

SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.

**Management Report
30 September 2023**

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Management Report

2023

(30 September 2023)

SAINT CROIX HOLDING IMMOBILIER, SOCIMI, S.A.
Management Report at 30 September 2023
1. Explanation of the figures at 30 September 2023

A breakdown of the main figures at 30 September 2023 compared to 30 September 2022 (31 December 2022 for the balance sheet) is provided below:

Income statement	Euros		
	30/09/2023	30/09/2022	+ / -
Income	23,678,361	19,405,120	22%
Leases	23,647,542	19,333,487	
Provision of sundry services	30,818	71,633	
Operating expenses	-3,338,438	-2,085,209	60%
Net operating income (NOI)	20,339,923	17,319,912	17%
General expenses	-522,364	-456,412	14%
EBITDA	19,817,559	16,863,500	18%
Financial profit (loss)	-4,295,550	-6,702,607	-36%
EBTDA	15,522,010	10,160,893	53%
Depreciation	-4,847,364	-4,435,311	9%
Subsidies	42,263	42,263	
Impairment/Reversal of trade operations	-	3,665	
Other gains (losses)	5,195	-22,226	
Gains (losses) Disposal of real estate assets	2,430,801	268,599	
EBT	13,152,905	6,017,882	119%
Corporation tax	-416,728	-	
Net profit (loss)	12,736,178	6,017,882	112%

Sector indicators as at 30 September 2023

	Euros					
	30/09/2023	Per share	30/09/2022	Per share	31/12/2022	Per share
Recurring net profit	12,359,152	2.78	11,660,283	2.62	17,342,146	3.90
Net value of assets	564,552,748	126.80	533,581,380	119.85	553,905,533	124.41
Costs	3,860,801		2,541,620		5,221,423	
Income	23,678,361		19,405,120		30,707,329	
Cost/income ratio	16.31%		13.10%		18.84%	
Vacancy ratio	9.77%		5.73%		7.11%	
Net profitability	4.23%		4.27%		4.42%	

Main figures as at 30 September 2023, 30 September 2022 and 31 December 2022

	Data at		
	30/09/2023	30/09/2022	31/12/2022
Annualised income (million €)	28.78	27.67	29.27
FFO (million €)	19.79	16.78	24.84
FFO (€/share)	4.45	3.77	5.58
GAV (million €)	713.76	667.46	680.36
NAV (million €)	564.57	533.58	553.91
ROA	2.66%	1.32%	3.07%
ROE	4.08%	1.98%	4.57%
Gross leasable surface area (risk-free m ²)	221,120	183,924	221,938
% occupancy at year end	89.13%	94.49%	91.66%
Lease portfolio (€M)	270.27	219.72	221.19
WAULT	9.12	9.32	9.10
LTV	19.66%	17.62%	19.91%
Net debt (millions €)	138.17	114.09	138.00
Profit (€/share)	2.86	1.35	3.20
Dividend (€/share)	-	-	2.84
Gross profitability via dividend	-	-	4.32%

APM definitions:

- **GAV:** Gross market value of real estate assets;
- **NAV:** Gross market value of real estate assets - net financial debt +/- other assets and liabilities including credits to group companies and associates
- **NOI:** Gross operating income - Operating expenses.
- **EBITDA:** NOI - Other general costs.
- **EBITDA:** EBITDA - financial income.
- **Recurring net profit:** The Company's profit/(loss), eliminating the result derived from the sale of real estate assets, impairments and reversals, changes in the fair value of equity instruments and the impact of corporation tax.
- **Annualised income:** Forecast of the income to be generated by the real estate assets owned at 12 months from the date of information based on the contractual conditions at that date.
- **Funds from operations (FFO):** Direct cash flow from the Company's operations, i.e. rental income less operating expenses and exceptional expenses involving cash flow or cash movements.

