prepared to be used in the incorporation of a Luxembourg company through the non-monetary contribution of all the shares of COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI, S.A. and, accordingly, were prepared in accordance with International Financial Reporting Standards as adopted by the European Union, rather than using the regulatory framework applicable to the Company under the Spanish corporate and commercial law to which it is subject. As a result, the accompanying interim financial statements may not be appropriate for other purposes.

**Other matters paragraph**

This report, which under no circumstances may be interpreted as an auditors' report on financial statements issued in accordance with the Consolidated Spanish Audit Law approved by Legislative Royal Decree 1/2010, was prepared at the request of management of COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI, S.A., taking into account the special purpose with which the accompanying interim financial statements were prepared.

DELOITTE, S.L.

Antonio Rueda

2 November 2011

# Compañía Ibérica de Rentas Urbanas 2009 SOCIMI, S.A.

Interim Financial Statements
for the nine-month period ended
30 September 2011

*Translation of interim financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.*

*Translation of financial statements originally issued in Spanish and prepared in accordance with the International financial reporting standards In the event of a discrepancy, the Spanish-language version prevails.*

## Compañía Ibérica de Rentas Urbanas 2009 SOCIMI, S.A.

### BALANCE SHEETS AT 30 SEPTEMBER 2011

(Euros)

| ASSETS | Notes | 30/09/2011 | (*) 31/12/2010 | (*) 31/12/2009 |
|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | **104.507.738** | **106.124.972** | **107.131.551** |
| Investment property | 7 | 103.427.057 | 105.081.582 | 107.131.551 |
| Non-current financial assets | 9 | 1.080.681 | 1.043.390 | - |
| **CURRENT ASSETS** | | **8.271.447** | **8.568.282** | **4.460.924** |
| Trade and other receivables | | 186 | 31.252 | 4.460.924 |
| Accounts receivable from public authorities | 14 | 299.704 | - | - |
| Investments in Group companies and associates | 9 | 7.929.257 | 8.511.371 | - |
| Other current financial assets | 9 | 935 | 837 | - |
| Cash and cash equivalents | | 41.365 | 24.822 | - |
| **TOTAL ASSETS** | | **112.779.185** | **114.693.254** | **111.592.475** |

| EQUITY AND LIABILITIES | Notes | 30/09/2011 | (*) 31/12/2010 | (*) 31/12/2009 |
|---|---|---|---|---|
| **EQUITY** | 11 | **109.594.528** | **112.465.283** | **110.928.276** |
| ***SHAREHOLDERS' EQUITY-*** | | | | |
| Share capital | | 107.860.208 | 107.860.208 | 107.860.208 |
| Reserves | | 1.554.310 | 665.114 | - |
| Profit for the period | | 180.010 | 3.939.961 | 3.068.068 |
| **NON-CURRENT LIABILITIES** | | **1.248.203** | **1.321.370** | **-** |
| Other non-current liabilities | 12 | 1.248.203 | 1.321.370 | - |
| **CURRENT LIABILITIES** | | **1.936.454** | **906.601** | **664.199** |
| Trade and other payables | 7 | 1.932.859 | 12.363 | 231.667 |
| Accounts payable to public authorities | 14 | 3.595 | 894.238 | 432.532 |
| **TOTAL EQUITY AND LIABILITIES** | | **112.779.185** | **114.693.254** | **111.592.475** |

(*) Unaudited data

The accompanying Notes 1 to 19 are an integral part of the balance sheet at 30 September 2011.

# Compañía Ibérica de Rentas Urbanas 2009 SOCIMI, S.A.

## INCOME STATEMENTS FOR THE NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2011

(Euros)

| | Notes | 30/09/2011 | 30/09/2010 (*) |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Revenue | | 5.737.788 | 5.064.530 |
| Staff costs | | (54.269) | (55.413) |
| Other operating expenses | | (171.692) | (70.133) |
| Depreciation and amortisation charge | | (1.537.476) | (1.537.476) |
| Impairment and gain/(loss) on disposal of fixed assets | | (3.998.653) | - |
| **PROFIT FROM OPERATIONS** | | **(24.302)** | **3.401.508** |
| Finance income | | 248.621 | 87.560 |
| Finance costs | | (17.571) | (30) |
| **FINANCIAL PROFIT** | | **231.050** | **87.530** |
| **PROFIT BEFORE TAX** | | **206.748** | **3.489.038** |
| Income tax | | (26.738) | (451.229) |
| **PROFIT FOR THE PERIOD** | | **180.010** | **3.037.809** |

The accompanying Notes 1 to 19 are an integral part of the income statement for the nine-month period ended 30 September 2011.

(*) Unaudited data

## Compañía Ibérica de Rentas Urbanas 2009 SOCIMI, S.A.

### STATEMENTS OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2011

### A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE

(Euros)

| | Notes | 30/09/2011 | 30/09/2010 (*) |
|---|---|---|---|
| PROFIT PER INCOME STATEMENT (I) | | 180.010 | 3.037.809 |
| Income and expense recognised directly in equity | | | |
| - Grants, donations or gifts and legacies received | | - | - |
| - Tax effect | | - | - |
| TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II) | | - | - |
| Transfers to profit or loss | | | |
| - Grants, donations or gifts and legacies received | | - | - |
| - Tax effect | | - | - |
| TOTAL TRANSFERS TO PROFIT OR LOSS (III) | | - | - |
| TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III) | | 180.010 | 3.037.809 |

The accompanying Notes 1 to 19 are an integral part of the statement of recognised income and expense for the nine-month period ended 30 September 2011.

(*) Unaudited data

# Compañía Ibérica de Rentas Urbanas 2009 SOCIMI, S.A.

## STATEMENTS OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2011

## B) STATEMENTS OF CHANGES IN TOTAL EQUITY

(Euros)

| | Share Capital | Legal Reserve | Voluntary Reserve | Profit for the Period | TOTAL |
|---|---|---|---|---|---|
| ENDING BALANCE AT 31 DECEMBER 2009 (*) | 107.860.208 | - | - | 3.068.068 | 110.928.276 |
| Total recognised income and expense | - | - | - | 3.037.809 | 3.037.809 |
| Transactions with shareholders | - | 350.060 | 315.054 | (3.068.068) | (2.402.954) |
| - Distribution of 2009 profit | | | | | |
| - Dividends | - | - | - | (2.402.954) | (2.402.954) |
| - To reserves | - | 350.060 | 315.054 | (665.114) | - |
| ENDING BALANCE AT 30 SEPTEMBER 2010 (*) | 107.860.208 | 350.060 | 315.054 | 3.037.809 | 111.563.131 |
| | | | | | |
| ENDING BALANCE AT 31 DECEMBER 2010 (*) | 107.860.208 | 350.060 | 315.054 | 3.939.961 | 112.465.283 |
| Total recognised income and expense | - | - | - | 180.010 | 180.010 |
| Transactions with shareholders | - | 467.998 | 421.198 | (3.939.961) | (3.050.765) |
| - Distribution of 2010 profit | | | | | |
| - Dividends | - | - | - | (3.050.765) | (3.050.765) |
| - To reserves | - | 467.998 | 421.198 | (889.196) | - |
| ENDING BALANCE AT 30 SEPTEMBER 2011 | 107.860.208 | 818.058 | 736.252 | 180.010 | 109.594.528 |

The accompanying Notes 1 to 19 are an integral part of the statement of changes in total equity for the nine-month period ended 30 September 2011.

(*) Unaudited data

*Translation of financial statements originally issued in Spanish and prepared in accordance with the IFRSs*

## Compañía Ibérica de Rentas Urbanas 2009 SOCIMI, S.A.

### STATEMENTS OF CASH FLOWS FOR THE NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2011

(Euros)

| | Notes | 30/09/2011 | 30/09/2010 (*) |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES (I) | | 4.451.239 | 9.343.684 |
| Profit for the period before tax | | 206.748 | 3.489.038 |
| Adjustments for: | | | |
| - Depreciation and amortisation charge | | 1.537.476 | 1.537.476 |
| - Finance income | | (248.621) | (87.560) |
| - Finance costs | | 17.571 | 30 |
| - Impairment and gain/(loss) on disposal of fixed assets | | 3.998.653 | - |
| Changes in working capital | | | |
| - Trade and other receivables | | (268.736) | 4.460.922 |
| - Trade and other payables | | (61.141) | 98.321 |
| - Other non-current assets and liabilities | | (110.458) | 277.980 |
| Other cash flows from operating activities | | | |
| - Interest paid | | (17.571) | (30) |
| - Interest received | | 215.194 | 39 |
| - Income tax paid | | (817.876) | (432.532) |
| CASH FLOWS FROM INVESTING ACTIVITIES (II) | | (1.383.931) | (6.931.584) |
| Payments due to investment | | | |
| - Group companies and associates | | - | (6.931.584) |
| - Investment property | | (1.999.472) | - |
| Proceeds from disposal | | | |
| - Group companies and associates | | 615.541 | - |
| CASH FLOWS FROM FINANCING ACTIVITIES (III) | | (3.050.765) | (2.402.954) |
| Dividends and returns on other equity instruments paid | | | |
| - Dividends | | (3.050.765) | (2.402.954) |
| NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III) | | 16.543 | 9.146 |
| Cash and cash equivalents at beginning of period | | 24.822 | - |
| Cash and cash equivalents at end of period | | 41.365 | 9.146 |

The accompanying Notes 1 to 19 are an integral part of the statement of cash flows for the nine-month period ended 30 September 2011.

(*) Unaudited data

*Translation of interim financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.*

# Compañía Ibérica de Rentas Urbanas 2009 SOCIMI, S.A.

Interim Financial Statements
for the nine-month period ended
30 September 2011

## 1. Company activities

Compañía Ibérica de Rentas Urbanas 2009 SOCIMI, S.A. ("the Company") was incorporated on 22 December 2009, effective for accounting purposes from 1 January 2009. The Company's registered office is at calle San Vicente Ferrer, 60, Madrid.

The Company was incorporated through the partial spin-off of Cogein, S.L., whereby the latter was partially spun off by segregating a portion of its assets and liabilities associated with the rental property business, without cessation of existence, transferring en bloc the segregated portion to the Company, which acquired by succession, on an individual basis, all the rights and obligations inherent to the spun-off assets and liabilities. The shareholders of the spun-off company received as consideration the shares of the new company, maintaining the same ownership interests as those they held in Cogein, S.L. prior to the spin-off. Certain rental assets of Cogein, S.L. were contributed to the new company at fair value. The deed of the partial spin-off and creation of the Company were definitively registered at the Madrid Mercantile Registry on 26 January 2010.

This transaction qualified for the tax regime provided for in Title VII, Chapter VIII of the Spanish Corporation Tax Law.

The Company's object is as follows:

- The acquisition and development of urban properties earmarked for lease. Development activities include the refurbishment of buildings under the terms and conditions established in VAT Law 37/1992, of 28 December.
- The ownership of interests in the share capital of other real estate investment trusts ("REITs" or "SOCIMIs") or other companies not resident in Spain with a company object identical to that of the former, which are subject to a regime similar to that established for the REITs in relation to the obligatory profit distribution policy stipulated by law or the bylaws.
- The ownership of interests in the share capital of other companies, resident or not in Spain, the principal company object of which is the acquisition of urban properties earmarked for lease, which are subject to the regime established for REITs in relation to the obligatory profit distribution policy stipulated by law or the bylaws and meet the investment and borrowing requirements referred to in Articles 3 and 7 of Law 11/2009, of 26 October.
- The ownership of shares or investments in property collective investment undertakings governed by Collective Investment Undertakings Law 35/2003, of 4 November.
- The performance of other ancillary financial and non-financial activities that generate rental income, which as a whole represent least than 20% of the Company's rental income in each tax period.

The aforementioned business activities may also be fully or partially carried on indirectly by the Company through investments in other companies with a similar object.

All activities required by law to meet special requirements that are not met by the Company are excluded.

The Company is regulated by Real Estate Investment Trusts Law 11/2009, of 26 October, Article 3 of which establishes the investment requirements for this type of company, which are detailed below:

1. REITs must have invested at least 80% of the value of their assets in urban properties earmarked for lease, in land to develop properties to be earmarked for that purpose, provided that development begins within three years following its acquisition, and in equity investments in other companies referred to in Article 2.1 of Law 11/2009.

   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 established in Article 42 of the Spanish Commercial Code, regardless of its place of residence and of the obligation to formally prepare consolidated financial statements. This group must be composed exclusively of REITs and the other companies referred to in Article 2.1 of Law 11/2009.

2. Also, 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 ownership interests and the properties used by the Company to achieve its principal object, once the retention period referred to below has elapsed, should arise from the lease of properties and dividends or shares of profits arising from the aforementioned investments.

   This percentage must be calculated on the basis of the consolidated profit if the company is the parent of a group, in accordance with the criteria established in Article 42 of the Spanish Commercial Code, regardless of its place of residence and of the obligation to formally prepare consolidated financial statements. This group must be composed exclusively of REITs and the other companies referred to in Article 2.1 of Law 11/2009.

3. The properties included in the company's assets should remain leased for at least three years. For properties developed by the company, the term will be seven years. The time during which the properties have been made available for lease will be included in calculating this term, with a maximum of one year.

   The term will be calculated:

   a) For properties included in the company's assets before the company avails itself of the regime, from the beginning of the first tax period in which the special tax regime established in Law 11/2009 applies, provided that at that date, the asset is leased or made available for lease; otherwise b) shall apply.

   b) For properties developed or acquired subsequently by the company, from the date on which they were leased or made available for lease for the first time.

   In the case of shares or ownership interests in the companies referred to in Article 2.1 of Law 11/2009, they should be retained on the asset side of 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 established in Law 11/2009 applies.

4. In order to ensure adequate diversification of the property investments, the companies' assets must include at least three properties, none of which may represent more than 40% of the company's assets at the date of acquisition. This calculation will be performed on the group's consolidated balance sheet referred to in Article 2.1 and the company may opt to substitute the fair value of the items included in the aforementioned balance sheet with their market value.

In addition to the aforementioned investment requirements, REITs must meet certain minimum capital, financial structure, dividend distribution, financial statements disclosure and other requirements, which are detailed in Note 4-e.

As established by Transitional Provision 1 of Real Estate Investment Trusts Law 11/2009, of 26 October, the Company may opt to apply the special tax regime under the terms and conditions established in Article 8 of Law 11/2009, even though it does not meet the requirements established therein, provided that such requirements are met within two years after the date of the option to apply that regime. The Company applied for that regime in December 2009.

Non-compliance of this condition implies that the Company will file income tax returns under the general tax regime from the tax period in which the aforementioned condition is not met. The Company will 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.

At 30 September 2011, the Company had not met all the requirements established by Law 11/2009, in particular, the obligation for the Company's shares to be listed on a regulated securities market. Accordingly, the Company's directors plan to take the steps required to meet these requirements over the coming months, before the two-year period has elapsed.

## 2. Basis of presentation of the interim financial statements

### *a) Basis of presentation*

The accompanying interim financial statements for the nine-month period ended 30 September 2011, which were obtained from the Company's accounting records, including the appropriate unifying adjustments to comply with international financial reporting standards as adopted by European Union, were prepared by the Company's directors at the Board of Directors Meeting held on 31 October 2011.

These interim financial statements are the first prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament, so that they present fairly the equity and financial position of Compañia Ibérica de Rentas Urbanas 2009 SOCIMI, S.A. at 30 September 2011 and the results of its operations, the changes in equity and its cash flows for the nine-month period ended 30 September 2011, in conformity with the aforementioned international financial reporting standards as adopted by European Union.

### *b) Adoption of International Financial Reporting Standards*

In order to meet with Article 4 of Law 11/2009, of 26 October, regulating real estate investment trusts, the Company's shareholders jointly with shareholders of Compañia Ibérica de Biene Raices 2009 SOCIMI, S.A., have the intention to provide the total shares in those companies to incorporate a holding company in Luxembourg with a company object similar to that of the Company and to seek admission to listing in Luxembourg, so as to comply with the consultation of the tax authorities (Dirección General de Tributos) on personal income taxes published on March4, 2011 in the framework of the Law . In this context, the Company's directors have prepared the interim financial statements of Compañia Ibérica de Rentas Urbanas 2009 SOCIMI, S.A. for the nine-month period ended 30 September 2011 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union in force at the date of these interim financial statements.

The disclosures required by IFRS 1 in relation to the transition from Spanish GAAP to IFRSs are presented in Note 3.

The principal accounting policies and measurement bases adopted are presented in Note 4.

In conformity with IFRS 1, when a company applies IFRSs for the first time, it must comply with each and every one of the IASs, IFRSs and interpretations in force at the date of first-time application, which requires the retrospective application thereof in most cases. However, IFRS 1 establishes certain voluntary exceptions to that obligation, either for practical reasons or because the costs deriving from compliance therewith might exceed the benefits provided to the users of the financial statements. Therefore, the balance sheet is presented with the comparative period for the previous period and the beginning of the earliest comparative period, with restated figures for comparison purposes.

The main options chosen by the Company are as follows:

- To present the balance sheet with items classified as current or non-current.
- To present the income statement by nature.
- To present the statement of changes in equity showing the changes in all the headings.
- To present the statement of cash flows using the indirect method.
- To measure the investment property items using the cost method.

### *c) Key issues in relation to the measurement and estimation of uncertainty*

In preparing the accompanying interim financial statements estimates were made by the Company's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The assessment of possible impairment losses on certain assets (see Notes 4-a and 4-c).
- The useful life of property assets (see Note 4-a).
- The calculation of provisions (see Note 4-d).

- The estimation of the corporate income tax expense (see Note 4.e).

Although these estimates were made on the basis of the best information available at 30 September 2011 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming periods. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the income statements for the years affected.

The information contained in these interim financial statements is the responsibility of the Company's directors.

## 3. Reconciliation with local accounting principles at the transition date

International Financial Reporting Standard 1 (IFRS 1) requires that the first interim financial statements prepared in accordance with International Financial Reporting Standards include a reconciliation of equity according to Spanish generally accepted accounting standards with the equity resulting of the application of International Financial Reporting Standards (IFRSs) as adopted by the European Union at the following dates:

- At the transition date .
- At the end of the last period included in the most recent annual financial statements filed by the company applying generally accepted accounting principles in Spain.

The nine-month period ended 30 September 2011 is the first period for which the Company has presented its interim financial statements in accordance with IFRSs. The date of transition to IFRSs was 1 January 2009.

The reconciliation of equity under Spanish GAAP to equity in accordance with IFRSs at the date of transition, i.e. 1 January 2009, is as follows (in euros):

| | Equity |
|---|---|
| **Balance in accordance with Spanish GAAP at 01/01/09** | **107,860,208** |
| Equity adjustments and reclassifications | - |
| **Balances in accordance with IFRSs at 01/01/09** | **107,860,208** |

There were no adjustments that affected the Company's equity at the date of transition to IFRSs.

The reconciliation of equity and profit for the period under Spanish GAAP to equity and profit for the period in accordance with IFRSs, at 31 December 2010, is as follows (in euros):

| | Capital and Reserves | Profit for the Period | Equity |
|---|---|---|---|
| **Balance in accordance with Spanish GAAP at 31/12/10** | **108,525,322** | **3,939,961** | **112,465,283** |
| Adjustments and reclassifications | - | - | - |
| **Balances in accordance with IFRSs at 31/12/10** | **108,525,322** | **3,939,961** | **112,465,283** |

Like at the date of transition to IFRSs, there were no adjustment that affected the Company's equity or profit for the year at 31 December 2010.

## 4. Accounting policies

The accounting principles and policies and measurement bases used in preparing the Company's interim financial statements for the nine-month period ended 30 September 2011 were as follows:

### a) *Investment property*

"Investment Property" in the accompanying interim balance sheet reflects the carrying amounts of the land, buildings and other structures held either to earn rentals or for capital appreciation as a result of future increases in market prices.

These assets are initially recognised at acquisition or production cost, less any accumulated depreciation and any accumulated impairment losses. In this connection, in accordance with the asset transfer operation described in Note 1, the Company recognised these assets at fair value (appraisal value), calculated by an independent valuer appointed by the Mercantile Registrar pursuant to Law 11/2009, of 26 October, and this was used as the initial acquisition price by the Company.

The Company depreciates its investment property by the straight-line method at annual rates based on the years of estimated useful life of the assets, the detail being as follows:

| | Years of Estimated Useful Life |
|---|---|
| Buildings | 50 |
| Plant | 15-20 |
| Machinery | 8 |
| Other fixtures | 20 |
| Tools and furniture | 10 |
| Other items of property, plant and equipment | 6-10 |

The Company uses the historical cost of the assets plus any new investments that might increase their added value or their estimated useful life as the basis for depreciation.

As required by IAS 40, the Company periodically determines the fair value of its investment property items; fair value is taken to be the amount at which two knowledgeable parties would be willing to perform a transaction. This fair value is determined taking as reference values the appraisals undertaken by independent valuers each year, so that at year-end the fair value reflects the market conditions of the property investments at that date.

In the nine-month period ended 30 September 2011, the Company recognised an impairment loss of EUR 3,998,653 on its investment property since the appraisals performed by an independent valuer not related to the Company gave rise to a fair value lower than the carrying amount after accumulated depreciation and impairment on properties owned by the Company and, therefore, the Company's directors made the related adjustments to the carrying amount thereof. Additionally, based on the appraisal performed, the unrealised gains not recognised in the Company's books at 30 December 2011 amounts to EUR 662,695. The method used to calculate the aforementioned fair value is as follows:

*Impairment of investment property*

Whenever there are indications of impairment, the Company tests the investment property for impairment to determine whether the recoverable amount of the assets has been reduced to below their carrying amount.

Recoverable amount is the higher of fair value less costs to sell and value in use.

The Company commissions valuations of property assets from an independent valuer to determine their value at the end of each reporting period. These valuations are performed on the basis of the lesser of the replacement value and the market rental value (which consists of capitalising the net rental income from each property and discounting the future flows). The fair value was calculated using discount rates acceptable to a prospective investor and in line with those used in the market for properties of similar characteristics in similar locations. The valuation was performed in accordance with the applicable Appraisal and Valuation Standards pursuant to Ministry of Economy Order ECO 805/2003.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised as income.

***b) Leases***

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

*Operating leases*

Lease expenses from operating leases are recognised in income on an accrual basis.

Also, the acquisition cost of the leased asset is presented in the interim balance sheet according to the nature of the asset, increased by the costs directly attributable to the lease, which are recognised as an expense over the lease term, applying the same method as that used to recognise lease income.

A payment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

The Company does not hold any assets under finance leases.

***c) Financial instruments***

*c.1 Financial assets*

*Classification-*

All of the Company's financial assets are classified under "Loans and Receivables" and consist of financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

*Initial recognition -*

Financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

*Subsequent measurement -*

"Loans and Receivables" are measured at amortised cost.

At least at each reporting date the Company tests financial assets not measured at fair value for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the income statement.

In particular, the Company calculates valuation adjustments relating to trade and other receivables by recognising annual impairment losses on balances of a certain age or whose circumstances reasonably support their classification as doubtful debts.

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

However, the Company does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received in transfers of financial assets in which substantially all the risks and rewards of ownership are retained.

*c.2 Financial liabilities*

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, not having commercial substance, cannot be considered to be derivative financial instruments.

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

***d) Provisions***

The Company's interim financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the interim financial statements, but rather are disclosed, as required by IAS 37.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each reporting period, are used to cater for the specific obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

***e) Income tax***

*General regime*

The income tax expense is recognised in the income statement, unless it arises as a consequence of a transaction, the result of which is recorded directly in equity, in which case the income tax expense is also recognised in equity.

The income tax expense for the year is calculated on the basis of taxable profit for the year. The taxable profit differs from the net profit reported in the income statement because it excludes income and expense items that are taxable or deductible in other years and also excludes items that will never be taxable or deductible. The Company's liability for current income tax is calculated using tax rates which have been approved at the balance sheet date (currently tax nominal rate is 30%).

Deferred tax assets and liabilities are the amounts expected to be recoverable or payable on differences between the carrying amounts of assets and liabilities in the interim financial statements and their tax bases used in calculating the taxable profit. They are recognised using the balance sheet liability method and are quantified at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

However, the deferred tax assets are only recognised to the extent that it is considered probable that the Company will have sufficient taxable profits in the future against which the deferred tax assets can be utilised.

The deferred tax assets and liabilities recognised are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

*REIT tax regime*

Taxes are accrued in proportion to the dividends distributed by the Company. Dividends received by shareholders are tax-exempt, unless the recipient is an individual subject to income tax or a permanent establishment of a foreign entity, in which case a tax credit will be taken on the gross tax payable such that the income will be taxed at the rate applicable to the shareholder. However, all other income will not be taxed provided that it is not distributed to shareholders.

The special tax regime for REITs is based on the application of a 19% income tax charge provided that they meet certain requirements, mainly the following:

- REITs must have at least EUR 15 million in capital.

- Non-monetary contributions for capital formation or increase in the form of property must be valued when they are contributed in accordance with the Consolidated Spanish Limited Liability Companies Law and, to this end, the independent appraiser appointed by the Mercantile Registrar must be one of the appraisal companies envisaged in property market law. Non-monetary contributions in the form of property for capital formation or increase at the aforementioned non-resident companies must be appraised by one of the aforementioned appraisal companies.

- They may only issue one class of shares.

- If the company chooses to avail itself of the special tax regime established in Law 11/2009, its company name must include the words "Sociedad Cotizada de Inversión en el Mercado Inmobiliario, Sociedad Anónima" or the abbreviation thereof, "SOCIMI, S.A." (REIT).

- REITs are required to distribute in the form of dividends to shareholders, once the related corporate obligations have been met, the profit obtained in the year, the distribution of which must be approved within six months of each year-end, as follows:

  - At least 90% of profit not arising from the aforementioned transfers of property, shares or investments and of profit from ancillary activities.

  - At least 50% of the profits arising from the transfer of property, shares or investments, performed once the deadlines referred to in Article 3.3 of Law 11/2009 have expired, which are used to achieve the company's principal object. The remainder of these profits should be reinvested in other buildings or investments related to the performance of this object within three years from the transfer date. Otherwise these profits should be distributed in full together with any profit arising in the year in which the reinvestment period expires.

  - All of the profit arising from dividends or shares of profits distributed by the aforementioned entities. The dividend must be paid within one month from the dividend declaration date. The payment obligation does not extend to the portion of profit arising from income subject to the standard tax rate.

- When dividends are distributed with a charge to reserves out of profit for a year in which the special tax regime had been applied, the distribution must be approved subject to the conditions set out in the preceding paragraph. These dividends will be subject to a 19% withholding tax for shareholders.

- The legal reserve of companies which have chosen to avail themselves of the special tax regime established in Law 11/2009 must not exceed 20% of the share capital. The bylaws of these companies may not establish any other restricted reserve.

- Borrowings may not exceed 70% of the company's assets.

The Law also requires certain disclosures to be made in the financial statements for each year.

*f) Revenue and expense recognition*

Revenue and expenses are recognised on an accrual basis.

Specifically, revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Rental income is recognised on an accrual basis and incentives and the initial lease costs are allocated to income on a straight-line basis.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's carrying amount.

*g) Borrowing costs*

Borrowing costs are charged to income in the period in which they are incurred.

*h) Profit from operations*

Profit from operations is presented before finance investment income and finance costs.

*i) Termination and post-employment benefits*

Under current employment legislation, the Company is required to pay termination benefits to employees terminated under certain conditions. The accompanying interim financial statements do not include any provision in this connection, since the Company's directors do not expect any situations of this nature to arise.

The Company currently has no retirement or post-employment benefit plans.

*j) Interim statements of cash flows*

The following terms are used in the interim statements of cash flows with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents,
- Operating activities: the principal revenue-producing activities of the Company and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the Company's equity and borrowings.

For the purposes of preparing the statement of cash flows, "Cash and Cash Equivalents" were considered to be cash, demand deposits and highly liquid short-term investments that can be easily realised in cash and are not subject to significant changes in value.

*k) Current/Non-current classification*

Current assets are assets associated with the normal operating cycle, which in general is considered to be one year; other assets which are expected to mature, be disposed of or be realised within twelve months from the end of the reporting period and cash and cash equivalents. Assets that do not meet these requirements are classified as non-current assets.

Similarly, current liabilities are liabilities associated with the normal operating cycle and, in general, all obligations that will mature or be extinguished at short term. All other liabilities are classified as non-current liabilities.

*l) Environmental assets and liabilities*

Environmental assets are deemed to be assets used on a lasting basis in the Company's operations whose main purpose is to minimise environmental impact and protect and improve the environment, including the reduction or elimination of future pollution.

Because of their nature, the Company's business activities do not have a significant environmental impact.

*m) Related party transactions*

The Company performs all its transactions with related parties on an arm's-length basis. Also, the transfer prices are adequately supported and, therefore, the Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

The main company related to Compañia Ibérica de Rentas Urbanas 2009 SOCIMI, S.A. is Cogein, S.L., the partial spin-off of which gave rise to the Company's incorporation in 2009 (see Note 1).

## 5. Dividends paid by the Company

### a) Dividends paid by the Company

In accordance with the distribution of profit for 2010 approved by the shareholders at the Annual General Meeting held on 30 June 2011, a dividend of EUR 3,050,765 was paid in the first nine months of 2011 (first nine months of 2010: EUR 2,402,954).

### b) Basic earnings per share

Basic earnings per share are calculated by dividing the net profit (after tax) by the weighted average number of shares outstanding during the period. Accordingly:

| | Euros | |
|---|---|---|
| | 30/09/11 | 30/09/10 |
| Net profit for the period | 180,010 | 3,037,809 |
| Weighted average number of shares outstanding (number of shares) | 1,794,679 | 1,794,679 |
| **Basic earnings per share (euros)** | 0.10 | 1.69 |

Diluted earnings per share are calculated in a similar way to basic earnings per share, but the weighted average number of shares outstanding is adjusted to take into account the potential dilutive effect of share options, warrants and convertible debt outstanding at the end of the period.

At 30 September 2011 and 2010, the Company's diluted earnings per share were equal to its basic earnings per share.

## 6. Segment reporting

The Company's business activities in the nine-month periods ended 30 September 2011 and 2010 related entirely to rental property and no other activities were carried on. Additionally, substantially all the Company's business activities were carried on in Madrid.

In view of the geographical and business concentration of the Company's activities, segment information is not presented.

## 7. Investment property

The changes in "Investment Property" in the balance sheets, in the first nine months of 2011 and in 2010, were as follows:

**2011:**

| | Euros | | |
|---|---|---|---|
| | Balance at 31/12/2010 | Additions | Balance at 30/09/2011 |
| **Cost:** | | | |
| Properties for lease | 107,860,208 | 3,881,604 | 111,741,812 |
| **Total cost** | **107,860,208** | **3,881,604** | **111,741,812** |
| **Accumulated depreciation:** | | | |
| Properties for lease | (2,778,626) | (1,537,476) | (4,316,102) |
| **Total accumulated depreciation** | **(2,778,626)** | **(1,537,476)** | **(4,316,102)** |
| **Impairment losses:** | | | |
| Properties for lease | - | (3,998,653) | (3,998,653) |
| **Total Impairment losses** | - | **(3,998,653)** | **(3,998,653)** |
| **Investment property, net** | **105,081,582** | | 103,427,057 |

2010:

| | Euros | | |
|---|---|---|---|
| | Balance at 31/12/09 | Additions | Balance at 31/12/10 |
| **Cost:** | | | |
| Properties for lease | 107,860,208 | - | 107,860,208 |
| **Total cost** | **107,860,208** | **-** | **107,860,208** |
| **Accumulated depreciation:** | | | |
| Properties for lease | (728,657) | (2,049,969) | (2,778,626) |
| **Total accumulated depreciation** | **(728,657)** | **(2,049,969)** | **(2,778,626)** |
| **Impairment losses:** | | | |
| Properties for lease | - | - | - |
| **Total impairment losses** | **-** | **-** | **-** |
| **Investment property, net** | **107,131,551** | | **105,081,582** |

At 30 September 2011, the cost of the land under "Investment Property" amounted to EUR 30,019,504 (31 December 2010: EUR 28,483,942).

"Investment Property" includes the carrying amount of the properties that are ready for their intended use and are leased through one or more operating leases and of vacant properties earmarked for lease through one or more operating leases.

The detail of the impairment losses by asset at 30 September 2011 is as follows:

| | Euros |
|---|---|
| Building at C/ Pradillo, 42 | (1,034,324) |
| Piso 2º Dcha. C/ Gran Vía, 1 | (222,673) |
| Piso 1º Izda. C/ Gran Vía, 1 | (311,500) |
| Piso 1º Dcha. C/ Gran Vía, 1 | (309,818) |
| Premises no. 2,3,4 and 5 in La Perla building | (124,464) |
| Premises at C/ Dulcinea, 4 | (174,607) |
| Industrial building at C/ Albalá, 7 | (231,187) |
| Hotel Sol Meliá at C/ Atocha, 53 | (1,254,770) |
| Hotel Tryp at C/ Gran Vía, 34 | (201,918) |
| Two premises and eight housing units in a building at C/ San Antón, 25 and 27 (Cáceres) | (133,392) |
| **Total** | **(3,998,653)** |

The detail of the usable square metres of the aforementioned investment properties is as follows:

| | Square Metres |
|---|---|
| Building at C/ Pradillo, 42 | 7,252 |
| Piso 2° Dcha. C/ Gran Via, 1 | 530 |
| Piso 1° Izda. C/ Gran Via, 1 | 461 |
| Piso 1° Dcha. C/ Gran Via, 1 | 554 |
| Premises no. 2,3,4 and 5 in La Perla building | 593 |
| Premises at C/ Dulcinea, 4 | 922 |
| Industrial building at C/ Albalá, 7 | 1,522 |
| Hotel Sol Meliá at C/ Atocha, 53 | 9,229 |
| Hotel Tryp at C/ Gran Via, 34 | 6,495 |
| Two premises at C/ Gran Via 34 | 3,231 |
| Two premises and eight housing units in a building at C/ San Antón, 25 and 27 (Cáceres) | 1,736 |
| **Total square metres** | **32,525** |

The investment property described above is located mainly in Madrid.

