SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.

SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A. and Subsidiaries

Consolidated Management Report corresponding to the nine months ending 30 September 2015

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Consolidated Management Report
30 September 2015

SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A. AND SUBSIDIARIES

Consolidated management report for the nine-month period ending 30 September 2015

1. Explanation of the consolidated figures

A breakdown of the main consolidated figures at 30 September 2015 compared to 31 December 2014 (balance) and 30 September 2015 (profit and loss account) is provided below:

Balance Sheet	Euro		
	30/09/2015	31/12/2014	+ / -
• Real estate investments (gross)	306,354,291	271,661,342	34,692,949
• Cumulative depreciation	-26,159,787	-26,237,590	77,803
• Cumulative impairment	-19,248,039	-25,463,006	6,214,967
Net real estate investments	260,946,464	219,960,746	40,985,719
Financial investments in associated companies	59,713,106	57,579,278	2,133,828
Equity	283,248,257	270,410,768	12,837,489
Net financial debt	36,006,308	5,496,726	30,509,582

Income statement	Euro		
	30/09/2015	30/09/2014	+ / -
Income	13,703,670	10,461,628	3,242,042
Net margin	12,177,391	8,651,885	3,525,506
% of revenue	**88.86%**	**82.70%**	**6,16%**
EBITDA	**12,107,294**	**8,584,632**	**3,522,663**
% of revenue	**88.35%**	**82.06%**	**6.29%**
Depreciation and amortisation (net)	-3,752,651	-3,351,848	-400,802
Impairment/reversal	4,156,898	-4,261,463	8,418,361
Allocation of subsidies	81,537	93,143	-11,606
Financial profit (loss)	248,847	1,640,911	-1,392,064
EBT	**12,841,926**	**2,705,375**	**10,136,551**
% of revenue	**93.71%**	**25.86%**	**67.85%**
Corporation tax	-	-	-
Net profit (loss)	**12,841,926**	**2,705,375**	**10,136,551**
% of revenue	**93.71%**	**25.86%**	**67.85%**

EPRA Indicators

EPRA	Euro			
	30/09/2015	Per share	31/12/2014	Per share
Earning	8,865,414	1.99	10,466,895	2.35
NAV	374,033,049	84.01	326,021,086	73.23
NNNAV	335,921,072	75.45	319,904,018	71.85
Cost ratio	9.84%		13.62%	
Vacancy rate	3.98%		6.12%	
Net Initial Yield	6.34%		5.69%	

Real estate investments (gross): At 30 September 2015, the Group's gross real estate investment came to EUR 306,354,291 (EUR 271,661,342 in 2014). This represents a year-on-year increase amounting to EUR 34,692,949 largely attributable to:

- **Investments in 2015:**
  - Remodelling carried out in hotels to the amount of EUR 636,273: Hotel Playa Canela (EUR 480,928), Hotel Meliá Atlántico (EUR 31,598), Hotel Isla Canela Golf (EUR 42,355) and Hotel Barceló (EUR 81,392).

- On 27 February 2015, COMPAÑÍA IBÉRICA DE BIENES RAÍCES , SOCIMI, S.A.U acquired a logistics warehouse in Daganzo de Arriba, Madrid, with 13,810 m2 built on a 27,165 m2 lot with the possibility of building 5,200 m2, for EUR 13,600,000 paid in cash. The warehouse is currently leased to TELEPIZZA, S.A. by virtue of a mandatory long-term lease contract, which expires in May 2027, being extendable. The total cost of the operation including the costs of acquisition of it came to EUR 13,722,813.

- On 27 March 2015, the Parent Company acquired 100% of the shares in INVERETIRO, SOCIMI, S.A.U., for EUR 52 million. This transaction represents the addition of the following assets valued at these gross prices to the Company consolidated real estate assets: an office building, address Calle Titán 13, Madrid, consisting of 6,630.77 m2 above ground + 7,936.94 m2 below ground (currently rented to "Compañía Logística de Hidrocarburos, S.A. (CLH)") the book cost of which comes to EUR 26,240,597 and (ii) several retail outlets with an area of 2,667,80 m2 above ground + 55.59 m2 of parking spaces, at Conde de Peñalver 16, Madrid (currently rented to "ZARA España, S.A."). The book cost of which comes to EUR 18,782,719. This operation has generated a commercial fund attributable to its assets to the amount of EUR 7,238,407 which has been registered as a higher cost for consolidation purposes and will be based on the estimated useful life of the buildings.

- On 5 May 2015, the Parent Company paid EUR 500,000 as a down payment for the purchase of a retail outlet on the Gran Vía in Madrid. The total price of the purchase will be EUR 13 million and it will be effective within one year and six months, as long as the property is delivered under the conditions agreed.

- **Disposals made in 2015:**

  - A loft has been sold in Sanchinarro VII at a loss of EUR 31,301.

  - As at 14 July 2015, COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U. sold a real estate property located at Atocha Street , 83-83 duplicated and Moratín Street 10 and 12 of Madrid for hotel use rented to MELIÁ HOTELS INTERNACIONAL, S.A. The sale price has amounted up to EUR 27,750,000 implying a positive net of taxes and expenses result for the amount of EUR 4,222,879.