Real estate investments (gross): At 30 September 2023, the Company's gross real estate investments came to 539,746,450 euros. The main changes in this item during 2023 were as follows:

Investments: Property investments made in 2023 totalled 30,588,735 euros. The main additions recorded under this heading relate mainly to the following investments:

- There were additions to assets under construction amounting to 30,446,071 euros, mainly due to renovation work on the hotels at Isla Canela amounting to 930,369 euros, the Sexta Avenida shopping centre in Madrid amounting to 3,440,701 euros, renovation works at the office building in Calle Titan for 92,975 euros, renovation works at the office building in Calle Fuenfría for 75,259 euros, construction works at the Hotel Meliá Ininside Valdebebas for 13,711,026 euros and at the Hospital Sanitas Valdebebas for 12,195,740 euros, both in Madrid. All these works are in progress at 30 September 2023.
- Other property costs of 142,665 euros have been capitalised.

Disposals: Property write downs for the gross amount of 3,590,227 euros were undertaken. The main write downs in 2023 correspond to:

- 1 loft in Coslada III (with its respective annexes) which has resulted in the derecognition of the gross book cost in the amount of 192,038 euros and generated a net loss of 1,584 euros.
- 1 loft in Sanchinarro VI (with related annexes), which resulted in a reduction in gross book cost of 216,870 euros and generated a net gain for the period of 36,390 euros.
- The Company has recovered an amount of 308,020 euros in relation to the municipal capital gains tax paid at the time of the acquisition of the commercial building on Calle Conde de Peñalver in Madrid.
- Commercial premises located at calle Albalá 7, which has led to a reduction in the gross book cost of 2,873,300 euros and has generated a net profit for the period of 2,430,801 euros.

Transfers: During 2023, property investments in progress were transferred to property investments for the refurbishment of the Isla Canela Golf Hotel in the amount of 370,716 euros.

Dividends:

- **Dividends paid out by the Company to shareholders in 2023:**

The proposed distribution of results for 2022 to be made by the directors of the Company to the shareholders is as follows:

	Euros
Profit at 31 December 2022	14,254,857
Legal reserve	1,425,486
Voluntary reserve	175,412
Dividends	12,653,959

The proposed distribution of profits made by the directors of the Company to the General Shareholders' Meeting entailed the distribution, as dividends charged to 2022 profits, of 2.84 euros per share. The gross

dividend for 2022 in the amount of 12,653,959 euros approved by the General Shareholders' Meeting on 27 April 2023 was paid in full on 24 May 2023.

- **Dividends paid out by the Company to shareholders in 2022:**

The proposed distribution of results for 2021 to be made by the directors of the Company to the shareholders is as follows:

	Euros
Profit at 31 December 2021	21,824,771
Legal reserve	2,182,477
Voluntary reserve	4,494,171
Dividends	15,148,123

The proposed distribution of profits made by the directors of the Company to the General Shareholders' Meeting entailed the distribution, as dividends charged to 2021 profits, of 3.40 euros per share. The gross dividend for 2021 in the amount of 15,148,123 euros approved by the General Shareholders' Meeting on 27 April 2022 was paid in full on 3 May 2022.

Net financial debt: The Company has a net financial debt of 138,166,194 euros (137,685,956 euros at 31 December 2022). The breakdown of this debt is as follows:

	Euros	
	30/09/2023	31/12/2022
José Abascal, 41	8,892,000	9,690,000
Titán, 13	9,100,449	9,708,654
Conde de Peñalver, 16	5,909,074	6,303,992
Valle de la Fuenfría, 3	7,396,505	7,763,333
Juan Ignacio Luca de Tena, 17	10,124,016	10,545,492
Glorieta de Cuatro Caminos 6 and 7	3,100,000	3,450,000
Arapiles	24,000,000	12,000,000
Hospital Valdebebas	9,432,000	-
Hotel Valdebebas	12,507,000	3,000,000
Mortgage-backed debt	90,461,043	62,461,471
Drawn down credit facilities	3,974	6,872,437
Long-term loans	61,022,179	70,413,976
Accrued opening costs	-298,968	-315,556
Interest accrued pending maturity	868,860	392,903
Derivative	-353,522	-314,055
Unsecured debt	61,242,523	77,049,705
Cash and bank	-3,537,372	-1,825,221
Group Debt (Pryconsa)	-10,000,000	-
Net financial debt	138,166,194	137,685,956

