SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.

Management Report
31 March 2017

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Management Report
2017 (31 March 2017)

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Management Report at 31 March 2017

1. Explanation of figures at 31 March 2017

A breakdown of the main figures at 31 March 2017 compared to 31 March 2016 is provided below:

Income statement	Euros		
	31/03/2017	**31/03/2016**	**+ / -**
Income	**4,421,857**	**4,230,023**	**4.54%**
Net operating income (NOI)	**4,109,138**	**4,036,892**	**1.79%**
General expenses	-67,300	-74,603	
EBITDA	**4,041,838**	**3,962,289**	**2.01%**
Financial profit (loss)	-183,662	162,181	
EBTDA	**3,858,176**	**4,124,470**	**-6.46%**
Depreciation	-1,201,997	-1,137,812	
Subsidies	27,179	28,546	
Impairment/Reversal	137,318	-	
Other gains (losses)	5,200	9,570	
Gains (losses) on disposal of real estate assets	-147,610	-	
Gains (losses) disposal of financial assets	441,279	-	
EBT	**3,119,545**	**3,024,774**	**3.13%**
Corporation tax	-415,516	-	-
Net profit (loss)	**2,704,029**	**3,024,774**	**-10.60%**

Main figures as at 31 March 2017

	31/03/2017	**31/03/2016**	**31/12/2016**
Annualised income (million €)	21.60	19.44	20.36
FFO (million €)	4.05	3.97	17.64
FFO (€/share)	0.91	0.89	3.96
Value of real estate assets (million €)	396.61	339.26	378.21
GAV (million €)	452.99	381.66	435.11
NAV (million €)	388.58	349.84	384.89
Risk-free assets under management (No.)	215	212	215
Gross lettable surface area (risk-free m2)	143,705	139,348	142,188
% occupancy at year end	85.05%	89.72%	91.64%
WAULT	6.95	10.23	7.18
LTV	14.22%	7.90%	11.54%
Adjusted LTV	17.47%	13.19%	15.29%
Net debt (millions €)	64.41	31.82	50.23
Profit (€/share)	0.61	0.68	3.52
Dividend (€/share)	-	-	3.14
Gross profitability via dividend	-	-	4.66%

Sector indicators as at 31 March 2017

	Euros					
	31/03/2017	**Per share**	**31/03/2016**	**Per share**	**31/12/2016**	**Per share**
Recurring net profit	3,129,838	0.70	3,084,902	0.69	13,879,926	3.12
Net value of assets	388,580,947	87.28	349,842,273	78.58	384,886,299	86.45
Cost/income ratio	6.02%		6.33%		12.52%	
Vacancy ratio	14.13%		4.08%		10.04%	
Net profitability	4.68%		5.50%		4.84%	

Real estate investments (gross): At 31 March 2017, the Company's gross real-estate investments, valued at acquisition cost, came to €359,229,907. In 2017, the following investments and disinvestments took place:

- **Investments undertaken amounting to €19,091,522:**
  - Refurbishments on hotels in the amount of €131,431:
  - Costs associated with investments in the 4th quarter of 2016 (José Abascal 41) in the amount of €305,852.
  - Acquisition of offices. On 7 February 2017, the acquisition of an office building located at Francisco Gervás 13 in Madrid was arranged, paid up front. The value of the operation was €3,045,293 including expenses (acquisition cost of €3,000,000). The property has a built surface area of approximately 1,352 square metres above ground level.
  - Acquisition of a commercial property. On 10 February 2017, the acquisition of a commercial property located at Goya 59 in Madrid was arranged, paid up front. The value of the operation was €15,608,945 including expenses (acquisition cost of €15,250,000). The property has a built surface area of approximately 423.50 square metres above ground level.
- **Divestments made amounting to €689,039:**
  - Sale of offices (lofts). During the year, one loft from the Coslada III development and two from the Sanchinarro VII development were sold (including their corresponding annexes), generating a net loss of €147,610 for which provisions were set aside in full at the end of 2016.
- **Commitments acquired:**
  - On 30 March 2017, the Company entered a double-rate cancellation penalty sales agreement with a third party for the sale of its commercial property in Cáceres (C/San Antón 25 y 27) under which it has charged the purchase price of €583,000 as payment on account which has been registered as an advance payment from customers. The total amount of the operation has been set at €2,915,000 and must be formalised in a public document before 2 June 2017.

