

**SAINT CROIX  
HOLDING IMMOBILIER,  
SOCIMI, S.A.**

**Half-Yearly Financial Statements and Management  
Report corresponding to the six months ending 30  
June 2017  
(Unaudited)**

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# **Half-Yearly Financial Statements**

(Unaudited)

30 June 2017

**SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.**  
**BALANCE SHEET AT 30 JUNE 2017**  
(Euros)

ASSETS	Notes to the Report	30/06/2017	31/12/2016	EQUITY AND LIABILITIES	Notes to the Report	30/06/2017	31/12/2016
<b>NON-CURRENT ASSETS</b>		<b>307,192,998</b>	<b>294,682,143</b>	<b>EQUITY</b>		<b>290,650,112</b>	<b>299,694,974</b>
<b>Intangible fixed assets</b>		<b>4,736</b>	<b>4,659</b>	<b>OWN FUNDS-</b>			
Software applications		4,094	3,388	<b>Capital</b>	12	<b>267,577,040</b>	<b>267,577,040</b>
Software applications in progress		641	1,271	Authorised capital		267,577,040	267,577,040
<b>Tangible fixed assets</b>		<b>1,367</b>	<b>1,708</b>	<b>Reserves</b>	12	<b>16,854,847</b>	<b>15,130,330</b>
Plant and other tangible fixed assets		1,367	1,708	Legal and statutory		2,700,108	1,131,843
<b>Property investments</b>	6	<b>305,491,131</b>	<b>293,023,533</b>	Other reserves		14,154,739	13,998,487
Net property investments		305,491,131	293,023,533	<b>Profit (Loss) for the year</b>	4	<b>4,967,635</b>	<b>15,682,656</b>
<b>Long-term financial investments</b>	8	<b>1,695,764</b>	<b>1,652,243</b>	<b>SUBSIDIES, DONATIONS AND BEQUESTS RECEIVED</b>	12	<b>1,250,590</b>	<b>1,304,948</b>
Other financial assets		1,695,764	1,652,243	Subsidies, donations and bequests received		1,250,590	1,304,948
						<b>51,685,259</b>	<b>42,843,198</b>
<b>CURRENT ASSETS</b>		<b>67,612,424</b>	<b>60,364,178</b>	<b>NON-CURRENT LIABILITIES</b>			
<b>Inventories</b>		<b>115</b>	<b>5,278</b>	<b>Long-term debts</b>	13	<b>51,685,259</b>	<b>42,843,198</b>
Advance payments to suppliers		115	5,278	Obligations and bonds		10,000,000	10,130,822
<b>Trade and other accounts receivable</b>	9	<b>1,125,439</b>	<b>2,196,146</b>	Debts with credit institutions		38,696,823	29,465,941
Accounts receivable for sales and services		729,036	1,611,797	Other financial liabilities		2,988,436	3,246,435
Other receivables		14,865	-			<b>32,470,051</b>	<b>12,508,149</b>
Staff		288	112	<b>CURRENT LIABILITIES</b>			
Other credits with the public administration	9 and 16 .1	381,250	584,237	<b>Short-term debts</b>	13	<b>30,902,649</b>	<b>11,709,858</b>
<b>Short-term investments with Group and associated companies</b>	8 and 18.2	<b>64,603,678</b>	<b>47,430,376</b>	Debts with credit institutions		16,489,978	11,199,473
Short-term loans to Group and associated companies		64,603,678	47,430,376	Other financial liabilities		14,412,672	510,385
<b>Short-term financial investments</b>	8	<b>46,424</b>	<b>10,163,527</b>	<b>Short-term Group and associated companies debts</b>	18.2	<b>-</b>	<b>6,982</b>
Equity instruments available for sale		-	10,110,694	<b>Trade creditors and other accounts payable</b>		<b>1,567,402</b>	<b>791,309</b>
Other financial assets		46,424	52,833	Suppliers	14	600,191	298,083
<b>Cash and cash equivalents</b>	10	<b>1,836,768</b>	<b>568,851</b>	Sundry creditors	14	204,814	114,773
Cash and bank		1,836,768	568,851	Other debts with the public administration	16.1	752,528	377,453
				Advance payments from customers		9,870	1,000
<b>TOTAL ASSETS</b>		<b>374,805,422</b>	<b>355,046,321</b>	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>374,805,422</b>	<b>355,046,321</b>

Notes 1-24 to the attached hereto half-yearly financial statements are an integral part of the balance sheet at 30 June 2017

**SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.**  
**PROFIT AND LOSS ACCOUNT AT 30 JUNE 2017**  
 (Euros)

	Notes to the Report	30/06/2017	30/06/2016
<b>CONTINUED OPERATIONS</b>			
<b>Net turnover</b>	17.1	<b>8,454,734</b>	<b>8,471,450</b>
Provision of services		86,222	2,365
Lease of property		8,368,512	8,469,085
<b>Procurements</b>		<b>-888</b>	<b>-394,667</b>
Work performed by other companies		-888	-394,667
<b>Personnel expenses</b>	17.2	<b>-83,142</b>	<b>-73,248</b>
Wages, salaries and similar outgoings		-63,055	-63,232
National Insurance contributions		-20,086	-10,016
<b>Other operating expenses</b>		<b>-808,163</b>	<b>-435,858</b>
Outside services	17.3	-790,800	-429,815
Taxes and similar levies	17.3	-10,049	-6,043
Losses, impairment and changes in provisions for trade transactions		-7,312	-
Other current management expenses		-2	-
<b>Fixed asset depreciation</b>	6	<b>-2,418,116</b>	<b>-2,301,749</b>
<b>Allocation of non-financial fixed asset subsidies and others</b>	12 and 17.1	<b>54,358</b>	<b>57,092</b>
<b>Impairments and gains (losses) on fixed asset disposals</b>	6	<b>-85,405</b>	<b>-</b>
Impairment and losses		378,281	129,961
Gains (losses) on disposals and others		-463,686	-129,961
<b>Other gains (losses)</b>		<b>-13,860</b>	<b>-73,745</b>
Exceptional income and expenses		-13,860	-73,745
<b>Operating profit (loss)</b>		<b>5,099,518</b>	<b>5,249,275</b>
<b>Financial income</b>		<b>462,469</b>	<b>516,663</b>
From transferable securities and other financial instruments		462,469	516,663
- In Group and associated companies	18.1	462,110	496,832
- In third parties		359	19,831
<b>Financial expenses</b>		<b>-620,075</b>	<b>-237,803</b>
From debts with third parties	13	-620,075	-237,803
<b>Change in fair value of financial instruments</b>	8	<b>441,239</b>	<b>-</b>
Profit (loss) from the trading portfolio		441,239	-
<b>FINANCIAL PROFIT (LOSS)</b>		<b>283,633</b>	<b>278,859</b>
<b>PROFIT (LOSS) BEFORE TAX</b>		<b>5,383,151</b>	<b>5,528,134</b>
Tax on profits	16	-415,516	-
<b>PROFIT (LOSS) FOR THE YEAR</b>	4	<b>4,967,635</b>	<b>5,528,134</b>

Notes 1-24 to the attached hereto half-yearly financial statements are an integral part of the income statement at 30 June 2017

**SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.**  
**STATEMENT OF CHANGES IN EQUITY FOR 2017 (UP TO 30 JUNE 2017)**  
**A) STATEMENT OF RECOGNISED INCOME AND EXPENSES**  
 (Euros)

	Notes to the Report	30/06/2017	30/06/2016
<b>PROFIT (LOSS) OF THE PROFIT AND LOSS ACCOUNT (I)</b>	4	<b>4,967,635</b>	<b>5,528,134</b>
<b>Income and expenses directly attributed to equity</b>			
- Tax effect		-	-
<b>TOTAL INCOME AND EXPENSES DIRECTLY ATTRIBUTED TO EQUITY (II)</b>		<b>-</b>	<b>-</b>
<b>Transfers to the profit and loss account</b>			
- Subsidies, donations and bequests received		-54,358	-57,092
<b>TOTAL AMOUNTS TRANSFERRED TO PROFIT AND LOSS ACCOUNT (III)</b>		<b>-54,358</b>	<b>-57,092</b>
<b>TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III)</b>		<b>4,913,277</b>	<b>5,471,042</b>

Notes 1-24 to the attached hereto half-yearly financial statements are an integral part of the comprehensive statement of profit (loss) at 30 June 2017

**SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.**  
**STATEMENT OF CHANGES IN EQUITY FOR 2017 (UP TO 30 JUNE 2017)**  
**B) FULL STATEMENT OF CHANGES IN EQUITY**  
(Euros)

	Capital	Legal reserve	Other reserves	Profit (Loss) for the year	Subsidies donations and bequests	TOTAL
<b>CLOSING BALANCE OF 2015</b>	<b>267,577,040</b>	<b>156,252</b>	<b>-1,956,848</b>	<b>9,755,905</b>	<b>-</b>	<b>275,532,349</b>
Recognised total income and expense	-	-	-	15,682,656	-108,717	15,573,939
Transactions with shareholders	-	-	14,154,738	-	1,413,665	15,568,403
- Other operations: merger (Note 1)	-	-	14,154,738	-	1,413,665	15,568,403
Other changes in equity	-	975,591	1,800,597	-9,755,905	-	-6,979,717
- Distribution of profit in 2015	-	975,591	1,800,597	-9,755,905	-	-6,979,717
<b>CLOSING BALANCE OF 2016</b>	<b>267,577,040</b>	<b>1,131,843</b>	<b>13,998,487</b>	<b>15,682,656</b>	<b>1,304,948</b>	<b>299,694,974</b>
Recognised total income and expense	-	-	-	4,967,635	-54,358	4,913,277
Other changes in equity	-	1,568,265	156,252	-15,682,656	-	-13,958,139
- Distribution of profit in 2016	-	1,568,265	156,252	-15,682,656	-	-13,958,139
<b>CLOSING BALANCE AT 30 JUNE 2017</b>	<b>267,577,040</b>	<b>2,700,108</b>	<b>14,154,739</b>	<b>4,967,635</b>	<b>1,250,590</b>	<b>290,650,112</b>

Notes 1-24 to the attached hereto half-yearly financial statements are an integral part of the statement of changes in equity at 30 June 2017

**SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.**  
**STATEMENT OF CASH FLOWS FOR 2017 (UP TO 30 JUNE 2017)**  
(Euros)

	Notes to the Report	30/06/2017	31/12/2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES (I)</b>		<b>8,689,187</b>	<b>17,348,388</b>
Profit (loss) before tax for the year		5,383,151	15,682,656
Adjustments to profit (loss):		2,172,842	1,955,527
- Fixed asset depreciation	6	2,418,116	4,648,510
- Valuation allowance for impairment	6	-378,281	-1,040,347
- Gains (losses) on fixed-asset write offs and disposals	6	463,686	467,110
- Change in provisions (trade credits)		7,312	26,811
- Allocation of subsidies	12	-54,358	-108,717
- Income from shareholdings in equity instruments	8	-441,239	-1,700,013
- Financial income	18.1	-462,469	-1,254,859
- Financial expenses	13	620,075	917,032
<b>Changes in working capital</b>		<b>1,530,800</b>	<b>135,972</b>
- Debtors and other accounts receivable	9	1,063,395	1,122,445
- Inventories		5,163	-4,199
- Creditors and other accounts payable	14	776,093	-967,104
- Other current liabilities	13	-313,851	-15,170
<b>Other cash flows from operating activities</b>		<b>-397,606</b>	<b>-425,767</b>
- Interest payable		-620,075	-786,210
- Interest receivable		222,469	360,443
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES (II)</b>		<b>-4,456,034</b>	<b>15,616,970</b>
<b>Investment payments</b>		<b>-19,479,375</b>	<b>-48,316,374</b>
- Other financial assets	8	-43,521	-13,377,614
- Property investments	6	-19,435,212	-34,933,511
- Group and associated companies	18	-	-
- Fixed assets		-642	-5,249
<b>Receivables from disposals</b>		<b>15,023,341</b>	<b>63,933,343</b>
- Group and associated companies	18	-	58,129,023
- Property investments	6	4,464,999	826,000
- Other financial assets	8	10,558,342	4,978,320
<b>CASH FLOWS FROM FINANCING ACTIVITIES (III)</b>		<b>-2,965,236</b>	<b>-33,050,399</b>
- Subsidies		-	-
<b>Dividends and other equity instruments payable</b>	4	-	-6,979,719
<b>Financial liability instrument receivables and payables</b>		<b>-2,965,236</b>	<b>-26,070,680</b>
- Payments for loans granted to Group and associated companies	18	-17,348,819	-44,527,852
- Debt issued to Group and associated companies	18	-6,982	894,416
- Issues of obligations and other marketable securities	13	-130,822	10,000,000
- Debt issues with credit institutions	13	14,521,387	7,562,756
<b>INCREASE/DECREASE OF NET CASH OR EQUIV. (I+II+III+IV)</b>		<b>1,267,917</b>	<b>-85,041</b>
<b>Cash or cash equivalents at beginning of the year</b>		<b>568,851</b>	<b>653,892</b>
<b>Cash or cash equivalents at year-end</b>		<b>1,836,768</b>	<b>568,851</b>

Notes 1-24 described in the notes to the attached financial statements are an integral part of the statement of cash flows for the six months ending on 30 June 2017



## **SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.**

### Explanatory notes to the Half-Yearly Financial Statements at 30 June 2017 (unaudited)

#### **1. Company Activity**

SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A (hereinafter the Company), previously named SAINT CROIX HOLDING IMMOBILIER, S.A, was formed on 1 December 2011 in Luxembourg. It registered office is at Boulevard Prince Henri 9b, L-1724 Luxembourg, Grand Duchy of Luxembourg and was registered in the Mercantile Registry of Luxembourg (Registre de Commerce et des Sociétés) under number B165103. Amongst its other agreements, on 10 June 2014, the Extraordinary General Meeting approved:

- Transfer of the registered, tax and administrative office (effective head office) to Glorieta de Cuatro Caminos 6 & 7 in Madrid, without the winding up or liquidation of the company, continuing the activities in Spain which make up its corporate purpose, under Spanish nationality as a corporation regulated by Spanish Law and especially under the legal and tax REIT regime, and keeping the listing of all its shares on the Luxembourg Stock Exchange.
- Change of the company name from "SAINT CROIX HOLDING IMMOBILIER, S.A." to "SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.";
- Approval of the Company's financial statements as of 31 May 2014 (date of closing of accounts prior to the transfer of registered office and therefore of the change of nationality).
- Approval of the new Articles of Association in accordance with Spanish Legislation and the Regulations of the General Shareholders' Meeting.