As of 30 September 2023, the Company had an outstanding mortgage loan debt amounting to 90,461,043 euros (31 December 2022: 62,461,471 euros), which is recognised under "Non-current bank borrowings" and "Current bank borrowings" and relates mainly to mortgage loans arranged with CaixaBank, Banco Santander, Banca March and Kutxabank which at 30 September 2023 had not yet matured or been repaid.

In addition to this bank financial debt, the debt with Group companies at 30 September 2023 amounts to 9,925,415 euros (3,461,920 euros at 31 December 2022).

The Company's LTV at 30 September 2023 was 19.66% (19.91% at year-end 2022). Adding intergroup debt, the LTV at 30 September 2023 is 21.07% (20.41% at 31 December 2022).

Income: At 30 September 2023, the Company had obtained total income of 23,678,361 euros (19,405,120 euros at 30 September 2022). The breakdown of income per asset type is as follows:

	Euros		Variation in %	
	30/09/2023	30/09/2022	Growth	Like for Like Growth
Hotels	5,238,503	4,492,588	16.60%	16.60%
Offices	11,278,157	7,847,011	43.73%	-0.56%
Retail	7,161,701	7,065,521	1.36%	1.83%
Total	23,678,361	19,405,120	22.02%	4.46%

Lease income increased by 22% year on year (4% when disregarding the effect of investments and disposals during the year).

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:

	Euros	
	Nominal value	
	30/09/2023	30/09/2022
Less than a year	28,775,326	27,670,071
Between one and five years	108,627,129	80,358,844
More than five years	132,866,572	111,691,863
Total	270,269,027	219,720,778

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

	WAULT	
	30/09/2023	30/09/2022
Hotels	9.25	8.55
Offices	6.95	7.14
Retail	10.02	11.12
Institutional	10.00	10.00
Total Average	9.12	9.32

NOI: Net Operating Income was positive and amounted to 20,339,923 euros (17,319,912 euros at 30 September 2022), an increase of 17%. The breakdown of NOI per asset type is as follows:

	Euros	
	30/09/2023	30/09/2022
Hotels	5,050,945	4,376,602
Offices	9,536,311	6,763,719
Retail	5,752,667	6,179,590
NOI	20,339,923	17,319,912

At 30 September 2023, **EBITDA** was positive and amounted to 19,817,559 euros (16,863,500 euros at September 2022), a year-on-year increase of 18%.

Financial profit (loss): The financial loss at 30 September 2023 is 4,295,550 euros (6,702,607 euros at September 2022). The breakdown of this result is as follows:

- The total financial income derived from the Group's financing system amounted to 278,029 euros (64,628 euros in September 2022), to which the financial income from third parties amounting to 25,810 euros (8,579 euros in September 2022) as well as dividends collected from financial investments totalling 671,387 euros (377,351 euros on 30 September 2022) must be added.
- Total financial expenses derived from the Group's financing system amounted to 30,480 euros (0 euros in September 2022), to which the financial expenses from third parties amounting to 3,546,059 euros (1,267,888 euros in September 2022) must be added.
- The Company recognised a negative effect on the income statement for a net amount of 1,695,220

euros (a negative amount of 5,885,277 euros at September 2022) as a result of the valuation of the investments in equity instruments available for sale at those dates. Specifically, a block of 6,950 shares of the listed company Unibail Rodamco and another block of 2,685,546 shares of the company Inmobiliaria Colonial SOCIMI, S.A. In 2023, the 6,950 shares of the listed company Unibail Rodamco were sold at an average price of 48.34 euros per share with a capital gain of 985 euros. During the year, dividends were received from Inmobiliaria Colonial SOCIMI, S.A. amounting to 671,387 euros (377,351 euros in 2022).

