

SAINT CROIX HOLDING IMMOBILIER SOCIMI, S.A.  
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In accordance with the provisions of article 228 of the revised text of the law of the stock market, the company named SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A. ("SCHI" or the "Company") announces the following:

### **SIGNIFICANT EVENTS**

On 26 July 2018 and at the headquarters of the Company the Board of Directors has been held in which the Management Report of the Company as at 30 June 2018 has been approved. Attached the management accounts of the Company as at 30 June 2018.

The most relevant aspects are summarized as follows:

- Total revenues have risen to EUR 8,578,797, which implies an increase of +1.47% compared to the first semester of the year 2017.
- The Net operating income is positive in the amount of EUR 7,735,397 very similar to the previous year that amounted up to EUR 7,750,762.
- EBITDA is positive and amounts to EUR 7,536,309 very similar to the previous year amount (EUR 7,569,854).
- During the first semester of the year 2018, investments have been made in the amount of EUR 26,655,731, as well as divestments for the amount of EUR 2,400,163 in terms of cost.
- As of June 30, 2018, the occupancy rate of the real estate assets of the company is 94% with a NAV of EUR 403 million, a 15% LTV and a net yield of 4.91%.
- The EBTDA of the company has amounted to EUR 7,340,836, which implies a slight decrease of -0.96% compared to the previous year.
- The leasing portfolio as of June 30, 2018 amounts to EUR 101 million with a mandatory compliance WAULT of 5.98.

Madrid, 26 July 2018.

Yours faithfully,

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Mr. Marco Colomer Barrigón  
Chairman and Chief Executive Officer

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

**Half-Yearly Financial Statements and Management  
Report corresponding to the six months ending 30  
June 2018  
(Unaudited)**

# Table of Contents

Half-Yearly Financial Statements	2
1. Company Activity	8
2. Applicable legislation	12
3. Presentation basis of interim financial statements	14
4. Distribution of profit	16
5. Accounting principles and registration and valuation standards	16
6. Property investments	21
7. Operational leasing	25
8. Other financial assets and investments in related companies	26
9. Trade and other accounts receivable	28
10. Cash and cash equivalents	28
11. Information on the nature and level of risks affecting financial instruments	28
12. Equity and Own Funds	29
13. Current and non-current liabilities	33
14. Derivative financial instruments	36
15. Disclosure on payment periods for suppliers	36
16. Guarantees undertaken with third parties	37
17. Public administrations and tax situation	37
18. Earnings and expenses	42
19. Related-party transactions and balances	43
20. Remuneration for the Board of Directors and Senior Management	46
21. Disclosure on situations of conflicts of interest involving the Directors	47
22. Other information	47
23. Environmental information	48
24. International Financial Reporting Standards	48
25. Subsequent events	49
Annex 1. Information requirements deriving from being classed as a REIT	50
Management Report	54
1. Explanation of the figures at 30 June 2018	55
2. Valuation of real estate assets	60
3. Segmented reporting	61
4. Property investments	64
5. Disclosure on payment periods for suppliers	65
6. Earnings per share at 30 June 2018	65
7. Acquisition of treasury shares	66
8. Research and development activities	66
9. Main risks affecting the Group	66
10. Outlook for the remainder of 2018	68
11. Disclosure on situations of conflicts of interest involving the Directors	68
12. Subsequent events	68
Directors' Declaration of Responsibility	69
Diligence in the Preparation of Interim Financial Statements	70

# **Half-Yearly Financial Statements**

(Unaudited)

30 June 2018

**SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.**  
**BALANCE SHEET AT 30 JUNE 2018 AND 31 DECEMBER 2017**  
 (Euros)

ASSETS	Notes to the Report	Year 2018	Year 2017	EQUITY AND LIABILITIES	Notes to the Report	Year 2018	Year 2017
<b>NON-CURRENT ASSETS</b>		<b>326,766,474</b>	<b>305,022,696</b>	<b>EQUITY</b>		<b>291,633,976</b>	<b>298,716,336</b>
<b>Intangible fixed assets</b>		<b>5,199</b>	<b>6,122</b>	<b>OWN FUNDS</b>			
Software applications		5,199	6,122	<b>Capital</b>	12	<b>267,577,040</b>	<b>267,577,040</b>
<b>Tangible fixed assets</b>		<b>1,751</b>	<b>1,254</b>	Authorised capital		267,577,040	267,577,040
Plant and other tangible fixed assets		1,751	1,254	<b>Reserves</b>	12	<b>18,174,889</b>	<b>16,854,847</b>
<b>Property investments</b>	6	<b>324,875,245</b>	<b>303,359,467</b>	Legal and statutory		4,020,151	2,700,109
Net property investments		324,875,245	303,359,467	Other reserves		14,154,738	14,154,738
<b>Long-term financial investments</b>	8	<b>1,884,279</b>	<b>1,655,853</b>	<b>Profit (Loss) for the year</b>	4	<b>4,827,887</b>	<b>13,200,418</b>
Other financial assets		1,884,279	1,655,853	<b>VALUATION ADJUSTMENTS</b>		<b>-136,687</b>	<b>-136,687</b>
				Hedging operations	12 and 14	-136,687	-136,687
				<b>SUBSIDIES, DONATIONS AND BEQUESTS RECEIVED</b>	12	<b>1,190,847</b>	<b>1,220,718</b>
				Subsidies, donations and bequests received		1,190,847	1,220,718
				<b>NON-CURRENT LIABILITIES</b>		<b>59,466,657</b>	<b>49,069,715</b>
				<b>Long-term debts</b>	13	<b>59,466,657</b>	<b>49,069,715</b>
				Debentures and bonds		10,000,000	10,000,000
				Debts with credit institutions		45,714,499	35,739,711
				Derivatives	12 and 14	136,687	136,687
				Other financial liabilities		3,615,471	3,193,317
<b>CURRENT ASSETS</b>		<b>44,180,113</b>	<b>61,870,819</b>	<b>CURRENT LIABILITIES</b>		<b>19,845,954</b>	<b>19,107,464</b>
<b>Inventories</b>		<b>111,549</b>	<b>200</b>	<b>Short-term debts</b>	13	<b>17,243,212</b>	<b>16,853,074</b>
Advance payments to suppliers		111,549	200	Debentures and bonds		4,795	130,822
<b>Trade and other accounts receivable</b>	9	<b>1,053,215</b>	<b>2,569,340</b>	Debts with credit institutions		17,070,198	16,473,854
Accounts receivable for sales and services		1,050,800	2,354,464	Other financial liabilities		168,220	248,398
Staff		352	271	<b>Short-term Group and associated companies debts</b>	19.2	<b>3,083</b>	<b>968</b>
Other credits with the public administration	9 and 17.1	2,063	214,605	<b>Trade creditors and other accounts payable</b>		<b>2,599,659</b>	<b>2,253,422</b>
<b>Short-term investments with Group and associated companies</b>	8 and 19.2	<b>39,462,282</b>	<b>57,179,850</b>	Suppliers	15	1,760,623	1,220,982
Short-term loans to Group and associated companies		39,462,282	57,179,850	Sundry creditors	15	189,445	237,542
<b>Short-term financial investments</b>	8	<b>570,842</b>	<b>562,135</b>	Current tax liabilities	17	245,470	245,470
Other financial assets		570,842	562,135	Other debts with the public administration	17.1	402,471	548,428
<b>Cash and cash equivalents</b>	10	<b>2,982,225</b>	<b>1,559,294</b>	Advance payments from customers		1,650	1,000
Cash and bank		2,982,225	1,559,294				
<b>TOTAL ASSETS</b>		<b>370,946,587</b>	<b>366,893,515</b>	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>370,946,587</b>	<b>366,893,515</b>

Notes 1-25 to the attached half-yearly financial statements are an integral part of the balance sheet at 30 June 2018

**SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.**  
**PROFIT AND LOSS ACCOUNT AT 30 JUNE 2018**  
 (Euros)

	Notes to the Report	30/06/2018	30/06/2017
<b>CONTINUED OPERATIONS</b>			
<b>Net turnover</b>	18.1	<b>8,398,458</b>	<b>8,454,734</b>
Provision of services		82,269	86,222
Lease of property		8,316,189	8,368,512
<b>Procurements</b>		-	<b>-888</b>
Work performed by other companies		-	-888
<b>Other operating income</b>	18.1	<b>180,338</b>	-
Non-core and other current management income		180,338	-
<b>Personnel expenses</b>	18.2	<b>-90,966</b>	<b>-83,142</b>
Wages, salaries and similar outgoings		-71,816	-63,055
National Insurance contributions		-19,150	-20,086
<b>Other operating expenses</b>		<b>-950,797</b>	<b>-808,163</b>
Outside services	18.3	-947,704	-790,800
Taxes and similar levies	18.3	-3,816	-10,049
Losses, impairment and changes in provisions for trade transactions		723	-7,312
Other current management expenses		-	-2
<b>Fixed asset depreciation</b>	6	<b>-2,451,743</b>	<b>-2,418,116</b>
<b>Allocation of non-financial fixed asset subsidies and others</b>	12 and 18.1	<b>29,871</b>	<b>54,358</b>
<b>Impairments and gains (losses) on fixed asset disposals</b>	6	<b>-90,055</b>	<b>-85,405</b>
Gains (losses) on disposals and others		-90,055	-85,405
<b>Other gains/(losses)</b>		<b>-1,746</b>	<b>-13,860</b>
Exceptional income and expenses		-1,746	-13,860
<b>OPERATING PROFIT/(LOSS)</b>		<b>5,023,360</b>	<b>5,099,518</b>
<b>Financial income</b>		<b>388,789</b>	<b>462,469</b>
From transferable securities and other financial instruments		388,789	462,469
- In Group and associated companies	19.1	355,366	462,110
- In third parties		33,423	359
<b>Financial expenses</b>		<b>-584,262</b>	<b>-620,075</b>
From debts with third parties	13	-584,262	-620,075
<b>Change in fair value of financial instruments</b>		-	<b>441,239</b>
Profit (loss) from the trading portfolio	8	-	441,239
<b>FINANCIAL PROFIT (LOSS)</b>		<b>-195,473</b>	<b>283,633</b>
<b>PROFIT (LOSS) BEFORE TAX</b>		<b>4,827,887</b>	<b>5,383,151</b>
Tax on profits	17	-	-415,516
<b>PROFIT (LOSS) FOR THE YEAR</b>	4	<b>4,827,887</b>	<b>4,967,635</b>

Notes 1-25 to the attached half-yearly financial statements are an integral part of the income statement at 30 June 2018

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

**STATEMENT OF CHANGES IN EQUITY FOR 2018 (UP TO 30 JUNE 2018)**

**A) STATEMENT OF RECOGNISED INCOME AND EXPENSES**

(Euros)

	<b>Notes to the Report</b>	<b>30/06/2018</b>	<b>30/06/2017</b>
<b>PROFIT (LOSS) OF THE PROFIT AND LOSS ACCOUNT (I)</b>	4	<b>4,827,887</b>	<b>4,967,635</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		-29,871	-54,358
<b>TOTAL AMOUNTS TRANSFERRED TO PROFIT AND LOSS ACCOUNT (III)</b>		<b>-29,871</b>	<b>-54,358</b>
<b>TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III)</b>		<b>4,798,016</b>	<b>4,913,277</b>

Notes 1-25 to the attached half-yearly financial statements are an integral part of the comprehensive statement of profit (loss) at 30 June 2018

**SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.**
**STATEMENT OF CHANGES IN EQUITY FOR 2018 (UP TO 30 JUNE 2018)**
**B) FULL STATEMENT OF CHANGES IN EQUITY**

(Euros)

	Capital	Legal Reserve	Other reserves	Profit (Loss) for the year	Subsidies, donations and bequests	Valuation adjustments	TOTAL
<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	-	-	-	13,200,418	-84,230	-136,687	12,979,501
Other changes in equity	-	1,568,266	156,251	-15,682,656	-	-	-13,958,139
- Distribution of profit in 2016	-	1,568,266	156,251	-15,682,656	-	-	-13,958,139
<b>CLOSING BALANCE OF 2017</b>	<b>267,577,040</b>	<b>2,700,109</b>	<b>14,154,738</b>	<b>13,200,418</b>	<b>1,220,718</b>	<b>-136,687</b>	<b>298,716,336</b>
Recognised total income and expense	-	-	-	4,827,887	-29,871	-	4,798,016
Other changes in equity	-	1,320,042	-	-13,200,418	-	-	-11,880,376
- Distribution of profit in 2017	-	1,320,042	-	-13,200,418	-	-	-11,880,376
<b>BALANCE AT 30 JUNE 2018</b>	<b>267,577,040</b>	<b>4,020,151</b>	<b>14,154,738</b>	<b>4,827,887</b>	<b>1,190,847</b>	<b>-136,687</b>	<b>291,633,976</b>

Notes 1-25 to the attached half-yearly financial statements are an integral part of the overall statement of changes in equity corresponding to 30 June 2018



**SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.**
**STATEMENT OF CASH FLOWS FOR 2018 (UP TO 30 JUNE 2018)**

(Euros)

	Notes to the Report	30/06/2018	30/06/2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES (I)</b>		<b>-465,679</b>	<b>8,689,187</b>
Profit (loss) before tax for the year		-4,827,887	5,383,151
Adjustments to profit (loss):		2,708,123	2,172,842
- Fixed asset depreciation	6	2,451,743	2,418,116
- Valuation allowance for impairment	6	-	-950,338
- Gains (losses) on fixed-asset write offs and disposals	6	90,055	1,035,742
- Change in provisions (trade credits)		723	7,312
- Allocation of subsidies	12	-29,871	-54,358
- Income from shareholdings in equity instruments	8	-	-441,239
- Financial income	18.1	-388,789	-462,469
- Financial expenses	13	584,262	620,075
<b>Changes in working capital</b>		<b>2,092,266</b>	<b>1,530,800</b>
- Debtors and other accounts receivable	9	1,515,407	1,063,395
- Inventories		-111,349	5,163
- Creditors and other accounts payable	14	346,232	776,093
- Other current liabilities	13	341,976	-313,851
<b>Other cash flows from operating activities</b>		<b>-438,181</b>	<b>-397,606</b>
- Interest payable		-471,604	-620,075
- Interest receivable		33,423	222,469
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES (II)</b>		<b>-24,294,282</b>	<b>-4,456,034</b>
<b>Investment payments</b>		<b>-26,732,754</b>	<b>19,479,375</b>
- Other financial assets	8	-711,505	-43,521
- Property investments	6	-26,020,297	19,435,212
- Fixed assets		-952	-642
<b>Receivables from disposals</b>		<b>2,438,472</b>	<b>15,023,341</b>
- Property investments	6	1,964,100	4,464,999
- Other financial assets	8	474,372	10,558,342
<b>CASH FLOWS FROM FINANCING ACTIVITIES (III)</b>		<b>26,182,892</b>	<b>-2,965,236</b>
<b>Dividends and other equity instruments payable</b>	4	<b>11,880,376</b>	<b>-</b>
<b>Financial liability instrument receivables and payables</b>		<b>38,063,268</b>	<b>-2,965,236</b>
- Payments for loans granted to Group and associated companies	18	27,728,707	17,348,819
- Debt issued to Group and associated companies	18	2,115	-6,982
- Issues of obligations and other marketable securities	13	-126,027	-130,822
- Debt issues with credit institutions	13	10,458,474	14,521,387
<b>INCREASE/DECREASE OF NET CASH OR EQUIV. (I+II+III+IV)</b>		<b>1,422,931</b>	<b>1,267,917</b>
Cash or cash equivalents at beginning of the year		1,559,294	568,851
Cash or cash equivalents at year-end		2,982,225	1,836,768

Notes 1-25 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 2018

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

### Explanatory notes to the Half-Yearly Financial Statements at 30 June 2018 (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. Its 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, apart-hotels, 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

At 30 June 2018, no issuance of Fixed Income securities had been made against the aforementioned programme which matured in 2017, as the Directors of the Company considered that the conditions currently required by the market do not satisfy the corresponding conditions.

There is currently no Fixed Income Securities Issue Programme in place.

## 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 financial year, excluding income from the transfer of interests and real estate allocated to fulfilling its main corporate purpose, must come from the leasing of real estate and from dividends or interests in the profits from such interests once the maintenance period referred to in the following paragraph has elapsed.

This percentage will be calculated from the consolidated profit if the company is the parent company of a group according to the criteria established in Article 42 of the 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 2018, 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 2018 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 2018 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 2017 financial statements were approved, without modification, by the Ordinary General Shareholders' Meeting held on 28 June 2018.

**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

The information contained in these explanatory notes related with the first two quarters of 2018 is presented for purposes of comparison with the information for 2017 (balance compared with figures for the 31 December 2017 and profit and loss account compared with figures at 30 June 2017).

#### 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 2017 or in the interim financial reporting at 30 June 2018.

#### h) Changes in accounting principles

During the six-month period ended 30 June 2018, there were no significant changes in accounting principles with respect to those applied in the year ended 31 December 2017.

### 4. Distribution of profit

The proposed distribution of 2017 profits presented by the Company's directors to the shareholders and approved at the Annual General Shareholders' Meeting held on 28 June 2018, is as follows:

	Euros
<b>Basis of distribution:</b>	
Profit and Loss	13,200,418
<b>Distribution:</b>	
Legal Reserve	1,320,042
Dividends	11,880,376

The 2017 dividend, amounting to 11,880,376 euros, approved by the General Shareholders' Meeting on 26 April 2018, was fully paid out on 16 May 2018.

### 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 2018, 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.

The Company commissioned a valuation of its assets from CBRE Valuation Advisory, S.A., an independent expert. On 30 January 2018, CBRE published its report on the year-end fair values of all of the Company's real estate investments. 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). Fair value was calculated using discount rates that would be acceptable to a potential investor, in keeping with those used by the market for properties with 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 2018 nor at the close of 2017.