Having changed of company name and transfer of effective head office to Madrid (Spain), the Company was registered in the Trade Register of Madrid on 15 October 2014.

Its corporate purpose includes the following activities:

- The acquisition and development of urban real estate for leasing. Development activities, including the refurbishment of buildings under the terms set forth by Act 37/1992 of 28 December on Value Added Tax.
- The holding of interests in the capital of other 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 as their main corporate purpose the acquisition of urban real estate assets for leasing and which are subject to the same scheme as that established for listed real estate investment trusts (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 holding of shares or interests in collective real estate investment institutions governed by Act 35/2003 of 4 November on Collective Investment Institutions.
- The performance of other 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 real estate for leasing. Development activities, including the refurbishment of buildings under the terms set forth by Act 37/1992 of 28 December on Value Added Tax.
  - The 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, holding and disposal of moveable property and fixed income and equity 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 real estate 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.

The development of other non-core financial and non-financial activities that generate revenues, which, in total, amount to less than 20 percent of the Company's revenue in each tax period. The activities listed may also be developed by the Company, in whole or in part, indirectly, through a shareholding in another or other companies with a similar purpose. All activities for which the Law requires special requirements that are not met by this Company are excluded.

Given the activities currently carried out by the Company, it does not have liabilities, expenses,

assets, nor provisions and contingencies of an environmental nature that could be significant in relation to its equity, financial situation and profits. For this reason, information on environmental issues has not been broken down separately as part of the report on the interim financial statements.

Until 31 December 2015, the Company was the head of a Group with two subsidiaries and, in accordance with the legislation in force, was obliged to prepare consolidated financial statements on a separate basis. The consolidated financial statements of the Saint Croix Group for 2015 were prepared under the International Financial Reporting Standards adopted by the European Union (IFRS-EU)

The subsidiaries included in the 2015 consolidation perimeter consolidated under the global integration method were as follows:

Company	Registered Office	Euros				
		Cost of the Investment	% Shareholding	Share capital.	Other Equity Elements	Profit (Loss) for 2015
Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U	Glorieta Cuatro Caminos 6 & 7, Madrid	267,931,197	100.00%	257,160,000	4,531,093	18,498,617
INVERETIRO SOCIMI S.A.U	Glorieta Cuatro Caminos 6 & 7, Madrid	52,004,436	100.00%	44,992,853	-231,260	2,464,962
<b>Total</b>		<b>319,935,633</b>				

### Amalgamation

During 2016, a reorganisation process was undertaken to optimise and simplify the corporate structure of the group headed by Saint Croix Holding Immobilier, SOCIMI, S.A. through a merger process under which the Company absorbed the subsidiary companies, Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.U. and INVERETIRO SOCIMI, S.A.U., agreed at the Extraordinary and Universal Shareholders' General Meetings held on 19 May 2016 of the Absorbed Companies and at the Extraordinary General Shareholders' Meeting of the Absorbing Companies held on 19 May 2016. For accounting purposes, said merger was made on 1 January 2016 through the dissolution without liquidation of the Absorbed Companies and the transfer of all equity to the Absorbing Company. The merger agreement was made public by means of an Amalgamation deed granted on 1 July 2016 and was registered in the Trade Register of Madrid on 27 July 2016. As of that time, the Absorbing Company no longer forms a Consolidated Group.

The main elements that have occurred as a result of the aforementioned merger are as follows:

- Saint Croix Holding Immobilier, SOCIMI, S.A. absorbed the companies indicated, which were dissolved without liquidation, acquiring all their assets by universal succession and subrogating themselves in their rights and obligations under the regime provided for in

article 49 of Law 3/2009, of 3 April, on structural modifications to trading companies. Pursuant to said article, due to the Company holding a 100% shareholding in the Absorbed Companies, the Absorbing Company did not increase its share capital, nor was the intervention of independent experts required.

- In accordance with trade law, the date from which the operations of the Absorbed Companies were considered realised for accounting purposes by Saint Croix Holding Immobilier, SOCIMI, S.A. was 1 January 2016.
- The book values incorporated as part of the merger correspond to the amounts recorded in the consolidated financial statements of the Group to which the Absorbed Companies belonged at 31 December 2015, pursuant to the Registration and Valuation Standard number 21 of the General Accounting Plan.
- The merger was subject to the tax neutrality regime provided for in Chapter VIII of Law 27/2014 of 27 November of the Law on Corporation Tax.
- As a result of the merger, Saint Croix Holding Immobilier, SOCIMI, S.A. ceased to be a holding company; therefore, its corporate purpose had to be amended to include the acquisition and promotion of property.

As a result of the foregoing, positive merger reserves amounted to 14,154,738 euros due to the difference between the individual book values and those included in the merger.

The merger was subject to the special regime of mergers, divisions, asset contributions and exchange of securities provided for in Chapter VIII of Law 27/2014 of 27 November of the Law on Corporation Tax. The Company's financial statements at 31 December 2016 detail all the necessary information in accordance with the provisions of said legislation, namely:

- a) List of transferred goods susceptible to depreciation.
- b) List of tax benefits enjoyed by the transferring entity, in respect of which the entity must assume compliance with certain requirements in accordance with the provisions of said law.
- c) Final closing balance sheet of the absorbed companies.
- d) Assumed assets and liabilities on the acquisition date.

### **Fixed Income Securities Issuance programme 2015**

On 30 September 2015, the Company obtained the inclusion of the information base document for the inclusion of medium and long-term securities related to a "Fixed Income Securities Issuance Programme 2015 " on the Alternative Fixed Income Market ("MARF"). The Base Document was published on the Alternative Fixed Income Market's website as well as on the Company's website. For the purposes of registering the aforementioned bond programme, the Company was rated for credit purposes as BBB with a stable outlook ("investment grade") by the ratings agency Axesor. The proceeds from the issue will be used for investment in real estate assets and the rehabilitation of assets in the portfolio.

The main features of the aforementioned programme are as follows:

- Maximum issue amount: 80,000,000 euros
- Amortisation period: Between 2 and 7 years
- Coupon: Annual
- Unit nominal value  $\geq$  100,000 euros
- Issue audience: qualified investors

During 2016, two issues of the Company's Fixed Income securities were carried out against the aforementioned programme for a total amount of 10,000,000 euros with the following main characteristics:

	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%
Coupon payment	Annual	Annual
Issue APR	2.72%	2.77%

The average APR for the issuer for both issues is 2.73%. The two issues of securities have been listed on the Alternative Fixed Income Market since 24 June 2016 (see Note 13).

#### **Fixed Income Securities Issuance programme 2016**

On 18 October 2016, the Company obtained, for a second consecutive year, the information base document for the inclusion of medium and long-term securities related to a "Fixed Income Securities Issuance Programme 2016 " was included on the Alternative Fixed Income Market ("MARF"). The Base Document was published on the Alternative Fixed Income Market's website as well as on the Company's website. For the purposes of registering the aforementioned bond programme, the Company was rated for credit purposes as BBB with a stable outlook ("investment grade") by the ratings agency Axesor. The programme has a validity of one year. The proceeds from the issue will be used for investment in real estate assets and the rehabilitation of assets in the portfolio.

The main features of the aforementioned programme are as follows:

- Maximum issue amount: 70,000,000 euros
- Amortisation period: Between 2 and 7 years
- Coupon: Annual
- Unit nominal value  $\geq$  100,000 euros
- Issue audience: qualified investors

As of 30 June 2017, no issuance of Fixed Income securities had been made against the aforementioned programme approved in 2016, as the Directors of the Company considered that the conditions currently required by the market do not satisfy the corresponding conditions.

## 2. Applicable legislation

The Company is 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 companies, which are as follows:

1. REITs shall have at least 80 percent 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 balances and, in order to calculate such value, the Company may opt to replace the market value of the elements comprising said balances with their book value, which would then be applied to the entire year's balances. 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 eighty percent of the tax period's income corresponding to each budget 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 Code of Commerce, regardless of residency and the obligation to prepare 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) Flexibility in the inclusion and maintenance of property criteria: 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) Decrease in capital requirements and freedom of 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) Decrease of distribution of dividends: 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.

At 30 June 2017, the Company's Directors deemed that the Company complies with all the requirements laid down by the aforementioned Law.

### **3. Presentation basis of interim financial statements**

#### **a) Financial reporting regulatory framework applicable to the Company**

These interim financial statements for the first six months of 2017 for Saint Croix Holding Immobilier, SOCIMI, S.A. have been approved by the Directors in accordance with the financial reporting regulatory framework applicable to the Company, which is established in:

- Code of Commerce and other trade legislation.
- General Accounting Plan approved by Royal Decree 1514/2007 and the sectoral adaptation for real estate companies.
- The mandatory standards approved by the Institute of Accounting and Audit of Accounts in development of the General Accounting Plan and its complementary standards.
- Law 11/2009 of 26 October governing Listed Real Estate Investment Trusts (REITs), as amended by Law 16/2012 of 27 December.
- Other applicable Spanish accounting regulations.

#### **b) True and fair view**

These interim financial statements for the first six months of 2017 have been obtained from the Company's accounting records and are presented in accordance with the applicable financial reporting framework and, in particular, the accounting principles and criteria contained therein, in a way that shows the true and fair view of the equity, the balance sheet, the results of the Company and the cash flows during the corresponding six-month period.

The Company's 2016 financial statements were approved, without modification, by the Ordinary General Shareholders' Meeting held on 29 June 2017.

#### **c) Non-mandatory accounting principles applied**

No non-mandatory accounting principles have been applied. In addition, the Directors have approved these interim financial statements taking into account all the mandatory accounting principles and standards that have a significant effect on these interim financial statements. There are no accounting principles that are mandatory, that have not been applied.

#### **d) Grouping of items**

Certain items of the balance statement, profit and loss account, statement of changes in equity, and cash flow statement are presented grouped together to facilitate understanding, although when it is significant, the information is presented broken down in the corresponding explanatory notes.



#### e) Critical aspects of the valuation and estimate of uncertainty

Estimates have been made by the Company's Directors to value some of the assets, liabilities, income, expenses and undertakings in the interim financial statements in the process of preparing them. These estimates essentially refer to:

- The valuation of possible losses due to impairment of certain assets (Notes 5.1 and 5.3).
- The useful life of real estate assets (Note 5.1).
- The calculation of provisions (Note 5.7).

Despite the fact that these estimates were made on the basis of the best available information at 30 June 2017, it is possible that future events may make it necessary to adjust them (upwards or downwards) in upcoming financial years, which will be done, as appropriate, prospectively.

#### f) Comparison of the information

Following the merger described in Note 1 of these notes to the Company's interim financial statements at 30 June 2017, the information related to 2016 is comparable with the information for the 2017 financial year.

#### g) Error correction

In preparing the accompanying interim financial statements, no error has been identified that has resulted in the restatement of the amounts included in the financial statements for 2016 or in the interim financial reporting at 30 June 2017.

#### h) Changes in accounting principles

During the six-month period ended 30 June 2017, there were no significant changes in accounting principles with respect to those applied in the year ended 31 December 2016.

### 4. Distribution of profit

The proposed distribution of 2016 profits presented by the Company's directors to the shareholders and approved at the Annual General and Shareholders' Meeting held on 29 June 2017, is as follows:

	Euros
<b>Basis of distribution:</b>	
Profit and Loss	15,682,656
<b>Distribution:</b>	
General Accounting Plan first application reserves	156,252
Legal Reserve	1,568,266
Dividends	13,958,138

The 2016 dividend, amounting to 13,958,138 euros, approved by the Company's Directors on 23

February 2017, was fully paid out on 17 July 2017.

## **5. Accounting principles and registration and valuation standards**

The accounting principles and the registration and valuation standards used by the Company for the preparation of its interim financial statements at 30 June 2017, in accordance with that set out by the General Accounting Plan, were as follows:

### **5.1 Property investments**

The "Property investments" item on the balance sheet reflects the value of land, buildings and other constructions and fixtures that are held either to operate them under leases or to obtain a capital gain on their sale as a consequence of any increases that may come about in the future in their respective market prices.

These assets are initially valued at their original or production cost, which is subsequently reduced by their corresponding cumulative depreciation and impairment losses, if any.

The Company 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.

The years of estimated useful life of its property investments is broken down as follows:

	<b>Years of Estimated Useful Life</b>
Buildings	50
Plant	15 - 20
Machinery	8
Other fixtures	20
Tools and furniture	10
Other fixed assets	6 - 10

As indicated above, the Company depreciates these assets in accordance with the aforementioned years of estimated useful life, 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 property investments**

Whenever evidence for impairment may exist, the Company proceeds to estimate through the so-called "Impairment Test" the possible existence of impairments which reduce the recoverable value of such assets to below their book value. The recoverable amount is determined as the higher between fair value less costs to sell and value in use.

On 30 January 2017, an independent expert, CBRE Valuation Advisory, S.A., was entrusted by the Company to assess its assets, to determine the fair values of all its property investments at year-end, except for the investment made in December 2016 in an office building located at Calle José Abascal 41 in Madrid. 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 Company's property 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.

## **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 company had no financial leases at 30 June 2017 nor at the close of 2016.

### **Operating leases**

The expenses arising from the operating lease agreements are charged to the profit and loss account in the financial year in which they accrue.

Likewise, any acquisition costs of the leased asset are reflected in the balance sheet in accordance with their nature increased by the amount of any costs which may be directly stemming 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 held by the Company are classified into the following categories:

- a) Loans and receivables: financial assets resulting from the sale of assets or the provision of services for the Company's trade operations, or any that do not have their origin in trade operations, are not equity instruments or derivatives and whose charges are of a fixed or determinable amount and are not traded in an active market.

- b) Surety and guarantees posted by the Company in compliance with contractual clauses of the different leases booked.
- c) Financial assets held for trading: those acquired with the objective of disposing of them in the short term or those that are part of a portfolio in which there is evidence of recent actions with that objective.

#### **Initial valuation -**

Financial assets are initially booked at the fair value of the consideration handed over plus any transaction costs that can be directly attributable to them.