EBITDA at 30 September 2023 was positive and amounted to 15,522,010 euros (10,160,893 euros in September 2022), a year-on-year increase of 53%.

Depreciation: Depreciation expenses amounted to 4,847,364 euros (4,435,311 euros at 30 September 2022). The 9% increase is a result of new year-on-year investments.

Subsidies: Income from subsidies amounted to 42,263 euros (42,263 euros in September 2022).

Profit/(loss) on disposal of real estate assets: As at 30 September 2022, several properties and their annexes in Sanchinarro VI (1 unit), Coslada III (1 unit) and the commercial premises at Calle Albalá 7 in Madrid were sold to third parties for a gross cost of 3,282,508 euros. These sales transactions generated a joint net profit of 2,430,801 euros (net profit of 268,599 euros at 30 September 2022), which was recognised under “Impairments and gains (losses) on fixed asset disposals” in the profit and loss account at 30 September 2023.

EBIT at 30 September 2023 was positive and amounted to 13,152,905 euros (6,017,882 euros in September 2022), a year-on-year increase of 119%.

Net profit/(loss): Net profit at 30 September 2023 was positive, amounting to 12,736,178 euros (6,017,882 euros in September 2022), giving net earnings per share of 2.86 euros (1.35 euros in September 2022).

2. Valuation of real estate assets

The Company commissioned Jones Lang Lasalle, an independent expert, to conduct a valuation of its assets, which was issued on 6 February 2023, in order to determine the fair values of all its property investments at year-end. Such valuations were conducted on the basis of the market lease value (which consists of capitalising net rents from each property and updating future flows). Acceptable discount rates were used to calculate fair value for a potential investor, which are in keeping with those used by the market for properties having similar characteristics and locations. The valuations were made in accordance with the Appraisal and Valuation Standards published by the Royal Institute of Chartered Surveyors (RICS).

During the first nine months of 2023, in the opinion of the Directors of the Company, there has been no material change in the variables used in the above-mentioned 2022 year-end valuation by the independent expert or in the content or terms of the current leases used in that valuation, other than the inflation and interest rate hikes that will have what is expected to be a negative impact on the asset valuations at year-end.

Based on the valuations made by updating the valuations as at 31 December 2022 internally, the fair value of investment properties shows an unrecognised unrealised gain (by comparing the fair discounted gross market value and the carrying amount) of 252,417,060 euros (239,361,554 euros as at 31 December 2022), for the entire portfolio of the Company.

According to the valuations carried out, there is no negative impact on the Company's income statement at 30 September 2023 or 30 September 2022.

The gross market value of the property investment at 30 September 2023 and 31 December 2022, broken down by business segment, is as follows:

	Gross market value of the Property investments (Euros) (*)	
	30/06/2023	31/12/2022
Hotels (**)	205,830,369	204,000,000
Offices	285,534,858	285,681,522
Retail	211,625,188	211,478,941
Institutional (**)	73,300,000	73,300,000
Total	776,290,416	774,460,463

(*) The net market value at 30 September 2023 came to 757,652,517 euros (755,866,500 euros at 31 December 2022).

(**) In the case of Valdebebas projects, the market value of the completed project is included. Eliminating the effect of the inclusion of the market values of the two completed projects and considering the market value based on the progress of construction, the gross market value of the property investment at 30 September 2023 is 713,762,586 euros with a net market value of 696,625,913 euros (680,358,044 euros at 31 December 2022 with a net market value of 664,116,641 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 2023 are as follows:

- Hotels
- Offices
- Retail
- Institutional

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.

Segment expenses are calculated as the directly attributable expenses incurred in the operating activities, plus the corresponding proportion of the expenses that can be reasonably allocated to the segment.