The fair value of the investment properties at 30 September 2011 according to the appraisals made by an independent valuer amounts to EUR 104,089,752.

The Company has taken out insurance policies that cover the possible risks to which all its investment property is subject.

In the nine-month period ended 30 September 2011, the rental property income from investment property owned by the Company amounted to EUR 5,737,788 (nine-month period ended 30 September 2010: EUR: 5,064,530) (see Note 15-a). At 30 September 2011, the only properties that are not leased are Piso 2 Dcha and Piso 1 Dcha on Gran Via 1, Madrid.

On 15 June 2011, the Company acquired from a third party two premises and eight housing units with a total of 1,736 square metres, located in a building at Calle San Antón, 25 and 27, Cáceres. The purchase amounted to EUR 3,881,604 plus VAT, EUR 1,882,132 of which had not yet been paid at 30 September 2011 and are recognised under "Trade and Other Payables" in the accompanying balance sheet.

At 30 September 2011, there were no restrictions in place for making new property investments, for collecting the income deriving therefrom or in relation to the funds obtained from their potential disposal.

At 30 September 2011, the Company had no items of fully depreciated investment property that were still in use.

There were no investment property purchase or sale commitments or investment properties located abroad at 30 September 2011.

## 8. Operating leases

At 30 September 2011 the Company had contracted with tenants for the following minimum lease payments, based on the leases currently in force, without taking into account the charging of common expenses, future increases in the CPI or future contractual lease payment revisions. The most significant operating leases relate to the lease of properties, which constitutes the base of the Company's activities, the detail of the related minimum lease payments being as follows (in euros):

| Minimum Operating Lease Payments | Nominal Value 30/09/11 |
|---|---|
| Within one year | 6,994,731 |
| Between one and five years | 27,576,772 |
| After five years | 16,124,486 |
| **Total** | **50,695,989** |

(*) Excluding possible lease renewals and annual CPI revisions.

The main leases in force at 30 September 2011 are as follows:

a) Lease of a hotel at C/ Atocha 83: The lease commenced on 4 June 1999 and expired on 4 June 2009, and was subsequently extended until 24 March 2022, renewable at the discretion of the parties. The lease agreement provides for annual CPI-linked increases.

b) Lease of a hotel at Gran Via 34: The lease commenced on 10 February 1998 and expired on 10 February 2008, and was subsequently extended until 15 March 2020, renewable at the discretion of the parties. The lease agreement provides for annual CPI-linked increases.

c) Lease of premises at C/ Albalá 7: The lease commenced on 31 July 2002 and expires on 31 July 2027. The lessee can cancel the contract at the end of the tenth year with a previous notification of twelve months. The lease agreement provides for annual CPI-linked increases.

d) Lease of premises at C/ Dulcinea 4: The lease commenced on 17 February 2003 and expires on 17 February 2018, and is renewable at the discretion of the parties. The lease agreement provides for annual CPI-linked increases.

e) Lease of a building at C/ Pradillo 42: The lease commenced on 27 February 2009 and expires on 27 February 2019, and is renewable at the discretion of the parties. The lease agreement provides for annual CPI-linked increases.

f) Lease of premises at Gran Via 34: The lease commenced on 24 April 2000 and expires on 3 May 2020, and is renewable at the discretion of the parties. The lease agreement provides for annual CPI-linked increases.

There was no contingent rent at 30 September 2011.

## 9. Financial assets and Investments in Group companies and associates

The detail of "Financial Assets" and "Investments in Group Companies and Associates" at 30 September 2011 and 31 December 2010 is as follows (in euros):

| | Euros | |
|---|---|---|
| | 30/09/11 | 31/12/10 |
| **Financial Assets: Type/Category** | **Loans and Receivables** | **Loans and Receivables** |
| Other financial assets | 1,080,681 | 1,043,390 |
| **Long-term/Non-current** | **1,080,681** | **1,043,390** |
| Loans to related companies | 7,929,257 | 8,511,371 |
| Other financial assets | 935 | 837 |
| **Short-term/Current** | **7,930,192** | **8,512,208** |
| **Total** | **9,010,873** | **9,555,598** |

The Company generated a surplus of cash from ordinary trading operations. In this respect, the Company has arranged on an arm's-length basis a financing agreement with the related company Cogein, S.L. (see Note 16), which matures on 1 January 2012. The changes in "Loans to Related Companies" in the first nine months of 2011 relate to the variation in the loan granted to this company.

"Non-Current Financial Assets – Other Financial Assets" includes the guarantees received from customers and deposited in the Madrid Institute for Housing (IVIMA) in relation to the leases indicated in Note 8.

The detail, by maturity, of the items included under "Non-Current Financial Assets - Other Financial Assets" at 30 September 2011 is as follows (in euros):

| | 2012 | 2013 | 2014 | 2015 | 2016 and Subsequent Years | 2016 |
|---|---|---|---|---|---|---|
| Loans and receivables | 323,607 | - | - | - | 757,074 | 1,080,681 |
| **Total** | **323,607** | - | - | - | **757,074** | **1,080,681** |

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

*Qualitative information*

The Company's financial risk management is centralised in the Financial Department, which applies the policies of the Cogein Group and has established the mechanisms required to control exposure to exchange rate fluctuations and credit and liquidity risk. The main financial risks affecting the Company are as follows:

**a) Credit risk**

The Company's credit risk is mainly due to the loan to the related company Cogein, S.L. The Company's financing needs are covered in the short term thanks to its capacity to generate cash through ordinary trading operations arising mainly from, inter alia, its property development business, the management of a golf course and a marina. Additionally, the leases are arranged with solvent entities and are billed on a monthly or quarterly basis.

**b) Liquidity risk**

Liquidity risk is due to the timing mismatches between the funds required to cater for commitments relating to working capital requirements and the funds arising from cash generated in the course of the Company's ordinary operations.
Short-term financing needs are sufficiently covered thanks to the Company's capacity to generate cash through ordinary trading operations (projected rental income) and, accordingly, the Company's directors do not expect any liquidity risks to arise that have not already been taken into account in the cash projections.

**c) Foreign currency risk**

The Company did not have any foreign currency assets or liabilities involving significant amounts and, accordingly, there is no foreign currency risk.

**d) Interest rate risk**

In relation to interest rate risk, the Company did not have any borrowings but rather had lent its cash surplus to related companies in accordance with the financing conditions agreed upon therewith from time to time (legal interest). In view of the nonexistence of bank borrowings and long term receivables from related companies, the Company's directors consider that there is no interest rate risk. The Company does not arrange interest rate hedges.

**e) Real estate business risks**

Changes in the economic situation, both globally and locally, growth in occupation and employment rates, interest rates, inflation, tax legislation and consumer confidence all have a considerable impact on real estate markets. Any unfavourable change in these or in other economic, demographic or social trends in Europe, and in Spain in particular, could translate into a slowdown in the real estate market in these countries. The cyclical nature of the economy in general has been statistically prove, as has that of micro and macroeconomic aspects that directly or indirectly affect the behaviour of the real estate business, in particular the leases that form the basis of the Company's investment activity.

## 11. Equity and shareholders' equity

### a) *Registered share capital*

At 30 September 2011, the Company's share capital amounted to EUR 107,860,208 and was represented by 1,794,679 fully paid shares of EUR 60.10 par value each, all of the same class and carrying the same rights and obligations.

The detail of the Company's shareholder structure at 30 September 2011 is as follows:

| Shareholders | Number of Shares | Percentage of Ownership |
|---|---|---|
| José Luis Colomer Barrigón | 557,430 | 31.06% |
| Marco Colomer Barrigón | 558,504 | 31.12% |
| Cia. Ibérica de Viviendas Siglo XXII, S.L. | 358 | 0.02% |
| Andrea Barrigón González | 303,300 | 16.90% |
| Gran Via 34, S.A. | 335,246 | 18.68% |
| Per 32, S.L. | 39,841 | 2.22% |
| **Total** | **1,794,679** | **100.00%** |

At 30 September 2011, the Company's shares are not listed on any stock exchange. Notwithstanding the foregoing, pursuant to Article 4 of Real Estate Investment Trusts Law 11/2009, of 26 October, the shares of this type of company must be admitted to trading on a regulated market in Spain or in any other Member State of the European Union or European Economic Area continuously throughout the entire tax period. REITs are granted two years to fulfil this requirement. In this respect, the Company's directors have already commenced the incorporation and admission to trading process of a company domiciled in Luxembourg in order to comply with the aforementioned legal requirement.

### b) *Legal reserve*

Under the Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. It can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

### c) *Distribution of profit*

As indicated in Note 1, REITs file tax returns under the special tax regime provided for in Real Estate Investment Trusts Law 11/2009, of 26 October. After fulfilling the related corporate obligations, REITs are required to distribute a percentage of the profit for the year to shareholders in the form of dividends within six months of each year-end (see Note 1).

### d) *Management of capital*

The company is financed primarily with equity. Only in the case of new investments, the Company may turn to credit markets, by entering into home equity loans to finance the acquisition thereof.

As noted above, all shares of the Company have the same rights and obligations. In this sense, all shareholders participate equally in dividends according to their participation rates in the capital of the Company.

The Company is committed to distribute at least 90% of its profits as dividends to its shareholders with the existing legal obligation by application of Law 11/2009.

## 12. Non-current financial liabilities

The detail of "Non-Current Financial Liabilities" at 30 September 2011 and 31 December 2010 is as follows (in euros):

| | Euros | |
|---|---|---|
| | 30/09/11 | 31/12/10 |
| Financial Liabilities: Type/Category | Rent Deposits | Rent Deposits |
| Other financial liabilities | 1,248,203 | 1,321,370 |
| **Total** | **1,248,203** | **1,321,370** |

"Non-Current Financial Liabilities – Other Financial Liabilities" includes the rent deposits received from customers in relation to the leases indicated in Note 8.

The detail, by maturity, of the items included under "Non-Current Financial Liabilities - Other Financial Liabilities" at 30 September 2011 is as follows (in euros):

| | 2012 | 2013 | 2014 | 2015 | 2016 and Subsequent Years | 2016 |
|---|---|---|---|---|---|---|
| Rent deposits | 327,022 | - | - | - | 921,181 | 1,248,203 |
| **Total** | **327,022** | - | - | - | **921,181** | **1,248,203** |

## 13. Guarantee commitments to third parties

At 30 September 2011 and 31 December 2010, the Company had not provided any guarantees to third parties.

## 14. Tax matters

### *a) Years open for review by the tax authorities*

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At 30 September 2011, the Company has all years since inception open for review for all taxes applicable to it. The Company's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the interim financial statements.

### *b) Tax receivables and payables*

The detail of the main tax receivables and payables is as follows:

| | Euros | |
|---|---|---|
| | Current | |
| | 30/09/11 | 31/12/10 |
| **Tax receivables:** | | |
| Income tax receivable | 51,118 | - |
| VAT refundable | 248,586 | - |
| | 299,704 | - |
| **Tax payables:** | | |
| Income tax payable | - | 562,144 |
| VAT payable | - | 324,007 |
| Personal income tax withholdings payable | 2,678 | 6,896 |
| Accrued social security taxes payable | 917 | 1,191 |
| | 3,595 | 894,238 |

*c) Reconciliation of the accounting profit to the taxable profit*

The reconciliation of the accounting profit to the taxable profit for income tax purposes for the nine-month periods ended 30 September 2011 and 2010 is as follows (in euros):

| | 30/09/11 | 30/09/10 |
|---|---|---|
| **Accounting profit before tax** | **206,758** | **3,489,038** |
| **Taxable profit** | **206,748** | **3,489,038** |
| Taxable profit | 167,466 | 2,374,891 |
| Tax charge (19%) | 26,738 | 451,229 |
| **Tax withholdings and prepayments** | **(77,856)** | **-** |
| **Tax payable (receivable)** | **(51,118)** | **451,229** |

Pursuant to Article 9.2 of Real Estate Investment Trusts Law 11/2009, of 26 October, tax self-assessments are performed on the basis of the proportion of taxable profit for the tax period that corresponds to dividends distributed out of profit for the period.

The tax payable calculated at 30 September 2011 and 2010 relate to a projection made by the directors on the basis of profit before tax, consistent in estimating that 90% of distributable profit is intended to dividends.

At 30 September 2011, there were no tax loss or tax credit carryforwards.

*d) Reconciliation of the accounting profit to the income tax expense*

The reconciliation of the accounting profit to the income tax expense for the nine-month periods ended 30 September 2011 and 2010 is as follows (in euros):

| | 30/09/11 | 30/09/10 |
|---|---|---|
| Profit for the period before tax | 206,758 | 3,489,038 |
| Taxable profit | 167,466 | 2,374,891 |
| Tax charge (19%) | 26,738 | 451,229 |
| **Income tax expense recognised in profit or loss** | **26,738** | **451,229** |

*e) Deferred tax liabilities*

On the basis of the valuation of the various properties recognised under "Investment Property" in the accompanying balance sheet, at the date of the transaction described in Note 1, certain gains arose in relation to the tax base of such properties per the accounting records of the Company's shareholders, which had yet to be taxed. These property contribution transactions qualified for taxation under the special tax regime for mergers, spin-offs, asset contributions and exchanges of securities regulated in Title VII, Chapter VIII of Legislative Royal Decree 4/2004, of 5 March, approving the Consolidated Spanish Corporation Tax Law.

Pursuant to the applicable accounting standards, the Company did not recognise a deferred tax asset in relation to the future taxation of the aforementioned gains since it considers that this initial recognition of an asset or liability is part of a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

## 15. Income and expenses

### a) Revenue

The detail of "Revenue" at 30 September 2011 and 2010 is as follows (in euros):

| | Euros | |
|---|---|---|
| | 30/09/11 | 30/09/10 |
| Premises at C/ Gran Via, 34 | 1,705,040 | 1,371,120 |
| Hotel Sol Meliá in Atocha | 1,264,674 | 1,239,975 |
| Building at C/ Pradillo, 42 | 1,075,360 | 1,048,987 |
| Hotel Tryp at C/ Gran Via, 34 | 823,954 | 807,862 |
| Industrial building at C/ Albalá, 7 | 165,115 | 161,835 |
| Apartments at C/ Gran Via, 1 | 210,067 | 301,052 |
| Other rentals | 493,578 | 133,699 |
| **Total** | **5,737,788** | **5,064,530** |

### b) Staff costs

The detail of "Staff Costs" at 30 September 2011 and 2010 is as follows (in euros):

| | Euros | |
|---|---|---|
| | 30/09/11 | 30/09/10 |
| Wages, salaries and similar expenses | 46,716 | 48,067 |
| Employer social security costs | 7,553 | 7,346 |
| **Total** | **54,269** | **55,413** |

### c) Outside services and Taxes other than income tax

The detail "Outside Services" and "Taxes Other than Income Tax" at 30 September 2011 and 2010 is as follows (in euros):

| | Euros | |
|---|---|---|
| | 30/09/11 | 30/09/10 |
| Rent and royalties | 3,600 | 3,600 |
| Repairs and upkeep | 3,694 | 12,586 |
| Independent professional services | 47,767 | 5,296 |
| Insurance premiums | 22,372 | 16,695 |
| Utilities | 358 | 116 |
| Other services | 93,674 | 21,367 |
| Taxes other than income tax | 227 | 10,473 |
| **Total** | **171,692** | **70,133** |

## 16. Related party transactions and balances

### *a) Related party transactions and balances*

The detail of the balances with related parties at 30 September 2011 and 31 December 2010 is as follows (in euros):

| | Loans to Related Companies | |
|---|---|---|
| | 30/09/11 | 31/12/10 |
| Cogein, S.L. | 7,929,257 | 8,511,371 |
| | **7,929,257** | **8,511,371** |

The Company's "related parties" are deemed to be shareholders and their investees, jointly-controlled companies and Company management's "key personnel" (directors and managers, and their close relatives) and the entities over which key management personnel may exercise control or significant influence.

As indicated in Note 9, the Company arranged a financing agreement with the related company Cogein, S.L. on an arm's-length basis. In the first nine months of 2011, the Company earned EUR 244,875 of finance income on this loan (EUR 87,521 in the first nine months of 2010).

The terms and conditions of the transactions with related parties are equivalent to those that prevail in transactions performed on an arm's-length basis, and the corresponding remuneration in kind was taken to profit or loss.

### *b) Remuneration of directors and senior executives*

In the nine-month periods ended 30 September 2011 and 2010, the Company did not recognise or accrue any amount in relation to remuneration or other benefits earned by the Board of Directors and did not have any pension or life insurance premium payment obligations to former or current directors. Additionally, there were no termination benefits or equity instrument-based payments.

The remuneration of senior executives in the first nine months of 2011 amounted to EUR 46,716 (first nine months of 2010: EUR 48,067).

No advances or loans were granted to senior executives or Board members.

## 17. Other disclosures

### *a) Employees*

The average number of employees at the Company in the nine-month periods ended 30 September 2011 and 2010, by category, was as follows:

| Professional Category | 30/09/11 | 30/09/10 |
|---|---|---|
| Management | 1 | 1 |
| Total | 1 | 1 |

### *b) Fees paid to auditors*

In the first nine months of 2011, the fees for financial audit and other services provided by the Company's auditor or by a firm related to the auditor as a result of a relationship of control, common ownership or management amounted to EUR 19,000.

**18. Events after the reporting period**

From 30 September 2011 to the date of preparation of the interim financial statements for the nine-month period then ended, no events occurred that would significantly affect the future performance of the Company or its interim financial statements.

**19. Explanation added for translation to English**

These interim financial statements are presented on the basis of IFRSs as adopted by the European Union. Certain accounting practices applied by the Company that conform with IFRSs may not conform with other generally accepted accounting principles.

## Signatures of the directors

These interim financial statements for the nine-month period ended 30 September 2011 were authorised for issue by the Board of Directors at its meeting held on 31 October 2011.

Madrid, 31 October 2011

| | |
|---|---|
| Marco Colomer Barrigón<br>(Chairman and CEO) | José Luis Colomer Barrigón<br>(Director) |
| José Luis Colomer Hernández<br>(Director) | Marcelino Gil<br>(Secretary and Director) |

## III. FINANCIAL STATEMENTS OF CIBRA

1. Financial year 2009

Deloitte

# Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.

Independent Auditors' Report

Annual Accounts and Management Report
for the 2009 Financial Year

# Deloitte

Deloitte. S.L.
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AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the Shareholders of
Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.:

1. We have audited the financial statements of Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A. which comprise the balance sheet/statements of financial position as at 31 December 2009, the profit and loss account, the statement of changes in equity, the cash flow statement and the report for the year ended on that date, whose preparation is the responsibility of the Directors of the Company. Our responsibility is to express an opinion on the aforesaid financial statements taken as a whole, based on work carried out in accordance with generally accepted auditing standards, which require the examination, on a test basis, of supporting evidence to the financial statements and an assessment of their presentation, the accounting principles applied and the estimates made.

2. As indicated in Note 1 of the attached report, the Company was incorporated on 29 December 2009, and its accounting period was effective from January 2009.

3. In our opinion, the 2009 accompanying financial statements give a true and fair view, in all respects, of the financial position of the company, Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A. as at 31 December 2009 and of the results of operations, of changes in equity and cash flows for the year ended on that date and contain the necessary and appropriate information for their proper interpretation and understanding, in accordance with accounting principles and standards generally accepted under applicable Spanish law.

4. The accompanying management report for 2009 contains the explanations that Directors consider appropriate regarding the Company's state of affairs, the development of its business and other matters and does not form an integral part of the financial statements. We verified that the accounting information contained in the aforementioned report is consistent with the 2009 financial statements. Our work as auditors was limited to verification of the management report, within the scope mentioned in this paragraph, and does not include a review of information other than that obtained from the Company's accounting records.

DELOITTE S.L.
Entered in the R.O.A.C. under no. S0692

*[signature]* Antonio Rueda
21 May 2010

Deloitte S.L. Registered in the Companies Register of Madrid, volume 13,650 section 8ª folio 188, page M-54414, entry 96ª, Company Tax Code B-79104469, Registered Address Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid
Member of Deloitte Touche Tohmatsu

# Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.

Financial Statements
for the year ended
31 December 2009.

# Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.

BALANCE SHEET AS AT 31 DECEMBER 2009

(Euros)

| ASSETS | Notes | 31.12.2009 | LIABILITIES AND EQUITY | Notes | 31.12.2009 |
|---|---|---|---|---|---|
| NON-CURRENT ASSETS | | 110,992,089 | EQUITY | Note 10 | 109,672,516 |
| Investment Property | Note 6 | 100,706,400 | *SHAREHOLDER FUNDS* | | 108,159,277 |
| Long-term financial assets | Note 8 | 15,330 | Capital | | 103,840,000 |
| Other financial assets | | 15,330 | Registered share capital | | 103,840,000 |
| Long-term investments in Group and associated Companies | Notes 8 and 14 | 10,270,359 | Result for the period | | 4,319,277 |
| | | | *GRANTS, GIFTS, AND LEGACIES RECEIVED* | | 1,513,239 |
| Long-term loans to group and associated companies | | 10,270,359 | Grants, gifts and legacies received | | 1,513,239 |
| | | | NON-CURRENT LIABILITIES | | 710,648 |
| | | | Long-term debt | Note 11 | 62,117 |
| | | | Other financial liabilities | | 62,117 |
| | | | Deferred tax liabilities | Notes 10 and 12.4 | 648,531 |
| | | | CURRENT LIABILITIES | | 608,925 |
| | | | Trade creditors and other accounts payable | | 608,925 |
| | | | Current tax liabilities | Note 12.1 | 608,925 |
| TOTAL ASSETS | | 110,992,089 | TOTAL ASSETS AND LIABILITIES | | 110,992,089 |

Notes 1 to 18 to the attached report and accounts form an integral part of the abridged statement of assets and liabilities as at 31 December 2009

# Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.

PROFIT AND LOSS ACCOUNT FOR THE YEAR
ENDED 31 DECEMBER 2009

(Euros)

| | Notes to the Accounts | Financial Year 2009 |
|---|---|---|
| **CONTINUING OPERATIONS** | | |
| **Net revenues** | Note 13.1 | **8,330,507** |
| Property operations | | 8,330,507 |
| **Other operating expenses** | Note 13.2 | **(472,667)** |
| External services | | (113,389) |
| Taxes | | (359,168) |
| Amortization | Note 6 | **(3,133,600)** |
| Allocation of grants for non-financial and other assets | Note 10 | **171,883** |
| **OPERATING RESULT** | | **4,896,233** |
| Financial income | Note 14 | **31,969** |
| FINANCIAL RESULT | | **31,969** |
| PROFIT BEFORE TAX | | **4,928,202** |
| Tax on income | Note 12.3 | (608,925) |
| RESULT FOR THE PERIOD | | **4,319,277** |

Notes 1 to 18 to the attached Report and Accounts form an integral part of the abridged profit and loss account for the 2009 financial year.

# Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009
A) STATEMENT OF RECOGNISED INCOME AND EXPENDITURE

(Euros)

| | 2008 Financial Year |
|---|---|
| **RESULT OF PROFIT AND LOSS ACCOUNT (I)** | **4,319,277** |
| Income and expenses recognized directly in equity | |
| - Grants, gifts and legacies received | 2,333,653 |
| - Tax effect | (700,096) |
| **TOTAL INCOME AND EXPENSES DIRECTLY ATTRIBUTABLE TO EQUITY (II)** | **1,633,557** |
| Transfers to profit and loss account | |
| - Grants, gifts and legacies received | (171,883) |
| - Tax effect | 51,565 |
| **TOTAL TRANSFERS TO PROFIT AND LOSS ACCOUNT (III)** | **(120 318)** |
| **TOTAL RECOGNISED INCOME AND EXPENSES (I+II+III)** | **5,832,516** |

Notes 1 to 18 to the Report and Accounts form an integral part of the recognised income and expenses statement for the 2009 financial year.

**B) COMPREHENSIVE STATEMENT OF CHANGES IN EQUITY**

(Euros)

| | Capital | Grants, gifts and legacies | Result for the financial year | TOTAL |
|---|---|---|---|---|
| STARTING BALANCE AS AT 29 DECEMBER 2009 | - | - | - | - |
| Total recognized income and expenditure | - | 1,513,239 | 4,319,277 | 5,832,516 |
| Transactions with shareholders | 103,840,000 | - | - | 103,840,000 |
| - Company incorporation | 103,840,000 | - | - | 103,840,000 |
| FINAL BALANCE AS AT 31 DECEMBER 2009 | 103,840,000 | 1,513,239 | 4,319,277 | 109,672,516 |

Notes 1 to 18 to the Report and Accounts form an integral part of the comprehensive statement of changes in equity for the 2009 financial year.

# Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.

## CASH FLOW STATEMENT FOR 2009

(Euros)

| | 2009 Financial year |
|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES (I)** | **7,857,950** |
| **Pre-tax profit** | **4,928,202** |
| **Adjustments for:** | **2,929,748** |
| - Amortisation of property | 3,133,600 |
| - Allocation of grants | (171,883) |
| - Financial income | (31,969) |
| | |
| **CASH FLOW FROM INVESTING ACTIVITIES (II)** | **(7,857,950)** |
| **Payments for investments** | **(7,857,950)** |
| - Group companies and related companies | (7,857,950) |
| | |
| **INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)** | **-** |
| Cash and cash equivalents at the beginning of the financial year | - |
| Cash and cash equivalents at the end of financial year | - |

Notes 1 to 18 to the Report and Accounts form an integral part of the cash flow statement for the 2009 financial year.

**Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.**

Report for the
year ended
31 December 2009

## 1. Business Activities

Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A. (hereinafter the Company), was formed on 29 December 2009, with its financial year starting 1 January 2009. Its registered office is located at 6-7 Glorieta de Cuatro Caminos, Madrid.

The Company's objective is:

• The acquisition and marketing of urban real estate for leasing. Marketing activities include the rehabilitation of buildings as per the provisions of Law 37 of 28 December 1992, on Value Added Tax.

• The holding of shares in the capital of other SOCIMI or in that of other entities non-resident in Spain having the same corporate objective, and which are subject to a similar regime to that established for SOCIMI, in terms of the mandatory, statutory or legal policy regarding the distribution of dividends.

• The holding of shares in the capital of other entities, whether they are resident in Spain or not, whose corporate objective is the acquisition of urban property for leasing and which are subject to the same scheme as that established for SOCIMI in terms of mandatory, statutory, or legal policy regarding the distribution of dividends and which meet the investment and external financing requirements referred to in Articles 3 and 7 of Law 11 of 26 October 2009.

• The holding of shares or equity interests in Collective Real Estate Investment Companies regulated by Law 35 of 4 November 2003, on Collective Investment Companies.

• The carrying on of other ancillary, financial and non-financial activities, which generate income which overall amounts to at least 20 per cent of the Company's income in each tax period.

The activities listed above may also be indirectly carried on by the Company, in whole or in part, through holdings in one or more other companies with similar company objectives.

All activities for which the law imposes special requirements which are not met by this Company are excluded.

Given the activities that the Company currently engages in, it has no liabilities, expenses, assets, provisions or contingencies of an environmental nature that might be material in terms of its equity, financial position and results. For this reason this annual report does not contain specific disclosures in respect of information on environmental issues.

The Company is integrated, using the equity method, in Grupo Pryconsa whose Controlling Shareholder is Promociones y Construcciones, PYC, Pryconsa S.A., whose registered office is Madrid (Spain), as it is significantly controlled by said company. Group Pryconsa's annual consolidated financial statements for the year ended 31 March 2009 were approved by the Parent Company's General Shareholders Meeting on 29 September 2009 and filed at the Registro Mercantil de Madrid (Companies House, Madrid).

## 2. Demerger in the Company's favour during the financial year.

The Company was formed from the demerger of Isla Canela, S.A. which took place on 29 December 2009, whereby said company partially split, segregating part of its equity, which is not cancelled, and transferred the segregated block to the Company, which has individually acquired and succeeded to all the rights and obligations attaching to the segregated assets; by way of consideration, Shareholders of the divided company received in exchange, shares in the Company, in the same equity percentages as in Isla Canela, S.A. before the demerger. The new Company received, at the appraisal value, certain leased assets of Isla Canela, S.A. The deed recording this demerger and the creation of the Company was definitively entered in the Registro Mercantil de Madrid on 8 February 2010.

For accounting purposes, the date from which the demerger by the Company should be considered effective is 1 January 2009.

In accordance with the final assessment of non-monetary contributions by the independent expert appointed by the Companies Registrar, the Company's share capital now stands at € 103,840,000, divided into 1,000,000 shares, each with a nominal value of €103.84.

An assessment of the various properties has brought to light certain capital gains compared with their tax value in the books of the company's shareholders pending taxation. These contributions in the form of real estate fall within the special taxation regime relating to mergers, demergers, contributions in kind and exchanges of securities regulated by Chapter VIII of Title VI of Royal Legislative Decree 4 of 5 March 2004, approving the Revised Text of the Corporation Tax Act.

In accordance with accounting rules, the Company has not entered deferred taxes associated with the future taxation of the aforesaid gains, as it believes that initial recognition of an asset or liability in a transaction is not a business combination and does not affect either the accounting result or taxable income, although such information is included in Public Administration Note no. 12.4.

Following this split, Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A. received the following assets:

| | **Value** | **Acquisition date** |
|---|---:|---:|
| Hotel Iberostar Isla Canela | 23,700,000 | 01.07.2002 |
| Hotel Playa Canela | 15,900,000 | 16.05.2002 |
| Hotel Riu Atlántico | 29,200,000 | 25.05.2002 |
| Hotel Vincci Selección Canela Golf | 4,700,000 | 28.12.2007 |
| Hotel Barceló Isla Canela | 23,700,000 | 06.07.1998 |
| Marina Isla Canela Shopping Mall | 4,700,000 | 17.10.2000 |
| Building for office use located at Gran Via 1, Madrid | 1,940,000 | 19.10.1987 |
| **Total (see Note 6)** | **103,840,000** | |

Construction of the 5 hotel properties (leased to hotel companies of recognised standing) was funded by Isla Canela, S.A. through various mortgage loans created before a public notary.

This demerger operation falls within the scope of the scheme set out in Chapter VIII, Title VII of Royal Decree Law no. 4 of 5 March 2004, approving the Revised Text of the Corporation Tax Act, which expressly calls for implementation of a tax neutrality regime under said law. In addition, Law no. 11 of 26 October 2009 has been taken into consideration; this said law governs SOCIMI, especially for the purposes of assessment and verification of contributions in kind.

3. Basis of presentation of the financial statements

***a) True and fair view***

The attached financial statements have been obtained from the Company's accounting records and are presented in accordance with R.D. no. 1514/2007, the General Accounting Plan adapted to real estate companies protected by Royal Decree Law no. 7/1996 of 7 June 1998 and Corporation Tax law no. 11/2009, so that they give a true and fair view of the assets, financial position, and results of the Company and its cash flows for the year ended 31 December 2009.

These financial statements which have been prepared by the Directors of the Company, are subject to approval at the Annual General Shareholders' Meeting, and are expected to be approved without any changes.

***b) Non-statutory accounting principles***

No non-statutory accounting principles have been used. Furthermore, the Directors have prepared these financial statements taking into account all mandatory and applicable accounting standards and principles which have a material impact on these financial statements. All mandatory accounting principles have been applied.

***c) Critical aspects in respect of the measurement and assessment of uncertainty***

In preparing the accompanying financial statements, the Directors of the Company made estimates as to the value of certain assets, liabilities, income, expenses and commitments contained herein. Basically, these estimates relate to:

• Possible impairment in the value of certain assets (see Notes 5.a and 5.c).
• The useful life of property assets (see Note 5.a).
• The calculation of provisions (see Note 5g).

Although these estimates were made based on the best information available at the close of the 2009 financial year, it is possible that events which take place in the future will make it necessary to revise them upwards or downwards in the coming financial years, which would be done prospectively, as necessary.

The Directors of the Company are responsible for the information contained in these financial statements.

***d) Comparison of information***

The Company was incorporated in 2009, and, for this reason, the Directors are not providing information with regard to the previous year.

***e) Grouping of items***

Certain items in the balance sheet, the profit and loss account, statement of changes in equity and cash flow statements are grouped together to facilitate understanding, although, insofar as this has a material impact, we have included disaggregated information in the relevant notes to the annual report.

## 4. Distribution of profits

The proposed distribution of profits for 2009, which the Board of Directors will put forward to the Shareholders, is as follows:

| | Euros |
|---|---|
| **Basis of distribution:** | |
| Profit and Loss | 4,319,277 |
| | |
| **Distribution:** | |
| Legal Reserve | 492,820 |
| Voluntary Reserve Dividends | 443,538 |
| | 3,382,919 |

In accordance with Law no. 11/2009 governing the operation of SOCIMI, the existence of dividends requires the Company to pay corporation tax on any taxable amount corresponding to the dividend whose distribution has been agreed based on the profit for the year. In the 2009 financial year, the Company has complied with the income and investment requirements established under current laws.

## 5. Registration and valuation rules

In accordance with the rules established under the General Accounting Plan, the principal registration and valuation rules applied by the Company in preparing its financial statements are as follows:

### *a) Investment property*

The investment property section of the balance sheet/statement of financial position reflects the values of land, buildings and other constructions owned for the purpose of leasing or making a capital gain from their sale, as a result of future increases in value in their respective market prices.

These assets are initially measured at their acquisition price or production cost which is subsequently reduced as a result of accumulated amortisation and impairment, if any. In this case, the Company has entered the investment property at fair value (appraised value), as valued by an independent expert appointed by the Registro Mercantil (Companies Registry).