#### **Subsequent valuation -**

Loans and receivables are valued at their amortised cost.

Financial assets held for trading are valued at their fair value, and the result of changes in said fair value is recorded in the profit and loss account.

At least at the close of the year, the Company conducts an impairment test on any financial assets not booked at fair value. It is deemed that objective evidence for impairment exists if an asset's recoverable value is less than its book value. When this arises, the impairment is recorded in the profit and loss account.

More specifically, the criterion used by the Company to calculate the corresponding value corrections concerning trade receivables and other accounts receivable, if any, consists of making an annual allowance in the balances of a certain seasoning or in those in which circumstances come about that would reasonably allow one to classify them as non-performing.

The Company writes off financial assets when they expire or when the rights over cash flows from the financial asset in question have been assigned and the risks and benefits inherent to their ownership have been substantially transferred.

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

#### **5.3.2 Financial liabilities**

Financial liabilities include any debits and payables the Company 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 depreciated cost.

The Company derecognises 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 percent 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 percent 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 percent, where such dividends at the registered office of its members are exempted from tax or taxed at a rate below ten percent. 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 shareholding may be.

The Company has applied a levy of 0% to the dividends distributed to its Shareholders, as these comply with the previous condition.

#### **5.6 Earnings and expenses**

Income and expenses are booked on an accrual basis, that is to say, when the real flow of goods

and services they represent comes about irrespective of the moment when the monetary or financial flows arising from them are produced. Such income is valued at the fair value of the consideration received, deducting any discounts and taxes.

The recognition of income from sales comes about at the moment the significant risks and benefits inherent to ownership of the asset sold have been transferred without maintaining day-to-day management over such asset, or retaining effective control over it.

Interest received from financial assets is recognised using the effective interest rate method. In any event, the interest 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 preparing the interim financial statements, the Directors of the 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 Company's control take place.

The interim 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 interim financial statements. Information about them, however, is provided in the notes when they are not deemed 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 Environmental equity elements**

Environmental equity elements are deemed to be any assets which are used in a long-lasting manner in the Company's operations and whose main purpose is to minimise environmental impacts and to protect and improve the environment, including reducing or eliminating future pollution.

By their very nature, the Company's operations do not have any significant environmental impacts.

## 5.9 Subsidies, donations and bequests

In order to account for subsidies, donations and bequests received from third parties other than the owners, the Company 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 results 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.

## 5.10 Related-party transactions

The Company performs all its transactions with related parties at market prices. Moreover, transfer prices are properly documented. Hence, the Company's Directors consider that there are no significant risks which could give rise to considerable liabilities in the future due to this aspect.

## 6. Property investments

The movement in this balance sheet item, as well as the most significant information affecting this heading, during the first six months of 2017 is as follows:

2017 (30 June)

	Euros			
	Balance at 31/12/2016	Additions	Write-offs/ Reversals	Balance at 30/06/2017
<b>Cost:</b>				
Real estate for leases	340,827,425	19,345,586	-5,978,860	354,194,151
Investments in progress and advances	-	89,626	-	89,626
<b>Total cost</b>	<b>340,827,425</b>	<b>19,435,212</b>	<b>-5,978,860</b>	<b>354,283,777</b>
<b>Cumulative depreciation:</b>				
Real estate for leases	-32,195,036	-2,417,210	478,117	-34,134,129
<b>Total cumulative depreciation</b>	<b>-32,195,036</b>	<b>-2,417,210</b>	<b>478,117</b>	<b>-34,134,129</b>
<b>Impairment:</b>				
Real estate for leases	-15,608,856	-	950,338	-14,658,518
<b>Total impairment</b>	<b>-15,608,856</b>	<b>-</b>	<b>950,338</b>	<b>-14,658,518</b>
<b>Net property investments</b>	<b>293,023,533</b>	<b>17,018,002</b>	<b>-4,550,405</b>	<b>305,491,131</b>

"Property investments" includes the net cost of the properties in use and in operating conditions and rented through one or more operating leases, or those that are unoccupied but are available for rent through one or more operating leases.

Investments made in 2017 (as at 30 June) in property amounted to 19,435,212 euros. The main registrations recorded under this heading during this six-month period of 2017 relate mainly to



the following investments:

- The acquisition, on 7 February 2017, of a building located at Calle Orense, 62 in Madrid, comprised of a commercial space of 705 square metres, an office space composed of 894 square metres and 11 parking spaces. The overall price of the purchase amounted to 3,047,950 euros.
- The acquisition, on 10 February 2017, of two commercial premises located at Calle Goya 59 in Madrid, with a constructed surface area of 423 and 439 square metres respectively and two parking spaces. The overall price of the purchase amounted to 15,611,986 euros.
- "Property investments in progress and advances" in the accompanying balance sheet at 30 June 2017 includes 89,626 euros corresponding to the renovations being carried out in the building located at Calle Orense 62 in Madrid for 50,025 euros, and in the property located at Calle Pradillo 42 in Madrid for 39,601 euros which are currently under a remodelling programme. In the case of Pradillo 42, the remodelling budget amounted to 3,700,000 euros whilst Orense 62 is 1,360,000 euros. Final mention goes to the building located at Jose Abascal 41, which will be subject to full renovation whose works will begin in the next months and whose budget to date amounts to 4,300,000 euros.

During the first six months of 2017, property deregistrations occurred in the amount of 5,978,860 euros. The main deregistrations for 2017 correspond to:

- The sale of a building located on Calle San Antón de Cáceres whose cost net of depreciation and impairment amounted to 3,000,405 euros. The value of the sale was 2,915,000 euros, which, consequently, resulted in a loss of 85,405 euros. This amount has been recorded under the heading "Impairments and gains (losses) on fixed asset disposals" in the accompanying profit and loss account for the six months ended 30 June 2017.
- Sale of several properties in Sanchinarro VI for 201,176 euros and Sanchinarro VII for 1,392,074 euros, as well as the sale of several offices in Coslada III for 426,374 euros, which have been sold to third parties. These sales have generated no net gain at 30 June 2017.

In addition, and as established by the regulation, the Company valued all of its properties at 31 December 2016. These valuations were made by the independent expert CBRE Valuation Advisory, S.A., with the exception of the new investment made in December 2016 corresponding to the acquisition of an office building at Calle José Abascal 41 in Madrid. Based on this valuation, the fair value of certain assets was lower than the net book value of the assets, which is why the Company calculated and recorded the corresponding impairments. The breakdown by segment of property investments for which the recording of an impairment was required is as follows:

Segments	Impairments (Euros)	
	2017	2016
Offices	-	416,096
Sales	-	3,008,015
<b>Total</b>	-	<b>3,424,111</b>



On the other hand, as a result of the aforementioned divestments and the valuation of the Group's assets, at the end of the six months ended 30 June 2017, it reversed impairments amounting to 378,281 euros (4,464,458 euros in 2016). The breakdown is as follows:

Segments	Reversals (Euros)	
	2017	2016
Hotels	-	3,503,434
Offices	378,281	566,370
Sales	-	394,654
<b>Total</b>	<b>378,281</b>	<b>4,464,458</b>

Likewise, according to the appraisals made, the fair value of the property investments revealed an unrecorded latent capital gain (by comparing the updated market gross fair value and the net book value) of 86,986,793 euros (85,191,328 euros at 31 December 2016), which was primarily due to the retail outlets located at Calle Gran Vía, 34 de Madrid, Calle Conde de Peñalver, 16 in Madrid, Calle Gran Vía, 55 in Madrid, Hotel Barceló Isla Canela, Hotel Tryp Cibeles in Madrid and the warehouse located at Daganzo de Arriba in Madrid.

The gross asset value (GAV) of the property investments at 30 June 2017 and 31 December 2016, broken down by business segment, is as follows:

Segments	GAV (Euros)	
	30/06/2017	31/12/2016
Hotels	124,193,883	123,925,492
Offices	96,282,904	94,867,220
Sales	154,683,136	142,104,150
Industrial	17,318,000	17,318,000
<b>Total</b>	<b>392,477,924</b>	<b>378,214,862</b>

The breakdown of floor space in square metres above ground level of the property investments owned by the company was:

Segments	Floor area in M2 above ground level	
	30/06/2017	31/12/2016
Hotels	80,135	80,135
Offices	27,063	26,442
Sales	20,504	21,801
Industrial	13,810	13,810
<b>Total</b>	<b>141,512</b>	<b>142,188</b>

At 30 June 2017, the mean level of occupation of the Company's assets dedicated to leasing is 89.80% (91.64% at 31 December 2016) based on the square metres leased.

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

In the Company's portfolio of leased assets, there are two hotels located in Isla Canela in the province of Huelva (four hotels at 31 December 2016) which have been transferred from the Absorbed Company, Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U., to the Company as a result of the merger described in Note 1 which were affected by mortgage guarantees at 30 June 2017 amounting to 13,040,406 euros (16,289,049 euros at 31 December 2016) corresponding to two bank mortgage loans granted to Isla Canela, S.A., which has become the sole debtor of these guarantee obligations, thereby leaving the Company 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 2017 and 31 December 2016 by asset is as follows:

Property	Euros	
	2017	2016
Hotel Meliá Atlántico	7,549,548	8,456,780
Hotel Barceló Isla Canela	5,490,858	6,378,419
Hotel Iberostar Isla Canela	-	800,000
Hotel Playa Canela	-	653,850
<b>Total amount mortgages pending expiry on hotels</b>	<b>13,040,406</b>	<b>16,289,049</b>

Note: The net book value of the two properties guaranteeing these loans at 30 June 2017 amounts to 51,928,136 euros (92,896,949 euros at 31 December 2016 for the four mortgaged properties).

On 1 January 2010, Isla Canela, S.A. and the Absorbed Company, 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 pay any depreciation instalments and ancillary costs that may arise punctually until the loans guaranteed with a mortgage are redeemed. Due to the provision of the service described above, Isla Canela, S.A. pays the Absorbed Company 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 Company for the provision of bank guarantees (bank guarantees and surety bonds) by financial institutions.

As a result of the merger described in Note 1, the rights and obligations of the aforementioned contract have been transferred to the Absorbing Company, Saint Croix Holding Immobilier, SOCIMI, S.A.

As at 30 June 2017, the accrued income derived from this contract amounted to 21,750 euros (25,328 euros at 30 June 2016) (see Note 18.1).

On the other hand, the assets leased by the Company are subject to mortgage guarantees at 30 June 2017 amounting to 37,348,195 euros (27,201,132 euros at 31 December 2016), corresponding to bank mortgage loans.

The breakdown of the mortgage loan balance pending maturity and repayment at 30 June 2017 and 31 December 2016 by asset is as follows:

Property	Euros	
	2017	2016
José Abascal, 41	11,400,000	-
Titán, 13	14,016,050	14,412,731
Conde de Peñalver, 16	9,100,858	9,358,428
Plaza de España (Castellón)	2,831,287	3,429,972
<b>Total amount of mortgages pending maturity on assets (Note 13)</b>	<b>37,348,195</b>	<b>27,201,131</b>

The rental income from the Company's real estate investments at 30 June 2017 amounted to 8,454,734 euros (8,471,450 euros at 30 June 2016).

At 30 June 2017 and 31 December 2016, there was no kind of constraint on making new property investments, nor on collecting the income arising from them or concerning the resources which could be obtained from a possible disposal.

At 30 June 2017, the Company had fully depreciated property investment elements which were still in use to the amount of 4,680,402 euros (4,680,402 at 31 December 2016).

Company policy is to take out insurance policies to cover the possible risks to which property investments are subject. At 30 June 2017 and 31 December 2016 there was no deficit in any coverage related to these risks.

## 7. Operating leases

At 30 June 2017 and at the close of 2016, the Company had reached agreements with lessees on the following minimal rental instalments in accordance with prevailing agreements, without taking into account the passing on of common expenses, future increases in the CPI 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	Euros	
	Nominal value 2017	Nominal value 2016
Less than a year	18,657,683	18,318,112
Between two and five years	45,215,626	56,896,067
More than five years	35,562,280	28,192,729
<b>Total</b>	<b>99,435,589</b>	<b>103,406,908</b>

In relation to the average duration of the lease contracts by type of property, the following details the WAULT (Weighted average unexpired lease term):

Type	WAULT	
	30/06/2017	31/12/2016
Hotels	5.28	5.76
Offices	5.22	5.69
Sales	7.97	8.38
Industrial	10.50	11.00
<b>Total Average</b>	<b>6.71</b>	<b>7.18</b>

#### 8. Other financial assets and investments in related companies

The balances of this headings accounts at 30 June 2017 and 31 December 2016 are as follows:

Financial assets: Nature / Category	Euros	
	30/06/2017	31/12/2016
	Loans and receivables	
Other financial assets	1,695,764	1,652,243
<b>Long-term / Non-current</b>	<b>1,695,764</b>	<b>1,652,243</b>
Loans to related companies (Note 18.2)	64,603,678	47,430,376
Short-term financial investments in equity instruments	-	10,110,694
Other financial assets	46,424	52,833
<b>Short-term / Current</b>	<b>64,650,102</b>	<b>57,593,903</b>
<b>Total</b>	<b>66,345,866</b>	<b>59,246,146</b>

The Company generates a cash surplus from current operations arising from its main activity, as set forth in its corporate purpose. As a result, the Company has 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 18.2). Said loans to group and related companies are recorded under the heading "Short-term investments in Group companies and associates" of the asset.

The movements in the headings "Short-term loans to Group companies and associates", "Equity instruments" and "Other financial assets" in the first six months of 2017 are as follows:

#### 2017 (30 June)

Financial assets	Euros			
	31/12/2016	Additions	Write-offs	30/06/2017
Loans to associated companies (Note 18.2)	47,430,376	17,173,302	-	64,603,678
Other financial assets	1,705,076	37,112	-	1,742,188
Available for sale equity instruments	10,110,694	-	-10,110,694	-
<b>Total</b>	<b>59,246,146</b>	<b>17,210,414</b>	<b>-10,110,694</b>	<b>66,345,866</b>

The variation of the heading "Loans to associated companies" corresponds to the movements of the cash pooling account which the Company has with Promociones y Construcciones, PYC, PRYCONSA, S.A., for a total amount of 64,603,678 euros (47,430,376 euros at 31 December 2016) within this financing scheme to the Group.