Cumulative depreciation: At 30 September 2015, the cumulative depreciation balance amounted to a EUR 26,159,787 (EUR 26,237,590 in 2014). The movements in the year were due to real estate investment depreciation costs in 2015 which amounted to EUR 3,752,824 (EUR 4,469,704 in 2014) and to the effect of real estate investment disposals (EUR 4,105,170).

Cumulative impairment: In 2015, the amount of cumulative impairments on real estate investments has been reduced by EUR 6,214,967 as result of the sale of the real estate property mentioned before. The Group has its real estate assets valued by independent experts at the end of every year. At 30 September 2015 no significant facts have occurred in the conditions of lease contracts in effect which make it necessary to change their value, which is therefore EUR 19,248,039, after the reduction due to the aforementioned sale operation.

Net real estate investments: As a result of the foregoing, at 30 September 2015, the Group's net real estate investment comes to EUR 260,946,464 (EUR 219,960,746 in 2014), an increase of EUR 40,985,719 with respect to the balance at the year-end 2014.

Investments in associated companies: The Group generates liquidity as a result of its real estate leasing activity. The surplus funds are loaned out to associate companies under market conditions. The net balance of loans to associated companies at 30 September 2015 came to EUR 59,713,106 (EUR 57,579,278 in 2014).

The breakdown is as follows:

Debtor/Creditor	Euro	Item
Promociones y Construcciones, PYC, PRYCONSA, S.A.	59,702,339	Financing associates' working capital
Isla Canela, S.A.	15,346	Financing associates' working capital
Cogein, S.L.	-4,579	Financing associates' working capital
Total	**59,713,106**	

Net financial debt: The Group had a net financial debt with credit institutions at 30 September 2015 amounting to EUR 36,006,308 (EUR 5,496,726 in 2014), a year-on-year increase of EUR 30,509,582. The Group's debt corresponds to 4 mortgages with banks (two with Caixa Bank and two with Santander). The purpose of this finance is to finance the investment in real estate assets for retail use in Castellón that were required in 2011, and a retail outlet and an office in Madrid acquired by one of the subsidiaries and financed on 17 April 2015. At 30 September 2015, the total amount pending amortisation stood at EUR 30,315,360. Furthermore, the Group has credit line policies contracted with Banca March and Bankinter for a combined amount of EUR 5,936,828.

Cash Flow: Taking into account the financing from the group related companies (EUR 59,713,106) and the net financial debt (EUR 36,006,308), the net treasury balance of the group amounts to EUR 23,706,798 (EUR 52,082,552 in 2014). The negative difference between periods amounts to EUR 28,375,754 which is mainly due to: (i) payments regarding real estate investments totalling EUR 66,859,086; (ii) receipts from real estate disposals totalling EUR 27,945,000; (iii) receipts from rents amounting up to EUR 11,793,483; (iv) overheads payments for the amount of EUR 2,987,451; (v) receipts of deposits for the amount of EUR 1,485,458 and (vi) receipts from financial results for EUR 248,847.

Equity: At 30 September 2015, the Group reported a positive equity of EUR 283,248,257 compared to EUR 270,410,768 at the end of the previous year. The increase of EUR 12,837,489 corresponds to: (i) profits in 2015 totalling EUR 12,841,926; and (ii) the negative effect of the consolidation reserves to the amount of EUR 4,436 as a result of the incorporation of INVERETIRO SOCIMI, S.A.U. in the Group's consolidation perimeter.

Dividends:

Dividends of the Subsidiary Companies to the Parent Company in 2015:

1. The net profit of COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U., at 31 December 2014 was EUR 12,082,697. As its annual general meeting held on 22 June 2015, its board approved payment to the Parent Company of a dividend for 2014 to the total amount of EUR 10,874,427. The breakdown of the distribution of profits is as follows:

Distribution of net profit in 2014	Euro
Profit at 31 December 2014	**12,082,697**
• Legal Reserve	1,208,270
• Dividends (paid on 15 July 2015)	10,874,427

2. INVERETIRO, SOCIMI, S.A.U. was not inscribed in the SOCIMI tax scheme at 31 December 2014 and had negative reserves to the amount of EUR 1,882,512. The Annual General Shareholders Meeting held as at 30 June 2015 proposed the distribution of the profits for the year 2014 to the amount of EUR 1,563,417:

Distribution of net profit in 2014	Euro
Profit at 31 December 2014	**1,563,417**
• Compensation for Losses in Previous Years	1,563,417

Dividends paid out by the Parent Company to shareholders in 2015:

The profit obtained by the Parent Company in 2015 was EUR 921,102. At the time of approving the distribution of 2014 profit approved at the Company's Annual General Meeting of Shareholders held on 29 June 2015, the Parent Company had a General Accounting Plan negative reserve of first application to the amount of EUR 2,877,950. The breakdown of the distribution of profits is as follows:

Distribution of net profit in 2014	Euro
Profit at 31 December 2014	**921,102**
• Negative Reserve Compensation by application of the General Counting Plan	921,102

Income: At 30 September 2015, the Group has obtained income of EUR 13,703,670 (EUR 10,461,628 during the first three quarters of 2014) which represents a year-on-year increase of EUR 3,242,042 (31%). This increase is due to the contributions to revenues of the new real estate properties acquired in 2015. All 2015 income is attributable to real estate leasing activities, apart from EUR 30,586 (EUR 22,989 euros in the first three quarters of 2014), which came from services. Revenues of 2015 include EUR 3,230,310 generated as result of the new real estate investments carried out during the current year.