### **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 2018 is as follows:



2018 (30 June)

	Euros				Balance as at 30/06/2018
	Balance as at 31/12/2017	Additions	Write-offs/ Reversals	Transfers	
<b>Cost:</b>					
Real estate for leases	352,618,634	24,533,684	-2,400,163	559,043	375,311,198
Investments in progress and advances	1,241,315	2,122,047	-	-559,043	2,804,319
<b>Total cost</b>	<b>353,859,949</b>	<b>26,655,731</b>	<b>-2,400,163</b>	<b>-</b>	<b>378,115,517</b>
<b>Cumulative depreciation:</b>					
Real estate for leases	-36,454,960	-3,085,798	147,403	-	-39,393,355
<b>Total cumulative depreciation</b>	<b>-36,454,960</b>	<b>-3,085,798</b>	<b>147,403</b>	<b>-</b>	<b>-39,393,355</b>
<b>Impairment:</b>					
Real estate for leases	-14,045,522	-	198,605	-	-13,846,917
<b>Total impairment</b>	<b>-14,045,522</b>	<b>-</b>	<b>198,605</b>	<b>-</b>	<b>-13,846,917</b>
<b>Net property investments</b>	<b>303,359,467</b>	<b>23,569,933</b>	<b>-2,054,155</b>	<b>-</b>	<b>324,875,245</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 2018 (as at 30 June) in property amounted to 26,655,731 euros. The main registrations recorded under this heading during this six-month period of 2018 relate mainly to the following investments:

- On 1 March 2018, the Company acquired 100% of the shares of the company Bensell Mirasierra S.L.U. for an amount of 17,623,669 euros. The sole asset of this company is an office building located at Calle Valle de la Fuenfría 3, Madrid, with a leasable area of 5,987 m<sup>2</sup> (currently 100% leased to Acuntia, S.A., Exterion Media Spain, S.A. and Nace Schools).
- On 11 April 2018, the Company acquired a property located at Glorieta de Cuatro Caminos 6 and 7 in Madrid, consisting of a 1,678 square-metre commercial space. The overall cost of the purchase amounted to 6,830,220 euros.
- Additionally, in the first half of 2018, hotel costs of 15,836 euros have been capitalised.
- Under the heading "Property investments in progress and advances" of the attached balance sheet at 30 June 2018, there were additions of 2,122,047 euros corresponding to the renovations being carried out in the building located on Calle Orense for 550,229 euros, in the property located on Calle Pradillo 42 in Madrid for 1,005,222 euros, in Hotel Meliá in Isla Canela for 535,741 euros and the building located at José Abascal 41 for 30,855 euros, which are currently undergoing remodelling.

Likewise, during the first six months of 2018, the renovation of the Hotel Meliá in Isla Canela was completed, which involved the transfer of its 559,043 euros cost from "Property investments in progress and advances" to "Property investments".

In relation to properties that continue to be affected by the aforementioned renovation programme on 30 June 2018, the remodelling budgets are as follows: Pradillo 42,



3,600,000 euros (of which 1,759,374 euros has already been incurred); Orense 62, 1,500,000 euros (of which 1,014,090 euros has already been incurred); and José Abascal 41, 3,990,000 euros (of which 30,856 euros has already been incurred).

During the first six months of 2018, property deregistrations occurred in the amount of 2,400,163 euros. The main deregistrations for 2018 correspond to:

- Sale of several properties in Sanchinarro VI and Sanchinarro VII (gross cost of 1,612,531 euros), as well as the sale of several offices in Coslada III for (gross costs of 787,632 euros), which have been sold to third parties. These sales transactions generated a net loss of 90,055 euros, which has been recorded under "Impairments and gains (losses) on fixed asset disposals" in the accompanying profit and loss account for the year ended 30 June 2018. At the time of sale, impairment of 198,605 euros had been recognised for these properties. This has been written off as a result of the disposal.

In addition, and as established by the regulation, the Company valued all of its properties at 2017 year-end. These valuations, carried out by independent expert, CBRE Valuation Advisory, S.A., showed a fair value lower than their net book value for some assets, resulting in the Company calculating 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)	
	2018	2017
Commercial	-	711,997
<b>Total</b>	-	<b>711,997</b>

On the other hand, as a result of the aforementioned divestments, at the end of the six months ended 30 June 2018, the Company reversed impairments amounting to 198,603 euros (1,224,673 euros in 2017 resulting from divestments and the valuations made by the independent expert). The breakdown is as follows:

Segments	Reversals (Euros)	
	2018	2017
Hotels	-	17,625
Offices	198,605	1,152,466
Commercial	-	54,582
<b>Total</b>	<b>198,605</b>	<b>1,224,673</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 111,219,078 euros (105,556,969 euros at 31 December 2017), 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 2018 and 31 December 2017, broken down by business segment, is as follows:

Segments	GAV (Euros)	
	30/06/2018	31/12/2017
Hotels	131,664,094	131,098,507
Offices	121,310,806	102,013,723
Commercial	165,512,523	158,197,306
Industrial	17,606,900	17,606,900
<b>Total</b>	<b>436,094,323</b>	<b>408,916,436</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	
	30/06/2018	31/12/2017
Hotels	80,135	80,135
Offices	32,285	26,825
Commercial	24,035	22,357
Industrial	13,810	13,810
<b>Total</b>	<b>150,265</b>	<b>143,127</b>

At 30 June 2018, the mean level of occupation of the Company's assets dedicated to leasing is 94.41% (87.93% at 31 December 2017) 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 (two hotels at 31 December 2017) 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 2018 amounting to 9,403,568 euros (11,229,908 euros at 31 December 2017) 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 2018 and 31 December 2017 by asset is as follows:

Property	Euros	
	2018	2017
Hotel Meliá Atlántico	5,711,199	6,634,378
Hotel Barceló Isla Canela	3,692,369	4,595,530
<b>Total amount mortgages pending expiry on hotels</b>	<b>9,403,568</b>	<b>11,229,908</b>

Note: The net book value of the two properties guaranteeing these loans at 30 June 2018 amounts to 51,194,122 euros (51,309,741 euros at 31 December 2017 for the two 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 2018, the accrued income derived from this contract amounted to 26,515 euros (21,750 euros at 30 June 2018) (see Note 19).

On the other hand, the assets leased by the Company are subject to mortgage guarantees at 30 June 2018 amounting to 45,019,712 euros (36,091,039 euros at 31 December 2017), corresponding to bank mortgage loans.

The breakdown of the mortgage loan balance pending maturity and repayment at 30 June 2018 and 31 December 2017 by asset is as follows:

Property	Euros	
	2018	2017
José Abascal, 41	11,400,000	13,619,370
Titán, 13	13,222,689	8,843,286
Conde de Peñalver, 16	8,585,714	2,228,383
Plaza de España (Castellón)	1,811,309	11,400,000
Valle de la Fuenfria, 3	10,000,000	
<b>Total amount of mortgages pending maturity on assets (Note 13)</b>	<b>45,019,712</b>	<b>36,091,039</b>

The rental income from the Company's real estate investments at 30 June 2018 amounted to 8,398,458 euros (8,454,734 euros at 30 June 2017).

At 30 June 2018 and 31 December 2017, 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 2018, 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 2017).

Company policy is to take out insurance policies to cover the possible risks to which property investments are subject. At 30 June 2018 and 31 December 2017 there was no deficit in any coverage related to these risks.

## 7. Operational leasing

At 30 June 2018 and at the close of 2017, 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:

Operational leasing Minimum instalments	Euros	
	Nominal value 2018	Nominal value 2017
Less than a year	21,216,107	20,351,077
Between two and five years	68,008,824	55,370,020
More than five years	29,021,645	17,538,150
<b>Total</b>	<b>118,246,576</b>	<b>93,259,247</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	
	30/06/2018	31/12/2017
Hotels	4.50	4.66
Offices	4.54	4.48
Commercial	18.45	6.99
Industrial	9.50	9.23
<b>Total Average</b>	<b>10.83</b>	<b>5.89</b>

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

The balances of this headings accounts at 30 June 2018 and 31 December 2017 are as follows:

Financial assets: Nature / Category	Euros	
	30/06/2018	31/12/2017
	Loans and receivables	
Other financial assets <b>Long-term / Non-current</b>	1,884,279 <b>1,884,279</b>	1,655,853 <b>1,655,853</b>
Loans to related companies (Note 19.2)	39,462,282	57,179,850
Other financial assets <b>Short-term / Current</b>	570,842 <b>40,033,124</b>	562,135 <b>57,741,985</b>
<b>Total</b>	<b>41,917,403</b>	<b>59,397,838</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 2018 are as follows:

### 2018 (30 June)

Financial assets	Euros			
	31/12/2017	Additions	Write-offs	30/06/2018
Loans to associated companies (Note 19.2)	57,179,850	-	-17,717,568	39,462,282
Other financial assets	2,217,988	711,505	-474,372	2,455,121
<b>Total</b>	<b>59,397,838</b>	<b>711,505</b>	<b>-18,191,940</b>	<b>41,917,403</b>

The variation of the heading "Loans to associated companies" mainly 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 39,462,282 euros (57,179,850 euros at 31 December 2017) 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 all 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 31 December 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. Therefore, the total capital gain obtained in 2017 and 2016 as a result of this share acquisition operation was 2,141,252 euros.