In addition, in 2016, the Company purchased several packets of shares of another REIT, which together represented 1,478,770 shares with a total acquisition cost of 13,377,614 euros, which were recorded under "Available for sale equity instruments". During 2016, the Company carried out several share sales of this type, for which gains of 443,709 euros were generated. At 31 December 2016, the Company carried out the valuation of the remaining shares which were not subject to the sale, obtaining a positive value adjustment of 1,256,304 euros, which was recognised under the heading "Profit (loss) from the trading portfolio" as of 31 December 2016.

During 2017, the Company sold the remaining shares of this type, for which it obtained gains of 441,239 euros (443,709 euros at 31 December 2016), recorded under the heading "Profit (loss) from the trading portfolio" in the accompanying profit and loss account at 30 June 2017, in addition to the profit on the sale of these assets amounting to 443,709 euros and income from the valuation adjustment amounting to 1,256,304 euros at 31 December 2016.

Furthermore, "Other non-current financial assets" and "Other current financial assets" include the bonds received from customers deposited in the corresponding Public Bodies related to the rentals indicated in Note 7.

The breakdown by maturities of the items comprising the heading "Other non-current financial assets" at 30 June 2017 is as follows:

	Euros					
	2018	2019	2020	2021	2022 et. seq.	Total
Other financial assets	46,424	205,199	266,828	580,029	643,708	1,742,188
<b>Total</b>	<b>46,424</b>	<b>205,199</b>	<b>266,828</b>	<b>580,029</b>	<b>643,708</b>	<b>1,742,188</b>

## 9. Trade and other accounts receivable

The breakdown of the heading at 30 June 2017 and 31 December 2016 is as follows:

Description	Euros	
	30/06/2017	31/12/2016
Accounts receivable for sales and services	729,036	1,611,797
Other receivables	14,865	-
Staff	288	112
Other credits with the Public Administrations (Note 16.1)	381,250	584,237
<b>Total</b>	<b>1,125,439</b>	<b>2,196,146</b>

The balance of "Accounts receivable for sales and services" at 30 June 2017 and 31 December 2016 break downs as follows:

Description	Euros	
	30/06/2017	31/12/2016
Customers	323,625	1,189,721
Commercial paper in the portfolio	405,411	422,076
Doubtful customers	191,264	131,727
Impairment	-191,264	-131,727
<b>Total</b>	<b>729,036</b>	<b>1,611,797</b>

The balance of customers, at 30 June 2017, mainly includes some of the amounts pending collection corresponding to income for the second quarter of 2017.

#### **10. Cash and cash equivalents**

The balance recorded in "Treasury" corresponds mainly to the balance available in current accounts at 30 June 2017 and 31 December 2016. These balances have no restrictions on their availability and accrue market interest.

#### **11. Information on the nature and level of risks affecting financial instruments**

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 having an impact on 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 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 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 Company's Directors on the Company's 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 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**

With regard to the Company's exchange rate risk at 30 June 2017, it did not have any assets or liabilities in foreign currencies and therefore no risk in this regard.

**d) Interest rate risk**

The Company has various 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, taking into account its low debt levels and today's very low interest rates.

Notwithstanding the foregoing, on 17 February 2017, the Company formalised an Interest Rate Swap derivative financial instrument amounting to 8,550,000 euros, which shall run from 1 April 2019 to 1 April 2026 linked to a mortgage loan for 11,400,000 euros contracted in 2017 on the property located at Calle José Abascal 41 in Madrid.

**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 Company's main investment activity.

**12. Equity and Own Funds**

**a) Authorised capital**

At 30 June 2017, the Company's subscribed share capital was comprised of 4,452,197 registered shares at a par value of 60.10 euros 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 euros.

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 Company's shares have been admitted to trading on the Luxembourg Stock Exchange since 21 December 2011. The share price at 30 June 2017 and the average share price in the second quarter of 2017 were 71.50 and 71.25 euros 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 comply with the REIT Act. Any shareholders whose interest in the entity's share capital is equivalent to or greater than five percent 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 Company's share capital equivalent to or greater than 10% at 30 June 2017 were as follows:

Shareholder	Number of Shares	Percentage Shareholding
COGEIN, S.L.	517,819	11.63%
Promociones y Construcciones, PYC, PRYCONSA, S.A.	498,360	11.19%

#### **b) 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 2017, the legal reserve has not been fully constituted.

##### **Other reserves**

##### **General Accounting Plan first application reserves**

As indicated in Note 1, during 2014 the Company transferred its registered office to Spain, which is why, in compliance with current legislation, the annual accounts for 2014 were the first to be presented in accordance with the General Accounting Plan approved by Royal Decree 1514/2007 of 16 November and which came into force on 1 January 2008. Accordingly, the information contained in the annual report for the year ended 31 December 2014 was presented, for comparison purposes, with the information for the year ended 31 December 2013, making the necessary adjustments and reclassifications on said figures taking the reserves for 2013 as the counterpart.

Specifically, the only adjustment necessary to adapt the comparative figures for 2013 to the General Accounting Plan approved by Royal Decree 1514/2007 of 16 November related to the previous year's recording of dividend income distributed by its subsidiary company, Compañía Ibérica de Bienes Raíces 2009 SOCIMI, S.A.U. Given that such distributed dividends were unequivocally attributable to income generated prior to the acquisition date of the investment, under the Spanish General Accounting Plan, it was not necessary to register it as income, but



rather to reduce the value of the investment. In this sense, the Company restated the comparative information for 2013, recording a reduction in the cost of the shareholding held in its subsidiary and a charge to reserves for the amount equivalent to the dividends received in previous years and recorded as income, for a total amount of 4,211,445 euros.

During 2015, the Company adjusted the value of investments in equity instruments as part of the negative reserve calculated at 31 December 2014, reducing the negative reserve by 1,333,495 euros against the value of long-term financial investments in group and associated companies.

In 2014 and 2015, the Company applied part of the profit of these years to the reduction of these reserves amounting to 2,721,698 euros.

The balance of this heading at 31 December 2016 therefore corresponded to the reserve of first application of the General Accounting Plan, to the amount of 156,252 euros. This reserve has been fully offset after the approval of the Company's appropriation of earnings for 2016 (Note 4).

### **Merger reserves**

As a result of the merger operation described in Note 1, positive merger reserves amounting to 14,154,738 euros were generated due to the difference between the individual book values of the Absorbed Companies and those included in the merger.

#### **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 percent 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 from them must be fully distributed jointly with the profits, if any, of the financial year in which they have been transferred. The distribution obligation does not cover the proportion of profits, if any, charged to financial years in which the Company did not pay taxes under the special tax scheme set forth by the aforementioned Act.
- c) At least 80 percent 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 scheme 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 scheme set forth in this Act may not exceed twenty percent of their share capital. The articles of these companies may not establish any other unavailable reserve other than the legal reserve.

#### **d) Capital management**

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

The Company has undertaken to distribute at least 80% of their distributable profits in the form of dividends to its Sole Shareholder pursuant to the existing legal obligation laid down by Law 11/2009, as amended by Law 16/2012.

#### **e) Capital subsidies**

The movement of this heading during the first six months of 2017 is as follows:

**2017 (30 June)**

	Euros		
	31/12/2016	Applications	30/06/2017
Capital subsidies	1,304,948	-54,358	1,250,590
<b>Total</b>	<b>1,304,948</b>	<b>-54,358</b>	<b>1,250,590</b>

Due to the change in taxation according to amendment 16/2012, of 27 December, of Law 11/2009, regulating Listed Investment Companies in the Property Market, the Company started to pay tax at the rate of 0%. Therefore, the Company has regularised the tax effect of the deferred tax liability and integrates the gross amount under "Subsidies, donations and bequests received" of the Company's equity.

These subsidies correspond to the subsidy granted 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:

- Subsidy granted 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.
- Subsidy granted 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.

- Subsidy granted 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.
- Subsidy granted 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 subsidy for the Hotel Barceló Isla Canela, which was granted in the 2011, the aforementioned subsidies were transferred to the Absorbed Company, Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U., from Isla Canela, S.A. based on the partial division agreement of the Absorbed 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 Absorbed Company has booked the subsidies thus transferred in income since then.

Hence, in the first six months of 2017, income amounting to 54,358 euros was accounted for as income under "Assignment of non-financing fixed asset subsidies" on the accompanying profit and loss account.

### 13. Current and non-current liabilities

The balances of the accounts of these headings at 30 June 2017 and 31 December 2016 are as follows:

	Euros	
	30/06/2017	31/12/2016
Obligations and bonds	10,000,000	10,130,822
Long-term debts with credit institutions	38,696,823	29,465,941
Other financial liabilities	2,988,436	3,246,435
<b>Total long-term debts</b>	<b>51,685,259</b>	<b>42,843,198</b>
Short-term debts with credit institutions	16,489,978	11,199,473
Other financial liabilities	14,412,672	510,385
<b>Total short-term debts</b>	<b>30,902,649</b>	<b>11,709,858</b>
<b>Total long and short-term financial debts</b>	<b>82,587,908</b>	<b>54,553,056</b>

"Obligations and bonds" includes the two issues of Fixed Income securities carried out by the Company in 2016 against the "Fixed Income Securities Issuance Programme 2015", described in Note 1, for a total amount of 10,000,000 euros, the main characteristics of which were 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%
Coupon payment	Annual	Annual
Issue APR	2.72%	2.77%

The average APR for both issues for the issuer was 2.73%. The two securities issues have been listed on the Alternative Fixed Income Market since 24 June 2016. On 23 June 2017, the first coupon of both issues was paid for a gross amount of 250,000 euros, which is recorded under "Financial expenses" in the accompanying profit and loss account for the current year.

"Long-term debts with credit institutions" and "Short-term debts with credit institutions" correspond mainly to mortgage guarantee loans contracted with Caixabank, Banco Santander and Banca March and which, as of 30 June 2017, are outstanding and repayable. These mortgage loans refer to two Caixabank loans in which the Company is subrogated in the process of acquiring the premises acquired in 2011 on Plaza de España (Castellón), as well as the contracting by the Company in 2015 of two mortgage guarantee loans with Banco Santander on commercial property located at Conde de Peñalver 16 (Madrid) and the office building at Calle Titán 13 (Madrid). Additionally, in 2017, the Company entered into a new mortgage loan with Banca March to finance the acquisition of the office building acquired in December 2016, located at Calle José Abascal, 41 (Madrid). Regarding the aforementioned mortgage loan, on 17 February 2017 the Company formalised an Interest Rate Swap derivative financial instrument amounting to 8,550,000 euros, which will run from 1 April 2019 to 1 April 2026.

Their characteristics are:

Property	Financial institution	Start	Euros		Maturity
			Initial amount	Capital outstanding	
Plaza España, Castellón	Caixabank	2,007	4,195,000	264,782	2,018
Plaza España, Castellón	Caixabank	2,010	7,200,000	2,566,505	2,020
Titán, 13	Banco Santander	2,015	15,735,000	14,016,050	2,025
Conde de Peñalver, 16	Banco Santander	2,015	10,217,000	9,100,858	2,025
José Abascal, 41	Banca March	2,017	11,400,000	11,400,000	2,031
<b>Total</b>			<b>48,747,000</b>	<b>37,348,195</b>	

In addition, during 2017 the Company signed a new long-term loan with Liberbank, which is recorded under the heading "Long-term debts with credit institutions" and "Short-term debts with credit institutions". The amount of the loan was 2,000,000 euros.

The characteristics of the short and long term personal guarantee loans are:

Institution	Start	Euros		Maturity
		Initial amount	Capital outstanding	
Sabadell	2,016	5,000,000	3,912,087	2,019
Liberbank	2,016	2,000,000	838,378	2,018
Abanca	2,016	3,000,000	1,767,464	2,019
Liberbank	2,017	2,000,000	2,000,000	2,018
<b>Total</b>		<b>12,000,000</b>	<b>8,517,929</b>	

Finally, under "Short-term debts with credit institutions" there are two credit policies, one contracted with Banca March maturing on 18 November 2017 with a limit of 5,000,000 euros, of which 4,989,296 euros had been drawn down at 30 June 2017 and the second contract with Bankinter maturing on 18 March 2018, with a limit of 5,000,000 euros, of which 4,331,381 euros had been drawn down at 30 June 2017.

Financial expenses arising from debts with credit institutions in 2017 amounted to 620,075 euros and are accounted for under "Financial expenses" on the accompanying profit and loss account.

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 7.

The breakdown by due dates at 30 June 2017 is as follows:

	Euros					
	2018	2019	2020	2021	2022 et. seq.	Total
Obligations and bonds	-	-	-	8,000,000	2,000,000	10,000,000
Debts with credit institutions (*)	16,489,978	5,640,387	3,227,981	2,255,542	27,572,912	55,186,801
Other liabilities	13,957,078	-	-	-	-	13,957,078
Long-term guarantees	-	430,539	790,088	128,448	1,639,361	2,988,436
Short-term bonds	455,593	-	-	-	-	455,593
<b>Total</b>	<b>30,902,649</b>	<b>6,070,926</b>	<b>4,018,069</b>	<b>10,383,990</b>	<b>31,212,273</b>	<b>82,587,908</b>

(\*) Loans with mortgage guarantee amounting to 37,348,195 euros, loans amounting to 8,517,929 euros and drawdowns on a credit policy amounting to 9,320,677 euros.

#### 14. Disclosure on supplier payment deferrals

The information required by the Third Additional Provision of Law 15/2010 of 5 July (modified through the Second Final Provision of Law 31/2014, of 3 December) are provided below, prepared in accordance with ICAC Resolution of 29 January 2016, on the information to be included in the notes of the interim financial statements in relation to the average period of payment to suppliers in commercial operations.

	2017	2016
	Days	
Average payment period to suppliers	42.47	13.70
Ratio of operations paid	46.52	13.53
Ratio of operations pending payment	31.88	71.82
	Euros	
	2017	2016
Total payments made	1,141,313	25,276,555
Total payments outstanding	436,088	75,298

In accordance with the ICAC Resolution, the calculation of the average payment period to suppliers has taken into account the commercial operations corresponding to the delivery of goods or services rendered from the date of entry into force of Law 31/2014, of 3 December.

Suppliers, for the exclusive purposes of giving the information provided for in this Resolution, are considered trade creditors due to debts with suppliers of goods or services, included under "Suppliers" and "Sundry creditors" of current liabilities in the balance sheet.

