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

Consolidated Half-Yearly Financial Statements and Consolidated Management Report corresponding to the six months ending 30 June 2016 (unaudited)

Table of Contents

Consolidated Half-Yearly Financial Statements (unaudited)

30 June 2016

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

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2016

(Euros)

ASSETS	Notes	30/06/2016	31/12/2015	LIABILITIES	Notes	30/06/2016	31/12/2015
NON-CURRENT ASSETS		**287,482,271**	**264,691,678**	**EQUITY**	**13**	**288,235,504**	**289,687,089**
Tangible fixed assets		**1,926**	**2,253**	Capital		267,577,040	267,577,040
Technical facilities and other tangible fixed assets		1,926	2,253	Legal Reserve		1,131,843	156,252
Property investments	**7**	**275,778,635**	**262,990,569**	Reserves in consolidated companies		13,998,487	2,673,040
Long-term financial investments	**9**	**11,701,710**	**1,698,855**	Profit/(loss) for the year attributed to the parent company		5,528,134	19,280,757
Other financial assets		11,701,710	1,698,855				
				NON-CURRENT LIABILITIES		**45,866,699**	**32,229,506**
				Subsidies	**14**	**1,356,573**	**1,413,666**
				Long-term debts	**15**	**44,510,126**	**30,815,840**
				Debts with credit institutions		30,904,743	27,200,524
				Debentures and bonds		10,000,000	-
				Other financial liabilities		3,605,383	3,615,316
CURRENT ASSETS		**59,856,934**	**64,630,899**	**CURRENT LIABILITIES**		**13,237,002**	**7,405,982**
Inventories		**1,889**	**1,079**	**Short-term debts**	**15**	**8,778,080**	**5,618,153**
Advance payments to suppliers		1,889	1,079	Debts with credit institutions		8,649,381	5,461,579
Trade and other accounts receivable	**10**	**1,906,526**	**3,345,401**	Other financial liabilities		128,699	156,574
Accounts receivable for sales and services		1,439,195	1,947,511	**Short-term debts with associated companies**	**20.2**	**-**	**28,907**
Other receivables		3,188	769,677	**Trade creditors and other accounts payable**		**4,458,923**	**1,758,922**
Other credits with Public Administrations	**18**	464,143	628,213	Suppliers		2,531,229	1,143,493
Short-term investments in associated companies	**9 and 20.2**	**56,145,124**	**61,053,472**	Sundry creditors		5,764	1,600
Credits to associated companies		56,145,124	61,053,472	Other debts with Public Administrations	**18**	1,921,929	613,829
Short-term financial investments	**9**	**43,164**	**17,608**				
Other financial assets		43,164	17,608				
Cash and cash equivalents	**11**	**1,760,231**	**213,339**				
Cash and bank		1,760,231	213,339				
TOTAL ASSETS		**347,339,205**	**329,322,577**	**TOTAL EQUITY AND LIABILITIES**		**347,339,205**	**329,322,577**

Notes 1-24 to the attached hereto half-yearly consolidated financial statements are an integral part of the consolidated financial balance sheet at 30 June 2016

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

CONSOLIDATED INCOME STATEMENT at 30 JUNE 2016

(Euros)

	Notes	30/06/2016	30/06/2015
CONTINUOUS OPERATIONS			
Net turnover	**19.1**	**2,365**	**524,374**
Provision of services		2,365	524,374
Other operating income	**19.1**	**8,469,085**	**8,526,815**
Non-core and other current management income		8,469,085	8,526,815
Procurements		**-394,667**	**-605,772**
Purchases		-	-
Work performed by other companies		-394,667	-605,772
Personnel expenses	**19.3**	**-73,248**	**-47,472**
Wages, salaries and similar outgoings		-63,232	-39,695
National Insurance contributions		-10,016	-7,777
Other operating expenses		**-435,858**	**-1,126,175**
Outside services	**19.2**	-429,815	-479,597
Taxes and similar levies	**19.2**	-6,043	-15,285
Losses, impairment and changes in provisions for trade transactions		-	-631,294
Fixed asset depreciation	**7**	**-2,301,749**	**-2,570,375**
Allocation of non-financial fixed asset subsidies and others	**14 and 19.1**	**57,092**	**54,358**
Impairment and gains/losses from sales of fixed assets and property investments	**7**	**-**	**-329,210**
Impairment and losses		129,961	-297,909
Gains/(losses) on disposals and others		-129,961	-31,301
Exceptional income and expenditure		**-73,745**	**-**
OPERATING PROFIT/(LOSS)		**5,249,275**	**4,426,543**
Financial income		**516,663**	**790,647**
From transferable securities and other financial instruments		516,663	790,647
- In associated companies	**20.1**	496,832	777,341
- In third parties		19,831	13,306
Financial expenses		**-237,803**	**-339,227**
From related-party debts		-	-
From debts with third parties	**15**	-237,803	-339,227
FINANCIAL PROFIT/(LOSS)		**278,859**	**451,420**
CONSOLIDATED PRE-TAX PROFIT/(LOSS)		**5,528,134**	**4,877,963**
Tax on profits	**18**	-	-
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR		**5,528,134**	**4,877,963**
Profit/(loss) attributed to non-controlling interests		-	-
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTED TO THE PARENT COMPANY	**19.4**	**5,528,134**	**4,877,963**

-

Earnings per share:			
Basic and diluted earnings per share	**19.5**	1.24	1.10

Notes 1-24 to the attached hereto interim half-yearly financial statements are an integral part of the consolidated income statement at 30 June 2016

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

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT AT 30 JUNE 2016

(Euros)

	30/06/2016	30/06/2015
PROFIT/(LOSS) OF THE PROFIT AND LOSS ACCOUNT (I)	**5,528,134**	**4,877,962**
TOTAL INCOME AND EXPENSES DIRECTLY ATTRIBUTED TO EQUITY (II)	-	-
TOTAL AMOUNTS TRANSFERRED TO PROFIT AND LOSS ACCOUNT (III)	-	-
TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III)	**5,528,134**	**4,877,962**
Attributable to Parent Company	5,528,134	4,877,962
Attributable to external partners	-	-

Notes 1-24 to the attached hereto half-yearly consolidated financial statements are an integral part of the consolidated comprehensive income statement at 30 June 2016

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 30 JUNE 2016

(Euros)

	Capital	Parent Company Reserves				Reserves in Consolidated Consolidated by Full Consolidation	Gain(loss) for the Year	TOTAL
		Legal Reserve	Voluntary Reserve	Consolidation Reserve	Gain(loss) Prev. Year			
CLOSING BALANCE AT 31 DECEMBER 2014	**267,577,040**	**156,252**	**-2,877,950**	**-**	**-**	**-6,239,066**	**11,794,493**	**270,410,769**
Recognised total income and expense	**-**	**-**	**-**	**-**	**-**	**-**	**19,280,757**	**19,280,757**
Transactions with shareholders	**-**	**-**	**921,102**	**-**	**-**	**10,868,955**	**-11,794,493**	**-4,436**
- Profit/(loss) carry-forward	-	-	921,102	-	-	10,873,391	-11,794,493	-
- Extension of the perimeter to INVERETIRO	-	-	-	-	-	-4,436	-	-4,436
CLOSING BALANCE AT 31 December 2015	**267,577,040**	**156,252**	**-1,956,848**	**-**	**-**	**4,629,889**	**19,280,757**	**289,687,090**
Recognised total income and expense	**-**	**-**	**-**	**-**	**-**	**-**	5,528,134	5,528,134
Transactions with shareholders	**-**	**975,591**	**1,800,596**	**-**	**-**	**9,524,851**	**-19,280,757**	**-6,979,719**
- Profit/(loss) carry-forward	**-**	975,591	1,800,596	**-**	**-**	9,524,851	-19,280,757	-6,979,719
CLOSING BALANCE AT 30 June 2016	**267,577,040**	**1,131,843**	**-156,252**	**-**	**-**	**14,154,740**	**5,528,135**	**288,235,505**

Notes 1-24 to the attached hereto half-yearly consolidated financial statements are an integral part of the consolidated statement of changes to equity at 30 June 2016

SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.

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

CONSOLIDATED CASH FLOW STATEMENT AT 30 JUNE 2016

(Euros)

	Notes	30/06/2016	31/12/2015
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**11,885,300**	**16,592,625**
Pre-tax profit/(loss) for the year		**5,528,134**	**19,280,757**
Adjustments to profit/(loss):		**1,965,798**	**-1,855,368**
- Fixed asset depreciation (+)	7	2,301,749	5,206,152
- Changes in provisions for trade transactions (+/-)		-	87,642
- Impairments and gains/(losses) on fixed asset-write offs and disposals (+/-)	7	-	-6,709,383
- Financial income (-)	20.1	-516,663	-1,138,904
- Financial expenses (+)	15	237,803	807,843
- Allocation of subsidies (+/-)	14	-57,092	-108,718
Changes in working capital		**4,112,508**	**-1,163,825**
- Inventories (+/-)		-810	8,117
- Trade and other accounts receivable (+/-)	10	1,438,875	-1,758,447
- Other current assets (+/-)	9	-25,556	-17,488
- Trade creditors and other accounts payable (+/-)		2,700,000	603,993
Other cash flows from operating activities		**278,859**	**331,061**
- Interest payments (-)		-237,803	-807,843
- Interest receivable (+)		516,663	1,138,904
CASH FLOWS FROM INVESTMENT ACTIVITIES (II)		**-25,092,342**	**-42,062,783**
Investment payments		**-25,557,342**	**-68,283,270**
- Property and tangible fixed asset investments	7	-15,554,488	-15,761,914
- Other financial assets	9	-10,002,854	-516,923
- Group companies and associates		-	-52,004,433
Receivables from disposals		**465,000**	**26,220,487**
- Real estate investments	7	465,000	26,220,487
CASH FLOWS FROM FINANCING ACTIVITIES (III)		**14,753,935**	**25,207,879**
Dividend and other equity instrument remuneration payments		**-6,979,719**	**-**
- Dividends	4	-6,979,719	-
Financial liability instrument receivables and payables		**21,733,654**	**25,207,879**
- Issue of debts with credit institutions	15	5,000,000	28,659,375
- Issue of debentures and bonds	15	10,000,000	-
- Repayment and settlement of debts with credit institutions	15	1,794,398	-
- Payments for loans granted to Group and associated companies	9	46,980,571	22,698
- Debt issues with associated companies	9	-42,041,315	-3,474,194
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (I+II+III)		**1,546,892**	**-262,279**
Cash or cash equivalents at beginning of the year		213,339	475,618
Cash or cash equivalents at year-end		1,760,231	213,339
		-	-

Notes 1-24 to the half-yearly consolidated financial statements attached hereto are an integral part of the consolidated cash flow statement for the six months ending on 30 June 2016

SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.

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

Explanatory notes to the Consolidated Half-Yearly Financial Statements at 30 June 2016 (unaudited)

1. Origin and background

SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A (hereinafter, the Parent Company), previously known as SAINT CROIX HOLDING IMMOBILIER, S.A, was founded on 1 December 2011 in Luxembourg. Its registered office was located at Boulevard Prince Henri 9b, L-1724 Luxembourg, Grand Duchy of Luxembourg and was entered in the Luxembourg Trade Register (Registre de Commerce et des Sociétés) under number B165103. On 10 June 2014, the Extraordinary General Meeting of the Parent Company approved, amongst other agreements:

- Transfer its registered office and tax and administration domicile (effective headquarters) to Glorieta de Cuatro Caminos 6 y 7 in Madrid, without being dissolved or going into liquidation, continuing the practice of activities that represent its corporate purpose in Spain, under Spanish nationality as a public limited company regulated by Spanish law and, in particular, under the SOCIMI legal and tax system, with all its shares traded on the Luxembourg Stock Market.

- Change of the company name from “SAINT CROIX HOLDING IMMOBILIER, S.A.” to “SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.”.

- Approval of the financial statements of the Parent Company as at 31 May 2014 (accounts' end date prior to transfer of domicile and therefore, the change of nationality).

- Approval of the new Articles of Association pursuant to Spanish law, in addition to the Regulation on the General Shareholders' Meeting.

Following the culmination of the process to change the company name and transfer its effective headquarters to Madrid (Spain), the Parent Company was entered into the Trade Register of Madrid on 15 October 2014.

Its corporate purpose includes the following activities:

- The holding of interests in the capital of other listed real estate investment trusts (hereinafter "REITs") or in the capital of other entities not domiciled in Spanish territory which have the same corporate purpose as REITs and which are subject to a similar scheme as the one laid down for REITs with regard to mandatory, legal or statutory policies on the distribution of profits.

- The holding of interests in the capital of other entities, whether or not they are domiciled in Spanish territory, which have the acquisition of urban real estate assets for leasing as their main corporate purpose and which are subject to the same scheme as that established for REITs concerning mandatory, legal or statutory policies on the distribution of profits and which meet the investment requirements laid down by Law 11/2009 of 26 October governing Listed Real Estate Investment Trusts (hereinafter the "REIT Act").

- The tenancy of shares or interests in collective real estate investment institutions governed by Act 35/2003 of 4 November on Collective Investment Institutions.

- The performance of other non-core or complementary financial and non-financial activities that generate revenues which together amount to less than the percentage the REIT Act sets forth at any time for the company's revenue in each tax period, such as:

    - The acquisition and development of urban property 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 construction, development and sale of retail outlets, garages and housing units in both the free market and the officially protected or public market, and others related to said activity, such as the acquisition of land and the financing, development and subdivision into plots, along with the refurbishment of buildings.

    - The acquisition, plot subdivision, operation and sale of rural, agricultural, forestry and stock breeding properties and of any other real estate asset, along with the marketing of their products and other consumer goods.

    - The acquisition, tenancy and disposal of property and fixed and variable income and securities after having received, if applicable, the relevant administrative authorisation, along with the purchase and sale of works of art.

    - The management, administration and operation of hotels, aparthotels, student halls of residence and nursing homes for the elderly in any of the ways provided for by Law and in general of any kind of property where an economic activity is carried out.

    - The assignment of its own capital in exchange for the payment of interest or other kinds of consideration.

Regarding the subsidiaries, COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U. and INVERETIRO SOCIMI, S.A.U., their corporate purposes consist of the acquisition and development of urban property assets for leasing, which includes the refurbishment of buildings, under the terms laid down by Law 37/1992 of 28 December, the Value Added Tax Law.

Current organisation of the Group

At the time at which the Parent Company was incorporated, on 1 December 2011, it owned 100% of the shares in the two investee companies (REIT) named COMPAÑÍA IBÉRICA DE BIENES RAÍCES, 2009, SOCIMI, S.A.U. and COMPAÑÍA IBÉRICA DE RENTAS URBANAS, 2009, SOCIMI, S.A.U. At the time, the Group comprised three companies, the holding company and two fully owned investee companies; therefore, its consolidated accounts are presented under the full consolidation method.

After approval on 25 June 2013 of the merger of the two companies with effect from 1 January 2013, the Parent Company began to consolidate COMPAÑÍA IBÉRICA DE BIENES RAÍCES, 2009, SOCIMI, S.A.U. by global integration; in turn, said company held the assets and liabilities of the unresolved COMPAÑÍA IBÉRICA DE RENTAS URBANAS, 2009, SOCIMI, S.A.U., thus having no effect on the Group's total consolidation.

On 22 January 2015, the Board of Directors of the Parent Company approved the acquisition of 100% of the shares in INVERETIRO, S.L. for €52 million, an amount calculated based on the market value of the company's assets (mainly real estate), net of debt.
The operation to acquire all the shares of the subsidiary was notarised on 27 March 2015 before the Notary of Madrid Mr. Luis Pérez-Escolar Hernando. With this acquisition, it is now 100% owned by the Parent Company, its business name having been changed to INVERETIRO, SOCIMI, S.A.U. and its articles of association having been adapted to match those of a REIT.

The appraisal of the acquired company's assets, on which the transaction value was based, was conducted on 31 December 2014 by independent expert TINSA Tasaciones Inmobiliarias, S.A., following the valuation standards of the Royal Institution of Chartered Surveyors (RICS).

Thereafter, the Parent Company has submitted consolidated financial statements under the global integration method for the two fully owned companies, i.e., COMPAÑÍA IBÉRICA DE BIENES RAÍCES, 2009, SOCIMI, S.A.U. and INVERETIRO, SOCIMI, S.A.U.

After this operation, the Group is now organised as follows:

Data as at 30 June 2016	
SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.	Parent Company Share capital: 267,577,040 euros Assets: 319,970,261 euros Equity: 285,227,429 euros Investment in CIBRA equity: 267,931,197 euros Investment in INVERETIRO equity: 52,004,436 euros Financial debt (fixed income): 10,000,000 euros
Cibra 2009 Socimi S.A.U.	100% owned company Share capital: 257,160,000 euros Assets: 307,492,451 euros Equity: 269,770,553 euros Banking financial debt: 15,019,670 euros
InveRetiro SOCIMI, S.A.U.	100% owned company Share capital: 44,992,853 euros Assets: 72,489,916 euros Equity: 46,619,305 euros Banking financial debt: 24,534,454 euros

Ongoing merger

At the meeting of the Board of Directors at the Parent Company held on 1 April 2016 at its registered office, the following items were unanimously approved:

- Plan for Saint Croix Holding Immobilier, SOCIMI, S.A. (absorbing company) to merge with its two subsidiaries, in which it holds 100% of the corresponding share capital, i.e., COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U. and INVERETIRO, SOCIMI, S.A.U. (both absorbed companies).