The Company amortises investment property in a straight-line, applying amortisation rates based on the estimated useful life of the relevant property, as follows:

| | Estimated Useful Life |
|---|---|
| Buildings and structures | 50 |
| Plant | 15-20 |
| Machinery | 8 |
| Other plant | 20 |
| Tooling and fixtures | 10 |
| Other fixed assets | 6-10 |

In the financial year ended 31 December 2009, the Company did not record any impairment losses in respect of investment property.

*Impairment of investment property*

Whenever impairment is suspected, using the so-called "Impairment test", the Company proceeds to assess the possible existence of value impairments which reduce the recoverable value of said assets to less than their book value.

The recoverable amount is defined as the higher of fair value less selling costs and the value in present use.

The Company appointed an independent expert to carry out studies to determine the fair values of investment property at year-end. At 31 December 2009, the above studies were carried out by Técnicos de Tasación, S.A. These valuations were made on the basis of replacement value and market rental value (*which consists of capitalising the net income of each property and discounting future cash flows*), whichever is lower. For the calculation of fair value, discount rates acceptable to a potential investor have been used, and which are in accordance with those applied by the market for properties with similar characteristics in similar locations. The valuations have been carried out in accordance with the Valuation and Rating Standards pursuant to the MO ECO 805/2003.

In the event that an impairment loss on a cash-generating unit has to be recognized, the book value of the assets of the cash-generating unit is reduced to the higher of the following: its fair value less selling costs, its value in present use, and zero.

When an impairment loss subsequently reverses, the carrying amount of the asset or of the cash-generating unit increases in the revised estimate of its recoverable amount, but in such a way that the increased carrying amount does not exceed the carrying amount that would have been determined in the absence of an impairment loss in previous financial years. This reversal of an impairment loss is recognized as income.

***b) Leases***

*Operating leases*

Expenditure relating to operating leases is charged to the profit and loss account in the period in which they occur.

Any receipt or payment that might occur when concluding an operating lease will be treated as a receipt or advance payment which will be attributed to the results over the lease term, as and when the profits from the leased asset are paid or received.

c) ***Financial instruments.***

<u>*c.1 Financial assets*</u>

Classification-

Financial assets owned by the Company are classified according to the following categories:

a) Loans and receivables: financial assets arising from the sale of property or the supply of services to third parties, or those which are not a result of trading, are not equity instruments or derivatives, whose amounts are fixed or determinable and are not traded in an active market.

b) Deposits and guarantees made and given by the Company to comply with the contractual terms of the various registered leases.

*Initial valuation*

Financial assets are initially entered at fair value of the payment made, plus any directly attributable transaction costs.

*Subsequent valuation*

As a minimum, at year end the Company tests for the impairment of financial assets which are not entered at fair value. It is considered that there is objective evidence of impairment if the recoverable amount of the financial asset falls below book value. When this occurs, the impairment is recorded in the profit and loss statement.

Specifically, and with regard to valuation adjustments relating to trade debts and other accounts receivable, the criterion used by the Company to calculate the corresponding value adjustments, if any, is the annual amount of the balances of aged debt or debt which can be reasonably categorised as bad debt when circumstances permit.

The Company writes off financial assets when they expire or when the rights to the cash flow of the relevant financial assets have been assigned and the risks and benefits attaching to the property have been substantially transferred.

On the other hand, the Company does not write off financial assets and recognise a financial liability for an amount equal to the consideration received, when transferring financial assets where the risks and benefits attaching to its property are substantially retained.

*c.2 Financial liabilities*

Financial liabilities refers to the Company's debts and payables which have arisen from the purchase of goods and services in the course of the Company's trading operations, or those which although not of a commercial nature, cannot be considered financial derivative instruments.

Debts and payables are initially measured at fair value of the consideration received, adjusted for directly attributable transaction costs. Subsequently, these liabilities are valued according to their amortised cost.

The Company writes off financial liabilities when the commitments which gave rise to them have been extinguished.

***d) Classification of balances - current and non-current***

In the balance sheet/statement of financial position, balances are not classified as being current and non-current. Current balances consist of balances that the Company expects to sell, consume, disburse or realise in the normal operating cycle; any that do not correspond to this classification are considered non-current.

***e) Income Tax***

Income tax expenses or income comprises the portion relating to current tax expenses or income and the portion relating to deferred tax income or expenses.

Current tax is the amount the Company pays pursuant to income tax assessments for the financial year. Tax credits and other tax benefits applied to the tax amount, excluding withholding tax and payments on account, together with tax losses from previous financial years which may be claimed and applied to it, result in a reduction in current tax.

Deferred tax expenses or income refers to the recognition and cancellation of deferred tax assets and liabilities. These include temporary differences which are defined as those amounts expected to be payable or recoverable arising from the differences between the carrying amounts of assets and liabilities and their tax value, together with negative tax amounts awaiting compensation and credits for tax deductions not applied fiscally. These amounts are recorded by applying the tax rate at which they might be recovered or paid to the temporary difference or corresponding credit.

Deferred tax liabilities are recognised for all taxable temporary differences, except those derived from the initial recognition of goodwill or other assets and liabilities in a transaction which does not affect either the taxable income or the accounting result and is not a business combination, and those associated with investments in subsidiaries, associates and joint ventures in which the Company can control the timing of the reversal and in which reversal is not on the agenda in the foreseeable future.

For their part, deferred tax assets are only recognized to the extent it is considered probable that the Company will have future taxable profits against which they can be utilized.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity accounts, are also accounted for and charged to equity.

At the end of each reporting period, deferred tax assets are revalued, with the appropriate adjustments being made if there are doubts about their future recovery. Furthermore, at the end of each reporting period, deferred tax assets not entered in the balance sheet are also valued and recognised to the extent that recovery becomes probable through future tax benefits.

The special tax treatment given to these SOCIMI revolves around a corporation tax rate of 18 per percent, provided certain conditions are met. Of these, it is worth mentioning that at least 80 percent of said companies' assets needs to consist of urban property for leasing and acquired with full title or by owning shares in companies which meet the same investment and income distribution requirements, whether Spanish or foreign, or listed on organized markets or not. Similarly, the main sources of income of these entities must come from the property market, whether from rentals, the subsequent sale of property after a minimum rental period, or income from holdings in companies with similar characteristics. However, the accrual of tax is commensurate with the dividends distributed by the company. Dividends received by shareholders will be exempt (from tax), unless the recipient is a legal entity subject to Corporation Tax or a permanent establishment of a foreign entity, in which case there will be a deduction in the tax payable, such that this income is taxed at the shareholder's tax rate. However, other income will not be taxed until it is distributed to shareholders.

***f) Income and expenses***

Revenues and expenses are recognized on an accruals basis, i.e. when there is a real flow of the goods and services they represent, regardless of when the monetary or cash flow they give rise to occurs. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

Recognition of sales revenues occurs when the significant risks and benefits attaching to ownership of the sale property have been transferred to the buyer, and current management of the property is relinquished, and there is no effective control over it.

Revenues from the supply of services are recognized according to the stage of completion of the service at the balance sheet date, provided the result of the transaction can be reliably estimated.

Interest income from financial assets are recognized using the effective interest rate and dividends method, when shareholder rights are declared on receipt. In any event, interest and dividends from financial assets accruing after the acquisition date are recognized as income in the profit and loss account.

Property rental income is entered on an accruals basis, and the difference between the invoice amount and the revenue recognized in accordance with this criterion is recorded under the heading "Adjustments for timing differences".

***g) Provisions and contingencies.***

When preparing the financial statements the directors of the Company differentiate between:

a) Provisions: credit balances covering present obligations arising from past events whose cancellation will most likely give rise to an outflow of funds, but whose amount and time of cancellation is uncertain.

b) Contingent liabilities: possible obligations arising from past events and whose future realization is conditional on the occurrence, or not, of one or more future events outside the Company' control.

The financial statements include all provisions for which it is estimated that the probability of having to meet the obligation is greater than not having to meet it. Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to the report and accounts, to the extent that they are not considered remote.

Provisions are measured at the present value of the best estimate of the amount required to cancel or transfer the obligation, taking into account all available information on the event and its consequences, and recording the adjustments which arise when updating these provisions as a financial expense, as and when it is accrued.

***h) Termination indemnity***

Under current law, the Company is obliged to pay compensation to those employees with whom, under certain conditions, it terminates the employment relationship. Therefore, redundancy payments which can be reasonably quantified are expensed in the year in which the redundancy decision is adopted and it creates valid expectations on the part of a third party. No layoffs are planned which necessitate the constitution of provisions under this heading, as at 31 December 2009.

***i) National heritage and the environment***

Environmental assets are property which is used on a permanent basis to carry out the Company's activities, whose main purpose is to minimize environmental impact and the protection and improvement of the environment, including the reduction or elimination of future pollution.

The Company's activities, by their nature, do not have a significant environmental impact.

***j) Grants, gifts and legacies***

When accounting for capital grants the Company records the fair value of the amount or property granted, depending on whether they are monetary or not, and it is then allocated to income in proportion to the amount allocated to depreciation in the period for subsidized elements, or, where necessary, in the event of a disposal or an impairment in value, except for grants received from shareholders or owners which are directly entered to equity and do not constitute income.

***k) Transactions with related parties***

All of the Company's transactions are with related parties at market value. Additionally, transfer prices are adequately supported, such that the Company Directors consider that there are no significant risks under this heading which could give rise to liabilities for future consideration.

## 6. Investment property

The changes in this section of the balance sheet and the data with the most significant impact under this heading are as follows (in euros):

| | **Euros** | | |
|---|---|---|---|
| | Balance at 01/01/2009 | Additions | Balance at 31/12/2009 |
| Cost:<br>Properties for lease | 103,840,000 | - | 103,840,000 |
| Total cost | **103,840,000** | - | **103,804,000** |
| **Cumulative Depreciation**<br>Properties for lease | - | (3,133,600) | (3,133,600) |
| **Total cumulative amortisation** | | (3,133,600) | (3,133,600) |
| **Net investment property** | | (3,133,600) | 100,706,400 |

On 1 January 2009 accounting date, the assets of Isla Canela consisting of property intended for the leasehold market were transferred at fair value; the value of the Barceló Isla Canela, Playa Canela, Riu Atlántico, Iberostar Isla Canela and Vincci Canela Golf hotels was €23,700,000, €15,900,000, €29,200,000, €23,700,000 and €4,700,000 respectively; a shopping mall called "Marina Isla Canela" was valued at €4,700,000 and a building intended for office use located in the Gran Via, Madrid was valued at €940,000. As described in Note 2, these assets were received as a contribution to

the Company in connection with the demerger of Isla Canela, S.A.'s property leasing business branch, and which were recorded at their appraisal value (fair value), in accordance with Article 5.2 of Law 11 of 26 October 2009, governing non-cash contributions for capital creation or expansion in the form of property.

Details of the square footage of these investment properties are as follows:

| | **Square Metres** |
|---|---|
| Hotel Barceló Isla Canela | 20,494 |
| Hotel Riu Atlántico | 30,311 |
| Hoteles Playa | 20,050 |
| Iberostar Isla Canela | 27,500 |
| Vincci Selección Isla Canela Golf | 4378 |
| Marina Isla Canela Mall | 6119 |
| Building for office use located at Gran Via l, Madrid | 430 |
| **Total Square Metres** | **109,282** |

All of the 5 hotels mentioned are assigned to mortgages amounting to €62,692,017, comprising five loans granted to Isla Canela, S.A., who is the sole debtor of the primary obligations attaching thereto. For its part, Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A. has been established as the owner, and not the debtor, of the above registered properties.

The Company has taken out insurance policies to cover against the risks to which investment property is susceptible. These insurance policies and the sums insured were updated in 2010 and adjusted to the fair value of the appraisal made.

In 2009 income from the leasing of property owned by the Company amounted to €8,330,507 (see Note 13.1).

At the end of the 2009 financial year, there was no restriction on new investment property or on the collection of revenue derived therefrom or in relation to proceeds from a possible sale.

At the end of the 2009 financial year, the Company had no totally amortised property items which continued to be in use. Also, as the properties were transferred at fair value (appraisal value), the Company did not record any impairment in respect of these assets.

As at 31 December 2009, the Company had no commitments to purchase investment property or items outside Spain.

## 7. Operating leases.

At the end of 2009, the Company entered into agreement with tenants for the following minimum leasing fees, under existing leases, which does not take into account the impact of service charges, future increases in the CPI or future discounted contractually agreed income. The most significant operating lease contracts are leases for the development of its business activities, and details of the minimum fees are shown below (in euros):

| **Operating Leases**<br>**Minimum lease payments** | Nominal value<br>**2009** |
|---|---|
| Less than 1 year | 6,200,534 |
| Between 1 and 5 years | 17,720,925 |
| More than 5 years | 7,277,400 |
| **Total** | **31,198,859** |

The main contracts in existence at the close of the 2009 financial year are:

a) Hotel Playa Canela Lease: The lease commenced on 15 July 2002 and the term expires on 31 October 2012; it may be renewed at the parties' discretion. The lease agreement is indexed to annual increments in the CPI.

b) Hotel Barceló Isla Canela Lease: The lease commenced on 1 March 2006 and the term expires on 31 December 2018; it may be renewed at the parties' discretion. With regard to future income, the lease agreement is indexed to annual increments in the CPI.

c) Hotel Riu Atlántico Lease: The lease began in June 2007 and the term expires on 1 April 2010; it may be renewed at the parties' discretion. With regard to future income, the lease agreement is indexed to annual increases in the CPI. From 1 April 2010 onwards, the Riu Atlántico will be operated and managed until 3l March 2012. Thereafter, until the 31 March 2013, the management contract mentioned above will once again revert to a lease agreement for a property for hotel use.

d) Hotel Iberostar Isla Canela Lease: The lease commenced on 1 December 2007 and the term expires on 31 October 2012; it may be renewed at the parties' discretion. The contract is indexed to annual increases in the CPI.

e) Lease Hotel Vincci Canela Golf: The lease commenced on 15 May 2004 and the term expires on 1 December 2014; it may be renewed at the parties' discretion. With regard to future income, the lease agreement is indexed to annual increases in the CPI.

As at 31 December 2009, there are no contingent rents.

## 8. Financial investments and long-term investments in Group and associated companies

At the close of the 2009 financial year, the balance of the accounts under this heading is as follows (in euros):

| | Euros | |
|---|---|---|
| **Categories** | **Loans to Group companies and others** | **Total** |
| Loans to Group and associated companies | 10,270,359 | 10,270,359 |
| Other financial assets | 15,330 | 15,330 |
| **Total** | **10,285,689** | **10,285,689** |

Movements in the headings "Long-term loans to Group and associated companies" and "Other financial assets" for the 2009 financial year are as follows (in euros):

| | Euros | | |
|---|---|---|---|
| | **01/01/09** | **Additions** | **31/12/09** |
| Loans to Group companies (see Note 14) | 2,380,440 | 7,889,919 | 10,270,359 |
| Other financial assets (long-term deposits and guarantees) | 15,330 | - | 15,330 |
| **Total** | **2.395.770** | **7.889.919** | **10,285,689** |

The heading "other financial assets" refers to the bond in the amount of €15,330 deposited with IVIMA in respect of the property situated at Gran Via, Madrid.

## 9. Information regarding the nature and level of risk of financial instruments

*Qualitative information*

Management of the Company's financial risk is handled by the Group's Finance Department and centres on the policies of the Pyconsa Group, which has established the necessary mechanisms to control exposure to variations in exchange rates, as well as credit and liquidity risk. These are the main financial risks that impact on the Company:

a) Credit risk

The Company's credit risk is primarily attributable to the loan made to the Isla Canela, S.A. group company; the company has its financing needs covered for 2010, thanks to the ability of the Company's operations to generate cash.

b) Liquidity risk

This risk is created by timing differences between the funding requirements to meet working capital requirements and sources of funds generated by the Company's ordinary activities.

The Company's main cash budget requirements for the 2010 financial year are as follows:

| Item | Thousands of Euros |
|---|---|
| Cash flow from operations | 9,715 |
| Cash flow from financial items | 1,048 |
| Cash flow from investments | (300) |
| General cash flow | (974) |
| Net cash flow | 9,489 |

As shown in the above breakdown, the expected funding requirements for 2010 are adequately covered by the ability of the Company's current operations to generate cash (expected rental income) and therefore the Directors of the Company do not believe that any liquidity risk other than that which has already been taken into account in the cash projections will arise.

c) Market risk

With reference to exchange rate risk, as at 31 December 2009 the Company had no accounts receivable or payable in foreign currencies, so there is no risk in this regard.

d) Interest rate risk.

With reference to interest rate risk, as at 31 December the Company had no financial debt and there is therefore no interest rate risk.

## 10. Equity and shareholder capital

***a) Registered capital***

At the close of the 2009 financial year, the Company's share capital stood at €103,840,000, divided into 1,000,000 shares with a nominal value of €103.84 each, all in the same class, fully subscribed and paid up, and having the same rights and obligations (see Note 2). A breakdown of the Company Shareholders as at 31 December 2009 (which coincides with date of incorporation) is as follows:

| Shareholders | No. of Shares | Equity percentage |
|---|---|---|

| | | |
|---|---|---|
| Barmar Siete S.L. | 50.032 | 5.00 |
| Andrea Barrigón González | 650,512 | 65.05 |
| Promociones y Construcciones PYC PRYCONSA S.A. | 180,000 | 18.00 |
| COGEIN S.L. | 91,552 | 9.16 |
| TENIVI, S.L. | 27,904 | 2.79 |

The Company's shares are not listed on any Stock Exchange.

***b) Legal reserve***

Under the revised Public Limited Company Law, 10% of profits earned in the period must be allocated to the legal reserve until it reaches 20% of share capital.

The legal reserve can be used to increase capital for that part of the balance which exceeds 10% of the increased share capital. Except as mentioned above, provided it does not exceed 20% of the share capital, this reserve can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

***c) Income distributions***

1. - SOCIMI are subject to the special tax regime established by Law 11 of 26 October 2009, which governs listed companies which invest in the property market. Such companies are required to distribute the profit earned in the period as dividends to Shareholders once they have met the necessary commercial obligations, and it must be distributed within six months of the close of the financial each year, as follows:

a) At least 90 percent of the profits which arise from the transfer of property and shares or equity interests to which the company objective refers, together with the corresponding profits from income from ancillary activities.

b) At least 50 percent of the profits that arise from the transfer of property or shares or equity interests to which the company objective refers. The rest of these profits must be reinvested in other property or equity interests assigned to achieving said objective, within three years of the date of transfer. Failing that, such profits should be distributed in their entirety together with profits, if any, earned in the financial year in which the reinvestment deadline falls. If the elements to be reinvested are transferred before the expiration of the holding period, such profits should be distributed in their entirety, together with the profits, if any, earned in the financial year in which they were transferred. The obligation to distribute profits does not extend, as the case may be, to that share of profits attributable to periods in which the Company will not be taxed under the special tax regime established by said Law.

c) At least 100 per cent of profits arising from dividends or interests in profits distributed by the entities referred to in paragraph 1 of Article 2 of this Law. The dividend must be paid within one month of the date of the distribution agreement. The obligation to distribute profits does not extend to that part of the profits which arise from income subject to the general tax rate.

2 .- When the dividend distribution is made out of reserves created by profits from a year in which the special tax regime applied, said distribution must be made with agreement referred to above.

3 - The legal reserve of companies which have opted to apply the special tax regime established under this Law may not exceed 20 percent of the company’s share capital. The statutes of such companies may not stipulate any other reserve of an unavailable nature other than the above.

***d) Capital Grants***

Movements under this heading during the period were as follows (in euros):

| | 01/01/09 | Applications | Net fiscal effect | 31/12/2009 |
|---|---|---|---|---|
| Capital grants | 2,333,653 | (171,883) | (648,531) | 1,513,239 |
| **Total** | **2,333,653** | **(171,883)** | **(648,531)** | **1,513,239** |

The grants disbursed to the Company in previous financial years fall under the following headings:

1. Grant from the Dirección General de Incentivos Económicos Regionales (General Directorate of Regional Economic Incentives) amounting to €3,146,000 for regional development. Within this group of grants we can highlight the following:

• Grant from the Dirección General de Incentivos Económicos Regionales amounting to €1,550,000 representing 10% of the investments made for the construction of a hotel in Ayamonte (Huelva), with a net tax balance of €735,417 remaining as at 31 December 2009, pending transfer to the profit and loss account.

• Grant from the Dirección General de Incentivos Económicos Regionales for an amount of €1,106,000, representing 10% of the investments made for the construction of a hotel in Ayamonte (Huelva), with a net tax balance remaining as at 31 December 2009, of €520,707 pending transfer to the profit and loss account.

• Grant from the Dirección General de Incentivos Económicos Regionales granted to Isla Canela Golf Hotel, S. L. amounting to €490,000, corresponding to 14% of the investments made for the construction of a hotel in Ayamonte (Huelva), with a net tax balance remaining as at 31 December 2009, of €257,115 pending transfer to the profit and loss account.

All these subsidies described above were transferred to the Company from Isla Canela, S. A. based on the partial demerger agreement described in Note 2, since they were dedicated to the activity to which the transfer relates. In view of the aforementioned operation involving the demerger, for accounting purposes from 1 January 2009, the grants transferred were allocated by the Company to the profit and loss account.

In this regard, in the 2009 financial year, an amount of €171,883 under the heading "Allocation of grants for non-financial assets" of the attached profit and loss account, was allocated to income.

## 11. Debt (long term)

At year-end the balance of accounts under the heading "Debt" is as follows:

| | **Euros** |
|---|---|
| Other financial liabilities | 62,117 |
| **Total** | **62,117** |

The item under the heading "Other financial liabilities" refers to the long-term bond received from the Maria Isla Canela shopping mall amounting to €46,787 and from the building located on the Gran Via in Madrid in the amount of €15,330 (see Note 8).

## 12. Local Authorities and Tax Situation

### *12.1. Reconciliation of book income and taxable income*

The reconciliation between the accounting result and the taxable income in respect of individual Companies is as follows (in euros):

| **Item** | **Euros** | | |
|---|---|---|---|
| | **Increase** | **Decrease** | **Total** |
| **Profit before tax** | | | 4,928,202 |
| **Taxable income** | | | 4,928,202 |
| Taxable amount | | | 3,382,918 |
| Tax liability (18%) | | | 608,925 |
| Tax payable | | | 608,925 |

According to Article 9.2 of Law 11 of 26 October 2009, governing listed public companies investing in the property market, self-assessment is performed on the taxable portion for the tax period which is proportional to the dividend whose distribution has been agreed in respect of the profit for the period. As shown in Note 4 the Company has allocated €3,882,918 to dividends, and therefore corporation tax has accrued on the share dividend resulting in tax payable of €608,925.

There are no negative taxable amounts or tax deductions pending application, as at 31 December 2009.

### *12.2. Taxes recognized in equity*

As a result of the demerger described in Note 2, the Company recognized taxes in the balance sheet of €700,069 arising from capital grants awaiting transfer to the income statement (see Note 10). In the 2009 financial year, we proceeded to recycle €51,565 from equity, corresponding to the tax effect of grants transferred to income (See Notes 10 and 12.4)

### *12.3. Reconciliation between the accounting result and corporation tax expense*

The reconciliation between the accounting result and the corporation tax expense for the period is as follows (in euros):

| | **Euros** |
|---|---|
| Result for the period before tax | 4,928,202 |
| Taxable income | 3,382,918 |
| Tax (18%) | 608,925 |
| **Tax expense recognized in the profit and loss account** | **608,925** |

***12.4. Deferred tax liabilities.***

At the end of the period, the balance of this account is as follows:

| | Euros | | |
|---|---|---|---|
| | Increases | Decreases (Note 10) | Total |
| **Deferred taxes:** Originating in the period: | | | |
| Grants | 700,069 | (51,565) | 648,531 |
| **Total deferred taxes** | **700,096** | **(51,565)** | **648,531** |
| **Total tax recognised directly in Equity** | **700,096** | **(51,565)** | **648,531** |

The origin of the deferred tax liability wholly corresponds to capital grants entered in the company's balance sheet and awaiting transfer to the profit and loss statement (See Note 10).

Following the asset transfer, the Company owned assets with higher book values than their tax values which, under current tax rates, would imply a higher tax liability of approximately €40,729,615. Under current laws, no deferred tax liabilities were recorded.

***12.5. Unaudited financial years and audit activities***

Under current laws, final tax assessment does not occur until the tax declarations submitted have been inspected by the tax authorities or until the four-year limitation period has elapsed. At the end of the 2009 financial year, the Company has made all of its tax payments since its date of incorporation available for inspection. The Directors believe that the appropriate tax declarations have been properly prepared and therefore, even in the event of discrepancies in interpretation, under current laws, of the tax treatment of these transactions, any resulting liabilities, would not significantly affect the financial statements.

***12.6. Reporting requirements for SOCIMI, pursuant to Law 11/2009.***

| | **2009 Financial Year** |
|---|---|
| a) Profits applied to reserves created in financial years prior to application of the fiscal regime established by Law 11/2009 | As described in Note 2, the Company was incorporated in January 2009 with share capital of €103,840,000, and therefore no profits have been applied to reserves created in previous financial years. |
| b. Profits applied to reserves for each period in which the special tax regime established by said law applies | €936,358 |
| a. Profits arising from income subject to general taxes | - |

| | |
|---|---|
| b. Profits arising from income subject to 18% tax | €3,382,918 |
| c. Profits arising from the transfer of property and shareholdings employed for the main corporate objective | - |
| d. Profits reinvested during the period | - |
| e. Profits awaiting reinvestment | - |
| f. Financial year in which said profits originate | 2009 Financial year |
| g. Total profit for the period | €4,319,277 |
| h. Taxable amount in respect of partially exempt income | €1,545,284 |
| i. Taxable amount in respect of income subject to general taxes | €3,382,918 |
| c) Dividends distributed from the profits of each financial year in which the fiscal regime established by this Law applies | - |
| a. Dividends arising from income subject to general taxes | - |
| b. Dividends arising from income subject to the 18% tax rate | - |
| c. Total profit for the period | €4,319,277 |
| d. Taxable amount in respect of partially exempt income | €936,358 |
| e. Taxable amount in respect of income taxed at the general rate | - |
| d) Dividends paid out of reserves, | - |
| a. Financial year in which the reserve originates, applied from between the two reserves which, because of the type of profit they were formed from, refer to the letters (a) and (b) above | - |
| b. Taxable amount associated with said dividends | - |

| | |
|---|---|
| e) Date of decision to distribute the dividends referred to in letters c) and d) above | - |
| f) Date of acquisition of property intended for leasing purposes, which produces income benefiting from the special regime | The buildings were acquired by the Company on 29.12.2009 but due to the demerger described in Note 2, the dates of ownership of such properties by Isla Canela. Inc. are:<br>a) Hotel Vincci Selección Isla Canela Golf: 28.12.2007<br>b) Hotel Barceló Isla Canela: 06.07.1998<br>c) Hotel Iberostar Isla Canela: 01.07.2002<br>d) Hotel Playa Canela: 16.05.2002<br>e) Hotel Riu Atlántico: 25.05.2000<br>f) Marina Isla Canela Shopping Mall 17.10.2000<br>g) Property located at Gran Via, Madrid: Acquired on 19.10.1987 |
| g) Date of acquisition of shareholdings in the capital of the entities referred to in Paragraph 1 of Article 2 of this Law | |
| h) Identification of assets included in the 80 per cent referred to in paragraph 1 of Article 3 of this Law | The breakdown of assets and their book values (€103.84 million), expressed in millions of euros, is as follows:<br><br>a) Hotel Vincci Selección Canela Golf Island: 4.70<br>b) Hotel Barceló Isla Canela: 23.70<br>c) Hotel Iberostar Isla Canela: 23.70<br>d) Hotel Playa Canela: 15.90<br>e) Hotel Riu Atlántico: 29.20<br>f) Marina Isla Canela Shopping Mall: 4.70<br>g) Property at Gran Via, Madrid: 1.94<br><br>This represents 91% of assets |
| i) Reserves created in financial years in which the special tax regime established by this Law applied, which have been used in the tax period, but not for distribution or to offset losses. The financial year in which said reserves were created should be specified, together with the total profit for the period and the taxable amount and deductions from the tax payable for the tax period corresponding to said financial year | - |

## 13. Income and expenditure

### *13.1 Operation of buildings*

As at 31 December 2009, the breakdown of this item is as follows (in euros):

| | Euros |
|---|---|
| Barcelo Isla Canela | 1,842,908 |
| Riu Atlantico | 2,409,748 |
| Iberostar Isla Canela | 1,956,450 |
| Playa Canela | 1,320,904 |
| Vincci Selección Isla Canela Golf | 370,997 |
| Other leases | 429,500 |
| | **8,330,507** |

As explained in Note 2, operations relating to assets transferred by the divided company are deemed to have been executed by the beneficiary Company as of 1 January 2009.

### *13.2 External services and taxes*

The breakdown of this item is as follows (in euros):

| | **Euros** |
|---|---|
| Insurance premiums | 61,891 |
| Other Services | 51,498 |
| Taxes | 359,168 |
| | **472,557** |

In 2009, audit fees payable to Deloitte, S.L. amounted to €4,000. No expense has accrued for other services supplied by the Company auditor.

### *13.3 Staff costs*

At the end of the 2009 financial year, the Company had no staff.

## *14. Transactions and balances with related parties*

In the 2009 financial year, balances and transactions with related companies are as follows (in euros):

| | **Euros** | |
|---|---|---|
| | **Loans to Group companies** | **Financial income** |
| Isla Canela, S.A | 10,270,359 | 31,969 |
| | **10.270.359** | **31,969** |

Long-term debt held with by Group companies comes mainly from credit control management, by Isla Canela, S. A., of the leases of the properties referred to in the demerger process described in Note 2, on behalf of the beneficiary of this process, i.e. the Company. Said funding contract earns interest equal to the quarterly EURIBOR rate plus a spread similar to the variable spread of Isla Canela, S.A.'s mortgage loans.

## 15. Remuneration of the Board of Directors and senior management

In 2009 the Company did not record or accrue any remuneration or other benefits accruing to the Board of Directors, and has not entered into any obligations with regards to pensions or the payment of life insurance premiums for past and present board members. Neither are there any severance payments and payments based on equity instruments payable.

On the other hand, the Company is managed directly by the Group to which it belongs, and no remuneration was paid at senior management level in the 2009 financial year.

No amounts are payable by way of advances or loans to senior management or board members.

The number of Company Directors according to gender, for the 2009 financial year, is as follows:

| Men | Women | Total |
|---|---|---|
| 3 | 1 | 4 |

## 16. Details of Directors' equity investments in companies engaged in similar activities and performance of similar activities for own account or on behalf of others

In accordance with the provisions of Article 127 ter.4 of the Public Limited Companies Act, introduced by Law 26 of 17 July 2003, amending Law 24 of 28 July 1988, on the Securities Market and the Revised Law on Public Limited Companies, in order to improve the transparency of listed public companies, below is a list of companies with the same, similar or complementary type of business activity as that set out in the statement of purpose of Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A. some of whose share capital is owned by Board Members, together with the duties which, as the case may be, they perform within the company:

| Name of Director | Name of Company in question | % shareholding | Position or duties |
|---|---|---|---|
| José Luis Colomer Hernández | PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA S.A. | 0.82% | Chairman of the Board |
| | INMOBILIARIA PALENTINA S.L. | 0.01% | Chief Executive Officer and Secretary |
| | GRAN VIA 34, S.A. | 0.02% | Managing Director and Board Member |
| | ISLA CANELA, S.A. | 0.00% | Chairman |

| | | | |
|---|---|---|---|
| Andrea Barrigón González | PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA S.A. | 0.04% | Shareholder |
| | INMOBILIARIA PALENTINA S.L. | 99.99% | Shareholder |
| | PROPIEDADES CACEREÑAS S.L. | 2.51% | Shareholder |
| | COGEIN, S.L. | 24.58% | Shareholder |
| | ISLA CANELA, S.A. | 65.05% | Board member |
| | COMPANIA IBERICA DE RENTAS URBANAS 2009 SOCIMI, S.A. | 16.09% | Shareholder |
| Marco Colomer Barrigón | COGEIN, S.L. | 23.28% | Chairman and CEO |
| | ROYAL INMOBILIARIA, S.A. | 30% | CEO and Secretary |
| | PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A. | 0.00003% | CEO |
| | PROPIEDADES CACEREÑAS, S.L. | 21.58% | Chairman and CEO |
| | ISLA CANELA, S.A. | 0.00% | CEO |
| | COMPANIA IBERICA DE RENTAS URBANAS 2009 SOCIMI, S.A. | 31.12% | Chairman and CEO |
| José Luis Colomer Barrigón | COGEIN, S.L. | 23.24% | Board member |
| | ROYAL INMOBILIARIA, S.A. | 30% | Shareholder |
| | PROPIEDADES CACEREÑAS, S.L. | 21.58% | Board Member |
| | ISLA CANELA, S.A. | 0.00% | Board Member |
| | COMPANIA IBERICA DE RENTAS URBANAS 2009 SOCIMI, S,A. | 31,06% | Board Member |

Also, as per the above, the table below shows the performance of activities undertaken by various Board members, for their own account or on behalf of others, in companies with the same, similar or complementary business activities as those expressed in the Company's statement of purpose, whether they have an equity interest in such companies or not:

| Name of Director | Company |
|---|---|
| José Luis Colomer Hernández | Chairman PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA<br>Chairman, Soransa 1989, S.A.<br>Chairman Isla Canela, S. A.<br>CEO and Member of the Board of Directors of Gran Via 34, S.A.<br>CEO and Secretary of Inmobiliaria Palentina, S.L. |
| Marco Colomer Barrigón | CEO of Promociones y Construcciones, PYC, PRYCONSA, S.A.<br>CEO and Chairman of COGEIN, SL<br>CEO and Secretary of Royal Inmobiliaria<br>Chairman and CEO of Propiedades Cacereñas<br>Sole Director on behalf of Isla Canela, S.A. de Tronkanela S.L.<br>Chairman and CEO of Gran Via 34, S.A.<br>CEO of Isla Canela, S.A.<br>Chairman and CEO of COMPANIA IBERICA DE RENTAS URBANAS 2009, SOCIMI, S.A.<br>CEO of Soransa 1989, S.A. |
| José Luis Colomer Barrigón | Member of the Board of Soransa 1989, S.A.<br>Member of the Board of COGEIN, S.L.<br>Member of the Board of Propiedades Cacereñas<br>Member of the Board of Isla Canela, S.A.<br>Member of the Board of COMPANIA IBERICA DE RENTAS URBANAS 2009, SOCIMI, S.A.<br>Member of the Board of Gran Via 34, S.A. |
| Andrea Barrigón González | Member of the Board of Isla Canela, S.A. |

## 17. Guarantees given to third parties and other contingent liabilities

As at 31 December 2009, the Company has given no guarantees to third parties.