"Average payment period to suppliers" shall be construed as the period from the delivery of the goods or the provision of the services by the supplier and the payment of the operation.

The maximum legal payment period applicable to the Company in 2016 under Law 3/2004 of 29 December establishing measures to combat late payment in commercial transactions is 30 days from the publication of the aforementioned Law and up to the today's date (unless the conditions established therein are met, which would allow a maximum payment term of up to 60 days).

### 15. Guarantees undertaken with third parties

At 30 June 2017 and 31 December 2016, the Company had no guarantees extended to third parties.

The foregoing notwithstanding, as mentioned in Note 6, four hotels owned by the Company which are located in Isla Canela (Ayamonte, Huelva) were subject to mortgage guarantees amounting to 16,289,049 euros at 31 December 2016 with an outstanding amount pending repayment at 30 June 2017 of 13,040,406 euros associated with two of the hotels corresponding to two 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 2017 of the two mortgage loans mentioned, which correspond to each of the properties. In this regard and as mentioned in Note 6, the Company as a result of the merger described in Note 1, entered into a mortgage guarantee agreement with Isla Canela, S.A. to ensure the repayment by said related company of the mortgage loans on the hotels which, after the merger are owned by the Company, until the loans are finally redeemed. The Company receives a commission fee equivalent to 0.25% of the average outstanding balance of the mortgage loans thus guaranteed.

### 16. Public administrations and tax situation

#### 16.1. Current balances with Public Administrations

The breakdown of the debtor and creditor balances with Public Administrations is as follows:

	Euros			
	30/06/2017		31/12/2016	
	Debtor	Creditor	Debtor	Creditor
Withholdings on dividends	-	-	44,666	-
Other withholdings	-	-	169,939	-
Withholdings from previous years	285,194	-	369,632	-
Current corporation tax	-	415,516	-	-
Value Added Tax	96,055	328,935	-	364,424
Personal income tax	-	5,638	-	10,687
Social Security	-	2,438	-	2,342
<b>Total</b>	<b>381,249</b>	<b>752,527</b>	<b>584,237</b>	<b>377,453</b>

(\*) Includes withholdings amounting to 70,589 euros of corporation tax for 2015 and also 214,605 euros of corporation tax for 2016.

The balance of "Withholdings of previous years" in the amount of 285,194 euros, includes withholdings amounting to 70,589 euros of corporation tax for 2015 (from the Absorbed Companies as a result of the merger described in Note 1, and corresponding to the withholdings

made in 2015 on capital interests arising from the Grupo PRYCONSA financing system which are pending collection as at 30 June 2017), as well as 214,605 euros of withholdings of corporation tax for 2016 from the same concept.

## 16.2 Reconciliation of the accounting profit/loss and the tax base

Reconciliation of the accounting profit/loss and the Corporation Tax base at 30 June 2017 and 31 December 2016 is as follows:

### 2017 (30 June)

Item	Euros
Profit (loss) before tax	4,967,635
Permanent differences	-
Temporary differences	378,281
<b>Previous tax base</b>	<b>5,345,916</b>
Tax base (0%)	3,648,333
Tax base (25%)	1,697,583
Offset of negative tax bases	-35,519
<b>Tax base at 0%</b>	<b>3,648,333</b>
<b>Tax base at 25%</b>	<b>1,662,064</b>
<b>Total tax liability (0%)</b>	<b>-</b>
<b>Total tax liability (25%)</b>	<b>415,516</b>
Withholdings and payment on account	-
<b>Amount to (pay) / return</b>	<b>415,516</b>

### 2016

Item	Euros
Profit (loss) before tax	15,682,656
Permanent differences	313
Temporary differences	2,799,443
<b>Previous tax base</b>	<b>18,482,412</b>
Tax base (0%)	18,038,703
Tax base (25%)	443,709
Offset of negative tax bases	-443,709
<b>Tax base at 0%</b>	<b>18,038,703</b>
<b>Tax base at 25%</b>	<b>-</b>
<b>Total tax liability (0%)</b>	<b>-</b>
<b>Total tax liability (25%)</b>	<b>-</b>
Withholdings and payment on account	214,605
<b>Amount to (pay) / return</b>	<b>214,605</b>

The temporary differences for 2017 (six months) that modify the accounting profit/(loss) before taxes amount to 378,281 euros and correspond to:

- Positive adjustment for the impairment of property investments for 2017 in the amount of 378,281 euros.



At 30 June 2017, the Company has temporary differences to be allocated in the amount of 5,317,673 euros (5,695,954 euros at 31 December 2016), whose deferred tax assets have not been recorded since the applicable tax rate is 0%. These temporary differences include the adjusted amortisation amount in 2013 and 2014 to be deducted for 1,853,078 euros, as well as the impairment of the investments in the amount of 3,464,595 euros.

At 30 June 2017, there are no financial expenses which could not be deducted from the corporation tax base.

Pursuant to Article 9.2 of Law 11/2009, of 26 October, as amended by Law 16/2012, of 27 December, regulating Real Estate Investment Trusts, the self-assessment shall apply to the tax base of the tax period corresponding proportionally to the dividend whose distribution has been agreed in relation to the profit obtained in the year. As indicated in Note 4, at the end of 2016, the Directors proposed the payment of dividends of 13,958,138 euros to the Shareholders, which is why Corporation Tax was accrued on said dividend, based on the amount to be paid in the amount of 0 euros. The profit for 2016, after taxes, amounted to 15,682,656 euros (9,755,905 in 2015).

Likewise, according to Article 6 of Law 11/2009, of 26 October, as amended by Law 16/2012, of 27 December, the Company is required to distribute at least 50 percent 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 established in paragraph 3 of Article 3 of this Law, any profits from them must be fully distributed jointly with the profits, if any, of the financial year in which they have been transferred. As a result of the sale of real estate assets in 2017, a negative result of 85,405 euros (467,110 euros at 31 December 2016) was obtained, and therefore the dividend payment and reinvestment obligations stipulated in said Law do not apply.

At 31 December 2016, there were Negative Tax Bases from the absorbed company, INVERETIRO SOCIMI, S.A.U. amounting to 35,519 euros which have been provisionally offset in the corporation tax forecast for 2017, partially offsetting the gains on the sale of shares of other REIT shares obtained by the Company in 2017 and amounting to 1,697,583 euros.

The absorbed company, Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U. was constituted as a result of the partial division of the company, Isla Canela, S.A. which took place on 29 December 2009. The assets contributed by Isla Canela, S.A. invoked the fiscal neutrality tax regime.



Accordingly, in order to comply with the provisions of article 86 LIS, the following information is included:

- a) Tax period in which the transferring entity, 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) List of acquired assets that are included in the books at a value different from the value at which they were recorded in those pertaining to the transferring entity prior to the completion of the transaction, expressing both values as well as the value adjustments made in the books of the two entities:

Property	Euros		
	Net tax value	Market transfer value	Deferred income
Gran Vía 1 2º izquierda	374,654	1,940,000	1,565,346
Shopping centre Marina Isla Canela	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
<b>Total</b>	<b>65,422,256</b>	<b>103,840,000</b>	<b>38,417,744</b>

- c) There are no tax benefits enjoyed by the transferring entity, in respect of which the absorbed entity must assume compliance with certain requirements in accordance with that established in section 1 of Article 84 LIS.

On the other hand, in 2013, the absorbed company, COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U., absorbed to the company, COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009, SOCIMI, S.A.U. in which it acquired all its assets and liabilities. The properties acquired by COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009, SOCIMI, S.A.U. were generated as part of a restructuring operation in which the transferring entity COGEIN, S.L. exercised the power currently referred to in Article 77.2 LIS. At the same time, as part of the absorption there were no differences between the net book values and their market values according to the valuation made by CBRE Valuation Advisory, S.A. dated 31 January 2013 and subsequently validated by the independent expert ARCO Valoraciones, S.A. appointed for such purpose by the Mercantile Registry of Madrid. Therefore, the net book value of the assets acquired by COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U. from COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009, SOCIMI, S.A.U. coincides with its tax value and there are no tax benefits enjoyed by COMPAÑÍA IBÉRICA DE RENTAS URBANAS 2009, SOCIMI, S.A.U. or COGEIN, S.L. with

respect to which COMPAÑÍA IBERICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U. must assume compliance of certain requirements in accordance with that established in section 1 of Article 84 LIS.

### 16.3 Reconciliation between accounting profit (loss) and corporation tax expenses

Reconciliation of the accounting profit (loss) and the Corporation Tax expense at 30 June 2017 and 31 December 2016 is as follows:

#### 2017 (30 June)

Item	Euros
Profit (loss) before tax	4,967,635
Permanent differences	-
Temporary differences	378,281
<b>Previous tax base</b>	<b>5,345,916</b>
Tax base (0%)	3,648,333
Tax base (25%)	1,697,583
Offset of negative tax bases	-35,519
<b>Tax base at 0%</b>	<b>3,648,333</b>
<b>Tax base at 25%</b>	<b>1,662,064</b>
<b>Total tax liability (0%)</b>	<b>-</b>
<b>Total tax liability (25%)</b>	<b>415,516</b>
<b>Tax expenses recognised in the profit and loss account</b>	<b>415,516</b>

#### 2016

Item	Euros
Profit (loss) before tax	15,682,656
Permanent differences	313
Temporary differences	2,799,443
<b>Previous tax base</b>	<b>18,482,412</b>
Tax base (0%)	18,038,703
Tax base (25%)	443,709
Offset of negative tax bases	-443,709
<b>Tax base at 0%</b>	<b>18,038,703</b>
<b>Tax base at 25%</b>	<b>-</b>
<b>Total tax liability (0%)</b>	<b>-</b>
<b>Total tax liability (25%)</b>	<b>-</b>
<b>Tax expenses recognised in the profit and loss account</b>	<b>-</b>

### 16.4. Financial years pending verification and inspection actions

Until 31 May 2014 the Company had its tax domicile in Luxembourg. With the change of address, the Company settled all its taxes in said country, although all years since it was incorporated remain open to inspection.

On 11 November 2014, Saint Croix Holding Immobilier, SOCIMI, S.A. issued a communication to the Tax Agency in which it showed the desire to continue to avail itself of the tax benefits

referred to in Article 8 of Law 11/2009 of 26 October, which regulates Real Estate Investment Trusts for the tax period ended on 31 December 2014.

On 27 January 2015, the Company received notification from the Tax Agency in response to the communication made by the latter on 11 November 2014. According to that notification, the Tax Agency states that the request was made after the deadline, which is why it is impossible to apply this tax regime in that tax period.

Following this communication from the Tax Agency, a range of pleadings were made in addition to an economic and administrative claim filed on 3 June 2015 before the Regional Economic Administrative Tribunal (TEAR) of Madrid, as the Company's Board of Directors considers that it has adequately complied with the procedure in form and term and, therefore, having filed the appeal, the Company will continue to be covered by the Special Tax Regime in 2014. In any event, on 9 July 2015, the Company informed the Tax Agency of the option to apply the REIT Regime for 2015 et. seq.

At the date of approval of the interim financial statements at 30 June 2017, no response has been received from TEAR regarding the economic-administrative claim filed by the 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 30 June 2017, the Company has all taxes for the last four years open to inspection. The Directors of the Company 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 which may eventually result, should they materialise, will not significantly affect the accompanying interim financial statements.

## 16.5. Information requirements deriving from being classed as a REIT

This information is contained in **Annex 1** attached (Law 11/2009 amended by Law 16/2012).

## 17. Earnings and expenses

### 17.1 Net turnover and other operating income.

The breakdown of these headings at 30 June 2017 and 2016 is as follows:

	Euros	
	2017	2016
Hotels	2,656,374	2,765,790
Offices	2,709,317	2,108,953
Sales	2,422,461	2,940,092
Industrial	644,832	634,471
<b>Subtotal rentals</b>	<b>8,432,984</b>	<b>8,449,305</b>
Provision of sundry services	21,750	22,145
Operating subsidies	54,358	57,092
<b>Total income</b>	<b>8,509,092</b>	<b>8,528,542</b>

The Company's entire turnover in 2017 and 2016 was generated in Spain.

## 17.2 Personnel expenses

The breakdown of these headings at 30 June 2017 and 2016 is as follows:

	Euros	
	2017	2016
<b>Wages and salaries:</b>		
Wages, salaries and similar outgoings	63,055	63,232
<b>National Insurance contributions:</b>		
National Insurance contributions incurred by the company	11,955	10,016
Other social expenses	8,132	-
<b>Total</b>	<b>83,142</b>	<b>73,248</b>

## 17.3 External charges for services, taxes and similar levies

The breakdown of this heading at 30 June 2017 and 2016 is as follows:

	Euros	
	2017	2016
Rents and levies	7,230	-
Repairs and maintenance	322,873	37,540
Independent professional services	131,946	62,646
Insurance policies	92,920	86,028
Banking services and similar	616	289
Advertising, publicity and public relations	3,404	9,788
Supplies	98,475	29,994
Other services	133,336	203,531
Other levies	10,049	6,043
<b>Total</b>	<b>800,849</b>	<b>435,859</b>

## 18. Related-party transactions and balances

### 18.1 Related-party transactions

Related-party transactions at 30 June 2017 and 2016 are as follows:

	Euros				
	30/06/2017			30/06/2016	
	Operating expenses	Operating income	Financial income	Operating expenses	Financial income
Isla Canela, S.A.	37,657	21,750	-	52,977	25,238
Promociones y Construcciones, PYC, PRYCONSA S.A.	28,750	-	462,110	25,552	471,594
<b>Total</b>	<b>66,407</b>	<b>21,750</b>	<b>462,110</b>	<b>78,529</b>	<b>496,832</b>

## 18.2 Balances with Group and associated companies

The balances with Group and associated companies at 30 June 2017 and 31 December 2016 are as follows:

### 2017 (30 June)

	Euros	
	Loans extended to related companies	Loans received from related companies
Promociones y Construcciones PYC, Pryconsa, S.A.	64,603,678	-
<b>Total</b>	<b>64,603,678</b>	<b>-</b>

### 2016

	Euros	
	Loans extended to related companies	Loans received from related companies
COGEIN, S.L.	-	6,982
Promociones y Construcciones PYC, Pryconsa, S.A.	47,430,376	-
<b>Total</b>	<b>47,430,376</b>	<b>6,982</b>

The agreements the currently signed by the company with Group and related companies are as follows:

- On 11 June 2014, the Company signed into a service provision agreement with one of its significant shareholders, Promociones y Construcciones, PYC, PRYCONSA, S.A., whereby the latter would provide the 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. Expenses accruing for this in 2017 amount to 28,750 euros, which are accounted for under "Operating expenses" in the profit and loss account.
- As a result of the merger, (see Note 1), the Company is subrogated to the financing agreement signed in 2010 between Promociones y Construcciones, PYC, PRYCONSA, S.A. and the Absorbed Companies under which they would finance the former under market conditions with the excess liquidity it generated as a result of its activity as long as its financing needs were covered. The agreement is for a term is of three years and it may automatically be renewed for three-year terms. The financial conditions of this cash pooling account accrue interest equivalent to the quarterly EURIBOR rate plus a market spread. The agreement is reciprocal. In other words, the financing can be generated in either way under the same terms and conditions. The interest accrued recorded in the income statement at 30 June 2017 came to 462,110 euros as financial income.