Furthermore, "Other non-current financial assets" and "Other current financial assets" mainly 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 2018 is as follows:

	Euros					
	2018	2019	2020	2021	2022 and subsequent	Total
Other financial assets	570,842	246,926	647,889	21,229	968,235	2,455,121
<b>Total</b>	<b>570,842</b>	<b>246,926</b>	<b>647,889</b>	<b>21,229</b>	<b>968,235</b>	<b>2,455,121</b>

## 9. Trade and other accounts receivable

The breakdown of the heading at 30 June 2018 and 31 December 2017 is as follows:

Description	Euros	
	30/06/2018	31/12/2017
Accounts receivable for sales and services	1,050,800	2,354,464
Other receivables	352	271
Other credits with the Public Administrations (Note 17.1)	2,063	214,605
<b>Total</b>	<b>1,053,215</b>	<b>2,569,340</b>

The balance of "Accounts receivable for sales and services" at 30 June 2018 and 31 December 2017 break downs as follows:

Description	Euros	
	30/06/2018	31/12/2017
Customers	398,506	1,726,402
Commercial paper in the portfolio	652,294	628,062
Doubtful customers	189,289	139,317
Impairment	-189,289	-139,317
<b>Total</b>	<b>1,050,800</b>	<b>2,354,464</b>

The balance of customers, at 30 June 2018, mainly includes some of the amounts pending collection corresponding to income for the second quarter of 2018.

## 10. Cash and cash equivalents

The balance recorded in "Treasury" corresponds mainly to the balance available in current accounts at 30 June 2018 and 31 December 2017. 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 PRYCONSA's policies, which has established the necessary mechanisms to control exposure to changes in exchange rates, along with credit and liquidity risks. The main financial risks having an impact on the 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 the high credit ratings of lessees, as well as the guarantees of collection provided for in prevailing agreements.

**c) Exchange rate risk**

The Company did not have any significant assets or liabilities in foreign currencies at 30 June 2018 and therefore had no exchange rate risk.

**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 from 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 the 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 2018, 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 2018 and the average share price in the second quarter of 2018 were 73.50 and 73.17 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 2018 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 2018, 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 was fully offset in 2017 following the approval of the distribution of the Company's profits for 2016; therefore, its balance was 0 euros at 31 December 2017 and 30 June 2018.

### **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) Valuation adjustments

The breakdown and nature of the other valuation adjustments is as follows:

	Euros	
	30/06/2018	31/12/2017
Hedging operations (Note 14)	136,687	136,687
<b>Total</b>	<b>136,687</b>	<b>136,687</b>

#### f) Capital subsidies

The movement of this heading during the first six months of 2018 is as follows:

##### 2018 (30 June)

	Euros		
	31/12/2017	Applications	30/06/2018
Capital subsidies	1,220,718	-29,871	1,190,847
<b>Total</b>	<b>1,220,718</b>	<b>-29,871</b>	<b>1,190,847</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 3,146,000 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.

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 2018, income amounting to 29,871 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 2018 and 31 December 2017 are as follows:

	Euros	
	30/06/2018	31/12/2017
Debentures and bonds	10,000,000	10,000,000
Long-term debts with credit institutions	45,714,499	35,739,711
Derivatives (Note 14)	136,687	136,687
Other financial liabilities	3,615,471	3,193,317
<b>Total long-term debts</b>	<b>59,466,657</b>	<b>49,069,715</b>
Debentures and bonds	4,795	130,822
Short-term debts with credit institutions	17,070,198	16,473,854
Other financial liabilities	168,220	248,398
<b>Total short-term debts</b>	<b>17,243,212</b>	<b>16,853,074</b>
<b>Total long and short-term financial debts</b>	<b>76,709,869</b>	<b>65,922,789</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 29 June 2018, the second coupon of both issues amounting to 250,000 euros was paid (the first coupon for a gross amount of 250,000 euros was paid on 23 June 2017), 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 Banca March and Kutxabank which, at 30 June 2018, are outstanding and repayable. These mortgage loans refer to a Caixabank loan 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. Finally, on 29 June 2018, the Company entered into a new mortgage loan with Banca March to finance the acquisition of the office building acquired in March 2018, located at Valle de la Fuenfría, 3 (Madrid).

Their characteristics are:

Property	Financial institution	Start	Euros		Maturity
			Initial amount	Capital outstanding	
Plaza España, Castellón	Caixabank	2,010	7,200,000	1,811,309	2,020
Titán, 13	Banco Santander	2,015	15,735,000	13,222,689	2,025
Conde de Peñalver, 16	Banco Santander	2,015	10,217,000	8,585,714	2,025
José Abascal, 41	Banca March	2,017	11,400,000	11,400,000	2,031
Valle de la Fuenfría, 3	Kutxabank	2,018	10,000,000	10,000,000	2,028
<b>Total</b>			<b>54,552,000</b>	<b>45,019,712</b>	

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	2,555,562	2,019
Liberbank	2,016	2,000,000	666,667	2,018
Abanca	2,016	3,000,000	847,819	2,019
Pichincha	2,018	4,000,000	4,000,000	2,021
<b>Total</b>		<b>14,000,000</b>	<b>7,770,047</b>	

Finally, under "Short-term debts with credit institutions" there are two credit policies, one contracted with Banca March maturing on 18 November 2018 with a limit of 5,000,000 euros, of which 4,956,914 euros had been drawn down at 30 June 2018 and the second contract with Bankinter maturing on 16 March 2019, with a limit of 5,000,000 euros, of which 4,925,366 euros had been drawn down at 30 June 2018.

Financial expenses arising from debts with credit institutions in the first six months of 2018 amounted to 584,262 euros (620,075 in the first half of 2017) 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 2018 is as follows:

	Euros					
	2018	2019	2020	2021	2022 and subsequent	Total
Debentures and bonds	4,795	-	-	8,000,000	2,000,000	10,004,795
Debts with credit institutions (*)	15,332,701	4,804,416	4,260,961	3,062,451	35,324,168	62,784,697
Long-term guarantees	-	274,362	719,876	23,588	2,597,645	3,615,471
Short-term bonds	168,220	-	-	-	-	168,220
<b>Total</b>	<b>15,505,716</b>	<b>5,078,778</b>	<b>4,980,837</b>	<b>11,086,039</b>	<b>39,921,812</b>	<b>76,573,183</b>

(\*) Mortgage guarantee loans amounting to 45,019,712 euros, loans of 7,770,047 euros, credit policy provisions for 9,882,279 euros and interest accrued pending maturity amounting to 112,659 euros.

#### 14. Derivative financial instruments

The detail of derivative financial instruments, at 2018 year-end, is as follows:

	Classification	Rate	Outstanding nominal amount	Maturity	Fair value Liability
Interest rate swap	Interest rate hedge	Variable to fixed	8,550,000	01.04.2026	136,687

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

Based on the valuation made on 31 December 2017, this financial instrument had the following impact on the Company's equity:

- Equity impairment amounting to 136,687 euros at year-end 2017, which was recorded in the Company's equity under the heading "Valuation adjustments".

The Company has complied with the requirements detailed in Note 5.3.3 on registration and valuation rules in order to classify the financial instruments listed above as hedges.

#### 15. Disclosure on payment periods for suppliers

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.

	2018	2017
	<b>Days</b>	
Average payment period to suppliers	75.19	48.10
Ratio of transactions paid	80.32	47.22
Ratio of transactions pending payment	61.30	51.60
	<b>Euros</b>	
Total payments made	3,086,268	2,554,571
Total payments outstanding	1,043,974	637,700

In accordance with the ICAC Resolution, the calculation of the average payment period to suppliers has taken into account the commercial transactions corresponding to the delivery of goods or services rendered from the date of entry into force of Act 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.

The "Average payment period to suppliers" is construed as the period from the delivery of the

goods or the provision of the services by the supplier to the payment for the transaction.

The maximum legal payment period applicable to the Company in 2018 under Act 3/2004 of 29 December, establishing measures to combat late payment in commercial transactions, is 30 days, and has been since the publication of that Act (unless the conditions established therein that permit a maximum payment period of up to 60 days are met).

#### 16. Guarantees undertaken with third parties

At 30 June 2018 and 31 December 2017, the Company had no guarantees extended to third parties.

The foregoing notwithstanding, as mentioned in Note 6, two hotels owned by the Company which are located in Isla Canela (Ayamonte, Huelva) were subject to mortgage guarantees amounting to 11,229,908 euros at 31 December 2017 with an outstanding amount pending repayment at 30 June 2018 of 9,403,568 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 2018 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.

#### 17. Public administrations and tax situation

##### 17.1. Current balances with Public Administrations

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

	Euros			
	30/06/2018		31/12/2017	
	Debtor	Creditor	Debtor	Creditor
Corporation tax	-	245,470	-	245,470
Withholdings	2,063	-	-	-
Withholdings from previous years	-	-	214,605	-
Value Added Tax	-	395,379	-	534,083
Personal income tax	-	4,544	-	11,940
Social Security	-	2,548	-	2,405
<b>Total</b>	<b>2,063</b>	<b>647,941</b>	<b>214,605</b>	<b>793,898</b>

The balance of "withholdings from previous years" amounting to 214,605 euros at 31 December 2017, corresponded to the withholdings made in 2016 on capital interests deriving from the Grupo Pryconsa financing system, which were pending collection at year-end 2017. Subsequent to the close of 2017, in January 2018, all withholdings pending collection for this concept were collected.