- Convening of the Extraordinary General Meeting of Saint Croix Holding Immobilier, SOCIMI, S.A. held on 19 May 2016 at which, in addition to other items, the approval of the company's shareholders regarding said merger will be sought.

At the Company's Extraordinary General Shareholders' Meeting held on 19 May 2016 at its registered office, the following agreements were approved:

- Merger of Saint Croix Holding Immobilier, SOCIMI, S.A. (absorbing company) with its two subsidiaries, in which it holds 100% of the corresponding share capital, i.e., COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U. and INVERETIRO, SOCIMI, S.A.U. (both absorbed companies), as per the merger plan submitted to the Trade Register of Madrid dated 8 April 2016.

- As a result of the foregoing, the corporate purpose of the absorbing company has also changed to address the acquisition, promotion and lease of property assets.

Following the Extraordinary General Meeting's approval of the merger, it shall take effect on 1 January 2016. The value of the asset merged on said date amounts to a total of €329,364,583 (including cash, in the sum of €61,308,695), and the value of the merged equity comes to €291,100,752, with financial debt standing at €32,662,103.

Fixed Income Security Issue Programme for 2015

On 30 September 2015, the Parent Company registered the background document for the inclusion of medium- and long-term securities corresponding to a "Fixed Income Security Issue Programme for 2015" with the Alternative Fixed Income Market ("MARF") . The Background Document was published on the website of the Alternative Fixed Income Market and on the Parent Company's website. For the purposes of registering the aforementioned bonds programme, the Parent Company has been rated, for credit purposes, as BBB and as having a stable outlook ("investment grade") by Axesor. The programme will last for 1 year. The funds obtained from the issue will be channelled towards investment in real estate assets and renovating existing assets.

The main features of the aforementioned programme are summarised below:

- Maximum amount of the issue: 80,000,000 euros
- Depreciation term: Between 2 and 7 years
- Coupon: Annual
- Nominal unit value ≥ €100,000
- Target audience of the issue: qualified investors

At 30 June 2016, the Parent Company has issued two sets of fixed income securities as part of this programme for a combined amount of €10,000,000, the main features of which are as follows:

	Simple Bonds 2021	**Simple Bonds 2022**
Nominal amount	8,000,000	2,000,000
Issue date	23 June 2016	23 June 2016
Maturity date	23 June 2021	23 June 2022
Annual coupon	2.50%	2.50%
Payment of the coupon	Annual	Annual
Issuer APR	2.72%	2.77%

The average APR of both issues for the issuer has been 2.73% annual. The two issues of securities have been traded on the Alternative Fixed Income Market "MARF" since 24 June 2016.

2. Applicable legislation

The Parent Company, in addition to its subsidiaries, are governed by Law 11/2009 of 26 October governing Listed Real Estate Investment Trusts, as amended by Law 16/2012 of 27 December. Article 3 of said Law, as amended by the new Law, sets forth the investment requirements for this kind of company, which are as follows:

1. REITs shall have at least 80 per cent of the value of their urban real estate assets allocated to leasing and to land for real estate development which are to be allocated to such purpose, provided that development is initiated within three years following its acquisition.

   The asset value shall be determined according to the yearly average of the separate quarterly balance sheets and, in order to calculate such value, the company may opt to replace the market value of the elements comprising said balance sheets with their book value, which would then be applied to the entire year's balance sheets. For this purpose, cash or credit rights arising from a transfer of said real estate assets or any interests realised in the same year or in previous years shall not be computed, as appropriate, provided, in the latter case, that the reinvestment time limit referred to in Article 6 of this Law has not elapsed.

2. Furthermore, at least 80 per cent of the tax period's income corresponding to each financial year, excluding income from the transfer of interests and real estate allocated to fulfilling its 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.

   This percentage will be calculated from the consolidated profit if the company is the parent company of a group according to the criteria established in Article 42 of the Commercial Code, regardless of residency and the obligation to produce consolidated financial statements. Such group shall solely be comprised of REITs and the rest of the entities referred to in paragraph 1, Article 2 of this Law.

3. The real estate assets which form part of the company's assets must be leased for at least three years. For the purposes of calculation, 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 Law applies, provided that was leased or offered for lease on said date. Otherwise, the provisions set forth in the following subsection 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 very first time.

In the case of shares or interests in the entities referred to in paragraph 1, Article 2 of this Law, they must be maintained in the company's assets for at least three years from the date of acquisition or, as appropriate, from the start of the first tax period in which the special tax scheme set forth in this Law applies.

As set forth by the First Transitional Provision of Law 11/2009 of 26 October governing Listed Real Estate Investment Trusts, as amended by Law 16/2012 of 27 December, such companies may opt to apply the special tax scheme under the terms set forth in Article 8 of said Law, even where the requirements laid down therein have not been fulfilled, provided such requirements are met within two years of the date on which the company chooses to apply the scheme.

The failure to comply with this condition shall mean that the company will once again be taxed as per the general tax scheme for Corporation Tax, as from the tax period when the failure to comply comes about, except where it is corrected in the following year. Furthermore, along with the tax liability for such tax period, the company shall be obliged to pay the difference between the tax liability for the tax resulting from the application of the general scheme and the tax liability effectively paid resulting from applying the special tax scheme in prior tax periods, without prejudice to any late payment interest, surcharges and penalties which may, as appropriate, apply.

In addition to the above, the amendment of Law 11/2009 of 26 October by Law 16/2012 of 27 December 2012 established the following specific changes:

a) More flexible criteria for the inclusion and maintenance of real estate assets: there is no lower limit on the number of real estate assets to be contributed at the REIT's incorporation, except for housing units, of which at least eight must be contributed.

Real estate assets no longer have to remain on the company's balance sheet for seven years but only for at least three years.

b) Reduction in capital requirements and freedom to leverage: the minimum capital required was reduced from 15 to 5 million euros, eliminating the restriction on the real estate investment vehicle's maximum borrowing.

c) Reduction in dividend payout: until the Law came into force, 90% of the profits had to be distributed. This mandatory figure was reduced to 80% as from 1 January 2013.

The Corporation Tax rate for REITs is set at 0%. Nonetheless, where the dividends a REIT distributes to its members holding an interest exceeding 5% are exempt or taxed at a rate below 10%, the REIT will be subject to a special rate of 19%, which shall be deemed as the Corporation Tax liability on the amount of the dividends distributed to such members. If applicable, this special rate shall have to be paid by the REIT within two months from the date the dividends are distributed.

The Parent Company's Administrators deemed on 30 June 2016 that the Group companies had fulfilled all the requirements laid down by the aforementioned Law.

3. Terms and conditions for the presentation of Interim Consolidated Financial Statements

3.1 Accounting principles

These consolidated financial statements for Saint Croix Holding Immobilier, SOCIMI, S.A. and its subsidiaries for the first two quarters of 2016 have been approved by the directors of the Parent Company at the meeting of the Board of Directors held on 28 July 2016. Furthermore, they have been prepared pursuant to the stipulations of the International Accounting Standards (IAS 34 – Interim Financial Reporting) as adopted by the European Union, according to Regulation (EC) nº 1606/2002 of the European Parliament and European Council (hereinafter "IFRS-EU").

In compliance with the IFRS-EU in effect at the end of the second quarter of 2016, these financial statements show a faithful image of the Group's consolidated financial situation and assets at 30 June 2016 and of the results of its transactions, changes to its equity and consolidated cash flows that occurred in the Group during the six-month period ending on that date.

The Group's consolidated financial statements have been prepared from the accounting records kept by the parent company and its subsidiaries. Each company prepares its financial statements following the accounting principles and criteria in effect in the country in which it carries out operations so that in the consolidation process the necessary adjustments and reclassifications to homogenise said principles and criteria and match them to the IFRS-EU have been made.

The consolidated annual accounts for 2015, prepared in accordance with the stipulations of the IFRS-EU, were approved by the Annual General Shareholders' Meeting of Saint Croix Holding Immobilier, SOCIMI, S.A.held on 01 April 2016 and deposited with the Trade Register of Madrid.

3.2 Consolidation principles and companies included in the consolidation perimeter

Subsidiaries

Companies over which the Parent Company has the capacity to exercise control are deemed as subsidiaries. This capacity is manifested where the Company has the power to manage the financial and operating policies of an investee company in order to benefit from its activities. It is assumed such control exists where the Parent Company holds 50% or more of the voting rights in investee entities either directly or indirectly or, where the percentage is lower, if agreements exist with other shareholders of said companies which grant the Company control over them.

The financial statements of subsidiaries consolidated with those of the Parent Company by application of the global integration method. Consequently, all balances and effects of transactions carried out between the consolidated companies have been removed in the consolidation process.

When a Subsidiary Company is acquired, the Subsidiary Company's assets, liabilities and contingent liabilities are accounted for at their fair value on the acquisition date. Any excess in the acquisition cost compared to the fair value of the identifiable net assets acquired is recognised as goodwill. Any defect in the acquisition cost with regard to the fair value of the identifiable net assets acquired, in other words a discount on the acquisition, is charged to the year's profit or loss on the date of acquisition.

The subsidiaries included in the perimeter of consolidation integrated by the global integration method are as follows:

Euros								
Company	**Registered Office**	**Cost of the Investment and outstanding disbursements**	**Impairment**	**%**	**Corporate Purpose**	**Share Capital**	**Other Equity Elements**	**Profit/(Loss) for the year**
Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U. (*)	Glorieta Cuatro Caminos 6 y 7. Madrid	267,931,197	-	100.00%	Holding of real estate assets for rental (REIT)	257,160,000	8,230,701	4,379,853
INVERETIRO, SOCIMI S.A.U (*)	Glorieta Cuatro Caminos 6 y 7. Madrid	52,004,436	-	100.00%	Holding of real estate assets for rental (REIT)	44,992,853	246,496	1,379,956
Total		**319,935,633**	-					

(*) Figures obtained from (unaudited) individual financial statements at 30 June 2016

3.3 Comparison of the information

The information contained in these explanatory notes related with the first two quarters of 2016 is presented for purposes of comparison with the information for 2015 (balance sheet compared with figures for the 31 December 2015 and profit and loss account compared with figures at 30 June 2015).

3.4 Grouping of items

Certain items in the consolidated financial statement, consolidated income statement, statement of changes in equity and consolidated cash flow statement are presented grouped together to facilitate comprehension, although when it is significant, the information is presented broken down in the corresponding explanatory notes to the consolidated financial statements.

3.5 Responsibility for the information and estimates made

The information contained in these explanatory notes to the consolidated financial statements is the responsibility of the directors of the Parent Company.

The estimates made by the Group's management and the consolidated entities' management to value some of the assets, liabilities, revenues, expenses and undertakings accounted for in the consolidated financial statements attached hereto have sometimes been used in the process of drawing up the consolidated financial statements.

These estimates essentially refer to:

- Valuation of possible losses due to impairment of certain assets (Notes 5.1 and 5.3).
- Useful life of real-estate assets (Note 5.1).
- Calculation of provisions (Note 5.7).

Despite the fact that these estimates were made on the basis of the best available information at the end of the first quarter of 2016, 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.

3.6 Currency

These consolidated financial statements are presented in euros, as it is the functional currency of the main economic environment in which the Group operates.

4. Distribution of the Parent Company's profit/(loss)

The proposal for distribution of the Parent Company's 2015 profits presented by its directors to the shareholders and approved at the Annual General Shareholders' Meeting held on 01 April 2016 is as follows:

	Euros
Basis of distribution:	
Profit and Loss	9,755,905
Distribution:	
General Accounting Plan first application reserves	1,800,596
Legal Reserve	975,590
Dividends	6,979,719

In 2015, the Parent Company has not paid any dividends against the separate income obtained by the Company in 2014 given that negative reserves on 31 December 2014 exceeded net profits obtained in 2014. Said negative reserves were generated as a result of applying the new General Accounting Plan, following the transfer of its effective headquarters mentioned in Note 1. The dividends for 2015 approved at the Parent Company's Ordinary General Meeting on 1 April 2016 were fully paid out to shareholders on 18 April 2016.

Following the aforementioned distribution of profits obtained in 2015, the Parent Company has reduced the negative reserves generated in 2014 in order to adapt to the General Accounting Plan by €156,252, which is expected to be offset in full against the profit obtained in 2016.

5. Accounting standards and policies and valuation criteria applied

These are the main rules for recording figures and their valuation used by the group in the preparation of the consolidated financial statements for the first two quarters of 2016:

5.1 Real estate investments

The "Real estate investments" item on the consolidated 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.

The Group depreciates real estate investments following the straight-line method by applying annual depreciation percentages calculated on the basis of the respective assets' years of estimated useful life, as follows:

	Years of Estimated Useful Life
Buildings	50
Technical facilities	15 - 20
Machinery	8
Other facilities	20
Tools and furniture	10
Other fixed assets	6 - 10

As indicated above, the Group depreciates these assets in accordance with the aforementioned years of estimated useful life, considering as a basis for depreciation their historic cost values increased by new investments which will be made and which involve an increase in their added value or their estimated useful life.

Impairment in the value of real estate investments

Whenever evidence for impairment may exist, the Group proceeds to estimate through the so-called "Impairment Test" the possible existence of impairments which reduce the recoverable value of such assets to below their book value.

The recoverable amount is determined as the higher between fair value less costs of sale and value in use. In any event, significant differences may arise between the fair value of the Group's real estate investments and the effective realisation value of said investments taking the situation of the real estate market into consideration.

Where an impairment loss is subsequently reverted, the asset's book value is increased up to the revised estimate of its recoverable value in such a way as to ensure that the increased book value does not exceed the book value that would have been determined if no impairment loss had been recognised in prior years. Such reversion of an impairment loss is recognised as income.

The Group carries out an external, independent valuation of its assets at the end of every year. For this purpose, at the end of 2015, it commissioned a valuation of its assets from CBRE Valuation Advisory, S.A., an independent expert; the final report was published on 26 January 2016 to determine the fair values of all its real estate investments at the end of 2015. 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 any event, significant differences may arise between the fair value of the Group's real estate investments and the effective realisation value of said investments taking the situation of the real estate market into consideration.

Where an impairment loss is subsequently reverted, the asset's book value is increased up to the revised estimate of its recoverable value in such a way as to ensure that the increased book value does not exceed the book value that would have been determined if no impairment loss had been recognised in prior years. Such reversion of an impairment loss is recognised as income

In the first half of 2016, the directors of the Parent Company consider that no significant changes have occurred in either the variables used in said valuation on closure of 2015 by the Independent expert in the contents or 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 first half of 2016 are similar to those at the end of 2015.

According to the appraisals made, the fair value of the real estate investments revealed an unaccounted for latent capital gain (by comparing the updated gross fair market value and the net book value) of €63,482,220 at 30 June 2016 (€62,815,286 in 2015).

The market value of its real-estate investments at the end of the first half of 2016 comes to €339,260,855 (€325,805,855 in 2015).

5.2 Leases

Leases are classified as financial leases whenever it can be deduced from the lease agreements that the risks and benefits inherent to owning the asset which is the purpose of the agreement are substantially transferred to the lessee. All other leases are classified as operating leases. The Group has no financial leases at the end of the second quarter of 2016 nor for the financial year 2015.

Operating leases

The expenses arising from the operating lease agreements are charged to the consolidated income statement in the financial year in which they accrue.

Likewise, any acquisition costs of the leased asset are reflected on the consolidated balance sheet in accordance with their nature increased by the amount of any costs which may directly stem from the agreement, which are recognised as an expense over the term of the agreement term by applying the same criterion used to recognise revenue resulting from the lease.

Any charge or payment that may be made when entering into an operating lease is dealt with as an advance charge or payment and charged to income over the lease's term as the profits of the leased asset are progressively assigned or received.

5.3. Financial instruments

5.3.1 Financial assets

Classification-

The financial assets owned by the Group 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 on 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 accounted for at the fair value of the consideration handed over plus any transaction costs that can be directly attributable to them.

Subsequent valuation -

Loans, receivables and investments held to maturity are valued at their amortised cost.

At least at the close of the year, the Group conducts an impairment test on any financial assets not accounted 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 consolidated income statement.

More specifically, the criterion used by the Group 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 Group writes off financial assets when they expire or when the rights over cash flows from the financial asset in question have been assigned and the risks and benefits inherent to their ownership have been substantially transferred.

Alternatively, the Group does not write off financial assets in financial asset assignments where the risks and benefits inherent to their ownership are substantially retained, recognising a financial liability equivalent to the consideration received.

5.3.2 Financial liabilities

Financial liabilities include any debits and payables the Group has resulting from the purchase of goods and services from the company's trade operations, or also any that do not have a trade-related origin which cannot be considered as derivative financial instruments.

Debits and payables are initially valued at the fair value of the consideration received, adjusted by any transaction costs that can be directly attributed to them. Subsequently, such liabilities are valued in accordance with their amortised cost.

The Group writes off financial liabilities when the obligations they have generated expire.

5.4 Classification of balances into current and non-current balances

Current assets are deemed to be any assets linked to the normal operating cycle, which in general terms is considered to be a year, along with any other assets whose maturity, disposal or realisation is expected to come about in the short term from the date of the close of the year, along with cash and cash equivalents. Any assets which do not meet these requirements are classified as non-current assets.

Similarly, current liabilities are linked to the normal operating cycle and, in general terms, include all obligations whose maturity or extinction will come about in the short term. Otherwise, they are classified as non-current liabilities.

