SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.

Management Report
30 September 2019

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Management Report at 30 September 2019

1. Data at 30 September 2019

A breakdown of the main figures at 30 September 2019 compared to 30 September 2018 (31 December 2018 for the balance sheet) is provided below:

Income statement	Euros		
	30/09/2019	**30/09/2018**	**+/-**
Income	14,721,593	13,850,069	6,29%
Net operating income (NOI)	**12,890,446**	**12,536,016**	**2,83%**
Overheads	-375,808	-340,848	10,26%
EBITDA	**12,514,638**	**12,195,167**	**2,62%**
Financial profit/(loss)	-656,129	-186,681	251,47%
EBTDA	**11,858,509**	**12,008,486**	**-1,25%**
Depreciation	-3,839,708	-3,679,057	
Subsidies	44,807	44,807	
Impairment/Reversal	4,726	723	
Other gains/(losses)	31,639	-3,645	
Gain/(loss) on disposal of real estate assets	1,441,268	-138,919	
EBT	**9,541,241**	**8,232,395**	**15,90%**
Corporation tax	-	-	
Net profit/(loss)	**9,541,241**	**8,232,395**	**15,90%**

Key figures at 30 September 2019

	30/09/2019	30/09/2018	31/12/2018
Annualized income (€M)	24.75	23.28	23.89
FFO (€M)	12.54	12.17	18.22
FFO (€/share)	2.82	2.73	4.09
GAV (€M) (*)	482.17	435.88	459.31
NAV (€M) (*)	433.10	406.82	433.75
ROA	2,41%	2,18%	3,81%
ROE	3,21%	2,79%	4,83%
Gross leasable area (m² risk free)	158,293	150,265	150,543
Occupancy rate % at closing	92,04%	94,17%	91,97%
Lease portfolio (€M)	140.46	106.05	104.50
WAULT	8.70	8.24	6.24
LTV	16,85%	15,34%	14,42%
LTV Adjusted	17,77%	17,30%	15,91%
Net debt (€M)	87.78	73.71	73.07
Profit (€/share)	2.14	1.85	3.27
Dividend (€/share)	-	-	2.94
Dividend gross yield	-	-	4,00%

(*)
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

Sectoral indicators at 30 September 2019

	Euros					
	30/09/2019	Per share	30/09/2018	Per share	31/12/2018	Per share
Net recurring profit	8,099,973	1.82	8,371,314	1.88	13,024,692	2.93
Net value of assets	433,102,059	97.28	406,822,459	91.38	433,745,955	97.42
Cost/income ratio	14,99%		11,95%		16,01%	
Vacancies ratio	7,06%		9,56%		5,13%	
Net yield	4,77%		4,83%		4,87%	

Property investments (gross): As of 30 September 2019, gross property investments valued at acquisition cost amounted to 403,895,305 euros. The following investments and divestments took place in 2019:

- **Investments amounting to 28,147,924 euros:**
  - On 31 January 2019, the Company signed the purchase deed in an office building located at Juan Ignacio Luca de Tena 17, in Madrid. The acquisition price of the property was 23,950,000 euros (24,556,426 euros including expenses) and has been paid partially with the delivery of two commercial premises owned by the Company, specifically, the commercial premises and their annexes located at Caleruega 66, 68 and 70 as well as Rutilo 21, 23 and 25; both in Madrid.
  - Additionally, in the first half of 2019, hotel costs of 38,740 euros on various properties owned by the company have been capitalised.
  - At 30 September 2019, under the heading “Property investment in progress and advances” of the accompanying balance sheet, there were additions of 3,552,758 euros corresponding to the renovations being carried out in the property located at Pradillo 42 in Madrid for 512,076 euros, in Hotel Meliá in Isla Canela for 282,669 euros, in Hotel Barceló for 36,083 euros, in Hotel Iberostar for 109,913 euros, in Hotel Playa Canela for 124,668 euros, in Hotel Isla Canela Golf for 32,207 euros and the building located at José Abascal 41 for 2,195,466 euros and the property at Juan Ignacio Luca de Tena 17 for 101,004 euros that are currently undergoing remodelling. Additionally, during the first nine months of 2019, renovation work was carried out on the property at Goya 59 for 158,673 euros.

