



Árma Real Estate SOCIMI, S.A. and subsidiaries

Report on limited review
Condensed consolidated interim financial statements
for the six-month period ended June 30, 2021
Consolidated interim management report



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Report on limited review of condensed interim consolidated financial statements

To the shareholders of Árima Real Estate SOCIMI, S.A.

Introduction

We have performed a limited review of the accompanying condensed interim consolidated financial statements (hereinafter, the interim financial statements) of Árima Real Estate SOCIMI, S.A. (hereinafter, “the parent company”) and its subsidiaries (hereinafter, “the group”), which comprise the statement of financial position as at June 30, 2021, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all condensed and consolidated, for the six months period then ended. The parent company’s directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, “Interim Financial Reporting”, as adopted by the European Union, for the preparation of condensed interim financial information, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with legislation governing the audit practice in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six months period ended June 30, 2021 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, “Interim Financial Reporting”, as adopted by the European Union, for the preparation of condensed interim financial statements, as provided in Article 12 of Royal Decree 1362/2007.



Emphasis of Matter

We draw attention to Note 2.1, in which it is mentioned that these interim financial statements do not include all the information required of complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, therefore the accompanying interim financial statements should be read together with the consolidated annual accounts of the group for the year ended December 31, 2020. Our conclusion is not modified in respect of this matter.

Other Matters

Consolidated interim management report

The accompanying consolidated interim management report for the six-month period ended June 30, 2021 contains the explanations which the parent company's directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this management report is in agreement with that of the interim financial statements for the six-month period ended June 30, 2021. Our work is limited to checking the consolidated interim management report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Árima Real Estate SOCIMI, S.A. and its subsidiaries' accounting records.

Preparation of this review report

This report has been prepared at the request of the Board of Directors in relation to the publication of the half-yearly financial report required by Article 119 of Royal Legislative Decree 4/2015 of 23 October, approving the revised text of the Securities Market Law developed by the Royal Decree 1362/2007, of 19 October.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Rafael Pérez Guerra

28 July 2021



This version of the condensed interim consolidated financial statements is a free translation from the original, which is prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the condensed interim consolidated financial statements takes precedence over this translation.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

Condensed Consolidated Interim Financial Statements
and the Consolidated Interim Management Report
for the six-month period ended at 30 June 2021



ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

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ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AT 30 JUNE 2021
(Thousand euros)

ASSETS	Note	At 30 June 2021	At 31 December 2020
NON-CURRENT ASSETS			
Intangible assets		137	69
Property, plant and equipment	5	289	278
Investments properties	6	292,500	275,750
Non-current investments	7, 8	2,474	2,493
Loans to third parties		1,561	1,556
Other non-current financial assets		913	937
		295,400	278,590
CURRENT ASSETS			
Trade receivables and other receivable services		5,908	6,530
Trade receivables for sales and services	7, 8	208	299
Other receivables accounts	7, 8	236	1,697
Other credits held with Public Authorities	13	5,464	4,534
Other current financial assets	7	36	135
Prepayment for current assets		351	232
Cash and cash equivalents	9	117,928	129,086
Cash and banks		117,928	129,086
		124,223	135,983
		419,623	414,573

Notes 1 to 19 form an integral part of these condensed consolidated interim financial statements at 30 June 2021.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AT 30 JUNE 2021
(Thousand euros)**

EQUITY AND LIABILITIES	Note	At 30 June 2021	At 31 December 2020
EQUITY			
Share capital	10	284,294	284,294
Share premium	10	5,769	5,769
Reserves		18,340	5,267
Profit (loss) for the period		7,084	13,091
Treasury shares	10	(5,815)	(5,082)
Hedging transactions	14	(1,141)	(1,486)
		308,531	301,853
NON CURRENT LIABILITIES			
Bank loans and credits	7, 11	104,010	104,039
Financial hedging derivatives	7, 11, 14	1,141	1,486
Other non-current financial liabilities	7	977	960
		106,128	106,485
CURRENT LIABILITIES			
Bank loans and credits	11	465	39
Other current financial liabilities	7	55	100
Trade and other payables	11	4,444	6,096
Commercial creditors and other payables	11	3,488	2,251
Other current debts	11	600	1,200
Other debts with Public Authorities	13	356	2,645
		4,964	6,235
		419,623	414,573

Notes 1 to 19 form an integral part of the condensed consolidated interim financial statements at 30 June 2021.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021
(Thousand euros)**

	Note	Six-month period ended at 30 June 2021	Six-month period ended at 30 June 2020
CONTINUED OPERATIONS			
Revenue	12	2,894	3,057
Changes in fair value of investment properties	6	8,151	8,550
Personnel costs	12, 16	(1,944)	(6,748)
Other operating costs	12	(1,440)	(1,743)
Depreciation of intangible assets		(2)	-
Depreciation of plant, property and equipment	5	(26)	(10)
OPERATING RESULTS		7,633	3,106
Financial income		5	2
Financial expenses		(554)	(571)
FINANCIAL RESULT	12	(549)	(569)
PRE-TAX RESULT		7,084	2,537
Income tax	13	-	-
PROFIT (LOSS) FOR THE PERIOD	12	7,084	2,537
Earnings per share attributable to the dominant's company owners (Euros per share)			
Basic and diluted earning per share	10	0.25	0.09

Notes 1 to 19 form an integral part of the condensed consolidated interim financial statements at 30 June 2021.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES TO EQUITY FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021
(Thousand euros)

	Note	Six-month period ended at 30 June 2021	Six-month period ended at 30 June 2020
Profit (loss) for the financial year	12	7,084	2,537
<u>Other comprehensive income</u>			
<i>Entries that may subsequently be reclassified to results</i>		345	(637)
Other results		-	-
Cash-flow hedges transactions	11, 14	345	(637)
<i>Entries that won't subsequently be reclassified to results</i>		-	-
Other comprehensive income for the period		7,429	1,900
Total comprehensive income for the period		7,429	1,900

Notes 1 to 19 form an integral part of the condensed consolidated interim financial statements at 30 June 2021.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021
(Thousand euros)