5.5 Tax on profits

After its amendment by Law 16/2012 of 27 December, the special tax scheme for REITs is based on a zero per cent Corporation Tax rate, provided certain requirements are met. Among these, it is worth highlighting the requirement that at least 80% of assets must be comprised of urban properties designated for leasing which are fully owned or acquired through interests in companies that meet the same investment and distribution of results requirements, be they Spanish or foreign, whether or not they are listed on organised markets. Likewise, the main sources of income of these entities must come from the property market, be it from leases, the subsequent sale of real estate after a minimum maintenance period or the income from interests in entities having similar characteristics. Nonetheless, the tax is accrued proportionally to the payout of dividends carried out by the company. Any dividends received by the partners are exempt, except where the beneficiary is a legal person subject to Corporation Tax or a permanent establishment belonging to a foreign entity, in which case a deduction has been established for the total tax liability, so that such income is taxed at the partner's tax rate. However, the rest of income will not be taxed while it is not paid out to the members.

As stipulated by the Ninth Transitional Provision of Law 11/2009 of 26 October governing Listed Real Estate Investment Trusts, as amended by Law 16/2012 of 27 December, the entity will be subject to a special 19% tax rate on the full amount of the dividends or profits distributed to members whose interest in the entity's capital is equivalent to or greater than five per cent, where such dividends at the registered office of its members are exempted from tax or taxed at a rate below ten per cent. The foregoing notwithstanding, the special tax rate shall not apply where the dividends or profit sharing are received by other REITs, regardless of what their percentage holding may be.

The Group's Parent Company has applied a levy of 0% to the dividends distributed to its shareholders, as these comply with the previous condition.

5.6. Income and expenses

Income and expenses are booked on an accrual principle, 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.

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, if any, between the invoicing carried out and the income recognised in keeping with this criterion is booked in the "Accrual adjustments" item.

5.7 Provisions and contingencies

In formulating the consolidated financial statements, the directors of the Parent Company distinguish between:

a) Provisions: credit balances which cover current obligations arising from past events whose cancellation will probably lead to an outflow of resources, but which cannot be determined as to their amount and/or moment of cancellation.

b) Contingent liabilities: possible obligations arising as a consequence of past events, whose future materialisation is conditional upon whether or not one or more future events which are beyond the Group's control take place.

The consolidated financial statements 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 included in the consolidated financial statements. Information about them, however, is provided in the notes to the consolidated financial statements to the extent by which they are not deemed as remote possibilities.

Provisions are valued at the current value of the best possible estimate of the necessary amount to cancel or transfer the obligation, taking into account available information on the event and its consequences, and booking any adjustments that may arise due to the updating of such provisions as a financial expense as they accrue.

5.8 Severance indemnities

In accordance with prevailing legislation, the Group is required to pay severance indemnities to employees it makes 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 30 June 2016.

5.9 Environmental equity elements

Environmental equity elements are deemed to be any assets which are used in a long-lasting manner in the Group'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 Group's operations do not have any significant environmental impacts.

5.10 Subsidies, donations and bequests

In order to book subsidies, donations and bequests received from third parties other than the owners, the Group follows the following criteria:

a) Non-reimbursable capital subsidies, donations and bequests: These are valued at the fair value of the amount or asset granted, depending on whether they are of a monetary nature or not. They are charged to the consolidated income statement in proportion to the depreciation allowance allocated in the period for subsidised elements or, as appropriate, when their disposal or value correction due to impairment comes about.

b) Reimbursable subsidies: As long as they are deemed as reimbursable, they are booked as liabilities.

5.11 Related-party transactions

The Group performs all its transactions with related parties at market prices. Moreover, transfer prices are properly documented. Hence, the Parent 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. Information by segment

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 Directors, 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 2016 are as follows:

- Hotels
- Offices
- Sales
- Industrial

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 balance sheet

2016 (30 June)

ASSETS	Euros					
	Total	**Hotels**	**Offices**	**Sales**	**Industrial**	**Others**
NON-CURRENT ASSETS	**287,482,271**	**108,470,343**	**75,921,629**	**79,357,539**	**13,727,926**	**10,004,834**
Tangible fixed assets	1,926	-	-	-	-	1,926
Property investments	275,778,635	108,289,445	75,284,031	78,674,376	13,530,783	-
Long-term financial investments	11,701,710	180,898	637,598	683,163	197,143	10,002,908
CURRENT ASSETS	**59,856,934**	**157,195**	**1,390,678**	**41,703**	**5,009**	**58,262,349**
Inventories	1,889	-	-	-	-	1,889
Trade and other accounts receivable	1,906,526	152,599	1,374,478	24,345	-	355,105
Short-term investments in associated companies	56,145,124	-	-	-	-	56,145,124
Short-term financial investments	43,164	4,596	16,200	17,358	5,009	-
Cash and cash equivalents	1,760,231	-	-	-	-	1,760,231
TOTAL ASSETS	**347,339,205**	**108,627,538**	**77,312,307**	**79,399,242**	**13,732,935**	**68,267,182**

LIABILITIES	Euros					
	Total	**Hotels**	**Offices**	**Sales**	**Industrial**	**Others**
EQUITY	**288,235,504**	**102,399,309**	**76,006,483**	**76,472,474**	**13,424,130**	**19,933,107**
Capital	267,577,040	101,227,570	74,634,810	74,205,871	12,870,342	4,638,446
Legal Reserve	1,131,843	-	-	-	-	1,131,843
Reserves in consolidated companies	13,998,487	-	-	-	-	13,998,487
Profit/(loss) for the year attributed to the parent company	5,528,134	1,171,739	1,371,673	2,266,603	553,788	164,332
NON-CURRENT LIABILITIES	**45,866,699**	**1,769,307**	**477,328**	**1,226,789**	**308,804**	**42,084,470**
Subsidies	1,356,573	1,356,573	-	-	-	-
Long-term debts	44,510,126	412,734	477,328	1,226,789	308,804	42,084,470
CURRENT LIABILITIES	**13,237,002**	**4,458,923**	**828,496**	**1,699,979**	**-**	**6,249,605**
Short-term debts	8,778,080	-	828,496	1,699,979	-	6,249,605
Short-term debts with associated companies	-	-	-	-	-	-
Trade creditors and other accounts payable	4,458,923	4,458,923	-	-	-	-
TOTAL EQUITY AND LIABILITIES	**347,339,205**	**108,627,538**	**77,312,307**	**79,399,242**	**13,732,935**	**68,267,182**

2015

ASSETS	Euros					
	Total	Hotels	Offices	Sales	Industrial	Others
NON-CURRENT ASSETS	**264,691,677**	**107,055,447**	**76,943,197**	**66,395,723**	**13,795,058**	**502,253**
Tangible fixed assets	2,253	-	-	-	-	2,253
Property investments	262,990,569	106,879,025	76,279,283	65,729,467	13,602,794	500,000
Long-term financial investments	1,698,855	176,421	663,914	666,256	192,264	-
CURRENT ASSETS	**64,630,900**	**269,962**	**2,421,767**	**43,068**	**-**	**61,896,103**
Inventories	1,079	-	-	-	-	1,079
Trade and other accounts receivable	3,345,402	269,962	2,404,159	43,068	-	628,213
Short-term investments in associated companies	61,053,472	-	-	-	-	61,053,472
Short-term financial investments	17,608	-	17,608	-	-	-
Cash and cash equivalents	213,339	-	-	-	-	213,339
TOTAL ASSETS	**329,322,577**	**107,325,409**	**79,364,964**	**66,438,791**	**13,795,058**	**62,398,356**

LIABILITIES	Euros					
	Total	Hotels	Offices	Sales	Industrial	Others
EQUITY	**289,687,089**	**104,482,727**	**78,217,087**	**63,890,135**	**13,581,431**	**29,515,709**
Capital	267,577,040	94,556,944	74,593,453	59,705,608	12,664,337	26,056,698
Legal Reserve	156,252	-	-	-	-	156,252
Reserves in consolidated companies	2,673,040	-	-	-	-	2,673,040
Profit/(loss) for the year attributed to the parent company	19,280,757	9,925,783	3,623,634	4,184,527	917,094	629,719
NON-CURRENT LIABILITIES	**32,229,505**	**1,699,189**	**354,514**	**848,677**	**213,627**	**29,113,499**
Subsidies	1,413,665	1,413,665	-	-	-	-
Long-term debts	30,815,840	285,524	354,514	848,677	213,627	29,113,499
CURRENT LIABILITIES	**7,405,983**	**1,143,493**	**793,363**	**1,699,979**	**-**	**3,769,148**
Short-term debts	5,618,153	-	793,363	1,699,979	-	3,124,811
Short-term debts with associated companies	28,907	-	-	-	-	28,907
Trade creditors and other accounts payable	1,758,923	1,143,493	-	-	-	615,430
TOTAL EQUITY AND LIABILITIES	**329,322,577**	**107,325,409**	**79,364,964**	**66,438,791**	**13,795,058**	**62,398,356**

Segmented consolidated income statement

2016 (30 June)

	Euros					
	Hotels	**Offices**	**Sales**	**Industrial**	**Others**	**Total**
Income	2,765,790	2,108,953	2,940,092	634,471	22,145	8,471,450
Indirect costs	-451,540	-128,928	-64,242	-6,255	-33,285	-684,250
Net Margin	**2,314,250**	**1,980,025**	**2,875,849**	**628,216**	**-11,140**	**7,787,200**
Overheads	-10,534	-7,072	-10,645	-2,417	-188,862	-219,530
EBITDA	**2,303,716**	**1,972,953**	**2,865,204**	**625,799**	**-200,002**	**7,567,670**
% of income	**83.29%**	**93.55%**	**97.45%**	**98.63%**	**-903.17%**	**89.33%**
Depreciation	-1,189,068	-530,579	-509,763	-72,011	-327	-2,301,749
Subsidies	57,092	-	-	-	-	57,092
Extraordinary income	-	58,234	-	-	-131,979	-73,745
Profits/(losses) on asset disposals	-	-129,961	-	-	-	-129,961
Impairment/Reversal	-	129,961	-	-	-	129,961
Financial profit/(loss)	-	-128,935	-88,838	-	496,640	278,866
EBT	**1,171,740**	**1,371,673**	**2,266,603**	**553,788**	**164,332**	**5,528,134**
Corporation tax	-	-	-	-	-	-
Net profit/(loss)	**1,171,740**	**1,371,673**	**2,266,603**	**553,788**	**164,332**	**5,528,134**
% of income	**42.37%**	**65.04%**	**77.09%**	**87.28%**	**742.09%**	**65.26%**

2015 (30 June)

	Euros					
	Hotels	**Offices**	**Sales**	**Industrial**	**Others**	**Total**
Income	3,596,594	1,998,096	2,982,740	440,790	32,968	9,051,188
Indirect costs	-680,529	-133,867	-79,371	-20,793	-39,347	-953,907
Net Margin	**2,916,065**	**1,864,228**	**2,903,369**	**419,998**	**-6,379**	**8,097,281**
Overheads	-333,954	-18,863	-28,159	-4,161	-107,100	-492,238
EBITDA	**2,582,111**	**1,845,365**	**2,875,210**	**415,836**	**-113,479**	**7,605,044**
% of income	**71.79%**	**92.36%**	**96.39%**	**94.34%**	**-344.21%**	**84.02%**
Depreciation	-1,462,458	-545,205	-515,673	-46,168	-760	-2,570,265
Subsidies	54,358	-	-	-	-	54,358
Extraordinary income	-	-	-	-	-	-
Profits/(losses) on asset disposals	-	-31,301	-	-	-	-31,301
Impairment/Reversal	-	-631,294	-	-	-	-631,294
Financial profit/(loss)	9,613	-136,564	-88,673	-	667,044	451,420
EBT	**1,183,623**	**501,002**	**2,270,863**	**369,668**	**552,805**	**4,877,962**
Corporation tax	-	-	-	-	-	-
Net profit/(loss)	**1,183,623**	**501,002**	**2,270,863**	**369,668**	**552,805**	**4,877,962**
% of income	**32.91%**	**25.07%**	**76.13%**	**83.86%**	**1676.78%**	**53.89%**

The breakdown of the **income and net book value** for real estate assets heading, including tangible fixed assets under construction, at 30 June 2016 compared to 30 June 2015 is as follows:

Segment	Euros					
	30/06/2016			**30/06/2015**		**31/12/2015**
	Income	**%**	**Net cost**	**Income**	**%**	**Net cost**
Hotels	2,765,790	32.65%	108,289,446	3,596,594	39.74%	106,879,025
Offices	2,108,953	24.89%	75,284,031	1,998,096	22.08%	76,279,283
Sales	2,940,092	34.71%	78,674,376	2,982,740	32.95%	65,729,467
Industrial	634,471	7.49%	13,530,782	440,790	4.87%	13,602,794
Other income	22,145	0.26%	-	32,968	0.36%	500,000
Total income	**8,471,450**	**100.00%**	**275,778,635**	**9,051,188**	**100.00%**	**262,990,569**

From a geographic point of view, most income is generated in Madrid and Huelva (both in Spain). In this regard, Madrid maintains its contribution to total income (66%). The breakdown of the contribution to income from a geographic standpoint is as follows:

Area	Euros			
	30/06/2016		30/06/2015	
	Income	%	Income	%
Madrid	5,591,680	66.01%	6,020,509	66.52%
Huelva	2,212,048	26.11%	2,362,957	26.11%
Castellón	667,722	7.88%	667,722	7.38%
Total	**8,471,450**	**100%**	**9,051,188**	**100.00%**

As shown in the table above, most of the Group's activity is focused in Madrid and Huelva (92% in 2016 compared to 93% in 2015), maintaining the ratio between Madrid (66%) and Huelva (26%).

7. Property investments

The movement occurring under this heading of the consolidated financial statements at 30 June 2016, and the most important information affecting this section in the first six months of 2016 and for the year 2015, is as follows:

2016 (6 months)

	Euros				
	Balance as at 31/12/2015	Additions	Write-offs/ Reversals	Carry-forwards	Balance as at 30/06/2016
Cost:					
Real estate for leases	305,822,724	13,081,342	-622,405	3,903,146	322,184,807
Investments in progress and advances	1,430,000	2,473,146	-	-3,903,146	-
Total cost	**307,252,724**	**15,554,488**	**-622,405**	**-**	**322,184,807**
Accumulated depreciation:					
Real estate for leases	-27,612,952	-2,301,421	27,444	-	-29,886,929
Total accumulated depreciation	**-27,612,952**	**-2,301,421**	**27,444**	**-**	**-29,886,929**
Impairment:					
Real estate for leases	-16,649,203	-	129,961	-	-16,519,242
Total impairment	**-16,649,203**	**-**	**129,961**	**-**	**-16,519,242**
Net real estate investments	**262,990,569**	**13,253,068**	**-465,000**	**-**	**275,778,636**

2015

	Euros					
	Balance as at 31/12/2014	**Expansion of perimeter**	**Additions**	**Write-offs/ Reversals**	**Carry-forwards**	**Balance as at 31/12/2015**
Cost:						
Real estate for leases	271,594,479	52,261,724	14,329,736	-32,430,077	66,862	305,822,724
Investments in progress and advances	66,862	-	1,430,000	-	-66,862	1,430,000
Total cost	**271,661,341**	**52,261,724**	**15,759,736**	**-32,430,077**	**-**	**307,252,724**
Accumulated depreciation:						
Real estate for leases	-26,237,589	-274,380	-5,206,152	4,105,169	-	-27,612,952
Total accumulated depreciation	**-26,237,589**	**-274,380**	**-5,206,152**	**4,105,169**	**-**	**-27,612,952**
Impairment:						
Real estate for leases	-25,463,006	-	-418,766	9,232,569	-	-16,649,203
Total impairment	**-25,463,006**	**-**	**-418,766**	**9,232,569**	**-**	**-16,649,203**
Net real estate investments	**219,960,746**	**51,987,344**	**10,134,818**	**-19,092,339**	**-**	**262,990,569**

The "Real-estate investment" item includes the net cost of properties in use and operation, which are leased by means of one or more operational leases, or properties that are vacant but are meant for lease by means of one or more operational leases.

Investments in real estate in 2016 comes to €15,554,488 (€66,591,459 in 2015). The main entries recorded against this item in 2016 correspond, in large part, to:

- Remodelling carried out in hotels to the amount of €2,473,146.

- COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U., completed the acquisition of commercial premises at Gran Vía, 55 in Madrid on 1 March 2016 by public deed and before the Notary of Madrid Mr. José Enrique Cachón Blanco. The payment was made in cash and totalled €12,955,000, including the advance of €500,000, which was paid in 2015 (€13,455,000 including acquisition expenses and taxes). The aforementioned premises are located in the building known as "LOPE DE VEGA" which can be accessed at Gran Vía, 55 and Calle de Isabel la Católica, 10. Its built surface expands over 1,400 square metres.

Property amounting to €622,405 has been disposed of this year (€32,430,077 in 2015). The main disposals at 30 June 2016 correspond to the sale of a property at Sanchinarro VI for the amount of €217,372 and the sale of two properties at Coslada III for the amount of €405,033, which have been sold to third parties for a combined net loss of €129,961 (net loss of €4,110,547 in 2015). Said amount has been recorded in the "Impairment and gains/losses from sales of fixed assets" in the consolidated profit and loss account at 30 June 2016 attached. Provisions were set aside in full to cover said losses at the end of 2015.