## 18. Events occurring after the close of the financial year

1. On 1 January 2010, Isla Canela, S.A. and Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A. signed a " Mortgage Guarantee Service Agreement" under which the latter will supply the former with a mortgage guarantee service under which the hotels owned by the latter will be liable for the repayment, by the former, of the mortgage loans taken out with the companies, in accordance with the covenants agreed in their articles of incorporation, until each of the loans granted is finally redeemed. Isla Canela S.A. undertakes to pay all instalments on time and any ancillary costs accrued until the final repayment of the mortgage loans. For the supply of services described, the Company will pay Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A., annual fees equivalent to 0.25% of the outstanding average annual balance of the mortgage loans, calculated on 31 December of each year, to be invoiced and paid on the last day of each calendar year. This amount may be amended annually by agreement between the parties to adjust to average market prices agreed by the Company in respect of the provision of bank guarantees by financial Institutions (bank guarantees and insurance).

2. On 1 January 2010, Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A. and Promociones y Construcciones, PYC, PRYCONSA, S.A. signed an agreement under which Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A., providing the funding requirements of its own activities are covered, agreed to use its cash surplus to fund

Promociones y Construcciones, PYC, PRYCONSA, S.A.'s financial requirements in terms of its normal activities, at market prices. The contract term is for three years. The applicable interest rate is the average 3-month Euribor for the last 3 months plus 1.25 percentage points.

**Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.**

Management Report
for the financial year ended
31 December 2009

## 1. GENERAL ECONOMIC AND INDUSTRY TRENDS IN 2009

### THE INTERNATIONAL ECONOMIC ENVIRONMENT

World recovery began more vigorously than anticipated, but is progressing at different speeds according to the region. After the worst global downturn in recent history, economic growth strengthened and extended to advanced economies in the second half of 2009. It is anticipated that global output will increase by 4% in 2010. It is anticipated that in most advanced economies recovery will continue at a slower rate than normal, while in many emerging and developing economies, activity will be relatively strong, mainly thanks to buoyant domestic demand. Policies must promote a rebalancing of global demand, maintaining support in places where recovery has not yet taken a foothold.

World output and trade revived in the second half of 2009. Confidence returned strongly in the financial and manufacturing sectors, and extraordinary political support prevented another Great Depression. In advanced economies, the start of cycle change in inventories and sudden dynamic U.S. consumption constituted positive developments. Domestic demand was very strong in some key emerging and developing economies, although the turning point in the inventory cycle and the normalization of global trade were also important factors. World recovery was driven by abnormally large stimulus packages.

Monetary policy has been expansive, with interest rates falling to record lows in most advanced economies and many emerging economies, while there has been an expansion in the balance sheets of central banks of major advanced economies to levels not previously seen. Fiscal policy also provided a significant boost in response to a strong slowdown. Meanwhile, public support for the financial sector was crucial to break the negative interaction between the financial and the manufacturing sector. At the same time, there is still little evidence that autonomous private demand (i.e. not policy-induced) is gaining a foothold, at least in advanced economies.

**Recovery is progressing at different rates**

It is anticipated that after a sharp contraction in 2009 the GDP of advanced economies will expand by 2% in 2010. The new forecast reflects an upward revision of 3/4 percentage points. It is forecast that in 2011 growth will increase slightly to 2.5%. Despite this upgrade, it is still expected that recovery in advanced economies will be weak compared with historical levels, and manufacturing output will remain below pre-crisis levels until the end of 2011. In addition, high levels of unemployment and public debt, and only the partial recovery of financial systems and, in some countries, weak household balance sheets are further impeding the recovery of these economies.

It is anticipated that growth in emerging and developing economies will increase to approximately 6% in 2010, after the modest 2% recorded in 2009. The new forecast reflects an upward revision of almost 1 per cent. It is forecast that in 2011 product acceleration will continue. Stronger economic frameworks and rapid policy action have helped many emerging economies to cushion the impact of unprecedented external shocks and to recapture capital flows.

In both groups, it is anticipated that growth will vary greatly according to the country and the region, to initial conditions, and to the external shocks and policies implemented. For example, the major emerging economies of Asia are leading the way in the global recovery. A few advanced European economies and several economies in Central and Eastern Europe and the Commonwealth of Independent States are lagging behind. The rise in raw material prices is helping to sustain growth in all countries that produce them. Many of the developing countries of Sub-Saharan Africa which experienced a moderate slowdown in 2009 are in a good position to recover in 2010. Growth trajectories are also very varied in advanced economies.

**Financial conditions have continued to improve but remain difficult**

Financial markets have recovered faster than expected, thanks to stronger activity. However, financial conditions are likely to remain more difficult than before the crisis.
Specifically:

• Money markets have stabilized, and the tightening of bank lending rules has been reduced. On the other hand, most banks in the main markets now rely less on the emergency services of the central bank and on government guarantees. However, bank lending will tend to be slow owing to factors such as the need to replenish capital, weak private securitisation and the possibility of further write-down of loans, particularly in the commercial property sector.

• Stock markets have recovered, and corporate bond issues have reached unprecedented levels, in the middle of the reopening of the majority of high yielding markets. However, the rebound in corporate bond issues has not offset the lower growth in bank loans to the private sector. Sectors which have only limited access to capital markets, in particular, consumers and small and medium size companies, will most likely continue to see their access to credit restricted. So far, public loan programmes and guarantees have been vital for channelling loans to these sectors.

• The sovereign debt of some smaller countries has started to be under pressure, as these economies face high levels of public deficit and public debt, and investors are increasingly discriminating between countries.

In the middle of the relatively rapid return of many emerging economies to healthy growth, portfolio flows to these markets have recovered, causing a loosening of financial conditions and generating new concerns regarding asset price valuations. In contrast, international bank lending continues to contract in most regions, as banks with global operations continue to de-leverage. This will limit domestic credit growth, especially in those regions most dependent on cross-border bank flows.

**Raw material prices are rebounding**

Raw material prices experienced sharp increases during the early stages of the recovery, despite generally high inventory levels. This is largely due to the strong recovery in emerging Asian economies, the start of a more general recovery in other emerging and developing economies and an improvement in global economic conditions.

There is an expectation that commodity prices will rise a bit more due to strong global demand, especially from emerging economies. However, it is anticipated that this pressure will slow down, given that inventories are at above-average levels and there is significant unused capacity in many commodity-producing sectors. Therefore, the IMF's baseline projection for the price of oil has not changed in 2010 and is revised slightly upwards in 2011 (at USD 82 per barrel, compared with the USD 79 per barrel initially predicted). Prices of other raw materials, other than fuels, have also been revised slightly upwards.

**Inflationary pressures remain moderate in almost all economies**

It is expected that even lower capacity utilisation levels and the solid anchoring of inflationary expectations will contain inflationary pressures In advanced economies general inflation is expected to increase from zero in 2009 to 1.25% in 2010, given that the recovery in energy prices more than counterbalances the slowdown in labour costs. In emerging and developing markets the forecast is that inflation will rebound to 6.25% in 2010, since in some of these economies a further bout of inflationary pressures may occur owing to lower unused capacity margins and increased capital flows.

**There are significant risks in both directions**

The outlook is subject to significant risks. On the positive side, it is possible that the resolution of the crisis of confidence and less uncertainty will continue to deliver a higher than expected improvement in the behaviour of financial markets and higher than expected upturns in capital flows, trade and private demand.

New policies and initiatives on the part of the United States to reduce unemployment could drive growth higher in the United States and the rest of the world.

On the negative side, a key risk exists in the premature and disorganized withdrawal of support policies which would undermine global growth and rebalancing. Another significant risk is that the deterioration of the financial and housing markets or rising unemployment in major advanced economies will lead to a greater than expected restriction on a recovery in household spending. In addition, growing concerns that the worsening of budgetary positions and fiscal sustainability could destabilize financial markets and stifle recovery by raising borrowing costs of households and companies. And another downside risk is that the rebound in raw material prices may slow down the recovery in advanced economies.

**Continuous efforts in terms of policy are needed to sustain the recovery and prepare an exit route**

In this regard, the authorities face the enormous challenge of rebalancing demand, moving it from the public to the private sector and from economies with excessive external deficits to economies with excessive surpluses, while at the same time sanitising the financial sector and encouraging the restructuring of manufacturing sectors. Neither rebalancing process is, however, without difficulties. Many advanced economies are still struggling to clean up and reform their financial sectors. At the same time, several emerging economies are trying to cope with the challenges created by the increase in capital inflows, resisting, in some cases, a rise in exchange rates which would support an increase in domestic demand and a reduction in excessive current account surpluses.

With reference to monetary policy, many central banks are able to keep rates interest low over the coming year, as it is anticipated that underlying inflation will remain low and unemployment will remain high for some time. It is also necessary to develop credible strategies for withdrawing monetary support policies and to immediately announce such strategies in order to anchor expectations and allay any fears of inflation or of renewed financial instability. Countries already enjoying a strong recovery in business activity and credit will have to restrict monetary conditions earlier and faster than countries facing other situations.

**THE NATIONAL ECONOMY in 2009**

In 2009 the Spanish economy experienced the deepest recession in recent history, along with other developed countries. Only concerted action by all economic authorities prevented a more pronounced deterioration in activity, with the social cost that this would have entailed. The counterpart to this has been a marked deterioration in public finances which will need to be corrected in the next few years, as required under our laws on budgetary stability and to comply with Community regulations. Thus, the Stability Programme Update provides details of the actions to be undertaken in the coming years to comply with the Council's Recommendation of 2 December 2009, under Article 126.7 of the Treaty, to correct the excessive deficit by no later than 2013.

In any case, the challenge for the Spanish economy lies in an ambitious exit strategy to the crisis, including another two pillars, in addition to budgetary consolidation. On the one hand, the strengthening of the financial system to ensure an effective channelling of credit to the private sector, and on the other, the exit strategy for the real economy, including the necessary elements in the area of structural reforms for laying the foundations for future growth to be strong, sustainable and balanced. Only in this context can effective fiscal consolidation occur. For this reason, the Update also describes and evaluates the wide range of measures proposed in the framework of the Strategy for a Sustainable Economy and in particular, in its basic instrument, the Law for a Sustainable Economy.

The fiscal exit strategy of public administrations combines a firm restraint on expenditure with a moderate rise in income. In fact, the consolidation process has already begun with the General State Budget for 2010, by raising certain taxes and reducing current expenditure significantly. Subsequently, on 29 January 2010, the government approved two plans to cut public spending within the framework of the General State Administration (Immediate Action Plan for 2010 and the 2011-2013 Austerity Plan) and proposed two Framework Agreements with Regional Governments and Local Authorities, setting out the measures that will allow the required adjustment of expenditure, engaging all levels of Local Government in the task. Moreover, in the medium and long term, initiatives are also being implemented that will significantly improve the sustainability of public finances. Thus, the Law for a Sustainable Economy envisages the partial elimination of the deduction for investment in housing and, in addition, on 29 January 2010, the Government proposed to the Toledo Pact and the Social Dialogue ambitious pension reforms amending certain parameters under the current system (including the statutory retirement age) and improving the family support system and incentives for additional social security.

Referral of the Update to the Community institutions was approved by the Council of Ministers on 29 January 2010.

**The economic situation in 2009**

The Spanish economy, which was immersed in the residential sector's adjustment process, suffered the full impact of the collapse of international financial markets and the drastic contraction in world trade following the collapse of Lehman Brothers, whereby the economic recession worsened significantly in the first half of 2009. In particular, according to estimates from the Contabilidad Nacional Trimestral (National Quarterly Accounts), real GDP suffered a quarter-on-quarter drop of 1.6% in the first quarter of the year, and a 1% drop in the second, before significantly slowing down the decline at a later date. This contraction especially impacted on employment, destroying more than one million jobs on a yearly average. Although 40% of these jobs were in the construction sector, this adjustment spilled over into other branches of business activity through a labour market showing signs of inefficiency, with a high social cost.

The slowdown in economic activity was the result of marked weakness in domestic demand and foreign sales, weighed down by the significant decline in world trade. Thus, in the first half of 2009 private consumption exacerbated the downward trend as a result of the intense destruction of jobs, loss of confidence, tighter financial conditions and the reduction in household wealth. In this way, even though households' disposable income expanded significantly due to public sector performance - including automatic stabilizers –, the cutting of interest rates, and to a reduction in the price of imported raw materials and company margins, the savings rate rose to reach historically high levels (about 20%, as an annual average). In the second half of the year, the recovery in confidence and higher stock market prices were accompanied by schemes to facilitate the purchase of cars included in the 2000E Plan in order to achieve the practical stabilization of private consumption.

Additionally, investment in fixed assets experienced a sharp decline in the first six months of 2009, as a result of weakness in its main components, in particular, investment in plant and equipment. The tightening of financial conditions, the lowering of business expectations and reduced demand were the main factors preventing companies from getting their investment projects off the ground. Likewise, lower investment in construction affected the downward trend owing to deterioration in the residential segment, which could not be offset by the recovery in other types of construction, helped to a great extent by public works linked to the Fondo Estatal de Inversion Local (State Fund for Local Investment). However, in the second half of 2009, investment in plant and equipment recorded a small increase associated with less uncertainty, low interest rates, more relaxed credit terms and a recovery in stock markets.

Exports of goods and services registered a quarter-on-quarter decline of 8.7% in the first three months of 2009, before stabilizing in the second quarter and subsequently recovering. In the case of goods, the initial decline was sharper, but so was the subsequent rebound, registering a slight gain in world share since the beginning of the year, associated with an improvement in price/competitiveness. In the case of tourism exports, falls were also significant because of the recession suffered by our major customers, which, in the case of the United Kingdom, were exacerbated by the depreciation of sterling. In spite of this, the external sector's historically negative net contribution to growth reversed in the first quarter of 2008, before expanding until the second quarter of 2009. This was a result of the dramatic adjustment recorded in imports, associated mainly with higher cyclical sensitivity compared with domestic demand, but also with competitive gains.

The labour market also gradually recovered from the sharp decline it had suffered burden since the beginning of the current economic crisis. Thus, while in the first three months of 2009, nearly half million members were lost (series adjusted for seasonal factors), in the final months of the year this figure stood at less than 100,000. The majority of this adjustment relates to workers with temporary employment contracts, but since the third quarter of 2009 it has extended to permanent employees. For its part, the labour force slowed dramatically throughout the year, and declined in the fourth quarter, which is more in keeping with the current economic situation. Thus, the unemployment rate rose sharply, reaching 18% for the whole year. Despite this marked deterioration in the labour market, compensation per employee adjusted for inflation grew at a brisk pace (above 4%). Although the increase in the recurring component of labour costs was more moderate, this behaviour helped to increase the actual adjustment to the economy. For this reason, even though productivity rose to a large degree, in 2009 business margins fell by 0.5% for the third consecutive year.

Inflation in the Spanish economy, according to the Consumer Price Index (CPI), followed year-on-year a downward trend in the first seven months of 2009, to record a minimum of -1.4% last July. Subsequently, the trend reversed, reaching positive figures in November (0.3%) and December (0.8%). This behaviour was due in large part to the evolution of oil and food commodity prices, which offset the strong fluctuations recorded in the previous year. Indeed, underlying inflation also showed a significant reduction in 2009, but did not become negative, and started to rebound from November onwards. The reduction in underlying inflation was a result of the transfer of energy and foodstuff prices and to industrial goods and services, less pressures on demand, which is adjusting industrial and retail trade margins downward, lower prices for importing non-food consumer goods and government aid to the automobile sector, amongst others. Thus, compared with the Euro area the inflation differential remained negative during the 2009 financial year.

In this context, the Spanish Government was very quick to smooth the adjustment in demand and to bolster the confidence of operators, following the recommendations agreed with other Community partners. In fact, fiscal policy responded to the crisis with a two-fold strategy: firstly, by allowing the free play of automatic stabilizers, including the strengthening of some social protection mechanisms, and secondly, by specific measures aimed at restoring the flow of credit, boosting households' disposable income and providing liquidity to companies.

It is difficult to quantify the impact of these measures on economic activity, because the tools available do not include many of the transmission channels and interactions which came into operation during the crisis.

If we add the effect of conventional and unconventional monetary policy measures, we can see that the actions of the fiscal and monetary authorities entailed significant support for economic activity in 2009.

**External assumptions and monetary, financial and fiscal conditions**

As with Spain, at the start of 2009 global activity was mired in a deep recession, but since the spring the economic situation and global outlook have evolved more favourably. In fact, for some months now recovery is in evidence in several emerging economies, and has extended to industrialized economies. The European Commission expects that this recovery will be maintained and that, after a decrease in world GDP, excluding the European Union, in 2009 of 0.4%, there will be growth of 3.8% in 2010 and 4.1% in 2011. Developing countries will continue to play a dynamic role in the global economy; in contrast, progress will be much more moderate in industrialized countries. In parallel, the sharp decline of markets outside the European Union in 2009 (-12.8%) is gradually being overcome, growing at 2.1% in 2010 and 4% in 2011.

This recovery relies initially on the major stimulus plans being implemented. Specifically, and according to International Monetary Fund estimates, the ex-ante budgetary cost of fiscal actions to fight the crisis will represent, in 2009, around 2% of GDP for the whole G-20, with a slightly higher percentage for emerging economies than in advanced economies (in 2010, discretionary measures will amount to 1.6% of GDP, with no significant differences between both groups of countries). The monetary authorities also reacted quickly to the crisis by adopting a broad range of measures, from more traditional ones, such as lowering and keeping interest rates at historically low levels, to less conventional ones, such as massive injections of liquidity into financial institutions. These actions have been crucial to smooth the change in demand, to stabilize the financial system and to regain the trust of operators, who will be called upon to take the baton to boost aggregated spending. In this regard, the withdrawal of these extraordinary support measures must be done in an orderly and coordinated fashion. Thus, monetary policy must gradually absorb liquidity without causing volatility in short-term interest rates. Fiscal policy must also implement progressive budget consolidation, to keep long-term interest rates at reasonable levels.

The crisis has had and will continue to have an adverse impact on the global labour market, with a reduction in the number of hours worked per person and destruction of jobs, not only in 2009 but also in 2010. On a nominal level, major adjustment in the prices of raw materials, low utilisation of productive capacity and rising unemployment suggest that inflation will remain at very moderate levels in the next few years. In particular, the European Commission estimated a decrease in non-energy commodity prices of around 20% in 2009 and a 5.8% recovery in 2010, before slowing down to 0.9% in 2011. As for oil, it is expected that the price of Brent crude oil will go from an average price of $61.3/barrel in 2009 to 76.5 in 2010 and 80.5 in 2011.

**2009-2013 Forecast for Spain**

The main scenario of this financial year anticipates a 3.6% decrease in real GDP in 2009, which will continue into 2010 on an annual average (-0.3%) even though no quarters of the year recorded quarter-on-quarter declines. From 2011 onwards, a solid recovery phase will get underway and will intensify in 2012 and 2013, years for which we estimate increases of 1.8%, 2.9% and 3.1%, respectively. These projections are consistent with the closing of the gap between demand and potential output in 2013, which will peak in 2010 (-4.1%), since, according to the methodology employed by the Ministry of Economy and Finance, the potential growth of the Spanish economy will reach a floor in 2010 (0.6%), and rise to 1.6% in 2013.

The practical stabilisation of the Spanish economy in 2010 is a result of the less recessive behaviour of domestic demand, which will knock 1.4 percentage points off the rise in GDP, compared with 6.4 in 2009. This more than compensates for the almost two point reduction in the contribution of net external demand, which is around a 1.1 percentage points. In the 2011-2013 period, domestic demand will strengthen the recovery process, becoming gradually more significant, while the external sector will reduce its positive contribution until almost disappearing in 2013 (0.1 percentage points).

With reference to private consumption, an improvement in funding conditions and increased confidence, financial wealth and the gradual stabilization of the labour market explain the anticipated stabilization of household consumption this year (-0.1%). In the 2011-2013 period, families will increase consumption, until achieving growth of more than 3% at the end of the forecast year. This development implies a gradual reduction in the savings rate, which is consistent with an intense de-leveraging process owing to an adjustment in investment in the housing sector. In fact, household debt as a percentage of disposable income, which already began to decline in 2009, would fall back to 2005 levels (118.7%) this year if families devoted their entire funding capacity to repaying debt; if this process were extended to 2013, debt could fall to levels of close to 80% (81% in 2000).

Public consumption will experience significant cuts for the entire forecast horizon. In fact, the austerity measures of the Stability Programme Update will involve a significant adjustment in the weight of Local Government and in its contribution to growth.

As for investment in 2010, a gradual recovery is anticipated, in particular, in investment in plant and equipment. This aggregate, although it will close the year with a negative average annual rate (-0.5%), will follow the in the footsteps of external and internal demand. The relaxing of financing conditions, the less uncertain climate, the consolidation of positive expectations in terms of demand and the gradual recovery in profitability will affect company investment, which will record high growth in the last few years of the period forecast (8.6% in 2012 and 9.3% in 2013). Meanwhile, in 2010, construction investment will slightly offset the decline (-9.3% versus -11.4% in 2009). This trend is justified by the smaller decline in the residential segment which, benefitting, amongst others, from the fall in house prices, greater confidence and an improvement in financial conditions and changes in taxation, will see sales recover to a large extent. However, the high stock of unsold homes (about 700,000 units) will limit new construction, weighing down residential investment during the last two years. For its part, construction investment this year will experience a decline (-2.2%) due to the reduction in the State Investment Local Fund and fiscal adjustment; the rest of the horizon will record very moderate increases, as recovery of the business segment will be partially offset by the adjustment in public investment required under the public accounts austerity plan.

Exports will benefit from more dynamic Spanish export markets implicit in the European Commission’s assumptions. Furthermore, the expected slowdown in the growth of labour costs will benefit gains in external competitiveness. As a result, this will lead to an increase in Spain’s quota in the rest of the world, similar to that in 2009. Imports, driven by final demand will align their growth with exports, and as a result the contribution of net external demand will be almost zero in 2013.

In employment, the expected price stability, the unemployment rate and the decrease in the number of layoffs will result in the growth in compensation per employee being reduced significantly and staying low throughout the forecast horizon. This together with increased demand will allow jobs to be created at the end of 2010, and, from 2011 onwards, the slow reabsorption of the unemployment generated by the recession, until the unemployment rate settles at 15.5% in 2013. Labour productivity will slow in 2010, but will still be affected by the adjustment in residential construction, before converging at rates of around 1% in the 2012-2013 period. This represents a gain of just over half a point compared with average productivity for the 1995-2008 period, as a result of both the loss of weight in the construction sector, a less productive branch than other sectors, and the implementation of measures incorporated in the Strategy for a Sustainable Economy.

Finally, with regard to inflation, this will remain low during this phase of the recovery, lower than the limit established by the European Central Bank for price stability. This behaviour will be the result of a moderate increase in unit labour costs associated with lower wage dynamics, while company margins will recover some of the ground lost in the last three years, and import prices will increase slightly. For its part, the increase in legal VAT rates will have a moderate impact on average inflation figures for the years 2010 and 2011 (about 0.4 and 0.2 percentage points, respectively).

**Sectoral balances**

The funding requirements of the Spanish economy compared with the rest of the world experienced a significant correction in 2009, when it is estimated it stood at 4.9% of GDP, about half of what it was in the previous year. This adjustment centred on transactions in goods and services, and there was also an improvement in the remaining balances, although this was less marked. From 2010 onwards, the adjustments will attenuate until reaching a minimum of 3.5% of GDP in 2013, despite progressive cuts in transfers from the European Union.

In terms of institutional sectors, it is anticipated that public administrations will submit their maximum borrowing requirements in 2009 (11.4% of GDP), triggering from next year onwards a significant correction until reaching a minimum of 3% of GDP in 2013, as required by the Pacto de Estabilidad y Crecimiento (Stability and Growth Pact).

With regard to the private sector, it will offer a financing capacity of 6.5% of GDP in 2009, compared with the 5% requirement recorded in 2008. In 2010 private sector savings will continue to greatly exceed investment, as the residential component will continue to suffer significant cuts. During 2011 the greater dynamism of investment in plant and equipment, together with the smaller decline in housing construction will lead to a reduction in the funding capacity of the private sector, which will continue to decline until registering a small deficit in 2013 when all investment components return to fast growth.

## 2. THE COMPANY'S PROGRESS IN THE 2009 FINANCIAL YEAR

The Company's main business involves the leasing of property.

**The partial demerger and creation of the new Company**

The company, Isla Canela, S.A. underwent a partial demerger which took place on 29 December 2009 and which resulted in the incorporation of the company called Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A. The partial demerger entailed the spin-off of certain assets linked to investment activity (rentals) valued at net cost against the voluntary reserves of Isla Canela, S.A. The deed enshrining the partial demerger and creation of the Trading Company was permanently registered at the Registro Mercantil de Madrid (Madrid Companies Register) on 8 February 2010, with effect from 30 December 2009 (date of entry of presentation, effective for accounting purposes from 1 January 2009).

As a result of the demerger the net book value of assets taken from the balance sheet of Isla Canela, S.A. amounts to €68.03 million with a market value on that date of €103.84 million, according to the valuation made in December 2009 by the independent expert appointed by the Companies' Registrar. The Company was therefore formed with rental assets valued at €103.84 million and shareholder capital in the same amount.

**Rental properties**

The Company owns five hotels located within the Isla Canela tourist resort and which are currently leased and managed:

• Hotel Vincci Selección Isla Canela Golf: 5-star hotel located on the golf course with 58 rooms (116 beds) and leased and managed by Vincci Hoteles, S.A.
• Hotel Barceló Isla Canela: 4-star hotel located on the beachfront with 350 rooms (700 beds) and leased and managed by Barceló Arrendamientos Hoteleros, S.L.
• Hotel Iberostar Isla Canela: 4-star hotel located on the beachfront with 300 rooms (600 beds) and leased and managed by Hispano Alemana de Management Hotelero, S.A.
• Hotel Playa Canela: 4-star hotel located on the beachfront with 202 rooms (404 beds) and leased and managed by Grupo Hoteles Playa, S.A.
• Hotel Riu Atlántico: 4-star hotel located on the beachfront with 359 rooms (718 beds) and leased and managed by RIUSA II, S.A.

It also owns other rental properties, namely:

• Marina Isla Canela Shopping Mall: managed and leased to various customers
• A building located in Gran Via, Madrid, for office use. The current tenant is SEACEX, S.A. (Sociedad Estatal para la Acción Cultural en el Exterior, S.A.)

Net income after tax for the 2009 financial year amounted to €4,319,277 in line with the results obtained in 2008 by Isla Canela S.A. as a result of property leasing activities.

Total revenues and EBITDA amounted to €8 million.

The Company has no bank debt. The only debt is a receivable from Isla Canela, S.A. in the amount of €10 million which has arisen as a result of management fees; management of the leased properties referred to in the demerger process described above, is carried out by Isla Canela, S.A., on behalf of the beneficiary of this process, i.e. the Company. Said financing agreement earns interest equal to 3-month Euribor plus a spread similar to the part of the variable spread for financing Isla Canela, S.A.'s mortgage loans.

**3. OWN SECURITIES**

As at 31 December 2009, the company had no shares. During the 2009 financial year there were no transactions involving own shares.

**4. EVENTS OCCURRING AFTER THE CLOSE OF THE FINANCIAL YEAR**

Post-closing events include the following:

1. On 1 January 2010, Isla Canela, S.A. and Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A. signed a " Mortgage Guarantee Supply Agreement" under which the latter will supply the former with a mortgage guarantee service under which the hotels owned by the latter will be liable for the repayment, by the former, of the mortgage loans taken out with institutions, in accordance with the covenants agreed in their articles of incorporation, until each of the loans granted is finally redeemed. Isla Canela S.A. undertakes to pay all instalments on time and any ancillary costs accrued until the final repayment of the mortgage loans. For the supply of services described, the Company will pay Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A., annual fees equivalent to 0.25% of the outstanding average annual balance of the mortgage loans, calculated on 31 December of each year, to be invoiced and paid on the last day of each calendar year. This amount may be amended annually by agreement between the parties to adjust to average market prices agreed by the Company in respect of the provision of bank guarantees by financial Institutions (bank guarantees and insurance).

2. On 1 January 2010, Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A. and Promociones y Construcciones, PYC, PRYCONSA, S.A. signed an agreement under which Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A., providing the funding requirements of its own activities are covered, agreed to use its cash surplus to fund Promociones y Construcciones, PYC, PRYCONSA, S.A.'s financial requirements in terms of its normal activities, at

market prices. The contract term is for three years. The applicable interest rate is the average 3-month Euribor for the last 3 months plus 1.25 percentage points.

**5. MAIN RISKS AND UNCERTAINTY**

Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A. is exposed to a number of risks and uncertainty. The financial risks include:

• Credit risk: The main financial assets of the Company are loans granted to Group and associated companies and other financial assets, which represent the maximum exposure to credit risk in relation to financial assets. The amounts are reflected in the balance sheet, net of provisions for bad debts, estimated by Company management and based on previous years' experience and an assessment of the current economic environment.

• Interest rate risk: No risk because the company has no financial debt.

• Liquidity risk: Considering the situation of the financial market today and the estimates made by Company management in relation to its capacity to generate cash, the Company believes it has sufficient capacity to obtain funding from third parties where necessary to make new investments, and therefore, over the medium term, there is no indication that the Company will have liquidity problems. Liquidity is inherent in the type of investments made and the high quality of tenants and payment guarantees in the signed contracts.

Other market risks, to which the company is also exposed, are:

• Regulatory risk: The Company is required to comply with various types of applicable current legislation, general and specific (regulatory, legal, accounting, environmental, labour, fiscal, data protection etc..), which may positively or negatively affect the various regulatory changes which may occur in the future.

Finally, it should be noted that other risks to which the Group is exposed are: (i) environmental risks, (ii) risks of damage or injury in the workplace, (iii) risks related to the prevention of occupational risks.

**Diligence in the Preparation of the Financial Statements**

The preparation of these financial statements was approved by the Board of Directors, in its meeting on 31 March 2010 with a view to verification by the auditors and approval at the General Meeting. These accounts and management report consist of 37 pages of plain paper including this one, ranging from page 1 to page 37 inclusive, all of which have been signed by the Board Secretary, with the last page being signed by all Directors.

The undersigned, as Directors of the above-mentioned Company declare that these annual Company accounts contain no item that should be included in the separate environmental information document provided for in the Ministry of Justice Order of 8 October 2001.

Madrid, 31 March 2010

José Luis Colomer Hernández (Chairman)

Marco Colomer Barrigón (Director)

Andrea Barrigón González (Director)

José Luis Colomer Barrigón (Director)

José Juan Cano Resina
(Secretary and non-director)
A Member of Deloitte Touche Tohmatsu,

2. Financial year 2010

# Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.

Annual accounts for the financial year ending 31 December 2010.

# AUDIT REPORT ON THE ANNUAL ACCOUNTS

To the Shareholders of
Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.

1. We have audited the annual accounts of Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A., which include the balance sheet at 31 December 2010, the profit and loss account, the statement of changes in shareholders' equity, the cash flow statement and the annual report corresponding to the financial year ending on said date. The Administrators are responsible for drawing up the Company's annual accounts in accordance with the legal framework on financial reporting which applies to the company (identified in Note 3 of the annual report attached hereto) and, in particular, with the accounting standards and principles contained therein. Our responsibility consists of expressing an opinion on the aforementioned annual accounts as a whole, based on the work performed in accordance with prevailing Spanish legislation governing the activity of auditing accounts, which requires examining the justifying evidence for the annual accounts by conducting selective tests and assessing whether their presentation, the auditing standards and criteria used and the estimations made are in accordance with the applicable legal framework on financial reporting.

2. In our opinion, the annual accounts for the financial year 2010 attached hereto provide a true and fair picture of the equity and the financial situation of Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A. in all significant aspects at 31 December 2010, as well as of the results of its transactions and its cash flows corresponding to the financial year ending on said date in accordance the applicable legal framework on financial reporting and, in particular, with the principles and accounting standards contained therein.

3. Without it affecting our opinion, we would, however, like to draw attention to the contents of Note 3 of the annual report attached hereto, indicating that the Company has opted to apply the special tax scheme that applies to Real Estate Investment Trusts (Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario), which contemplates among other aspects a reduction of the applicable tax rate subject to the fulfilment of certain requirements. In this regard, the Administrators expect to carry out the necessary actions to ensure that such requirements are complied with within the two years following the date on which the Company opted to apply such scheme, as set forth in prevailing legislation.

4. The management report attached hereto for financial year 2010 contains the explanations which the Administrators have deemed appropriate regarding the Company's situation, the evolution of its businesses and other matters, and it does not form an integral part of the annual accounts. We have verified that the accounting information contained in the above-mentioned management report coincides with that of the annual accounts for the financial year 2010. Our work as auditors has been limited to verifying the management report within the scope mentioned in this same paragraph and does not include a review of information other than that obtained from the Company's accounting records.

DELOITTE, S.L.
Duly registered at the R.O.A.C. (Official Registry of Auditors of Accounts) with the No. S0692

Antonio Rueda
26 April 2011

## Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.