Dividends:

Dividends payable by the Company to shareholders in 2017:

The Company's net profit at 31 December 2016 came to €15,682,656. At its Annual General Shareholders' Meeting to be held in June 2017, it is expected that the following distribution of profits for 2016 will be approved, which translates to a gross dividend payment of €13,958,138. The breakdown of the distribution of profits is as follows:

Proposed distribution of net profit in 2016	Euros
Profit at 31 December 2016	**15,682,656**
• Reserves first application of General Accounting Plan (PGC)	156,252
• Legal reserve	1,568,266
• Dividends	13,958,138

The gross dividend per share in 2016 was €3.14 per share compared to the €1.57 per share obtained in 2015. Dividend yield in 2016 was 4.66% compared to the 2.36% in 2015, calculated using the average trade price for each year.

Net financial debt: At 31 March 2017, the Company has a net financial debt of €64,411,622 (€50,227,385 at 31 December 2016). The breakdown of this debt is as follows.

Details of the debt	Euros	
	31/03/2017	31/12/2016
Titán, 13	14,214,390	14,412,731
Conde de Peñalver, 16	9,229,643	9,358,428
Plaza de España (Castellón)	3,131,155	3,429,972
José Abascal 41	11,400,000	-
Mortgage-backed debt	**37,975,188**	**27,201,131**
Bonds and debentures	10,000,000	10,000,000
Drawn down credit facilities	8,987,279	5,007,230
Long-term loans	7,591,901	8,412,913
Interest accrued pending maturity	193,325	174,962
Unsecured debt	**26,772,505**	**23,595,105**
Cash and bank	-336,070	-568,851
Net financial debt	**64,411,622**	**50,227,385**

On 20 January 2017, the Company took out a long-term mortgage guarantee loan with Banca March, S.A. on one of its real-estate assets for the sum of €11,400,000. Said loan has a 2-year grace period and a 12-year repayment period (14 years in total) with an increasing amortisation system from the second year onwards. Regarding the mortgage loan, on 17 February 2017, the Company entered an Interest Rate Swap Agreement amounting to €8,550,000, the term of which runs from 1 April 2019 to 1 April 2026.

The Company's LTV at 31 March 2017 was 14.22% (11.54% at 31 December 2016). The adjusted LTV was 17.47% (15.29% at 31 December 2016). Said adjusted LTV includes the impact of the mortgage burden on hotels located in Isla Canela (€14,727,967 at 31 March 2017 and €16,289,049 at 31 December 2016).

Income: At 31 March 2017, the Company had total income of €4,421,857 (€4,230,023 at 31 March 2016). The breakdown of income per asset type is as follows:

	Euros		Variation in %	
	31/03/2017	**31/03/2016**	**Growth**	**"Like for Like Growth"**
Hotels	1,508,686	1,389,754	8.56%	8.56%
Offices	1,358,412	1,048,782	29.52%	8.98%
Retail	1,232,448	1,462,549	-15.73%	-16.12%
Industrial	322,311	317,235	1.60%	1.60%
Others	-	11,702	-100.00%	-
Total	**4,421,857**	**4,230,023**	**4.54%**	**-0.69%**

Income from revenues increased by 4.54% year-on-year, with an increase in hotels, offices and industry (15.74%) and a decrease in the commercial area (-15.73%). Removing the effects of new investments and disposals, year-on-year income reduced -0.69% with this decrease mainly focused on the commercial area due to the termination of the lease contract on commercial premises in Castellón.