Furthermore, as established by the regulation, the Group assesses all its properties at the end of each year. Said assessments, carried out by the independent expert CBRE Valuation Advisory, S.A., led to a number of assets with a fair value lower than the net book value thereof, as a result, the Group calculated the corresponding impairments. At 30 June 2016, assets have not been valued externally; however, the Group's Board of Directors does not believe that further impairments are necessary, given that there have been no significant changes in the agreements in force. As a result, at 30 June 2016, there have been no impairments associated to real estate investments (€418,766 at the end of 2015).

The breakdown by segment is therefore as follows:

Segments	Impairments (Euros)	
	2016	2015
Hotels	-	-
Offices	-	-
Sales	-	418,766
Industrial	-	-
Total	**-**	**418,766**

On the other hand, as a result of the aforementioned divestments and appraisal of the Group's assets, the decision has been taken to reverse impairments in the amount of €129,961 in 2016 (€3,017,602 in 2015). The breakdown is as follows:

Segments	Reversals (Euros)	
	2016	2015
Hotels	-	1,237,407
Offices	129,961	1,335,433
Sales	-	444,762
Industrial	-	-
Total	**129,961**	**3,017,602**

Furthermore, according to the appraisals made, the fair value of the real estate investments revealed an unaccounted for latent capital gain (by comparing the updated gross fair market value and the net book value) of €63,482,220 (€62,815,286 in 2015).

The gross asset value (GAV) of real estate investments at 30 June 2016 and the end of 2015, broken down by activity segment, is as follows:

Segments	GAV (€)	
	30/06/2016	31/12/2015
Hotels	113,102,010	113,102,010
Offices	76,502,309	76,502,309
Sales	133,603,186	120,148,186
Industrial	16,053,350	16,053,350
Total	**339,260,855**	**325,805,855**

The breakdown of floor space in square metres above ground level of the real estate investments owned by the group is:

Segments	Floor area in M2 above ground level	
	30/06/2016	31/12/2015
Hotels	80,135	80,135
Offices	23,310	23,602
Sales	21,801	20,441
Industrial	13,810	13,810
Total	**139,056**	**137,988**

At 30 June 2016, the level of occupation of the Group's assets dedicated to leasing is 90.26% (91.18% in 2015) based on the square metres leased.

The real estate investments described above are mainly located in Madrid, Castellón, Cáceres and Isla Canela in the province of Huelva.

In the Group's portfolio of leased assets, there are four hotels located in Isla Canela in the province of Huelva which were affected by mortgage guarantees at 30 June 2016 amounting to €18,722,030 (€22,946,506 in 2015) corresponding to four bank mortgage loans granted to Isla Canela, S.A., which has become the sole debtor of these guarantee obligations, thereby leaving COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009 SOCIMI, S.A.U. as the owner of the aforementioned registered properties, but not as the debtor thereof. The breakdown of the mortgage loan balance pending maturity and repayment at 30 June 2016 by assets is as follows:

Property	Euros	
	30/06/2016	**31/12/2015**
Hotel Meliá Atlántico	9,356,143	10,247,704
Hotel Barceló Isla Canela	7,258,281	8,130,512
Hotel Iberostar Isla Canela	800,000	2,400,000
Hotel Playa Canela	1,307,696	1,961,542
Hotel Isla Canela Golf	-	206,748
Total amount of mortgages pending expiry on hotels	**18,722,030**	**22,946,506**

On 1 January 2010, Isla Canela, S.A. and COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009 SOCIMI, S.A.U., entered into a "Service Provision Agreement with Mortgage Guarantee", by means of which the latter provides the former with the mortgage guarantee service whereby the hotels owned by the latter will respond for repayment by the former of the mortgage loans taken out from the institutions in accordance with the arrangements agreed upon in their articles of incorporation deeds until each of the mortgage loans entered into is definitively redeemed. Isla Canela, S.A. undertakes to promptly pay any depreciation instalments and ancillary costs that may arise until the loans guaranteed with a mortgage are redeemed. Due to the provision of the service described above, Isla Canela, S.A. pays the subsidiary a fee; this an annual lump-sum amount equivalent to 0.25% of the average annual outstanding balance of the mortgage loans calculated on 31 December each year, which is invoiced and paid on the last day of each calendar year. This amount may be amended annually through an agreement between the parties to adapt to it the average market prices paid by the subsidiary for the provision of bank guarantees (bank guarantees and surety bonds) by financial institutions. In 2016, the amount of €25,328 has been earned from this item (€37,200 in the first half of 2015) (see Note 20.1).

On the other hand, the leased assets of subsidiaries are subject to mortgage guarantees at 30 June 2016 in the amount of €28,558,316, (€29,693,866 in 2015) corresponding to bank mortgage loans.

The breakdown of the mortgage loan balance pending maturity and repayment at 30 June 2016 and 31 December 2015 by asset is as follows:

Property	Euros	
	30/06/2016	**31/12/2015**
Titán, 13	14,875,525	15,206,092
Conde de Peñalver, 16	9,658,929	9,873,571
Plaza de España (Castellón)	4,023,862	4,614,203
Total amount of mortgages pending expiry on assets	**28,558,316**	**29,693,866**

The rental income from the Group's real estate investments at 30 June 2016 and in 2015 amounted to €8,471,450 and €9,051,188, respectively (see Note 19.1).

At 30 June 2016, 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 30 June 2016, the company had fully depreciated real estate investment elements that were still in use to the amount of €4,680,402 (€4,680,402 at the end of 2015).

The Group's policy is to arrange insurance policies to cover possible risks to which its real estate investments are exposed. At 30 June 2016, there was no under coverage of said risks.

8. Operating leases

The Group had reached agreements with lessees on the following minimal rental instalments in accordance with prevailing agreements at 30 June 2016 and at the end of 2015, without taking into account the passing on of common expenses, future increases in the consumer price index or any rent reviews agreed upon in their contracts.

The most significant operating leases stem from lease agreements on the real estate assets on which their operations are based. A breakdown of such minimum rental instalments is set out below:

Operating leases Minimum instalments	Nominal value (€)	
	30/06/2016	**31/12/2015**
Less than a year	18,958,505	18,651,518
Between one and five years	65,445,558	66,215,792
More than five years	39,061,149	40,028,534
Total	**123,465,212**	**124,895,844**

Concerning the average duration of lease agreements by property type, below is the **WAULT (Weighted average unexpired lease term)**:

Type	WAULT	
	30/06/2016	**31/12/2015**
Hotels	6.48	6.34
Offices	6.32	5.42
Sales	8.45	6.88
Industrial	11.58	12.00
Total Average	**7.72**	**6.70**

9. Other financial assets and investments in related companies

The balances of accounts under this item, at 30 June 2016 and 31 December 2015, are as follows:

Financial assets: Nature / Category	Euros	
	30/06/2016	**31/12/2015**
	Loans and receivables	
Other financial assets	11,701,710	1,698,855
Long-term / Non-current	**11,701,710**	**1,698,855**
Credits to related companies	56,145,124	61,053,472
Short-term / Current	**56,145,124**	**61,053,472**
Total	**67,846,834**	**62,752,327**

The Group generates a cash surplus from current operations arising from its main activity, as set forth in the corporate purpose of the Parent Company and its subsidiaries. As a result, the subsidiaries have reached several financing agreements in this regard with related parties under market conditions in order to take maximum advantage of its positive cash flows (see Note 20.2). Said loans to related companies are recorded under the "Short-term investments in associated companies" item of the consolidated balance sheet.

The movements in the "Short-term loans to associated companies" and the "Other non-current financial assets" items during the first six months of 2016 and throughout 2015 are as follows:

2016 (30 June)

Financial assets Nature/Category	Euros				
	31/12/2015	Additions	Write-offs	Carry-forwards	30/06/2016
Loans to associated companies (Note 20.2)	61,053,472	42,072,222	-46,980,570	-	56,145,124
Other financial assets	1,698,855	10,046,019	-	-43,164	11,701,710
Total	**62,752,327**	**52,118,241**	**-46,980,570**	**-43,164**	**67,846,834**

2015

Financial assets Nature/Category	Euros					
	31/12/2014	Expansion of perimeter	Additions	Write-offs	Carry-forwards	31/12/2015
Loans to associated companies (Note 20.2)	57,579,278	28,067,582	17,826,688	-42,420,076	-	61,053,472
Other financial assets	1,181,932	553,445	204,864	-223,778	-17,608	1,698,855
Total	**58,761,210**	**28,621,027**	**18,031,552**	**-42,643,854**	**-17,608**	**62,752,327**

During 2016, the change in the "Loans to associated companies" item is fundamentally attributable to the cash pooling account that subsidiaries hold with Promociones y Construcciones, PYC, PRYCONSA, S.A., under which the Group has an outstanding balance of €56,145,124 at 30 June 2016 as part of this Group financing plan (€61,053,472 in 2015).

Furthermore, the "The other non-current financial assets" item covers the bonds received from customers deposited in the IVIMA associated with the leases set out in Note 8 for the amount of €1,698,802 (€1,698,855 in 2015) in addition to the investments made in 2016 in the shares of other Real Estate Investment Trusts Listed on the Real Estate Market for the amount of €10,002,908 (€0 in 2015).

The breakdown by due dates of the entries that comprise the "Other current and non-current financial assets" concerning bonds at 30 June 2016 is as follows:

	Euros					
	2016	2017	2018	2019	2020 and later	Total
Other financial assets (bonds)	43,164	4,770	230,380	756	1,462,896	1,741,966
Total	**43,164**	**4,770**	**230,380**	**756**	**1,462,806**	**1,741,966**

10. Trade and other accounts receivable

The breakdown of this item, at 30 June 2016 and 31 December 2015, is as follows:

Description	Euros	
	30/06/2016	31/12/2015
Accounts receivable for sales and services	1,442,383	2,717,189
Other credits with Public Administrations (Note 18.1)	464,143	628,213
Total	**1,906,526**	**3,345,402**

The balance of the "Customers by sales and services" item can be broken down as follows at 30 June 2016 and 31 December 2015:

Description	Euros	
	30/06/2016	31/12/2015
Customers	139,606	719,230
Bills of exchange in portfolio	1,302,777	1,997,959
Doubtful receivables	156,243	236,895
Impairment	-156,243	-236,895
Total	**1,442,383**	**2,717,189**

11. Cash and cash equivalents

The balance that features under "Cash and bank" primarily corresponds to the balance available in current accounts at 30 June 2016. The availability of these balances is not subject to restrictions and accrue market interest.

12. Information on the nature and level of risks affecting financial instruments.

The management of the Group's financial risks is centralised in Financial Management and in Grupo PRYCONSA'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:

a) 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.

b) Liquidity risk

Taking into account the current situation of the financial market and the estimates made by the Parent Company's Directors 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.

c) Exchange rate risk

As regards the Group's exchange rate risk at 30 June 2016, it did not have any assets or liabilities in foreign currencies. Hence, there is no risk in this regard.

d) Interest rate risk

The Group has long-term loans financing long-term assets, as well as long-term loans not associated to specific assets and 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.

On the other hand, the debentures and bonds issued by the Parent Company are referenced to a fixed interest rate; therefore, there are no fluctuations in cost in this regard.

e) Real estate business risks

Changes in the economic situation at both local and international levels, occupation and employment growth rates, interest rates, tax legislation and consumer confidence have a significant impact on the real estate markets. Any unfavourable change in any of these or in other economic, demographic or social variables in Europe, and Spain in particular, could lead to a reduction in real estate activity in these countries. The cyclical nature of the economy has been statistically proven, as 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.

13. Equity and own funds

a) Authorised capital

At 30 June 2016 and 31 December 2015, the Parent Company's subscribed share capital was comprised of 4,452,197 registered shares at a par value of €60.10 each. All these shares belong to a single class and series and all have been fully subscribed and paid up, which means that the Parent Company's notarised share capital amounts to €267,577,040.

All the shares making up the share capital are entitled to the same rights, although there are certain restrictions on their transferability in the Articles of Incorporation (preferential purchase rights).

All the Parent Company's shares have been admitted to trading on the Luxembourg Stock Exchange since 21 December 2011. The share price at 30 June 2016 and the average share price in the first half of 2016 were €67.30 and €65.73 per share, respectively. The shares are registered shares and are represented by means of book entries. They are constituted as such by virtue of their registration in the corresponding share register.

The shareholders shall be subject to the obligations set forth in Articles 10 and following of the REIT Act. Any shareholders whose interest in the entity's share capital is equivalent to or greater than five per cent and who receive dividends or a share-out of profits are obliged to give the company notice of the tax rate on the dividends received within ten days, counting from the date after the day they are received.

The companies holding an interest in the Parent Company's share capital equivalent to or greater than 10% at 30 June 2016 were as follows:

Shareholder	Number of Shares	Percentage of Interest
PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.	498,201	11.19%
COGEIN, S.L.	459,786	10.33%

b) Parent Company Reserves

Legal Reserve

According to the Consolidated Text of the Corporate Enterprises Act, a figure equivalent to 10% of the profit for the year has to be allocated to the legal reserve until the balance of this reserve reaches at least 20% of share capital. The legal reserve may be used to increase capital by using the proportion of its balance which exceeds 10% of the already increased capital.

With the exception of the aforementioned use, and whilst it does not exceed 20% of the share capital, this reserve may only be used to offset losses, and only when there are no other sufficient available reserves to do so.

At 30 June 2016, the Parent Company's legal reserve was not fully constituted.

General Accounting Plan first application reserves

As indicated in Note 1, during 2014, the Parent Company transferred its registered office to Spain; therefore, in compliance with the legislation in force, the financial statements for 2014 were the first to be submitted pursuant to the General Accounting Plan approved by Royal Decree 1514/2007 of 16 November, which came into force on 1 January 2008.

Specifically, the only adjustment required to adapt the comparative figures for 2013 to the General Accounting Plan approved by Royal Decree 1514/2007, of 16 November, corresponded to the registration, in previous years, of income from dividends distributed by its subsidiary, COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009 SOCIMI, S.A.U. Given that said distributed dividends were unmistakably from profits generated prior to the acquisition date of the investment, under the Spanish General Accounting Plan, it should not be booked as income, but by reducing the investment value. To this end, the Company restated the comparative information for 2013, recording a decrease in the cost of the investment held in its subsidiary and charged an amount to reserves equal to the dividends received in previous years and recorded as income, for a combined amount of €4,211,445.

During 2015, the Parent Company adapted part of the value of negative reserves calculated at 31 December 2014 to value of investments in equity instruments, reducing said negative reserves by €1,333,495 against the value of long-term financial investments in group companies and associates. Following the distribution of profit obtained in 2015, the Parent Company has reduced the negative reserves generated in 2014 in order to adapt to the General Accounting Plan by €156,252, which is expected to be offset in full against the profit obtained in 2016.

c) Distribution of profits

REITs are governed by the special tax scheme set forth in Law 11/2009 of 26 October governing Listed Real Estate Investment Trusts, as amended by Law 16/2012 of 27 December. Once all the trading obligations that may correspond to them are fulfilled, such companies are obliged to distribute to their shareholders the profits obtained in the year. Such distribution must be resolved as set out below within the six months following the end of each financial year:

a) All the profits from dividends or profits distributed by the entities referred to in paragraph 1, Article 2 of this Law.

b) At least 50 per cent of the profits resulting from the transfer of the real estate assets and shares or interests referred to in paragraph 1, Article 2 of said Law which are carried out once the periods referred to in paragraph 3, Article 3 of this Law have elapsed and which are allocated to fulfilling its main corporate purpose. The rest of such profits must be reinvested in other real estate assets or interests included under the corporate purpose within 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 regime set forth by the aforementioned Act.

c) At least 80 per cent of the rest of the profits obtained.

Where the distribution of dividends is charged to the reserves from the profits of a year in which the special tax regime has been applied, the distribution of such dividends must necessarily fulfil the resolution referred to in the preceding paragraph.

The legal reserve of any companies which have opted to apply the special tax regime set forth in this Act may not exceed 20 per cent of their share capital. The articles of these companies may not establish any other unavailable reserve other than the legal reserve.

Capital management

The Group is essentially financed with shareholders' equity. Only in the case of new investments may the Group make use of the credit markets to finance these acquisitions or obtain financing from related companies by taking out mortgage loans.

The Group's companies have undertaken to distribute at least 80% of their distributable profits in the form of dividends to their shareholders pursuant to the existing legal obligation laid down by Law 11/2009, as amended by Law 16/2012.

d) Reserves in consolidated companies

The breakdown by company of the composition of the reserves in consolidated companies item is as follows:

	Euros	
	30/06/2016	**31/12/2015**
Saint Croix Holding Immobilier, SOCIMI, S.A.	16,306,177	8,917,579
COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U.	-2,540,496	-6,240,104
INVERETIRO, SOCIMI, S.A.U.	232,806	-4,435
Total	**13,998,487**	**2,673,040**

14. Capital grants

The changes in this heading in 2016 (6 months) and in 2015 have been as follows:

2016 (6 months)

	Euros		
	31/12/2015	**Applications**	**30/06/2016**
Capital grants	1,413,665	-57,092	1,356,573
Total	**1,413,665**	**-57,092**	**1,356,573**

2015

	Euros		
	31/12/2014	**Applications**	**31/12/2015**
Capital grants	1,522,383	-108,718	1,413,665
Total	**1,522,383**	**-108,718**	**1,413,665**

The grants awarded to the Group in previous years correspond to the following items: Grant awarded by the Directorate-General of Regional Economic Incentives amounting of 3,180,000 euros for the development of the area.