**BALANCE SHEET AS AT 31 DECEMBER 2010**

(Euros in thousands)

| ASSETS | Annual Report Notes | Financial year 2010 | Financial year 2009 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | 112.137.918 | 110.992.089 |
| **Real estate investments** | 6 | 100.099.311 | 100.706.400 |
| **Long-term investments in group and associated companies** | 8 | 12.023.277 | 10.270.359 |
| Credits to companies | | 12.023.277 | 10.270.359 |
| **Long-term financial investments** | 8 | 15.330 | 15.330 |
| Other financial assets | | 15.330 | 15.330 |
| **CURRENT ASSETS** | | 1.445.437 | - |
| **Non-current assets classified as held for sale** | | | |
| **Inventories** | | 62.896 | - |
| Trade inventories | | 60.181 | - |
| Raw materials and other procurements | | 2.715 | - |
| **Trade creditors and other accounts receivable** | | 927.708 | - |
| Accounts receivable for sales and services | | 126.129 | - |
| Other receivables | | 582.193 | - |
| Personnel | | 1.100 | - |
| Current tax assets | | 188.767 | - |
| Others credits with the public administration | | 29.519 | - |
| **Short-term investments in group and associated companies** | | 1.320 | - |
| Other financial assets | | 1.320 | - |
| **Short-term accruals** | | 251.990 | - |
| **Cash and cash equivalents** | | 201.523 | - |
| Cash and bank | | 201.523 | - |
| **TOTAL ASSETS** | | 113.583.355 | 110.992.089 |

| TOTAL EQUITY AND LIABILITIES | Annual Report Notes | Financial year 2010 | Financial year 2009 |
|---|---|---|---|
| **EQUITY** | | 110.381.484 | 109.672.516 |
| ***SHAREHOLDERS' EQUITY-*** | | | |
| **Capital** | 10 | 103.840.000 | 103.840.000 |
| Authorised capital | | 103.840.000 | 103.840.000 |
| **Reserves** | 10 | 936.358 | - |
| Legal and statutory reserves | | 492.820 | - |
| Other reserves | | 443.538 | - |
| **Profit (Loss) for the year** | 4 | 3.993.317 | 4.319.277 |
| ***SUBSIDIES, DONATIONS AND BEQUESTS RECEIVED-*** | 10 | 1.611.809 | 1.513.239 |
| **Subsidies, donations and bequests received** | | 1.611.809 | 1.513.239 |
| **NON-CURRENT LIABILITIES** | | 436.760 | 710.648 |
| **Long-term debts** | 11 | 58.681 | 62.117 |
| Other financial liabilities | | 58.681 | 62.117 |
| **Deferred tax liabilities** | 13.4 | 378.079 | 648.531 |
| **CURRENT LIABILITIES** | | 2.765.111 | 608.925 |
| **Short-term debts** | | 28.215 | - |
| Other financial liabilities | | 28.215 | - |
| **Short-term debts with group and associated companies** | 15 | 1.505.762 | - |
| **Trade creditors and other accounts payable** | | 1.231.134 | 608.925 |
| Suppliers | 12 | 289.101 | - |
| Sundry creditors | 12 | 118.622 | - |
| Personnel | | 79.041 | - |
| Current tax liabilities | 13 | 593.159 | 608.925 |
| Other payables with the public administration | | 114.939 | - |
| Advance payments from customers | | 36.272 | - |
| **TOTAL EQUITY AND LIABILITIES** | | 113.583.355 | 110.992.089 |

Notes 1 to 18 set out in the Annual Report attached hereto form an integral part of the balance sheet as at 31 December 201

## Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.

### PROFIT AND LOSS ACCOUNT OF FINANCIAL YEAR 2010

(Euros in thousands)

| | Annual Report Notes | Financial year 2010 | Financial year 2009 |
|---|---|---|---|
| **CONTINUED OPERATIONS** | | | |
| **Net turnover** | **14.1** | **13.662.771** | **8.330.507** |
| Real estate operations | | 13.662.771 | 8.330.507 |
| **Procurements** | | **(1.298.101)** | - |
| Consumption of goods | | (856.693) | - |
| Consumption of raw materials and other consumables | | (215.991) | - |
| Work performed by other companies | | (225.417) | - |
| **Personnel expenses** | | **(2.499.515)** | - |
| Wages, salaries and payroll taxes | **17** | (1.915.462) | - |
| Social security contributions | **14.3** | (584.053) | - |
| **Other operating expenses** | | **(1.868.270)** | **(472.557)** |
| Charges for external services | **14.2** | (1.340.916) | (113.389) |
| Taxes and similar levies | **14.2** | (475.390) | (359.168) |
| Losses, impairment and changes in provisions for trade transactions | | (51.964) | - |
| **Fixed asset depreciation** | **6** | **(3.093.063)** | **(3.133.600)** |
| **Charging of non-financial fixed asset subsidies and others** | **10** | **171.883** | **171.883** |
| **Impairment and gains (losses) from fixed asset disposals** | **6** | **(802.628)** | - |
| **Operating profit (loss)** | | **4.273.077** | **4.896.233** |
| **Financial income** | | **313.435** | **31.969** |
| From marketable securities and other financial instruments | | | |
| - In Group and associated companies | **15.1** | 303.708 | 31.969 |
| - In third parties | | 9.727 | - |
| **Financial expenses** | | **(36)** | - |
| From debts with third parties | | (36) | - |
| **FINANCIAL PROFIT (LOSS)** | | **313.399** | **31.969** |
| **PROFIT (LOSS) BEFORE TAX** | | **4.586.476** | **4.928.202** |
| Tax on profits | | (593.159) | (608.925) |
| **Profit (Loss) for the year** | **13** | **3.993.317** | **4.319.277** |

Notes 1 to 18 set out in the Annual Report attached hereto form an integral part of the profit and loss account corresponding to financial year 2010

## Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY IN FINANCIAL YEAR 2010**
**A) STATEMENT OF RECOGNISED INCOME AND EXPENSE**
(Euros in thousands)

| | Annual Report Notes | Financial year 2010 | Financial year 2009 |
|---|---|---|---|
| **PROFIT (LOSS) OF THE PROFIT AND LOSS ACCOUNT (I)** | | **3.993.317** | **4.319.277** |
| **Income and expenses directly charged to shareholders' equity** | | | |
| **- Subsidies, donations and bequests received** | | - | 2.333.653 |
| **- Tax burden** | | - | (700.096) |
| **TOTAL INCOME AND EXPENSES DIRECTLY CHARGED TO SHAREHOLDERS' EQUITY (II)** | **10** | **-** | **1.633.557** |
| **Amounts transferred to profit and loss account** | | | |
| **- Subsidies, donations and bequests received** | **10** | (171.883) | (171.883) |
| **- Tax burden** | | 51.565 | 51.565 |
| **TOTAL AMOUNTS TRANSFERRED TO PROFIT AND LOSS ACCOUNT (III)** | | **(120.318)** | **(120.318)** |
| **TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III)** | | 3.872.999 | 5.832.516 |

Notes 1 a 18 set out in the Annual Report attached hereto form an integral part of the statement of recognised income and expense corresponding to financial year 2010

## Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY IN FINANCIAL YEAR 2010
B) STATEMENT OF TOTAL OF CHANGES IN SHAREHOLDERS' EQUITY
(Euros in thousands)

| | Capital | Legal reserve | Voluntary reserve | Profit (Loss) for the year | Subsidies donations and bequests | TOTAL |
|---|---|---|---|---|---|---|
| OPENING BALANCE AS AT 29 DECEMBER 2009 | 103.840.000 | - | - | - | - | 103.840.000 |
| Recognised total income and expense | - | - | - | 4.319.277 | 1.513.239 | 5.832.516 |
| ENDING BALANCE AS AT 31 DECEMBER 2009 | 103.840.000 | - | - | 4.319.277 | 1.513.239 | 109.672.516 |
| Recognised total income and expense | - | - | - | 3.993.317 | (120.318) | 3.872.999 |
| SOCIMI tax rate scheme adjustment | - | - | - | - | 218.888 | 218.888 |
| Transactions with shareholders | - | - | - | (3.382.919) | - | (3.382.919) |
| - Share out of dividends | - | - | - | (3.382.919) | - | (3.382.919) |
| Other changes in shareholders' equity | - | 492.820 | 443.538 | (936.358) | - | - |
| - Distribution of profits for 2009 | - | 492.820 | 443.538 | (936.358) | - | - |
| ENDING BALANCE FOR 2010 | 103.840.000 | 492.820 | 443.538 | 3.993.317 | 1.611.809 | 110.381.484 |

Notes 1 a 18 set out in the Annual Report attached hereto form an integral part of the statement of total changes in shareholders' equity corresponding to financial year 2010

## Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.

### CASH FLOW STATEMENT FOR 2010

(Euros in thousands)

| | Annual Report Notes | Financial year 2010 | Financial year 2009 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES (I)** | | **8.215.682** | **2.320.823** |
| **Profit (loss) before tax for the year** | | **4.586.476** | **(608.925)** |
| **Adjustments to profit (loss):** | | | |
| - Fixed asset depreciation | 6 | 3.093.063 | 3.133.600 |
| - Value adjustments due to impairment | | 802.628 | - |
| - Changes in provisions (trade credits) | | 51.964 | - |
| - Charging of subsidies | 10 | (171.883) | (171.883) |
| - Financial income | 15.1 | (313.435) | (31.969) |
| - Financial expenses | | 36 | - |
| **Changes in current capital** | | | |
| - Inventories | | (62.896) | - |
| - Trade and other accounts receivable | | (979.672) | - |
| - Trade creditors and other accounts payable | | (637.975) | - |
| - Other current liabilities | | 1.533.977 | - |
| **Other cash flows from operating activities** | | | |
| - Interest payments | | (36) | - |
| - Interest receivable | 15.1 | 313.435 | - |
| **CASH FLOWS FROM INVESTMENT ACTIVITIES (II)** | | **(5.034.286)** | **(7.857.950)** |
| **Investment payments** | | | |
| - Group and associated companies | | (1.745.684) | (7.857.950) |
| - Real estate investments | 6 | (3.288.602) | - |
| **CASH FLOWS FROM FINANCING ACTIVITIES (III)** | | (3.382.919) | |
| **Dividend payments and other equity instrument payments** | | | |
| - Dividends | 10 | (3.382.919) | - |
| **EFFECT OF CHANGES IN THE EXCHANGE RATE (IV)** | | | |
| **NET INCREASE/ REDUCTION OF CASH OR CASH EQUIVALENTS (I+II+III)** | | (201.523) | (5.537.127) |
| Cash or cash equivalents at beginning of the year | | - | - |
| Cash or cash equivalents at end of the year | | 201.523 | - |

Notes 1 to 18 in the Annual Report attached hereto form an integral part of the cash flow statement corresponding to financial year 2010

# Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.

Annual Report for the financial year ending
31 December 2010.

## 1. The Company's Activity

Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A. (hereinafter the Company) was incorporated on 29 December 2009 with accounting effects as from 1 January 2009. Its registered address is located at Glorieta de Cuatro Caminos 6 and 7, Madrid.

The Company's corporate purpose includes:

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

- The holding of interests in the capital of other SOCIMIs or in the capital of other entities not domiciled in Spanish territory which have the same corporate purpose as SOCIMIs and which are subject to a similar scheme as the one laid down for SOCIMIs with regard to mandatory, legal or statutory policies and the distribution of profits.

- The holding of interests in the capital of other entities, whether or not they are domiciled in Spanish territory, which have as their main corporate purpose the acquisition of urban real state for leasing and which are subject to the same scheme as that established for SOCIMIs concerning mandatory, legal or statutory policies, the distribution of profits and which meet the external financing and investment requirements set forth in Articles 3 and 7 of Act 11/2009 of 26 October.

- The holding of shares or interests in collective real estate investment institutions governed by Act 35/2003 of 4 November on Collective Investment Institutions.

- The performance of other ancillary, financial and non-financial activities that generate revenue which together amount to less than 20% of the company's revenue in each tax period.

The activities listed above may also be performed indirectly by the company, either totally or partially, through interests held in (an)other company or companies with an analogous corporate purpose.

Any activities which have to meet any special legal requirement not fulfilled by this Company are excluded.

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

The Company is governed by the special tax scheme set forth in Act 11/2009 of 26 October governing Real Estate Investment Trusts. Article 3 of said Act sets forth the investment requirements for this kind of companies, which are as follows:

1. SOCIMIs (the Spanish equivalent of Real Estate Investment Trusts) shall invest at least eighty per cent of the value of their urban real estate assets destined to leasing in land for real estate development to be destined for said purpose where development will commence within three years following its acquisition, as well as in interests of the capital or equity of the other entities referred to in paragraph 1, Article 2 of this Act.

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

2. Likewise, at least eighty per cent of the tax period income corresponding to each financial year, excluding income from the transfer of holdings and of real estate both destined to fulfilling their main corporate purpose, must come from the leasing of real estate and from dividends or interests in the profits from such interests once the maintenance period referred to in the following paragraph has elapsed.

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

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

   The term shall be calculated:

   a.) In the case of real estate assets that were included in the company's equity before the moment of opting for the scheme, from the start date of the first tax period in which the special tax scheme set forth in this Act applies, as long as that on said date the asset was leased or offered for lease. Otherwise, the provisions set forth in the following point shall apply.

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

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

4. In order to ensure suitable diversification of real estate investments, entities shall have at least three properties assets in their assets and none of them may account for more of the forty per cent of the entity's assets at the moment of acquisition. Said calculation shall be determined on the basis of the consolidated balance sheet of the group referred to in paragraph 1 of this Article and the entity may opt to replace the book value of the assets comprising said balance by their market value.

As set forth the First Transitional Provision of Act 11/2009 of 26 October governing Real Estate Investment Trusts, said companies may opt to apply the special tax scheme under the terms set forth in Article 8 of this Act, even where the requirements laid down therein have not been fulfilled, as long as said requirements are met within two years of the date when the company chooses to apply the scheme.

Failure to comply with said condition shall mean that the company will once again be taxed under the general tax scheme for Corporation Tax, as from the tax period when the failure to comply is stated. Furthermore, along with the tax liability for said period, the Company will have to pay the difference between the tax liability for the tax resulting from the application of the general scheme and the tax liability effectively paid resulting from applying the special tax scheme in prior tax periods, notwithstanding any late payment interest, surcharges and penalties which may, as appropriate, apply.

At year-end 2010, the Company did not comply with all the requirements set forth by the aforementioned Act. Hence, the Company's Administrators expect to carry out the necessary actions in the coming year to ensure such requirements are met by the end of 2011.

## 2. Asset division performed in favour of the Company in financial year 2009.

The Company was incorporated on the basis of the partial division of Isla Canela, S.A. performed on 29 December 2009, by means of which part of its equity associated to its asset management activity was spun off without it being wound up. The part thus spun off was transferred as a block to the Company, which acquired all the rights and obligations attached to the equity spun off through succession. As consideration, the shareholders of the company spun off received shares in the new Company and continued to hold the same percentage interests they had held in Isla Canela, S.A. prior to the division. Certain of Isla Canela, S.A.'s leased assets were contributed to the new Company at their appraisal value. The deed of partial division and incorporation of the trading Company was definitively registered at the Madrid Companies Registry on 8 February 2010.

For accounting purposes, the date from which the partial division transaction should be deemed to have been carried out is 1 January 2009.

In accordance with the definitive appraisal made by the independent expert appointed by the Companies Registrar, the Company's initial share capital amounted to €103,840,000, which was divided into 1,000,000 shares, each having a par value €103.84.

The appraisal of the different properties revealed certain capital gains in accounting terms when compared to their tax values in the shareholders' books of the company which were pending translation. These transactions of contributing properties were performed under the special tax scheme for mergers, divisions, asset contributions and security swaps governed by Chapter VIII, Title VII of Royal Legislative Decree 4/2004 of 5 March approving the Revised Text of the Corporation Tax Act.

In accordance with the provisions set forth in accounting regulations, the deferred taxes associated with future taxation of the above-mentioned capital gains have not been booked, as it is considered that such initial recognition of an asset or liability forms part of a transaction which is not a combination of businesses and which, moreover, does not affect either the accounting profit (loss) or the tax base of the tax (see note 13.4).

As a consequence of said division, the following assets were contributed to the new Company called Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.:

| | Appraisal | Acquisition Date |
|---|---|---|
| Hotel Iberostar Isla Canela | 23,700,000 | 01/07/2002 |
| Hotel Playa Canela | 15,900,000 | 16/05/2002 |
| Hotel Riu Atlántico | 29,200,000 | 25/05/2000 |
| Vincci Selección Isla Canela Golf | 4,700,000 | 28/12/2007 |
| Hotel Barceló Isla Canela | 23,700,000 | 06/07/1998 |
| Marina Isla Canela Shopping Mall | 4,700,000 | 17/10/2000 |
| Property for office use located at Gran Vía 1, Madrid | 1,940,000 | 19/10/1987 |
| **Total (see Note 6)** | **103,840,000** | |

The construction of five hotel assets (leased to renowned hotel companies) was financed when these assets were on the Balance Sheet of Isla Canela, S.A. by the latter Company through several mortgage loans taken out through public deeds for these purposes executed before notaries public.

This division transaction was performed under the scheme set forth in Chapter VIII, Title VII of Royal Legislative Decree 4/2004 of 5 March approving the Revised Text of the Corporation Tax Act. Hence, an application for the tax neutrality scheme laid down in such provision was expressly filed. Likewise, Act 11/2009 26 October governing SOCIMIs was taken into consideration, especially with regard to the valuation and verification of the non-cash contribution.

## 3. Presentation bases for the annual accounts

*a) Legal financial reporting framework which applies to the Company*

These annual accounts were drawn up by the Administrators in accordance with the legal financial reporting framework which applies to the Company, which is set forth in:

a) The Code of Commerce and other business law.

b) The General Chart of Accounts approved by Royal Decree 1514/2007 and its sector-specific adaptations.

c) The mandatory standards approved by the Accountancy and Accounts Auditing Institute to develop the General Chart of Accounts and its supplementary regulations.

d) Act 11/2009 of 26 October governing Real Estate Investment Trusts (SOCIMI).

e) Any other Spanish accounting regulation which may apply.

***b) True and fair picture***

The annual accounts attached hereto have been obtained from the Company's accounting records and are presented in accordance with the legal financial reporting framework which applies and in particular with the accounting principles and standards contained therein, so that they show a true and fair picture of the Company's equity, financial situation and income, along with the cash flows produced during the corresponding financial year. These annual accounts, which were drawn up by the Company's Administrators, will be submitted to the approval of the Ordinary General Shareholders' Meeting and it is expected that they will be approved without any kind of modification. For their part, the audited annual accounts for financial year 2009 were duly approved by the General Shareholders' Meeting held on 29 June 2010.

***c) Non-mandatory accounting standards applied***

No non-mandatory accounting standards have been applied. The Administrators have additionally drawn up these annual accounts by taking into consideration all mandatory accounting standards and principles that have a significant effect on such annual accounts. No mandatory accounting standard that should be applied has been omitted.

***d) Critical aspects of valuation and estimation of uncertainty***

The estimates made by the Company's Administrators to value some of the assets, liabilities, revenue, expenses and undertakings booked in the annual accounts attached hereto have been used in the process of drawing up said accounts. These estimates essentially refer to:

- The valuation of any possible impairment losses of specific assets (see Notes 5.a, 5.c and 5.e).
- The useful life of real estate assets (see Note 5.a).
- The calculation of provisions (see Note 5.h).

Despite the fact that these estimates were made on the basis of the best available information at the end of financial year 2010, it is possible that future events may make it necessary to adjust them either upward or downward in upcoming financial years, which will be done, as appropriate, prospectively.

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

***e) Comparison of information***

Royal Decree 1159/2010 of 17 September introducing amendments to the General Chart of Accounts approved by the Royal Decree 1514/2007 was published in the Official State Gazette on 24 September 2010.

In accordance with the transitional rules thus established, such amendments were applied prospectively as of 1 January 2010 without producing any significant impact. Furthermore, in accordance with these rules, the Company has chosen to present the comparative information without adapting it to the new criteria, so that these annual accounts are deemed to be the initial accounts for the purposes of uniformity and comparability.

***f) Grouping of items***

Certain items of the balance sheet, the profit and loss account, the statement of changes in shareholders' equity and the cash flow statement have been grouped together to facilitate their comprehension. However, to the extent to which it is significant, detailed information with breakdowns has been provided in the corresponding notes.

***g) Working capital***

At 31 December 2010, current liabilities exceeded current assets by €1,319,674 as a consequence of the balances held with the Group. The Company Administrators consider that this is a temporary, one-off situation which will be corrected through (i) the cash flows generated by the transactions arising from the Company's trading activities during the next financial year; and (ii) the increase of capital described in the Note 18 of these annual accounts entitled "Subsequent Disclosures".

**4. Distribution of profit**

The proposal for the distribution of profits for financial year 2010 to be submitted by the Board of Directors to the Shareholders' Meeting is as follows:

| | Euro |
|---|---|
| **Basis of distribution:** | |
| Profit and Loss | 3,993,317 |
| **Distribution:** | |
| Legal Reserve | 458,648 |
| Voluntary reserve | 412,782 |
| Dividends | 3,121,887 |

In accordance with Act 11/2009 governing the functioning of SOCIMIs, the Company's profit before tax obliges it to distribute at least 90% of such profits once the trading obligations arising from this Act are fulfilled. This means that Corporation Tax should be settled on the basis of the tax base corresponding, as appropriate, to the dividends whose distribution was agreed upon in connection with the profits obtained during the year. In 2010, the Company fulfilled the investment and income requirements laid down in prevailing legislation.

The dividends approved at the General Shareholders' Meeting held on 29 June 2010 have been paid out in full to the Company's shareholders.

## 5. Booking and valuation standards

The main booking and valuation standards used by the Company to draw up its annual accounts in accordance with the General Chart of Accounts have been as follow:

### *a) Real estate investments*

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

These assets are initially valued at their original or production cost, which is subsequently reduced by their corresponding cumulative depreciation and impairment losses, if any. In this regard, the Company recorded these at their fair value (appraisal value) in accordance with the asset transfer transaction described in Note 2, which was calculated by an independent expert appointed by the Companies Registrar pursuant to Act 11/2009 of 26 October. This value constitutes the acquisition cost for the Company.

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

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

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

In the financial year ending 31 December 2010, the Company only booked real estate investment impairment losses for the Marina Isla Canela Shopping Mall amounting to €802,628 (see Note 10), given that the revised appraisal recently performed by an independent expert not connected to the Company (TECNITASA) has revealed a market value which is lower than its net book value after depreciation. Regarding its other assets, the Company has not booked any impairment losses as the market value determined by the appraisal experts during the same commission revealed a value exceeding their book value after depreciation. The Company's Administrators have therefore not booked any increases in said assets' book value. Hence, the latent capital gain not recorded in the Company's books but which exists on its remaining assets comes to €15,342,580 according to the appraisal performed. The methodology for calculating the above-mentioned fair value is set out below.

*Impairment of real estate investments*

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

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

The Company commissioned TECNITASA, an independent expert, to conduct an appraisal of the value of its assets at 31 December 2010 to determine the fair values of its real estate investments at the close of the financial year. Such valuations were conducted on the basis of the replacement value and the market lease value (which consists of capitalising net rents from each property and updating future flows), whichever is lower. Acceptable discount rates were used to calculate fair value for a potential investor, which are in keeping with those used by the market for properties having similar characteristics and locations. The valuations were performed in accordance with the Valuation and Appraisal Standards set forth in Ministerial Order ECO 805/2003.

Should an impairment loss be detected in a cash-generating unit, the value of the cash-generating unit's assets is reduced up to the limit of higher value of the following: Their fair value minus the costs of sale and their value in use.

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

***b) Leases***

Leases are classified as leases whenever it can be deduced from the lease agreements that the risks and benefits inherent to owning the asset which is the purpose of the agreement are substantially transferred to the lessee. All other leases are classified as operating leases.

*Operating leases*

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

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

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

The Company has no financial leases.

***c) Financial instruments***.

*c.1 Financial assets*

*Classification-*

The financial assets held by the Company are classified into the following categories:

a) Loans and receivables: Financial assets resulting from the sale of assets or the provision of services for the Company's trade operations, or any that do not have their origin in trade operations, are not equity instruments or derivatives and whose charges are of a fixed or determinable amount and are not traded in an active market.

b) Surety and guarantees posted by the Company in compliance with contractual clauses of the different leases booked.

*Initial valuation -*

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

*Subsequent valuation -*

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

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

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

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

*c.2 Financial liabilities*

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

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

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

***d) Inventories***

Inventories are valued at original cost or net realisable value, whichever is lower. Trade discounts, any reductions obtained, other similar items and the interest included in the nominal debit amounts are subtracted when calculating the acquisition price.

Net realisable value represents an estimation of the sale price minus all the estimated costs needed to finalise their manufacturing, along with any costs that will be incurred in the marketing, sales and distribution process.

The average weighted cost method is used to value the Company's inventories.

Where the net realisable value of the inventories is lower than their acquisition price, the Company performs any suitable value corrections, recognising them as a cost in the profit and loss account.

***e) Classification of balances into current and non-current balances***

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

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

***f) Tax on profits***

The expense or income for tax on profits includes the part corresponding to current tax expense or income and the part corresponding to deferred tax expense or income.

The current tax is the amount the Company pays as a consequence of the tax settlements of the tax on the profits for a financial year. Deductions and other tax benefits included in the tax liability, excluding withholdings and advance payments, as well as tax losses that can be offset from prior years and applied effectively to the current year give rise to a lower amount for current tax.

The deferred tax expense or income corresponds to the recognition and cancellation of deferred tax assets and liabilities. These include any temporary differences, which are identified as any amounts that are expected to be payable or recoverable due to differences between the book values of assets and liabilities and their tax value, as well as any negative tax bases pending offsetting and any credits produced as a result of any tax write-offs that have not been applied. The amounts booked are those reached by applying the tax rate at which they are expected to be recovered or settled to the relevant temporary difference or credit.

All temporary taxable differences are recognised as deferred tax liabilities, except any arising from the initial recognition of goodwill or other assets and liabilities in a transaction which does not affect either the tax profit(loss) or the accounting profit (loss) and is not a combination of businesses.

For their part, deferred tax assets are only recognised in so far as it is considered likely that the Company will generate future tax gains against which it may make them effective.

Deferred tax assets and liabilities arising from transactions with direct charges or payments in equity accounts are also booked with a counter-item in shareholders' equity.

Any deferred tax assets which have been booked are reconsidered at each year-end by making the appropriate corrections thereto to the extent to which doubts may exist as to their future recovery. Likewise, any deferred tax assets which have not been booked in the balance sheet are assessed at each year-end and these are recognised to the extent to which their recovery becomes likely through future tax profits.

The special tax scheme for SOCIMIs is based on an 19 per cent tax rate for Corporation Tax, whenever certain requirements are met. Among these, it is worth highlighting the requirement that at least 80% of assets must be comprised of urban properties designated for leasing which are fully owned or acquired through interests in companies that meet the same investment and distribution of results requirements, be they Spanish or foreign, whether or not they are listed on organised markets. Likewise, the main sources of income of these entities must come from the property market, be it from leases, the subsequent sale of real estate after a minimum maintenance period or the income from interests in entities having similar characteristics. Nonetheless, the tax is accrued proportionally to the payout of dividends carried out by the company. Any dividends received by the partners are exempt, except where the beneficiary is a legal person subject to Corporation Tax or a permanent establishment belonging to a foreign entity, in which case a deduction has been established for the total tax liability, so that such income is taxed at the partner's tax rate. However, the rest of income will not be taxed while it is not paid out to the members.

***g) Income and expenses***

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

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

With regard to income from the provision of services, this is recognised considering the extent to which the service provision has been finalised on the date of the balance sheet, as long as the income from the transaction may be reliably estimated.

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

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

***h) Provisions and contingencies.***

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

a) Provisions: Credit balances which cover current obligations arising from past events whose cancellation will probably lead to an outflow of resources, but which cannot be determined as to their amount and/or moment of cancellation.

b) Contingent liabilities: Possible obligations arising as a consequence of past events, whose future materialisation is conditional upon one or more future events happening or not that are beyond the Company's control.

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

Provisions are valued at the current value of the best possible estimate of the necessary amount to cancel or transfer the obligation, taking into account available information on the event and its consequences, and booking any adjustments that may arise due to the updating of such provisions as a financial expense as they accrue.

***i) Severance indemnities***

In accordance with prevailing employment legislation, the Company is obliged to pay severance indemnities to employees it may make redundant under certain conditions. Thus, any severance indemnities susceptible to being reasonably quantified are booked as an expense in the financial year in which the dismissal decision is taken and valid expectations are created among third parties. No dismissals were foreseen that would make it necessary to create such an item at 31 December 2010.

***j) Environmental equity elements***

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

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

***k) Subsidies, donations and bequests***

In order to book capital subsidies, the Company values them at the fair value of the amount or asset granted according to whether they are in cash or otherwise. They are charged to income proportionately to the depreciation allowance made in the period for subsidised elements or, as appropriate, when they are disposed of or there is a value correction due to impairment, except for any received from partners or owners, which are directly booked to shareholders' equity and do not constitute any kind of income.

***l) Related-party transactions***

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

## 6. Real estate investments

The movements in this item of the balance sheet, together with the most significant information that affecting this item during 2010 and 2009 were as follows (in euro):

**FINANCIAL YEAR 2010**

| | Euro | | |
|---|---|---|---|
| | Balance at 31/12/2009 | Additions | Balance at 31/12/2010 |
| **Cost:** | | | |
| Real estate for leases | 103,840,000 | 3,288,602 | 107,128,602 |
| **Total cost** | **103,840,000** | **3,288,602** | **107,128,602** |
| **Cumulative depreciation:** | | | |
| Real estate for leases | (3,133,600) | (3,093,063) | (6,226,663) |
| **Total cumulative depreciation** | **(3,133,600)** | **(3,093,063)** | **(6,226,663)** |
| **Impairment:** | | | |
| Real estate for leases | - | (802,628) | (802,628) |
| **Total impairment** | **-** | **(802,628)** | **(802,628)** |
| **Net real estate investments** | **100,706,400** | **(607,089)** | **100,099,311** |

**FINANCIAL YEAR 2009**

| | Euro | | |
|---|---|---|---|
| | Balance as at 01/01/2009 | Additions | Balance as at 31/12/2009 |
| **Cost:** | | | |
| Real estate for leases | 103,840,000 | - | 103,840,000 |
| **Total cost** | **103,840,000** | **-** | **103,804,000** |
| **Cumulative depreciation:** | | | |
| Real estate for leases | - | (3,133,600) | (3,133,600) |
| **Total cumulative depreciation** | **-** | **(3,133,600)** | **(3,133,600)** |
| **Net real estate investments** | **103,840,000** | **(3,133,600)** | **100,706,400** |

As has been mentioned above, for accounting purposes, the Company received Isla Canela's assets (which are properties allocated to operation under leases) on 1 January 2009, through their partial assignment at fair value, The value of the Barceló Isla Canela, Playa Canela, Riu Atlántico, Iberostar Isla Canela and Vincci Canela Golf hotels came to €23,700,000, €15,900,000, €29,200,000, €23,700,000 and €4,700,000, respectively. Likewise, the value of a shopping mall known as "Marina Isla Canela" came to €4,700,000 and a property allocated to office use and located at the Gran Vía in Madrid to €1,940,000. The value of the land belonging to these hotels came respectively to €10,500,000, €8,500,000, €12,800,000, €11,400,000 and €2,000,000. The value of the land belonging to the shopping mall stood at €2,500,000 and that of the offices at the Gran Vía in Madrid at €1,500,000. As is set out in Note 2, these assets were contributed to the Company as a result of the partial division of the real estate leasing operations which Isla Canela, S.A. had been performing. Said assets were contributed at their appraisal value (fair value) in accordance with Article 5.2 of Act 11/2009 of 26 October governing non-cash contributions for incorporations or capital increases carried out with real estate.

The breakdown of such properties' surface areas in square metres is as follows:

| | Square Metres |
|---|---|
| Hotel Barceló Isla Canela | 20,494 |
| Hotel Riu Atlántico | 30,311 |
| Hoteles Playa | 20,050 |
| Iberostar Isla Canela | 27,500 |
| Vincci Selección Isla Canela Golf | 4,378 |
| Marina Isla Canela Shopping Mall | 6,119 |
| Property for office use located at Gran Vía 1, Madrid | 430 |
| **Total square metres** | **109,282** |

The five hotels mentioned above are subject to mortgage guarantees totalling €56,234,706, corresponding to five banks loans granted to Isla Canela, S.A., which has become the sole debtor of the obligations thereof. For its part, Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A. has become the owner, non-debtor, of the aforementioned registered properties. This balance corresponds to the balance outstanding at 31 December 2010 of the five long-term mortgage loans mentioned, which correspond to each of the real estate assets.

The Company has taken out insurance policies to cover the possible risks that may affect all its real estate investments. These insurance policies and their insured amounts were updated in 2010 by adapting them to the fair values of the appraisal conducted.

The rental income from the real estate investments owned by the Company in 2009 and 2010 came to €6,546,395 and €8,330,507, respectively (see Note 14.1).

At 1 April 2010, the lease on the Hotel Riu Atlántico became an agreement to undertake the management and administration of said hotel complex. This agreement will remain in effect until 31 March 2012, when it will once again become a real estate leasing agreement for hotel use until 31 March 2013.

The hotel's management (RIUSA II S.A.) will receive set consideration based on the hotel's gross revenue and additional variable consideration based on the gross operating profit (GOP) obtained by the hotel in every 12-month financial year period. Furthermore, as can be seen in the annual movements of the "Real estate investments" item during 2010, the Company performed some significant refurbishment work on the hotel amounting to over €3 million as part of the of the facility improvement programme agreed upon with RIUSA II, S.A. This refurbishment work was carried out by the Company on time and in the way set forth in the commitments agreed upon under contract.

At year-end 2010, there was no kind of constraint on making new real estate investments, or on collecting the income arising from them or concerning the resources that could be obtained from a possible disposal.