At 30 September 2015, the Group's **Net Margin** was positive and amounted to EUR 12,177,391 (EUR 8,651,885 in the first three quarters of 2014), or 89% of income, compared with 83% for 2014, representing an increase of 6 percentage points. This improvement is due to the contributions to margin of the new real estate properties acquired in 2015.

At 30 September 2015, the Group's **EBITDA** was positive and amounted to EUR 12,107,294 (EUR 8,584,632 in the first three quarters of 2014), or 88% of income, compared with 82% for 2014, representing an increase of 6 percentage points. This improvement is due to the contributions to Ebitda of the new real estate properties acquired in 2015.

Depreciation: At 30 September 2015, the amortisation costs of real estate investment stood at EUR 3,752,651 (EUR 3,351,848 in the first three quarters of 2014).

Impairment/Reversal: The balance of this item as at 30 September 2015 is positive amounting up to EUR 4,156,898 (losses for the amount EUR -4,261,463 in 2014). At 30 September 2015, the Group has not recorded any impairment of real estate assets (only EUR 34,681 for unpaid rents), but has entered losses for sales of real estate assets to the amount of EUR 31,301. As at 30 September 2015, a reversal, resulting from the sale of real estate assets, has been recorded for the amount of EUR 4,222,879 due to the sale of Atocha Hotel. In 2014, provisions of EUR 4,000,000 and losses attributable to real estate assets of EUR 261,463 were recorded.

Allocation of subsidies: At 30 September 2015, the Subsidiary allocated income from capital subsidies to profit (loss) amounting to EUR 81,537 (EUR 93,143 in the first three quarters of 2014). These subsidies are connected with the ownership of the hotels in Ayamonte, Huelva.

Financial profit (loss): The Group generated a financial profit amounting to EUR 248,847 in 2015 (EUR 1,640,911 in the same period 2014). This was essentially a result of the policy of financing related companies out of the cash surplus. These figures are divided into: (i) income from related companies amounting to EUR 1,012,875 (EUR 1,670,809 in the first three quarters of 2014); (ii) income from third parties amounting to EUR 21,312 (EUR 57,844 in the first three quarters of 2014) and (iii) financial costs due to bank debt amounting to EUR 785,340 (EUR 87,742 in the first three quarters of 2014).

Net profit (loss): At 30 September 2015, the Group had obtained a positive consolidated net profit of EUR 12,841,926 compared with EUR 2,705,374 in the same period of 2014, i.e. an improvement of EUR 10,136,552.

2. Valuation of real estate assets

The Group carries out external, independent valuation of its assets at the end of every year. For this purpose, at the end of 2014, it commissioned a valuation of its assets from CBRE Valuation Advisory, S.A., an independent expert; the final report was published on 21 January 2015 to determine the reasonable values of all its real estate investment at the end of 2014. This valuation was carried out on the basis of the lesser of the replacement value and market rental value (which consists of capitalising the net income from each property and updating future flows. Acceptable discount rates were used to calculate fair value for a potential investor, which are in keeping with those used by the market for properties having similar characteristics and locations. The valuations were made in accordance with the Appraisal and Valuation Standards published by the United Kingdom's Royal Institute of Chartered Surveyors (RICS).

In the first three quarters of 2015, the directors of the Parent Company consider that no significant changes have occurred in either the variables used in said valuation on closure of 2014 by the Independent expert law in the contents nor conditions of the lease contracts in effect used in said valuation, and so consider that the market values of the Group's assets at the end of the third quarter of 2015 are similar to those at the end of 2014.

According to the appraisals made, the fair value of the real estate investments at the end of 2014 revealed an unbooked latent capital gain (by comparing the updated gross market fair market value and the net book value) of EUR 48,080,867 which was primarily due to the retail outlets located at Gran Vía 34 in Madrid, Calle Caleruega in Madrid and the Hotel Barceló Isla Canela.

The gross asset value of the real-estate investments at the end of the third quarter of 2015, taking the three new investments into account, comes to EUR 312,178,433 (EUR 268,041,613 in 2014), representing unrealised capital gains of EUR 51,231,969 at 30 September 2015 (EUR 48,080,867 at the end of 2014).

Real estate assets	GAV (Euros)	
	30/09/2015	**31/12/2014**
Hotels	112,527,922	134,450,199
Offices	76,456,543	44,935,562
Retail	108,983,170	88,655,852
Industrial	13,710,811	-
Others	499,988	-
TOTAL	**312,178,433**	**268,041,613**

3. Segmented reporting

The Group identifies its operating segments based on internal reports on the Group's components which are the bases for regular reviews, discussion and assessment by the Parent Company's Administrators, since they are the highest decision-making authority with the power to allocate resources to the segments and assess their performance.

The segments identified in this way in 2015 are as follows:

- Hotels
- Offices
- Retail
- Industrial
- Others

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

For its part, ordinary income corresponds to income directly attributable to the segment plus a relevant proportion of the Group's general income that can be attributed to it using fair rules of distribution.

