SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.

Management Report
30 September 2016

Table of Contents

Management Report

Financial year 2016

30 September 2016

SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.

Management Report at 30 September 2016

1. Registration of the Merger Operation

As at 1st July 2016, the deed of merger by absorption by Saint Croix Holding Immobilier, SOCIMI, S.A. (acquiring company) of its two subsidiaries in which participated in 100% of the share capital thereof, i.e. COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U. and INVERETIRO, SOCIMI , S.A.U. (both absorbed companies) has been signed. It has been signed according to the project of fusion deposited in the Trade Register of Madrid with date 8 April 2016. The mentioned deed of merger has been deposited at the Trade Register of Madrid with date 6 of July of 2016 and was definitely registered with date 27 of July from 2016. From this moment on, the Company does not form a consolidated group and therefore presents its figures as at 30 September 2016 on a standalone basis with the inclusion of the assets and liabilities absorbed.

2. Explanation of figures at 30 September 2016

A breakdown of the main figures at 30 September 2016 compared to 31 December 2015 (balance sheet) and 30 September 2015 (profit and loss account) is provided below:

Balance sheet	EUR		
	30/09/2016	**31/12/2015**	**+ / -**
• Property investments (gross)	322.184.806	307.252.723	14.932.083
• Accumulated depreciation	-31.060.779	-27.612.951	-3.447.828
• Accumulated impairment	-16.519.241	-16.649.203	129.961
Net property investments	274.604.786	262.990.569	11.614.217
Financial assets held for trading	13,248,500	-	13,248,500
Other long-term financial investments	1,741,966	1,698,855	43,111
Equity	293.174.043	289.687.089	3.486.954
Net financial debts	46.868.750	32.448.764	14.419.986

Income statement	EUR		
	30/09/2016	**30/09/2015**	**+ / -**
Income	13,003,490	13,703,670	-700,180
Net margin	11,985,654	12,177,391	-191,737
% of revenue	**92.17%**	**88.86%**	**3.31%**
EBITDA	**11,742,614**	**12,107,294**	**-364,680**
% of revenue	**90.30%**	**88.35%**	**1.95%**
Depreciation	-3,475,926	-3,752,651	276,725
Subsidies	85,638	81,537	4,101
Extraordinary profits (losses)	10,290	-	10,290
Profits (losses) on asset disposals	-129,961	-2,023,388	1,893,427
Impairment/Reversal	129,961	6,180,286	-6,050,325
Financial profit (loss)	2,104,057	248,847	1,855,210
EBT	**10,466,673**	**12,841,925**	**-2,375,252**
% of revenue	**80.49%**	**93.71%**	**-13.22%**
Corporation tax	-	-	-
Net profit (loss)	**10,466,673**	**12,841,925**	**-2,375,252**
% of revenue	**80.49%**	**93.71%**	**-13.22%**

EPRA Indicators

EPRA	EUR					
	30/09/2016	**Per share**	**30/09/2015**	**Per share**	**31/12/2015**	**Per share**
Earning	8,610,630	1.93	8,865,414	1.99	12,811,889	2.88
NAV	359,158,140	80.67	335,921,072	75.45	351,818,025	79.02
Cost ratio	9.70%		9.84%		11.92%	
Vacancy rate	7.54%		3.98%		5.36%	
Net Initial Yield	5.53%		6.34%		5.31%	

Real estate investments (gross): The Company´s real estate investments at 30 September 2016 amounted to EUR 322,184,806 (EUR 307,252,723 at 31 December 2015). This involves an increase amounting to EUR 14,932,083. Main changes are based on:

- **Investments made in 2016:**
  - Refurbishments on hotels for EUR 2,473,146.
  - As at 1 March 2016, the Company, formalized in deed the acquisition of certain commercial premises located on 55 Gran Vía Str. of Madrid. The acquisition has amounted to EUR 13,000,000 paid in cash (EUR 13,455,000 with acquisition costs and taxes). Mentioned premises are located in the so-called "LOPE DE VEGA". It has an approximate built area of 1,400 square meters.

