

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

**Management Report  
30 September 2018**

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# **Management Report**

2018  
30 September 2018

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

### Management Report at 30 September 2018

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

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

Income statement	Euros		
	30/09/2018	30/09/2017	+ / -
Income	13,850,069	13,346,201	3,78%
<b>Net operating income (NOI)</b>	<b>12,536,016</b>	<b>12,477,167</b>	<b>0,47%</b>
Overheads	-340,848	-337,362	1,03%
<b>EBITDA</b>	<b>12,195,167</b>	<b>12,139,806</b>	<b>0,46%</b>
Financial profit/(loss)	-186,681	-136,947	36,32%
<b>EBTDA</b>	<b>12,008,486</b>	<b>12,002,859</b>	<b>0,05%</b>
Depreciation	-3,679,057	-3,615,499	
Subsidies	44,807	81,538	
Impairment/Reversal	723	-7,312	
Other gains/(losses)	-3,645	-13,861	
Gain/(loss) on disposal of real estate assets	-138,919	-220,976	
Gain/(loss) on disposal of financial assets	-	441,239	
<b>EBT</b>	<b>8,232,395</b>	<b>8,667,987</b>	<b>-5,03%</b>
Corporation tax	-	-415,516	
<b>Net profit/(loss)</b>	<b>8,232,395</b>	<b>8,252,471</b>	<b>-0,24%</b>

#### Key figures at 30 September 2018

	30/09/2018	30/09/2017	31/12/2017
Annualised income (€M)	23.28	21.92	22.89
FFO (€M)	12.17	12.13	17.85
FFO (€/share)	2.73	2.72	4.01
GAV (€M) (*)	435.88	391.84	408.92
NAV (€M) (*)	406.82	382.15	404.27
Assets under management, risk free (number)	195	204	204
Gross leasable area (m2 risk free)	150,265	141,240	143,127
Occupancy rate % at closing	94,17%	89,09%	87,93%
WAULT	8.24	6.54	5.89
LTV	15,34%	14,18%	13,10%
LTV Adjusted	17,30%	17,11%	15,51%
Net debt (€M)	73.71	63.17	60.92
Profit (€/share)	1.85	1.85	2.96
Dividend (€/share)	-	-	2.67
Dividend gross yield	-	-	3,78%

(\*)

GAV: Market value of real estate assets

NAV: Market value of real estate assets - net financial debt +/- other assets and liabilities amongst which includes credits to group companies and associates (47.83 and 57.18 million euros are 30.09.2018 and 31.12.2017 respectively)

### Sectoral indicators at 30 September 2018

	Euros					
	30/09/2018	Per share	30/09/2017	Per share	31/12/2017	Per share
Net recurring profit	8,371,314	1.88	8,896,277	2.00	12,886,919	2.89
Net value of assets	406,822,459	91.38	382,148,977	85.83	404,273,305	90.80
Cost/income ratio	11,95%		9,04%		14,54%	
Vacancies ratio	9,56%		13,71%		13,94%	
Net yield	4,83%		4,76%		4,82%	

**Property investments (gross):** As of 30 September 2018, gross property investments valued at acquisition cost amounted to 378,455,855 euros. The following investments and divestments took place in 2018:

- **Investments amounting to 27,617,411 euros:**
  - On 1 March 2018, the Company acquired 100% of the shares of the company Bensell Mirasierra S.L.U. for an amount of 17,586,694 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, distributed over two floors plus a 929 square-metre basement for a carpark. The overall cost of the purchase amounted to 6,934,543 euros.
  - Additionally, in the third quarter of 2018, hotel costs of 68,374 euros were capitalised (60,672 euros for Hotel Barceló and 7,702 euros for Hotel Isla Canela Golf).
  - During the third quarter of 2018, there were additions of 3,027,798 euros corresponding to the renovations being carried out in the office building located at Calle Orense 62 for 715,881 euros, in the office building located at Calle Pradillo 42 in Madrid for 1,437,529 euros, in Hotel Meliá in Isla Canela for 535,741 euros and the office building located at José Abascal 41 for 338,649 euros, which are currently undergoing remodelling. At Pradillo 42, the budget for remodelling is 3,600,000 euros (of which 2,191,680 euros has already been incurred), for Orense 62 it is 1,500,000 euros (of which 1,179,741 euros has already been incurred) and for José Abascal 41 it is 3,990,000 euros (of which 338,649 euros has already been incurred).