The expenses for each segment are determined by the expenses arising from its operating activities that are directly attributable to it plus the corresponding proportion of the expenses that can be attributed to the segment by using fair rules of distribution.

Segmented consolidated income statement

2015 (9 months)

	Euro					
30/09/2015	**Hotels**	**Offices**	**Retail**	**Industrial**	**Others**	**TOTAL**
Income	5,277,498	3,031,953	4,609,639	753,995	30,586	13,703,670
Indirect costs	-1,090,340	-130,679	-240,197	-20,793	-44,270	-1,526,279
Net Margin	**4,187,158**	**2,901,273**	**4,369,442**	**733,203**	**-13,685**	**12,177,391**
Overheads	-26,995	-15,509	-23,579	-3,857	-156	-70,097
EBITDA	**4,160,163**	**2,885,764**	**4,345,863**	**729,346**	**-13,841**	**12,107,294**
% of income	**78.83%**	**95.18%**	**94.28%**	**96.73%**	**-45.25%**	**88.35%**
Depreciation	-2,112,213	-818,817	-737,607	-84,013	-	-3,752,651
Subsidies	81,537	-	-	-	-	81,537
Profits (losses) on asset disposals	-1,992,088	-31,300	-	-	-	-2,023,388
Impairment/Reversal	6,214,967	-	-34,681	-	-	6,180,286
Financial profit (loss)	9,613	-222,483	-400,527	-	862,245	248,847
EBT	**6,361,978**	**1,813,165**	**3,173,048**	**645,333**	**848,404**	**12,841,927**
Income tax	-	-	-	-	-	-
Net profit (loss)	**6,361,978**	**1,813,165**	**3,173,048**	**645,333**	**848,404**	**12,841,927**
% of income	**120.55%**	**59.80%**	**68.84%**	**85.59%**	**2773.87%**	**93.71%**

2014 (9 months)

	Euro					
30/09/2014	**Hotels**	**Offices**	**Retail**	**Industrial**	**Others**	**TOTAL**
Income	5,303,111	1,427,881	3,707,647	-	22,989	10,461,628
Indirect costs	-1,455,233	-195,717	-111,049	-	-47,745	-1,809,743
Net Margin	**3,847,878**	**1,232,164**	**3,596,598**	**-**	**-24,756**	**8,651,885**
Overheads	-34,091	-9,179	-23,835	-	-148	-67,253
EBITDA	**3,813,787**	**1,222,985**	**3,572,763**	**-**	**-24,903**	**8,584,632**
% of income	**71.92%**	**85.65%**	**96.36%**	**-**	**-108.33%**	**82.06%**
Depreciation	-2,204,081	-470,552	-677,215	-	-	-3,351,848
Subsidies	93,143	-	-	-	-	93,143
Profits (losses) on asset disposals	-	-261,463	-	-	-	-261,463
Impairment/Reversal	-	-2,000,000	-2,000,000	-	-	-4,000,000
Financial profit (loss)	-	-	-450,246	-	2,091,157	1,640,911
EBT	**1,702,849**	**-1,509,030**	**445,302**	**-**	**2,066,254**	**2,705,374**
Income tax	-	-	-	-	-	-
Net profit (loss)	**1,702,849**	**-1,509,030**	**445,302**	**-**	**2,066,254**	**2,705,374**
% of income	**32.11%**	**-105.68%**	**12.01%**	**-**	**8988.01%**	**25.86%**

The breakdown of the **income and net carrying cost** for real estate assets heading, including tangible fixed assets under construction, at 30 September 2015 compared to 31 December 2014 is as follows:

	Euro					
	30/09/2015			**30/09/2014**		**31/12/2014**
	Income	**%**	**Net Book**	**Income**	**%**	**Net Book**
Hotels	5,277,498	38.51%	105,325,503	5,303,111	50.69%	128,682,866
Offices	3,031,953	22.13%	75,525,000	1,427,881	13.65%	44,935,562
Retail	4,609,639	33.64%	65,957,161	3,707,647	35.44%	46,342,319
Industrial	753,995	5.50%	13,638,799	-	-	-
Others	30,586	0.22%	500,000	22,989	0.22%	-
Total income	**13,703,670**	**100.00%**	**260,946,464**	**10,461,628**	**100.00%**	**219,960,747**

From a geographic point of view, most income is generated in Madrid and Huelva (both in Spain). In this respect, Madrid has increased its contribution to total revenue by 9 percentage points (66%), Huelva has fallen by 7 points (27%) and Castellón has fallen by 2 points (7%). Cáceres did not obtain any income in 2015.

It must be noted that, at 30 September 2015, 39% of revenue was generated by hotel assets (51% in 2014), 22% by offices (14% in 2014) 35% by retail outlets and the remaining 5% by industrial properties. At the end of September 2015, hotels were fully rented, as in 2014; 66% of offices were leased in 2014 (44% in 2014). In 2015, 68% of the retail outlets were leased (68% in 2014). The Group's target for this year was to achieve a mean occupational level of 90% (87% in 2014) and this has already been attained.