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

Reconciliation of the accounting profit/loss and the Corporation Tax base at 30 June 2018 and 31 December 2017 is as follows:

### 2018 (30 June)

Item	Euros
Profit (loss) before tax	4,827,887
Permanent differences	-
Temporary differences	-140,684
<b>Previous tax base</b>	<b>4,687,203</b>
Tax base (0%)	4,687,203
Tax base (25%)	-
Offset of negative tax bases	-
<b>Tax base at 0%</b>	<b>4,687,203</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	2,063
<b>Amount to (pay) / return</b>	<b>2,063</b>

### 2017

Item	Euros
Profit (loss) before tax	13,615,924
Permanent differences	-
Temporary differences	430,629
<b>Previous tax base</b>	<b>14,046,553</b>
Tax base (0%)	12,349,010
Tax base (25%)	1,697,543
Offset of negative tax bases	-35,519
<b>Tax base at 0%</b>	<b>12,349,010</b>
<b>Tax base at 25%</b>	<b>1,662,024</b>
<b>Total tax liability (0%)</b>	<b>-</b>
<b>Total tax liability (25%)</b>	<b>-415,506</b>
Withholdings and payment on account	170,036
<b>Amount to (pay) / return</b>	<b>-245,470</b>

The temporary differences for 2018 (six months) that modify the accounting profit/(loss) before taxes amount to 140,684 euros and correspond to:

- Negative adjustment for recovery of the provision on the amortisation of non-deductible investment property pursuant to Law 16/2012, which establishes that the accounting amortisation of tangible fixed assets, intangible assets and investment property is only deductible up to a maximum 70% of the amount which would have been tax deductible, recovering, on a straight-line basis over 10 years starting in 2015, the amount of 140,684 euros.

At 30 June 2018, the Company has temporary differences to be allocated in the amount of 5,985,900 euros (6,126,584 euros at 31 December 2017), 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 1,431,026 euros, as well as the impairment of the investments in the amount of 4,554,874 euros.

At 30 June 2018, 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 2017, the Directors proposed the payment of dividends of 11,880,376 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 2017, after taxes, amounted to 13,200,418 euros (15,682,656 in 2016).

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 the first half of 2018, a negative result of 90,055 euros (675,750 euros at 31 December 2017) was obtained, and therefore the dividend payment and reinvestment obligations stipulated in said Law do not apply.

At 30 June 2018, there were no Negative Tax Bases pending allocation. At 30 June 2018, the Company has not capitalised the tax credits arising from the aforementioned negative tax bases as their offset period cannot be determined.

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 IBÉRICA 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.

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

Reconciliation of the accounting profit (loss) and the Corporation Tax expense at 30 June 2018 and 31 December 2017 is as follows:

2018 (30 June)

Item	Euros
Profit (loss) before tax	4,827,887
Permanent differences	-
Temporary differences	-140,684
<b>Previous tax base</b>	<b>4,687,203</b>
Tax base (0%)	4,687,203
Tax base (25%)	-
Offset of negative tax bases	-
<b>Tax base at 0%</b>	<b>4,687,203</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>

2017

Item	Euros
Profit (loss) before tax	13,615,924
Permanent differences	-
Temporary differences	430,629
<b>Previous tax base</b>	<b>14,046,553</b>
Tax base (0%)	12,349,010
Tax base (25%)	1,697,543
Offset of negative tax bases	-35,519
<b>Tax base at 0%</b>	<b>12,349,010</b>
<b>Tax base at 25%</b>	<b>1,662,024</b>
<b>Total tax liability (0%)</b>	<b>-</b>
<b>Total tax liability (25%)</b>	<b>415,506</b>
<b>Tax expenses recognised in the profit and loss account</b>	<b>415,506</b>

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

Until 31 May 2014 the Company had its tax domicile in Luxembourg. With the change of domicile, the Company settled all its taxes in said country, although the company has all years within the country's statutory time limits open to inspection in Luxembourg.

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 2018, 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 2018, 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.

#### **17.5. 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).

### **18. Earnings and expenses**

#### **18.1 Net turnover and other operating income.**

The breakdown of these headings at 30 June 2018 and 2017 is as follows:

	<b>Euros</b>	
	<b>2018</b>	<b>2017</b>
Hotels	2,720,280	2,656,374
Offices	2,668,047	2,709,317
Commercial	2,538,547	2,422,461
Industrial	651,922	644,832
<b>Subtotal rentals</b>	<b>8,578,796</b>	<b>8,432,984</b>
Provision of sundry services	-	21,750
Operating subsidies	29,871	54,358
<b>Total income</b>	<b>8,608,667</b>	<b>8,509,092</b>

The Company's entire turnover in 2018 and 2017 was generated in Spain.

## 18.2 Personnel expenses

The breakdown of these headings at 30 June 2018 and 2017 is as follows:

	Euros	
	2018	2017
<b>Wages and salaries:</b>		
Wages, salaries and similar outgoings	71,816	63,055
<b>National Insurance contributions:</b>		
National Insurance contributions incurred by the company	12,994	11,955
Other social expenses	6,156	8,132
<b>Total</b>	<b>90,966</b>	<b>83,142</b>

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

The breakdown of this heading at 30 June 2018 and 2017 is as follows:

	Euros	
	2018	2017
Rents and levies	11,086	7,230
Repairs and maintenance	434,266	322,873
Independent professional services	123,553	131,946
Insurance policies	65,179	92,920
Banking services and similar	4,203	616
Advertising, publicity and public relations	6,437	3,404
Supplies	151,359	98,475
Other services	151,621	133,336
Other levies	3,816	10,049
<b>Total</b>	<b>951,520</b>	<b>800,849</b>

## 19. Related-party transactions and balances

### 19.1 Related-party transactions

Related-party transactions at 30 June 2018 and 2017 are as follows:

	Euros					
	30/06/2018			30/06/2017		
	Operating expenses	Operating income	Financial income	Operating expenses	Operating income	Financial income
Isla Canela, S.A.	66,810	77,465	-	37,657	21,750	-
Promociones y Construcciones, PYC, Pryconsa, S.A.	30,551	8,081	355,366	28,750	-	462,110
<b>Total</b>	<b>97,361</b>	<b>85,546</b>	<b>355,366</b>	<b>66,407</b>	<b>21,750</b>	<b>462,110</b>

### 19.2 Balances with Group and associated companies

The balances with Group and associated companies at 30 June 2018 and 31 December 2017 are as

follows:

### 2018 (30 June)

	Euros	
	Loans extended to related companies	Loans received from related companies
Isla Canela, S.A.	-	3,083
Promociones y Construcciones PYC, Pryconsa, S.A.	39,462,282	-
<b>Total</b>	<b>39,462,282</b>	<b>3,083</b>

### 2017

	Euros	
	Loans extended to related companies	Loans received from related companies
COGEIN, S.L.	-	968
Promociones y Construcciones PYC, Pryconsa, S.A.	57,179,850	-
<b>Total</b>	<b>57,179,850</b>	<b>968</b>

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

- On 30 April 2018, the Company signed a lease agreement with one of its shareholders, Promociones y Construcciones, PYC, Pryconsa, S.A., under which Promociones y Construcciones, PYC, Pryconsa, S.A. leases 17 parking spaces to the Company, located in the building at Glorieta de Cuatro Caminos, 6 and 7, Madrid. The duration of the contract is five years starting on 1 May 2018 and extendable for additional five-year periods, when so desired by both parties. The agreed lease amount is 1,870 euros per month.

During the first half of 2018, revenues recorded by the Company deriving from the aforementioned contract, amounted to 3,740 euros and are recorded under "Net turnover" on the accompanying profit and loss account.

- On 28 April 2017, the Company signed a contract for the provision of technical services with one of its shareholders, Promociones y Construcciones, PYC, Pryconsa, S.A. The technical services considered under the aforementioned contract refer, on one hand, to technical assistance in the properties owned by the Company, which were built by Promociones y Construcciones, PYC, Pryconsa, S.A. and, on the other hand, to the services which Promociones y Construcciones, PYC, Pryconsa, S.A. will render to the Company, for integral project management on remodelling, renovation or adaptation works which may be necessary on the property owned by the Company, in exchange for 5% remuneration based on the value of the works carried out under the aforementioned contract.

During the first half of 2018, expenses invoiced to the Company amounted to 0 euros (0 euros in the first half of 2017) for technical assistance services and 0 euros (100,268 euros in the first half of 2017) in terms of integral project management services on remodelling works being carried out on properties owned by the Company (see Note 6).