The following should be highlighted within this group of subsidies:

- Grant awarded by the Directorate-General of Regional Economic Incentives amounting to 1,550,000 euros corresponding to 10% of the investment made to build a hotel in Ayamonte, Huelva.

- Grant awarded by the Directorate-General of Regional Economic Incentives amounting to 1,106,000 euros corresponding to 10% of the investment made to build a hotel in Ayamonte, Huelva.

- Grant awarded by the Directorate-General of Regional Economic Incentives amounting to 490,000 euros corresponding to 14% of the investment made to build a hotel in Ayamonte, Huelva.

- Grant awarded by the Directorate-General of Regional Economic Incentives amounting to 34,000 euros in order to improve the facilities of the Hotel Barceló Isla Canela located in Ayamonte, Huelva.

Apart from the grant for the Hotel Barceló Isla Canela, which was awarded in the 2011, the aforementioned grants were transferred to the Group from Isla Canela, S.A. based on the partial division agreement which gave rise to the Subsidiary Company, since all of them were allocated to the activity subject to the transfer. Taking into account that the partial division transaction mentioned above was performed with accounting effects as of 1 January 2009, the Subsidiary Company has booked the grants thus transferred in income since then.

Hence, in the first half of 2016, income amounting to €57,092 was booked as income under the "Assignment of non-financing fixed asset grants" heading of the consolidated profit and loss account attached hereto (€108,718 in 2015).

15. Current and non-current liabilities

The balances of accounts under these items, at 30 June 2016 and 31 December 2015, are as follows:

	Euros	
	30/06/2016	**31/12/2015**
Long-term debts with credit institutions	30,904,743	27,200,524
Long-term debentures and bonds	10,000,000	-
Other financial liabilities	3,605,383	3,615,316
Total long-term debts	**44,510,126**	**30,815,840**
Short-term debts with credit institutions	8,649,381	5,461,579
Other financial liabilities	128,699	156,574
Total short-term debts	**8,778,080**	**5,618,153**
Total short- and long-term financial debts	**53,288,206**	**36,433,993**

The "Long-term debt to credit entities" and "Short-term debt to credit entities" headings correspond to the following:

- Loans subject to mortgage guarantees taken out with Caixabank and Banco Santander that, at 30 June 2016, are pending maturity and amortisation. Said mortgage loans correspond to loans in which the Group is subrogated (Caixabank) as part of the acquisition process of premises acquired in 2011 in Plaza de España (Castellón), in addition to the 2015 arrangement of two loans subject to mortgage guarantees with Banco Santander on the commercial properties located at Conde de Peñalver, 16 (Madrid) and the offices at Calle Titán, 13 (Madrid).

The characteristics of said loans are as follows (Note 7):

Property	Start	Euros		Maturity
		Initial amount	Pending capital	
Plaza España, Castellón	2,007	4,195,000	714,933	2018
Plaza España, Castellón	2,010	7,200,000	3,308,928	2020
Titán, 13	2,015	15,735,000	14,875.525	2025
Conde de Peñalver, 16	2,015	10,217,000	9,658,929	2025
Total		**37,347,000**	**28,558,316**	

- Loan from Abanca, which came into effect on 30 March 2016, with a limit of €3,000,000 and maturing in 3 years, with an amount of €2,837,828 pending amortisation at 30 June 2016.

- Loan from Liderbank, which came into effect on 28 April 2016, with a limit of €2,000,000 and maturing in 2 years, with an amount of €1,917,466 pending amortisation at 30 June 2016.

- Long-term debentures and bonds: On 23 June 2016, the Parent Company embarked upon two issues of fixed income securities for a combined amount of €10,000,000 with an average APR for both issues of 2.73% annual, which was first traded on the MARF on 24 June 2016, the main characteristics of which are as follows:

	Simple Bonds 2021	Simple Bonds 2022
Nominal amount	8,000,000	2,000,000
Issue date	23 June 2016	23 June 2016
Maturity date	23 June 2021	23 June 2022
Annual coupon	2.50%	2.50%
Payment of the coupon	Annual	Annual
Issuer APR	2.72%	2.77%

Furthermore, the “Short-term debts with credit institutions” item includes two credit policies, one of which was taken out with Banca March in November 2014 and was renewed on 19 November 2015 with a limit of €5,000,000, with an amount of €4,887,972 drawn at 30 June 2016; the second was taken out with Bankinter on 19 January 2015 and was renewed on 3 April 2016, with a limit of €5,000,000, with an amount of €57,248 drawn at 30 June 2016.

The financial expenses arising from debts with credit institutions in the first half of 2016 amounts to €237,803 (€339,227 in June 2015) and are booked under the "Financial expenses" heading of the consolidated income statement account attached hereto.

The interest rates on the loans are set under market conditions plus a fixed spread.

The "Guarantees and deposits" item reflects the guarantees received from clients connected with the leases set out in Note 9.

The breakdown by due dates at 30 June 2016 is as follows:

	Euros					
	2016	2017	2018	2019	2020 and later	Total
Debts with credit institutions (*)	7,354,086	4,516,691	3,521,160	2,257,919	20,608,973	38,258,829
Debentures and bonds	-	-	-	-	10,000,000	10,000,000
Confirming issued	1,295,295	-	-	-	-	1,295,295
Bonds	128,699	389,853	359,929	401,353	2,454,248	3,734,082
Total	**8,778,080**	**4,906,544**	**3,881,089**	**2,659,272**	**33,063,221**	**53,288,206**

(*) Loans subject to mortgage guarantee of €28,558,316, loans with no mortgage guarantee of €4,755,294 and drawdowns in credit policy of €4,945,220

16. Disclosure on supplier payment deferrals

Below, is a breakdown of the information required under the Third Additional Provision of Law 15/2010, of 5 July (amended by the Second Final Provision of Law 31/2014, of 3 December) prepared pursuant to the ICAC Resolution of 29 January 2016, on the information to be included in the financial statements report regarding the average supplier payment term in commercial operations.

	2016
	Days
Average supplier payment term	57.78
Ratio of operations for which payment has been made	65.09
Ratio of operations pending payment	49.12
	Euros
Total payments made	3,587,531
Total pending payments	1,101,312

Pursuant to the ICAC Resolution, to calculate the average supplier payment term, commercial operations corresponding to the delivery of goods or the provision of services since the date on which Law 31/2014, of 3 December came into effect have been considered.

Suppliers, for the sole purpose of providing the information set out in this Resolution, are considered trade creditors for debts with suppliers of goods and services, included in the items “Suppliers” and “Sundry creditors” items of the current liability in the consolidated balance sheet attached hereto.

The “Average supplier payment term” is understood as the amount of time that transpires between the delivery of the goods or the provision of services offered by the supplier and the material payment of the operation.

The maximum legal payment term applicable to the Group in 2016 according to Law 3/2004, of 29 December, which sets forth the measures to combat late payment in commercial transactions is 30 days effective from the publication of the aforementioned Law and to date (unless the conditions provided for therein are met, which allow for the maximum payment term to be increased to 60 days).

17. Guarantees undertaken with third parties

At 30 June 2016 and 31 December 2015, the Group had no guarantees extended to third parties.

The foregoing notwithstanding, as mentioned in Note 7, the four hotels owned by the Group which are located in Isla Canela in Ayamonte, Huelva are subject to mortgage guarantees amounting to €18,722,030 corresponding to four banks loans granted to Isla Canela, S.A., which has become the sole debtor of the obligations thereof. This balance corresponds to the outstanding balance at 30 June 2016 of the four mortgage loans mentioned, which correspond to each of the properties. In this regard, the Group entered into a mortgage guarantee agreement with Isla Canela, S.A., as mentioned in Note 7, to ensure the repayment by said related company of the mortgage loans on the hotels owned by the Group until the loans are finally redeemed. The Group receives a commission fee equivalent to 0.25% of the average outstanding balance of the mortgage loans thus guaranteed.

18. Public Administrations and Tax Situation

18.1 Current balances with Public Administrations

The breakdown of the current balances with Public Administrations is as follows:

Debit balances

	Euros	
	30/06/2016	**31/12/2015**
Internal Revenue, withholdings for the year	369,632	369,632
Internal Revenue, withholdings for the previous year	-	253,954
Value Added Tax	94,511	4,627
Total	**464,143**	**628,213**

The Internal Revenue's debt to the Group at 30 June 2016 primarily corresponds to retentions made on capital interest of the Group's financing system and on dividends.

On 2 February 2016, an amount of €253,954 corresponding to withholdings on dividends pending collection at the end of 2015 was received in full by the Parent Company.

Credit balances

	Euros	
	30/06/2016	**31/12/2015**
Inland Revenue, Personal Income Tax creditor	1,335,602	15,764
Inland Revenue, VAT creditor	583,893	417,201
Social Security	2,434	2,372
Others	-	178,492
Total	**1,921,929**	**613,829**

18.2 Reconciliation of the consolidated accounting profit/loss and the consolidated tax base

Reconciliation of the accounting profit/loss and the Group's corporation tax base in the first half of 2016 and throughout 2015 is as follows:

2016 (6 months)

Item	Euros
Accounting profit/loss before taxes	5,528,134
Temporary differences	-115,817
Previous tax base	**5,412,317**
Offsetting of negative tax bases	-
Tax base	**5,412,317**
Total tax liability (0%)	**-**
Withholdings and payments on account	-
Net (payable)/receivable	**-**

2015

Item	Euros
Accounting profit/loss before taxes Temporary differences	19,280,756 -621,577
Previous tax base	**18,659,179**
Offsetting of negative tax bases	-479,228
Tax base	**18,179,951**
Total tax liability (0%)	**-**
Withholdings and payments on account	369,632
Net (payable)/receivable	**369,632**

Parent Company:

No permanent or temporary differences came about in 2016 in the tax base calculation. The tax base therefore corresponds to the pre-tax profit.

At 30 June 2016, the Parent Company had no temporary differences pending recognition (€0 in 2015).

At 30 June 2016, there were no financial expenses that have not been deductible from the tax base in terms of corporation tax.

Pursuant to Article 9.2 of Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December, which regulates Real Estate Investment Trusts, the Tax self-assessment shall be carried out on the part of the tax base for the tax period that proportionately corresponds to the dividends in terms of which the distribution has been agreed concerning the profits recorded for the year. As indicated in Note 4, at the end of 2015, the Board of Directors at the Parent Company proposed the assignment of €6,979,719 (€0 in 2014) in dividends to the General Shareholders Meeting, with said dividends accruing Corporation Tax in terms of the amount payable of €0 (€0 in 2014). The individual interim profit for 2016, after taxes, amounts to €16,674,799 (€9,755,905 in 2015).

At 30 June 2016 and 31 December 2015, there were no negative tax bases nor tax deductions yet to be applied.

Subsidiaries:

The temporary differences for 2016 that reduce the pre-tax accounting profit of subsidiaries amounts to €115,817 (€621,577 in 2015) and correspond to:

- Negative adjustment corresponding to the recovery of the provision for the depreciation of non-deductible real estate investments pursuant to Law 16/2012, which establishes that the accounting depreciation of tangible fixed assets, intangible fixed assets and real estate investments is limited to 70% of the amount fiscally deducible, recovered, from 2015 onwards, on a linear basis, over 10 years at the amount of €231,635; therefore, at 30 June 2016, €115,817 has been recovered.

At the end of 2015, the Subsidiaries recorded temporary differences pending recognition of €2,387,661 (€2,503,478 in 2015), for which the deferred tax asset has not been booked, given that the applicable tax rate is 0%. Said temporary differences include adjusted depreciation in 2013 and 2014 pending deduction in the amount of €1,968,895 (€2,084,712 in 2015) in addition to impairment of real estate investments corresponding to 2015 in the amount of €418,765.

At 30 June 2016 and 31 December 2015, there were no financial expenses that have not been deductible from the tax base in terms of corporation tax.

Furthermore, pursuant to Article 6 of Law 11/2009 of 26 October governing Listed Real Estate Investment Trusts, the Group is obliged to distribute at least 50 per cent of the profits resulting from the transfer of the real estate assets and shares or interests referred to in paragraph 1, Article 2 of said Law as dividends, which are distributed once the periods referred to in paragraph 3, Article 3 of this Law have elapsed and which are allocated to fulfilling its main corporate purpose. The rest of such profits must be reinvested in other real estate assets or interests included under the corporate purpose within 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, established in Article 3, paragraph 3 of the aforementioned Law, elapses, any profits thereof must be fully distributed jointly with the profits, if any, of the financial year in which they have been transferred. In this regard, 50% of the profit from the sale of real estate assets not distributed by the Group generated by divestment transactions undertaken in 2015 must be reinvested before 14 July 2018, with the amount to be reinvested coming to €2,055,274, equal to 50% of the profit obtained from said operations, which comes to €4,110,547. Pursuant to the investments in real estate assets undertaken in 2016, the Company has complied with the requirement in terms of reinvestment.

At 30 June 2016 and 31 December 2015, there were no negative tax bases nor tax deductions yet to be applied.

COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U. was founded as a result of the partial division of Isla Canela, S.A. on 29 December 2009. The assets provided by Isla Canela, S.A. were ascribed to the tax neutrality scheme.

Pursuant to the foregoing, in order to comply with the provisions of Article 86 LIS, the following information is included:

a) Tax period in which the transferor, Isla Canela, S.A., acquired the transferred assets:

- Gran Vía 1 2º izquierda: 1987
- Marina Isla Canela Shopping Mall: 2000
- Hotel Barceló: 1998
- Hotel Atlántico: 2000
- Hotel Playa Canela: 2002
- Hotel Iberostar: 2002
- Hotel Golf Isla Canela: 2007

b) Last balance sheet closed by the transferor: The transferor transferred its assets to COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U. in 2009. The transferor currently continues to pursue its activities as normal, having ended its last tax year in 2015.

c) List of assets acquired and included in the books at a value other than the amount stated in the books of the transferor prior to the completion of the operation, including both values in addition to value adjustments constituted in the books of both entities:

Property	Euros		
	Net tax value	**Transfer market value**	**Deferred income**
Gran Vía 1 2º izquierda	374,654	1,940,000	1,565,346
Marina Isla Canela Shopping Mall	1,798,346	4,700,000	2,901,654
Hotel Barceló	7,090,735	23,700,000	16,609,265
Hotel Atlántico	18,667,707	29,200,000	10,532,293
Hotel Playa Canela	14,984,936	15,900,000	915,064
Hotel Iberostar	18,358,560	23,700,000	5,341,440
Hotel Isla Canela Golf	4,147,317	4,700,000	552,683
Total	**65,422,256**	**103,840,000**	**38,417,744**

d) The transferor enjoys no tax benefits; therefore, the entity does not need to comply with any specific requirements pursuant to the provisions of paragraph 1 of Article 84 LIS.

On the other hand, following the merger involving COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U., in 2013, the company purchased the assets and liabilities of the absorbed subsidiary, COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009, SOCIMI, S.A.U. The properties acquired by COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009, SOCIMI, S.A.U. were generated by a restructuring transaction, as part of which the transferor, COGEIN, S.L., exercised the power currently provided for in Article 77.2 LIS. In turn, as part of the merger, there were no differences between the net book value and the corresponding market values pursuant to the valuation undertaken by CBRE Valuation Advisory, S.A. on 31 January 2013 and subsequently validated by independent expert ARCO Valoraciones, S.A. appointed to this end by the Trade Register of Madrid. Therefore, the net book value of assets acquired by COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U. from COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009, SOCIMI, S.A.U. match the corresponding tax value, with no tax benefits enjoyed by COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009, SOCIMI, S.A.U. or COGEIN, S.L. concerning which COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U. must assume responsibility for the fulfilment of certain requirements pursuant to the provisions of paragraph 1 of Article 84 LIS.

18.3 Reconciliation between the consolidated accounting profit and consolidated corporation tax expenses

Reconciliation of the accounting profit/loss and the Group's corporation tax expenses in the first half of 2016 and throughout 2015, is as follows:

2016 (6 months)

Item	Euros
Pre-tax profit/(loss)	5,528,134
Temporary differences	-115,817
Previous tax base	**5,412,317**
Offsetting of negative tax bases	-
Tax base	**5,412,317**
Total tax liability (0%)	**-**
Tax expenses recognised in the profit and loss account	**-**

2015

Item	Euros
Pre-tax profit/(loss)	19,280,756
Temporary differences	-621,577
Previous tax base	**18,659,179**
Offsetting of negative tax bases	-479,228
Tax base	**18,179,951**
Total tax liability (0%)	**-**
Tax expenses recognised in the profit and loss account	**-**

18.4 Financial years pending verification and inspection actions

Prior to 31 May 2014, the Parent Company was domiciled in Luxembourg for taxation purposes. With the change of address, the Company settled all its taxes in said country, although all years since the Company was incorporated remain open to inspection.

On 11 November 2014, Saint Croix Holding Immobilier SOCIMI SA sent notice to the Inland Revenue stating that it wished to continue benefiting from the tax benefits referred to by Article

8 of Law 11/2009 of 26 October governing Listed Real Estate Investment Trusts for the tax period ending 31 December 2014.

On 27 January 2015, the Parent Company was notified by the Inland Revenue in reply to the notice it had given on 11 November 2014 that the request had been filed after the deadline and, as a result, the aforementioned tax scheme would not be applied to the corresponding tax period.