	Share Capital (Note 10)	Share Premium (Note 10)	Reserves	Accumulated earnings (Note 10)	Other equity instruments	Treasury shares (Note 10)	Hedging reserves (Note 14)	TOTAL
BALANCE AT 1 JANUARY 2020	284,294	5,769	(9,924)	15,389	5,610	(625)	(735)	299,778
Profit/(loss) for the financial year	-	-	-	2,537	-	-	-	2,537
Other comprehensive income for the financial year	-	-	-	-	-	-	(637)	(637)
Total comprehensive income for the financial year	-	-	-	2,537	-	-	(637)	1,900
Other movements	-	-	15,370	(15,389)	(3,790)	-	-	3,771
Other results in treasury shares (Note 10)	-	-	1	-	-	(3,014)	-	(3,013)
BALANCE AT 30 JUNE 2020	284,294	5,769	5,447	2,537	9,400	(3,639)	(1,372)	302,436
BALANCE AT 1 JANUARY 2021	284,294	5,769	5,267	13,091	-	(5,082)	(1,486)	301,853
Profit/(loss) for the period	-	-	-	7,084	-	-	-	7,084
Other comprehensive income for the period	-	-	-	-	-	-	345	345
Total comprehensive income for the period	-	-	-	7,084	-	-	345	7,429
Other movements	-	-	13,073	(13,091)	-	-	-	(18)
Other results in treasury shares (Note 10)	-	-	-	-	-	(733)	-	(733)
BALANCE AT 30 JUNE 2021	284,294	5,769	18,340	7,084	-	(5,815)	(1,141)	308,531

Notes 1 to 19 form an integral part of the condensed consolidated interim financial statements at 30 June 2021.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021
(Thousand euros)**

	Note	Six-month period ended at 30 June 2021	Six-month period ended at 30 June 2020
A) CASH-FLOW FROM OPERATING ACTIVITIES			
Pre-tax result for the period		7,084	2,537
Adjustments to profit/loss		(6,974)	(4,181)
Depreciation of intangible assets		2	-
Depreciation of property, plant and equipment	5	26	10
Financial income		(5)	
Financial expenses		554	569
Changes in fair value of investment properties	6	(8,151)	(8,550)
Other adjustments to profit/loss		600	3,790
Changes in working capital		(2,860)	(5,315)
Debtors and other receivables	8	1,552	(53)
Other current assets		(950)	(3,829)
Creditors and other payables	11	(3,736)	(1,519)
Other current liabilities		(28)	(83)
Other non-current assets and liabilities		302	169
Cash-flow from operating activities		(2,750)	(6,959)
B) CASH-FLOW FROM INVESTMENT ACTIVITIES			
Payments on investments		(7,040)	(23,067)
Intangible assets		(70)	-
Property, plant and equipment	5	(37)	(47)
Investment properties	6	(6,933)	(23,020)
Cash-flow from investment activities		(7,040)	(23,067)
C) CASH-FLOW FROM FINANCING ACTIVITIES			
Receivables and payments on equity instruments		(733)	(3,013)
Acquisition of treasury shares	10	(733)	(3,926)
Disposal of treasury shares	10	-	913
Receivables and payments on financial liabilities		(635)	31,111
Financial borrowings	11	-	31,793
Paid interest		(635)	(682)
Cash-flow from financing activities		(1,368)	28,098
NET INCREASE/REDUCTION IN CASH AND CASH EQUIVALENTS		(11,158)	(1,928)
Cash and cash equivalents at beginning of period		129,086	153,967
Cash and cash equivalents at end of period	9	117,928	152,039

Notes 1 to 19 form an integral part of the condensed consolidated interim financial statements at 30 June 2021.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021 (Thousand euros)

1. GENERAL INFORMATION

Árma Real Estate SOCIMI, S.A. (hereinafter, the “Company” or the “dominant Company”) was incorporated in Spain on 13 June 2018 under the Spanish Capital Companies Act. Its registered office is located at calle Serrano, 47 4th floor, 28001 Madrid.

Its corporate purpose is described in Article 2 of its articles of association and consists of:

- The acquisition and development of urban properties intended for lease.
- The ownership of interests in the share capital of other Spanish Real Estate Investment Trusts (*Sociedad Anónima Cotizada de Inversión en el Mercado Inmobiliario*, “SOCIMI”) or other companies that are not resident in Spain, that have the same corporate purpose, and that are governed by rules similar to those governing SOCIMIs as regards the compulsory, legal or statutory policy on profit distribution.
- The ownership of interests in the share capital of other companies that are both resident and non-resident in Spain, whose corporate purpose is the acquisition of urban properties for lease, and which are governed by the same rules that govern SOCIMIs as regards the compulsory, legal or statutory policy on profit distribution, and which meet the investment requirements set out in Article 3 of the Spanish SOCIMI Act.
- The ownership of shares or holdings in Collective Investment Institutions governed by Spanish Collective Investment Institutions Act 35 of 4 November 2003.

The Company may also engage in other ancillary activities, this being understood to mean activities that generate income accounting for less than 20% of the Company’s total income over a single tax period. The Company carries out its activity at calle Serrano, 47 4th floor, 28001 Madrid.

Any activity that must by law meet special requirements that are not met by the Company are excluded.

The aforementioned business activities may also be fully or partially engaged in indirectly by the Company through the ownership of interests in another company or companies with a similar corporate purpose.

a) Regulatory regime

The Company is regulated under the Spanish Capital Companies Act.

In addition, on 27 September 2018 the Company informed the Tax Authorities that it wished to opt for application of the rules governing Spanish Real Estate Investment Trusts (SOCIMIs), and is therefore subject to Act 11 of 26 October 2009, with the amendments introduced by Act 16 of 27 December 2012 and others later, under which SOCIMIs are governed. Article 3 of Act 11 of 26 October 2009 sets out certain requirements that must be met by this type of company, namely:

- i. They must have invested at least 80% of the value of their assets in urban properties intended for lease, or in land for the development of properties that are to be used for the same purpose, provided that development begins within three years following its acquisition, or in equity investments in other companies, as set out in Article 2 section 1 of the aforementioned Act.
- ii. At least 80% of the income from the tax period corresponding to each year, excluding the income deriving from the transfer of ownership interests and real estate properties used by the Company to

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021 (Thousand euros)

comply with its main corporate purpose, once the retention period referred to in the following paragraph has elapsed, must come from the lease of properties and from dividends or shares in profits associated with the aforementioned investments.

- iii. The real estate properties that make up the Company's assets must remain leased for at least three years. Calculation of this term will include the time that the properties have been offered for lease, up to a maximum of one year.

The Company has been listed on the Spanish Stock Market since 23 October 2018.

The individual annual accounts of Árima Real Estate SOCIMI, S.A. and the consolidated annual accounts of Árima Real Estate SOCIMI, S.A. and subsidiaries at 31 December 2020 were prepared on 18 February 2021 and approved, without modifications, by the Company's shareholders on 29 June 2021.