- 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 the first half of 2018 amount to 29,239 euros (28,750 euros in the first half of 2017), which are accounted for under "Operating expenses" in the profit and loss account.
- On 1 January 2016, the Company entered into a financing agreement with one of its reference shareholders, Promociones y Construcciones, PYC, PRYCONSA, SA, whereby the Company would offer finance to Promociones y Construcciones, PYC, PRYCONSA, S.A. under market conditions using excess liquidity generated from its activity as long as its financing needs were met. 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 last three-months quarterly average 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 as financial income on the income statement at 30 June 2018 came to 355,366 euros (462,110 euros in the first half of 2017).

As a result of the merger described in Note 1 which took place in 2016, 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. 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 revenue accrued for this in 2018 was 26,515 euros (21,750 in the first half of 2017) which is included under the heading of income from the provision of services by the Company at 30 June 2018.

- 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 2018 as a result of this service provision contract were 38,297 euros (37,657 euros in the first half of 2017) and are recorded under "Other operating expenses" in the Company's profit and loss account at 30 June 2018.

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 in the first half of 2018 relating to this service is 28,279 euros (0 euros in the first half of 2017) and is recorded under the "Other operating expenses" heading in the Group's consolidated profit and loss account for the first half of 2018.

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

Total remuneration, accrued in the first six months of 2018 and 2017 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	
	2018	2017
Expenses	6,000	8,000
<b>Total</b>	<b>6,000</b>	<b>8,000</b>

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

At 30 June 2018 and 31 December 2017 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 2018, 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 2018 and 2017 was as follows:

2018			2017		
Men	Women	Total	Men	Women	Total
4	2	6	4	2	6

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

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

At 30 June 2018, 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.

## 22. Other information

### 22.1 Personnel

The average number of people employed during the first half of 2018 and 2017 broken down by job category is as follows:

Categories	2018	2017
Management	1	1
Technical staff and middle management	-	-
Administrative staff	1	1
<b>Total</b>	<b>2</b>	<b>2</b>

Likewise, the distribution by gender at the end of 30 June 2018 and 2017 broken down by category was as follows:

Categories	2018		2017	
	Men	Women	Men	Women
Directors	4	2	4	2
Management	1	-	1	-
Technical staff and middle management	-	-	-	-
Administrative staff	-	1	-	1
<b>Total</b>	<b>5</b>	<b>3</b>	<b>5</b>	<b>3</b>

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

## 22.2 Audit fees

During the first half of 2018 and 2017, 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	
	2018	2017
Audit Services	39,500	39,500
Other verification services	-	-
<b>Total audit and related services</b>	<b>39,500</b>	<b>39,500</b>
Tax assessment services	-	-
Other services	-	-
<b>Total Professional Services</b>	<b>39,500</b>	<b>39,500</b>

## 23. 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 2018 and 31 December 2017, 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.

## 24. 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.

## **25. Subsequent events**

Subsequent to 30 June 2018 and up until the approval date of the Company's interim financial statements, the following relevant subsequent events have occurred:

- On 12 July 2018, the Company contracted a new mortgage loan for 4,500,000 euros with Banca March to finance the acquisition of a commercial space located at Glorieta de Cuatro Caminos 6 and 7 in Madrid, acquired in April 2018 and leased to ALDI.

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

Description	2018
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> <li>• Profits in 2017 allocated to reserves: 1,320,042 euros</li> </ul> <p><b>Profits applied to reserves by the Absorbed Company COMPAÑÍA 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 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 COMPAÑÍA 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> <li>• Profits in 2017 allocated to reserves: 1,320,042 euros</li> </ul> <p><b>Profits applied to reserves by the Absorbed Company COMPAÑÍA 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 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> <li>• Distribution of dividends in 2017: 11,880,376 euros</li> </ul> <p><b>Dividends distributed by the Absorbed Company COMPAÑÍA 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 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	2018
<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>COMPAÑÍA 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> <li>Distribution of dividends in 2017: 11,880,376 euros</li> </ul> <p><b>Dividends distributed by the Absorbed Company</b> <b>COMPAÑÍA 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> <li>2017 Dividends: 26 April 2018</li> </ul> <p><b>Dividends distributed by the Absorbed Company</b> <b>COMPAÑÍA 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	2018
<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><b>Properties coming from the Company:</b></p> <ul style="list-style-type: none"> <li>• Building at Valle de la Fuenfría, 3: 01/03/2018</li> <li>• Commercial premises at Glorieta de Cuatro Caminos 6 and 7: 11/04/2018</li> <li>• Building at Orense 62: 07/02/2017</li> <li>• Commercial premises at Goya 59: 10/02/2017</li> <li>• Retail outlet at Gran Vía 55: 01/03/2016</li> <li>• Building at José Abascal, 41: 02/12/2016</li> </ul>



Description	2018
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: 27.3</li> <li>• Meliá Atlántico: 35.62</li> <li>• Playa Canela: 17.27</li> <li>• Iberostar Isla Canela: 25.59</li> <li>• Isla Canela Golf: 4.94</li> <li>• Gran Vía 1, 2nd Floor Left: 1.94</li> <li>• Caleruega: 0.98</li> <li>• Sanchinarro VI: 7.65</li> <li>• Sanchinarro VII: 3.62</li> <li>• Vallecas Comercial I: 3.92</li> <li>• Vallecas Comercial II: 3.91</li> <li>• Coslada III: 4.59</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> <li>• Glorieta de Cuatro Caminos 6 and 7: 6.93</li> <li>• Valle de la Fuenfría, 3: 17.58</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 2018

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

### Management Report at 30 June 2018

#### 1. Explanation of the figures at 30 June 2018

A breakdown of the main figures at 30 June 2018 compared to 30 June 2017 (31 December 2017 for the balance sheet) is provided below:

Income statement	Euros		
	30/06/2018	30/06/2017	+ / -
Income	8,578,797	8,454,734	1,47%
<b>Net operating income (NOI)</b>	<b>7,735,397</b>	<b>7,750,762</b>	<b>-0,20%</b>
Overheads	-199,087	-180,908	10,05%
<b>EBITDA</b>	<b>7,536,309</b>	<b>7,569,854</b>	<b>-0,44%</b>
Financial profit/(loss)	-195,473	-157,606	24,03%
<b>EBTDA</b>	<b>7,340,836</b>	<b>7,412,248</b>	<b>-0,96%</b>
Depreciation	-2,451,743	-2,418,116	
Subsidies	29,871	54,358	
Impairment/Reversal	723	-7,312	
Other gains/(losses)	-1,745	-13,861	
Gain/(loss) on disposal of real estate assets	-90,055	-85,405	
Gain/(loss) on disposal of financial assets	-	441,239	
<b>EBT</b>	<b>4,827,887</b>	<b>5,383,151</b>	<b>-10,33%</b>
Corporation tax	-	-415,516	
<b>Net profit/(loss)</b>	<b>4,827,887</b>	<b>4,967,635</b>	<b>-2,83%</b>

#### Sectoral indicators at 30 June 2018

	Euros			
	30/06/2018	Per share	30/06/2017	Per share
Net recurring profit	4,917,942	1.10	5,475,868	1.23
Net value of assets	402,853,054	90.48	377,636,905	84.82
Cost/income ratio	12,15%		10,46%	
Unoccupied ratio	9,27%		13,71%	
Net yield	4,91%		4,75%	

Likewise, the data at 31 December 2017 were as follows:

	Euros	
	31/12/2017	Per share
Net recurring profit	12,886,919	2.89
Net value of assets	404,273,305	90.80
Cost/income ratio	14,54%	
Unoccupied ratio	13,94%	
Net yield	4,82%	

**Key figures at 30 June 2018, 30 June 2017 and 31 December 2017**

	30/06/2018	30/06/2017	31/12/2017
Annualised income (€M)	23.61	21.62	22.89
FFO (€M)	7.35	7.55	17.85
FFO (€/share)	1.65	1.70	4.01
Value of real estate assets (€M)	436.09	392.48	408.92
GAV (€M)	472.80	440.99	465.20
NAV (€M)	402.85	377.64	404.27
Assets under management, risk free (number)	198	208	204
Gross leasable area (m2 risk free)	150,265	141,512	143,127
Occupancy rate % at closing	94,41%	89,80%	87,93%
WAULT	10.83	6.71	5.89
LTV	14,79%	14,37%	13,10%
LTV Adjusted	16,78%	17,32%	15,51%
Net debt (€M)	69.94	63.35	60.92
Profit (€/share)	1.08	1.12	2.96
Dividend (€/share)	-	-	2.67
Dividend gross yield	-	-	3,78%

**Property investments (gross):** As of 30 June 2018, the Company's gross property investments amounted to 378,115,518 euros. The following investments and divestments took place in 2018:

- **Investments amounting to 26,655,731 euros:**
  - On 1 March 2018, the Company acquired 100% of the shares of the company Bensell Mirasierra S.L.U. for an amount of 17,623,669 euros. The sole asset of this company is an office building located at Calle Valle de la Fuenfría 3, Madrid, with a leasable area of 5,987 m2 (currently 86.97% leased to Acuntia Acuntia, S.A., Exterior Media Spain, S.A. and Nace Schools).
  - On 11 April 2018, the Company acquired a property located at Glorieta de Cuatro Caminos 6 and 7 in Madrid, consisting of a 1,678 square-metre commercial space. The overall cost of the purchase amounted to 6,830,220 euros.
  - Additionally, in the first half of 2018, hotel costs of 15,836 euros have been capitalised.
  - Under the heading "Property investments in progress and advances" of the attached balance sheet at 30 June 2018, there were additions of 2,122,047 euros corresponding to the renovations being carried out in the building located on Calle Orense for 550,229 euros, in the property located on Calle Pradillo 42 in Madrid for 1,005,222 euros, in Hotel Meliá in Isla Canela for 535,741 euros and the building located at José Abascal 41 for 30,855 euros, which are currently undergoing remodelling.
  - Likewise, during the first six months of 2018, the renovation of the Hotel Meliá in Isla Canela was completed, which involved the transfer of its 559,043 euro cost from "Property investments in progress and advances" to "Property investments".