- **Divestments amounting to 4,897,900 euros:**
  - Sale of several properties in Sanchinarro VI and Sanchinarro VII (gross cost of 1,476,490 euros), as well as the sale of several offices in Coslada III for (gross costs of 1,060,943 euros), which have been sold to third parties. These sales transactions generated a net loss of 34,330 euros, which has been recorded under "Impairments and gains (losses) on fixed asset disposals" in the profit and loss account at 30 September 2019. At the time of sale, impairment of 28,606 euros had been recognised for these properties. This has been written off as a result of the disposal.
  - Within the acquisition of an office building located at Juan Ignacio Luca de Tena, 17 in Madrid in 2019 and, as part of the payment, the Company has delivered the following properties to the purchaser:

- Commercial premises at Caleruega, 66 and 70 in Madrid, whose cost was 980,767 euros at the time of the transaction.

- Commercial premises at Rutilo 21, 23 and 25 in Madrid, whose cost was 1,379,700 euros at the time of the transaction.

Dividends:

Dividends paid by the Company to shareholders in 2019:

The proposed distribution of 2018 profits presented by the Company's directors to the shareholders and approved at the Annual General Shareholders' Meeting held on 25 April 2019, was as follows:

	Euros
Profit at 31 December 2018	**14,554,246**
• Legal Reserve	1,455,425
• Dividends	13,098,821

The 2018 gross dividend, amounting to 13,098,821 euros, approved by the General Shareholders' Meeting on 25 April 2019, was fully paid out on 20 May 2019.

Net financial debt: At 30 September 2019, the Company had net financial debt of 87,782,169 euros (73,073,802 euros at 31 December 2018). The breakdown of this is as follows:

Breakdown of debt	Euros	
	30/09/2019	31/12/2018
José Abascal, 41	11,400,000	11,400,000
Titán, 13	12,230,988	12,826,009
Juan Ignacio Luca de Tena, 17	12,000,000	-
Valle de la Fuenfría, 3	9,389,320	9,756,825
Conde de Peñalver, 16	7,941,786	8,328,143
Glorieta de Cuatro Caminos 6 and 7	4,500,000	4,500,000
Plaza de España (Castellón)	849,635	1,429,016
Debt with mortgage guarantee	**58,311,728**	**48,239,993**
Debentures and bonds	10,067,808	10,130,822
Personal loan (Goya 59)	9,850,000	-
Available credit facilities	8,251,664	9,868,275
Long-term loans	4,338,417	5,104,342
Derivatives	276,013	276,013
Interest accrued pending maturity	151,705	139,057
Unsecured debt	**32,935,607**	**25,518,509**
Cash and bank	-3,465,166	-684,700
Net financial debt	**87,782,169**	**73,073,802**

The Company's LTV at 30 September 2019 was 16.85%. (14.42% at 31 December 2018). The adjusted LTV is 17.77% (15.91% at 31 December 2018). The adjusted LTV includes the effect of the existing mortgage burden on hotels located in Isla Canela (4,755,184 euros at 30 September 2019 and 7,561,249 at 31 December 2018).

Income: At 30 September 2019, the Company had obtained total income of 14,721,593 euros (13,850,069 euros at 30 September 2018). The breakdown of income by asset type is as follows:

	Euros		Variation in %	
	30/09/2019	30/09/2018	"Growth"	"Like for Like Growth"
Hotels	4,926,611	4,815,422	2,31%	2,31%
Offices	4,489,338	4,169,078	7,68%	7,68%
Commercial	4,316,134	3,887,790	11,02%	14,83%
Industrial	989,510	977,779	1,20%	1,20%
Total	**14,721,593**	**13,850,069**	**6,29%**	**7,28%**

Year-on-year income from rents increased by +6.29% with a general increase in all areas and the office and commercial areas being particularly noteworthy. Aside from the effect of new investments and divestments, year-on-year income increased by +7.28%, once again focussed on the offices and commercial segment. The main deviations focus on:

- Hotels continue to increase their ability to generate income (+2.31%) compared with the same period of the previous year, focusing on the improvement of the Meliá Isla Canela, Playa Canela and Barceló hotels.

- Offices witnessed substantial improvement (+7.68%), mainly due to revenue beginning to be generated from the offices at Valle de la Fuenfría 3 (acquired at the end of the first quarter of 2018), as well as Orense 62. The rents generated from both assets make it possible to compensate the fall in income from the building at José Abascal 41 which is currently undergoing a comprehensive renovation and Pradillo 42 in this case due to the effect of a contract change.