- **Disposals made in 2016:**

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

Accumulated depreciation: At 30 September 2016, the cumulative depreciation balance amounted to EUR 31,060,779 (EUR 27,612,951 in 2015). Movement in the year has been attributable to: (i) (1) real estate properties depreciation costs in 2016 amounting to EUR 3,475,824 (EUR 3,752,824 in 2015) and (ii) to the effect of property investment write-offs of EUR 27,444 (EUR 4,105,170 in 2015).

Accumulated impairment: At 30 September 2016, the accumulated impairment of property investments amounted to EUR 16,519,242 (EUR 16,649,203 in 2015). In 2016, the Company, 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 amounting to EUR 129,961, associated to divestments in the year, have been reversed.

Net real estate investments: As result of the above, the Company`s net real estate investments totalled EUR 274,604,786 (EUR 262,990,569 at 31 December 2015).

Financial assets held for trading: : In 2016, the Company invested in shares of other Real Estate Investment Trusts whose book value amounts up to EUR 13,248,500 equal to the stock exchange one as at the same date. The positive effect coming from the valuation of the investments has been EUR 1,856,043 (EUR 0 as at 31 December 2015) recorded at the financial results of the Company as at 30 September 2016.

Other Long-term financial investments: This item amounts up to EUR 1,741,966 and corresponds to long-term deposits related to the lease contracts base of the corporate activity of the Company.

Financial investments in associated companies: The Company generates liquidity as result of its real estate leasing activity. The surplus funds is borrowed to associate companies under market conditions. The net balance of loans to associated companies at 30 September 2016 came to EUR 54,137,633 (EUR 61,024,565 at 31 December 2015).

The detail of the intercompany balance is as follows:

Debtor/Creditor	EUR	Item
Promociones y Construcciones, PYC, PRYCONSA, S.A.	54,137,633	Financing associates' working capital
Total	**54,137,633**	

Equity: At 30 September 2016, the Company reported a positive equity of EUR 293,174,043 compared to EUR 289,687,089 at year-end 2015. The increase of EUR 3,486,954 corresponds to (i) profits in 2016 totalling EUR 10,466,673; and (ii) distribution of the positive result of 2015 with respect to dividends totalling EUR 6,979,719.

Dividends:

Dividends payable by the Company to shareholders in 2016:

The Company´s net profit at 31 December 2015 stood at EUR 9,755,905. At the company's Annual General Shareholders Meeting celebrated on 1 April 2016, it approved the payment of a dividend to the Shareholders corresponding to 2015 for EUR 6,979,719. The breakdown of the distribution of profits is as follows:

Distribution of net profit in 2015	EUR
Profit at 31 December 2015	**9,755,905**
• Reserves first application of General Accounting Plan (PGC)	1,800,596
• Legal reserve	975,590
• Dividends	6,979,719

Net financial debt: At 30 September 2016, the Company had a net financial debt with credit institutions amounting to EUR 46,868,750 (EUR 32,448,765 at 31 December 2015), an increase of EUR 14,419,986 in comparison to the prior year-ended. The Company´s debt corresponds to four mortgage loans with banking institutions (two with Caixa Bank and two with Banco Santander). The purpose of this financing was to finance the investments in real estate assets for commercial use located in Castellón, which were acquired in 2011, and commercial premises and an office in Madrid purchased by one of the Subsidiary Companies and financed on 17 April 2015. At 30 September 2016, the total outstanding principal stood at EUR 28,034,094. Furthermore, the Company has a long-term loan with ABANCA and LIBERBANK for a total amount of EUR 4,343,274 and different outstanding drawn down credit facilities contracted with Banca March and Bankinter for the joint sum of EUR 5,081,370, accrued interest totalling EUR 90,181 and a net cash position of EUR 680,170.