- In relation to properties that continue to be affected by the aforementioned renovation programme on 30 June 2018, the remodelling budgets are as follows: Pradillo 42, 3,600,000 euros (of which 1,759,374 euros has already been incurred); Orense 62, 1,500,000 euros (of which 1,014,090 euros has already been incurred); and José Abascal 41, 3,990,000 euros (of which 30,856 euros has already been incurred).
- **Divestments amounting to 2,400,163 euros:**
  - Sale of four properties in Sanchinarro VI and three in Sanchinarro VII (gross cost of 1,612,531 euros), as well as the sale of four offices in Coslada III for (gross costs of 787,632 euros), which have been sold to third parties. These sales transactions generated a net loss of 90,055 euros, which has been recorded under "Impairments and gains (losses) on fixed asset disposals" in the accompanying profit and loss account for the year ended 30 June 2018. At the time of sale, impairment of 198,605 euros had been recognised for these properties. This has been written off as a result of the disposal.

**Dividends:**

Company dividends to pay to shareholders in 2018:

The proposed distribution of 2017 profits presented by the Company's directors to the shareholders and approved at the Annual General Shareholders' Meeting held on 26 April 2018, is as follows:

	<b>Euros</b>
<b>Profit at 31 December 2017</b>	<b>13,200,418</b>
• Legal Reserve	1,320,042
• Dividends	11,880,376

The 2017 dividend, amounting to 11,880,376 euros, approved by the General Shareholders' Meeting on 26 April 2018, was fully paid out on 16 May 2018.

Dividends paid by the Company to shareholders in 2017:

The Company's net profit at 31 December 2016 was 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:

<b>Distribution of net profit in 2016</b>	<b>Euros</b>
<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

**Net financial debt:** The Company had net financial debt of 69,943,953 euros (60,921,780 euros at 31 December 2017). The breakdown of it is as follows:

Breakdown of debt	Euros	
	30/06/2018	31/12/2017
José Abascal, 41	11,400,000	11,400,000
Titán, 13	13,222,689	13,619,370
Conde de Peñalver, 16	8,585,714	8,843,286
Plaza de España (Castellón)	1,811,309	2,228,383
Valle de la Fuenfría, 3	10,000,000	-
<b>Debt with mortgage guarantee</b>	<b>45,019,712</b>	<b>36,091,039</b>
Debentures and bonds	10,004,795	10,130,822
Available credit facilities	9,882,279	9,861,670
Long-term loans	7,770,047	6,108,234
Interest accrued pending maturity	112,658	152,622
Derivatives	136,687	136,687
<b>Unsecured debt</b>	<b>27,906,466</b>	<b>26,390,035</b>
Cash and bank	-2,982,225	-1,559,294
<b>Net financial debt</b>	<b>69,943,953</b>	<b>60,921,780</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", for a total amount of 10,000,000 euros.

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 29 June 2018, the second coupon of both issues amounting to 250,000 euros was paid (the first coupon for a gross amount of 250,000 euros was paid on 23 June 2017), which is recorded under "Financial expenses" in the accompanying profit and loss account for the current year.

At 30 June 2018, the Company had outstanding mortgage debt with Caixabank, Banco Santander, Banca March and Kutxabank amounting to 45,019,712 euros (36,091,039 euros at 30 June 2017), recorded under "Long-term debts with credit institutions", and "Short-term debts with credit institutions". These mortgage loans refer to a Caixabank loan 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. Finally, on 29 June 2018, the Company entered into a new mortgage loan with Banca March to finance the acquisition of the office building acquired in March 2018, located at Valle de la Fuenfría, 3 (Madrid).

Additionally, at 30 June 2018, the Company has contracted various unsecured loan policies amounting to 7,770,047 euros (6,108,234 euros at 30 June 2017) as well as lines of credit for working capital at that date, of which 9,882,279 euros (9,861,670 euros at 30 June 2017) has been

used. All these sources of financing are contracted under market conditions with top-tier financial institutions.

The Company's LTV at 30 June 2018 was 14.79%. The adjusted LTV is 16.78%. Said adjusted LTV includes the effect of the existing mortgage burden on hotels located in Isla Canela (9,403,568 euros at 30 June 2018).

**Income:** At 30 June 2018, the Company had obtained total income of 8,578,797 euros (8,454,734 euros at 30 June 2017). The breakdown of income by asset type is as follows:

	Euros	
	30/06/2018	30/06/2017
Hotels	2,720,280	2,656,374
Offices	2,668,047	2,709,317
Commercial	2,538,547	2,422,461
Industrial	651,923	644,832
Others	-	21,750
<b>Income</b>	<b>8,578,797</b>	<b>8,454,734</b>

**NOI:** The Net Operating Income is positive and amounts to 7,735,309 euros (7,750,762 euros at 30 June 2017). The breakdown of NOI by asset type is as follows:

	Euros	
	30/06/2018	30/06/2017
Hotels	2,361,886	2,373,567
Offices	2,407,850	2,401,552
Commercial	2,320,603	2,326,462
Industrial	645,058	640,188
Others	-	8,993
<b>NOI</b>	<b>7,735,397</b>	<b>7,750,762</b>

At 30 June 2018, the **EBITDA** is positive and amounts to 7,536,309 euros (7,569,854 euros at June 2017).

**Impairment/Reversal:** impairments of commercial loans amounting to 723 euros have been reversed (allocation of 7,312 euros in June 2017).

**Gain/(loss) on disposal of real estate assets:** At 30 June 2018, three Sanchinarro VII lofts, four Coslada III lofts and four in Sanchinarro VI were sold (gross cost of 2,400,163 euros), which generated a net loss of 90,055 euros. At the time of sale, impairment of 198,605 euros had been recognised for these properties. This has been written off as a result of the disposal.

**Gains/(losses) on disposal of financial assets:** At 30 June 2018, no gains/(losses) have arisen from the sale of financial assets. At 30 June 2017, there was a gain of 441,239 euros resulting from the sale of all shares held by the Company in other REITs.

**Financial gain/(loss)** The financial loss at 30 June 2018 is -195,473 euros (-157,606 euros at June 2017). The financial income derived from the group financing system amounted to 355,366 euros



(462,110 euros at June 2017). The Company's financial expenses amounted to 584,262 euros (620,075 euros in June 2017) and are derived from the financing the Company has with credit institutions.

**Depreciation:** The depreciation expense amounted to 2,451,743 euros compared to 2,418,116 euros in the same period in the previous year. The 1% increase is a result of new investments in the first half of 2018.

**Corporation tax:** no corporation tax expense has been recorded at 30 June 2018 (expense of 415,516 euros at 30 June 2017, derived from the tax effect of the capital gain from the sale of all of the Company's shares in another listed REIT in the first quarter of 2017).

**Net profit/(loss):** At 30 June 2018, profit came to 4,827,887 euros (4,967,635 euros at 30 June 2017), which represents a net profit per share of 1.08 euros (1.12 euros at June 2017).

## 2. Valuation of real estate assets

The Company arranges an external, independent valuation of its assets at the close of every year. At the end of 2017, it commissioned a valuation of its assets from CBRE Valuation Advisory, S.A., an independent expert. CBRE published its report on the fair values of all of the Company's real estate investments at the end of 2017 on 30 January 2018. This valuation was based on the market rental values (which involves capitalising the net income from each property and updating future flows). Fair value was calculated using discount rates that would be acceptable to a potential investor, in keeping with those used by the market for properties with 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).

The directors of the Company consider that no significant changes have occurred in the first half of 2018 in either the variables used by the independent expert in the valuation at year-end 2017, or in the contents or conditions of the current lease contracts used in the valuation. They therefore consider that the market values of the Company's assets at the end of the first half of 2018 are similar to those at the end of 2017. Additionally, valuations of the new assets acquired in 2018 have also been included in the calculation based on the valuations made by independent experts to obtain mortgage financing.

The result of these valuations generated a net profit in the Company's income statement at 31 December 2017 of 512,676 euros (1,040,347 euros in 2016). There have been no effects on the income statement for 2018.