During the first quarter of 2017 there were no significant changes in the Company's investment portfolio except for the termination of the lease of the commercial premises located in Plaza de España, 5 (Castellón), which were rented to Inditex (Zara). The lease was terminated on 20 January 2017.

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	**Euros Nominal value**	
	2017	**2016**
Less than a year	18,544,931	18,318,112
Between two and five years	56,648,090	56,896,067
More than five years	25,337,892	28,192,729
Total	**100,530,913**	**103,406,908**

Regarding the average duration of lease contracts by property type, the WAULT (Weighted average unexpired lease term) is provided below:

Type	**WAULT**	
	31/03/2017	**31/12/2016**
Hotels	5.46	5.76
Offices	5.69	5.69
Retail	5.70	8.38
Industrial	10.75	11.00
Total Average	**6.95**	**7.18**

NOI: Net Operating Income was positive and came to €4,109,138 (€4,036,892 at 31 March 2016), an increase of 2%. The breakdown of NOI per asset type is as follows:

	Euros	
	31/03/2017	**31/03/2016**
Hotels	1,351,481	1,326,610
Offices	1,329,603	976,385
Retail	1,109,996	1,429,901
Industrial	318,058	311,190
Others	-	-7,194
NOI	**4,109,138**	**4,036,892**

EBITDA at 31 March 2017 was positive and came to €4,041,838 (€3,962,288 in March 2016), a year-on-year increase of 2%.

Financial profit (loss): Financial profit/(loss) at 31 March 2017 was negative at -€183,662 (+€162,180 in March 2016). Total financial income from the financing system to the group amounted to €288,562 (€265,000 in March 2016). The Company's financial expenses amounted to €472,224, including the costs associated with the taking on of the mortgage loan associated with the Jose Abascal 41 office building (€107,523 in March 2016).

Depreciation: Depreciation expense was €1,201,997 compared to €1,137,812 for the same period in the previous year. The 6% increase was due to the normal effect of new investments made between those periods.

Impairment/Reversal: Impairments on commercial loans amounting to €10,292 (€0 in March 2016) have been recorded and impairments on real estate investment amounting to €147,610 (€0 in March 2016) have been reversed.

Profit/(loss) on disposal of real estate assets: At 31 March 2017, one loft in the Coslada III development and two lofts in the Sanchinarro VI development have been sold, generating combined losses of -€147,610 (€0 in March 2016).

Profit/(loss) on financial asset disposals: At 31 March 2017, a profit amounting to €441,279 was obtained because of the sale of all the shares of other REITs which were recorded on the Company's balance sheet at 31 December 2016.

Corporation tax: In Q1 of 2017, the Company sold all the shares it held in other listed REITs at year-end 2016. The actual capital gain obtained in the first quarter was €1,697,583 and the impact on the income statement for the quarter was €441,279, as indicated in the previous point given that, at the end of 2016, a profit of €1,256,304 was recognised because of the valuation of the investment made. Corporation tax expenses amount to €415,516 calculated at the general tax rate of 25% on the actual profit obtained net of tax loss carryforwards of €35,519 pending at the end of 2016.

Net profit/(loss): Net profit/(loss) at 31 March 2017 was positive at €2,704,028 (€3,024,773 in March 2016).

2. Valuation of real estate assets

The Company has tasked CBRE Valuation Advisory, S.A., an independent expert, with carrying out an assessment of its assets, which was issued on 30 January 2017 to establish the fair value of all its real estate investments at year-end except for the investment in an office building located at Calle José Abascal 41 in Madrid made in December 2016 and the investments from the first quarter of 2017 (Goya 59 and Francisco Gervás 13). Such valuations were conducted based on 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).