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

Area	Euro			
	30/09/2015		30/06/2014	
	Income	%	Income	%
Madrid	9,026,724	65.87%	5,924,931	56.63%
Huelva	3,655,153	26.67%	3,515,727	33.61%
Castellón	1,021,793	7.46%	1,020,970	9.76%
Cáceres	-	-	-	-
Total	**13,703,670**	**100.00%**	**10,461,628**	**100.00%**

As shown in the table above, most of the Group's activity focused on Madrid and Huelva (93% in 2015 compared to 90% in 2014) and the 66%:27% ratio between Madrid and Huelva was maintained. There was no income in Cáceres in the third quarter of 2015 since the lease agreement for the only asset located in this province was terminated early at the end of 2013 and, to date, it has not been leased again.

Furthermore, highlighting the changes in **occupation rates** by type of asset from the **standpoint of asset types** is worth particular note: At 30 September 2015, the mean level of occupation of the Group's assets for rent is 89.45% (87.56% at the end of 2014, 87.46% at 30 September 2014) based on the area in square metres leased, the breakdown of which was as follows:

Real estate assets	% occupation		Floor area in m2 above ground level	
	30/09/2015	31/12/2014	30/09/2015	31/12/2014
Hotels	100.00%	100.00%	80,135	87,960
Offices	66.46%	45.74%	23,669	17,038
Retail	68.21%	68.22%	20,442	19,204
Industrial	100.00%	-	13,810	-
TOTAL	**89.54%**	**87.56%**	**138,056**	**124,202**

The evolution of the Group's real estate assets occupation rate is highly stable and its solvency strengthened on account of the quality of its clients, lease agreements and new buildings.

Removing the effect of the new real-estate investments, the variations in income from one period to the next are as follows:

	Euro		Variation in %	
	30/09/2015	30/09/2014	"Growth"	"Like for Like Growth"
Hotels	5,277,498	5,303,111	-0.48%	-0.48%
Offices	3,031,953	1,427,881	112.34%	2.16%
Retail	4,609,639	3,707,647	24.33%	-0.03%
Industrial	753,995	-	n/a	-
Others	30,586	22,989	33.04%	-
Total	**13,703,670**	**10,461,628**	**30.99%**	**0.11%**

4. Real estate investments

The main agreements at 30 September 2015 were as follows:

- **Hotel Meliá Atlántico, Isla Canela, Huelva:** a four-star beachfront hotel with 359 rooms (718 beds) leased to Meliá Hotels International, S.A. from April 2013 according to the lease agreement entered into in May 2012. The lease agreement came into force in April 2013 for a ten-year period (May 2022) and the parties may terminate it in 2017 without incurring any penalties, provided certain conditions are met. The agreement provides for annual increases in line with the CPI.

- **Hotel Barceló Isla Canela, Isla Canela, Huelva:** a four-star beachfront hotel with 351 rooms (702 beds) leased to Barceló Arrendamientos Hoteleros, S.L. The agreement came into force on 1 March 2006 and terminates on 31 October 2026. It may be extended at the parties' discretion. In addition, the parties may rescind the agreement without incurring any penalties in 2017. As regards future rents, the agreement provides for increases in line with annual CPI rates.

- **Hotel Iberostar, Isla Canela, Huelva:** a four-star beachfront hotel with 300 rooms (600 beds) leased to Hispano Alemana de Management Hotelero, S.A. The agreement came into force on 1 December 2007 and was extended in 2012 until 31 October 2022. It may be extended at the parties' discretion. The agreement provides for annual increases in line with the CPI.

- **Hotel Tryp Cibeles, Madrid:** A four-star hotel located at Mesonero Romanos, 13 (Gran Vía-Madrid) with 132 rooms. Rented by Sol Meliá. The agreement came into force on 10 February 1998 and terminated on 10 October 2008. It was subsequently extended until 15 March 2020 and may be extended at the parties' discretion. The agreement provides for annual increases in line with the CPI.

- **Hotel Playa Canela, Isla Canela, Huelva:** a four-star beachfront hotel with 202 rooms (404 beds) leased to Grupo Hoteles Playa, S.A. The agreement came into force on 15 July 2002 and terminates on 31 October 2022. It may be extended at the parties' discretion. The agreement provides for annual increases in line with the CPI.

- **Hotel Isla Canela Golf, Isla Canela, Huelva:** a four-star hotel located on a golf course with 58 rooms (116 beds). The Company signed a lease with a related (associated) party, Isla Canela, S.A. This company is currently operating the hotel under a lease agreement. The agreement was entered into on 31 December 2012 and activities were to commence on 14 January 2013 until 31 December 2014, when the parties agreed on an extension 31 December 2017. Once this period has elapsed, the agreement may once again be extended for three-year periods, provided that the parties reach an agreement prior to this. The agreement provides for annual increases in line with the CPI.

- **Building at Pradillo 42, Madrid:** The agreement came into force on 27 February 2009 and terminates on 27 February 2019. It may be extended at the parties' discretion. The agreement sets forth annual CPI increases. The lessee, UNEDISA, informed the Company of its intention to terminate the agreement by sending a letter dated 3 February 2014. As from said date, the lessee breached the agreement by failing to fulfil its contractual obligations, such as: (i) Paying the rent due in March 2014; (ii) delivering a bank guarantee to the Company in order to guarantee the annual rental payment and; (iii) paying an additional deposit required by the agreement currently in force. After these breaches, the Company demanded the bank that guarantees the payments to enforce the bank guarantee. The tenant responded by directly paying the amount required (EUR 1,839,981). The Company has been applying said amount, paid in advance to cover monthly rents until full compensation was made, which occurred in February 2015. From then on, the Company continued to invoice the tenant for outstanding monthly rent. At 30 June 2015, this tenant has outstanding rent to the amount of EUR 1,092,669, entered under the customers heading and fully provided for.