The figures contained in these consolidated interim summary financial statements are expressed in thousands of euros, unless otherwise indicated.

b) Subsidiary companies

As of 30 June 2021 and 31 December 2020, Árima Real Estate SOCIMI, S.A., is the dominant company of a Group of companies (hereinafter, the "Group") which is comprised of the next subsidiary:

Name	Address	Activity	Share %
Árima Investigación Desarrollo e Innovación, S.L.U.	Calle Serrano 47, 4 th floor, 28001 Madrid	Real Estate Business Sustainability projects Exploitation of industrial property rights	100

Árima Real Estate Investments, S.L.U. was incorporated on 10 December 2018. Its trade name was modified on 7 November 2019 to the current Árima Investigación, Desarrollo e Innovación, S.L.U. At 10 December 2018, Árima Real Estate SOCIMI, S.A. becomes the dominant company of a group of companies.

2. BASES FOR THE PRESENTATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The main accounting policies adopted in the preparation of the condensed consolidated interim financial statements are described below. These policies have been applied uniformly for the period presented, unless otherwise indicated.

2.1 Bases for presentation

These condensed consolidated interim financial statements for the six-month period ended at 30 June 2021 have been prepared in accordance with IAS 34, "Interim financial information", and therefore do not include all the information required by consolidated financial statements. completed in accordance with the International Financial Reporting Standards, adopted by the European Union, so that the accompanying interim financial statements must be read together with the consolidated annual accounts of the Group for the year ended at 31 December 2020, prepared from in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU).

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021 (Thousand euros)

The preparation of these consolidated interim financial statements in accordance with the IFRS-EU requires the use of certain critical accounting estimates. It also requires the Management to exercise its judgment in the process of applying the Group's accounting policies. Note 2.4 discloses the areas that imply a higher degree of judgment or complexity or the areas where the hypotheses and estimates are significant for the consolidated condensed interim financial statements.

The Group's activity does not have a seasonal nature.

The accounting policies adopted by the Group in these condensed consolidated interim financial statements are consistent with those of the consolidated annual accounts for the 2019 fiscal year, except as described in Note 2.3.

These condensed consolidated interim financial statements have been developed and prepared by the Board of Directors on 27 July 2021. These condensed consolidated interim financial statements have been subject to a limited review, but have not been audited.

2.2 Comparative information

For comparative purposes, the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flow as of 30 June 2021 are presented comparatively with information relating to the six months ended 30 June 2020. The condensed consolidated interim balance sheet is presented with information relating to the year ended 31 December 2020.

2.3 IFRS Interpretation Committee and IFRIC modifications

Standards, modifications and mandatory interpretations for all years beginning on 1 January 2021:

- IFRS 9 (Modification), IAS 39 (Modification), IFRS 7 (Modification), IFRS 4 (Modification) and IFRS 16 (Modification) – “Interest rate benchmark reform: Phase 2”.
- IFRS 4 (Modification) – “Extension of the temporary exemption from applying IFRS 9.”

These amendments on the condensed consolidated interim financial statements of the company have not had a significant impact.

Standards, modifications and interpretations to the existing norms that have not come into effect, but which can be adopted in advance for the financial years beginning on 1 January 2020:

- IFRS 16 (Modification) – “Property, plant and equipment – Revenue before set in motion.”
- IAS 37 (Modification) – “Onerous contracts – Cost of breaching a contract.”
- IFRS 3 (Modification) – “Reference to Conceptual Framework.”
- Annual Improvements to IFRS. Cycle 2018 - 2020: The amendments affect IFRS 1, IFRS 9, IFRS 16 and IAS 41 and apply to annual periods beginning on or after 1 January 2022.
 - o IFRS 1 "First-time adoption of IFRS".
 - o IFRS 9 "Financial Instruments".
 - o IAS 41 "Agriculture".
 - o IFRS 16 (Amendment) "COVID-19 related lease reductions after 30 June 2021".

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021 (Thousand euros)

The Group has not adopted in advance any of the previous modifications as they would not have a material effect on these condensed consolidated interim financial statements.

Standards, modifications and interpretations to the existing norms that can not be adopted in advance or that have not been adopted by the European Union:

At the date on which these condensed consolidated interim financial statements are signed, the IASB and the IFRS Interpretations Committee had published the standards, modifications and interpretations detailed below can't be adopted in advance by the Group or that are pending adoption by the European Union.

- IFRS 10 (Modification) y IAS 28 (Modification) – “Sale of contribution of assets between an investor and its associates of joint venture.”
- IFRS 14 – “regulatory deferral accounts”
- IFRS 17 – “Insurance contract.”
- IFRS 17 (Modification) – “Amendments to IFRS 17.”
- IAS 1 (Modification) – “Clasification of liabilities as current or non-current.”
- IAS 1 (Modification) – “ Presentation of Financial Statements.”
- IAS 8 (Modification) – “Definition of accounting estimates.”
- IFRS 16: “Covid-19-Related Rent Concessions beyond 30 de June 2021”
- IAS 12 (Modification) – “Deferred Tax related to Assets and Liabilities arising from a Single Transaction.”

If any of the above standards were adopted by the European Union or they could be adopted in advance, the Group will apply them with the corresponding effects in its financial statements.

These amendments or interpretations on the condensed consolidated interim financial statements of the Group will not have a significant impact.

2.4 Use of estimates

The preparation of these condensed consolidated interim financial statements requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the presented amounts of assets and liabilities, income and expenses. Actual results could differ from these estimates. In preparation of this condensed consolidated interim financial statements, the important judgements made by the Management when applying the Group's accounting policies and the key sources of uncertainty in the estimation have been the same as those applied in the consolidated annual accounts for the year ended on 31 December 2020, except for changes in estimates to determinate the provision for income tax (Note 3).

3. FINANCIAL RISK MANAGEMENT

The Company's activities are exposed to various financial risks: market risk (including interest rate risk), credit risk, liquidity risk, tax risk and other risks. The Company's risk management programme focuses on uncertainty in financial markets and seeks to minimise any potential adverse impact on its financial profitability.

Risk management is overseen by the Company's Finance Department, which identifies, evaluates and hedges financial risks in accordance with the policies approved by the Board of Directors of the dominant Company.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021 (Thousand euros)

The Board provides policies for overall risk management and policies covering specific areas such as interest rate risk, liquidity risk, the use of derivatives and non-derivatives and investing excess liquidity.