Following said communication from the AEAT, several appeals have been filed, in addition to an economic-administrative claim filed on 3 June 2015 before the Regional Economic Administrative Court (TEAR) of Madrid, as the Board of Directors at the Parent Company believes that it has appropriately complied with the procedures in due time and manner and that, therefore, following the appeal submitted, the Parent Company shall continue to be subject to the aforementioned Special Tax Scheme in 2014. Notwithstanding, the Parent Company informed the AEAT on 9 July 2015 of the option to apply the REIT scheme for 2015 onwards.

On the date that these notes to the interim consolidated financial statements were released, no response has been received from the TEAR concerning the economic-administrative claim filed by the Parent Company.

In accordance with prevailing legislation in Spain, taxes cannot be considered to have been definitively settled until the returns filed have been inspected by the tax authorities or until the four-year statute of limitations period has elapsed. At the end of 2015, all taxes paid by the Parent Company over the last four years were open to inspection. The Parent Company's directors consider that settlements of the aforementioned taxes have been properly filed. Hence, although discrepancies may arise regarding tax treatment given to operations due to interpretation of prevailing regulations, any liabilities that may eventually result thereof, should they come about, it will not significantly affect the consolidated financial statements attached hereto.

18.5 Reporting requirements arising from REIT status, Law 11/2009, as amended by Law 16/2012

This information on both Parent Company as well as its subsidiaries is contained in Appendices 1, 2 and 3 attached hereto.

19. Income and expenses

19.1 Net turnover and other operating income.

The breakdown of these items at 30 June 2016 and 30 June 2015 is as follows:

	Euros	
	30/06/2016	30/06/2015
Hotels	2,765,790	3,596,594
Offices	2,108,953	1,998,096
Sales	2,940,092	2,982,740
Industrial	634,471	440,790
Provision of sundry services	22,145	32,968
Operating subsidies	57,092	54,358
Total	**8,528,542**	**9,105,546**

The Group's entire turnover in the first two quarters of 2016 and 2015 was generated in Spain.

19.2 External charges for services, taxes and similar levies

The breakdown of these items at 30 June 2016 and 2015 is as follows:

	Euros	
	30/06/2016	30/06/2015
Rents and levies	2,559	15,550
Repairs and maintenance	34,981	12,224
Independent professional services	62,646	171,947
Insurance premiums	86,028	86,420
Banking services and similar	289	835
Advertising, publicity and public relations	9,788	363
Supplies	29,994	14,699
Other services	203,531	177,560
Taxes and similar levies	6,043	15,285
Total	**435,859**	**494,882**

19.3 Wages, salaries and National Insurance contributions

The breakdown of these items at 30 June 2016 and 2015 is as follows:

	Euros	
	30/06/2016	30/06/2015
Wages and salaries:		
Wages, salaries and similar outgoings	63,232	39,695
National Insurance contributions:		
National Insurance contributions incurred by the company	10,016	5,571
Other social expenses	-	2,205
Total	**73,248**	**47,472**

19.4 Contribution to consolidated profit/(loss)

The contribution to the consolidated profit/(loss) by Companies is as follows:

	Euros	
	30/06/2016	30/06/2015
Saint Croix Holding Immobilier, SOCIMI, S.A.	-111,417	-98,971
COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U.	4,379,853	3,862,108
INVERETIRO, SOCIMI, S.A.U.	1,259,699	1,114,825
Total	**5,528,134**	**4,877,962**

19.5 Earnings per share

The net profit/(loss) attributable to shareholders per share is as follows:

	Euros	
	30/06/2016	30/06/2015
Net profit/(loss) attributable to Parent Company	5,528,134	4,877,962
Weighted average number of shares	4,452,197	4,452,197
Earnings per share	**1.24**	**1.10**

Basic earnings per share are calculated as the ratio between net profit for the period attributable to the Parent Company and the weighted average number of ordinary shares in circulation during said period, without including the average number of shares held by the Parent Company in Group companies.

In turn, diluted earnings per share are calculated as the ratio between the net profit for the period attributable to ordinary shareholders, adjusted by the effect attributable to potential ordinary shares with a diluting effect and the weighted average number of ordinary shares in circulation during the period, adjusted by the weighted average of ordinary shares that would be issued if all potential ordinary shares were converted into ordinary shares in the company. To this end, the conversion is considered as taking place at the start of the period and when potential ordinary shares are issued, if they have been put in circulation during the period itself.

At 30 June 2016 and 2015, the basic and diluted earnings per share match.

20. Related-party transactions

20.1 Related-party transactions

Related-party transactions at 30 June 2016 and 2015 are as follows:

	Euros					
	30/06/2016			30/06/2015		
	Operating costs	Financial costs	Income income	Operating costs	Financial costs	Income income
ISLA CANELA, S.A.	52,977	-	25,238	-	-	37,800
Promociones y Construcciones, PYC, PRYCONSA S.A.	25,552	-	471,594	26,300	-	455,480
COGEIN, S.L.	-	-	-	-	-	284,062
Total (Note 20.2)	**78,529**	**-**	**496,832**	**26,300**	**-**	**777,342**

20.2 Balances with related companies

The balances with related companies at 30 June 2016 and 31 December 2015 are as follows:

2016 (30 June)

	Euros	
	Loans extended to related companies	Loans received from related companies
PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.	56,145,124	-
Total	**56,145,124**	**-**

2015

	Euros	
	Loans extended to related companies	Loans received from related companies
ISLA CANELA, S.A.	-	28,907
COGEIN, S.L.	189,107	-
PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.	60,864,365	-
Total	**61,053,472**	**28,907**

The agreements currently in force the Group companies have with related companies are as follows:

- On 1 January 2010, Isla Canela, S.A. and COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U. entered into a "Service Provision Agreement with Mortgage Guarantee", by means of which the latter will provide the former with the mortgage guarantee service whereby the hotels owned by the latter will respond for repayment by the former of the mortgage loans taken out from the institutions in accordance with the arrangements agreed upon in their articles of incorporation deeds until each of the mortgage loans entered into is definitively redeemed. Isla Canela, S.A. undertakes to promptly pay any depreciation instalments and ancillary costs that may arise until the loans guaranteed with a mortgage are redeemed. Due to the provision of the service described above, Isla Canela, S.A. will pay COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U. a fee consisting of an annual lump-sum amount equivalent to 0.25% of the average annual outstanding balance of the mortgage loans calculated on 31 December each year, which will be invoiced and paid on the last day of each calendar year. This amount may be amended annually through an agreement between the parties to adapt to it the average market prices paid by the Company for the provision of bank guarantees (surety and banking insurance) by financial institutions. The costs accrued for this in 2016 were €25,328 (€37,200 in the first half of 2015) which is included under the heading of financial revenue at 31 December 2015.

- In 2010, Isla Canela, S.A. and COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U. entered into a financing agreement by means of which the latter would finance the former under market conditions with the excess liquidity it generates as a result for performing its activity, provided its financing needs are covered. The financing agreement is for a term is of three years and it may automatically be renewed for three-year terms. The financial conditions for the agreement set forth the accrual of interest equivalent to the quarterly EURIBOR rate plus a spread similar to the average spread said entity pays as a result of the mortgage loans it holds. The agreement is reciprocal. In other words, the financing can be generated either way under the same terms and conditions. The interest accrued and booked in the Group's consolidated income statement at 30 June 2016 amounted to €0 as financial income (€600 in the first half of 2015).

- On 1 June 2012, Isla Canela S.A. and COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U. entered into a technical services provision agreement for the maintenance of the hotels owned by COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U. Pursuant to the aforementioned agreement, Isla Canela, S.A. provides the subsidiary with an integrated preventive maintenance service for the hotels owned by COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U. in exchange for economic consideration equivalent to €74,500 per year, which will rise according to the CPI on an annual basis. The agreement is annual but may be tacitly extended by the parties also on an annual basis, although either of the parties may terminate it at any time. The cost accrued in 2016 as a result of this services provision agreement is €22,325 (€0 in the first half of 2015) and is entered under the “Other operating costs” item of the Group's consolidated income statement at 30 June 2016.

- In addition to the technical services agreement mentioned in the point above, there is an addendum through which Isla Canela, S.A. provides COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U., with a corrective refurbishment works management service for the hotels owned by the latter and whose preventive maintenance is carried out by Isla Canela, S.A. Under this addendum, this entity acts as the works manager in the hotels' refurbishment. The consideration it receives in exchange for this service amounts to 5% of remuneration calculated on the value of the refurbishments performed under the framework of said agreement. The cost to the subsidiary in 2016 corresponding to this addendum to the agreement is €30,652 (€0 in the first half of 2015), which is entered under the “Other operating costs” item of the Group's consolidated income statement at 30 June 2016.

- In 2010, Promociones y Construcciones, PYC, PRYCONSA, S.A. and COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U. entered into a financing agreement by means of which the latter would finance the former under market conditions with the excess liquidity it generates as a result for performing its activity, provided its financing needs are covered. The financing agreement is for a term is of three years and it may automatically be renewed for three-year terms. The financial conditions set forth in the agreement imply the accrual of interest equivalent to the quarterly EURIBOR rate plus a market spread. The agreement is reciprocal. In other words, the financing can be generated either way under the same terms and conditions. The interest accrued and booked in the Group's consolidated income statement at 30 June 2016 amounted to €361,358 as financial income (€455,480 in the first half of 2015).

- On 1 January 2010, Promociones y Construcciones, PYC, PRYCONSA, S.A. and COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U. entered into a sundry services provision agreement by means of which the former provides mainly administration services to the latter, among others. In principle, the agreement is for a term of ten years and it may be tacitly renewed on an annual basis. The annual amount of the contract amounts to €30,000, which will be reviewed in line with the annual CPI. The amount accrued in 2016 as a result of this agreement is €15,237 (€0 in the first half of 2015), which is entered at the end of 2016 under the “Other operating costs” item of the Group's consolidated income statement at 30 June 2016.

- In 2010, COGEIN, S.L. and COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U. entered into a financing agreement whereby the latter would finance the former under market conditions with the excess liquidity it generates as a result for performing its activity, provided its financing needs are covered. The financing agreement is for a term is of two years and it may automatically be renewed for two-year terms. The financial conditions in the agreement imply the accrual of interest at the legally established rate on the average annual balance of the debt existing between the parties. The agreement is reciprocal. In other words, the financing can be generated either way under the same terms and conditions. The interest accrued and booked in the Group's consolidated income statement at 30 June 2016 amounted to €0 as financial income (€284,062 in the first half of 2015).

- On 11 June 2014, the Parent Company entered into a service provision agreement with one of its significant shareholders, Promociones y Construcciones, PYC, PRYCONSA, S.A., whereby the latter would provide the Parent Company with an integrated management assistance service for legal, administrative and tax services, in addition to granting the use of space. The agreement is open-ended. During 2016, the costs billed to the Parent Company come to €7,565 (€8,750 in the first half of 2015), which are booked under the "Operating costs" item of the consolidated profit and loss account attached hereto at 30 June 2016.

- In 2015, Promociones y Construcciones, PYC, PRYCONSA, S.A. and INVERETIRO, SOCIMI, S.A.U., entered into a financing agreement by means of which the latter would finance the former under market conditions with the excess liquidity it generates as a result for performing its activity, provided its financing needs are covered. The financing agreement is for a term is of three years and it may automatically be renewed for three-year terms. The financial conditions set forth in the agreement imply the accrual of interest equivalent to the quarterly EURIBOR rate plus a market spread. The agreement is reciprocal. In other words, the financing can be generated either way under the same terms and conditions. The interest accrued and booked in the Group's consolidated income statement at 30 June 2016 amounted to €110,236 as financial income (€0 in the first half of 2015).

- In 2015, Promociones and Construcciones, PYC, PRYCONSA, S.A. and INVERETIRO, SOCIMI, S.A.U., entered into a sundry services provision agreement by means of which the former provides mainly administration services to the latter, among others. In principle, the agreement is for a term of ten years and it may be tacitly renewed on an annual basis. The annual amount of the contract amounts to €8,000, which will be reviewed in line with the annual CPI. The amount accrued in 2016 as a result of this agreement is €2,750, which is entered at the end of 2015 under the "Other operating costs" item of the Group's consolidated profit and loss account (€2,000 in the first half of 2015).

20.3 Remuneration for the Board of Directors and senior management

Total remuneration accrued in the first six months of 2016 and 2015, for all concepts, by the Board of Directors and senior management of Saint Croix Holding Immobilier, SOCIMI, S.A. and individuals performing similar functions at the end of each tax year can be summarised as follows:

Board of Directors	Euros	
	30/06/2016	30/06/2015
Fixed remuneration	-	-
Expenses	7,500	10,000
Pension plans	-	-
Allowances	-	-
Others	-	-
Total	**7,500**	**10,000**

Senior Management	Euros	
	30/06/2016	30/06/2015
Salary	-	-
Pension plans	-	-
Others	-	-
Number of directors	-	-

At 30 June 2016 and at the end of 2015, there were no advances or credits or any other kind of pension or life insurance guarantees or obligations in connection with current or former members of the Board of Directors.

The number of Directors by gender in 2016 and 2015 was as follows:

2016			2015		
Men	Women	Total	Men	Women	Total
4	1	5	4	1	5

21. Disclosure on situations of conflicts of interests involving Directors

At 30 June 2016, neither the members of the Board of Directors of Saint Croix Holding Immobilier, SOCIMI, S.A. nor the parties related to them, as laid down pursuant to the Corporate Enterprises Act, had reported to the other members of the Board of Directors any direct or indirect conflict of interests with those of the Parent Company.

22. Other information

22.1 Personnel

The average number of people employed in the first half of 2016 and 2015 broken down by job category is as follows:

Categories	30/06/2016	30/06/2015
Management	-	-
Administrative staff	2	1
Operator staff	-	-
Total	**2**	**1**

Likewise, the distribution by gender at the end of first half of 2016 and 2015 broken down by category was as follows:

Categories	30/06/2016		30/06/2015	
	Men	**Women**	**Men**	**Women**
Directors	4	1	4	1
Management	-	-	-	-
Technical staff and middle management	1	-	1	-
Administrative staff	-	1	-	-
Operator staff	-	-	-	-
Total	**5**	**2**	**5**	**1**

22.2 Audit fees

In the first half of 2016 and 2015, fees corresponding to account audit services and other services provided by audit firm Deloitte, S.L.,or a company related to the auditor by virtue of control, shared ownership or management, were as follows:

Description	Euros Services provided by the account auditor or related companies	
	30/06/2016	**30/06/2015**
Audit services	60,200	50,700
Other verification services	-	-
Total Audit and Related services	**60,200**	**50,700**
Tax Advice Services	-	-
Other services	-	17,000
Total Professional Services	**60,200**	**67,700**

23. Environmental information

Environmental activities are those that seek to prevent, reduce or repair damages caused to the environment.

The corporate purpose of the Parent Company and its Subsidiaries, pursuant to its articles of association, is described in Note 1.

Given the activities to which the companies are dedicated, there are no direct environmental responsibilities, costs, assets or provisions and contingencies that could be significant in terms of equity, the balance sheet and the results thereof. As a result, this financial statement report does not contain a specific breakdown of information of an environmental nature.

At 31 December 2016 and 2015, the Company had not made provisions against any potential environmental risks, given that the Directors do not believe that there are significant contingencies relating to potential lawsuits, compensation or other concepts.

24. Events subsequent to the end of the reporting period

There have been no significant additional events after 30 June 2016 that have not been mentioned in the notes to the interim consolidated financial statements for 2016, with the exception of:

- On 1 June 2016, the deeds concerning the merger of Saint Croix Holding Immobilier, SOCIMI, S.A. (absorbing company) with its two subsidiaries, in which it holds 100% of the corresponding share capital, i.e., COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U. and INVERETIRO, SOCIMI, S.A.U. (both absorbed companies), were signed as per the plan submitted to the Trade Register of Madrid dated 8 April 2016 to merge the companies that comprise the Group as explained in Note 1. The merger deeds were submitted to the Trade Register of Madrid on 6 June 2016 and are currently in the process of being included therein.

Annex 1 (Saint Croix Holding Immobilier, SOCIMI, S.A.)

Description	2016
a) Reserves from years prior to the application of the tax scheme set forth in Law 11/2009, as amended by Law 16/2012 of 27 December.	As is set out in Note 1, the Company was incorporated on 1 December 2011 in Luxembourg without having allocated any prior year's profits to reserves.
b) Reserves of each financial year in which the special tax scheme set forth in said Law applies	• Profits in 2014 allocated to reserves: 921,102 euros • Profits in 2015 allocated to reserves: 2,776,186 euros
• Profits from income subject to the general tax rate	-
• Profits from income subject to tax at a rate of 19%	-
• Profits from income subject to tax at a rate of 0%	• Profits in 2014 allocated to reserves: €921,102 • Profits in 2015 allocated to reserves: 2,776,186 euros
c) Dividends paid out and charged to profits of each financial year in which the tax scheme set forth in this Act can be applied	• Distribution of dividends in 2015: €6,979,719
• Dividends from income subject to the general tax rate	-
• Dividends from income subject to taxation at 18% (2009) and 19% (2010 to 2012).	-
• Dividends from income subject to tax at the a rate of 0%	• Distribution of dividends in 2015: €6,979,719
d) Dividends paid out and charged to reserves	-
• Dividends charged to reserves subject to taxation at the general tax rate.	-
• Dividends charged to the reserves subject to taxation at 19%	-
• Dividends charged to the reserves subject to taxation at 0%	-
e) Date of the dividend payout resolution referred to by items c) and d) above	• 2015 Dividends: 01 April 2016
f) Acquisition date of the properties allocated to lease which generate income subject to this special scheme	-
g) Acquisition date of interests in the capital of the entities referred to in paragraph 1, Article 2 of this Law.	-
h) Identification of the assets calculated within the 80 per cent referred to by paragraph 1, Article 3 of this Law	• The interest in COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U., which is shown in note 3. (Total assets in the amount of €267,931,197) • The interest in INVERETIRO, SOCIMI, S.A.U., which is shown in note 3. (Total assets in the amount of €52,004,436)
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 said reserves come should be indicated.	-

SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.