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 111,219,078 euros (105,556,969 euros at 31 December 2017), 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 2018 amounts to 436,094,323 euros (408,916,862 euros at 31 December 2017). The breakdown by business segment is as follows:

Segments	Euros	
	30/06/2018	31/12/2017
Hotels	131,664,094	131,098,507
Offices	121,310,806	102,013,723
Commercial	165,512,523	158,197,306
Industrial	17,606,900	17,606,900
<b>Total</b>	<b>436,094,323</b>	<b>408,916,436</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 2018 are:

- Hotels
- Offices
- Commercial
- 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**
**2018**

30/06/2018	Euros					
	Hotels	Offices	Commercial	Industrial	Others	Total
Income	2,720,280	2,668,047	2,538,547	651,923	-	8,578,797
Indirect costs	-358,394	-260,197	-217,945	-6,864	-	-843,400
<b>Net operating income</b>	<b>2,361,886</b>	<b>2,407,850</b>	<b>2,320,603</b>	<b>645,058</b>	-	<b>7,735,397</b>
Overheads	-63,129	-61,917	-58,912	-15,129	-	-199,087
<b>EBITDA</b>	<b>2,298,757</b>	<b>2,345,932</b>	<b>2,261,691</b>	<b>629,929</b>	-	<b>7,536,309</b>
<b>% of income</b>	<b>84,50%</b>	<b>87,93%</b>	<b>89,09%</b>	<b>96,63%</b>	-	<b>87,85%</b>
Depreciation	-1,222,154	-421,080	-736,498	-72,011	-	-2,451,743
Subsidies	-	29,871	-	-	-	29,871
Extraordinary gains/(losses)	-	-1,745	-	-	-	-1,745
Gain/(loss) on disposal of real estate assets	-	-90,055	-	-	-	-90,055
Impairment/Reversal	-	650	73	-	-	723
Financial profit/(loss)	-	-175,781	-81,843	-	62,150	-195,473
<b>EBT</b>	<b>1,076,603</b>	<b>1,687,792</b>	<b>1,443,423</b>	<b>557,918</b>	<b>62,150</b>	<b>4,827,887</b>
Corporation tax	-	-	-	-	-	-
<b>Net profit/(loss)</b>	<b>1,076,603</b>	<b>1,687,792</b>	<b>1,443,423</b>	<b>557,918</b>	<b>62,150</b>	<b>4,827,887</b>
<b>% of income</b>	<b>39,58%</b>	<b>63,26%</b>	<b>56,86%</b>	<b>85,58%</b>	-	<b>56,28%</b>

2017

30/06/2017	Euros					
	Hotels	Offices	Commercial	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 operating income</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	-	-85,405	-	-	-	-85,405
Gain/(loss) on disposal of financial assets	-	-	-	-	441,239	441,239
Impairment/Reversal	-	-	-7,312	-	-	-7,312
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>

The breakdown of the **income and net book cost** for real estate assets heading, including tangible fixed assets in progress, at 30 June 2018 and 30 June 2017 is as follows:

	Euros						
	30/06/2018			30/06/2017			31/12/2017
	Income	%	Net book value	Income	%	Net book value	Net book value
Hotels	2,720,280	31,71%	107,735,332	2,656,374	31,42%	109,567,409	108,404,530
Offices	2,668,047	31,10%	111,004,245	2,709,317	32,04%	95,012,317	95,170,760
Commercial	2,538,547	29,59%	92,892,931	2,422,461	28,65%	87,524,644	86,469,429
Industrial	651,923	7,60%	13,242,737	644,832	7,63%	13,386,761	13,314,748
Others	-	-	-	21,750	0,26%	-	-
<b>Total income</b>	<b>8,578,797</b>	<b>100,00%</b>	<b>324,875,245</b>	<b>8,454,734</b>	<b>100,00%</b>	<b>305,491,131</b>	<b>303,359,467</b>

It must be noted that, at 30 June 2018, 32% of revenue was generated by hotel assets (31% at 30 June 2017), 31% by offices (32% at 30 June 2017), 30% by retail outlets (29% at 30 June 2017) and the remaining 8% by industrial properties (8% at 30 June 2017). At the end of June 2018, the hotels are fully leased; offices are 78% leased; commercial premises are 67% leased and the industrial area 100%. At 30 June 2018, the occupancy of real estate assets is 94.41% (87.93% at 31 December 2017). The Gross Leasable Area (GLA) is 150,265 m2 leasable and 198 assets under management (142,512 m2 leasable and 208 assets under management at 31 December 2017).

The **geographic contribution of income** was as follows:

Area	Euros			
	30/06/2018		30/06/2017	
	Income	Income (%)	Income	Income (%)
Madrid	6,408,139	74,70%	6,264,252	74,09%
Huelva	2,170,657	25,30%	2,115,094	25,02%
Castellón	-	-	75,388	0,89%
<b>Total</b>	<b>8,578,797</b>	<b>100,00%</b>	<b>8,454,734</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 75% (74% at 30 June 2017), followed by Huelva with 25% (25% at 30 June 2017) and Castellón with 0% (1% at 30 June 2017).

As shown in the table above, all the Group's activity is in Madrid and Huelva, split 75%:25% respectively.

It is also interesting to consider changes in **occupation rates** by **asset types**. At 30 June 2018, the occupation of the Group's assets dedicated to leasing is 94.41% based on the square metres leased, the breakdown of which is as follows:

Segments	30/06/2018		30/06/2017	
	% 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	78,40%	32,285	80,20%	26,997
Commercial	66,71%	24,035	57,48%	22,357
Industrial	100,00%	13,810	100,00%	13,810
<b>Total</b>	<b>94,41%</b>	<b>150,265</b>	<b>89,90%</b>	<b>143,299</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 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 contracts 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 payment periods for suppliers

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.

	2018	2017
	<b>Days</b>	
Average payment period to suppliers	75.19	48.10
Ratio of transactions paid	80.32	47.22
Ratio of transactions pending payment	61.30	51.60
	<b>Euros</b>	
Total payments made	3,086,268	2,554,571
Total payments outstanding	1,043,974	637,700

In accordance with the ICAC Resolution, the calculation of the average payment period to suppliers has taken into account the commercial transactions corresponding to the delivery of goods or services rendered from the date of entry into force of Act 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.

The "Average payment period to suppliers" is construed as the period from the delivery of the goods or the provision of the services by the supplier to the payment for the transaction.

The maximum legal payment period applicable to the Company in 2018 under Act 3/2004 of 29 December, establishing measures to combat late payment in commercial transactions, is 30 days, and has been since the publication of that Act (unless the conditions established therein that permit a maximum payment period of up to 60 days are met).

## 6. Earnings per share at 30 June 2018

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

	<b>Euros</b>		
	30/06/2018	30/06/2017	31/12/2017
Net Profit	4,827,887	4,967,635	13,200,418
Weighted average number of shares	4,452,197	4,452,197	4,452,197
<b>Earnings per share</b>	<b>1.08</b>	<b>1.12</b>	<b>2.96</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 2018 and 30 June 2017, the basic and diluted earnings per share are the same.

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

At 30 June 2018, the Company did not hold any treasury shares.

#### **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 PRYCONSA's policies, which has established the necessary mechanisms to control exposure to changes in exchange rates, along with credit and liquidity risks. The main financial risks having an impact on the 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 the high credit ratings of lessees, as well as the guarantees of collection provided for in prevailing agreements.



**c) Exchange rate risk**

The Company did not have any significant assets or liabilities in foreign currencies at 30 June 2018 and therefore had no exchange rate risk.

**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 from 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 the 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 required to comply with a range of general and specific legal provisions, such as legal, accounting, environmental, employment, tax and data protection regulations. Future regulatory changes 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 activity in the cities where these hotels are located could have a negative effect on their use and occupation rates. This could have a negative effect on the yield and performance of these assets if tenants renegotiate current lease contracts.

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

#### **10. Outlook for the remainder of 2018**

Given the Company's activity, the Directors of the Company consider that 2018 will continue to be positive in terms of maintaining the terms of long-term leases, as well as the new acquisitions made by the Company. The outlook is therefore positive, taking into account the long-term lease contracts with top quality lessees in the hotel, offices and commercial sectors, guaranteeing the viability of the business in the medium and long term.

#### **11. Disclosure on situations of conflicts of interest involving the Directors**

At 30 June 2018, 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 2018 and up until the approval date of the Company's interim financial statements, the following relevant subsequent events have occurred:

- On 12 July 2018, the Company contracted a new mortgage loan for 4,500,000 euros with Banca March to finance the acquisition of a commercial space located at Glorieta de Cuatro Caminos 6 and 7 in Madrid, acquired in April 2018 and leased to ALDI.

### **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 2018 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 2018 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, 26 July 2018

**Mr Marco Colomer Barrigón**  
(Chairman and Chief Executive Officer)

**Mr Juan Carlos Ureta Domingo**  
(Director)

**Mr Jose Luis Colomer Barrigón**  
(Director)

**Ms Irene Hernández Álvarez**  
(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 26 July 2018. Said interim financial statements and the consolidated half-yearly management report appear on 70 sheets of ordinary paper, numbered from 1 to 70, 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, 26 July 2018

**Mr Marco Colomer Barrigón**  
(Chairman and Chief Executive Officer)

**Mr Juan Carlos Ureta Domingo**  
(Director)

**Mr Jose Luis Colomer Barrigón**  
(Director)

**Ms Irene Hernández Álvarez**  
(Director)

**Mr Celestino Martín Barrigón**  
(Director)

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

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