- The commercial area also increased its year-on-year revenues (+11.02%), mainly due to the increase in revenues from the commercial premises at Conde Peñalver 16 and the new leases on the commercial premises at Glorieta de Cuatro Caminos 6 and 7, as well as Goya 59. With these assets generating rents, it is possible to offset the fall in rents resulting from the sales of the two commercial premises located on Rutilo and Caleruega in Madrid, which were sold in the first quarter of 2019.

- The industrial area increased revenues by +1.20% as a result of the CPI effect.

Regarding the lease contract portfolio, this has increased 34% since 31 December 2018 mainly due to the renegotiation and extension of the lease contracts on the commercial premises at Gran Vía 34 and Conde de Peñalver as well as from the agreements reached in relation to leasing the building located at Juan Ignacio Luca de Tena 17 and Gran Vía 55.

The breakdown of the leasing portfolio is as follows:

Operational leasing Minimum instalments	Euros Nominal value	
	30/09/2019	31/12/2018
Less than a year	23,003,284	22,365,640
Between two and five years	69,841,648	59,254,798
More than five years	47,616,485	22,877,406
Total	**140,461,417**	**104,497,844**

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	
	30/09/2019	31/12/2018
Hotels	3.48	3.94
Offices	7.03	5.16
Commercial	11.44	8.30
Industrial	8.25	9.00
Total Average	**8.70**	**6.24**

The aforementioned renewals and new contracts have generated an average improvement in WAULT of 2.46 years since 31 December 2018.

NOI: Net Operating Income was positive and amounted to 12,890,446 euros (12,536,016 euros at 30 September 2018), an increase of 2.83%. The breakdown of NOI by asset type is as follows:

	Euros	
	30/09/2019	30/09/2018
Hotels	4,101,615	4,382,879
Offices	3,784,999	3,563,380
Commercial	4,021,578	3,618,879
Industrial	982,253	970,877
NOI	**12,890,446**	**12,536,016**

At 30 September 2019, **EBITDA** was positive and amounted to 12,514,638 euros (12,195,167 euros in September 2018), a year-on-year increase of +2.62%.

Financial gain/(loss) Financial loss at 30 September 2019 was -656,129 euros (-186,681 euros at September 2018). The breakdown of this heading is as follows:

- The total financial income derived from the Group's financing system amounted to 641,778 euros (753,577 euros in September 2018), to which the financial income from third parties amounting to 88,446 euros (36,031 euros in September 2018) must be added.

- Financial expenses amounted to 1,313,130 euros (976,289 euros in September 2018), due to the increase in year-on-year net financial debt expense, as well as the costs connected with the new loans signed in 2019. Two long-term loans were signed in 2019, one that is unsecured to finance the acquisition of the commercial premises located at Goya 59, for 10,000,000 euros, and one on the building at Ignacio Luca de Tena 17, for 12,000,000 euros, with a mortgage guarantee. Both loans are with CaixaBank.

- In 2019, the Company acquired shares in the listed company, Unibail Rodamco, amounting to 1,002,786 euros (6,950 shares at an average price of 144.28 euros per share, including costs). At 30 September 2019, the market value of these shares amounted to 929,563 euros, which is why the Company recorded a loss on the valuation of financial assets available for sale of 73,223 euros.

At 30 September 2019, **EBTDA** was positive and amounted to 11,858,508 euros (12,008,486 euros at September 2018), a year-on-year decrease of 1.25% due to the effects of the financial losses.

Depreciation: The depreciation expense amounted to 3,839,708 euros compared to 3,697,057 euros in the same period in the previous year. The 4.38% increase is a result of new year-on-year investments.

Subsidies: Income from subsidies amounted to 44,807 euros (44,807 euros in September 2018).

Gain/(loss) on disposal of real estate assets: At 30 September 2019, the Company has obtained gains from the disposal of real estate assets of 1,441,268 euros (-138,919 euros at 30 September 2018) as a result of:

- the sale of five lofts in Coslada III, five in Sanchinarro VII and four in Sanchinarro VI, resulting in a net loss in the period of -34,330 euros (net loss of -138,919 euros at 30 September 2018). At the time of their sale, impairment of 28,606 euros had been recognised for these properties. This has been written off as a result of the disposal.

- the sale of two commercial premises associated with the purchase of the aforementioned office building that has led to a net profit in the period of 1,475,597 euros. At the time of their sale, impairment of 37,662 euros had been recognised for these properties. This has been written off as a result of the disposal.