Per the appraisals made, the fair value of the real estate investments revealed an unbooked unrealised capital gain (by comparing the updated gross fair market value and the net book value) of €86,209,124, which was primarily due to the premises located at Gran Vía 34 in Madrid, Calle Conde de Peñalver, 16 in Madrid, Gran Vía, 55 in Madrid, Hotel Barceló Isla Canela, Hotel Tryp Cibeles in Madrid and the industrial premises located in Daganzo de Arriba in Madrid.

The market value of the real estate investments at 31 March 2017 came to €396,611,622 (€378,214,862 at 31 December 2016). The breakdown by business segment is as follows:

Segments	Euros	
	31/03/2017	31/12/2016
Hotels	124,056,923	123,925,492
Offices	97,527,300	94,867,220
Retail	157,709,399	142,104,150
Industrial	17,318,000	17,318,000
Total	**396,611,622**	**378,214,862**

The main variations correspond primarily to:

- Investments in the Capex of Hotels: €131,431
- Value changes due to capitalised costs in investments made in 2016: €305,852
- Acquisitions during the year: €18,648,516
- Divestment in real estate assets: €689,039

3. Segmented reporting

The Company identifies its operating segments based on internal reports which are the bases for regular reviews, discussion and assessment by the Directors of the Company, 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 2017 are as follows:

- Hotels
- Offices
- Retail
- Industrial

The segment reporting shown below is based on the monthly reports drawn up by 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.

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

2017 (31 March)

	Euros					
31/03/2017	**Hotels**	**Offices**	**Retail**	**Industrial**	**Others**	**Total**
Income	1,508,686	1,358,412	1,232,448	322,311	-	4,421,857
Indirect costs	-157,205	-28,809	-122,452	-4,253	-	-312,719
Net Margin	**1,351,481**	**1,329,603**	**1,109,996**	**318,058**	**-**	**4,109,138**
General expenses	-19,647	-22,221	-20,160	-5,272	-	-67,300
EBITDA	**1,331,834**	**1,307,382**	**1,089,836**	**312,786**	**-**	**4,041,838**
% of income	**88.28%**	**96.24%**	**88.43%**	**97.04%**	**-**	**91.41%**
Depreciation	-618,200	-295,198	-252,593	-36,006	-	-1,201,997
Subsidies	27,179	-	-	-	-	27,179
Extraordinary profits (losses)	-	-	5,200	-	-	5,200
Profit/(loss) on the disposal of real estate assets	-	-147,610	-	-	-	-147,610
Profit/(loss) on the disposal of financial assets	-	-	-	-	441,279	441,279
Impairment/Reversal	-	147,610	-10,292	-	-	137,318
Financial profit (loss)	-	-158,187	-47,557	-	22,083	-183,661
EBT	**740,813**	**853,997**	**784,593**	**276,780**	**463,362**	**3,119,545**
Corporation tax	-	-	-	-	-415,516	-415,516
Net profit (loss)	**740,813**	**853,997**	**784,593**	**276,780**	**47,846**	**2,704,029**
% of income	**49.10%**	**62.87%**	**63.66%**	**85.87%**	**-**	**61.15%**

2016 (31 March)

31/03/2016	Euros					
	Hotels	Offices	Retail	Industrial	Others	Total
Income	1,389,754	1,048,782	1,462,549	317,235	11,702	4,230,023
Indirect costs	-63,144	-72,397	-32,648	-6,046	-18,896	-193,131
Net Margin	**1,326,610**	**976,385**	**1,429,901**	**311,190**	**-7,194**	**4,036,892**
General expenses	-6,515	-5,479	-7,081	-1,487	-54,041	-74,603
EBITDA	**1,320,094**	**970,906**	**1,422,820**	**309,702**	**-61,235**	**3,962,288**
% of income	**94.99%**	**92.57%**	**97.28%**	**97.63%**	**-523.29%**	**93.67%**
Depreciation	-582,884	-265,556	-253,202	-36,006	-164	-1,137,812
Subsidies	28,546	-	-	-	-	28,546
Extraordinary profits (losses)	-	8,270	1,300	-	-	9,570
Profit/(loss) on the disposal of real estate assets	-	-	-	-	-	-
Profit/(loss) on the disposal of financial assets	-	-	-	-	-	-
Impairment/Reversal	-	-	-	-	-	-
Financial profit (loss)	-	-83,725	-54,365	-	300,271	162,181
EBT	**765,757**	**629,894**	**1,116,553**	**273,697**	**238,873**	**3,024,773**
Corporation tax	-	-	-	-	-	-
Net profit (loss)	**765,757**	**629,894**	**1,116,553**	**273,697**	**238,873**	**3,024,773**
% of income	**55.10%**	**60.06%**	**76.34%**	**86.28%**	**2041.31%**	**71.51%**