3.1 Financial risk factors

a) Market risk

The Group's interest rate risk arises from the financial debt. Loans issued at variable rates expose the Group to interest rate risk of cash flows. During the six-month period ended at 30 June 2021, the Group has not required new bank financing to the existing one previously. The loans are remunerated at an interest rate referenced to EURIBOR plus a spread between 1.40% and 1.70%. As of 30 June 2021, the amount drawn down in nominal terms from this variable rates financial agreements amounts to 63,644 thousand euros.

The Group analyzes exposure to interest rate risk dynamically. Several scenarios are simulated taking into account the alternatives of financing and coverage. Based on these scenarios, the Group calculates the impact on the result for a given change in the interest rate (scenarios are used only for liabilities that represent the most significant positions subject to interest rates).

These analyses take into account:

- Economic environment in which it carries out its activity: design of different economic scenarios modifying the key variables that may affect the group (interest rates, share price, percentage of occupancy of real estate investments, etc.).
- Identification of those interdependent variables and their level of linkage.
- Temporary framework in which the evaluation is being carried out: the time frame for the analysis and its possible deviations will be taken into account.

Based on the simulation carried out, the Group manages the cash flow interest rate risk through variable to fixed interest rate swap. These interest rate swaps have the economic effect of converting loans at variable interest rates into loans at fixed interest rates. Generally, the Group obtains foreign long-term resources with variable interest and exchanges them for a fixed interest rate lower than those that would be available if the Group had obtained the external resources directly at fixed interest rates. Under interest rate swaps, the Group undertakes with third parties to exchange, on a regular basis, the difference between the fixed interest and the variable interest based on the principal notional contracted.

b) Credit risk

Credit risk is managed at the Group level. The Group defines the credit risk management and analysis policy of its new clients before proceeding to offer them the usual payment terms and conditions.

Credit risk originates, mainly from investment property rental, as well as from various debtors. The Group's risk control establishes the credit quality that the client must possess, taking into account its financial position, past experience and other factors. The Group considers that it does not have significant concentrations of credit risk, this being understood to refer to the possible impact that a default on receivables could have on the income statement.

The Group maintains its cash and other equivalent liquid assets in entities with the best credit quality.

c) Liquidity risk

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021 (Thousand euros)

Cash flow predictions are carried out by the Group's Finance Department. This Department monitors forecasts of the Group's liquidity requirements in order to ensure that it has sufficient cash to meet its operational needs while maintaining sufficient available liquidity at all times to ensure that the Group continues to comply with its financing limits and covenants (Note 11).

d) Tax risk

As mentioned in Note 1, the Company is subject to the special tax regime of the rules governing Spanish Real Estate Investment Trusts (SOCIMIs). It is therefore subject to Act 11 of 26 October 2009, with the amendments introduced by Act 16 of 27 December 2012, under which SOCIMIs are governed. Article 3 of Act 11 of 26 October 2009 sets out certain requirements that must be met by this type of company. The companies that have opted for said regime are obliged to distribute dividends to its shareholders, once the pertinent mercantile obligations have been fulfilled, the benefit obtained in the year, having to arrange their distribution within the six months following the end of each year and be paid within the month following the date of the agreement of distribution.

In the event that the Shareholders' Meeting of such companies does not approve the distribution of dividends proposed by the Board of Directors, which would have been calculated in accordance with the requirements set forth in the aforementioned law, they would not be complying with it, and therefore they should be taxed under the general tax regime and not the one applicable to the SOCIMI.

e) Other risks

The appearance of the Coronavirus COVID-19 in January 2020 in China and its global expansion to a large number of countries, led the viral outbreak to be classified as a pandemic by the World Health Organization since 11 March 2020.

This pandemic affected economic and financial markets and virtually all sectors of the economy are still facing significant challenges arising from current economic conditions. Although the vaccination of the population have made significant progress in recent months, the economic outlook is still difficult to foresee.

The Company's Management and the Board of Directors continue to carry out, with the available information, an assessment of the main impacts that the pandemic has in these condensed consolidated interim statements.

- Operational and business Risk:

In general terms, although at the moment of this condensed consolidated interim financial statements approval, the coronavirus crisis has not significantly affected the Group's activity, which has demonstrated resilient financial performance, it could observed a trend towards some stabilization of rents in the areas where the Group has investments properties, which could have impacted in their fair value. Real estate investments have remained open and accessible to tenants during this period, with all available services and enhanced measures for cleaning, disinfection and air filtration; and the evolution of the business has followed a favourable path, without significant impacts that have led to the adoption of extraordinary measures. Moreover, rehabilitation projects have run their course without significant delays and without altering the Group's strategy. In addition, the Group has a high quality tenant base that has not altered the rental collection periods. The Board of Directors continue to monitor the possible impacts that the pandemic may have on the course of the ongoing works of certain real estate investments and the rental contracts of current and future tenants.

- Liquidity risk:

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The Board of Directors monitors liquidity needs to ensure that it has the necessary financial resources to meet its needs. The Group is in a very robust position as it has cash and cash equivalents in the amount of 117,918 thousand euros, the level of leverage is not high (Note 3.2) and the maneuvering fund amounts to 119,259 thousand euros. In addition, 95% of the debt service facing the Group will take place in 2025 and subsequent years.

- Risk of valuation of assets and liabilities of the consolidated balance sheet:

There have been no significant increases in risks from default or deterioration in the tenants' financial position, given the Group's zero exposure to retail or corporate tenants operating in the industries most affected by Covid-19. In addition, the Group counts at fair value real estate investments based on valuations made by the independent expert whose assumptions already reflect potential impacts of Covid-19.

With respect to the remaining assets and liabilities of the consolidated balance sheet, no significant value changes related to the potential effects of the pandemic have been detected.

With regard to the preparation of these Condensed Consolidated Interim Financial Statements, the Board of Directors have assessed and concluded that the Group's financial resources continue to allow the implementation of the going concern basis.

Due to the rapid and frequency of changes in the events and the potential evolution of the pandemic in the coming months (potential mitigating impacts and actions), significant estimates and judgments from the Board of Directors could be affected.

Finally, it is worth mentioning that the Administrators and the Group Management are constantly monitoring the development of the situation in order to successfully address the possible financial and non-financial impacts that may occur.