Annex 2 (COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U.)

Description	2016
a) Reserves from years prior to the application of the tax scheme set forth in Law 11/2009, as amended by Law 16/2012 of 27 December.	The Company was incorporated for accounting purposes in January 2009 with a share capital of €103,840,000. It had therefore not applied any previous years' profit to reserves.
b) Reserves of each financial year in which the special tax scheme set forth in said Law applies	• Profits in 2009 allocated to reserves: 936,358 euros • Profits in 2010 allocated to reserves: 871,431 euros • Profits in 2011 allocated to reserves: 1,000,888 euros • Profits in 2012 allocated to reserves: 43,627 euros • Profits in 2013 allocated to reserves: 470,286 euros • Profits in 2014 allocated to reserves: 1,208,270 euros • Profits in 2015 allocated to reserves: 3,699,608 euros
• Profits from income subject to the general tax rate	-
• Profits from income subject to tax at a rate of 19%	• Profits in 2009 allocated to reserves: 936,358 euros • Profits in 2010 allocated to reserves: 871,431 euros • Profits in 2011 allocated to reserves: 1,000,888 euros • Profits in 2012 allocated to reserves: 43,627 euros
• Profits from income subject to tax at a rate of 0%	• Profits in 2013 allocated to reserves: 470,286 euros • Profits in 2014 allocated to reserves: 1,208,270 euros • Profits in 2015 allocated to reserves: 3,699,608 euros
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	• Distribution of dividends in 2009: 3,382,919 euros • Distribution of dividends in 2010: 3,121,886 euros • Distribution of dividends in 2011: 3,585,669 euros • Distribution of dividends in 2012: 156,295 euros • Distribution of dividends in 2013: 1,209,306 euros • Distribution of dividends in 2014: 10,874,427 euros • Distribution of dividends in 2015: 14,799,010 euros
• Dividends from income subject to the general tax rate	-
• Dividends from income subject to taxation at 18% (2009) and 19% (2010 to 2012).	• Distribution of dividends in 2009: 3,382,919 euros • Distribution of dividends in 2010: 3,121,886 euros • Distribution of dividends in 2011: 3,585,669 euros • Distribution of dividends in 2012: 156,295 euros
• Dividends from income subject to tax at the a rate of 0%	• Distribution of dividends in 2013: 1,209,306 euros • Distribution of dividends in 2014: 10,874,427 euros • Distribution of dividends in 2015: 14,799,010 euros
d) Dividends paid out and charged to reserves	-
• Dividends charged to reserves subject to taxation at the general tax rate.	-
• Dividends charged to the reserves subject to taxation at 19%	-
• Dividends charged to the reserves subject to taxation at 0%	-

Description	2016
e) Date of the dividend payout resolution referred to by items c) and d) above	• 2009 Dividends: 29 June 2010 • 2010 Dividends: 30 June 2011 • 2011 Dividends: 28 June 2012 • 2012 Dividends: 20 June 2013 • 2013 Dividends: 30 June 2014 • 2014 Dividends: 22 June 2015 • 2015 Dividends: 01 April 2016
f) Acquisition date of the properties allocated to lease which generate income subject to this special scheme	The real estate assets that have been owned by the Company since 29/12/2009 Due to the partial division described in Note 2, the dates of ownership are the following: • Hotel Isla Canela Golf: 28/12/2007 • Hotel Barceló Isla Canela: 06/07/1998 • Hotel Iberostar Isla Canela: 01/07/2002 • Hotel Playa Canela: 16/05/2002 • Hotel Meliá Atlántico: 25/05/2000 • Marina Isla Canela Shopping Mall: 17/10/2000 • Property on Calle Gran Vía: 19/10/1987 • Retail outlets at Calle Caleruega: 30/12/2011 The following real estate investments, which were acquired from the related company PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A. were made in 2012: • Offices Sanchinarro V: 30/10/2012 • Offices Sanchinarro VI: 29/11/2012 • Offices Sanchinarro VII: 29/11/2012 • Vallecas Comercial I: 30/10/2012 • Vallecas Comercial II: 30/10/2012 • Offices Coslada III: 29/11/2012 The merger with Compañía Ibérica de Rentas Urbanas 2009 SOCIMI, S.A.U resulting from its take-over took place in 2013. The company therefore included all the assets from the company taken over on its balance sheet without any associated tax effects. (see Note 1) • Hotel Tryp Atocha: 26/12/2001 (sold in 2015) • Hotel Tryp Cibeles: 16/05/2002 • Retail outlet on Calle Rutillo: 06/04/2000 • Retail outlet at Gran Vía 34 (1+2): 16/05/2002 • Retail outlet at Gran Vía 34 (3): 16/05/2002 • Retail outlet on Dulcinea: 21/09/1995 • Building on Calle Pradillo: 27/02/2009 • Retail outlet at Albalá 7: 26/09/2003 • Offices at Gran Vía 1-1º y 2º Dcha/: 15/10/1993 • Offices at Gran Vía 1-1º Izda/: 10/02/1998

Description	2016
	• Building on C/ San Antón, Cáceres: 15/06/2011 • Building on Plaza España, Castellón: 29/12/2011 In 2015, the following property investments were made: • Industrial warehouse in Daganzo de Arriba: 27/02/2015 In 2016, the following property investments were made: • Trade premises at Gran Vía 55: 01/03/2016
g) Acquisition date of interests in the capital of the entities referred to in paragraph 1, Article 2 of this Law.	-
h) Identification of the assets calculated within the 80 per cent referred to by paragraph 1, Article 3 of this Law	The breakdown of real estate assets (including works in progress) and their gross carrying cost including assets in construction (€269.92 million), in millions of euros, are as follows: • Marina Isla Canela Shopping Mall: 4.70 • Barceló Isla Canela: 27.33 • Meliá Atlántico: 34.91 • Playa Canela: 17.14 • Iberostar Isla Canela: 25.58 • Isla Canela Golf: 4.91 • Gran Vía 1, 2nd Floor Left: 1.94 • Caleruega: 0.98 • Sanchinarro V: 0.22 • Sanchinarro VI: 9.02 • Sanchinarro VII: 7.09 • Vallecas Comercial I: 3.92 • Vallecas Comercial II: 3.91 • Coslada III: 6.30 • Tryp Cibeles: 21.59 • Daganzo de Arriba: 13.72 • Gran Vía 34: 21.53 • Pradillo 42: 18.23 • Albalá 7: 2.87 • Gran Vía 1, 1st Floor Left: 2.73 • Gran Vía 1, 2nd Floor Right: 2.87 • Gran Vía 1, 1st Floor Right: 3.01 • Rutilo: 1.38 • Dulcinea: 1.53 • San Antón: 3.96 • Plaza España: 15.10 • Gran Vía 55: 13.46
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 said reserves come should be indicated.	-

SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.

Annex 3 (INVERETIRO, SOCIMI, S.A.U.)

Description	2016
a) Reserves from years prior to the application of the tax scheme set forth in Law 11/2009, as amended by Law 16/2012 of 27 December.	The Company was incorporated as a REIT for accounting purposes in January 2015 with a share capital of €44,992,853. It had therefore not applied any previous years' profit to reserves.
b) Reserves of each financial year in which the special tax scheme set forth in said Law applies	• Profits in 2015 allocated to reserves: 477,756 euros
• Profits from income subject to the general tax rate	-
• Profits from income subject to tax at a rate of 19%	-
• Profits from income subject to tax at a rate of 0%	• Profits in 2015 allocated to reserves: 477,756 euros
c) Dividends paid out and charged to profits of each financial year in which the tax scheme set forth in this Act can be applied	• Distribution of dividends in 2015: 1,987,206 euros
• Dividends from income subject to the general tax rate	-
• Dividends from income subject to taxation at 18% (2009) and 19% (2010 to 2012).	-
• Dividends from income subject to tax at the a rate of 0%	• Distribution of dividends in 2015: 1,987,206 euros
d) Dividends paid out and charged to reserves	-
• Dividends charged to reserves subject to taxation at the general tax rate.	-
• Dividends charged to the reserves subject to taxation at 19%	-
• Dividends charged to the reserves subject to taxation at 0%	-
e) Date of the dividend payout resolution referred to by items c) and d) above	• 2015 Dividends: 01 April 2016
f) Acquisition date of the properties allocated to lease which generate income subject to this special scheme	The dates of ownership are as follows: • Titán, 13: 12/02/2014 • Conde de Peñalver, 16: 01/12/2013
g) Acquisition date of interests in the capital of the entities referred to in paragraph 1, Article 2 of this Law.	-
h) Identification of the assets calculated within the 80 per cent referred to by paragraph 1, Article 3 of this Law	The breakdown of real estate assets, in millions of euros, is as follows: • Titán, 13: 26.24 • Conde de Peñalver, 16: 18.78
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 said reserves come should be indicated.	-

Consolidated Management Report

30 June 2016

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

Consolidated management report at 30 June 2016

1. Explanation of consolidated figures at 30 June 2016

A breakdown of the main consolidated figures at 30 June 2016 compared to 30 June 2015 (31 December 2015 for the balance sheet) is provided below:

Balance Sheet	Euros 30/06/2016	Euros 31/12/2015	+ / -
• Real estate investments (gross)	322,184,806	307,252,723	14,932,083
• Cumulative depreciation	-29,886,929	-27,612,951	-2,273,978
• Cumulative impairment	-16,519,242	-16,649,203	129,961
Net real estate investments	275,778,635	262,990,569	12,788,066
Long-term financial investments	11,701,710	1,698,855	10,002,854
Financial investments in associated companies	56,145,124	61,024,565	-4,879,442
Equity	288,235,504	289,687,089	-1,451,585
Net financial debt	47,793,893	32,448,765	15,345,128

Income statement	Euros 30/06/2016	Euros 30/06/2015	+ / -
Income	8,471,450	9,051,189	-579,739
Net margin	7,787,200	8,097,281	-310,081
% of revenue	**91.92%**	**89.46%**	**2.46%**
EBITDA	**7,567,677**	**7,605,044**	**-37,367**
% of revenue	**89.33%**	**84.02%**	**5.31%**
Depreciation	-2,301,749	-2,570,265	268,516
Subsidies	57,092	54,358	2,734
Extraordinary income	-73,745	-	-73,745
Profits/(losses) on asset disposals	-129,961	-31,301	-98,660
Impairment/Reversal	129,961	-631,293	761,254
Financial profit/(loss)	278,859	451,420	-172,561
EBT	**5,528,134**	**4,877,963**	**650,172**
% of revenue	**65.26%**	**53.89%**	**11.36%**
Corporation tax	-	-	-
Net profit/(loss)	**5,528,134**	**4,877,963**	**650,172**
% of revenue	**65.26%**	**53.89%**	**11.36%**

EPRA Indicators

EPRA	Euros 30/06/2016	Per share	30/06/2015	Per share
Earning	5,648,391	1.27	5,958,722	1.34
NAV	353,074,297	79.30	327,285,508	73.51
Cost ratio	10.67%		12.68%	
Vacancy rate	7.54%		4.51%	
Net Initial Yield	5.59%		5.85%	

Real estate investments (gross): At 30 June 2016, the Group's gross real estate investment came to €322,184,806 (€307,252,723 in 2015). This represents a year-on-year increase amounting to €14,932,083 largely attributable to:

- **Investments made in 2016:**
  - Remodelling carried out in hotels to the amount of €2,473,146.
  - COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U., completed the acquisition of commercial premises at Gran Vía, 55 in Madrid on 1 March 2016 by

public deed and before the Notary of Madrid Mr. José Enrique Cachón Blanco. The payment was made in cash and totalled €12,955,000, including the advance of €500,000, which was paid in 2015 (€13,455,000 including acquisition expenses and taxes). The aforementioned premises are located in the building known as “LOPE DE VEGA” which can be accessed at Gran Vía, 55 and Calle de Isabel la Católica, 10. Its built surface expands over 1,400 square metres.

- **Disposals made in 2016:**
  - Property amounting to €622,405 has been disposed of this year (€32,430,077 in 2015). The main disposals at 30 June 2016 correspond to the sale of a property at Sanchinarro VI for the amount of €217,372 and the sale of two properties at Coslada III for the amount of €405,033, which have been sold to third parties for a combined net loss of €129,961 (net loss of €4,110,547 in 2015). Said amount has been recorded in the “Impairment and gains/losses from sales of fixed assets” in the consolidated profit and loss account at 30 June 2016 attached. Provisions were set aside in full to cover said losses at the end of 2015.

Accumulated depreciation: At 30 June 2015, the accumulated depreciation balance of property investments amounted to €29,886,929 (€27,612,951 in 2015). Changes in the year are attributable to: (1) property investment depreciation costs in 2016 which amounted to €2,301,421 (€5,205,815 in 2015) and (ii) to the effect of property investment write-offs of €27,444 (€4,105,170 in 2015).

Accumulated impairment: At 30 June 2016, the accumulated impairment of property investments amounted to €16,519,242 (€16,649,203 in 2015). In 2016, the Group, based on the appraisal of its real estate assets undertaken by independent experts, which is carried out at the end of each year, did not record any additional impairment to property investments, as there had been no substantial change to the conditions that could affect the appraisal of its properties. Furthermore, impairments of real estate assets in the amount of €129,961, associated to divestments in the year, have been reversed.

Net real estate investments: As result of the foregoing, at 30 June 2016, the Group's net real estate investment comes to €275,778,635 (€262,990,569 in 2015).

Long-term financial investments: In 2016, the Parent Company invested in shares of other Real Estate Investment Trusts in the amount of €10,002,908 (€0 in 2015).

Financial 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 June 2016 came to €56,145,124 (€61,024,565 in 2015).

The breakdown is as follows:

Debtor/Creditor	Euros	Item
PROMOCIONES Y CONSTRUCCIONES, PYC, PRYCONSA, S.A.	56,145,124	Financing associates' working capital
Total	**56,145,124**	

Equity: At 30 June 2016, the Group reported a positive equity of €288,235,504 compared with €289,687,089 at the end of the previous year. The €1,451,585 decrease corresponds to (i) 2016 income in the amount of €5,528,134; and (ii) the distribution and payment of the 2015 dividend in the amount of €6,979,719.

Dividends:

Dividends of the Subsidiary Companies paid to the Parent Company in 2016:

1. The net profit of COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U. at 31 December 2015 was €18,498,617. As its annual general meeting held on 01 April 2016, its board approved payment to the Parent Company of a dividend for 2015 to the total amount of €14,799,010. The breakdown of the distribution of profits is as follows:

Distribution of net profit in 2015	Euros
Profit at 31 December 2015	**18,498,617**
• Legal Reserve	1,849,862
• Voluntary Reserve	1,849,745
• Dividends (paid on 18 April 2016)	14,799,010

2. The net profit of INVERETIRO SOCIMI, S.A.U. at 31 December 2015 was €18,498,617. As its annual general meeting held on 01 April 2016, its board approved payment to the Parent Company of a dividend for 2015 to the total amount of €14,799,010. The breakdown of the distribution of profits is as follows:

Distribution of net profit in 2015	Euros
Profit at 31 December 2015	**2,464,962**
• Offsetting of losses in previous years	231,260
• Legal Reserve	246,496
• Dividends (paid on 18 April 2016)	1,987,206

Dividends paid out by the Parent Company to shareholders in 2016:

The net profit of the Parent Company at 31 December 2015 was €9,755,905. As its Annual General Meeting held on 01 April 2016, its Board approved the payment of 2015 dividends to the total amount of €6,979,719 to shareholders. The breakdown of the distribution of profits is as follows:

Distribution of net profit in 2015	Euros
Profit at 31 December 2015	**9,755,905**
• General Accounting Plan first application reserves	1,800,596
• Legal Reserve	975,590
• Dividends	6,979,719

Net financial debt: The Group had a net financial debt at 30 June 2016 amounting to €47,793,893 (€32,448,765 in 2015), a year-on-year increase of €15,345,128. The Group's debt corresponds to 4 mortgages with banks (two with Caixa Bank and two with Banco Santander). The purpose of this finance is to fund the investment in real estate assets for retail use in Castellón that were acquired in 2011, and a trade premises and an office in Madrid acquired by one of the subsidiaries and financed on 17 April 2015. At 30 June 2016, the total amount pending amortisation stood at €28,558,316. Furthermore, the Group has credit line policies contracted with Banca March and Bankinter for a combined amount of €4,945,220 and cash and bank of €1,760,231.

Furthermore, At 30 June 2016, the Parent Company has issued two sets of fixed income securities as part of this bonds programme for a combined amount of €10,000,000, the main features of which are as follows:

	Simple Bonds 2021	Simple Bonds 2022
Nominal amount	8,000,000	2,000,000
Issue date	23 June 2016	23 June 2016
Maturity date	23 June 2021	23 June 2022
Annual coupon	2.50%	2.50%
Payment of the coupon	Annual	Annual
Issuer APR	2.72%	2.77%

The average APR of both issues for the issuer has been 2.73% annual. The two issues of securities have been traded on the Alternative Fixed Income Market "MARF" since 24 June 2016.