At 30 September 2019, **EBT** was positive, standing at 9,541,241 euros (8,232,395 euros in September 2018), a year-on-year increase of +15.90% mainly due to the gain generated by the sale of real estate investments as previously explained.

Net profit/(loss): The net profit at 30 September 2019 was 9,541,241 euros (8,232,395 euros in September 2018), giving a net profit per share of 2.14 euros (1.85 euros in September 2018), a year-on-year increase of 15.90%.

2. Valuation of real estate assets

The Company commissioned a valuation of its assets from CBRE Valuation Advisory, S.A., an independent expert. On 14 February 2019, CBRE published its report on the year-end fair values of all of the Company's real estate investments. 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 occurred in 2019 in either the variables used by the independent expert in the valuation at year-end 2018, or in the contents or conditions of the current lease contracts used in the valuation. They therefore consider that the current market values of the Company's assets to be similar to those at the close of 2018.

The result of these valuations generated a net profit in the Company's income statement at 31 December 2018 of 1,558,297 euros (512,676 euros in 2017). There have been no effects on the income statement for 2019 other than the effect of reversing provisions generated as a result of the divestments made.

Also, according to the valuations made, the fair value of real estate investments shows an unrealised, unregistered gain (by comparison between the updated gross fair market value and the net book value) of 135,513,308 euros (132,554. 817 euros at 31 December 2018).

The market value of property investments at 30 September 2019 amounted to 482,166,484 euros (459,306,773 euros at year-end 2018). The breakdown by business segment is as follows:

Segments	Euros	
	30/09/2019	31/12/2018
Hotels	138,794,995	138,171,950
Offices	150,043,600	125,363,187
Commercial	175,617,419	178,061,166
Industrial	17,710,470	17,710,470
Total	**482,166,484**	**459,306,773**

At 30 September 2019, the market value of real estate investments increased by 22,859,712 euros or 4.97%, mainly due to the following reasons:

- Capex investments for renovations and other investments in hotels (623,045 euros), offices (2,708,776 euros) and commercial premises (163,223 euros).
- The Company's acquisition of the building at Juan Ignacio Luca de Tena, 17, whose total cost, including expenses, amounted to 24,664,228 euros.
- Divestment of real estate assets in the offices and commercial segment: 5,299,560 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 2019 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 2019 (30 September)

30/09/2019	Euros					
	Hotels	Offices	Commercial	Industrial	Others	Total
Income	4,926,611	4,489,338	4,316,134	989,510	-	14,721,593
Indirect costs	-824,996	-704,338	-294,555	-7,258	-	-1,831,147
Net operating income	**4,101,615**	**3,784,999**	**4,021,578**	**982,253**	**-**	**12,890,446**
Overheads	-125,765	-114,602	-110,181	-25,260	-	-375,808
EBITDA	**3,975,850**	**3,670,397**	**3,911,397**	**956,993**	**-**	**12,514,638**
% of income	**80,65%**	**81,71%**	**90,74%**	**96,66%**	**-**	**85,01%**
Depreciation	-1,782,364	-1,173,430	-775,897	-108,017	-	-3,839,708
Subsidies	44,807	-	-	-	-	44,807
Extraordinary gains/(losses)	27,014	-841	4,006	-751	2,211	31,639
Gain/(loss) on disposal of real estate assets	-	-34,330	1,475,597	-	-	1,441,268
Impairment/Reversal	-	-	4,726	-	-	4,726
Financial profit/(loss)	16,276	-381,538	-151,705	-	-139,163	-656,129
EBT	**2,279,129**	**2,078,020**	**4,473,312**	**847,732**	**-136,952**	**9,541,241**
Corporation tax	-	-	-	-	-	-
Net profit/(loss)	**2,279,129**	**2,078,020**	**4,473,312**	**847,732**	**-136,952**	**9,541,241**
% of income	**46,26%**	**46,29%**	**103,64%**	**85,67%**	**-**	**64,81%**