3.2 Capital management

The main objectives of the Group's capital management are to ensure financial stability in the short and long term, the positive performance Árima Real Estate SOCIMI, S.A.'s share and the appropriate financing of investments. The financial leverage ratios, calculated as: (Financial debt / (Financial debt + Net equity)) as of 30 June 2020 and 31 December 2019 are as follows:

	30 June 2021	31 December 2020
Financial debt	104,475	104,078
Equity	308,531	301,853
Leverage	25.30%	25.64%

The Board of Directors considers the Group's level of indebtedness as low. At 30 June 2021, the leverage amounted to 25.30% (25.64% at 31 December 2020).

3.3 Estimation of fair value

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In accordance with IFRS 13, the hierarchical level at which an asset or liability is classified in its entirety (Level 1, Level 2 or Level 3) is determined based on the relevant input data used in the lowest valuation within the hierarchy of fair value. In case the input data used to measure the fair value of an asset or liability can be classified within the different levels, the fair value measurement is classified in its entirety at the same level of the fair value hierarchy as the data input level that is significant for the value measurement.

- Level 1: Quoted prices (unadjusted) in active markets for assets or liabilities identical to those that the entity can access on the date of valuation.
- Level 2: Distinguished data of quoted prices included in Level 1 that are observable for assets or liabilities, directly or indirectly through valuation techniques that use observable market data.
- Level 3: Input data not observable in the market for the asset or liability.

The above levels are specified in IFRS 13 Value Measurement. These valuations have a subjective component as they are made based on the valuer's assumptions, which may not be accurate. For this reason, and in accordance with EPRA's recommendations, we have classified the valuations of real estate investments at Level 3, as established in IFRS 13.

The following table shows the financial assets and financial liabilities of the Group valued at fair value:

30 June 2021

	Thousand euros			
Assets	Level 1	Level 2	Level 3	Total
Long-term financial investments				
Investment property (Note 6)	-	-	292,500	292,500
Total assets	-	-	292,500	292,500
Liabilities				
Liabilities	Level 1	Level 2	Level 3	Total
Financial hedging instruments				
Financial hedging instruments (Note 14)	-	1,141	-	1,141
Total Liabilities	-	1,141	-	1,141

31 December 2020

	Thousand euros			
Assets	Level 1	Level 2	Level 3	Total
Long-term financial investments				
Investment property (Note 6)	-	-	275,750	275,750
Total Assets	-	-	275,750	275,750
Liabilities				
Liabilities	Level 1	Level 2	Level 3	Total
Financial hedging instruments				
Financial hedging instruments (Note 14)	-	1,486	-	1,486
Total Liabilities	-	1,486	-	1,486

The fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on estimated interest rate curves.

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4. FINANCIAL INFORMATION BY SEGMENT

The Investments Committee, together with the Board of Directors of the dominant Company, are the highest level of decision-making in operations. The Management has defined the operating segments, based on the information reviewed by these bodies in order to assign resources and evaluate the Group's performance. The management identifies three segments that must be reported: offices, logistics and corporate.

				Thousand euros
	Offices	Logistics	Corporate	Total
30 June 2021				
Net amount of turnover	2,090	804	-	2,894
Changes in the estimated fair value of investment properties	5,273	2,878	-	8,151
Operating costs	(619)	(61)	(2,704)	(3,384)
Fixed assets amortization	-	-	(28)	(28)
Operating Results	6,744	3,621	(2,732)	7,633
Financial income	-	-	5	5
Financial expenses	(458)	(96)	-	(554)
Financial Result	(458)	(96)	5	(549)
Pre-tax result	6,286	3,525	(2,727)	7,084
Income tax	-	-	-	-
Profit (loss) for the period	6,286	3,525	(2,727)	7,084

				Thousand euros
	Offices	Logistics	Corporate	Total
30 June 2020				
Net amount of turnover	2,246	811	-	3,057
Changes in the estimated fair value of investment properties	8,382	168	-	8,550
Operating costs	(713)	(85)	(7,693)	(8,491)
Fixed assets amortization	-	-	(10)	(10)
Operating Results	9,915	894	(7,303)	3,106
Financial income	-	-	2	2
Financial expenses	(448)	(106)	(17)	(571)
Financial Result	(448)	(106)	(15)	(569)
Pre-tax result	9,467	788	(7,718)	2,537
Income tax	-	-	-	-
Profit (loss) for the period	9,467	788	(7,718)	2,537

100% of the income corresponds to transactions carried out in Spain in both the six months ended 30 June 2021 and the six months ended 30 June 2020.

The amounts that are provided to the Investment Committee and the Board of Directors in respect of the total assets and liabilities are as follows. These assets and liabilities are allocated on the basis of segment activities.

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(Thousand euros)**

30 June 2021	Thousand euros			
	Offices	Logistics	Corporate	Total
Non-current assets	266,849	26,536	2,015	295,400
Investments properties	266,300	26,200	-	292,500
Other non-current assets	549	336	2,015	2,900
Current assets	2,309	883	121,031	124,223
Non-current liabilities	96,607	9,521	-	106,128
Current liabilities	3,588	283	1,093	4,964

31 December 2020	Thousand euros			
	Offices	Logistics	Corporate	Total
Non-current assets	253,121	23,536	1,933	278,590
Investments properties	252,550	23,200	-	275,750
Other non-current assets	571	336	1,933	2,840
Current assets	25,543	10,839	99,601	135,983
Non-current liabilities	96,785	9,700	-	106,485
Current liabilities	1,944	65	4,226	6,235

5. PROPERTY, PLANT AND EQUIPMENT

The following table contains a breakdown of the entries shown for “Property, plant and equipment” and the relevant movements:

	Thousand euros	
	Property, plant and equipment	Total
Balance at 1 January 2020	136	136
Cost	149	149
Accumulated depreciation	(13)	(13)
Net book value	136	136
Added	190	190
Sales	(23)	(23)
Allocation to depreciation	(28)	(28)
Reduction of depreciation charge	3	3
Balance at 31 December 2020	278	278
Cost	316	316
Accumulated depreciation	(38)	(38)
Net book value	278	278
Added	37	37
Allocation to depreciation	(26)	(26)
Balance at 30 June 2021	289	289

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Cost	353	353
Accumulated depreciation	(64)	(64)
Net book value	289	289
a) <u>Losses due to impairment</u>		

During the six-month period ended at 30 June 2021 and 2020, no entries were made or reversed in respect of value correction for impairment in relation to any property, plant and equipment item.

b) Fully depreciated property, plant and equipment

No item had been fully depreciated property, plant and equipment at 30 June 2021 neither at 31 December 2020.

6. INVESTMENT PROPERTIES

Investment properties include office buildings and other items owned by the Company that are held to obtain long-term rental income and are not occupied by the Company.