Furthermore, at 30 September 2016, the Company has issued two sets of fixed income securities as part of this bonds programme for a combined amount of EUR 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 September 2016 and 31 December 2015 is as follows:

Breakdown of debt	EUR	
	30/09/2016	31/12/2015
Titán, 13	14,677,185	15,206,092
Conde de Peñalver, 16	9,530,143	9,873,571
Plaza de España (Castellón)	3,826,767	4,614,203
Total debt subject to mortgage guarantee	**28,034,094**	**29,693,866**
Drawn credit policies	5,081,370	2,946,662
Loans	4,343,274	-
Debentures and bonds	10,000,000	-
Interest accrued pending maturity	90,181	21,574
Total debt without guarantee	**19,514,825**	**2,968,236**
Cash and bank	**-680,170**	**-213,339**
Net financial debt	**46,868,750**	**32,448,763**

The Company´s LTV at 30 September 2016 is 11.54% (8.40% at 31 December 2015). Taking into account the mortgage charge on the hotels located in Isla Canela (Ayamonte– Huelva) the LTV is 15.97% (14.34% at 31 December 2015).

Income: At 30 September 2016, the Company had obtained income amounting to EUR 13,003,490 (EUR 13,703,670 as at 30 September 2015), a year-on-year decrease of EUR 700,180 (down by 5%). All the income in 2016 came from the activity of leasing real estate, apart from EUR 21,690 (EUR 30,586 in 2015) which came from services.

At 30 September 2016, the Company's **net margin** was positive, standing at EUR 11,985,654 (EUR 12,177,391 as at 30 September 2015), 92% of income as compared to 89% in 2015, an increase of 3 percentage points.

At 30 September 2016, the Company´s **EBITDA** was positive, standing at EUR 11,742,614 (EUR 12,107,294 as art 30 September 2015), 90% of income as compared to 88% in 2015, an increase of 2 percentage points.

Depreciation: At 30 September 2016, depreciation expenses on the Company´s real estate investment stood at EUR 3,475,926 (EUR 3,752,651 at 30 September 2015).

Impairment/Reversal: The Company has reversed real estate investment amounting to EUR 129,961 as result of divestments undertaken to date, which have represented a loss in the sale of real estate assets of the same amount. As at 30 September 2016, the balance of impairments losses has been reduced by EUR 6,214,967 as result of the sale of the Atocha Hotel in July 2015.

Allocation of grants: In 2016, the Company allocated income from capital grants to profit / (loss) amounting to EUR 85,638 (EUR 81,537). These subsidies are related to the ownership of the hotels in Ayamonte, Huelva.

Profit/(loss) on asset disposals: As at 30 September 2016, 2 offices have been sold at Coslada III and one at Sanchinarro VI, generating combined losses of EUR 129,961 compared to the losses of EUR 2,023,388 on the sale of real estate assets in the previous year.

Financial profit (loss): As consequence of the financing to associated companies of the excess of treasury, the Company has generated in the exercise 2016 a positive financial result by amount of EUR 750,000 (EUR 1,012,875 in 2015). Additionally an income by valuation of investments by amount of EUR 1,856,043 associated to the value of the participations in other SOCIMI has been recorded (EUR 0 in 2015). Additionally, as at 30 September 2016 there have been financial expenses with third parties for debts with credit institutions amounting to EUR 522,079 (EUR 785,340 in 2015).

Net profit (loss): At 30 September 2016, the Company booked net profit of EUR 10,466,673 compared to EUR 12,841,925 in 2015, a year-on-year decrease of EUR 2,375,252 (-18.50%).

3. Valuation of real estate assets

The Company commissioned CBRE Valuation Advisory, S.A., an independent expert, to conduct a valuation of the assets, which was issued on 26 January 2016, in order to determine the fair values of all its real estate investments at year-end 2015, Such valuations were conducted on the basis of the replacement value and the market lease value (which consists of capitalising net rents from each property and updating future flows), whichever is lower. Acceptable discount rates were used to calculate fair value for a potential investor, which are in keeping with those used by the market for properties having similar characteristics and locations. The valuations were made in accordance with the Appraisal and Valuation Standards published by the United Kingdom's Royal Institute of Chartered Surveyors (RICS).