As a result of the merger described in Note 1, all obligations and rights derived from the following agreements of Compañía Ibérica de Bienes Raíces 2009, SOCIMI, S.A.U. with Isla Canela, S.A. have been transferred to the Company:

- 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 pay any depreciation instalments and ancillary costs that may arise punctually until the loans guaranteed with a mortgage are redeemed. Due to the provision of the service described above, the company 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 Absorbed Company for the provision of bank guarantees (surety and banking insurance) by financial institutions. The income accrued under this concept in 2017 was 21,750 euros, which is included in the income from the provision of services by the Company at 30 June 2017.
- 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 which the Absorbed Company pays as a result of the mortgage loans it holds. The agreement is reciprocal. In other words, the financing can be generated in either way under the same terms and conditions. Interest accrued and recorded in the income statement of the Company at 30 June 2017 amounted to 0 euros.
- 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 Company with an integrated preventive maintenance service for the hotels owned by the REIT in exchange for economic consideration equivalent to 74,500 euros per year, which will rise annually according to the CPI of the period. The agreement is annual but may be tacitly extended by the parties on an annual basis, although either of the parties may terminate it at any time. Expenses accrued in 2017 as a result of this service provision contract were 37,657 euros and are recorded under "Other operating expenses" in the Company's profit and loss account at 30 June 2017.
- 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 Isla Canela, S.A. acts as works manager for the remodelling of the hotels. The consideration Isla Canela, S.A. 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 for this concept in 2017 in relation to this addendum to the contract was 0 euros.

## 19. Remuneration for the Board of Directors and Senior Management

Total remuneration, accrued in the first six months of 2017 and 2016 for all matters, of the members of the Board of Directors and Senior Management of Saint Croix Holding Immobilier, SOCIMI, S.A. and persons performing similar functions at the close of each of the years, can be summarised as follows:

Board of Directors	Euros	
	2017	2016
Expenses	8,000	7,500
<b>Total</b>	<b>8,000</b>	<b>7,500</b>

The Senior Management functions are exercised by the members of the Board of Directors.

At 30 June 2017 and 31 December 2016 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.

During 2017, the Company has not paid any amount for liability insurance of the Directors.

Likewise, there are no contracts between the Company and any of the Directors or a person acting on their behalf, for operations outside the ordinary course of the company's business or which have not been done under normal conditions.

The number of Directors by gender in 2017 and 2016 was as follows:

2017			2016		
Men	Women	Total	Men	Women	Total
4	2	6	4	1	5

In addition, the Board of Directors has appointed a non-Director Secretary to the Board, who is male.

## 20. Disclosure on situations of conflicts of interest involving the Directors

At 30 June 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 of the Board of Directors any direct or indirect conflict of interest with those of the Company.



## 21. Other information

### 21.1 Personnel

The average number of people employed during the first half of 2017 and 2016 broken down by job category is as follows:

Categories	2017	2016
Management	-	-
Technical staff and middle management	1	1
Administrative staff	1	1
<b>Total</b>	<b>2</b>	<b>2</b>

Likewise, the distribution by gender at the end of 30 June 2017 and 2016 broken down by category was as follows:

Categories	2017		2016	
	Men	Women	Men	Women
Directors	4	2	4	1
Management	-	-	-	-
Technical staff and middle management	1	-	1	-
Administrative staff	-	1	-	1
<b>Total</b>	<b>5</b>	<b>3</b>	<b>5</b>	<b>2</b>

There are no employees that have a degree of disability equal to or greater than 33%.

### 21.2 Audit fees

During the first half of 2017 and 2016, fees relating to audit services and other services rendered by the Company's auditor or by a company related to the auditor by control, common ownership or management have been as follows:

Description	Euros	
	Services rendered by the accounts auditor and related companies	
	2017	2016
Audit Services	39,500	60,200
Other verification services	-	-
<b>Total audit and related services</b>	<b>39,500</b>	<b>60,200</b>
Tax assessment services	-	-
Other services	-	-
<b>Total Professional Services</b>	<b>39,500</b>	<b>60,200</b>

## 22. Environmental information

The environmental activity is one whose objective is to prevent, reduce or repair the damage occasioned to the environment.



The Company's corporate purpose, in accordance with its articles of association, is that described in Note 1.

Given the activities in which the Company is involved, it has no direct liabilities, expenses, assets, nor provisions and contingencies of an environmental nature which could be significant in relation to its equity, financial situation and profits. For this reason, specific breakdowns of information on environmental issues are excluded from the interim financial statements.

As of 30 June 2017 and 31 December 2016, the Company has not recorded any provision for possible environmental risks, given that the Directors consider that there are no significant contingencies related to possible litigation, damages or other items.

### **23. International Financial Reporting Standards**

In accordance with Article 525 of the Corporate Enterprises Act, companies that have issued securities admitted to trading on a regulated market of any Member State of the European Union within the meaning of Article 1 (13) of Directive 93/22/EEC of the Council, of 10 May 1993 on investment services in the securities field and that, in accordance with the legislation in force, only publish individual financial statements, shall be required, in the report, to state the main variations that would arise from own funds and the profit and loss account had the International Financial Reporting Standards adopted by the European Union (hereinafter referred to as "IFRS-EU") been applied .

Once the General Accounting Plan approved by Royal Decree 1514/2007 of 16 November has been applied to Company operations, there are no significant differences between this standard and IFRS-EU, except for the inclusion of capital grants, net of their corresponding tax effect, in the Company's equity.

### **24. Subsequent events**

Subsequent to 30 June 2017 and up until the approval date of the Company's interim financial statements, no relevant subsequent events have occurred.

## Annex 1. Information requirements deriving from being classed as a REIT

Description	2017
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	<p><b>Profits applied to reserves by the Company</b></p> <ul style="list-style-type: none"> <li>Profits in 2014 allocated to reserves: 921,102 euros</li> <li>Profits in 2015 allocated to reserves: 2,776,186 euros</li> <li>Profits in 2016 allocated to reserves: 1,724,518 euros</li> </ul> <p><b>Profits applied to reserves by the Absorbed Company</b> <b>COMPANÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U:</b></p> <ul style="list-style-type: none"> <li>Profits in 2009 allocated to reserves: 936,358 euros</li> <li>Profits in 2010 allocated to reserves: 871,431 euros</li> <li>Profits in 2011 allocated to reserves: 1,000,888 euros</li> <li>Profits in 2012 allocated to reserves: 43,627 euros</li> <li>Profits in 2013 allocated to reserves: 470,286 euros</li> <li>Profits in 2014 allocated to reserves: 1,208,270 euros</li> <li>Profits in 2015 allocated to reserves: 3,699,608 euros</li> </ul> <p><b>Profits applied to reserves by the Absorbed Company</b> <b>INVERETIRO, SOCIMI, S.A.U:</b></p> <ul style="list-style-type: none"> <li>Profits in 2015 allocated to reserves: 477,756 euros</li> </ul>
• Profits from income subject to the general tax rate	-
• Profits from income subject to tax at a rate of 19%	<p><b>Profits applied to reserves by the Absorbed Company</b> <b>COMPANÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U:</b></p> <ul style="list-style-type: none"> <li>Profits in 2009 allocated to reserves: 936,358 euros</li> <li>Profits in 2010 allocated to reserves: 871,431 euros</li> <li>Profits in 2011 allocated to reserves: 1,000,888 euros</li> <li>Profits in 2012 allocated to reserves: 43,627 euros</li> </ul>
• Profits from income subject to tax at a rate of 0%	<p><b>Profits applied to reserves by the Company</b></p> <ul style="list-style-type: none"> <li>Profits in 2014 allocated to reserves: 921,102 euros</li> <li>Profits in 2015 allocated to reserves: 2,776,186 euros</li> <li>Profits in 2016 allocated to reserves: 1,724,518 euros</li> </ul> <p><b>Profits applied to reserves by the Absorbed Company</b> <b>COMPANÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U:</b></p> <ul style="list-style-type: none"> <li>Profits in 2013 allocated to reserves: 470,286 euros</li> <li>Profits in 2014 allocated to reserves: 1,208,270 euros</li> <li>Profits in 2015 allocated to reserves: 3,699,608 euros</li> </ul> <p><b>Profits applied to reserves by the Absorbed Company</b> <b>INVERETIRO, SOCIMI, S.A.U:</b></p> <p>Profits in 2015 allocated to reserves: 477,756 euros</p>
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	<p><b>Dividends distributed by the Company</b></p> <ul style="list-style-type: none"> <li>Distribution of dividends in 2015: 6,979,719 euros</li> <li>Distribution of dividends in 2016: 13,958,138 euros</li> </ul> <p><b>Dividends distributed by the Absorbed Company</b> <b>COMPANÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U:</b></p> <ul style="list-style-type: none"> <li>Distribution of dividends in 2009: 3,382,919 euros</li> <li>Distribution of dividends in 2010: 3,121,886 euros</li> <li>Distribution of dividends in 2011: 3,585,669 euros</li> <li>Distribution of dividends in 2012: 156,295 euros</li> <li>Distribution of dividends in 2013: 1,209,306 euros</li> <li>Distribution of dividends in 2014: 10,874,427 euros</li> <li>Distribution of dividends in 2015: 14,799,010 euros</li> </ul> <p><b>Dividends distributed by the Absorbed Company</b> <b>INVERETIRO, SOCIMI, S.A.U:</b></p> <ul style="list-style-type: none"> <li>Distribution of dividends in 2015: 1,987,206 euros</li> </ul>

Description	2017
<ul style="list-style-type: none"> <li>Dividends from income subject to the general tax rate</li> </ul>	-
<ul style="list-style-type: none"> <li>Dividends from income subject to taxation at 18% (2009) and 19% (2010 to 2012).</li> </ul>	<p><b>Dividends distributed by the Absorbed Company</b> <b>COMPANÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U:</b></p> <ul style="list-style-type: none"> <li>Distribution of dividends in 2009: 3,382,919 euros</li> <li>Distribution of dividends in 2010: 3,121,886 euros</li> <li>Distribution of dividends in 2011: 3,585,669 euros</li> <li>Distribution of dividends in 2012: 156,295 euros</li> </ul>
<ul style="list-style-type: none"> <li>Dividends from income subject to tax at a rate of 0%</li> </ul>	<p><b>Dividends distributed by the Company</b></p> <ul style="list-style-type: none"> <li>Distribution of dividends in 2015: 6,979,719 euros</li> <li>Distribution of dividends in 2016: 13,958,138 euros</li> </ul> <p><b>Dividends distributed by the Absorbed Company</b> <b>COMPANÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U:</b></p> <ul style="list-style-type: none"> <li>Distribution of dividends in 2013: 1,209,306 euros</li> <li>Distribution of dividends in 2014: 10,874,427 euros</li> <li>Distribution of dividends in 2015: 14,799,010 euros</li> </ul> <p><b>Dividends distributed by the Absorbed Company</b> <b>INVERETIRO, SOCIMI, S.A.U:</b></p> <ul style="list-style-type: none"> <li>Distribution of dividends in 2015: 1,987,206 euros</li> </ul>
d) Dividends paid out and charged to reserves	-
<ul style="list-style-type: none"> <li>Dividends charged to reserves subject to taxation at the general tax rate.</li> </ul>	-
<ul style="list-style-type: none"> <li>Dividends charged to the reserves subject to taxation at 19%</li> </ul>	-
<ul style="list-style-type: none"> <li>Dividends charged to the reserves subject to taxation at 0%</li> </ul>	-
e) Date of the dividend payout resolution referred to by items c) and d) above	<p><b>Dividends distributed by the Company</b></p> <ul style="list-style-type: none"> <li>2015 Dividends: 01 April 2016</li> <li>2016 Dividends: 29 June 2017</li> </ul> <p><b>Dividends distributed by the Absorbed Company</b> <b>COMPANÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U:</b></p> <ul style="list-style-type: none"> <li>2009 Dividends: 29 June 2010</li> <li>2010 Dividends: 30 June 2011</li> <li>2011 Dividends: 28 June 2012</li> <li>2012 Dividends: 20 June 2013</li> <li>2013 Dividends: 30 June 2014</li> <li>2014 Dividends: 22 June 2015</li> <li>2015 Dividends: 01 April 2016</li> </ul> <p><b>Dividends distributed by the Absorbed Company</b> <b>INVERETIRO, SOCIMI, S.A.U:</b></p> <ul style="list-style-type: none"> <li>2015 Dividends: 01 April 2016</li> </ul>