The following table contains a breakdown of the entries shown for investment properties and the movements in these figures:

	<u>Thousand euros</u>
	<u>Investment properties</u>
Balance at 1 January 2020	221,650
Acquisitions	28,207
Subsequent capitalized disbursements	10,424
Gains/(loss) net of adjustments at fair value	15,469
Balance at 31 December 2020	275,750
Subsequent capitalized disbursements	8,599
Gains/(loss) net of adjustments at fair value	8,151
Balance at 30 June 2021	292,500

In the financial year 2020, the Group has made disbursements worth 28,207 thousand euros for the acquisition of two real estate assets in Madrid: an office building located in the district of Chamartin with a buildability of 6,535 sqm, and an asset that will have an office building of 12,000 sqm in Manoteras street, 28.

In 2021, the Group has continued with its rehabilitation and improvement projects, which have involved an investment of 8,599 thousand euros in the first half of the year. All framed in its corporate strategy of value creation and in accordance with the established deadlines.

At 30 June 2021 no mortgage was constituted over properties. During 2020 mortgage guarantees were created over the properties of Guadalix and Cadenza.

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(Thousand euros)**

a) Income and expenses on investment properties

The following income and expenses on investment properties have been detailed in the income statement:

	<u>Six-month period ended at 30 June 2021</u>	<u>Thousand euros Six-month period ended at 30 June 2020</u>
Rental Income (Note 13)	2,894	3,057
Operating expenses resulting from investment properties that generate rental income	(680)	(530)
Operating expenses resulting from investment properties that do not generate rental income	-	(268)
	<u>2,214</u>	<u>2,259</u>

b) Operating leases

The total amount of future minimum receivables from non-cancellable operating leases is as follows:

	<u>30 June 2021</u>	<u>Thousand euros 30 June 2020</u>
Less than one year	4,337	4,735
Between one and two years	2,642	3,815
Between two and three years	2,181	2,067
Between three and four years	1,697	1,852
Between four and five years	503	1,595
More than five years	-	149
	<u>11,360</u>	<u>14,213</u>

c) Insurances

The Company signs all the insurance policies necessary to cover any possible risk that might affect any aspect of its investment properties. The coverage in these policies is deemed to be sufficient.

d) Liabilities

At the close of the period, the Group does not have contractual obligations for the acquisition, construction or development of real estate investments, or for repairs, maintenance or insurance, in addition to those already included in the Note.

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e) Valuation process

The following is the cost and fair value of the real estate investments as of 30 June 2021 and 31 December 2020:

	30 June 2021		31 December 2020	
	Net book value	Fair value	Net book value	Fair value
Investment properties	240,117	292,500	232,467	275,750

The valuations of these real estate assets have been carried out using "market value" hypothesis, these valuations being made in accordance with the statements Professional Standards of assessment by the Royal Institution of Chartered Surveyors of July 2017 – 'Red Book'. The "market value" of the Group's properties has been determined on the basis of evaluation carried out by independent expert valuers (CBRE Valuation Advisory, S.A.).

The "Market Value" is defined as the estimated amount for which an asset should be able to be exchanged at the valuation date, between a willing seller and a willing buyer, after a reasonable sales marketing period, and in which both parties have acted with knowledge, prudence and without any coercion.

The valuation methodology adopted by the independent appraisers in relation to the determination of fair value was basically the 10-year discount cash flow method and the income capitalization method (reflecting net income, capitalized expenses, etc.), besides comparing the information with comparables. The residual amount at the end of year 10 is calculated by applying a rate of return (Exit yield or cap rate) of the projections of net income for year 11. Cash flows are discounted at an internal rate of return for reach the current net value. This internal rate of return is adjusted to reflect the risk associated with the investment and the assumptions adopted. The key variables are, therefore, the income and the exit yield.

The estimated yields depend on the type and age of the properties and their location. The properties have been valued individually, considering each one of the lease agreements in force at the end of the year and, if applicable, the foreseeable ones, based on the current market rents for the different areas, supported by comparables and transactions carried out for your calculations.

The Directors requested an assessment on 30 June 2021 of all real estate investments. Derived from this valuation, there has been a change in the fair value of the investment properties in the consolidated summary interim income statement of 8,151 thousand euros (8,550 thousand euros at 30 June 2020).

Based on the simulations performed on these valuations, the recalculated impact on the fair value of the properties in the portfolio at 30 June 2021, of a variation of 0.25% in the exit yield rate, would produce:

- in the event that the yield was reduced by 0.25%, the market value of these properties would be 305,500 thousand euros.
- in the case that the yield was increased by 0.25%, the market value of these properties would be 280,500 thousand euros.

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The effect of a variation of 10% on the income increases considered in the valuations of these assets has the following impacts on the consolidated asset and, by difference with the fair value of the asset, on the summarized interim consolidated income statement, with regarding real estate investments:

- in the event that the market rents increased by 10%, the market value of these properties would be 322,900 thousand euros.
- in the case that the market rents were reduced by 10%, the market value of these properties would be 262,000 thousand euros.

As of 31 December 2020, the following simulations were carried out, in yields and market income increases, on the valuations of the same, as well as the recalculated impact on the fair value of properties acquired from a variation of 0.25% in the exit yield rate of return, would produce:

- in the event that the yield was reduced by 0.25%, the market value of these properties would be 288,400 thousand euros.
- in the case that the yield was increased by 0.25%, the market value of these properties would be 264,450 thousand euros.

The effect of a variation of 10% on the income increases considered in the valuations of these assets has the following impacts on consolidated assets with respect to real estate investments,

- in the event that the market rents increased by 10%, the real estate investments would amount to 307,550 thousand euros.
- in the event that market rents were reduced by 10%, real estate investments would amount to 243,900 thousand euros.

As of 30 June 2021, the exit yields used in the valuations of offices located in the prime area would be 4.25% and for those that are decentralized the yields would be between 4.50% and 4.75% (4.25% and 4.75% respectively in December 2020). The discount rates used would be between 6.25% and 7.25% (6.50% and 7.25% respectively in December 2020).

As of 30 June 2021, the exit yields used in the industrial valuations located in the prime area would be 5.25% and for those that are decentralized the yields would be 5.50% (5.25% y 6.00% respectively in December 2020). The discount rates used would be around 7.50% (7.75% in December 2020).

The valuation of real estate investments has been framed within level 3 according to the definition described in Note 3.3 above. In this sense, the fair value of the investment properties has been carried out by independent valuation experts through the use of valuation techniques.