Likewise, during the first nine 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".

- **Divestments amounting to 3,021,504 euros:**
  - Sale of five offices in Sanchinarro VI and four in Sanchinarro VII (gross cost of 2,086,764 euros), as well as the sale of five offices in Coslada III for (gross costs of 934,740 euros), which have been sold to third parties. These sales transactions generated a net loss of 138,919 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 September 2018. At the time of sale, impairment of 250,008 euros had been recognised for these properties. This has been written off as a result of the disposal.

**Dividends:**

Dividends paid by the Company 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, was as follows:

	Euros
<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.

**Net financial debt:** At 30 September 2018, the Company had net financial debt of 73,713,473 euros (60,921,780 euros at 31 December 2017). The breakdown of this is as follows:

Breakdown of debt	Euros	
	30/09/2018	31/12/2017
Titán, 13	13,024,349	13,619,370
Conde de Peñalver, 16	8,456,929	8,843,286
Plaza de España (Castellón)	1,620,556	2,228,383
José Abascal 41	11,400,000	11,400,000
Valle de la Fuenfria 3	9,878,595	-
Cuatro Caminos 6 and 7	4,500,000	-
<b>Debt with mortgage guarantee</b>	<b>48,880,429</b>	<b>36,091,039</b>
Debentures and bonds	10,067,808	10,130,822
Available credit facilities	9,937,848	9,861,670
Long-term loans	6,772,690	6,108,234
Interest accrued pending maturity	122,365	152,622
Derivatives	136,687	136,687
<b>Unsecured debt</b>	<b>27,037,398</b>	<b>26,390,035</b>
Cash and bank	-2,204,355	-1,559,294
<b>Net financial debt</b>	<b>73,713,473</b>	<b>60,921,780</b>

In the last quarter, 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.

The Company's LTV at 30 September 2018 was 15.34%. (13.10% at 31 December 2017). The

adjusted LTV is 17.30% (15.51% at 31 December 2017). The adjusted LTV includes the effect of the existing mortgage burden on hotels located in Isla Canela (9,403,568 euros at 30 September 2018 and 11,229,908 at 31 December 2017).

**Income:** At 30 September 2018, the Company had obtained total income of 13,850,069 euros (13,346,201 euros at 30 September 2017). The breakdown of income by asset type is as follows:

	Euros		Variation in %	
	30/09/2018	30/09/2017	"Growth"	"Like for Like Growth"
Hotels	4,815,422	4,679,380	2,91%	2,91%
Offices	4,169,078	4,035,437	3,31%	-10,82%
Commercial	3,887,790	3,664,241	6,10%	5,80%
Industrial	977,779	967,143	1,10%	1,10%
<b>Total</b>	<b>13,850,069</b>	<b>13,346,201</b>	<b>3,78%</b>	<b>-0,58%</b>

Income from rents increased 3.78% from last year with an increase in all areas being of note. Removing the effect of new investments and divestments, year-on-year income decreased by 0.58% due to a 10.82% decrease in income obtained in the offices segment (José Abascal 41 due to a comprehensive renovation programme and greater vacancies in Sanchinarro VI and VII).

The most significant operational leasing contracts relate to the real estate assets that form the core of operations. A breakdown of the minimum lease instalments is set out below:

Operational leasing Minimum instalments	Euros	
	Nominal value	
	30/09/2018	31/12/2017
Less than a year	21,056,690	20,351,077
Between two and five years	59,175,669	55,370,020
More than five years	25,814,509	17,538,150
<b>Total</b>	<b>106,046,868</b>	<b>93,259,247</b>

With regard to the average duration of lease contracts by property type, details the WAULT (Weighted average unexpired lease term) are provided below:

Type	WAULT	
	30/09/2018	31/12/2017
Hotels	4.39	4.66
Offices	4.39	4.38
Commercial	13.12	6.99
Industrial	9.03	9.23
<b>Total Average</b>	<b>8.24</b>	<b>5.89</b>

**NOI:** Net Operating Income was positive and amounted to 12,536,016 euros (12,477,167 euros at 30 September 2017), an increase of 0.47%. The breakdown of NOI by asset type is as follows:

	Euros	
	30/09/2018	30/09/2017
Hotels	4,382,879	4,359,268
Offices	3,563,380	3,643,505
Commercial	3,618,879	3,511,896
Industrial	970,877	962,499
<b>NOI</b>	<b>12,536,016</b>	<b>12,477,167</b>

At 30 September 2018, **EBITDA** was positive and amounted to 12,195,167 euros (12,139,806 euros at September 2017), a year-on-year increase of 0.46%.

**Financial gain/(loss)** Financial loss at 30 September 2018 was -186,681 euros (-136,947 euros at September 2017). Total financial income reached 789,608 euros (716,188 in September 2017), from the group financing system amounting to 753,577 euros (676,555 in September 2017). Financial expenses amounted to 976,289 euros (853,135 euros in September 2017).

At 30 September 2018, **EBTDA** was positive and amounted to 12,008,486 euros (12,002,859 euros at September 2017), a year-on-year increase of 0.05%.

**Depreciation:** The depreciation expense amounted to 3,679,057 euros compared to 3,615,499 euros in the same period in the previous year. The 2% increase is a result of new investments in 2018.

**Subsidies:** Income from subsidies amounted to 44,807 euros (81,538 euros in September 2017).

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

**Other gains/(losses):** Extraordinary losses of -3,645 euros (-13,861 euros in September 2017) were seen due to the termination of a lease contract on Vallecas Comercial I.

**Gain/(loss) on disposal of real estate assets:** At 30 September 2018, four Sanchinarro VII lofts, five Coslada III lofts and five in Sanchinarro VI were sold (gross cost of 3,021,504 euros), which generated a net loss of 138,919 euros. At the time of sale, impairment of 250,008 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 September 2018, no gains/(losses) have arisen from the sale of financial assets. At 30 September 2017, there was a gain of 441,239 euros resulting from the sale of all shares held by the Company in other REITs.

**Corporation tax:** no corporation tax expense has been recorded at 30 September 2018 (expense of 415,516 euros at 30 September 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):** Net profit at 31 September 2018 was 8,232,395 euros (8,252,472 euros in September 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 third quarter 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 third quarter of 2018 are similar to those at the end of 2017.

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.

In addition, according to these valuations, the fair value of the property investments revealed an unrecorded latent capital gain (comparing their updated gross fair value at current market prices and the net book value) of 111,798,910 euros (105,556,969 euros at the close of 2017). This was primarily related to the commercial premises at Calle Gran Vía 34, Calle Conde de Peñalver 16 and Calle Gran Vía 55, all in Madrid, the Hotel Barceló Isla Canela and Hotel Tryp Cibeles in Madrid, and the warehouse located at Daganzo de Arriba in Madrid.

The market value of the Company's property investments at the end of September 2018 amounted to 435,879,125 euros (408,916,436 euros at year-end 2017). The breakdown by business segment is as follows:

Segments	Euros	
	30/09/2018	31/12/2017
Hotels	131,725,924	131,098,507
Offices	121,033,778	102,013,723
Commercial	165,512,523	158,197,306
Industrial	17,606,900	17,606,900
<b>Total</b>	<b>435,879,125</b>	<b>408,916,436</b>

The main variations mainly relate to:

- Capex investments for the renovation of hotels (559,043 euros) and offices (3,710,071 euros)
- Other capex investments of 68,374 euros in Hotels.
- The acquisition by the Company of 100% of the shares of Bensell Mirasierra S.L.U., resulting in an increase in the market value of property investments (offices) of 18,038,545 euros, the appraisal value in May 2018.
- The acquisition of a commercial space in Cuatro Caminos whose appraisal value in June 2018 amounted to 7,315,217 euros.
- Divestment of real estate assets in the offices segment: 2,728,561 euros

### 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, as 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

The segmented 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 of the Company's accounting data. In this regard, the Company does not report its assets and liabilities on a segmented basis, as this is not required by the Company's management for the purposes of the management information it uses in its decision making.