- **Retail outlets at Gran Vía 34, Madrid:** two retail outlets located at Calle Gran Vía 34 rented by Inditex (Zara). The agreement came into force on 24 April 2000 and terminates on 3 October 2025. It may be extended at the parties' discretion and may be cancelled without any penalties in 2020. The agreement provides for annual increases in line with the CPI.

- **Retail outlets in Plaza de España 5, Castellón:** Rented by Inditex (Zara). The agreement came into force on 1 July 2007 and terminates on 18 November 2023. It may be extended at the parties' discretion. The agreement provides for annual increases in line with the CPI.

- **Retail outlets at San Antón 25 and 27, Cáceres:** one retail outlet and five units for residential or office use. The retail outlet were rented to PUNTO ROMA in 2013. Although the agreement came into force on 15 July 2005 and terminated on 15 December 2035, the Company and the lessee agreed to terminate it in advance at the end of 2013. The retail outlets have not yet been leased again.

- **Retail outlets at Albalá 7, Madrid:** retail outlets. Rented under the lease by the El Árbol Group. The agreement came into force on 31 July 2002 and terminates on 31 July 2027. The lessee may rescind the lease agreement in 2016 without incurring any penalties, provided it gives twelve months' prior notice thereof. The agreement provides for annual increases in line with the CPI.

- **Retail outlets at Dulcinea 4, Madrid:** Retail outlets. Rented under lease agreement by JAVISA SPORT, S.L. The agreement came into force on 17 February 2003 and terminates on 17 February 2018. It may be extended at the parties' discretion. The agreement provides for annual increases in line with the CPI.

- **Marina Isla Canela Shopping Mall, Isla Canela, Huelva:** Rented under a lease arrangement by several lessees.

- **Retail outlet located at Calle Gran Vía 1, 1st Floor Left, Madrid**: Since 15 January 2015 the property has been leased to Hiponemes y Atalanta, S.L. The contract was signed on 23 December 2014, came into effect on 14 January 2015 and will remain in effect until 14 January 2019.

- **Offices at Gran Vía 1, 2nd Floor Right and Left, Madrid:** Two offices for tertiary office use. Since 27 February 2015 they have been leased to Drago Broadcast Services, S.L. with an initial duration until 31 March 2018.

- **Gran Vía 1, 1st Floor Right, Madrid:** an office for tertiary office use rented under a leasing arrangement by Arkadin Spain Servicios de Teleconferencia, S.L. The agreement was entered into on 28 October 2011 and will remain in effect until 28 February 2017.

- **Five retail outlets located at Calle Caleruega 66, Madrid**, the current tenant of which is Begope Restauración, S.L. The agreement was entered into on 1 December 2011 and will remain in force until 1 December 2026.

- **31 offices and 31 garage parking spaces located at Calle Tineo 2 and 4, Madrid (Vallecas Comercial I)** which are rented under a leasing arrangement by several lessees.

- **Three retail outlets and 48 garage parking spaces located at Calle Valderebollo 1 and 3, Madrid (Vallecas Comercial II)** which are rented under a leasing arrangement by Inversión y Gestión Acebo 2000, S.L. The agreement was entered into on 11 July 2012 and will remain in force until 1 December 2022.

- **One office and one garage parking space located at Calle Manuel Pombo Angulo 14, 16 and 18, Madrid (Sanchinarro V)**. At the end of the current period, the property had not been let.

- **42 offices and 42 garage parking spaces located at Calle Manuel Pombo Angulo 6, 8, 10 and 12, Madrid (Sanchinarro VI)**. At the end of the current period, the property was partially let to various tenants.

- **33 offices and 33 garage parking spaces located at Calle Manuel Pombo Angulo 20, 22, and 24, Madrid (Sanchinarro VII).** At the end of the current period, the property was partially let to various tenants.

- **32 offices and 32 garage parking spaces located at Avda. Constitución 85, Coslada, Madrid (Coslada III).** The property is partially let to various tenants.

- **Four retail outlets located at Calle Rutilo 21, 23 and 25, Madrid:** retail outlets. Rented under a lease agreement with DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A. (DIA). The agreement came into force on 5 October 2000 and terminates on 5 October 2020. The lessee may rescind the lease agreement on the termination date by giving twelve months' prior notice thereof. The agreement provides for annual increases in line with the CPI.

- **1 industrial warehouse in Daganzo de Arriba, Madrid:** Industrial warehouse currently let to TELEPIZZA, S.A. The agreement began on 18 May 2007 for an initial period of 10 years, modified on 1 December 2011 whereby the duration of the contract was extended to 20 years and therefore it expires on 18 May 2027, subject to extension. The agreement provides for annual increases in line with the CPI.

- **3 retail outlets and 5 garage parking spaces at Calle Conde de Peñalver 16, Madrid:** retail outlets. Rented under a lease with ZARA ESPAÑA, S.A. The agreement was signed on 28 December 2004, came into effect on 1 January 2005, lasts until 1 January 2027 and is mandatory until 31 December 2018. The agreement provides for annual increases in line with the CPI.