Segmented income statement

2023 (30 September)

30/09/2023	Euros				
	Hotels	Offices	Retail	Others	Total
Income	5,238,503	11,278,157	7,161,701	-	23,678,361
Indirect costs	-187,558	-1,741,846	-1,409,034	-	-3,338,438
Net Margin	5,050,945	9,536,311	5,752,667	-	20,339,923
General expenses	-115,566	-248,805	-157,993	-	-522,364
EBITDA	4,935,379	9,287,506	5,594,674	-	19,817,559
% of income	94.21%	82.35%	78.12%	-	83.69%
Depreciation	-1,732,276	-2,262,664	-840,831	-11,593	-4,847,364
Subsidies	42,263	-	-	-	42,263
Extraordinary profits (losses)	5,195	-	-	-	5,195
Gain/(loss) on disposal of real estate assets	-	2,430,801	-	-	2,430,801
Impairment/reversal prov.	-	-	-	-	-
Financial profit (loss)	-	-1,360,489	-125,082	-2,809,978	-4,295,550
EBT	3,250,561	8,095,154	4,628,761	-2,821,571	13,152,905
Corporation tax	-	-	-	-416,728	-416,728
Net profit (loss)	3,250,561	8,095,154	4,628,761	-3,238,299	12,736,178
% of income	62.05%	71.78%	64.63%	-	53.79%

2022 (30 September)

30/09/2022	Euros				
	Hotels	Offices	Retail	Others	Total
Income	4,492,588	7,847,011	7,065,521	-	19,405,120
Indirect costs	-115,986	-1,083,291	-885,931	-	-2,085,209
Net Margin	4,376,602	6,763,719	6,179,590	-	17,319,912
General expenses	-105,666	-184,563	-166,182	-	-456,412
EBITDA	4,270,935	6,579,157	6,013,408	-	16,863,500
% of income	95.07%	83.84%	85.11%	-	86.90%
Depreciation	-1,746,840	-1,836,060	-851,879	-532	-4,435,311
Subsidies	42,263	-	-	-	42,263
Extraordinary profits (losses)	-22,226	-	-	-	-22,226
Gain/(loss) on disposal of real estate assets	-	268,599	-	-	268,599
Impairment/reversal prov.	-	3,665	-	-	3,665
Financial profit (loss)	-	-622,848	-86,421	-5,993,338	-6,702,607
EBT	2,544,132	4,392,512	5,075,108	-5,993,870	6,017,882
Corporation tax	-	-	-	-	-
Net profit (loss)	2,544,132	4,392,512	5,075,108	-5,993,870	6,017,882
% of income	56.63%	55.98%	71.83%	-	31.01%

The breakdown of the **income and net book value** for real estate assets heading at 30 September 2023 is as follows:

	Euros					
	30/09/2023			30/09/2022		31/12/2022
	Income	%	Net cost	Income	%	Net cost
Hotels	5,238,503	22%	130,465,180	4,492,588	23%	117,556,061
Offices	11,278,157	48%	207,613,491	7,847,011	40%	209,919,449
Retail	7,161,701	30%	96,856,234	7,065,521	36%	96,818,388
Institutional	-	-	26,410,621	-	-	14,214,881
Total income	23,678,361	100%	461,345,526	19,405,120	100%	438,508,778

At 30 September 2023, 22% of revenue was generated by hotel assets, 48% by offices and 30% by commercial premises. At 30 September 2023, the hotels were fully leased; offices were 88% leased; commercial premises were 59% leased and the institutional area was 100% leased. At 30 September 2023, the occupancy rate of real estate assets was 89%. The Gross Leasable Area (GLA) was 221,120 m².