For its part, the ordinary income for a segment corresponds to income directly attributable to that 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

##### Financial year 2018 (30 September)

30/09/2018	Euros					
	Hotels	Offices	Commercial	Industrial	Others	Total
Income	4,815,422	4,169,078	3,887,790	977,779	-	13,850,069
Indirect costs	-432,543	-605,697	-268,910	-6,902	-	-1,314,053
<b>Net operating income</b>	<b>4,382,879</b>	<b>3,563,380</b>	<b>3,618,879</b>	<b>970,877</b>	-	<b>12,536,016</b>
Overheads	-142,994	-91,301	-85,141	-21,413	-	-340,848
<b>EBITDA</b>	<b>4,239,885</b>	<b>3,472,079</b>	<b>3,533,739</b>	<b>949,464</b>	-	<b>12,195,167</b>
<b>% of income</b>	<b>88,05%</b>	<b>83,28%</b>	<b>90,89%</b>	<b>97,10%</b>	-	<b>88,05%</b>
Depreciation	-1,812,465	-985,377	-773,199	-108,017	-	-3,679,057
Subsidies	44,807	-	-	-	-	44,807
Extraordinary gains/ (losses)	-	-3,645	-	-	-	-3,645
Gain/ (loss) on disposal of real estate assets	-	-138,919	-	-	-	-138,195
Gain/ (loss) on disposal of financial assets	-	-	-	-	-	-
Impairment/Reversal	-	650	73	-	-	723
Financial profit/ (loss)	25,493	-345,188	-200,361	-	333,374	-186,681
<b>EBT</b>	<b>2,497,721</b>	<b>1,999,601</b>	<b>2,560,252</b>	<b>841,447</b>	<b>333,374</b>	<b>8,232,395</b>
Corporation tax	-	-	-	-	-	-
<b>Net profit/(loss)</b>	<b>2,497,721</b>	<b>1,999,601</b>	<b>2,560,252</b>	<b>841,447</b>	<b>333,374</b>	<b>8,232,395</b>
<b>% of income</b>	<b>51,87%</b>	<b>47,96%</b>	<b>65,85%</b>	<b>86,06%</b>	-	<b>59,44%</b>

**Financial year 2017 (30 September)**

30/09/2017	Euros					
	Hotels	Offices	Commercial	Industrial	Others	Total
Income	4,679,380	4,035,437	3,664,241	967,143	-	13,346,201
Indirect costs	-320,112	-391,932	-152,346	-4,645	-	-869,034
<b>Net operating income</b>	<b>4,359,268</b>	<b>3,643,505</b>	<b>3,511,896</b>	<b>962,499</b>	-	<b>12,477,167</b>
Overheads	-118,284	-102,007	-92,624	-24,447	-	-337,362
<b>EBITDA</b>	<b>4,240,984</b>	<b>3,541,499</b>	<b>3,419,272</b>	<b>938,051</b>	-	<b>12,139,806</b>
<b>% of income</b>	<b>90,63%</b>	<b>87,76%</b>	<b>93,31%</b>	<b>96,99%</b>	-	<b>90,96%</b>
Depreciation	-1,862,738	-863,093	-781,651	-108,017	-	-3,615,499
Subsidies	81,538	-	-	-	-	81,538
Extraordinary gains/(losses)	-	-19,061	5,200	-	-	-13,861
Gain/(loss) on disposal of real estate assets	-	-220,976	-	-	-	-220,976
Gain/(loss) on disposal of financial assets	-	-	-	-	441,239	441,239
Impairment/Reversal	-	-	-7,312	-	-	-7,312
Financial profit/(loss)	-	-344,059	-135,504	-	342,618	-136,945
<b>EBT</b>	<b>2,459,783</b>	<b>2,094,309</b>	<b>2,500,004</b>	<b>830,034</b>	<b>783,857</b>	<b>8,667,988</b>
Corporation tax	-	-	-	-	-415,516	-415,516
<b>Net profit/(loss)</b>	<b>2,459,783</b>	<b>2,094,309</b>	<b>2,500,004</b>	<b>830,034</b>	<b>368,341</b>	<b>8,252,472</b>
<b>% of income</b>	<b>52,57%</b>	<b>51,90%</b>	<b>68,23%</b>	<b>85,82%</b>	-	<b>61,83%</b>