As at 30 September 2016, the Directors consider that there have been no significant changes in the variables used in the above assessment to the year-end 2015 by the independent expert or in the content or conditions of leases used in this evaluation by what they consider that the market values of the assets of the Company at the end of September 2016 are similar to those of the year-end 2015,

According to the appraisals made, the fair value of the real estate investments revealed an un-booked unrealised capital gain (by comparing the updated gross fair market value and the net book value) of EUR 63,482,220 (EUR 62,815,286 at the end of the year 2015).

The gross asset value (GAV) of the real estate investments at 30 September 2016 came to EUR 339,260,855 (EUR 325,805,855 at the end of the year 2015). The breakdown by business segment is as follows:

Segments	GAV (EUR)	
	30/09/2016	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**

4. Segment Information

The Company identifies its operating segments based on internal reports on the Company´s components which are the bases for regular reviews, discussion and assessment by the Company's

Administrators, since they are the highest decision-making authority with the power to allocate resources to the segments and assess their performance.

The segments identified in this way in 2016 are as follows:

- Hotels
- Offices
- Sales
- Industrial
- Others

The segment reporting shown below is based on the monthly reports drawn up by the Company´s Management and is generated by the same computer application used to obtain all the Company´s accounting data. In this regard, the Company does not report its assets and liabilities in a segmented way, since this information is not required by the Company´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 Company´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 income statement

2016 (30 September)

	EUR					
	Hotels	**Offices**	**Sales**	**Industrial**	**Others**	**Total**
Income	4,313,895	3,190,202	4,525,787	951,916	21,690	13,003,490
Indirect costs	-631,164	-179,559	-148,642	-7,870	-50,600	-1,017,836
Net Margin	**3,682,731**	**3,010,643**	**4,377,145**	**944,046**	**-28,910**	**11,985,654**
General expenses	-80,629	-59,626	-84,589	-17,792	-405	-243,041
EBITDA	**3,602,102**	**2,951,017**	**4,292,556**	**926,254**	**-29,316**	**11,742,614**
% of income	**83.50%**	**92.50%**	**94.85%**	**97.30%**	**-135.16%**	**90.30%**
Depreciation	-1,806,606	-794,323	-766,980	-108,017	-	-3,475,926
Subsidies	85,638	-	-	-	-	85,638
Extraordinary profits (losses)	-	10,290	-	-	-	10,290
Profits (losses) on asset disposals	-	-129,961	-	-	-	-129,961
Impairment/Reversal	-	129,961	-	-	-	129,961
Financial profit (loss)	-	-204,538	-137,929	-	2,446,524	2,104,057
EBT	**1,881,134**	**1,962,445**	**3,387,648**	**818,237**	**2,417,209**	**10,466,673**
Corporation tax	-	-	-	-	-	-
Net profit (loss)	**1,881,134**	**1,962,445**	**3,387,648**	**818,237**	**2,417,209**	**10,466,673**
% of income	**43.61%**	**61.51%**	**74.85%**	**85.96%**	**11144.22%**	**80.49%**

2015 (30 September)

	EUR					
	Hotels	**Offices**	**Sales**	**Industrial**	**Others**	**Total**
Income	1,941,209	960,577	1,459,661	119,315	25,560	4,506,322
Indirect costs	-383,705	-74,838	-31,124	-10,269	-	-499,935
Net Margin	**1,557,504**	**885,739**	**1,428,537**	**109,046**	**25,560**	**4,006,387**
General expenses	-147,345	-72,911	-110,794	-9,056	-1,940	-342,047
EBITDA	**1,410,159**	**812,828**	**1,317,743**	**99,990**	**23,620**	**3,664,340**
% of income	**72.64%**	**84.62%**	**90.28%**	**83.80%**	**92.41%**	**81.32%**
Depreciation	-742,090	-210,189	-308,945	-12,003		-1,273,227
Subsidies	27,179	-	-	-	-	27,179
Extraordinary profits (losses)	-	-	-	-	-	-
Profits (losses) on asset disposals	-	-	-	-	-	-
Impairment/Reversal	-	-	-	-	-	-
Financial profit (loss)	129,317	75,078	114,086	9,326	1,998	329,805
EBT	**824,565**	**677,717**	**1,122,885**	**97,313**	**25,617**	**2,748,097**
Corporation tax	-	-	-	-	-	-
Net profit (loss)	**824,565**	**677,717**	**1,122,885**	**97,313**	**25,617**	**2,748,097**
% of income	**42.48%**	**70.55%**	**76.93%**	**81.56%**	**100.23%**	**60.98%**