At year-end 2010, the Company did not have any real estate investment elements that had been fully depreciated and continued in use, other than the property destined to office use in Madrid.

At 31 December 2010, there were no real estate investment purchase undertakings or elements outside Spanish territory. Notwithstanding the foregoing, the Company made an investment undertaking on real estate to be destined to leasing with an important Spanish group dedicated to operating service stations on 2 November 2010. In principle, the above-mentioned agreement is limited to a maximum investment period of twelve months counting from the date said agreement was signed and for a maximum amount of €15 million with a minimum yield requirement. No investments had been made within the scope of this agreement up to the date these annual accounts were issued and drawn up. However, transactions of this kind are currently under assessment, which may materialise in real investments during the coming months. The failure to make such investments will not entail any kind of penalty for the Company.

## 7. Operating leases.

At year-end 2010 and 2009, the Company had reached agreements with lessees on the following minimal rental instalments in accordance with prevailing agreements, without taking into account either the passing on of condominium expenses, future increases in the CPI or any rent reviews agreed upon contractually. The most significant operating leases are based on leasing agreements on the real estate assets on which its operations are based. A breakdown of said minimum rental instalments is set out below:

| Operating leases<br>Minimum instalments | Nominal value | |
|---|---|---|
| | 2010 | 2009 |
| Less than a year | 14,476,855 | 6,200,534 |
| Between two and five years | 29,731,926 | 17,720,925 |
| More than five years | 2,508,054 | 7,277,400 |
| **Total** | **46,716,835** | **31,198,859** |

The main agreements at year-end 2010 were as follows:

a) Hotel Playa Canela lease: The lease agreement was entered into on 15 July 2002 and it expires on 31 October 2012. It may be renewed at the request of the parties. The agreement includes annual increases based on the CPI.

b) Hotel Barceló Isla Canela lease: The lease agreement was entered into on 1 March 2006 and it expires on 31 December 2018. It may be renewed at the request of the parties. Concerning future rents, the agreement includes annual increases based on the CPI.

c) Hotel Riu Atlántico lease: The lease agreement was entered into on 1 June 2007 and it expires on 1 April 2010. It may be renewed at the request of the parties. Concerning future rents, the agreement includes annual increases based on the CPI. As of 1 April 2010, the Hotel Riu Atlántico is operated under a management scheme until 31 March 2012. As of that moment until 31 March 2013, the management agreement mentioned above will be transformed into a new real estate lease for hotel use.

d) Hotel Iberostar Isla Canela lease: The lease agreement was entered into on 1 December 2007 and it expires on 31 October 2012. It may be renewed at the request of the parties. The agreement includes annual increases based on the CPI.

e) Hotel Vincci Canela Golf lease: The lease agreement was entered into on 15 May 2004 and it expires on 1 December 2014. It may be renewed at the request of the parties. Concerning future rents, the agreement includes annual increases based on the CPI.

There were no contingent rental instalments at 31 December 2010.

## 8. Financial investments and long-term investments in group and associated companies

The balances of these item accounts at year-end 2010 and 2009 were as follows: (in euro):

| Categories | 2010 | | 2009 | |
|---|---|---|---|---|
| | Credits to Group companies and others | Total | Credits to Group companies and others | Total |
| Credits to Group and associated companies | 12,023,277 | 12,023,277 | 10,270,359 | 10,270,359 |
| Other financial assets | 15,330 | 15,330 | 15,330 | 15,330 |
| **Total** | **12,038,607** | **12,038,607** | **10,285,689** | **10,285,689** |

The Company has a cash flow surplus generated by current operations. In this regard, the Company has reached several financing agreements with related parties under market conditions (See Note 15).

The movements of the "Long-term credits to Group and associated companies" and the "Other financial assets" items during 2010 and 2009 were as follows (in euro):

| | Euro | | | | |
|---|---|---|---|---|---|
| | 01/01/2009 | Additions | 31/12/2009 | Additions | 31/12/2010 |

| | | | | | |
|---|---|---|---|---|---|
| Credits to Group companies (see Note 15) | 2,380,440 | 7,889,919 | 10,270,359 | 1,752,918 | 12,023,277 |
| Other financial assets (long-term deposits and surety) | 15,330 | - | 15,330 | - | 15,330 |
| **Total** | **2,395,770** | **7,889,919** | **10,285,689** | **1,752,918** | **12,038,607** |

The item booked as "Other financial assets" corresponds to the guarantee posted before the Madrid Housing Institute (IVIMA) for the flat located in the Gran Vía, Madrid which stands at €15,330.

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

*Qualitative information*

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

### a) Credit risk

The Company's credit risk largely corresponds to the loan with the Group company Isla Canela, S.A. Said Company has its financing needs covered for financial year 2011 thanks to the its capacity to generate cash flow through its normal operations, which mainly comes from real estate development activities, the management of a golf course and of a marina, among others. Additionally, lease agreements have been entered into with entities of recognised solvency.

### b) Liquidity risk

This risk is caused by temporary imbalances between the need for funds to cover working capital necessities and the sources of funds from the resources generated by the Company's ordinary operations.

The main figures of the Company's cash flow budget for financial year 2011 are as follows:

| Item | Thousands of euro |
|---|---|
| Operating cash flow | 9,630 |
| Financial cash flow | (424) |
| Investment cash flow (*) | (7,400) |
| General cash flow | (1,806) |
| Net cash flow | - |

(*) Covers the forecast during financial year 2011 for the investments foreseen by the Company Management in assets destined for leasing.

As is shown in detail above, the financing needs forecast for financial year 2011 are sufficiently covered by the Company's capacity to generate cash flows through ordinary operations (rental income forecast and hotel operations). Hence, the Company's Administrators do not expect any liquidity risks to arise which have not been taken into account in the cash flow forecast.

### c) Exchange rate risk

As regards the Company's exchange rate risk at 31 December 2010, it did not have any accounts receivable or payable in foreign currencies. Hence, there is no exposure to this particular risk.

### d) Interest rate risk

Concerning interest rate risks, the Company did not have any financial debt at 31 December 2010, but rather a cash surplus, which is lent to other companies belonging to its Group in accordance with the financing conditions agreed upon with them. Said conditions are always based on market conditions. Hence, based on this situation (lack of bank debt and existence of collection rights from other Group companies), the Company's Administrators consider that there is no kind of interest rate risk. It is not the Company's practice to enter into hedging transactions aimed at covering the risk of interest rate fluctuations in this scenario.

## 10. Total equity and shareholders' equity

### a) *Authorised capital*

At year-end 2010, the Company's share capital stood at €103,840,000, represented by 1,000,000 shares with a par value €103.84 each. All said shares were of the same class, fully subscribed and paid up, and with the same rights and obligations (see Note 2). The breakdown of the Company's Shareholders a 31 December 2010 (which does not coincide with the moment of its incorporation) was as follows:

| Shareholders | Number of Shares | Percentage Interest |
|---|---|---|
| Barmar Seven, S.L. | 50,032 | 5.00% |
| Andrea Barrigón González | 678,416 | 67.84% |
| Promociones y Construcciones, PYC, PRYCONSA, S.A. | 180,000 | 18.00% |
| COGEIN, S. L. | 91,552 | 9.16% |
| **TOTAL** | **1,000,000** | **100.00%** |

The Shareholder of the Company known as TENIVI, S.L.(which formed part of its share ownership structure at the moment of its incorporation) sold and transferred to the main shareholder, Ms. Andrea Barrigón Gonzalez, all the shares it held on 10 December 2010 (1,744 shares, numbered 972,097 to 1,000,000, inclusive).

The Company's shares are not listed on any stock exchange. Notwithstanding the foregoing, in accordance with Article 4 of Act 11/2009 of 26 October governing Real Estate Investment Trusts (Sociedad Anónima Cotizada de Inversión en el Mercado Inmobiliario, or SOCIMI in Spanish), shares in this kind of Companies must be admitted for trading on a Spanish regulated market or on that of any other Member State of the European Union or of the European Economic Area on an uninterrupted basis during the entire tax period. There is a two-year period to comply with this requirement. The same obligation is required for interests representing the capital of the non-domiciled entities referred to by item b), paragraph 1, Article 2 of this Act. Thus, the Company's Administrators have already initiated the procedure for the Company's shares to be admitted for trading on a regulated market of the European Union in order to comply with the aforementioned legal requirement.

***b) Legal reserve***

In accordance with the Revised Text of the Public Limited Companies Act, a figure equivalent to 10% of the profit for the year has to be allocated to the legal reserve until the balance of this reserve reaches at least 20% of share capital.

The legal reserve may be used to increase capital by using the proportion of its balance which exceeds 10% of the already increased capital. With the exception of the aforementioned use, and whilst it does not exceed 20% of the share capital, this reserve may only be used to offset losses, and only when there are no other sufficient available reserves to do so.

***c) Distribution of profits***

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

a) At least ninety per cent of the profits that do not come from the transfer of real estate and the shares or interests referred to in the corporate purpose, along with any profits corresponding to any income from ancillary activities.

b) At least fifty per cent of the profits from the transfer of the real estate, shares or interests referring to the corporate purpose. The rest of such profits must be reinvested in other properties or interests included under the corporate purpose within the three years following the date of transfer. Failing this, such profits must be fully distributed jointly with the profits, if any, of the financial year in which the reinvestment period finalises. Should the elements subject to reinvestment be transferred before the maintenance period elapses, any profits thereof must be fully distributed jointly with the profits, if any, of the financial year in which they have been transferred. The distribution obligation does not cover the proportion of profits, if any, charged to financial years in which the Company did not pay taxes under the special tax scheme set forth by the aforementioned Act.

c) All the profits from dividends or interests in profits paid out by the entities referred to in paragraph 1, Article 2 of this Act. The dividends must be paid within the month following the date of the resolution on distribution. The distribution obligation does not cover the proportion of profits from income subject to the general tax rate.

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

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

***d) Capital subsidies***

The movements of this item during the financial years 2010 and 2009 were as follows (in euro):

**FINANCIAL YEAR 2010**

| | 31/12/2009 | Applications | SOCIMI tax rate adjustment | Net tax effect | 31/12/2010 |
|---|---|---|---|---|---|
| Capital subsidies | 1,513,239 | (171.883) | 218,888 | (120,318) | 1,611,809 |
| **Total** | **1,513,239** | **(171.883)** | **218,888** | **(120,318)** | **1,611,809** |

**FINANCIAL YEAR 2009**

| | 01/01/09 | Applications | Net tax effect | 31/12/2009 |
|---|---|---|---|---|
| Capital subsidies | 2,333,653 | (171.883) | (648.531) | 1,513,239 |
| **Total** | **2,333,653** | **(171.883)** | **(648.531)** | **1,513,239** |

The subsidies granted to the Company in previous years correspond to the following items:

1. Subsidies granted by the General Directorate of Regional Economic Incentives amounting of €3,146,000 for the development of the area. The following should be highlighted within this group of subsidies:

   - Subsidy granted by the General Directorate of Regional Economic Incentives amounting to €1,550,000 corresponding to 10% of the investment made to build a hotel in Ayamonte, Huelva. At 31 December 2010, a net outstanding tax balance of €793,269 was still to be transferred to income.

   - Subsidy granted by the General Directorate of Regional Economic Incentives amounting to €1,106,000 corresponding to 10% of the investment made to build a hotel in Ayamonte, Huelva. At 31 December 2010, a net outstanding tax balance of €560,690 was still to be transferred to income.

   - Subsidy granted by the General Directorate of Regional Economic Incentives amounting to €490,000 corresponding to 14% of the investment made to build a hotel in Ayamonte, Huelva. At 31 December 2010, a net outstanding tax balance of €257,849 was still to be transferred to income.

All the subsidies described above were transferred to the Company from Isla Canela, S.A. on the basis of the division resolution described in Note 2, as all were assigned to the operations subject to the transfer. Taking into account that the partial division transaction mentioned above was effective for accounting purposes as of 1 January 2009, the Company has booked the subsidies thus transferred under income the results since that date.

Hence, in 2010 revenue amounting to €171,883 was booked to income in the item "Booking of non-financing fixed asset subsidies" on the profit and loss account attached hereto. Furthermore, the tax charge arising from the change in the tax scheme that applies to the company when compared to the existing tax scheme that applied to the company of origin (Isla Canela, S.A.) was regularised in 2010. Said regularisation has had no effect on the Company's Profit and Loss Account. (see Note 13.4)

## 11. Debts (long-term)

The balance of the accounts comprising the "Debts" item at year-end 2010 and 2009 was as follows (in euro):

| | 31/12/2010 | 31/12/2009 |
|---|---|---|
| Other financial liabilities | 58,681 | 62,117 |
| **Total** | **58,681** | **62,117** |

The item booked as "Other financial liabilities" at 31 December 2010 corresponds to the long-term guarantees received for the Marina Isla Cristina shopping mall amounting to €43,351 and for the property located in the Gran Vía, Madrid amounting to €15,330 (see Note 8).

## 12. Information on supplier payment deferrals. Additional Provision No. 3. "Reporting obligation" set forth by Act 15/2010 of 5 July.

As regards the information required by the Additional Provision No. 3 of Act 15/2010 of 5 July for these first annual accounts after the Act came into force on 31 December 2010, the outstanding unpaid balance with suppliers had not accumulated a payment delay beyond the legal deadline established for payment.

The maximum deadline for payment that applies to the Group in accordance with Act 3/2004 of 29 December Setting Forth the Measures to Combat Commercial Transaction Delinquency, is 85 days.

This balance refers to suppliers and creditors which by their very nature are trade creditors for debts with suppliers of goods and services, so that it includes the data on the "Sundry suppliers and creditors" item of current liabilities on the balance sheet at 31 December 2010.

## 13. Public Administrations and Tax situation

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

The reconciliation between the accounting profit or loss and the individual corporation tax base for 2010 and 2009 was as follows (in euro):

**FINANCIAL YEAR 2010**

| Item | Euro |
|---|---|
| **Accounting profit before tax** | **4,586,476** |
| **Tax base** | **4,586,476** |
| Taxable tax base | 3,121,887 |
| Total tax liability (19%) | 593,159 |
| **Tax payable** | **593,159** |

**FINANCIAL YEAR 2009**

| Item | Euro |
|---|---|

| | |
|---|---|
| **Accounting profit before tax** | **4,928,202** |
| **Tax base** | **4,928,202** |
| Taxable tax base | 3,382,918 |
| Total tax liability (18%) | 608,925 |
| **Tax payable** | **608,925** |

In accordance with the Article 9.2 of the Act 11/2009 of 26 October governing Real Estate Investment Trusts, the tax self-assessment return has to be filed on the part of the period's tax base which proportionally corresponds to the dividend whose distribution has been resolved with regard to the profit obtained in the year. As is indicated in Note 4, the Company had allocated €3,121,887 to dividends at year-end 2010. Hence, corporation tax became due on these dividends amounting to €593,159. After-tax profit for 2010 came to €3,993,317.

At 31 December 2010, there were no negative tax bases or tax deductions pending application.

***13.2. Tax recognised in equity***

As a result of the division process described in Note 2, the Company recognised taxes in equity amounting to €700,069 from the capital subsidies pending transfer to the profit and loss account (see Note 10). During financial years 2010 and 2009, €51,565 of total equity were recycled corresponding to the tax effect of the subsidies transferred to the results of each financial year. Furthermore, there was an adjustment in the tax effect, which came to €270,452 in 2010. (See Note 10).

***13.3. Reconciliation between the accounting profit and corporation tax expenses***

The reconciliation between accounting income and corporation tax expenses for financial years 2010 and 2009 was as follows (in euro).

**FINANCIAL YEAR 2010**

| | **Euro** |
|---|---|
| Profit (loss) before tax for the year | 4,586,476 |
| Tax base | 3,121,887 |
| Tax (19%) | 593,159 |
| **Tax expenses recognised in the profit and loss account** | **593,159** |

**FINANCIAL YEAR 2009**

| | **Euro** |
|---|---|
| Profit (loss) before tax for the year | 4,928,202 |
| Tax base | 3,382,918 |
| Tax (18%) | 608,925 |
| **Tax expenses recognised in the profit and loss account** | **608,925** |

***13.4. Deferred tax liabilities.***

The breakdown the balance of this account at year-end 2010 and 2009 was as follows:

**FINANCIAL YEAR 2010**

| | **Euro** | | |
|---|---|---|---|
| | **Increases** | **Reductions (Note 10)** | **Total** |

| | | | |
|---|---|---|---|
| **Deferred tax:** | | | |
| Originating in the year: | | | |
| **Total deferred tax** | **648,531** | **(270,453)** | **378,079** |
| **Total tax recognised in equity** | **648,531** | **(270,453)** | **378,079** |

**FINANCIAL YEAR 2009**

| | Euro | | |
|---|---|---|---|
| | **Increases** | **Reductions (Note 10)** | **Total** |
| **Deferred tax:** | | | |
| Originating in the year: | | | |
| **Total deferred tax** | **700,069** | **(51.565)** | **648,531** |
| **Total tax recognised in equity** | **700,069** | **(51.565)** | **648,531** |

The source of the deferred tax liabilities fully corresponds to the capital subsidies booked in the Company's shareholders' equity pending transfer to the profit and loss account (see Note 10). In accordance with the provisions set forth in the accounting standards which applied at the moment of the transaction described in Note 2, the Company has not booked the deferred tax associated to future taxation on the latent capital gains generated in the process of valuation and initial division of the assets, as it considers that such initial recognition of an asset or liability lies within the framework of a transaction which is not a combination of businesses and which furthermore does not affect either accounting income or the tax base.

***13.5. Financial years pending verification and inspection actions***

In accordance with prevailing legislation, taxes cannot be considered to have been definitively settled until the returns filed have been inspected by the tax authorities or until the four-year statute of limitations period has elapsed. At year-end 2010, all the Company's taxes since its incorporation were open to inspection. The Company's Administrators consider that the settlements of the abovementioned taxes have been properly filed. Hence, though discrepancies may arise regarding the tax treatment given to the operations due to the interpretation of prevailing rules, any liabilities that may eventually result thereof, should they come about, will not significantly affect the annual accounts.

***13.6. Reporting requirements arising from SOCIMI status, Act 11/2009.***

| | **FINANCIAL YEAR 2010** |
|---|---|
| a) Profits allocated to reserves from years prior to the application of the tax scheme set forth in Act 11/2009 | As is set out in Note 2, the Company was incorporated for accounting purposes in January 2009 with a share capital of €103,840,000. It has therefore not applied any profits from previous years to the reserves. |
| b) Profits allocated to reserves for each financial year in which the special tax scheme set forth in said Act applies | The profit allocation proposal for 2010 is to apply €871,431 to reserves. |
| a. Profits from income subject to the general tax rate | - |
| b. Profits from income subject to tax at a rate of 19% | The profit allocation proposal for 2010 is to apply €871,431 to reserves. |
| c. Profits from the transfer of properties and interests included under its main corporate purpose | - |
| d. Profits reinvested during the financial year | - |
| e. Profits pending reinvestment | - |
| f. Financial year from which such profits come | FINANCIAL YEAR 2010 |
| g. Amount of total profit for the year | €4,586,476 |
| h. Tax base of partially exempt income | €871,431 |
| i. Tax base of income subject to the general rate | - |
| c) Dividends paid out and charged to profits of each financial year in which the tax scheme set forth in this Act can be applied | The dividend pay-out proposal for 2010 comes to €3,668,213. |
| a. Dividends from income subject to the general tax rate | - |
| b. Dividends from income subject to tax at the a rate of 19% | €3,121,887 |
| c. Amount of total profit for the year | €4,586,476 |
| d. Tax base of partially exempt income | €3,121,887 |
| e. Tax base of income subject to the general rate | - |
| d) Dividends paid out and charged to reserves | - |

| | |
|---|---|
| a. Financial year from which the reserve applied between the two referred to in items a) and b) above by the class of profits from which they come | - |
| b. Tax base associated to such dividends | - |
| e) Date of the dividend payout resolution referred to by items c) and d) above | 2009 dividends: 29 June 2010<br><br>2010 dividends: Pending AGM approval |
| f) Acquisition date of the properties allocated to lease which generate income subject to this special scheme | The properties came to be owned by the Company on 29/12/2009. However, as a result of the division transaction described in Note 2, the dates they came to be owned by Isla Canela, S.A. are as follows:<br><br>a) Vincci Selección Isla Canela Golf: 28/12/2007<br><br>b) Hotel Barceló Isla Canela: 06/07/1998<br><br>c) Hotel Iberostar Isla Canela: 01/07/2002<br><br>d) Hotel Playa Canela: 16/05/2002<br><br>e) Hotel Riu Atlántico: 25/05/2000<br><br>f) Marina Isla Canela Shopping Mall: 17/10/2000<br><br>g) Property at Calle Gran Vía, Madrid: Acquired on 19/10/1987 |
| g) Acquisition date of interests in the capital of the entities referred to in paragraph 1, Article 2 of this Act | - |
| h) Identification of the assets calculated within the eighty per cent referred to by paragraph 1, Article 3 of this Act | The breakdown of the assets and their book value (€100.10 million ) expressed as millions of euro, is as follows:<br><br>a) Vincci Selección Isla Canela Golf: 4.16<br><br>b) Hotel Barceló Isla Canela: 22.41<br><br>c) Hotel Iberostar Isla Canela: 22.13<br><br>d) Hotel Playa Canela: 14.62<br><br>e) Hotel Riu Atlántico: 31.03<br><br>f) Marina Isla Canela Shopping Mall: 3.80<br><br>g) Property at Calle Gran Vía, Madrid: 1.94 |
| i) Reserves from years in which the special tax scheme set forth in this Act has applied and have been drawn down during the tax period, but not for distribution or to offset losses. The financial year from which such reserves come, the amount of total profits for the year, as well as the tax base and deductions on total tax | - |

| | |
|---|---|
| liability for the tax period corresponding to this year should be identified. | |

## 14. Earnings and expenses

### *14.1 Real estate operations*

The breakdown of this item at 31 December 2010 and 2009 was as follows (in euro):

| | 2010 | 2009 |
|---|---|---|
| Barceló Isla Canela | 2,033,258 | 1,842,908 |
| Riu Atlántico | 543,375 | 2,409,748 |
| Iberostar Isla Canela | 1,965,134 | 1,956,450 |
| Playa Canela | 1,272,600 | 1,320,904 |
| Vincci Selección Isla Canela Golf | 415,352 | 370,997 |
| Others leases | 316,659 | 429,500 |
| Subtotal rents | **6,546,395** | **8,330,507** |
| Riu operations | **7,116,316** | - |
| **Total income** | **13,662,771** | **8,330,507** |

### *14.2 External charges for services, taxes and similar levies*

The breakdown of this item for 2010 and 2009 was as follows (in euro):

| | 2010 | 2009 |
|---|---|---|
| Rents and Levies | 319,998 | - |
| Repairs and maintenance | 138,658 | - |
| Independent professional services | 45,972 | - |
| Insurance policies | 70,094 | 61,891 |
| Banking services and similar | 12,527 | - |
| Advertising and public relations | 303,841 | - |
| Supplies | 226,472 | - |
| Other services | 223,354 | 51,498 |
| Taxes and similar levies | 475,390 | 359,168 |
| **Total** | **1,816,306** | **472,557** |

### *14.3 Social security contributions:*

The balance of the "Social security contributions" item in 2010 and 2009 was as follows (in euro):

| | 2010 | 2009 |
|---|---|---|
| **Social security contributions:** | | |
| Social Security contributions incurred by the company | 573,094 | - |
| Other social expenses | 10,959 | - |
| **Total** | **584,053** | **-** |

## 15. Transactions and balances with related parties

### *15.1 Related-party transactions*

The balances and transactions made with related companies in 2010 and 2009 were as follows: (in euro):

**FINANCIAL YEAR 2010**

| | 2010 | | |
|---|---|---|---|
| | **Credit to Group companies** | **Debts with Group companies** | **Financial income** |
| Isla Canela, S.A. | 7,555,822 | - | 257,223 |
| Pryconsa, S.A. | 4,467,455 | (270,863) | 46,485 |
| Rest of shareholders | - | (1,234,899) | - |
| | **12,023,277** | **(1,505,762)** | **303,708** |

On 1 January 2010, Isla Canela, S.A. and Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A. entered into a "Financing Agreement" by means of which the latter would finance the former under market conditions with the cash surplus it generates. The agreement is for a term of three years and it may be automatically renewed for like three-year periods. This long-term debt comes from 2010 through the collection management performed by the Company of the leases on the real estate which comprise its assets and which it provides to companies belonging to its Group under market conditions agreed upon in the aforementioned agreement. As regards the financing agreement with Isla Canela, S.A., said agreement accrues interest equivalent to the three-month Euribor rate plus a differential similar to the part of the floating differential of Isla Canela, S.A.'s mortgage loans.

The Balance at 31 December 2010 of the "Debts with Group companies" item corresponds to a short-term loan granted to the Company by all of its shareholders, which accrues interest at market rates. (See Note 18).

**FINANCIAL YEAR 2009**

| | Euro | |
|---|---|---|
| | **Credit to Group companies** | **Financial income** |
| Isla Canela, S.A. | 10,270,359 | 31,969 |
| | **10,270,359** | **31,969** |

The long-term debts held with Group companies at 31 December 2009 mainly came from the collection management performed by Isla Canela, S.A. of the real estate leases involved in the division process set out in Note 2 on behalf of the entity that benefited from said process, namely the Company. Said financing agreement accrues interest equivalent to the three-month Euribor rate plus a differential similar to the part of the floating differential of Isla Canela, S.A.'s mortgage loans.

### *15.2 Remuneration for Board of Directors and senior management*

In 2010 and 2009, the Company did not book any amount nor did any amount become due for remuneration or other benefits due to the Board of Directors. It has likewise not undertaken to pay any pension obligations or life insurance premiums for former or current members of the governing body. Similarly, there were no severance indemnities or payments based on equity instruments.

Furthermore, the Company's management is directly performed by the Group to which it belongs and there was therefore no remuneration for senior management in 2010 and 2009.

No amount whatsoever was granted as advance payments, nor were any credits granted to either senior management staff or to members of governing bodies.

The number of Company Directors distributed by gender was as follows in 2010 and 2009:

| Financial year | Men | Women | Total |
|---|---|---|---|
| 2010 | 3 | 1 | 4 |
| 2009 | 3 | 1 | 4 |

### *15. 3 Information on situations of conflicts of interest among the Administrators*

At year-end 2010, the members of the Board of Directors of Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A. and certain people related to them, as defined in the Capital Companies Act, held interests in the capital of the companies set out below having the same, analogous or complementary type of operations as those which comprise the Company's corporate purpose. The offices or functions, as appropriate, which they may hold in such companies are likewise included:

| Name of director | Name Company | % Interest | Corporate Purpose | Office or Functions |
|---|---|---|---|---|
| Ms. Andrea Barrigón González | COGEIN, S.L. | 24.59% | Construction | Shareholder |
| | PER 32, S.L. | 0.02% | Company management | Shareholder |
| | COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI, S.A. | 16.90% | Operating real estate investments | Shareholder |
| | GESTORA DE PROMOCIONES AGROPECUARIAS, S.A. | 9.37% | Construction | Shareholder |
| | COMPAÑÍA IBÉRICA DE VIVIENDAS SIGLO XXII, S.L. | 0.01% | Construction | Shareholder |
| | PROPIEDAD CACEREÑAS, S.L. | 2.51% | Construction | Shareholder |
| | PRYCONSA | 0.04% | Construction | Shareholder |
| | ISLA CANELA | 67.84% | Construction | Director |
| Mr. José Luis Colomer Hernández | PRYCONSA | 0.83% | Construction | Chairman |
| | COMPAÑÍA IBÉRICA DE VIVIENDAS SIGLO XXII, S.L. | 0.01% | Construction | Managing Director Secretary |
| | GRAIN VIA 34, S.A. | 0.02% | Construction | Board Member, Managing Director (Rep. Cogein,S.L.) |
| | SORANSA 1989, S.A. | 0.00% | Construction | Chairman |
| | ISLA CANELA, S.A. | 0.00% | Construction | Chairman |
| | COGEIN, S.L. | 0.00% | Construction | Deputy Chairman (Rep. Isla Canela, S.A.) |
| | ROYAL INMOBILIARIA, S.A. | 0.00% | Construction | Chairman, Managing Director (Rep. Cogein,S.L.) |
| | COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A | 0.00% | Operating real estate investments | Chairman |
| | COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI, S.A. | 0.00% | Operating real estate investments | Managing Director Secretary |
| Mr. Marco Colomer Barrigón | COGEIN, S.L. | 23.28% | Construction | Chairman Managing Director |
| | ROYAL INMOBILIARIA, S.A. | 30% | Construction | Managing Director Secretary (Rep. Cogein,S.L.) |
| | COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009 SOCIMI, S.A. | 0.00% | Operating real estate investments | Chairman Managing Director |
| | COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI, S.A. | 31.12% | Operating real estate investments | Chairman |
| | SORANSA 1989, S.A. | 0.00% | Construction | Managing Director |
| | COMPAÑÍA IBÉRICA DE VIVIENDAS SIGLO XXII, S.L. | 0.00% | Construction | Chairman Managing Director |
| | ISLA CANELA, S.A. | 0.00% | Construction | Chairman Managing Director |
| | GRAN VIA 34, S.A. | 0.00% | Construction | Chairman, Managing Director (Rep. Cogein,S.L.) |
| | COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI, S.A. | 0.00% | Operating real estate investments | Chairman |
| | BOETTICHER Y NAVARRO, S.A. | 0.00% | Construction | Chairman Managing Director |
| | PROPIEDADES CACEREÑAS | 21.58% | Construction | Chairman Managing Director |
| | PRYGECAM ARROYOMOLINOS VIVIENDA JOVEN, S.L. | 0.00% | Real Estate Development | Chairman |
| | PRYGECAM MOSTOLES VIVIENDA JOVEN, S.L. | 0.00% | Real estate development | Chairman |
| | PLANIFICACIÓN RESIDENCIAL Y GESTIÓN S.A. (PRYGESA) | 0.00% | Construction | Sole Administrator (Rep. Pryconsa) |
| Mr. José Luis Colomer Barrigón | COGEIN, S.L. | 23.24% | Construction | Director |
| | PER 32, S.L. | 49.99% | Company management | Director |
| | COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009 SOCIMI, S.A. | 31.06% | Operating real estate investments | Director |
| | ROYAL INMOBILIARIA, S.A. | 30% | Construction | Director |
| | COMPAÑÍA IBÉRICA DE VIVIENDAS SIGLO XXII, S.L. | 0.00% | Construction | Director |
| | PROPIEDADES CACEREÑAS, S.L. | 21.58% | Construction | Director |
| | ISLA CANELA, S.A. | 0.00% | Construction | Director |
| | PRYCONSA | 0.00% | Construction | Director (Rep. Geprasa) |
| | SORANSA | 0.00% | Construction | Director |

## 16. Third-party guarantees and other contingent liabilities

At 31 December 2010 and 2009, the Company had not granted any guarantees to third parties.

## 17. Other information

### *17.1 Personnel*

The average number of people employed in 2010 broken down by job categories was as follows:

| Categories | 2010 |
|---|---|
| Management | 2 |
| Technical staff and middle management | 13 |
| Administrative staff | 1 |
| Operational staff | 122 |
| **Total** | **138** |

Likewise, the distribution by gender at the end of 2010 broken down by categories was as follows:

| Categories | 2010 | |
|---|---|---|
| | Men | Women |
| Directors | 3 | 1 |
| Management | 2 | - |
| Technical staff and middle management | 7 | 6 |
| Administrative staff | - | 1 |
| Operational staff | 36 | 56 |
| **Total** | **48** | **64** |

### *17.2 Auditing fees*

The fees for account auditing services and other services provided by the Company's auditor, Deloitte, S.L., or by a company related to the auditor or jointly owned or controlled by it were as follows in 2010 and 2009 (in euro):

| Description | Services provided by the auditors of accounts and by related companies: | |
|---|---|---|
| | 2010 | 2009 |
| Auditing services | 10,000 | 4,000 |
| Other verification services | - | - |
| **Total auditing and related services** | **10,000** | **4,000** |
| Tax advisory services | - | - |
| Other services | - | - |
| **Total professional services** | **10,000** | **4,000** |

### 18. SUBSEQUENT DISCLOSURES

The main events which have occurred after the end of the financial year are as follows:

1. On 1 March 2011, the Company repaid its shareholders the entire amount of a loan they had granted to the Company (Note 15.1) by virtue of a financing agreement signed by the parties on 29 July 2010 with a maturity date of twelve months. The net interest on any taxes due up to the moment of the repayment were settled on the same day of repayment, calculated on the basis of the provisions set forth in the aforementioned financing agreement. The net interest on the taxes paid amounted to €20,915.

2. On 1 March 2011, an Extraordinary General Shareholder's Meeting approved a resolution on an increase in the Company's share capital amounting to €1,520,000, which was to be paid out through cash contributions without the issuance of new shares, but rather by increasing the par value of each share from €103.84 to €105.36. All the Company's shareholders fully subscribed the increase in Share capital in the proportions corresponding to each one of them.

# Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.

## Management Report for the financial year ending 31 December 2010.

### 1. Background

The Company's operations are mainly focused on assets operated under a leasing scheme.

The Company owns five hotels located within a tourist resort, which are currently being operated under a leasing scheme:

- Hotel Vincci Selección Isla Canela Golf: A five-star hotel located in the golf course with 58 rooms (116 beds) and operated under lease by Vincci Hotels, S.A.
- Hotel Barceló Isla Canela: A four-star hotel located right on the seafront with 350 rooms (700 beds) and operated under lease by Barceló Arrendamientos Hoteleros, S.L.
- Hotel Iberostar Isla Canela: A four-star hotel located right on the seafront with 300 rooms (600 beds) and operated under lease by Hispano Alemana de Management Hotelero, S.A.
- Hotel Playa Canela: A four-star hotel located right on the seafront with 202 rooms (404 beds) and operated under lease by Grupo Hoteles Playa, S.A.
- Hotel Riu Atlántico: A four-star hotel located right on the seafront with 359 rooms (718 beds) and operated under a management scheme by RIUSA II, S.A. from 1 April 2010 to 31 March 2012, the date on which said agreement will once again become an operating lease.