- **1 office building at Calle Titán 13, Madrid:** Office building currently leased to COMPAÑÍA LOGÍSTICA DE HIDROCARBUROS, S.A. (CLH). The agreement began on 5 March 2007 and was modified by an annex dated 17 June 2014. The agreement expires on 31 January 2024 and is obligatory and extendable for 2 new periods of 5 years each. The lessee may rescind the lease agreement on the termination date by giving twelve months' prior notice thereof.

Due to the recent reduction in expected yields in prime areas, the Subsidiary is seeking new diversified medium and long-term investment opportunities that would allow it to combine high yields in sectors where it is not currently present with yields of around 5 - 6% and high-quality tenants, as well as a number of added value real estate asset transformation operations for subsequent operation under a leasing scheme. The Group will maintain the income it currently expects to obtain from the lease agreements that are now in force. The Subsidiary's dividend policy will ensure income for the Parent Company in the future.

In view of the activity performed by the Group with real estate assets leased over the long term, the directors' forecasts are positive based on the existence of long-term agreements with high-quality lessees in both the Spanish hotel industry and in the Office, Commercial and Industrial sectors, which ensure the Group's viability in the medium term, along with new retail outlet lease agreements with lessees possessing outstanding solvency ratings.

The “weighted average unexpired lease term” (WAULT) of the different type of real estate properties of the Group is as follows:

Type	WAULT	
	30/09/2015	31/12/2014
Hotels	7.80	8.55
Offices	5.74	6.49
Retail	7.88	8.63
Industrial	11.64	12.39
Total	**6.85**	**7.55**

5. Earnings per share

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

	Euro	
	30/09/2015	30/09/2014
Net profit (loss) attributable to Parent Company	12,841,927	2,705,374
Weighted average number of shares	4,452,197	4,452,197
Earnings per share	**2.88**	**0.61**

As has been said, no dividends are to be paid in 2015 corresponding to the Parents Company's income in 2014 as a result of the negative reserve generated by applying the General Accounting Plan caused by the Company's relocation to Spain ending in 2014. The dividend per share breakdown is as follows:

	Euro	
	2015	2014
Gross dividend to shareholders	-	2,968,786
Average number of common shares in circulation	4,452,197	4,452,197
Gross dividend per share	**-**	**0.67**

The dividend for 2013 of 2,968,786 euros was paid out on 10 July 2014. Despite the parent company obtained a positive result in the year 2014 amounting to 921,102 euros, its Ordinary General Shareholders Meeting held on 29 June 2015 approved the distribution of all of the positive outcome of the year to partially compensate the negative reserve of first application of the Spanish General Accounting Standards registered as a result of the finalization of the process of transfer of the registered office and effective management of the Company in Spain during the year 2014.

6. Acquisition of treasury shares

At 30 September 2015, the Parent Company did not hold any treasury shares in portfolio.

7. Main risks affecting the Group

The management of the Group's financial risks is centralised in Financial Management and in Grupo PYCONSA's policies, which has established the necessary mechanisms to control exposure to changes in exchange rates, along with credit and liquidity risks. The main financial risks having an impact on the Group are set out below:

- **Credit risk**

The Group's main financial assets are cash flow and cash balances, trade creditors and other accounts receivable in investments. These account for the Group's maximum exposure to credit risk as regards financial assets. The Group's credit risk is mainly attributable to its trade debts, which are shown net of any provisions for insolvencies estimated on the basis of prior years' experience and their valuation under the current economic climate. The Group loans its excess liquidity to related companies which are very solvent, thereby guaranteeing the repayment of the funds thus loaned.

- **Liquidity risk**

Taking into account the current situation of the financial market and the estimates made by the Parent Company's Administrators on the Group's cash generating capacity, the Group estimates it has enough capacity to obtain financing from third parties were it necessary to make new investments. Consequently, there is no evidence that the Group will encounter liquidity problems in the medium term. Liquidity is guaranteed by the nature of the investments made and lessees' high credit ratings, as well as by the collection guarantees set forth in prevailing agreements.

- **Exchange rate risk**

As regards the Group's exchange rate risk at 30 September 2015, it did not have any assets or liabilities in foreign currencies. Hence, there is no risk in this regard.

- **Interest rate risk**

The Group has certain long-term loans financing long-term assets, as well as short-term working capital financing facilities. The risk of interest rate fluctuations is very low since the Group is not highly exposed to debt. The Group's policy on interest rates consists of not taking out interest rate hedges through hedging financial instruments, swaps, etc. since any change in interest rates would have an immaterial effect on the Group's results, taking into account its low debt levels and today's very low interest rates.

- **Real estate business risks**

Changes in the economic situation at both, local and international levels, occupation and employment growth rates, interest rates, tax legislation and consumer confidence have a significant impact on the real estate markets. Any unfavourable change in any of these or in other economic, demographic or social variables in Europe, and Spain in particular, could lead to a reduction in real estate activity in these countries. The cyclical nature of the economy has been statistically proven, as have the existence of microeconomic and macroeconomic aspects that directly or indirectly affect the way the real estate market's performs, particularly the rentals which make up the Group's main investment activity.