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
Net operating income	**4,382,879**	**3,563,380**	**3,618,879**	**970,877**	**-**	**12,536,016**
Overheads	-142,994	-91,301	-85,141	-21,413	-	-340,848
EBITDA	**4,239,885**	**3,472,079**	**3,533,739**	**949,464**	**-**	**12,195,167**
% of income	**88,05%**	**83,28%**	**90,89%**	**97,10%**	**-**	**88,05%**
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
Impairment/Reversal	-	650	73	-	-	723
Financial profit/(loss)	25,493	-345,188	-200,361	-	333,374	-186,681
EBT	**2,497,721**	**1,999,601**	**2,560,252**	**841,447**	**333,374**	**8,232,395**
Corporation tax	-	-	-	-	-	-
Net profit/(loss)	**2,497,721**	**1,999,601**	**2,560,252**	**841,447**	**333,374**	**8,232,395**
% of income	**51,87%**	**47,96%**	**65,85%**	**86,06%**	**-**	**59,44%**

The breakdown of the **income and net book value** for real estate assets heading at 30 September 2019 is as follows:

	Euros					
	30/09/2019			30/09/2018		31/12/2018
	Income	%	Net book value	Income	%	Net book value
Hotels	4,926,611	33,47%	105,638,392	4,815,422	34,77%	106,797,571
Offices	4,489,338	30,49%	137,844,296	4,169,078	30,10%	113,971,853
Commercial	4,316,134	29,32%	90,107,779	3,887,790	28,07%	92,811,805
Industrial	989,510	6,72%	13,062,709	977,779	7,06%	13,170,726
Total income	**14,721,593**	**100,00%**	**346,653,176**	**13,850,069**	**100,00%**	**326,751,956**

At 30 September 2019, 33% of revenue was generated by hotel assets, 30% by offices, 29% by commercial premises and the remaining 7% for industrial activities. At 30 September 2019, the hotels were fully leased; offices were 83% leased; commercial premises were 63% leased and the industrial area was 100% leased. At 30 September 2019, the occupancy rate of real estate assets was 92%. The Gross Leasable Area (GLA) was 158,293 m2.

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

Area	Euros			
	30/09/2019		30/09/2018	
	Income	(%)	Income	(%)
Madrid	10,658,562	72,40%	9,898,416	71.47%
Huelva	4,063,031	27,60%	3,951,652	28.53%
Total	**14,721,593**	**100,00%**	**13,850,069**	**100,00%**

From a geographic point of view, all of the income obtained in 2019 was generated in Madrid and Huelva (both in Spain). Madrid remains in first place, contributing around 72% of total income with Huelva at 28%.

It is also interesting to consider changes in **occupancy rates** by **asset types**. At 30 September 2019, the level of occupation of the Company's assets for leasing was 92.04% (94.17% in September 2018 and 91.97% in December 2018) based on the square metres leased, the breakdown of which was as follows:

Asset type	% occupancy			Floor area in m² above ground level		
	30/09/2019	30/09/2018	31/12/2018	30/09/2019	30/09/2018	31/12/2018
Hotels	100,00%	100,00%	100,00%	80,135	80,135	80,135
Offices	90,72%	77,31%	87,77%	40,366	32,285	32,591
Commercial	63,08%	66,71%	66,28%	23,982	24,035	24,035
Industrial	100,00%	100,00%	100,00%	13,810	13,810	13,810
Total	**92,04%**	**94,17%**	**91,97%**	**158,293**	**150,265**	**150,571**

At 30 September 2019, the occupancy rate of the properties increased compared to that at 31 December 2018, mainly due to new contracts signed in 2019.

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 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.

	30/09/2019	30/09/2018
	Days	
Average payment period to suppliers	75.49	79.14
Ratio of transactions paid	79.93	83.03
Ratio of transactions pending payment	60.80	61.64
	Euros	
Total payments made	5,578,235	4,374,204
Total payments outstanding	1,684,327	972,469

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 2019 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 2019

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

	Euros	
	30/09/2019	**30/09/2018**
Net Profit	9,541,241	8,232,396
Weighted average number of shares	4,452,197	4,452,197
Earnings per share	**2.14**	**1.85**

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.

7. Acquisition of treasury shares

At 30 September 2019, 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 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:

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 September 2019 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.

However, 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 José Abascal 41 in Madrid.

e) Real estate business risks

Changes in the economic situation at both the local and international levels, occupancy 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 markets 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 occupancy 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 2019

Given the Company's activity, its directors consider that 2019 will continue to be positive in terms of maintaining the terms and conditions of long-term leases. 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, and the new lease agreements for commercial premises with lessees that have outstanding solvency ratings.

11. Disclosure on conflicts of interest involving the directors

At 30 September 2019, 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

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

Madrid, 24 October 2019

Mr Marco Colomer Barrigón
Chairman and Managing Director