It also owns other leased assets, including:

- Marina Isla Canela Shopping Mall: Operated under lease by several clients.
- An office building located in Calle Gran Vía, Madrid allocated to office use. The current lessee is SEACEX, S.A. (State Organisation for Cultural Events Abroad)

### 2. Significant aspects of the period

The following facts stand out among the results corresponding to 2010:

- Revenue from operations under a leasing scheme and the management of the aforementioned assets for financial year 2010 came to €14 million.
- Gross profits totalled €9 million and EBITDA stood at €8 million, figures which are in line with the results obtained in 2009. Structural expenses (procurements, personnel expenses and others operating expenses) came to €6 million.
- Provisions were booked for impairments in the value of real estate investments amounting to €0.80 million. However, latent capital gains totalling over €15 million have not been booked.
- The Company's net profit came to €4 million.

The Company does not have any bank debts, as it generates a cash flow surplus. This allows it to provide long-term financing to certain companies of the Group to which it belongs. In this regard, the only collection rights it has is an accounts payable account with Group companies totalling €12 million. This financing provided to Group companies is governed by financial agreements which accrue interest equivalent to the quarterly Euribor rate plus a differential similar to the floating differential for financing Isla Canela S.A.'s mortgage loans.



**Investments and disposals in 2010**

At 31 December 2010, the Company had made an investment in the refurbishment of the Hotel Riu Atlántico of €3 million.

The Company use derivative financial instruments nor does it made investments in research, development and innovation projects during the normal course of its operations.

### 3. Acquisition of treasury shares

At 31 December 2010, the company held no treasury shares. No transactions were performed with treasury shares in 2010.

### 4. Risk and uncertainty factors

Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A. is exposed to a series of risks and uncertainties. Among the **financial risks** , the following should be highlighted:

- **Credit risk**: The Company's main financial assets are cash and bank balances, trade creditors and other accounts receivable, and investments, which account for its maximum exposure to credit risk in connection with financial assets. The Company's credit risk mainly lies in its trade debts. The amounts are reflected in the balance sheet net of any provisions for insolvencies and were estimated by the Company's Management on the basis of the experience of previous years and on their assessment of the current economic climate.

- **Interest rate risk:** This risk does not exist since the Company has no financial debt.

- **Liquidity risk:** Taking into account the current situation of the financial market and the estimates made by the Company's Management regarding its capacity to generate cash flow, the Company considers that it has sufficient capacity to obtain third-party financing should it be necessary to make new investments. Hence, there is no evidence that the Company may encounter liquidity problems in the medium-term. Liquidity is provided by the nature of the investments made and the high ratings obtained by lessees, as well as by the collection guarantees set forth in the agreements entered into.

Other **market risks** the Company is subject to are as follows:

- Regulatory risks: The Company must comply with the various prevailing regulations, of both a general as well as a specific nature, which affect it (legal, environmental, labour, data protection, etc. regulations). Different regulatory changes may come about in the future which could affect it either positively or negatively.

Lastly, the other risks the Group is subject to should be mentioned, which include: (i) environmental risks; (ii) risks arising from damages caused by works; and (iii) risks connected with the prevention of occupational risks.

### 5. Subsequent disclosures

1. On 1 March 2011, the Company repaid its shareholders the entire amount of a loan they had granted to the Company (Note 15.1) by virtue of a financing agreement signed by the parties on 29 July 2010 with a maturity date of twelve months. The net interest on any taxes due up to the moment of the repayment were settled on the same day of repayment, calculated on the basis of the provisions set forth in the aforementioned financing agreement. The net interest on the taxes paid amounted to €20,915.

2. On 1 March 2011, an Extraordinary General Shareholder's Meeting approved a resolution on an increase in the Company's share capital amounting to €1,520,000, which was to be paid out through cash contributions without the issuance of new shares, but rather by increasing the par value of each share from €103.84 to €105.36. All the Company's shareholders fully subscribed the increase in Share capital in the proportions corresponding to each one of them.

## 6. Outlook for 2011

Given the activity performed by the Company with long-term leased assets, the forecasts made by the Company's Administrators are positive, taking into account of the existence of long-term agreements with top-quality lessees in the Spanish hotel industry which guarantee the business's viability in the medium-term.

The Company is a Sociedad Anónima Cotizada de Inversión en el Mercado Inmobiliario (the Spanish equivalent of a Real Estate Investment Trust). In accordance with Article 4 of Act 11/2009 of 26 October governing Real Estate Investment Trusts (Sociedad Anónima Cotizada de Inversión en el Mercado Inmobiliario or SOCIMI in Spanish), shares in this kind Companies must be admitted for trading on a regulated Spanish market or on that of any other Member State of the European Union or of the European Economic Area on an uninterrupted basis during the entire tax period. The same obligation is required for interests representing the capital of the non-domiciled entities referred to by item b), paragraph 1, Article 2 of this Act. In this regard, the Company's Administrators have already initiated the procedure for the Company's shares to be admitted for trading on a regulated market of the European Union to fulfil the aforementioned legal requirement. Hence the Company's objective is to have its shares admitted for trading before the end of 2011.

## Diligence in Drawing Up the Annual Accounts

The drawing up of these annual accounts was approved by the Board of Directors at its meeting held on 31 March 2011 with a view to their verification by the auditors and their subsequent approval by the General Shareholders' Meeting. Said accounts and the management report appear on thirty-seven sheets of ordinary paper, including the present sheet, which are numbered from 1 to 37, inclusive. All said sheets are signed by the Board Secretary and this last sheet by all the Directors.

As the Administrators of the Company set forth above, the undersigned do hereby state there is no item which should be included in the document that is in the Company's books corresponding to these annual accounts has been omitted, apart from the environmental information required under Order of the Ministry of Justice of 8 October 2001.

Madrid, 31 March 2011

Mr. José Luis Colomer Hernández
(Chairman)

Mr. Marco Colomer Barrigón
(Director)

Ms. Andrea Barrigón González
(Director)

Mr. José Luis Colomer Barrigón
(Director)

Mr. José Juan Cano Resina
(Non-member Secretary)

3. Financial year 2011 (closed on September 30, 2011)

## Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.

Auditors´ Report on special-purpose interim Financial Statements for the period of nine moths as of September 30, 2011

*Translation of a report originally issued in Spanish based on our work performed in accordance with International Standards on Auditing and of interim financial statements originally issued in Spanish and prepared in accordance with International Financial Reporting Standards as adopted by the European Union (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.*

Deloitte.

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*Translation of a report originally issued in Spanish based on our work performed in accordance with International Standards on Auditing and of interim financial statements originally issued in Spanish and prepared in accordance with International Financial Reporting Standards as adopted by the European Union (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.*

AUDITORS' REPORT ON SPECIAL-PURPOSE INTERIM FINANCIAL STATEMENTS

To the Shareholders of COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009 SOCIMI, S.A., at the request of Company management:

We have audited the accompanying interim financial statements of COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009 SOCIMI, S.A., which comprise the interim balance sheet at 30 September 2011 and the related interim income statement, interim statement of changes in equity, interim statement of recognised income and expense and interim statement of cash flows for the nine-month period then ended, as well as a summary of the significant accounting policies and other explanatory information. The interim financial statements were prepared by the Company's directors in accordance with International Financial Reporting Standards in order to comply with the information requirements associated with the incorporation of a Luxembourg company through the non-monetary contribution of all the shares of COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009 SOCIMI, S.A.

**Responsibility of the directors in relation to the interim financial statements**

The Company's directors are responsible for the preparation and fair presentation of the interim financial statements, in conformity with International Financial Reporting Standards as adopted by the European Union, and for the internal control that they consider necessary to permit the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

**Responsibility of the auditor**

Our responsibility is to express an opinion on the aforementioned interim financial statements based on our audit. We performed our work in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit in order to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures in order to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures selected, including the assessment of the risk of material misstatement in the financial statements, whether due to fraud or error, depend on the auditor's judgement. In performing the aforementioned risk assessments, the auditor takes into account the internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate based on the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes the assessment of the appropriateness of the accounting policies used, of the reasonableness of the accounting estimates made by the directors and of the overall presentation of the financial statements.

We consider that the audit evidence we have obtained provides a sufficient and appropriate basis for our audit opinion.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

**Opinion**

In our opinion, the accompanying interim financial statements present fairly, in all material respects, the financial position of COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009 SOCIMI, S.A. at 30 September 2011, and its results and cash flows for the nine-month period then ended, in conformity with International Financial Reporting Standards as adopted by the European Union.

**Emphasis of matter paragraph**

Without qualifying our opinion, we draw attention to Note 1 to the interim financial statements, which indicates that under current regulations, the Company opted to apply the special tax regime applicable to real estate investment trusts ("REITs" or "SOCIMIs"), which, on the basis of compliance with certain requirements, provides for, inter alia, a reduction of the corporate income tax rate from 30% to 19%. As mentioned in Note 1, to the date of this report, it does not meet the requirement of listing on a regulated market of the Company or its parent company. In this respect, the directors intend to take the actions required to meet these requirements within two years from the date on which it was opted to apply the aforementioned regime, as provided for by current legislation.

**Accounting basis**

Without qualifying our opinion, we draw attention to Note 2 to the interim financial statements, which describes the accounting basis used by the directors in the preparation thereof and which indicates that the interim financial statements were prepared to be used in the incorporation of a Luxembourg company through the non-monetary contribution of all the shares of COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009 SOCIMI, S.A. and, accordingly, were prepared in accordance with International Financial Reporting Standards as adopted by the European Union, rather than using the regulatory framework applicable to the Company under the Spanish corporate and commercial law to which it is subject. As a result, the accompanying interim financial statements may not be appropriate for other purposes.

**Other matters paragraph**

This report, which under no circumstances may be interpreted as an auditors' report on financial statements issued in accordance with the Consolidated Spanish Audit Law approved by Legislative Royal Decree 1/2010, was prepared at the request of management of COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009 SOCIMI, S.A., taking into account the special purpose with which the accompanying interim financial statements were prepared.

DELOITTE, S.L.

A. Rueda

Antonio Rueda

2 November 2011

# Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.

Interim Financial Statements
for the nine-month period ended
30 September 2011

*Translation of interim financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.*

*Translation of financial statements originally issued in Spanish and prepared in accordance with the International financial reporting standards In the event of a discrepancy, the Spanish-language version prevails.*

## Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.

### BALANCE SHEETS AT 30 SEPTEMBER 2011

(Euros)

| ASSETS | Notes | 30/09/2011 | (*) 31/12/2010 | (*) 31/12/2009 |
|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | **111.132.218** | **112.137.918** | **110.992.089** |
| Investment property | 7 | 97.605.394 | 100.099.311 | 100.706.400 |
| Investments in Group companies and associates | 9 & 16 | 13.526.524 | 12.023.277 | 10.270.359 |
| Non-current financial assets | 9 | 300 | 15 330 | 15.330 |
| **CURRENT ASSETS** | | **3.836.926** | **1.227.151** | **-** |
| Inventories | | - | 62.896 | - |
| Trade and other receivables | | 3.095.732 | 961.412 | - |
| Investments in related parties | 9 | 1.320 | 1.320 | - |
| Cash and cash equivalents | | 739.874 | 201.523 | - |
| **TOTAL ASSETS** | | **114.969.144** | **113.365.069** | **110.992.089** |

| EQUITY AND LIABILITIES | Notes | 30/09/2011 | (*) 31/12/2010 | (*) 31/12/2009 |
|---|---|---|---|---|
| **EQUITY** | | **111.901.795** | **108.769.675** | **108.159.277** |
| ***SHAREHOLDERS' EQUITY-*** | | | | |
| Share capital | 11 | 106.600.000 | 103.840.000 | 103.840.000 |
| Reserves | 11 | 1.807.788 | 936.358 | - |
| Profit for the period | | 3.494.007 | 3.993.317 | 4.319.277 |
| **NON-CURRENT LIABILITIES** | | **1.914.384** | **2.048.569** | **2.223.887** |
| Grants related to assets | 12 | 1 860.975 | 1.989.888 | 2.161.770 |
| Other non-current liabilities | | 53.409 | 58.681 | 62.117 |
| **CURRENT LIABILITIES** | | **1.152.965** | **2.546.825** | **608.925** |
| Current payables to related parties | 16 | 969 | 1.505.762 | - |
| Trade and other payables | | 206.356 | 523.036 | 608.925 |
| Accounts payable to public authorities | 14 | 945.640 | 489.812 | - |
| Other current liabilities | | - | 28.215 | - |
| **TOTAL EQUITY AND LIABILITIES** | | **114.969.144** | **113.365.069** | **110.992.089** |

(*) Unaudited data

The accompanying Notes 1 to 19 are an integral part of the balance sheet at 30 September 2011.

*International financial reporting standards In the event of a discrepancy, the Spanish-language version prevails.*

## Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.

**INCOME STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(Euros)

| | Notes | 30/09/2011 | 30/09/2010 (*) |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Revenue | 15-a | 9.056.871 | 10.810.417 |
| Allocation to profit or loss of grants related to non-financial non-current assets and other grants | 12 | 128.913 | 128.913 |
| Procurements | | (816.365) | (950.159) |
| Staff costs | 15-b | (1.233.442) | (1.682.308) |
| Other operating expenses | 15-c | (941.922) | (1.620.357) |
| Depreciation and amortisation charge | 7 | (2.397.513) | (2.357.863) |
| Impairment and gain/(loss) on disposal of fixed assets | 7 | (103.521) | - |
| **PROFIT FROM OPERATIONS** | | **3.693.021** | **4.328.643** |
| Finance income | 16-a | 345.654 | 286.137 |
| Finance costs | | (25.676) | (9.735) |
| **FINANCIAL PROFIT** | | **319.978** | **276.402** |
| **PROFIT BEFORE TAX** | | **4.012.999** | **4.605.045** |
| Income tax | 14 | (518.992) | (595.560) |
| **PROFIT FOR THE PERIOD** | | **3.494.007** | **4.009.485** |

The accompanying Notes 1 to 19 are an integral part of the income statement for the nine-month period ended 30 September 2011.

(*) Unaudited data

*International financial reporting standards In the event of a discrepancy, the Spanish-language version prevails.*

## Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.

**STATEMENTS OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011**

**A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE**

(Euros)

| | Notes | 30/09/2011 | 30/09/2010 (*) |
|---|---|---|---|
| PROFIT PER INCOME STATEMENT (I) | | 3.494.007 | 4.009.485 |
| Income and expense recognised directly in equity | | | |
| TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II) | | - | - |
| Transfers to profit or loss | | | |
| TOTAL TRANSFERS TO PROFIT OR LOSS (III) | | - | - |
| TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III) | | 3.494.007 | 4.009.485 |

The accompanying Notes 1 to 19 are an integral part of the statement of recognised income and expense for the nine-month period ended 30 September 2011.

(*) Unaudited data

*International financial reporting standards In the event of a discrepancy, the Spanish-language version prevails.*

## Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.

### STATEMENTS OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011

### B) STATEMENTS OF CHANGES IN TOTAL EQUITY

(Euros)

| | Share Capital | Legal Reserve | Voluntary Reserve | Profit for the Period | TOTAL |
|---|---|---|---|---|---|
| **ENDING BALANCE AT 31 DECEMBER 2009 (*)** | **103.840.000** | - | - | **4.319.277** | **108.159.277** |
| **Total recognised income and expense** | - | - | - | **4.009.485** | **4.009.485** |
| **Transactions with shareholders** | - | 492.820 | **443.538** | (4.319.277) | **(3.382.919)** |
| - Distribution of 2009 profit | | | | | |
| - Dividends | - | - | - | (3.382.919) | (3.382.919) |
| - To reserves | - | 492.820 | 443.538 | (936.358) | - |
| **ENDING BALANCE AT 30 SEPTEMBER 2010 (*)** | **103.840.000** | **492.820** | **443.538** | **4.009.485** | **108.785.843** |
| **ENDING BALANCE AT 31 DECEMBER 2010 (*)** | **103.840.000** | **492.820** | **443.538** | **3.993.317** | **108.769.675** |
| **Total recognised income and expense** | - | - | - | **3.494.007** | **3.494.007** |
| **Transactions with shareholders** | **2.760.000** | **458.648** | **412.782** | **(3.993.317)** | **(361.887)** |
| - Capital increase | 2.760.000 | | | | 2.760.000 |
| - Distribution of 2010 profit | | | | | |
| - Dividends | - | - | - | (3.121.887) | (3.121.887) |
| - To reserves | - | 458.648 | 412.782 | (871.430) | - |
| **ENDING BALANCE AT 30 SEPTEMBER 2011** | **106.600.000** | **951.468** | **856.320** | **3.494.007** | **111.901.795** |

The accompanying Notes 1 to 19 are an integral part of the statement of changes in total equity for the nine-month period ended 30 September 2011.

(*) Unaudited data

*Translation of financial statements originally issued in Spanish and prepared in accordance with the International financial reporting standards In the event of a discrepancy, the Spanish-language version prevails.*

## Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.

**STATEMENTS OF CASH FLOWS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(Euros)

| | Notes | 30/09/2011 | 30/09/2010 (*) |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES (I)** | | **3.915.395** | **6.703.692** |
| **Profit for the period before tax** | | **4.012.999** | **4.605.045** |
| **Adjustments for:** | | | |
| - Depreciation and amortisation charge | 7 | 2.397.513 | 2.357.863 |
| - Impairment and gain/(loss) on disposal of fixed assets | 7 | 103.521 | - |
| - Allocation of grants to profit or loss | 12 | (128.913) | (128.913) |
| - Finance income | | (345.654) | (286.137) |
| - Finance costs | | 25.676 | 9.735 |
| **Changes in working capital** | | | |
| - Inventories | | 62.896 | (68.034) |
| - Trade and other receivables | | (1.761.630) | (2.338.584) |
| - Trade and other payables | | 104.915 | 1.660.012 |
| - Other current liabilities | | (28.215) | 1.509.399 |
| - Other non-current assets and liabilities | | 9.758 | 2.830 |
| **Other cash flows from operating activities** | | | |
| - Interest paid | | (25.676) | (9.735) |
| - Interest received | | 2.483 | - |
| - Income tax paid | | (514.278) | (609.789) |
| **CASH FLOWS FROM INVESTING ACTIVITIES (II)** | | **(1.510.364)** | **(2.287.151)** |
| **Payments due to investment** | | | |
| - Group companies and associates | 16 | (1.503.247) | - |
| - Investment property | 7 | (7.117) | (3.277.542) |
| **Proceeds from disposal** | | | |
| - Group companies and associates | | - | 990.391 |
| **CASH FLOWS FROM FINANCING ACTIVITIES (III)** | | (1.866.680) | (3.382.919) |
| **Proceeds and payments relating to equity instruments** | | | |
| - Proceeds from issue of equity instruments | 11 | 2.760.000 | - |
| **Proceeds and payments relating to financial liabilities** | | | |
| - Repayment of debt to related parties | 16 | (1.504.793) | - |
| **Dividends and returns on other equity instruments paid** | | | |
| - Dividends | 5 | (3.121.887) | (3.382.919) |
| **NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)** | | 538.351 | 1.033.622 |
| Cash and cash equivalents at beginning of period | | 201.523 | - |
| Cash and cash equivalents at end of period | | 739.874 | 1.033.622 |

The accompanying Notes 1 to 19 are an integral part of the statement of cash flows for the nine-month period ended 30 September 2011.

(*) Unaudited data

*Translation of interim financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.*

# Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.

Interim Financial Statements
for the nine-month period ended
30 September 2011

## 1. Company activities

Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A. ("the Company") was incorporated on 29 December 2009, effective for accounting purposes from 1 January 2009. The Company's registered office is at Glorieta de Cuatro Caminos, 6-7, Madrid.

The Company was incorporated through the partial spin-off of Isla Canela, S.A., whereby the latter was partially spun off by segregating a portion of its assets and liabilities associated with the rental property business, without cessation of existence, transferring en bloc the segregated portion to the Company, which acquired by succession, on an individual basis, all the rights and obligations inherent to the spun-off assets and liabilities. The shareholders of the spun-off company received as consideration the shares of the new company, maintaining the same ownership interests as those they held in Isla Canela, S.A. prior to the spin-off. Certain rental assets of Isla Canela, S. A. were contributed to the new company at fair value. The deed of the partial spin-off and creation of the Company were definitively registered at the Madrid Mercantile Registry on 8 February 2010.

This transaction qualified for the tax regime provided for in Title VII, Chapter VIII of the Spanish Corporation Tax Law. All the information thereon is detailed in the 2009 financial statements.

The Company's object is as follows:

- The acquisition and development of urban properties earmarked for lease. Development activities include the refurbishment of buildings under the terms and conditions established in VAT Law 37/1992, of 28 December.
- The ownership of interests in the share capital of other real estate investment trusts ("REITs" or "SOCIMIs") or other companies not resident in Spain with a company object identical to that of the former, which are subject to a regime similar to that established for the REITs in relation to the obligatory profit distribution policy stipulated by law or the bylaws.
- The ownership of interests in the share capital of other companies, resident or not in Spain, the principal company object of which is the acquisition of urban properties earmarked for lease, which are subject to the regime established for REITs in relation to the obligatory profit distribution policy stipulated by law or the bylaws and meet the investment and borrowing requirements referred to in Articles 3 and 7 of Law 11/2009, of 26 October.
- The ownership of shares or investments in property collective investment undertakings governed by Collective Investment Undertakings Law 35/2003, of 4 November.
- The performance of other ancillary financial and non-financial activities that generate rental income, which as a whole represent least than 20% of the Company's rental income in each tax period.

The aforementioned business activities may also be fully or partially carried on indirectly by the Company through investments in other companies with a similar object.

All activities required by law to meet special requirements that are not met by the Company are excluded.

The Company is regulated by Real Estate Investment Trusts Law 11/2009, of 26 October, Article 3 of which establishes the investment requirements for this type of company, which are detailed below:

1. REITs must have invested at least 80% of the value of their assets in urban properties earmarked for lease, in land to develop properties to be earmarked for that purpose, provided that development begins within three years following its acquisition, and in equity investments in other companies referred to in Article 2.1 of Law 11/2009.

   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 established in Article 42 of the Spanish Commercial Code, regardless of its place of residence and of the obligation to formally prepare consolidated financial statements. This group must be composed exclusively of REITs and the other companies referred to in Article 2.1 of Law 11/2009.

2. Also, 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 ownership interests and the properties used by the Company to achieve its principal object, once the retention period referred to below has elapsed, should arise from the lease of properties and dividends or shares of profits arising from the aforementioned investments.

   This percentage must be calculated on the basis of the consolidated profit if the company is the parent of a group, in accordance with the criteria established in Article 42 of the Spanish Commercial Code, regardless of its place of residence and of the obligation to formally prepare consolidated financial statements. This group must be composed exclusively of REITs and the other companies referred to in Article 2 of Law 11/2009.

3. The properties included in the company's assets should remain leased for at least three years. For properties developed by the company, the term will be seven years. The time during which the properties have been made available for lease will be included in calculating this term, with a maximum of one year.

   The term will be calculated:

   a) For properties included in the company's assets before the company avails itself of the regime, from the beginning of the first tax period in which the special tax regime established in Law 11/2009 applies, provided that at that date, the asset is leased or made available for lease; otherwise b) shall apply.

   b) For properties developed or acquired subsequently by the company, from the date on which they were leased or made available for lease for the first time.

   In the case of shares or ownership interests in the companies referred to in Article 2.1 of Law 11/2009, they should be retained on the asset side of 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 established in Law 11/2009 applies.

4. In order to ensure adequate diversification of the property investments, the companies' assets must include at least three properties, none of which may represent more than 40% of the company's assets at the date of acquisition. This calculation will be performed on the group's consolidated balance sheet referred to in Article 2.1 and the company may opt to substitute the fair value of the items included in the aforementioned balance sheet with their market value.

In addition to the aforementioned investment requirements, REITs must meet certain minimum capital, financial structure, dividend distribution, financial statements disclosure and other requirements, which are detailed in Note 4-e.

As established by Transitional Provision 1 of Real Estate Investment Trusts Law 11/2009, of 26 October, the Company may opt to apply the special tax regime under the terms and conditions established in Article 8 of Law 11/2009, even though it does not meet the requirements established therein, provided that such requirements are met within two years after the date of the option to apply that regime. The Company applied for that regime in December 2009.

Non-compliance of this condition implies that the Company will file income tax returns under the general tax regime from the tax period in which the aforementioned condition is not met. The Company will 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.

At 30 September 2011, the Company had not met all the requirements established by Law 11/2009, in particular, the obligation for the Company's shares to be listed on a regulated securities market. Accordingly, the Company's directors plan to take the steps required to meet these requirements over the coming months, before the two-year period has elapsed.

## 2. Basis of presentation of the interim financial statements

### a) Basis of presentation

The accompanying interim financial statements for the nine-month period ended 30 September 2011, which were obtained from the Company's accounting records, including the appropriate unifying adjustments to comply with international financial reporting standards as adopted by the European Union, were prepared by the Company's directors at the Board of Directors Meeting held on 31 October 2011.

These interim financial statements are the first prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament, so that they present fairly the equity and financial position of Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A. at 30 September 2011 and the results of its operations, the changes in equity and its cash flows for the nine-month period ended 30 September 2011, in conformity with the aforementioned international Financial Reporting Standards as adopted by the European Union.

### b) Adoption of International Financial Reporting Standards

In order to meet with Article 4 of Law 11/2009, of 26 October, regulating real estate investment trusts, the Company's shareholders jointly with shareholders of Compañía Ibérica de Rentas Urbanas 2009 SOCIMI, S.A., have the intention to provide the total shares in those companies to incorporate a holding company in Luxembourg with a company object similar to that of the Company and to seek admission to listing in Luxembourg, so as to comply with the consultation of the tax authorities (Dirección General de Tributos) on personal income taxes published on March 4, 2011 in the framework of the Law . In this context, the Company's directors have prepared the interim financial statements of Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A. for the nine-month period ended 30 September 2011 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union in force at the date of these interim financial statements.

The disclosures required by IFRS 1 in relation to the transition from Spanish GAAP to IFRSs are presented in Note 3.

The principal accounting policies and measurement bases adopted are presented in Note 4.

In conformity with IFRS 1, when a company applies IFRSs for the first time, it must comply with each and every one of the IASs, IFRSs and interpretations in force at the date of first-time application, which requires the retrospective application thereof in most cases. However, IFRS 1 establishes certain voluntary exceptions to that obligation, either for practical reasons or because the costs deriving from compliance therewith might exceed the benefits provided to the users of the financial statements. Therefore, the balance sheet is presented with the comparative period for the previous period and the beginning of the earliest comparative period, with restated figures for comparison purposes.

The main options chosen by the Company are as follows:

- To present the balance sheet with items classified as current or non-current.
- To present the income statement by nature.
- To present the statement of changes in equity showing the changes in all the headings.
- To present the statement of cash flows using the indirect method.
- To measure the investment property items using the cost method.
- To recognise non-refundable grants related to assets received under non-current liabilities.

*c) Key issues in relation to the measurement and estimation of uncertainty*

In preparing the accompanying interim financial statements estimates were made by the Company's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The assessment of possible impairment losses on certain assets (see Notes 4-a and 4-c).
- The useful life of property assets (see Note 4-a).
- The calculation of provisions (see Note 4-d).
- The estimation of the corporate income tax expense (see Note 4.e).

Although these estimates were made on the basis of the best information available at 30 September 2011 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming periods. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the income statements for the years affected.

The information contained in these interim financial statements is the responsibility of the Company's directors.

## 3. Reconciliation with local accounting principles at the transition date

International Financial Reporting Standard 1 (IFRS 1) requires that the first interim financial statements prepared in accordance with International Financial Reporting Standards include a reconciliation of equity according to Spanish generally accepted accounting standards with the equity resulting of the application of International Financial Reporting Standards (IFRSs) as adopted by the European Union at the following dates:

- At the transition date (1 January 2009).

- At the end of the last period included in the most recent annual financial statements filed by the company applying generally accepted accounting principles in Spain.

The nine-month period ended 30 September 2011 is the first period for which the Company has presented its interim financial statements in accordance with IFRSs. The date of transition to IFRSs was 1 January 2009.

The reconciliation of equity under Spanish GAAP to equity in accordance with IFRSs at the date of transition, i.e. 1 January 2009, is as follows (in euros):

| | Equity |
|---|---|
| **Balance in accordance with Spanish GAAP at 1/01/09** | **105,473,557** |
| Reclassification of grants to non-current liabilities | (1,633,557) |
| **Balances in accordance with IFRSs at 1/01/09** | **103,840,000** |

The only adjustment that affected the Company's equity at the date of transition to IFRSs is the recognition of non-refundable grants related to assets under non-current liabilities.

The reconciliation of equity and profit for the period under Spanish GAAP to equity and profit for the period in accordance with IFRSs, at 31 December 2010, is as follows (in euros):

| | Capital and Reserves | Grant | Profit for the Period | Equity |
|---|---|---|---|---|
| **Balance in accordance with Spanish GAAP at 31/12/10** | **104,776,358** | **1,611,809** | **3,993,317** | **110,381,484** |
| Reclassification of grants to non-current liabilities | - | (1,611,809) | - | (1,611,809) |
| **Balances in accordance with IFRSs at 31/12/10** | **104,776,358** | - | **3,993,317** | **108,769,675** |

Like at the date of transition to IFRSs, the only adjustment that affected the Company's equity at 31 December 2010 was the recognition of the grants related to assets under non-current liabilities.

No adjustments or reclassifications were made that might have affected the 2010 income statement.

## 4. Accounting policies

The accounting principles and policies and measurement bases used in preparing the Company's interim financial statements for the nine-month period ended 30 September 2011 were as follows:

### *a) Investment property*

"Investment Property" in the accompanying interim balance sheet reflects the carrying amounts of the land, buildings and other structures held either to earn rentals or for capital appreciation as a result of future increases in market prices.

These assets are initially recognised at acquisition or production cost, less any accumulated depreciation and any accumulated impairment losses. In this connection, in accordance with the asset transfer operation described in Note 1, the Company recognised these assets at fair value (appraisal value), calculated by an independent valuer appointed by the Mercantile Registrar pursuant to Law 11/2009, of 26 October, and this was used as the initial acquisition price by the Company.

The Company depreciates its investment property by the straight-line method at annual rates based on the years of estimated useful life of the assets, the detail being as follows:

| | **Years of Estimated Useful Life** |
|---|---|
| Buildings | 50 |
| Plant | 15-20 |
| Machinery | 8 |
| Other fixtures | 20 |
| Tools and furniture | 10 |
| Other items of property, plant and equipment | 6-10 |

The Company uses the historical cost of the assets plus any new investments that might increase their added value or their estimated useful life as the basis for depreciation.

As required by IAS 40, the Company periodically determines the fair value of its investment property items; fair value is taken to be the amount at which two knowledgeable parties would be willing to perform a transaction. This fair value is determined taking as reference values the appraisals undertaken by independent valuers each year, so that at year-end the fair value reflects the market conditions of the property investments at that date.

In the nine-month period ended 30 September 2011, the Company recognised an impairment loss of EUR 103,521 on its investment property since the appraisals performed by an independent valuer not related to the

Company (TECNITASA) gave rise to a fair value lower than the carrying amount after accumulated depreciation and impairment on properties owned by the Company and, therefore, the Company's directors made the related adjustments to the carrying amount thereof. The unrealised gains not recognised in the Company's books at 30 December 2011, but which arose on the assets owned by it, based on the appraisal performed, amounted to EUR 6,675,725. The method used to calculate the aforementioned fair value is as follows:

*Impairment of investment property*

Whenever there are indications of impairment, the Company tests the investment property for impairment to determine whether the recoverable amount of the assets has been reduced to below their carrying amount.

Recoverable amount is the higher of fair value less costs to sell and value in use.

The Company commissions valuations of property assets from an independent valuer to determine their value at the end of each reporting period. These valuations are performed on the basis of the lesser of the replacement value and the market rental value (which consists of capitalising the net rental income from each property and discounting the future flows). The fair value was calculated using discount rates acceptable to a prospective investor and in line with those used in the market for properties of similar characteristics in similar locations. The valuation was performed in accordance with the applicable Appraisal and Valuation Standards pursuant to Ministry of Economy Order ECO 805/2003.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised as income.

***b) Leases***

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

*Operating leases*

Lease expenses from operating leases are recognised in income on an accrual basis.

Also, the acquisition cost of the leased asset is presented in the interim balance sheet according to the nature of the asset, increased by the costs directly attributable to the lease, which are recognised as an expense over the lease term, applying the same method as that used to recognise lease income.

A payment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

The Company does not hold any assets under finance leases.

***c) Financial instruments***

*c.1 Financial assets*

*Classification-*

All of the Company's financial assets are classified under "Loans and Receivables" and consist of financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

*Initial recognition -*

Financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

*Subsequent measurement -*

"Loans and Receivables" are measured at amortised cost.

At least at each reporting date the Company tests financial assets not measured at fair value for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the income statement.

In particular, the Company calculates valuation adjustments relating to trade and other receivables by recognising annual impairment losses on balances of a certain age or whose circumstances reasonably support their classification as doubtful debts.

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

However, the Company does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received in transfers of financial assets in which substantially all the risks and rewards of ownership are retained.

*c.2 Financial liabilities*

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, not having commercial substance, cannot be considered to be derivative financial instruments.

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

***d) Provisions***

The Company's interim financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the interim financial statements, but rather are disclosed, as required by IAS 37.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each reporting period, are used to cater for the specific obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

***e) Income tax***

*General regime*

The income tax expense is recognised in the income statement, unless it arises as a consequence of a transaction, the result of which is recorded directly in equity, in which case the income tax expense is also recognised in equity.