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(Thousand euros)**
7. FINANCIAL INSTRUMENTS ANALYSIS
a) Analysis by category

The book value of each of the categories of financial instruments, excluding cash and cash equivalents, is as follows:

	Thousand euros					
	Non-current financial assets					
	Fair value with changes in comprehensive income		Amortized cost		Fair value with changes in the income statement	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020	30.06.2021	31.12.2020
Loans to third parties	-	-	1,561	1,556	-	-
Other long-term financial assets	-	-	913	937	-	-
Total long-term financial assets	-	-	2,474	2,493	-	-

	Current financial assets					
	Fair value with changes in comprehensive income		Amortized cost		Fair value with changes in the income statement	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020	30.06.2021	31.12.2020
	Trade receivables for sales and services (Note 8) and other assets	-	-	831	2,363	-
Total short-term financial assets	-	-	831	2,363	-	-

	Thousand euros					
	Non-current financial liabilities					
	Debts with credit entities		Debentures and other marketable securities		Financial hedging instruments and other liabilities	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020	30.06.2021	31.12.2020
Debts and other financial liabilities (Note 11)	104,010	104,039	-	-	2,118	2,446
Total long-term financial liabilities	104,010	104,039	-	-	2,118	2,446

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	Current financial liabilities					
	Debts with credit entities		Debentures and other marketable securities		Financial hedging instruments and other liabilities	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020	30.06.2021	31.12.2020
Debts and other payables (Note 11)	465	39	-	-	4,143	3,551
Total current financial liabilities	465	39	-	-	4,143	3,551

b) Analysis by maturity date

At 30 June 2021 and 31 December 2020, the value of financial instruments with a specific maturity date or with a maturity date falling within a specific year was as follows:

At 30 June 2021

	Thousand euros						
	Financial assets						
	2022	2023	2024	2025	2026	Subsequent years	Total
Trade receivables:							
- Trade receivables	444	-	-	-	-	-	444
Non-current investments:							
- Loans to third parties	-	-	1,561	-	-	-	1,561
- Other financial assets	387	298	-	358	-	257	1,300
	831	298	1,561	358	-	257	3,305
	Financial liabilities						
	2022	2023	2024	2025	2026	Subsequent years	Total
Debts:							
- Debts with credit entities	465	564	4,693	13,891	66,979	19,479	106,071
- Financial hedging instruments	-	-	314	-	827	-	1,141
Trade payables:							
- Trade and other payables	4,088	-	-	-	-	-	4,088
- Other financial liabilities	55	259	-	397	66	255	1,032
	4,608	823	5,007	14,288	67,872	19,734	112,332

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(Thousand euros)**
At 31 December 2020

	Thousand euros						
	Financial assets						
	2021	2022	2023	2024	2025	Subsequent years	Total
Trade receivables:							
- Trade receivables	1,996	-	-	-	-	-	1,996
Non-current investments:							
- Loans to third parties	-	-	-	1,556	-	-	1,556
- Other financial assets	367	561	29	-	337	10	1,304
	2,363	561	29	1,556	337	10	4,856
	Financial liabilities						
	2021	2022	2023	2024	2025	Subsequent years	Total
Debts:							
- Debts with credit entities	39	376	376	4,693	13,891	86,458	105,833
- Financial hedging instruments	-	-	-	352	-	1,134	1,486
Trade payables:							
- Trade and other payables	3,451	-	-	-	-	-	3,451
- Other financial liabilities	100	520	31	-	397	12	1,060
	3,590	896	407	5,045	14,288	87,604	111,830

The debts shown in the previous break downs are expressed at their nominal value.

8. LOANS AND RECEIVABLES

	Thousand euros	
	At 30 June 2021	At 31 December 2020
Non-Current financial investments:	2,474	2,493
- Loans to third parties	1,561	1,556
- Guarantees ("Other long-term financial assets")	913	937
Trade receivables and other accounts receivables:	5,908	6,530
- Trade receivables for sales and services	208	299
- Other accounts receivable	236	1,697
- Other credits held with Public Authorities (Note 13)	5,464	4,534
- Guarantees ("Other short-term financial assets")	36	135
	8,418	9,158

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Long-term loans to third parties correspond to loans granted to staff (including executive Directors) of the dominant Company at a market interest rate on the same terms as 31 December 2020.

The amount recorded under the heading "Other long-term financial assets" in the balance sheet includes the amount of the guarantees associated with the rental agreements deposited with the corresponding public bodies.

Under the heading "Other accounts receivable", the amounts corresponding to the provision of funds, derived from the acquisitions of the investment properties (Note 6) and its financing (Note 11), are included.

The carrying amount of the loans and receivables approximates their fair value, given that the effect of the discount is not significant.

Under the heading of customers there is an amount of 196 thousand euros relating to invoices pending issuance (181 thousand euros as of 31 December 2020).

The following table contains a breakdown of the age of receivables for sales and services:

	Thousand euros	
	At 30 June 2021	At 31 December 2020
Up to 3 months	12	85
Between 3 and 6 months	-	33
More than 6 months	-	-
	12	118

The book value of loans and receivables is denominated in euros.

9. CASH AND CASH EQUIVALENTS

	Thousand euros	
	At 30 June 2021	At 31 December 2020
Cash and banks	117,928	129,086
	117,928	129,086

The current accounts accrue market interest rates and are denominated in euros.

Due to the liquidity contract entered into with JB Capital Markets, Sociedad de Valores, S.A.U., detailed in Note 10.b, at 30 June 2021 the dominant Company holds 303 thousand euros of total cash destined for the cash account unded that contract (303 thousand euros at 31 December 2020).

10. SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES AND EARNINGS BY SHARE.

a) Share capital and share premium

The Company was incorporated on 13 June 2018 with the issue of 300 registered shares, each with a par value of 10 euros. On the date of its incorporation, Rodex Asset Management, S.L. held 299 shares representing 99.99% of the Company's issued share capital, and Inmodesarrollos Integrados, S.L. held 1 ordinary share

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representing 0.01% of the Company's issued share capital.

On 25 July 2018 the Company changed its legal form from a private limited company to a public limited company and increased capital by 60 thousand euros. At that date, following the increase, Rodex Asset Management, S.L. held 6,279 registered shares, representing 99.99% of the Company's issued capital while Inmodesarrollos Integrados, S.L. held 21 registered shares, representing 0.01% of the Company's issued capital.

On 1 October 2018 an Universal General Shareholders' Meeting was held during which it was resolved to increase capital by 350,000 thousand euros maximum (the shareholders' waiving their preferential subscription right), through an offer for the subscription of the Company's shares.