Description	2017
<p>a) Acquisition date of the properties allocated to lease which generate income subject to this special scheme</p>	<p><b>Property coming from the Absorbed Company COMPAÑÍA IBÉRICA DE BIENES RAÍCES 2009, SOCIMI, S.A.U:</b> The real estate assets that have been owned by the Absorbed Company as from 29/12/2009 Due to the partial division of the related company Isla Canela S.A., the dates of ownership are the following:</p> <ul style="list-style-type: none"> <li>• Hotel Isla Canela Golf: 28/12/2007</li> <li>• Hotel Barceló Isla Canela: 06/07/1998</li> <li>• Hotel Iberostar Isla Canela: 01/07/2002</li> <li>• Hotel Playa Canela: 16/05/2002</li> <li>• Hotel Meliá Atlántico: 25/05/2000</li> <li>• Marina Isla Canela Shopping Mall: 17/10/2000</li> <li>• Property on Calle Gran Vía: 19/10/1987</li> <li>• Retail outlets at Calle Caleruega: 30/12/2011</li> </ul> <p>The following real estate investments, which were acquired from the related company Promociones y Construcciones, PYC, PRYCONSA, S.A. were made in 2012:</p> <ul style="list-style-type: none"> <li>• Offices Sanchinarro V: 30/10/2012</li> <li>• Offices Sanchinarro VI: 29/11/2012</li> <li>• Offices Sanchinarro VII: 29/11/2012</li> <li>• Vallecas Comercial I: 30/10/2012</li> <li>• Vallecas Comercial II: 30/10/2012</li> <li>• Offices Coslada III: 29/11/2012</li> </ul> <p>The merger with Compañía Ibérica de Rentas Urbanas 2009 SOCIMI, S.A.U resulting from its take-over took place in 2013. The Absorbed Company therefore included all the assets from the company taken over on its balance sheet without any associated tax effects.</p> <ul style="list-style-type: none"> <li>• Hotel Tryp Cibeles: 16/05/2002</li> <li>• Retail outlet on Calle Rutillo: 06/04/2000</li> <li>• Retail outlet at Gran Vía 34 (1+2): 16/05/2002</li> <li>• Retail outlet at Gran Vía 34 (3): 16/05/2002</li> <li>• Retail outlet on Dulcinea: 21/09/1995</li> <li>• Building on Calle Pradillo: 27/02/2009</li> <li>• Retail outlet at Albalá 7: 26/09/2003</li> <li>• Offices at C/Gran Vía 1-1º and 2º Dcha/: 15/10/1993</li> <li>• Offices at C/Gran Vía 1-1º Izda/: 10/02/1998</li> <li>• Building on C/ San Antón, Cáceres: 15/06/2011</li> <li>• Building on Plaza España, Castellón: 29/12/2011</li> </ul> <p>During 2015, the following property investment registrations occurred:</p> <ul style="list-style-type: none"> <li>• An industrial warehouse in Daganzo de Arriba: 27/02/2015</li> </ul> <p><b>Properties coming from the Absorbed Company INVERETIRO, SOCIMI, S.A.U:</b></p> <ul style="list-style-type: none"> <li>• Titán, 13: 12/02/2014</li> <li>• Conde de Peñalver, 16: 01/12/2013</li> </ul> <p>During 2016, the following property investment registrations occurred:</p> <ul style="list-style-type: none"> <li>• Retail outlet at Gran Vía 55: 01/03/2016</li> <li>• Building at José Abascal, 41: 02/12/2016</li> </ul> <p>During 2017, the following property investment registrations occurred:</p> <ul style="list-style-type: none"> <li>• Building at Orense 62: 07/02/2017</li> <li>• Commercial premises at Goya 59: 10/02/2017</li> </ul>

Description	2017
b) Acquisition date of interests in the capital of the entities referred to in paragraph 1, Article 2 of this Law.	-
c) Identification of the assets calculated within the eighty percent referred to by paragraph 1, Article 3 of this Act	<p>The breakdown of real estate assets and their gross book cost, expressed in millions of euros, is as follows:</p> <ul style="list-style-type: none"> <li>• Marina Isla Canela Shopping Mall: 4.70</li> <li>• Barceló Isla Canela: 27.29</li> <li>• Meliá Atlántico: 35.06</li> <li>• Playa Canela: 17.24</li> <li>• Iberostar Isla Canela: 25.58</li> <li>• Isla Canela Golf: 4.93</li> <li>• Gran Vía 1, 2nd Floor Left: 1.94</li> <li>• Caleruega: 0.98</li> <li>• Sanchinarro V: 0.22</li> <li>• Sanchinarro VI: 8.58</li> <li>• Sanchinarro VII: 5.7</li> <li>• Vallecas Comercial I: 3.92</li> <li>• Vallecas Comercial II: 3.91</li> <li>• Coslada III: 5.38</li> <li>• Tryp Cibeles: 21.59</li> <li>• Daganzo de Arriba: 13.72</li> <li>• Gran Vía 34: 21.53</li> <li>• Pradillo 42: 18.23</li> <li>• Albalá 7: 2.87</li> <li>• Gran Vía 1, 1st Floor Left: 2.73</li> <li>• Gran Vía 1, 2nd Floor Right: 2.87</li> <li>• Gran Vía 1, 1st Floor Right: 3.01</li> <li>• Rutilo: 1.38</li> <li>• Dulcinea: 1.53</li> <li>• Plaza España: 15.10</li> <li>• Titán, 13: 31.83</li> <li>• Conde Peñalver: 20.43</li> <li>• Gran Vía 55: 13.46</li> <li>• José Abascal 41: 19.8</li> <li>• Orense 62: 3.05</li> <li>• Goya 59: 15.61</li> </ul>
d) 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.	-

# **Management Report**

30 June 2017

## SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.

### Management Report at 30 June 2017

#### 1. Explanation of the figures at 30 June 2017

A breakdown of the main figures at 30 June 2017 compared to 30 June 2016 (31 December 2016 for the balance sheet) is provided below:

Income statement	Euros		
	30/06/2017	30/06/2016	+ / -
Income	8,454,734	8,471,450	-0.20%
<b>Net operating income (NOI)</b>	<b>7,750,762</b>	<b>7,787,200</b>	<b>-0.47%</b>
Overheads	-180,908	-219,530	
<b>EBITDA</b>	<b>7,569,854</b>	<b>7,567,670</b>	<b>0.03%</b>
Financial profit (loss)	-157,606	278,866	
<b>Ebtda</b>	<b>7,412,247</b>	<b>7,846,536</b>	<b>-5.53%</b>
Depreciation	-2,418,116	-2,301,749	
Subsidies	54,359	57,092	
Impairment/Reversal	370,969	129,961	
Other gains (losses)	-13,861	-73,745	
Gain/(loss) on disposal of real estate assets	-463,686	-129,961	
Gain/(loss) on the disposal of financial assets	441,239	-	
<b>EBT</b>	<b>5,383,151</b>	<b>5,528,134</b>	<b>-2.62%</b>
Corporation tax	-415,516	-	
<b>Net profit (loss)</b>	<b>4,967,635</b>	<b>5,528,134</b>	<b>-10.14%</b>

#### Sectoral indicators at 30 June 2017

	Euros			
	30/06/2017	Per share	30/06/2016	Per share
Net recurring profit	5,475,868	1.23	5,648,391	1.27
Net value of assets	377,636,905	84.82	353,074,297	79.30
Cost/income ratio	10.46%		10.67%	
Unoccupied ratio	13.71%		7.54%	
Net yield	4.75%		5.59%	

Likewise, the data at 31 December 2016 was as follows:

	Euros	
	31/12/2016	Per share
Net recurring profit	13,879,926	3.12
Net value of assets	384,886,299	86.45
Cost/income ratio	12.52%	
Unoccupied ratio	10.04%	
Net yield	4.84%	



**Key figures at 30 June 2017 and 31 December 2016**

	2017	2016
Annualised income (€M)	21.62	20.36
FFO (€M)	7.55	17.64
FFO (€/share)	1.12	3.96
Value of real estate assets (€M)	392.48	378.21
GAV (€M)	440.99	435.11
NAV (€M)	377.64	384.89
Assets above grade (number)	208	215
Gross leasable area (m2 above grade)	141,512	142,188
Occupancy rate % at closing	89.80%	91.64%
WAULT	6.71	7.18
LTV	14.37%	11.54%
LTV Adjusted	17.32%	15.29%
Net debt (€M)	63.35	50.23
Profit (€/share)	1.12	3.52
Dividend (€/share)	-	3.14
Dividend gross yield	-	4.66%

**Property investments (gross):** As of 30 June 2017, the Company's gross property investments amounted to 354,283,778 euros. During 2017, the following investments and divestments took place:

- **Investments made amounting to 19,435,212 euros:**
  - The acquisition, on 7 February 2017, of a building located at Calle Orense, 62 in Madrid, comprised of a commercial space of 705 square metres, an office space composed of 894 square metres and 11 parking spaces. The overall price of the purchase amounted to 3,047,950 euros.
  - The acquisition, on 10 February 2017, of two commercial premises located at Calle Goya 59 in Madrid, with a constructed surface area of 423 and 439 square metres respectively and two parking spaces. The overall price of the purchase amounted to 15,611,986 euros.
  - "Property investments in progress and advances" in the accompanying balance sheet at 30 June 2017 includes 89,626 euros corresponding to the renovations being carried out in the building located at Calle Orense 62 in Madrid for 50,025 euros, and in the property located at Calle Pradillo 42 in Madrid for 39,601 euros which are currently under a remodelling programme. In the case of Pradillo 42, the remodelling budget amounted to 3,700,000 euros whilst Orense 62 is 1,360,000 euros. Final mention goes to the building located at Jose Abascal 41 which will be subject to full renovation whose works will begin in the next months and whose budget to date amounts to 4,300,000 euros.

- **Divestments made amounting to 5,978,860 euros:**

- Sale of a building located on Calle San Antón de Cáceres whose cost net of depreciation and impairment amounted to 3,000,405 euros. The value of the sale was 2,915,000 euros, which, consequently, resulted in a loss of 85,405 euros. This amount has been recorded under the heading "Impairments and gains (losses) on fixed asset disposals" in the accompanying profit and loss account for the six months ended 30 June 2017.
- Sale of several properties in Sanchinarro VI for 201,176 euros and Sanchinarro VII for 1,392,074 euros, as well as the sale of several offices in Coslada III for 426,374 euros, which have been sold to third parties. These sales have generated no net gain at 30 June 2017.

**Dividends:**

Dividends paid by the Company to shareholders in 2017:

The Company's net profit at 31 December 2016 came to 15,682,656 euros. At the Annual General Meeting held on 29 June 2017, the following distribution of profits for 2016 was approved. The breakdown of the distribution of profits is as follows:

Distribution of net profit in 2016	Euros
<b>Profit at 31 December 2016</b>	<b>15,682,656</b>
• General Accounting Plan first application reserves	156,252
• Legal Reserve	1,568,266
• Dividends	13,958,138

The gross dividend per share for 2016 is 3.14 euros per share compared to the 1.57 euros per share obtained in 2015. The dividend yield for 2016 was 4.66%, compared to 2.36% for 2015, calculated on the average listed price of each year. The approved dividend was paid on 17 July 2017.

Dividends paid by the Company to shareholders in 2016:

The profit obtained by the Company in 2015 was 9,755,905 euros. Distribution of profit was as follows:

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

**Net financial debt:** The Company has a net financial debt of 63,350,032 euros. The breakdown of it is as follows:

Breakdown of debt	Euros	
	30/06/2017	31/12/2016
José Abascal, 41	11,400,000	-
Titán, 13	14,016,050	14,412,731
Conde de Peñalver, 16	9,100,858	9,358,428
Plaza de España (Castellón)	2,831,287	3,429,972
<b>Debt with mortgage guarantee</b>	<b>37,348,195</b>	<b>27,201,131</b>
Obligations and bonds	10,000,000	10,000,000
Credit policies available	9,320,677	5,007,230
Long-term loans	8,517,929	8,412,913
Interest accrued pending maturity	-	174,962
<b>Non-collateral debt</b>	<b>27,838,606</b>	<b>23,595,105</b>
Cash and bank	-1,836,768	-568,851
<b>Net financial debt</b>	<b>63,350,032</b>	<b>50,227,385</b>

On 20 January 2017, the Company signed a long-term mortgage guarantee loan with Banca March, S.A. on one of its real estate assets amounting to 11,400,000 euros. This loan has a two-year grace period and a 12-year amortisation period (14 years in total) with an increasing payment system from the second year.

The Company's LTV at 30 June 2017 was 14.37%. The adjusted LTV is 17.32%. Said adjusted LTV includes the effect of the existing mortgage burden on hotels located in Isla Canela (13,040,406 euros at 30 June 2017).

**Income:** At 30 June 2017, the Company had obtained total income of 8,454,734 euros (8,471,451 euros at 30 June 2016). The breakdown of income by asset type is as follows:

	Euros	
	30/06/2017	30/06/2016
Hotels	2,656,374	2,765,790
Offices	2,709,317	2,108,953
Sales	2,422,461	2,940,092
Industrial	644,832	634,471
Others	21,750	22,145
<b>Income</b>	<b>8,454,734</b>	<b>8,471,451</b>

**NOI:** The Net Operating Income is positive and amounts to 7,750,762 euros (7,787,200 euros at 30 June 2016). The breakdown of NOI by asset type is as follows:

	Euros	
	30/06/2017	30/06/2016
Hotels	2,373,567	2,314,250
Offices	2,401,552	1,980,025
Sales	2,326,462	2,875,849
Industrial	640,188	628,216
Others	8,993	-11,140
<b>NOI</b>	<b>7,750,762</b>	<b>7,787,200</b>

At 30 June 2017, the **EBITDA** is positive and amounts to 7,569,854 euros (7,567,670 euros at June 2016).

**Impairment/Reversal:** Impairments on commercial loans amounting to 7,312 euros (0 euros at June 2016) have been made and impairments of property investments amounting to 378,281 euros (129,961 euros at June 2016) have been reversed.

**Gains/(losses) on asset disposals:** At 30 June 2017, six lofts in Sanchinarro VII, two lofts in Coslada III and one in Sanchinarro VI have been sold, generating a combined loss of -378,281 euros (129,961 euros at June 2016). Likewise, the first six months of 2017 saw the sale of a building located on Calle San Antón de Cáceres whose cost net of depreciation and impairment amounted to 3,000,405 euros. The value of the sale was 2,915,000 euros, which, consequently, resulted in a loss of 85,405 euros.

**Gains/(losses) on financial asset disposals:** At 30 June 2017, gains amounting to 441,239 euros were obtained as a result of the sale of all the shares of other REITs, which were recorded on the Company's balance sheet at 31 December 2016.

**Financial gain/(loss)** The financial loss at 30 June 2017 is -157,606 euros (-278,866 euros at June 2016). The financial income derived from the group financing system amounted to 462,110 euros (496,832 euros at June 2016). The Company's financial expenses amounted to 620,075 euros, including costs associated with the creation of the mortgage loan associated with the Jose Abascal 41 office building in Madrid (237,803 euros at June 2016).