The breakdown of the **income and net book value** for real estate assets heading at 30 September 2018 is as follows:

	Euros					
	30/09/2018			30/09/2017		31/12/2017
	Income	%	Net book value	Income	%	Net book value
Hotels	4,815,422	34,77%	107,196,302	4,679,380	35,06%	108,404,530
Offices	4,169,078	30,10%	111,044,445	4,035,437	30,24%	95,170,760
Commercial	3,887,790	28,07%	92,632,737	3,664,241	27,46%	86,469,429
Industrial	977,779	7,06%	13,206,731	967,143	7,25%	13,314,748
<b>Total income</b>	<b>13,850,069</b>	<b>100,00%</b>	<b>324,080,215</b>	<b>13,346,201</b>	<b>100,00%</b>	<b>303,359,467</b>

At 30 September 2018, 35% of revenue was generated by hotel assets, 30% by offices, 28% by commercial premises and the remaining 7% by industrial properties. At 30 September 2018, the hotels were fully leased; offices were 77% leased; commercial premises were 67% leased and the industrial area was 100% leased. At 30 September 2018, the occupancy rate of real estate assets was 94%. The Gross Leasable Area (GLA) was 150,265 m<sup>2</sup>.

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

Area	Euros			
	30/09/2018		30/09/2017	
	Income	Income (%)	Income	Income (%)
Madrid	9,898,416	71,47%	9,419,117	70,58%
Huelva	3,951,652	28,53%	3,851,696	28,86%
Castellón	-	-	75,388	0,56%
<b>Total</b>	<b>13,850,069</b>	<b>100,00%</b>	<b>13,346,201</b>	<b>100,00%</b>

From a geographic point of view, all of the income obtained in the third quarter of 2018 was generated in Madrid and Huelva (both in Spain). Madrid remains in first place, contributing around 71% of total income, followed by Huelva with 29%.

It is also interesting to consider changes in **occupation rates** by **asset types**. At 30 September 2018, the level of occupation of the Company's assets for leasing was 94.17% (89.67% in September 2017 and 87.93% in December 2017) based on the square metres leased, the breakdown of which was as follows:

Asset type	% occupation			Floor area in m2 above ground level		
	30/09/2018	30/09/2017	31/12/2017	30/09/2018	30/09/2017	31/12/2017
Hotels	100,00%	100,00%	100,00%	80,135	80,135	80,135
Offices	77,31%	79,97%	69,54%	32,285	26,791	26,825
Commercial	66,71%	51,06%	59,30%	24,035	20,504	22,357
Industrial	100,00%	100,00%	100,00%	13,810	13,810	13,810
<b>Total</b>	<b>94,17%</b>	<b>89,09%</b>	<b>87,93%</b>	<b>150,265</b>	<b>141,240</b>	<b>143,127</b>

During 2018, the occupancy rate of real estate assets increased over that at 31 December 2017 resulting from (i) the acquisition of a new office building located at calle Valle de la Fuenfría 3 (Madrid) whose occupation is 100%, at signing, in February 2018; (ii) the signing of a new lease contract for 100% of the building located at calle Orense 62 (Madrid) with UTOPIC\_US for a period of 10 years; (iii) the acquisition in April of the premises located at Glorieta de Cuatro Caminos 6 and 7, whose occupation rate is 100% and the signing, in July 2018, of a lease for 100% of the premises at Goya 59 (Madrid) with Dobles Parejas, S.L.

The occupation rate for the Company's real estate assets has remained highly stable, while its solvency has strengthened on account of the quality of its tenants, lease contracts and new buildings.