The breakdown of the **income and net carrying value** of real estate assets at 31 March 2017 is as follows:

	Euros					
	31/03/2017			31/03/2016		
	Income	%	Net cost	Income	%	Net cost
Hotels	1,508,686	34.12%	110,051,390	1,389,754	32.85%	108,024,065
Offices	1,358,412	30.72%	96,032,745	1,048,782	24.79%	76.013727
Retail	1,232,448	27.87%	90,895,598	1,462,549	34.58%	78,931,264
Industrial	322,311	7.29%	13,422,765	317,235	7.50%	13,566,788
Others	-	-	-	11,702	0.28%	-
Total income	**4,421,857**	**100.00%**	**310,402,497**	**4,230,023**	**100.00%**	**276,535,844**

It is important to point out that, at 31 March 2017, 34% of the revenues were generated by hotel assets, 31% by offices, 28% by retail premises, and the remaining 7% by industrial assets. At 31 March 2017, all hotels are leased; 68% of offices are leased; 43% of retail premises are leased; and 100% of industrial assets are leased. At 31 March 2017, the degree of occupancy of real-estate assets was 85%. The Gross Leasable Area (GLA) was 143,705 m2.

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

Area	Euros			
	31/03/2017		31/03/2016	
	Income	Income (%)	Income	Income (%)
Madrid	3,127,565	70.73%	2,797,780	66.14%
Huelva	1,218,904	27.57%	1,098,381	25.97%
Castellón	75,388	1.70%	333,861	7.89%
Cáceres	-	-	-	-
Total	**4,421,857**	**100.00%**	**4,230,023**	**100.00%**

From a geographic standpoint, most of the income is generated in Madrid and Huelva (both of which are in Spain). In this regard, Madrid remains in first position, contributing around 71% to total income, followed by Huelva with 28% and Castellón with 2%. Cáceres did not obtain any income in 2017.

As is shown in the table above, most of the Company's activity was focused on Madrid and Huelva, with 98%, with the proportion between Madrid and Huelva being 71%:28%. At the end of March 2017, there was no income in Cáceres since the lease contract of the only asset located there was terminated early at the end of 2013 and, so far, it has not been leased again. In addition, effective from January 2017, the premises in Castellón have become vacant and so the Company has started to market them.

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 31 March 2017 amounted to 85.05% (89.72% in March 2016 and 91.64% in December 2016) of the floor space (sq. m.) leased, with the breakdown as follows:

Type of asset	% occupation			Floor area in m2 above ground level		
	31/03/2017	31/03/2016	31/12/2016	31/03/2017	31/03/2016	31/12/2016
Hotels	100.00%	100.00%	100.00%	80,135	80,135	80,135
Offices	67.92%	70.71%	82.12%	27,520	23,602	26,442
Retail	43.12%	66.03%	67.15%	22,240	21,801	21,801
Industrial	100.00%	100.00%	100.00%	13,810	13,810	13,810
Total	**85.05%**	**89.72%**	**91.64%**	**143,705**	**139,348**	**142,187**

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

4. Property Investment

Due to the recent reduction in expected yields in prime areas, 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% and 6% and top-quality tenants, as well as some added value 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.