**Corporation tax:** In the first half of 2017 the Company sold all the shares it had at the end of 2016 in other listed REITs. The capital gain obtained in this first quarter was 1,697,583 euros and the impact on the income statement for the half was 441,239 euros given that, at the end of 2016, a profit of 1,256,304 euros was recognised as a result of the valuation of the investment made. Corporation tax expenses amount to 415,516 euros, calculated at the general tax rate of 25% on the actual profit obtained net of negative tax bases yet to be offset at the end of 2016 for 35,519 euros.

**Net profit/(loss):** At 30 June 2017, profit came to 4,967,635 euros (5,528,135 euros at 30 June 2016), which represents a net profit per share of 1.12 euros (1.24 euros at June 2016).

## 2. Valuation of real estate assets

On 30 January 2017, an independent expert, CBRE Valuation Advisory, S.A., was entrusted by the Company to assess its assets, to determine the fair values of all its property investments at year-end, except for the investment realised in December 2016 of an office building located at Calle José Abascal 41 in Madrid and the investments of the first half of 2017 (Goya 59 and Orense 62, both in Madrid). 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).

Likewise, according to the appraisals made, the fair value of the property investments revealed an unrecorded latent capital gain (by comparing the updated market gross fair value and the net book value) of 86,986,793 euros (85,191,328 euros at 31 December 2016), which was primarily due to the retail outlets located at Calle Gran Vía, 34 de Madrid, Calle Conde de Peñalver, 16 in Madrid, Calle Gran Vía, 55 in Madrid, Hotel Barceló Isla Canela, Hotel Tryp Cibeles in Madrid and the warehouse located at Daganzo de Arriba in Madrid.

The market value of property investments at 30 June 2017 amounts to 392,477,924 euros (378,214,862 euros at 31 December 2016). The breakdown by business segment is as follows:

Segments	Euros	
	30/06/2017	31/12/2016
Hotels	124,193,883	123,925,492
Offices	96,282,904	94,867,220
Sales	154,683,136	142,104,150
Industrial	17,318,000	17,318,000
<b>Total</b>	<b>392,477,924</b>	<b>378,214,862</b>

## 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
- Sales
- Industrial
- Others

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.

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

2017

30/06/2017	Euros					
	Hotels	Offices	Sales	Industrial	Others	Total
Income	2,656,374	2,709,317	2,422,461	644,832	21,750	8,454,734
Indirect costs	-282,807	-307,765	-95,998	-4,644	-12,757	-703,972
<b>Net Margin</b>	<b>2,373,567</b>	<b>2,401,552</b>	<b>2,326,462</b>	<b>640,188</b>	<b>8,993</b>	<b>7,750,762</b>
Overheads	-56,986	-58,122	-51,968	-13,833	-	-180,908
<b>EBITDA</b>	<b>2,316,581</b>	<b>2,343,430</b>	<b>2,274,495</b>	<b>626,355</b>	<b>8,993</b>	<b>7,569,854</b>
<b>% of income</b>	<b>87.21%</b>	<b>86.50%</b>	<b>93.89%</b>	<b>97.13%</b>	<b>41.35%</b>	<b>89.53%</b>
Depreciation	-1,239,550	-531,658	-573,991	-72,011	-906	-2,418,116
Subsidies	54,359	-	-	-	-	54,359
Extraordinary gains/(losses)	-	-19,061	5,200	-	-	-13,861
Gain/(loss) on disposal of real estate assets	-	-463,686	-	-	-	-463,686
Gains/(losses) on disposal of financial assets	-	-	-	-	441,239	441,239
Impairment/Reversal	-	378,281	-7,312	-	-	370,969
Financial profit (loss)	-	-277,621	-92,364	-	212,379	-157,606
<b>EBT</b>	<b>1,131,390</b>	<b>1,429,685</b>	<b>1,606,027</b>	<b>554,343</b>	<b>661,706</b>	<b>5,383,151</b>
Corporation tax	-	-	-	-	-415,516	-415,516
<b>Net profit (loss)</b>	<b>1,131,390</b>	<b>1,429,685</b>	<b>1,606,027</b>	<b>554,343</b>	<b>246,190</b>	<b>4,967,635</b>
<b>% of income</b>	<b>42.59%</b>	<b>52.77%</b>	<b>66.30%</b>	<b>85.97%</b>	<b>1131.91%</b>	<b>58.76%</b>

2016

30/06/2016	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
<b>Net Margin</b>	<b>2,314,250</b>	<b>1,980,025</b>	<b>2,875,849</b>	<b>628,216</b>	<b>-11,140</b>	<b>7,787,200</b>
Overheads	-10,534	-7,072	-10,645	-2,417	-188,862	-219,530
<b>EBITDA</b>	<b>2,303,716</b>	<b>1,972,953</b>	<b>2,865,204</b>	<b>625,799</b>	<b>-200,002</b>	<b>7,567,670</b>
% 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 gains/(losses)	-	58,234	-	-	-131,979	-73,745
Gain/(loss) on disposal of real estate assets	-	-129,961	-	-	-	-129,961
Gains/(losses) on disposal of financial assets	-	-	-	-	-	-
Impairment/Reversal	-	129,961	-	-	-	129,961
Financial profit (loss)	-	-128,935	-88,838	-	496,640	278,866
<b>EBT</b>	<b>1,171,740</b>	<b>1,371,673</b>	<b>2,266,603</b>	<b>553,788</b>	<b>164,332</b>	<b>5,528,134</b>
Corporation tax	-	-	-	-	-	-
<b>Net profit (loss)</b>	<b>1,171,740</b>	<b>1,371,673</b>	<b>2,266,603</b>	<b>553,788</b>	<b>164,332</b>	<b>5,528,134</b>
% of income	42.37%	65.04%	77.09%	87.28%	742.09%	65.26%

The breakdown of the **income and net book cost** for real estate assets heading, including tangible fixed assets in progress, at 30 June 2017 and 30 June 2016 is as follows:

	Euros						
	30/06/2017			30/06/2016			31/12/2016
	Income	%	Net Book	Income	%	Net Book	Net Book
Hotels	2,656,374	31.42%	109,567,409	2,765,790	32.65%	108,289,446	110,538,158
Offices	2,709,317	32.04%	95,012,317	2,108,953	24.89%	75,284,031	93,479,367
Sales	2,422,461	28.65%	87,524,644	2,940,092	34.71%	78,674,376	75,547,237
Industrial	644,832	7.63%	13,386,761	634,471	7.49%	13,530,782	13,458,771
Others	21,750	0.26%	-	22,145	0.26%	-	-
<b>Total income</b>	<b>8,454,734</b>	<b>100.00%</b>	<b>305,491,131</b>	<b>8,471,450</b>	<b>100.00%</b>	<b>275,778,635</b>	<b>293,023,533</b>

It must be noted that, at 30 June 2017, 31% of revenue was generated by hotel assets (33% at 30 June 2016), 32% by offices (25% at 30 June 2016), 29% by retail outlets (35% at 30 June 2016) and the remaining 8% by industrial properties (8% at 30 June 2016). At the end of June 2017, the hotels are fully leased; offices are 80% leased; commercial premises are 56% leased and the industrial area 100%. At 30 June 2017, the occupancy of real estate assets is 89.80% (91.64% at 31 December 2016). The Gross Leasable Area (GLA) is 141,512 m2 leasable and 208 assets under management (142,187 m2 leasable and 215 assets under management at 31 December 2016).



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

Area	Euros			
	30/06/2017		30/06/2016	
	Income	Income (%)	Income	Income (%)
Madrid	6,264,252	74.09%	5,591,680	66.01%
Huelva	2,115,094	25.02%	2,212,048	26.11%
Castellón	75,388	0.89%	667,722	7.88%
<b>Total</b>	<b>8,454,734</b>	<b>100.00%</b>	<b>8,471,451</b>	<b>100.00%</b>

From a geographic point of view, most income is generated in Madrid and Huelva (both in Spain). Madrid remains in first place, with its contribution to total revenues at around 74% (66% at 30 June 2016), followed by Huelva with 25% (26% at 30 June 2016) and Castellón with 1% (8% at 30 June 2016).

As shown in the table above, most of the Group's activity focused on Madrid and Huelva, accounting of 99%, split 74%:25% respectively.

Furthermore, highlighting the changes in **occupation rates** by type of asset from the **standpoint of asset types** is worth particular note: At 30 June 2017, the occupation of the Group's assets dedicated to leasing is 89.80% based on the square metres leased, the breakdown of which is as follows:

Segments	30/06/2017		31/12/2016	
	% occupation	Floor area in m2 above ground level	% occupation	Floor area in m2 above ground level
Hotels	100.00%	80,135	100.00%	80,135
Offices	80.20%	27,062	82.12%	26,442
Sales	55.70%	20,504	67.15%	21,800
Industrial	100.00%	13,810	100.00%	13,810
<b>Total</b>	<b>89.80%</b>	<b>141,512</b>	<b>91.64%</b>	<b>142,187</b>

#### 4. Property investments

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 high-quality tenants, as well as a number of 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 high-quality lessees in both the Spanish hotel industry and in the Office, Commercial and Industrial sectors, which ensure the Company'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 details the information required by the Third Additional Provision of Law 15/2010 of 5 July (modified through the Second Final Provision of Law 31/2014, of 3 December) prepared in accordance with ICAC Resolution of 29 January 2016, on the information to be included in the notes of the interim financial statements in relation to the average period of payment to suppliers in commercial operations.

	2017	2016
	<b>Days</b>	
Average payment period to suppliers	42.47	13.70
Ratio of operations paid	46.52	13.53
Ratio of operations pending payment	31.88	71.82
	<b>Euros</b>	
Total payments made	1,141,313	25,276,555
Total payments outstanding	436,088	75,298

In accordance with the ICAC Resolution, the calculation of the average payment period to suppliers has taken into account the commercial operations corresponding to the delivery of goods or services rendered from the date of entry into force of Law 31/2014, of 3 December.

Suppliers, for the exclusive purposes of giving the information provided for in this Resolution, are considered trade creditors due to debts with suppliers of goods or services, included under "Suppliers" and "Sundry creditors" of current liabilities in the balance sheet.

"Average payment period to suppliers" shall be construed as the period from the delivery of the goods or the provision of the services by the supplier and the payment of the operation.

The maximum legal payment period applicable to the Company in 2016 under Law 3/2004 of 29 December establishing measures to combat late payment in commercial transactions is 30 days from the publication of the aforementioned Law and up to the today's date (unless the conditions established therein are met, which would allow a maximum payment term of up to 60 days).

## 6. Earnings per share at 30 June 2017

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

	<b>Euros</b>		
	30/06/2017	30/06/2016	31/12/2016
Net Profit	4,967,635	5,528,135	15,682,656
Weighted average number of shares	4,452,197	4,452,197	4,452,197
<b>Earnings per share</b>	<b>1.12</b>	<b>1.24</b>	<b>3.52</b>

Basic earnings per share are calculated as the ratio of the net profit for the period attributable to the Company and the weighted average number of ordinary shares outstanding during that

period.

Diluted earnings per share are calculated as the ratio of net profit for the period attributable to ordinary shareholders adjusted for the effect attributable to potential ordinary shares with dilutive effect and the weighted average number of ordinary shares in circulation during the period, adjusted by the weighted average of the ordinary shares which would be issued if all potential ordinary shares were converted into ordinary shares of the company. For this purpose, it is considered that the conversion takes place at the beginning of the period or at the time of the issue of the potential ordinary shares, if these had been put into circulation during the period itself.

At 30 June 2017 and 30 June 2016, the basic and diluted earnings per share are the same.

#### **7. Acquisition of treasury shares**

At 30 June 2017, the Company did not hold any treasury shares in portfolio.

#### **8. Research and development activities**

The company does not carry out research and development activities.

#### **9. Main risks affecting the Group**

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 having an impact on 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 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 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 Company's Directors on the Company's 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 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**

With regard to the Company's exchange rate risk at 31 December 2016, it did not have any assets or liabilities in foreign currencies and therefore no risk in this regard.

**d) Interest rate risk**

The Company has various 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, taking into account its low debt levels and today's very low interest rates.

Notwithstanding the foregoing, on 17 February 2017, the Company formalised an Interest Rate Swap derivative financial instrument amounting to 8,550,000 euros, which shall run from 1 April 2019 to 1 April 2026 linked to a mortgage loan for 11,400,000 euros contracted in 2017 on the property located at Calle José Abascal 41 in Madrid.

**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 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 Group is exposed to other risks: (i) environmental risks; (ii) occupational health and safety risks; y (iii) occupational hazard prevention risks.

#### **10. Outlook for the remainder of 2017**

Given the Company's activity, the Directors of the Company consider that 2017 will continue to be positive in terms of maintaining the terms of long-term leases, as well as the new acquisition made by SOCIMI Holding mentioned in subsequent events. The forecasts are therefore positive, taking into account the long-term lease agreements with first-tier lessees in the Hotel Sector and the Offices and Commercial 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 interest involving the Directors**

At 30 June 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 of the Board of Directors any direct or indirect conflict of interest with those of the Company.

#### **12. Subsequent events**

Subsequent to 30 June 2017 and up until the approval date of the Company's interim financial statements, no relevant subsequent events have occurred.

### **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 Company, declare that, to the best of our knowledge, the Interim Financial Statements at 30 June 2017 of SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A., prepared according to the applicable accounting principles, offer a faithful image of the assets, financial situation and balance of the issuer considered as a whole, and that the Management Report at 30 June 2017 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, 27 July 2017

**Mr Marco 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)

**Ms Mónica de Quesada Herrero**  
(Director)

**Mr José Juan Cano Resina**  
(Non-member Secretary)

### **Diligence in the Preparation of Interim Financial Statements**

The preparation of these interim financial statements and management report has been approved by the Board of Directors at its meeting on 27 July 2017. Said interim financial statements and the consolidated half-yearly management report appear on 68 sheets of ordinary paper, numbered from 1 to 68, 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 Directors of the Company, hereby state that no item in the Company's interim financial statements 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, 27 July 2017

**Mr Marco 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)

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(Director)

**Mr José Juan Cano Resina**  
(Non-member Secretary)