#### 4. Property investments

Due to the recent reduction in expected yields in prime areas, the Company is seeking new, diversified medium and long-term investment opportunities that would allow it to combine high yields in sectors where it is not currently present with yields of around 5% and 6% and high-quality tenants, as well as a number of added value real estate asset transformation operations for subsequent operation under a leasing scheme. The Company will maintain the income it currently expects to obtain from the lease contracts that are now in force.

In view of the Company's activity 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 the Spanish hotel industry and in the Office, Commercial and Industrial sectors, ensuring the Company's viability in the medium term, along with new lease agreements for commercial premises with lessees possessing outstanding solvency ratings.

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

The information required by the Third Additional Provision of Act 15/2010 of 5 July (modified through the Second Final Provision of Act 31/2014, of 3 December) is provided below. This has been prepared in accordance with the Institute of Accounting and Auditing (ICAC) Resolution of 29 January 2016, on the information to be included in the notes to the financial statements in relation to average payments periods for suppliers in commercial operations.

	2018	2017
	<b>Days</b>	
Average payment period to suppliers	79.14	54.24
Ratio of transactions paid	83.03	52.46
Ratio of transactions pending payment	61.64	67.06
	<b>Euros</b>	
Total payments made	4,374,204	1,736,425
Total payments outstanding	972,469	272,691

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.

For the exclusive purposes of providing the information required in this Resolution, suppliers are considered trade creditors due to debts with suppliers of goods or services, included under the "Suppliers" and "Sundry creditors" headings in 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 September 2018

The breakdown of earnings per share is as follows:

	<b>Euros</b>		
	30/09/2018	30/09/2017	31/12/2017
Net Profit	8,232,396	8,252,472	13,200,418
Weighted average number of shares	4,452,197	4,452,197	4,452,197
<b>Earnings per share</b>	<b>1.85</b>	<b>1.85</b>	<b>2.96</b>

Basic earnings per share are calculated as the ratio of the net profit for the period 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.

## 7. Acquisition of treasury shares

At 30 September 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 faced by the Company**

The management of the Company's financial risks is centralised in its Financial Management function and in the policies of the company Pryconsa, which has put in place 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:

### **a) Credit risk**

The Company's main financial assets are cash flows and cash balances, trade creditors and other accounts receivable from investments. These represent 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 it loans out.

### **b) Liquidity risk**

Taking into account the current situation of the financial market and the directors' estimates of the Company's cash generating capacity, the Company estimates it has sufficient capacity to obtain financing from third parties should this be necessary for 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 September 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 property market performs, particularly for rentals, which comprise 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:** the tourism industry accounts for a significant proportion of the Company's assets (mainly hotels). 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.

The Company is also exposed to other risks, such as: (i) environmental risks; (ii) occupational health and safety risks; and (iii) occupational hazard prevention risks.

## 10. Outlook for 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 conflicts of interest involving the directors

At 30 September 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. Merger

On 26 April 2018, the Company's Board of Directors approved the merger project by SAINT CROIX HOLDING IMMOBILIER SOCIMI, S.A. (absorbing company) of its subsidiary BENSELL MIRASIERRA, S.L.U. (absorbed company), in which it holds 100% of the share capital.

The merger project was favourable and registered in the Mercantile Registry of Madrid on 16 May 2018.

The General Shareholders' Meeting held on 28 June 2018 approved the merger on the terms resulting from the merger project and the approval agreement was communicated to the CNMV on the same date.

On 05 July 2018, the corresponding merger announcements were published in the newspaper EL MUNDO and in the BORME (Official Mercantile Registry Bulletin).

On 21 September 2018, once the legal period in which to register an objection had passed, and in front of the notary of Madrid, Mr Juan Manuel Lozano Carreras, the public deed for the merger was granted and subsequently submitted for registration in the Mercantile Registry of Madrid, pending dispatch at this date.

Once the merger deed is registered, all necessary legal, tax and administrative procedures for the full effect of the merger will have been completed.

### **13. Subsequent events**

At the date of this management reports production, there were no relevant subsequent events.

Madrid, 18 October 2018

Mr Marco Colomer Barrigón  
Chairman and Managing Director