In view of the activity performed by the Company with real estate assets leased over the long term, the Directors' forecasts are positive based on the existence of long-term agreements with top-quality lessees in both the Hotel industry and the Offices, Retail 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.

5. Disclosure on supplier payment deferrals

Below is the information required by Additional Provision Three of Law 15/2010 of 5 July (modified under the Second Final Provision of Law 31/2014 of 3 December) prepared according to the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, on the information to be included in the record of annual financial statements relating to the average period for payment to suppliers in commercial transactions.

	2017	2016
	Days	
Average payment period to suppliers	29.45	54.80
Ratio of paid transactions	35.66	54.60
Ratio of transactions pending payment	25.27	71.82
	Euros	
Total payments made	347,310	6,334,012
Total payments pending	515,412	75,298

Pursuant to the ICAC Resolution, to calculate the average payment period to suppliers, commercial transactions corresponding to the accrued delivery of goods or provision of services from the date on which Law 31/2014 of 3 December came into force, have been taken into consideration.

For the sole purpose of providing the information set out in the Resolution, suppliers are considered as trade creditors concerning debts with suppliers of goods or services, included in the "Suppliers" and "Sundry creditors" items of the current liabilities in the balance sheet.

The "average payment period to suppliers" is understood as the period that elapses from the delivery of goods or the provisions of services entrusted to the supplier and eventual payment of the operation.

The maximum legal payment period applicable to the Company in 2016 per Law 3/2004, of 29 December, establishing measures to combat delinquency in commercial transactions, is 30 days from the date on which said Law was published to the present (unless any of the conditions established therein are fulfilled, allowing the maximum legal payment period to be extended to 60 days).

6. Earnings per share at 31 March 2017

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

	Euros		
	31/03/2017	31/03/2016	31/12/2016
Net profit	2,704,028	3,024,773	15,682,656
Weighted average number of shares	4,452,197	4,452,197	4,452,197
Earnings per share	**0.61**	**0.68**	**3.52**

Basic earnings per share are calculated as the sum of net profit for the period attributable to the Company and the weighted average number of common shares in circulation during the period.

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.

At 31 March 2017 and year-end 2016, the basic and diluted earnings per share matched.

7. Acquisition of treasury shares

At 31 March 2017, the Company did not hold any treasury shares in its portfolio.

8. Research and development activities

The company does not undertake any research and development activities.

9. Main risks to the Company

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

a) Credit risk

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

b) Liquidity risk

Considering the current situation of the financial market and the estimates made by the Directors of the Company on the Company's cash generating capacity, the Directors believe that the Company 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 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

About the Company's exchange rate risk at 31 March 2017, it did not have any assets or liabilities in foreign currencies. Hence, there is no risk in this regard.

d) Interest rate risk

The Company has two long-term loans financing mainly 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 insignificant effect on the Company's results, considering its low debt levels and today's very low interest rates. However, it does not rule out specific hedging as already undertaken in the first quarter of 2017 on part of the mortgage loan associated with the property at José Abascal.

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 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 bound 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.

Finally, it is important to consider that the Company is exposed to other risks: (i) environmental risks; (ii) occupational health and safety risks; and (iii) occupational hazard prevention risks.

10. Outlook for 2017

Given the Company's activity, the Directors of the Company consider that 2017 will continue to be positive about the maintenance of long-term lease contract conditions and the new acquisitions made by the Company. The forecasts are therefore positive, considering 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 having outstanding solvency ratings.

11. Information on conflicts of interest among the Directors

On 31 March 2017, neither the members of the Board of Directors of Saint Croix Holding Immobilier, SOCIMI, S.A. or the parties related to them, as laid down pursuant to the Corporate Enterprises Act, had reported to the other members the Board of Directors any direct or indirect conflict of interests with those of the Company.

12. Subsequent disclosures

After 31 March 2017 and up to the date of this management report there have been no significant events.

Madrid, 27 April 2017

Mr. Marco Colomer Barrigón
Chairman and Chief Executive Officer