The income tax expense for the year is calculated on the basis of taxable profit for the year. The taxable profit differs from the net profit reported in the income statement because it excludes income and expense items that are taxable or deductible in other years and also excludes items that will never be taxable or deductible. The Company's liability for current income tax is calculated using tax rates which have been approved at the balance sheet date.

Deferred tax assets and liabilities are the amounts expected to be recoverable or payable on differences between the carrying amounts of assets and liabilities in the interim financial statements and their tax bases used in calculating the taxable profit. They are recognised using the balance sheet liability method and are quantified at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

However, the deferred tax assets are only recognised to the extent that it is considered probable that the Company will have sufficient taxable profits in the future against which the deferred tax assets can be utilised.

The deferred tax assets and liabilities recognised are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

*REIT tax regime*

Taxes are accrued in proportion to the dividends distributed by the Company. Dividends received by shareholders are tax-exempt, unless the recipient is an individual subject to income tax or a permanent establishment of a foreign entity, in which case a tax credit will be taken on the gross tax payable such that the income will be taxed at the rate applicable to the shareholder. However, all other income will not be taxed provided that it is not distributed to shareholders.

The special tax regime for REITs is based on the application of a 19% income tax charge provided that they meet certain requirements, mainly the following:

- REITs must have at least EUR 15 million in capital.

- Non-monetary contributions for capital formation or increase in the form of property must be valued when they are contributed in accordance with the Consolidated Spanish Limited Liability Companies Law and, to this end, the independent appraiser appointed by the Mercantile Registrar must be one of the appraisal companies envisaged in property market law. Non-monetary contributions in the form of property for capital formation or increase at the aforementioned non-resident companies must be appraised by one of the aforementioned appraisal companies.

- They may only issue one class of shares.

- If the company chooses to avail itself of the special tax regime established in Law 11/2009, its company name must include the words "Sociedad Cotizada de Inversión en el Mercado Inmobiliario, Sociedad Anónima" or the abbreviation thereof, "SOCIMI, S.A." (REIT).

- REITs are required to distribute in the form of dividends to shareholders, once the related corporate obligations have been met, the profit obtained in the year, the distribution of which must be approved within six months of each year-end, as follows:

  - At least 90% of profit not arising from the aforementioned transfers of property, shares or investments and of profit from ancillary activities.

  - At least 50% of the profits arising from the transfer of property, shares or investments, performed once the deadlines referred to in Article 3.3 of Law 11/2009 have expired, which are used to achieve the company's principal object. The remainder of these profits should be reinvested in other buildings or investments related to the performance of this object within three years from the transfer date. Otherwise these profits should be distributed in full together with any profit arising in the year in which the reinvestment period expires.

  - All of the profit arising from dividends or shares of profits distributed by the aforementioned entities. The dividend must be paid within one month from the dividend declaration date. The payment obligation does not extend to the portion of profit arising from income subject to the standard tax rate.

- When dividends are distributed with a charge to reserves out of profit for a year in which the special tax regime had been applied, the distribution must be approved subject to the conditions set out in the preceding paragraph. These dividends will be subject to a 19% withholding tax for shareholders.

- The legal reserve of companies which have chosen to avail themselves of the special tax regime established in Law 11/2009 must not exceed 20% of the share capital. The bylaws of these companies may not establish any other restricted reserve.

- Borrowings may not exceed 70% of the company's assets.

Law 11/2009 also requires certain disclosures to be made in the financial statements for each year.

***f) Revenue and expense recognition***

Revenue and expenses are recognised on an accrual basis.

Specifically, revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Rental income is recognised on an accrual basis and incentives and the initial lease costs are allocated to income on a straight-line basis.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's carrying amount.

***g) Borrowing costs***

Borrowing costs are charged to income in the period in which they are incurred.

***h) Profit from operations***

Profit from operations is presented before finance investment income and finance costs.

***i) Termination and post-employment benefits***

Under current employment legislation, the Company is required to pay termination benefits to employees terminated under certain conditions. The accompanying interim financial statements do not include any provision in this connection, since the Company's directors do not expect any situations of this nature to arise.

The Company currently has no retirement or post-employment benefit plans.

***j) Interim statements of cash flows***

The following terms are used in the interim statements of cash flows with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents,
- Operating activities: the principal revenue-producing activities of the Company and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the Company's equity and borrowings.

For the purposes of preparing the statement of cash flows, "Cash and Cash Equivalents" were considered to be cash, demand deposits and highly liquid short-term investments that can be easily realised in cash and are not subject to significant changes in value.

***k) Current/Non-current classification***

Current assets are assets associated with the normal operating cycle, which in general is considered to be one year; other assets which are expected to mature, be disposed of or be realised within twelve months from the end of the reporting period and cash and cash equivalents. Assets that do not meet these requirements are classified as non-current assets.

Similarly, current liabilities are liabilities associated with the normal operating cycle and, in general, all obligations that will mature or be extinguished at short term. All other liabilities are classified as non-current liabilities.

*l) Environmental assets and liabilities*

Environmental assets are deemed to be assets used on a lasting basis in the Company's operations whose main purpose is to minimise environmental impact and protect and improve the environment, including the reduction or elimination of future pollution.

Because of their nature, the Company's business activities do not have a significant environmental impact.

*m) Grants, donations or gifts and legacies received*

Grants related to assets are measured at the fair value of the amount or the asset received, based on whether or not they are monetary grants, and they are taken to income in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss, except for grants received from shareholders or owners, which are recognised directly in equity and do not give rise to the recognition of any income.

*n) Related party transactions*

The Company performs all its transactions with related parties on an arm's-length basis. Also, the transfer prices are adequately supported and, therefore, the Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

The main companies related to the Company are Promociones y Construcciones, PYC, PRYCONSA, S.A. as shareholder of the Company, with 18% of the shares, and Isla Canela, S.A. in which the former has an 18% shareholding.

## 5. Dividends paid by the Company

*a) Dividends paid by the Company*

In accordance with the distribution of profit for 2010 approved by the shareholders at the Annual General Meeting held on 30 June 2011, a dividend of EUR 3,121,887 was paid in the first nine months of 2011 (first nine months of 2010: EUR 3,382,919).

*b) Basic earnings per share*

Basic earnings per share are calculated by dividing the net profit (after tax) by the weighted average number of shares outstanding during the period.

Accordingly:

| | Euros | |
|---|---|---|
| | **30/09/11** | **30/09/10** |
| Net profit for the period | 3,494,007 | 4,009,485 |
| Weighted average number of shares outstanding (number of shares) | 1,000,000 | 1,000,000 |
| **Basic earnings per share (euros)** | **3.49** | **4.01** |

Diluted earnings per share are calculated in a similar way to basic earnings per share, but the weighted average number of shares outstanding is adjusted to take into account the potential dilutive effect of share options, warrants and convertible debt outstanding at the end of the period.

At 30 September 2011 and 2010, the Company's diluted earnings per share were equal to its basic earnings per share.

## 6. Segment reporting

### a) Basis of segmentation

Segment reporting is structured on a primary basis by business segment and on a secondary basis by geographical segment.

***Business segments***

In the nine-month periods ended 30 September 2011 and 2010, the Company engaged mainly in the following major lines of business, which constitute the basis upon which it presents the information on its business segments:

- Rental property: obtainment of rental income from property included under "Investment Property" in the accompanying interim balance sheet.
- Hotel management: operation of Hotel RIU Atlántico during the periods mentioned in Note 7.

***Geographical segments***

99.2% of the Company's rental property business activities are located in Isla Canela (Huelva) and 0.8% in Madrid.

### b) Basis and methodology for segment reporting

The segment reporting below is based on reports prepared by Company management which are generated through a computer application used to obtain all of the Company's accounting data.

The Company does not allocate its assets and liabilities to its various business segments in the financial information which is regularly evaluated by Company management, since this information is not used internally to make decisions on the funds to be allocated to each segment. As a result, this information is not disclosed in the interim financial statements for the nine-month period ended 30 September 2011.

| | Euros | | | | | |
|---|---|---|---|---|---|---|
| | Rental Property | | Hotel Management | | Total | |
| | 30/09/11 | 30/09/10 | 30/09/11 | 30/09/10 | 30/09/11 | 30/09/10 |
| Revenue | 6,816,153 | 5,042,122 | 2,240,718 | 5,768,295 | 9,056,871 | 10,810,417 |
| Operating expenses | (889.012) | (742.655) | (2.102.717) | (3.510.169) | (2,991,729) | (4,252,824) |
| **Segment result** | **5.927.141** | **4.299.467** | **138.001** | **2.258.126** | **6,065,142** | **6,557,593** |
| Depreciation and amortisation charge | - | - | - | - | (2,397,513) | (2,357,863) |
| Allocation of grants to profit or loss | - | - | - | - | 128,813 | 128,913 |
| Impairment of investment property | - | - | - | - | (103,521) | - |
| Financial profit | - | - | - | - | 319,978 | 276,402 |
| **Profit before tax** | | | | | **4,012,999** | **4,605,045** |

The following table shows the geographical breakdown of revenue:

| | Euros | |
|---|---|---|
| | Revenue | |
| | 30/09/11 | 30/09/10 |
| Autonomous Community of Madrid | 73,359 | 79,824 |
| Isla Canela (Huelva) | 8,983,512 | 10,730,593 |
| **Total** | **9,056,871** | **10,810,417** |

## 7. Investment property

The changes in "Investment Property" in the balance sheets, in the first nine months of 2011 and in 2010, were as follows:

**2011:**

| | Euros | | |
|---|---|---|---|
| | Balance at 31/12/10 | Additions | Balance al 30/09/11 |
| **Cost:** | | | |
| Properties for lease | 107,128,602 | 7,117 | 107,135,719 |
| **Total cost** | **107,128,602** | **7,117** | **107,135,719** |
| **Accumulated depreciation:** | | | |
| Properties for lease | (6,226,663) | (2,397,513) | (8,624,176) |
| **Total accumulated depreciation** | **(6,226,663)** | **(2,397,513)** | **(8,624,176)** |
| **Impairment losses:** | | | |
| Properties for lease | (802,628) | (103,521) | (906,149) |
| **Total Impairment losses** | **(802,628)** | - | **(906,149)** |
| **Investment property, net** | **100,099,311** | | **97,605,394** |

**2010:**

| | Euros | | |
|---|---|---|---|
| | Balance at 31/12/09 | Additions | Balance at 31/12/10 |
| **Cost:** | | | |
| Properties for lease | 103,840,000 | 3,288,602 | 107,128,602 |
| **Total cost** | **103,840,000** | **3,288,602** | **107,128,602** |
| **Accumulated depreciation:** | | | |
| Properties for lease | (3,133,600) | (3,093,063) | (6,226,663) |
| **Total accumulated depreciation** | **(3,133,600)** | **(3,093,063)** | **(6,226,663)** |
| **Impairment losses:** | | | |
| Properties for lease | - | (802,628) | (802,628) |
| **Total Impairment losses** | - | **(802,628)** | **(802,628)** |
| **Investment property, net** | **100,706,400** | **(607,089)** | **100,099,311** |

At 30 September 2011 and 31 December 2010, the cost of the land under "Investment Property" amounted to EUR 49,200,000.

"Investment Property" includes the carrying amount of the properties that are ready for their intended use and are leased through one or more operating leases and of vacant properties earmarked for lease through one or more operating leases.

The fair value of the investment properties at 30 September 2011, according to the appraisal made by an independent valuer, amounts to EUR 104,281,000.

The detail of the usable square metres of the aforementioned investment properties is as follows:

| | Square Metres |
|---|---|
| Hotel Barceló Isla Canela | 20,494 |
| Hotel Riu Atlantico | 30,311 |
| Hoteles Playa | 20,050 |
| Iberostar Isla Canela | 27,500 |
| Vincci Selección Isla Canela Golf | 4,378 |
| Marina Isla Canela shopping centre | 6,119 |
| Office building located at Gran Vía 1, Madrid | 430 |
| **Total square metres** | **109,282** |

The aforementioned five hotels are mortgaged for EUR 51,411,409, relating to five bank loans granted to Isla Canela, S. A., which is the single debtor of the principal obligations thereof. In addition, Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A. was incorporated as the non-debtor owner of the aforementioned registered properties. The foregoing balance relates to the outstanding balance at 30 September 2011 of the aforementioned five long-term mortgage loans relating to each property.

On 1 January 2010, Isla Canela, S.A. and Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A. entered into a "Mortgage Service Agreement" whereby the latter will provide the mortgage service to the former. In this respect, the hotels owned by the latter will be liable for the repayment by the former of the mortgage loans arranged with banks, in accordance with the covenants entered into in the mortgage deeds, until each loan has been definitively repaid. Isla Canela S.A. is obliged to make all the timely repayments and settle any ancillary costs that might arise until the mortgage loans have been definitively repaid. In relation to the provision of the service described, the company will pay Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A. a fee of an annual lump sum equal to 0.25% of the annual average outstanding balance of the mortgage loans, calculated at 31 December of each year, which will be billed and paid on the last day of each calendar year. This amount may be modified annually by agreement between the parties in order to adapt it to the average market price to be paid by the company for the provision of bank guarantees (bank guarantees and insurance) by financial institutions.

The investment property described above is located mainly in Isla Canela (Huelva).

The Company has taken out insurance policies that cover the possible risks to which all its investment property is subject.

In the nine-month period ended 30 September 2011 and 2010, the rental property income from leased investment property owned by the Company amounted to EUR 6,816,153 and 5,042,122 respectively. (see Note 15-a).

In this respect, on 1 June 2011 the professional management and administration agreement relating to the Riu Atlántico hotel complex was transformed into a property lease agreement for hotel use expiring on 31 March 2013 and renewable by mutual agreement of the parties. The lessor will receive a fixed/variable income and a variable income based on the gross profit earned by the hotel in each calendar year.

At 30 September 2011, there were no restrictions in place for making new property investments, for collecting the income deriving therefrom or in relation to the funds obtained from their potential disposal.

At 30 September 2011, the Company had no items of fully depreciated investment property that were still in use, except for the building earmarked for office use in Madrid, amounting to EUR 1,940,000.

There were no investment property purchase commitments or investment properties located abroad at 30 September 2011.

## 8. Operating leases

At 30 September 2011, the Company had contracted with tenants for the following minimum lease payments, based on the leases currently in force, without taking into account the charging of common expenses, future increases in the CPI or future contractual lease payment revisions. The most significant operating leases relate to the lease of properties, which constitutes the base of the Company's activities, the detail of the related minimum lease payments being as follows (in euros):

| Minimum Operating Lease Payments | Nominal Value 30/09/11 |
|---|---|
| Within one year | 5,347,381 |
| Between one and five years | 8,012,990 |
| After five years | 6,318,000 |
| **Total** | **19,678,371** |

(*) Excluding variable hotel rentals, possible lease renewals and annual CPI revisions.

The main leases in force at 30 September 2011 are as follows:

a) Lease of Hotel Playa Canela: The lease commenced on 15 July 2002 and expires on 31 October 2012, and is renewable at the discretion of the parties. The lease agreement provides for annual CPI-linked increases.

b) Lease of Hotel Barceló Isla Canela: The lease commenced on 1 March 2006 and expires on 31 December 2018, and is renewable at the discretion of the parties. In relation to future rental income, the agreement provides for annual CPI-linked increases.

c) Lease of Hotel Riu Atlántico: The lease commenced on 1 June 2007. Between 1 April 2010 and 31 May 2011, Hotel Riu Atlántico was operated under a management agreement that was converted back to a property lease for hotel use on 1 June 2011, due to expire on 31 March 2013, renewable at the discretion of the parties.

d) Lease of Hotel Iberostar Isla Canela: The lease commenced on 1 December 2007 and expires on 31 October 2012, and is renewable at the discretion of the parties. The lease agreement provides for annual CPI-linked increases.

e) Lease of Hotel Vincci Canela Golf: The lease commenced on 15 May 2004 and expires on 1 December 2014, and is renewable at the discretion of the parties. In relation to future rental income, the agreement provides for annual CPI-linked increases.

There was no contingent rent at 30 September 2011.

## 9. Financial assets and Investments in related parties

The detail of "Financial Assets" and "Investments in Related Parties" at 30 September 2011 and 31 December 2010 is as follows (in euros):

| | Euros | |
|---|---|---|
| | 30/09/11 | 31/12/10 |
| **Financial Assets: Type/Category** | **Loans and Receivables** | **Loans and Receivables** |
| Loans to related companies | 13,526,524 | 12,023,277 |
| Other financial assets | 300 | 15,330 |
| **Long-term/Non-current** | **13,526,824** | **12,038,607** |
| Other financial assets | 1,320 | 1,320 |
| **Short-term/Current** | **1,320** | **1,320** |
| **Total** | **13,528,144** | **12,139,927** |

The Company generated a surplus of cash from ordinary trading operations. In this respect, the Company has arranged on an arm's-length basis various financing agreements with related parties (see Note 16).

The changes in "Loans to Related Companies" in the first nine months of 2011 relate to the increase in loans granted to related parties.

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

*Qualitative information*

The Company's financial risk management is centralised in the Group's Financial Department, which applies the policies of the Pyconsa Group and has established the mechanisms required to control exposure to exchange rate fluctuations and credit and liquidity risk. The main financial risks affecting the Company are as follows:

**a) Credit risk**

The Company's credit risk is mainly due to the loan to the related companies Isla Canela, S.A. and Promociones y Construcciones PYC Pryconsa, S.A. The Company's financing needs are covered in the short term thanks to its capacity to generate cash through ordinary trading operations arising mainly from, inter alia, its property development business, the management of a golf course and a marina. Additionally, the leases are arranged with entities of acknowledged solvency and are billed on a monthly or quarterly basis.

**b) Liquidity risk**

Liquidity risk is due to the timing mismatches between the funds required to cater for commitments relating to working capital requirements and the funds arising from cash generated in the course of the Company's ordinary operations.

Short-term financing needs are sufficiently covered thanks to the Company's capacity to generate cash through ordinary trading operations (projected rental income) and, accordingly, the Company's directors do not expect any liquidity risks to arise that have not already been taken into account in the cash projections.

**c) Foreign currency risk**

At 30 September 2011 and 31 December 2010, the Company did not have any foreign currency assets or liabilities involving significant amounts and, accordingly, there is no foreign currency risk.

**d) Interest rate risk**

In relation to interest rate risk, at 30 September 2011 and 31 December 2010, the Company did not have any borrowings but rather had lent its cash surplus to related companies in accordance with the financing conditions agreed upon therewith from time to time (three-month Euribor plus a spread of 1.25%). In view of the nonexistence of bank borrowings and the existence of receivables from related companies, the Company's directors consider that there is no interest rate risk. In this scenario, the Company does not arrange interest rate hedges.

**e) Real estate business risks**

Changes in the economic situation, both globally and locally, growth in occupation and employment rates, interest rates, inflation, tax legislation and consumer confidence all have a considerable impact on real estate markets. Any unfavourable change in these or in other economic, demographic or social trends in Europe, and in Spain in particular, could translate into a slowdown in the real estate market in these countries. The cyclical nature of the economy in general has been statistically prove, as has that of micro and macroeconomic aspects that directly or indirectly affect the behaviour of the real estate business, in particular the leases that form the basis of the Company's investment activity.

## 11. Equity and shareholders' equity

### *a) Registered share capital*

At 30 September 2011, the Company's share capital amounted to EUR 106,600,000 and was represented by 1,000,000 fully subscribed and paid shares of EUR 106.60 par value each, all of the same class and carrying the same rights and obligations.

On 1 March 2011, the shareholders at the Extraordinary General Meeting resolved to increase the Company's share capital by EUR 1,520,000, which was paid through monetary contributions by increasing the par value of each share, EUR 103.84, to EUR 105.36.

Additionally, on 30 June 2011, the shareholders at the Annual General Meeting approved another capital increase of EUR 1,240,000, which was paid through monetary contributions by increasing the par value of all of the shares, EUR 105.36, to EUR 106.60 per share.

All the Company's shareholders fully subscribed and paid both of the share capital increases in the proportion that corresponds to each of them.

The detail of the Company's shareholder structure at 30 September 2011 is as follows:

| Shareholders | Number of Shares | Percentage of Ownership |
|---|---|---|
| Barmar Siete, S.L. | 50,032 | 5.00% |
| Andrea Barrigón González | 678,416 | 67.84% |
| Promociones y Construcciones, PYC, PRYCONSA, S.A. | 180,000 | 18.00% |
| COGEIN, S.L. | 91,552 | 9.16% |
| **Total** | **1,000,000** | **100.00%** |

At 30 September 2011, the Company's shares are not listed on any stock exchange. Notwithstanding the foregoing, pursuant to Article 4 of Real Estate Investment Trusts Law 11/2009, of 26 October, the shares of this type of company must be admitted to trading on a regulated market in Spain or in any other Member State of the European Union or European Economic Area continuously throughout the entire tax period. REITs are granted two years to fulfil this requirement. In this respect, the Company's directors have already commenced the incorporation and admission to trading process of a company domiciled in Luxembourg in order to comply with the aforementioned legal requirement.

### *b) Legal reserve*

Under the Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. It can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

### *c) Distribution of profit*

As indicated in Note 1, REITs file tax returns under the special tax regime provided for in Real Estate Investment Trusts Law 11/2009, of 26 October. After fulfilling the related corporate obligations, REITs are required to distribute a percentage of the profit for the year to shareholders in the form of dividends within six months of each year-end (see Note 1).

### *d) Management of capital*

The company is financed primarily with equity. Only in the case of new investments, the Company may turn to credit markets, by entering into home equity loans to finance the acquisition thereof.

As noted above, all shares of the Company have the same rights and obligations. In this sense, all shareholders participate equally in dividends according to their participation rates in the capital of the Company.

The Company is committed to distribute at least 90% of its profits as dividends to its shareholders with the existing legal obligation by application of Law 11/2009.

## 12. Grants related to assets

The changes in "Grants Related to Assets" in the first nine months of 2011 and in 2010 were as follows:

| | Euros | |
|---|---|---|
| | **30/09/11** | **31/12/10** |
| Beginning balance | **1,989,888** | **2,161,770** |
| Amounts used | (128,913) | (171,882) |
| **Ending balance** | **1,860,975** | **1,989,888** |

The grants awarded to the Company in prior years relate to grants received from the Directorate General of Regional Economic Incentives for an initial amount of EUR 3,146 thousand to develop the area. The collection of grants included the following:

- Grant from the Directorate General of Regional Economic Incentives, amounting to EUR 1,550 thousand and corresponding to 10% of the investment made in a hotel in Ayamonte (Huelva).
- Grant from the Directorate General of Regional Economic Incentives, amounting to EUR 1,106 thousand and corresponding to 10% of the investment made in a hotel in Ayamonte (Huelva).
- Grant from the Directorate General of Regional Economic Incentives, amounting to EUR 490 thousand and corresponding to 14% of the investment made in a hotel in Ayamonte (Huelva).

All the aforementioned grants were transferred to the Company from Isla Canela, S.A. under the partial spin-off agreement described in Note 1, since they had been attached to the transferred business activity.

In this respect, in the first nine months of 2011 and 2010, EUR 128,913 was recognised as income under "Allocation to Profit or Loss of Grants Related to Non-Financial Non-Current Assets and Other Grants" in the income statement.

## 13. Guarantee commitments to third parties

At 30 September 2011 and 31 December 2010, the Company had not provided any guarantees to third parties.

Additionally, as indicated in Note 7, the five hotels owned by the Company are mortgaged for a total of EUR 51,411,409, relating to five bank loans granted to Isla Canela, S.A., which is the sole debtor for the principal obligations relating thereto. This amount relates to the outstanding balance at 30 September 2011 of the aforementioned five long-term mortgage loans corresponding to each hotel. In this regard, as indicated in Note 7, the Company entered into a mortgage guarantee agreement with Isla Canela, S.A. whereby the Company became liable for the repayment by Isla Canela, S.A. of the mortgage loans on the hotels owned by the Company until the loans have been definitively repaid. The Company charged a fee equal to 0.25% of the average annual outstanding balance of the guaranteed mortgage loans.

## 14. Tax matters

### *a) Years open for review by the tax authorities*

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At 30

September 2011, the Company has all years since inception open for review for all taxes applicable to it. The Company's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the interim financial statements.

***b) Tax receivables and payables***

The detail of the main tax receivables and payables is as follows:

| | Euros | |
|---|---|---|
| | Current | |
| | 30/09/11 | 31/12/10 |
| Income tax payable | 409,106 | 374,873 |
| VAT payable | 477,573 | 18,730 |
| Personal income tax withholdings payable | 1,600 | 36,606 |
| Accrued social security taxes payable | - | 46,986 |
| Other tax payable | 57,361 | 12,617 |
| | **945,640** | **489,812** |

***c) Reconciliation of the accounting profit to the taxable profit***

The reconciliation of the accounting profit to the taxable profit for income tax purposes for the nine-month periods ended 30 September 2011 and 2010 is as follows (in euros):

| | 30/09/11 | 30/09/10 |
|---|---|---|
| **Accounting profit before tax** | **4,012,999** | **4,605,045** |
| **Taxable profit** | **4,012,999** | **4,605,045** |
| Taxable profit (dividend, net) | 2,731,537 | 3,134,526 |
| Tax charge (19%) | 518,992 | 595,560 |
| **Tax withholdings and prepayments** | **(109,886)** | **(864)** |
| **Tax payable** | **409,106** | **594,696** |

Pursuant to Article 9.2 of Real Estate Investment Trusts Law 11/2009, of 26 October, tax self-assessments are performed on the basis of the proportion of taxable profit for the tax period that corresponds to dividends distributed out of profit for the period.

The tax payable calculated at 30 September 2011 and 2010 relate to a projection made by the directors on the basis of profit before tax, consistent in estimating that 90% of distributable profit is intended to dividends.

At 30 September 2011, there were no tax loss or tax credit carryforwards.

***d) Reconciliation of the accounting profit to the income tax expense***

The reconciliation of the accounting profit to the income tax expense for the nine-month periods ended 30 September 2011 and 2010 is as follows (in euros):

| | 30/09/11 | 30/09/10 |
|---|---|---|
| Profit for the period before tax | 4,012,999 | 4,605,045 |
| Taxable profit | 2,731,537 | 3,134,526 |
| Tax charge (19%) | 518,992 | 595,560 |
| **Income tax expense recognised in profit or loss** | **518,992** | **595,560** |

*e) Deferred tax liabilities*

On the basis of the valuation of the various properties recognised under "Investment Property" in the accompanying balance sheet, at the date of the transaction described in Note 1, certain gains arose in relation to the tax base of such properties per the accounting records of the Company's shareholders, which had yet to be taxed. These property contribution transactions qualified for taxation under the special tax regime for mergers, spin-offs, asset contributions and exchanges of securities regulated in Title VII, Chapter VIII of Legislative Royal Decree 4/2004, of 5 March, approving the Consolidated Spanish Corporation Tax Law.

Pursuant to the applicable accounting standards, the Company did not recognise a deferred tax asset in relation to the future taxation of the aforementioned gains since it considers that this initial recognition of an asset or liability is part of a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

## 15. Income and expenses

*a) Revenue*

The detail of "Revenue" at 30 September 2011 and 2010 is as follows (in euros):

| | Euros | |
|---|---|---|
| | **30/09/11** | **30/09/10** |
| Barcelo Isla Canela | 1,573,650 | 1,515,533 |
| Riu Atlantico | 2,235,191 | 543,375 |
| Iberostar Isla Canela | 1,504,345 | 1,469,469 |
| Playa Canela | 888,800 | 954,450 |
| Vincci Selección Isla Canela Golf | 305,003 | 282,972 |
| Other rentals | 309,164 | 276,323 |
| **Rental revenue subtotal** | **6,816,153** | **5,042,122** |
| **Riu operation** | **2,240,718** | **5,768,295** |
| **Total revenue** | **9,056,871** | **10,810,417** |

*b) Staff costs*

The detail of "Staff Costs" at 30 September 2011 and 2010 is as follows (in euros):

| | Euros | |
|---|---|---|
| | **30/09/11** | **30/09/10** |
| Wages, salaries and similar expenses | 936,229 | 1,279,781 |
| Termination benefits | 4,363 | 595 |
| Employer social security costs | 287,982 | 395,870 |
| Other employee benefit costs | 4,868 | 6,062 |
| **Total** | **1,233,442** | **1,682,308** |

***c) Outside services and Taxes other than income tax***

The detail "Outside Services" and "Taxes Other than Income Tax" at 30 September 2011 and 2010 is as follows (in euros):

| | Euros | |
|---|---|---|
| | **30/09/11** | **30/09/10** |
| Rent and royalties | 80,602 | 452,396 |
| Repairs and upkeep | 78,476 | 94,080 |
| Independent professional services | 65,858 | 12,881 |
| Insurance premiums | 53,183 | 69,394 |
| Banking and similar services | 4,854 | - |
| Advertising, publicity and public relations | 73,120 | 199,915 |
| Utilities | 128,473 | 144,174 |
| Other services | 11,149 | 193,034 |
| Taxes other than income tax | 446,207 | 454,483 |
| **Total** | **941,922** | **1,620,357** |

## 16. Related party transactions and balances

***a) Related party transactions and balances***

The detail of the balances with related parties at 30 September 2011 and 31 December 2010 is as follows (in euros):

| | 30/09/11 | | 31/12/10 | |
|---|---|---|---|---|
| | **Loans to Related Companies** | **Payable to Related Companies** | **Loans to Related Companies** | **Payable to Related Companies** |
| Isla Canela, S.A. | 7,511,789 | - | 7,555,822 | - |
| Pryconsa, S.A. | 6,014,735 | (969) | 4,467,455 | (270,863) |
| Other shareholders | - | - | - | (1,234,899) |
| | **13,526,524** | **(969)** | **12,023,277** | **(1,505,762)** |

The Company's "related parties" are deemed to be shareholders and their investees, jointly-controlled companies and Company management's "key personnel" (directors and managers, and their close relatives) and the entities over which key management personnel may exercise control or significant influence.

On 1 March 2011, the Company repaid in advance EUR 1,505,762 of the loans granted to it by its shareholders under the financing agreement entered into by the parties on 29 July 2010, maturing at twelve months. On the same date as the repayment of the loan, the Company paid the interest (net of tax) accrued up until then, calculated in accordance with the terms of the aforementioned financing agreement. The interest paid (net of tax) amounted to EUR 20,915.

The transactions performed by the Company with related parties in the nine-month periods ended 30 September 2011 and 2010 were as follows:

| | 30/09/11 | | 30/09/10 | |
|---|---|---|---|---|
| | Finance Costs | Finance Income | Finance Costs | Finance Income |
| Isla Canela, S.A. | - | 101,995 | - | 148,401 |
| Pryconsa, S.A. | 3,765 | 243,659 | 1,752 | 137,736 |
| Other shareholders | 17,150 | - | 7,983 | - |
| **Total** | **20,915** | **345,654** | **9,735** | **286,137** |

In the first nine months of 2011, the Company accrued finance income in connection with the loans to Isla Canela, S.A. and Pryconsa, S.A. and income related to the mortgage guarantees provided by the Company to Isla Canela, S.A. (see Note 7) for a total amount of EUR 345,654 (EUR 286,137 in the first nine months of 2010).

The terms and conditions of the transactions with related parties are equivalent to those that prevail in transactions performed on an arm's-length basis.

***b) Remuneration of directors and senior executives***

In the nine-month periods ended 30 September 2011 and 2010, the Company did not recognise or accrue any amount in relation to remuneration or other benefits earned by the Board of Directors and did not have any pension or life insurance premium payment obligations to former or current directors. Additionally, there were no termination benefits or equity instrument-based payments.

The Company is managed directly by the Group to which it belongs and there were no senior executives in the first nine months of 2011 or 2010.

No advances or loans were granted to senior executives or Board members.

## 17. Other disclosures

***a) Employees***

The average number of employees at the Company in the nine-month periods ended 30 September 2011 and 2010, by category, was as follows:

| Professional Category | 30/09/11 | 30/09/10 |
|---|---|---|
| Management | 2 | 2 |
| Other line personnel and middle management | 13 | 7 |
| Clerical staff | 1 | 1 |
| Manual workers | 122 | 80 |
| **Total** | **138** | **90** |

***b) Fees paid to auditors***

In the first nine months of 2011, the fees for financial audit and other services provided by the Company's auditor, Deloitte, S.L., or by a firm related to the auditor as a result of a relationship of control, common ownership or management amounted to EUR 19,000.

## 18. Events after the reporting period

On 4 October 2011, Vincci Hoteles, S.A. unilaterally terminated early the property lease for hotel use on Hotel Vincci Selección Canela Golf, calling for the discharge of the bank guarantee provided to the Company and the payment of EUR 1,357 thousand as indemnity.

The Company's directors and their legal advisers do not consider there to have been any breach of the lease agreement and, accordingly, declare that the termination of the lease is groundless and, consequently, not effective. In this sense, in their opinion the lease is still in force, as well as all the obligations and rights related thereto, including the obligation to use the hotel for its intended purpose for the entire term of the lease and the obligation to pay the rent established under the terms and conditions of the lease.

The Company's directors do not expect any significant liabilities to arise from this possible litigation.

## 19. Explanation added for translation to English

These interim financial statements are presented on the basis of IFRSs as adopted by the European Union. Certain accounting practices applied by the Company that conform with IFRSs may not conform with other generally accepted accounting principles.

## Signatures of the directors

These interim financial statements for the nine-month period ended 30 September 2011 were authorised for issue by the Board of Directors at its meeting held on 31 October 2011.

Madrid, 31 October 2011

José Luis Colomer Hernández
(Chairman)

Marco Colomer Barrigón
(Director)

Andrea Barrigón Gonzalez
(Director)

José Luis Colomer Barrigón
(Director)

José Juan Cano Resina
(Non-director Secretary)