The breakdown of the **income and net carrying value** of real estate assets, including tangible fixed assets in progress, at 30 September 2016 compared to 30 September 2015 is as follows:

Segments	EUR					
	30/09/2016			**30/09/2015**		**31/12/2015**
	Income	**%**	**Net Cost**	**Income**	**%**	**Net Cost**
Hotels	4,313,895	33.17%	107,672,071	5,277,498	38.51%	106,879,025
Oficinas	3,190,202	24.53%	75,020,451	3,031,953	22.13%	76,279,283
Comercial	4,525,787	34.80%	78,417,487	4,609,639	33.64%	65,729,467
Industrial	951,916	7.32%	13,494,776	753,995	5.50%	13,602,794
Otros ingresos	21,690	0.17%	-	30,586	0.22%	500,000
Total ingresos	**13,003,490**	**100.00%**	**274,604,786**	**13,703,670**	**100.00%**	**262,990,569**

From a geographical point of view, most part of revenues are generated in Madrid and Huelva (all in Spain). In this sense, Madrid maintains its contribution to total revenues (65%). The contribution of income from a geographical point of view is as follows:

Area	EUR			
	30/09/2016		**30/09/2015**	
	Income	**%**	**Income**	**%**
Madrid	8,446,329	64.95%	9,026,724	65.87%
Huelva	3,555,578	27.34%	3,655,153	26.67%
Castellón	1,001,583	7.71%	1,021,793	7.46%
Total	**13,003,490**	**100.00%**	**13,703,670**	**100.00%**

As is shown in the table above, most of the Company´s activity was focused on Madrid and Huelva (92.29% in 2016 compared to 92.54% in 2015), with the proportion between Madrid and Huelva in 2016 being 65%:27%. At the end of September 2016, there was no income in Cáceres.

Furthermore, it is of interest to highlight the evolution of the **occupation rates** by type of asset from the **standpoint of asset types**: The occupation rate of the Company´s assets allocated to leases at 30 September 2016 amounted to 90.89% (89.54% at September 2015) of the floor space (sq.m.) leased, with the breakdown as follows:

Segments	% occupation		Floor area in m2 above ground level	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
Hotels	100.00%	100.00%	80,135	80,135
Offices	71.85%	66.46%	23,602	23,669
Sales	72.26%	68.21%	21,801	20,442
Industrial	100.00%	100.00%	13,810	13,810
Total	**90.89%**	**89.54%**	**139,348**	**138,056**

The trend in the occupation rate of the Company´s real estate assets is highly stable and enhances its solvency because of the quality of its clients, lease agreements and new properties.

The Company has obtained revenues amounting to EUR 13,003,490 (EUR 13,703,670 to 30 September 2015) which represents a decrease of EUR 700,180 between periods (-5%). The deviation is mainly due to the effect of the sale of the Hotel Atocha in July 2015. Receipts for the year 2016 come from the activity of rent of the estate except for EUR 21.690 with origin in services (EUR 30.586 in September 2015). Eliminating the effect of new investments and divestments, variation in income was -1%. The detail is as follows:

Segments	EUR		Variation in %	
	30/09/2016	30/09/2015	"Growth"	"Like for Like Growth"
Hotels	4,313,895	5,277,498	-18.26%	-1.55%
Offices	3,190,202	3,031,953	5.22%	5.22%
Sales	4,525,787	4,609,639	-1.82%	-1.82%
Industrial	951,916	753,995	26.25%	0.02%
Others	21,690	30,586	-29.08%	-
Total	**13,003,490**	**13,703,670**	**-5.11%**	**-0.79%**

5. Property Investment

The Company 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 top-quality tenants, as well as some value added real estate asset transformation operations for subsequent operation under a leasing scheme. The Company will maintain the income it currently expects to obtain from the lease agreements that are now in force. The Subsidiary Companies' dividend policy will ensure income for the Company in the future.