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

Area	Euros			
	30/09/2023		30/09/2022	
	Income	Income (%)	Income	Income (%)
Madrid	19,537,085	83%	15,913,603	82%
Huelva	4,141,275	17%	3,491,517	18%
Total	23,678,361	100%	19,405,120	100%

Furthermore, it is of interest to highlight the evolution of the **occupation rates** by type of asset from the **standpoint of asset types**: At 30 September 2023, the occupancy rate of the Company's assets allocated for leasing was 89% (94% in September 2022) based on the square metres leased, the breakdown of which was as follows:

Type of asset	% occupation			Floor area in m ² above ground level		
	30/09/2023	30/09/2022	31/12/2022	30/09/2023	30/09/2022	31/12/2022
Hotels	100.00%	100.00%	100.00%	99,408	80,135	99,408
Offices	87.60%	94.61%	95.41%	62,410	63,053	62,406
Retail	59.31%	83.46%	61.73%	40,030	40,736	40,852
Institutional	-	-	100.00%	19,273	-	19,273
Total	89.13%	94.49%	91.66%	221,120	183,924	221,938

During the 2023 financial year, the occupancy rate of the properties has decreased compared to that of 31 December 2022, due to the renovation of the Sexta Avenida shopping centre, which has led to the departure of tenants pending the completion of the works, and also because Acuntia and Global Media left the Valle de la Fuenfría office building.

Even so, the occupancy 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 Investment

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

In view of the 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 Institutional sectors, ensuring the Company's viability in the medium term, along with new lease contracts with lessees possessing outstanding solvency ratings.

5. Disclosure on supplier payment deferrals

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

	30/09/2023	31/12/2022
	Days	
Average payment period to suppliers	52.04	44.48
Ratio of paid transactions	53.16	49.84
Ratio of transactions pending payment	50.12	21.88
	Euros	
Total payments made	19,903,204	15,562,518
Total payments pending	11,615,545	3,689,510

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

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

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

The maximum legal payment period applicable to the Company in 2023 according to Law 3/2004, of 29 December, establishing measures to combat delinquency in commercial transactions, is 30 days from the date on which said Law was published to the present (unless any of the conditions established therein are fulfilled, allowing the maximum legal payment period to be extended to 60 days).

6. Earnings per share at 30 September 2023

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

	Euros	
	30/09/2023	30/09/2022
Net profit	12,736,178	6,017,882
Weighted average number of shares	4,452,197	4,452,197
Earnings per share	2.86	1.35

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

In turn, diluted earnings per share are calculated as the sum of net profit/losses for the period attributable to ordinary shareholders, adjusted based on the effect attributable to potential common shares with a dilutive effect and the weighted average number of common shares in circulation during the period, adjusted based on the weighted average number of common shares that would be issued if all potential common shares were converted into common shares in the company. To this end, it is considered that the conversion takes place at the start of the period or at the time potential common shares are issued, if they have been put into circulation during the period in question.

7. Acquisition of treasury shares

At 30 September 2023, the Company did not hold any treasury shares in its portfolio.

8. Research and development activities

The Company does not carry out research and development activities.

9. Main risks to the Company

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

a) Credit risk

The Company's main financial assets are cash flow and cash balances, trade creditors and other accounts receivable in investments. These 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 Directors of the Company on the Company's cash generating capacity, the Directors believe that the Company has enough capacity to obtain financing from third parties were it necessary to make new investments. Consequently, there is no evidence that the Company will encounter liquidity problems in the medium term. Liquidity is guaranteed by the nature of the investments made and lessees' high credit ratings, as well as by the collection guarantees set forth in prevailing agreements.

c) Exchange rate risk

As regards the Company's exchange rate risk at 30 September 2023, it did not have any assets or liabilities in foreign currencies. Hence, there is no risk in this regard.

d) Interest rate risk

The Company has two long-term loans financing mainly long-term assets, as well as short-term working capital financing facilities. The risk of interest rate fluctuations is very low since the Company is not highly exposed to debt. The Company's policy on interest rates consists of not taking out interest rate hedges through hedging financial instruments, swaps, etc., since any change in interest rates would have an insignificant effect on the Company's results, taking into account its low debt levels and today's very low interest rates.