Other market risks to which the Group is exposed include:

- **Regulatory risks:** The Group is subjected to comply with several general and specific legal provisions in force (legal, accounting, environmental, employment, tax, data protection provisions, among others) which apply to it. Any regulatory changes that come about in the future may have a positive or negative effect on the Group.

- **Tourism risk**: A significant part of the Group's assets (mainly hotels) are connected to the tourism industry. Any fall in tourism activities in the cities where these hotels are located could have a negative effect on their use and occupation rates. As a result, this could have a negative effect on the yield and performance of these assets if tenants renegotiate current lease agreements.

Lastly, it is important to take into account that the Group is exposed to other risks: (i) environmental risks; (ii) occupational health and safety risks; and (iii) occupational hazard prevention risks.

8. Other updated information

- On 27 January 2015, the Parent Company was notified by the Spanish Tax Agency in reply to a request of the Company dated 11 November 2014 with regards to Article 8 of Law 11/2009, October 26 (Official State Gazette October 27, 2009) about SOCIMIs. According to the aforementioned article, special tax scheme related to SOCIMI entities require written notice to the local Tax Agency after resolution passed at the Shareholders General Meeting and always prior to the beginning of the last quarter of every fiscal year. According to the Tax Agency's reply, the written notice did not comply with this deadline and, thereby, it prevents the Company from applying SOCIMIs tax scheme. On 10 February 2015 the Company filed a claim against the Tax Agency's resolution. On 5 March 2015 Spanish Tax Agency rejects the claim and the Company filed a motion for reversal on 30 March 2015. As at April 2015 the appeal was dismissed by the tax authority and, in June 2015, the Company filed an economic-administrative claim before the Regional Economic Administrative Court of Madrid (TEAR). The Board of Directors consider that all the legal formalities were properly fulfilled, thus, once resolved the motion the Parent Company will continue to benefit of the aforementioned special tax scheme. In the unlikely event that this scheme may not apply for the 2014 fiscal year, the effect on the Parent Company's accounts would be of no significance. In any case, and for more security, the Company has asked the tax Agency in date 9 July 2015 the option by the application of the SOCIMI regime for the years 2015 and following.

- On 20 January 2015, the Subsidiary Company received notice of a claim lodged by UNEDISA (Unidad Editorial, S.A.) regarding the asset located at Pradillo 42, with the following content: (i) the lease agreement signed on 27 February 2009 to be declared as terminated on 1 March 2014; (ii) UNEDISA to be declared not bound to pay additional compensation on exceed of 1,676,870 euros, that being the amount of the guarantee already enforced by the Company; and (iii) the Company to be sentenced to pay court costs. The amount at issue has been set at 1,676,870 euros. On 17 February 2015 the Subsidiary Company alleged to the claim and UNEDISA answered on 17 April 2015. On 9 September 2015 the trial was held. As at 2 October 2015 the judgment was given by the Court of 1st Instance number 44 of Madrid (PO 10/2015) by which the lawsuit is dismissed by UNEDISA and fully expected the counterclaim made by our group company, being therefore in full force the lease contract signed with UNEDISA. They are obliged to pay all rents and agreed guarantees (promissory notes and annual guarantees) until the expiration of the lease contract. This judgment might be appealed.

9. Outlook for 2015

The Board of Directors considers that 2015 will continue to be positive with regard to dividends obtained by subsidiaries and objectives reached. The directors' forecasts are positive, taking into account the investee companies' long-term lease agreements with top-quality lessees in the hotel industry and in the office, retail and industrial sectors, which guarantee the business's viability in the medium and long term, as well as the new retail outlet lease agreements with lessees that have outstanding solvency ratings.

10. Debt securities program

As at 30 September 2015, the Holding Company has successfully obtained the authorization from the Spanish multilateral trading facility for debt securities (Mercado Alternativo de Renta Fija, "MARF") of the informational base prospectus for the listing of medium and long term notes in connection with a note program so-called "Programa de Emisión de Valores de Renta Fija 2015". The Base Document has been published on the MARF website (www.aiaf.es/ing/aspx/Portadas/HomeMARF.aspx) and on the Company website (www.saintcroixhi.com). For this purpose, the company, Saint Croix Holding Immobilier, SOCIMI, S.A. has been rated as BBB stable outlook ("investment grade"). The mentioned program is valid for 1 year.

Main characteristics of the debt securities program are as follows:

- Maximum amount: EUR 80,000,000
- Term: Between 2 and 7 years
- Coupon: Annual

11. Subsequent events

Apart from the judgment given by the Court with regards to the UNEDISA claim, no significant events has occurred between 30 September 2015 and the date of approval of the consolidated management report for the period of nine months ended on 30 September 2015.

12. Stock Exchange evolution

The evolution of the value of the shares since the end of 2014has been positive increasing by 6.67%. PER ratio has been reduced by 1.85% until 22.74.

	Euros		+/-
	30/09/2015	**31/12/2014**	
Nominal Value	60.10	60.10	-
Stock Exchange Value	**65.50**	**61.40**	**+6,67%**
PER	**22,74**	**23,17**	**-1,85%**

Madrid 20 October 2015

Mr. Marco Colomer Barrigón
Chairman and Chief Executive Officer