In view of the activity performed by the Company with real estate assets leased over the long term, the Administrators' forecasts are positive based on the existence of long-term agreements with top-quality lessees in both the Hotel industry and the Offices, Commercial and Industrial industry, which ensure the Company´s viability in the medium term, along with new retail outlet lease agreements with lessees with outstanding solvency ratings.

6. 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
	EUR
Total payments made	5,246,179
Total pending payments	68,224

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 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 Company 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).

7. Earnings per share

The breakdown of the Earnings per share is as follows:

	EUR	
	30/09/2016	30/09/2015
Net profit (loss)	10,466,673	12,841,927
Weighted average number of shares	4,452,197	4,452,197
Earnings per share	**2.35**	**2.88**

Basic earnings per share is calculated as the sum of the net profit for the period and the weighted average number of common shares in circulation during the period, without including the average number of shares that the Company holds in the Group's companies.

In turn, diluted earnings per share are calculated as the sum of net profit/losses for the period attributable to ordinary shareholders, adjusted based on the effect attributable to potential common shares with a dilutive effect and the weighted average number of common shares in circulation during the period, adjusted based on the weighted average number of common shares that would be issued if all potential common shares were converted into common shares in the company. To this end, it is considered that the conversion takes place at the start of the period or at the time potential common shares are issued, if they have been put into circulation during the period in question.

8. Acquisition of treasury shares

At 30 September 2016, the Company did not hold any treasury shares in its portfolio.

9. Research and development activities

The Company does not undertake any research and development activities.

10. Main risks affecting the Company

The management of the Company´s financial risks is centralised in Financial Management and in Group PYCONSA's policies, which has established the necessary mechanisms to control exposure to changes in exchange rates, along with credit and liquidity risks.

The main financial risks which have an impact on the Company are set out below:

- **Credit risk**

The Company´s main financial assets are cash flow and cash balances, trade creditors and other accounts receivable in investments. These account for the Company´s maximum exposure to credit risk as regards financial assets. The Company´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 Company´s 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 Company's Administrators on cash generating capacity, the Company 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 Company 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 Company´s exchange rate risk, it has any assets or liabilities in foreign currencies. Hence, there is no risk in this regard.

- **Interest rate risk**

The Company has several long-term loans financing long-term assets, as well as short-term working capital financing facilities. The risk of interest rate fluctuations is very low since the Company is not highly exposed to debt. The Company´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 Company´s results, taking into account its low debt levels and today's very low interest rates.

- **Real estate business risks**

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

Other market risks to which the Company is exposed include:

- **Regulatory risks**: the Company 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 Company.

- **Tourism risk**: a significant part of the Company´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 Company is exposed to other risks: (i) environmental risks; (ii) occupational health and safety risks; and (iii) occupational hazard prevention risks.

11. Outlook for 2016

Given the Company´s activities, the Board of Directors at the 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.

12. Disclosure on situations of conflicts of interests involving Directors

At 30 September 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.

13. Subsequent events

The main events occurred subsequent to 30 September 2016 are as follows:

- As at 19 October 2016, the Company obtained the authorization from the Spanish multilateral trading facility for debt securities (Mercado Alternativo de Renta Fija, the "MARF") of the informational base prospectus (documento base informativo) for the listing of medium and long-term notes (the "Base Document") in connection with a note program so-called "Programa de Emisión de Valores de Renta Fija 2016". The Base Document was published on the MARF website (www.aiaf.es/ing/aspx/Portadas/HomeMARF.aspx) and on the Company website (www.saintcroixhi.com). The maximum amount of the new program is EUR 70,000,000 valid for 12 months from the date of registration.

Madrid 27 September 2016

Mr. Marco Colomer Barrigón
Chairman and Chief Executive Officer