The breakdown of debt at 30 June 2016 and 31 December 2015 is as follows:

Breakdown of debt	Euros	
	30/06/2016	31/12/2015
Titán, 13	14,875,525	15,206,092
Conde de Peñalver, 16	9,658,929	9,873,571
Plaza de España (Castellón)	4,023,862	4,614,203
Total debt subject to mortgage guarantee	**28,558,316**	**29,693,866**
Drawn credit policies	4,945,220	2,946,662
Loans	4,755,294	-
Debentures and bonds	10,000,000	-
Interest accrued pending maturity	-	21,574
Total debt without guarantee	**19,700,514**	**2,968,236**
Cash and bank	**-464,936**	**-213,339**
Net financial debt	**47,793,893**	**32,448,763**

The Group's LTV at 30 June 2016 is 11.92% (8.40% at 31 December 2015). Taking into account the mortgage charge on the hotels located in Isla Canela (Ayamonte– Huelva) the LTV is 16.59% (14.34% at 31 December 2015).

Income: At 30 June 2016, the Group has obtained income of €8,471,450 (€9,051,189 in the first half of 2015) which represents a year-on-year decrease of €579,738 (-6%). All 2016 income is attributable to real estate leasing activities, apart from €22,145 (€32,968 in the first half of 2015), which came from services.

At 30 June 2016, the Group's **net margin**was positive and amounted to €7,787,200 (€8,097,281 in June 2015), or 92% of income, compared with 89% in June 2015, representing an increase in income of +2 percentage points, but a year-on-year decrease of -3.83%.

At 31 December 2015, the Group's **EBITDA** was positive and amounted to €7,567,670 (€7,605,044 in June 2015), or 89% of income, compared with 84% in June 2015, representing an increase in income of +5 percentage points, but a year-on-year decrease of -0.49%.

Depreciation: At 30 June 2016, the depreciation costs of real estate investments reached €2,301,749 (€2,570,265 in 2015).

Impairment/Reversal: The Group has reversed real estate investment in the amount of €129,961 as a result of divestments undertaken to date, which have represented a loss in the sale of real estate assets of the same amount. Nor has any impairment of real estate assets been recorded at 30 June 2015; however, losses have been recorded in the amount of €631,294 associated with the investment in Pradillo 42 (UNEDISA) and losses for sales of real estate assets to the amount of €31,301.

Allocation of grants: In 2016, the Subsidiary allocated income from capital grants to profit/(loss) amounting to €57,092 (€54,358 in 2015). These subsidies are connected with the ownership of the hotels in Ayamonte, Huelva.

Profit/(loss) on asset disposals: At the end of the first half of 2016, 2 offices have been sold at Coslada III and one at Sanchinarro VI, generating combined losses of -€129,961 compared to the losses of -€31,301 on the sale of real estate assets in the previous year.

Financial profit/(loss): The Group generated a financial profit amounting to €278,859 in 2016 (€451,420 in 2015). This was essentially a result of the policy of financing related companies out of the cash surplus.

Net profit/(loss): At 30 June 2016, the Group had obtained a positive consolidated net profit of €5,528,134 compared with €4,877,963 in June 2015, i.e. an improvement of +€650,172 or +13%.

2. Valuation of real estate assets

The Group carries out an external, independent valuation of its assets at the end of every year. For this purpose, at the end of 2015, it commissioned a valuation of its assets from CBRE Valuation Advisory, S.A., an independent expert; the final report was published on 26 January 2016 to determine the fair values of all its real estate investments at the end of 2015. 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 half of 2016, the directors of the Parent Company consider that no significant changes have occurred in either the variables used in said valuation on closure of 2015 by the Independent expert in the contents or 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 first half of 2016 are similar to those at the end of 2015.

According to the appraisals made, the fair value of the real estate investments revealed an unaccounted for latent capital gain (by comparing the updated gross fair market value and the net book value) of €63,482,220 at 30 June 2016 (€62,815,286 in 2015).

The market value of its real-estate investments at the end of the first half of 2016 comes to €339,260,855 (€325,805,855 in 2015). The breakdown by business segment is as follows:

Segments	GAV (€)	
	30/06/2016	31/12/2015
Hotels (*)	113,102,010	113,102,010
Offices	76,502,309	76,502,309
Sales	133,603,186	120,148,186
Industrial	16,053,350	16,053,350
Total	**339,260,855**	**325,805,855**

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 Directors, 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 2016 are as follows:

- Hotels

- Offices
- Sales
- 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

2016 (30 June)

	Euros					
	Hotels	**Offices**	**Sales**	**Industrial**	**Others**	**Total**
Income	2,765,790	2,108,953	2,940,092	634,471	22,145	8,471,450
Indirect costs	-451,540	-128,928	-64,242	-6,255	-33,285	-684,250
Net Margin	**2,314,250**	**1,980,025**	**2,875,849**	**628,216**	**-11,140**	**7,787,200**
Overheads	-10,534	-7,072	-10,645	-2,417	-188,862	-219,530
EBITDA	**2,303,716**	**1,972,953**	**2,865,204**	**625,799**	**-200,002**	**7,567,670**
% of income	**83.29%**	**93.55%**	**97.45%**	**98.63%**	**-903.17%**	**89.33%**
Depreciation	-1,189,068	-530,579	-509,763	-72,011	-327	-2,301,749
Subsidies	57,092	-	-	-	-	57,092
Extraordinary income	-	58,234	-	-	-131,979	-73,745
Profits/(losses) on asset disposals	-	-129,961	-	-	-	-129,961
Impairment/Reversal	-	129,961	-	-	-	129,961
Financial profit/(loss)	-	-128,935	-88,838	-	496,640	278,866
EBT	**1,171,740**	**1,371,673**	**2,266,603**	**553,788**	**164,332**	**5,528,134**
Corporation tax	-	-	-	-	-	-
Net profit/(loss)	**1,171,740**	**1,371,673**	**2,266,603**	**553,788**	**164,332**	**5,528,134**
% of income	**42.37%**	**65.04%**	**77.09%**	**87.28%**	**742.09%**	**65.26%**

2015 (30 June)

	Euros					
	Hotels	**Offices**	**Sales**	**Industrial**	**Others**	**Total**
Income	3,596,594	1,998,096	2,982,740	440,790	32,968	9,051,188
Indirect costs	-680,529	-133,867	-79,371	-20,793	-39,347	-953,907
Net Margin	**2,916,065**	**1,864,228**	**2,903,369**	**419,998**	**-6,379**	**8,097,281**
Overheads	-333,954	-18,863	-28,159	-4,161	-107,100	-492,238
EBITDA	**2,582,111**	**1,845,365**	**2,875,210**	**415,836**	**-113,479**	**7,605,044**
% of income	**71.79%**	**92.36%**	**96.39%**	**94.34%**	**-344.21%**	**84.02%**
Depreciation	-1,462,458	-545,205	-515,673	-46,168	-760	-2,570,265
Subsidies	54,358	-	-	-	-	54,358
Extraordinary income	-	-	-	-	-	-
Profits/(losses) on asset disposals	-	-31,301	-	-	-	-31,301
Impairment/Reversal	-	-631,294	-	-	-	-631,294
Financial profit/(loss)	9,613	-136,564	-88,673	-	667,044	451,420
EBT	**1,183,623**	**501,002**	**2,270,863**	**369,668**	**552,805**	**4,877,962**
Corporation tax	-	-	-	-	-	-
Net profit/(loss)	**1,183,623**	**501,002**	**2,270,863**	**369,668**	**552,805**	**4,877,962**
% of income	**32.91%**	**25.07%**	**76.13%**	**83.86%**	**1676.78%**	**53.89%**

The breakdown of the **income and net book value** for real estate assets heading, including tangible fixed assets under construction, at 30 June 2016 compared to 30 June 2015 is as follows:

Segment	**Euros**					
	30/06/2016			**30/06/2015**		**31/12/2015**
	Income	**%**	**Net cost**	**Income**	**%**	**Net cost**
Hotels	2,765,790	32.65%	108,289,446	3,596,594	39.74%	106,879,025
Offices	2,108,953	24.89%	75,284,031	1,998,096	22.08%	76,279,283
Sales	2,940,092	34.71%	78,674,376	2,982,740	32.95%	65,729,467
Industrial	634,471	7.49%	13,530,782	440,790	4.87%	13,602,794
Other income	22,145	0.26%	-	32,968	0.36%	500,000
Total income	**8,471,450**	**100.00%**	**275,778,635**	**9,051,188**	**100.00%**	**262,990,569**

From a geographic point of view, most income is generated in Madrid and Huelva (both in Spain). In this regard, Madrid maintains its contribution to total income (66%). The breakdown of the contribution to income from a geographic standpoint is as follows:

Area	**Euros**			
	30/06/2016		**30/06/2015**	
	Income	**%**	**Income**	**%**
Madrid	5,591,680	66.01%	6,020,509	66.52%
Huelva	2,212,048	26.11%	2,362,957	26.11%
Castellón	667,722	7.88%	667,722	7.38%
Total	**8,471,450**	**100%**	**9,051,188**	**100.00%**

As shown in the table above, most of the Group's activity is focused in Madrid and Huelva (92% in 2016 compared to 93% in 2015), maintaining the ratio between Madrid (66%) and Huelva (26%).

Furthermore, highlighting the changes in **occupation rates** by type of asset from the **standpoint of asset types** is worth particular note: At 30 June 2016, the level of occupation of the Group's assets dedicated to leasing is 90.26% (91.18% at close of 2015) based on the square metres leased, the breakdown being as follows:

Segments	% occupation		Floor area in m2 above ground level	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
Hotels	100.00%	100.00%	80,135	80,135
Offices	74.53%	74.15%	23,310	23,602
Sales	65.28%	75.26%	21,801	20,441
Industrial	100.00%	100.00%	13,810	13,810
Total	**90.26%**	**91.18%**	**139,056**	**137,988**

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.

The Group has obtained income of €8,471,450 (€9,051,188 at 30 June 2015) which represents a year-on-year decrease of -€579,739 (-6%). All 2016 income is attributable to real estate leasing activities, apart from €22,145 (€32,968 in June 2016), which came from services. Eliminating the effect of new investments and divestments, the variation in income was -1%. The breakdown is as follows:

	Euros		Variation in %	
	30/06/2016	30/06/2015	"Growth"	"Like for Like Growth"
Hotels	2,765,790	3,596,594	-23.10%	-4.67%
Offices	2,108,953	1,998,096	5.55%	5.55%
Sales	2,940,092	2,982,740	-1.43%	-1.43%
Industrial	634,471	440,790	43.94%	-0.92%
Others	22,145	32,968	-32.83%	-
Total	**8,471,450**	**9,051,188**	**-6.41%**	**-0.98%**

4. Real estate investments

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.

5. Disclosure on supplier payment deferrals

Below is a breakdown of the information required under the Third Additional Provision of Law 15/2010, of 5 July (amended by the Second Final Provision of Law 31/2014, of 3 December) prepared pursuant to the ICAC Resolution of 29 January 2016, on the information to be included in the financial statements report regarding the average supplier payment term in commercial operations.

	2016
	Days
Average supplier payment term	57.78
Ratio of operations for which payment has been made	65.09
Ratio of operations pending payment	49.12
	Euros
Total payments made	3,587,531
Total pending payments	1,101,312

Pursuant to the ICAC Resolution, to calculate the average supplier payment term, commercial operations corresponding to the delivery of goods or the provision of services since the date on which Law 31/2014, of 3 December came into effect have been considered.

Suppliers, for the sole purpose of providing the information set out in this Resolution, are considered trade creditors for debts with suppliers of goods and services, included in the items “Suppliers” and “Sundry creditors” items of the current liability in the consolidated balance sheet attached hereto.

The “Average supplier payment term” is understood as the amount of time that transpires between the delivery of the goods or the provision of services offered by the supplier and the material payment of the operation.

The maximum legal payment term applicable to the Group in 2016 according to Law 3/2004, of 29 December, which sets forth the measures to combat late payment in commercial transactions is 30 days effective from the publication of the aforementioned Law and to date (unless the conditions provided for therein are met, which allow for the maximum payment term to be increased to 60 days).

6. Earnings per share

The net profit/(loss) attributable to shareholders per share is as follows:

	Euros	
	30/06/2016	**30/06/2015**
Net profit/(loss) attributable to Parent Company	5,528,134	4,877,962
Weighted average number of shares	4,452,197	4,452,197
Earnings per share	**1.24**	**1.10**

Basic earnings per share are calculated as the ratio between net profit for the period attributable to the Parent Company and the weighted average number of ordinary shares in circulation during said period, without including the average number of shares held by the Parent Company in Group companies.

In turn, diluted earnings per share are calculated as the ratio between the net profit for the period attributable to ordinary shareholders, adjusted by the effect attributable to potential ordinary shares with a diluting effect and the weighted average number of ordinary shares in circulation during the period, adjusted by the weighted average of ordinary shares that would be issued if all potential ordinary shares were converted into ordinary shares in the company. To this end, the conversion is considered as taking place at the start of the period and when potential ordinary shares are issued, if they have been put in circulation during the period itself.

At 30 June 2016 and 2015, the basic and diluted earnings per share match

7. Acquisition of own shares

At 30 June 2016, the Parent Company did not hold any own shares in the portfolio.

8. Research and development activities

The company does not undertake any research and development activities.

9. Main risks affecting the Group

The management of the Group's financial risks is centralised in Financial Management and in Grupo PRYCONSA'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 Directors 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. 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 June 2016, 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 long-term loans financing long-term assets, as well as long-term loans not associated to specific assets and 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.

On the other hand, the debentures and bonds issued by the Parent Company are referenced to a fixed interest rate; therefore, there are no fluctuations in cost in this regard.

- **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.

10. Outlook for 2016

Given the Group's activities, the Board of Directors at the Parent Company believe that 2016 will remain positive in terms of the maintenance of conditions in long-term lease agreements, in addition to the new acquisition undertaken by SOCIMI Holding mentioned in the subsequent events section. The forecasts are therefore positive, taking into account the long-term lease agreements with top-quality lessees in the hotel industry and in the office, and retail sectors, which guarantee the business's viability in the medium and long term, as well as the new retail outlet lease agreements with lessees that have outstanding solvency ratings.

11. Disclosure on situations of conflicts of interests involving Directors

At 30 June 2016, neither the members of the Board of Directors of Saint Croix Holding Immobilier, SOCIMI, S.A. nor the parties related to them, as laid down pursuant to the Corporate Enterprises Act, had reported to the other members of the Board of Directors any direct or indirect conflict of interests with those of the Company.

12. Subsequent events

There have been no significant additional events after 30 June 2016 that have not been mentioned in the notes to the interim consolidated financial statements for 2016, with the exception of:

- On 1 June 2016, the deeds concerning the merger of Saint Croix Holding Immobilier, SOCIMI, S.A. (absorbing company) with its two subsidiaries, in which it holds 100% of the corresponding share capital, i.e., COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U. and INVERETIRO, SOCIMI, S.A.U. (both absorbed companies), were signed as per the plan submitted to the Trade Register of Madrid dated 8 April 2016 to merge the companies that comprise the Group as explained in Note 1. The merger deeds were submitted to the Trade Register of Madrid on 6 June 2016 and are currently in the process of being included therein.

Directors' Declaration of Responsibility

For the purposes of Article 8 of Royal Decree 1362/2007, 19 October, we, the members of the Board of Directors of the Parent Company, declare that, to the best of our knowledge, the Interim Consolidated Financial Statements at 30 June 2016 of SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A., and Subsidiaries, prepared according to the applicable accounting principles, offer a faithful image of the assets, financial situation and balance of the issuer and of the companies comprised in its consolidation considered as a whole, and that the Consolidated Management Report at 30 June 2016 also includes a faithful analysis of the issuer's progress, business results and position and those of the companies included in its consolidation considered as a whole, in addition to the description of the main risks and uncertainties with which they are faced.

Madrid, 28 July 2016

Mr. Marco Antonio Colomer Barrigón
(Chairman and Chief Executive Officer)

Mr. Juan Carlos Ureta Domingo
(Director)

Mr. Jose Luis Colomer Barrigón
(Director)

Ms. Ofelia Marín-Lozano Montón
(Director)

Mr. Celestino Martín Barrigón
(Director)

Mr. José Juan Cano Resina
(Non-executive Secretary)

Record of Preparation of Consolidated Half-Yearly Financial Statements

These interim consolidated financial statements have been prepared by the Board of Directors of the Parent Company and approved at its meeting of 28 July 2016. Said consolidated half-yearly financial statements and the consolidated half-yearly management report appear on 69 sheets of ordinary paper, numbered from 1 to 69, inclusively, all of which are signed by the Board Secretary and the last sheet being signed by all the Directors.

The undersigned, in their capacity as the Parent Company's Directors, do hereby state that no item in the Parent Company's books has been omitted which should be included in this document, apart from the environmental information required under the Ministry of Justice Order of 8 October 2001.

Madrid, 28 July 2016

Mr. Marco Antonio Colomer Barrigón
(Chairman and Chief Executive Officer)

Mr. Juan Carlos Ureta Domingo
(Director)

Mr. Jose Luis Colomer Barrigón
(Director)

Ms. Ofelia Marín-Lozano Montón
(Director)

Mr. Celestino Martín Barrigón
(Director)

Mr. José Juan Cano Resina
(Non-executive Secretary)