However, on 17 February 2017, the Company arranged an interest rate swap for 8,550,000 euros, which will

be valid from 1 April 2019 to 1 April 2026 and linked to a mortgage loan of 11,400,000 euros taken out in 2017 on the property located in calle José Abascal 41 in Madrid.

e) Real estate business risks

Changes in the economic situation at both local and international levels, occupation and employment growth rates, interest rates, tax legislation and consumer confidence have a significant impact on the real estate markets. Any unfavourable change in any of these or in other economic, demographic or social variables in Europe, and Spain in particular, could lead to a reduction in real estate activity in these countries. The cyclical nature of the economy has been statistically proven, as has the existence of microeconomic and macroeconomic aspects that directly or indirectly affect the way the property market performs, particularly the rentals which make up the Company's main investment activity.

Other market risks to which the Company is exposed include:

- **Regulatory risks:** the Company is bound to comply with several general and specific legal provisions in force (legal, accounting, environmental, employment, tax, data protection provisions, among others) which apply to it. Any regulatory changes that come about in the future may have a positive or negative effect on the Company.
- **Tourism risk:** a significant part of the Company's assets (mainly hotels) are connected to the tourism industry. Any drop in tourism activity in the cities where these hotels are located could have a negative effect on hotel use and occupancy. As a result, this could have a negative effect on the yield and performance of these assets if tenants renegotiate current lease agreements.

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

10. Outlook for 2023

Given the Company's activity, the Directors of the Company consider that 2023 will continue to be positive as regards the maintenance of long-term lease contract conditions. The outlook is therefore positive, taking into account the long-term lease contracts with top quality lessees in the hotel, offices, commercial and institutional 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.

In 2022, work began on the construction of a new hotel and conference centre on plot TER.02-178-A and a hospital on plot TER.02-178-A1, for tertiary and institutional use, located at calle José Antonio Fernández Ordóñez, 55 and calle Gustavo Pérez Puig 66, Madrid, in the Specific Planning Area APE 16.11. RP "Ciudad Aeroportuaria y Parque de Valdebebas". Their use is defined as tertiary, with the application of Ordinance TER_2, and they have a joint buildability above ground level of 38,545 m²e. In 2023, works are progressing normally, with a progress rate of 49% in the case of the hotel and 39% in the case of the hospital, both in line with the projected progress of the construction schedule.

In June 2023, work began on the redesign and repositioning of the Sexta Avenida shopping centre in Madrid.

In April 2022, the Company initiated a plan to raise debt capital to secure funding for the new projects initiated in that financial year and the initial forecast for 2023 that required specific financing. These include (i) the construction of the new properties described above, (ii) the complete renovation of the building for public use at Calle Arapiles 14 in Madrid, (iii) the acquisition of an office building at Avda. de Cantabria 51 in Madrid, (iv) the acquisition of an office building at Calle de Santiago de Compostela 100 bis in Madrid and (v) the redesign and repositioning of the Sexta Avenida Shopping Centre in Madrid.

The reason for the stock market impairment of the financial investment in Colonial's shares was the devaluation of the market value of its properties. It is possible that the share price of this company will continue to suffer for some time from high inflation and the uncertainties arising from the wars in Ukraine and Israel, even if it is able to sell properties that achieve a much higher value than that resulting from the application of the average discount assigned to them by the stock market. Given the quality of the assets in the portfolio of the investee company, the directors of the Company are confident that Colonial will be able to return to fair values in the medium term and recover the impairment now suffered and recognised. In the

meantime, the Company continues to receive its dividends.

11. Information on conflicts of interest among the Directors

On 30 September 2023, neither the members of the Board of Directors of Saint Croix Holding Immobilier, SOCIMI, S.A. or the parties related to them, as laid down pursuant to the Corporate Enterprises Act, had reported to the other members the Board of Directors any direct or indirect conflict of interests with those of the Company.

12. Subsequent disclosures

Subsequent to 30 September 2023 and up to the date of the approval of this management report there have been no significant events.

Madrid, 19 October 2023.

Mr. Marco Colomer Barrigón
Chairman and Chief Executive Officer