On 8 October 2018 the Board of Directors approved the resolutions concerning the capital increase and the approval of the Share Subscription Prospectus for the admission to trading on the stock exchange of the Company's shares. On 19 October 2018 the Board of Directors approved the capital increase amounting to 100,000 thousand euros which was entered in the Madrid Commercial Register and began trading 10 million new shares with a par value of 10 euros each on 23 October 2018.

In 2019, the Universal General Shareholders' Meeting, at its meeting of March 21, approved a new capital increase, waiving the right of preferential subscription, and delegated to the Board of Directors the necessary powers to carry it out. This capital increase was approved by the CNMV on April 8, 2019, becoming effective through the issuance and circulation of 4 million new ordinary shares of 10 euros each as face value, resulting in an increase in the share capital of 40,000 thousand euros.

Subsequently, as part of a new capital increase, the Company sign a subscription agreement with Ivanhoé Cambridge Holdings UK LTD, which compels it to subscribe and disburse 60,000 thousand euros for the new shares, with a maximum issue price of 10.40 euros each share. On 5 November 2019, the Universal General Shareholder's Meeting approved the resolutions concerning the capital increase, waiving the right of preferential subscription, and delegated to the Board of Directors the necessary powers to carry it out. This capital increase was approved by the CNMV on 15 November 2019, becoming effective through the issuance and circulation of 14,423,076 new ordinary shares of 10 euros each as face value and 0.40 euros each as share premium, resulting in an increase in the share capital of 150,000 thousand euros.

As of 30 June 2021 and 31 December 2020 the breakdown of share capital is as follows:

	Thousand euros	
	At 30 June 2021	At 31 December 2020
Share capital	284,294	284,294
Share premium	5,769	5,769
	290,063	290,063

As of 30 June 2021, the share capital of the dominant Company is 284,294 thousand euros and is represented by 28,429,376 shares with a par value of 10 euros each, all belonging to the same class and fully subscribed and paid. All the shares carry the same voting and dividend rights.

At 31 December 2020 the Company's share capital amounted to 284,294 thousand euros and consisted of 28,429,376 shares with a par value of 10 euros each. All shares were of the same class and are fully subscribed and paid in. All shares carried the same voting and dividend rights.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021 (Thousand euros)

The share premium is considered a freely distributable reserve.

All the dominant company's shares are listed on the Spanish Stock Market.

At 30 June 2021, the companies that held a share of 3% or more in the share capital are as follows:

Entity	% voting rights allocated to shares	% voting rights held through financial instruments	Total %
Bank of Montreal	8.400	-	8.400
Fidelity Select Portfolios	3.548	-	3.548
Ivanhoe Cambridge, INC	20.293	-	20.293
Fundlogic SAS	3.087	-	3.087
Rodex Asset Management, S.L.	3.839	-	3.839
Pelham Long/Short small CAP Master Fund LTD	-	9.984	9.984
Total	39.167	9.984	49.151

At 31 December 2020, the companies that held a share of 3% or more in the share capital were as follows:

Entity	% voting rights allocated to shares	% voting rights held through financial instruments	Total %
Bank of Montreal	8.400	-	8.400
Ivanhoe Cambridge, INC	20.293	-	20.293
Fundlogic SAS	3.087	-	3.087
Rodex Asset Management, S.L.	3.839	-	3.839
Pelham Long/Short small CAP Master Fund LTD	-	9.984	9.984
Total	35.619	9.984	45.603

b) Treasury shares

Movements in treasury shares over the period have been as follows:

	At 30 June 2021		At 31 December 2020	
	Number of treasury shares	Thousand euros	Number of treasury shares	Thousand euros
At the beginning of the period	578,513	5,082	55,842	625
Additions/purchases	81,846	733	1,040,123	9,569
Reductions	-	-	(517,452)	(5,112)
At the end of the period	660,359	5,815	578,513	5,082

The General Shareholders' Meeting of the Company agreed on 28 May 2020 to authorize, for a period of 5 years, the derivative acquisition of shares of Árima Real Estate SOCIMI, S.A. by the Company itself, under the provisions of articles 146 and concordant of the Capital Companies Act, complying with the requirements and limitations established in current legislation at all times, in the following terms: (i) the acquisitions may be made directly by the Company or indirectly through companies of its group, and they may be formalized, once or

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021 (Thousand euros)

several times, through purchase, barter or any other legal transaction valid in Law. Acquisitions may also be made through an intermediary that acquires the shares on behalf of the Company under a liquidity contract subscribed between the Company and the intermediary; (ii) the nominal value of the shares to be acquired, added, where appropriate, to those already held, directly or indirectly, shall not exceed the maximum percentage legally permitted at any time; and (iii) the acquisition price per share will be at least the nominal value and, at most, the market price on the date of acquisition.

On 6 November 2020 Árima Real Estate SOCIMI, S.A. renovated into a 12 month liquidity contract with JB Capital Markets, Sociedad de Valores, S.A.U. in order to increase liquidity and favour the regular trading of the Company's shares. However, this liquidity contract is temporarily suspended since the buyback program of treasury shares is in force since 25 March 2020. The buyback contract has been signed with JB Capital Markets.

In addition, there is a compensation plan based on the delivery of shares or cash at the discretion of the dominant Company, which was initiated with its IPO, the beneficiary of which is the Company's team (Note 2.17 of the consolidated annual accounts at 31 December 2020). This plan accrues annually when, for each calculation period (between 1 July and 30 June of the following year), certain value creation conditions are met. In relation thereto, the General Shareholders' Meeting of 29 June 2021 resolved, at the request of the dominant Company Board of Directors, to adapt the calculation conditions from which the plan accrues, to the current economic environment and the Group's situation (size and future growth profile), all with the aim of continuing to create value for shareholders.

The first period in which these adaptations take effect is between 1 July 2020 and 30 June 2021, and mainly concern the total shareholder return - the threshold of which is 8% - and delivery periods. This return is measured as the revaluation of the Net Asset Value plus the total dividends distributed, excluding certain capital increases, whether cash or non-cash, and weighted by the period of time during which they occurred during the calculation period. This remuneration thus remains focused on the generation of shareholder return, obtained through active management.

When the conditions for vesting of the plan are met, the dominant Company will deliver one third of the shares to the beneficiaries 12 months after the end of the calculation period, one third of the shares 18 months after the end of the calculation period and one third after 24 months after the end of the calculation period.

The treasury shares held at 30 June 2021 represent 2.32% of the Company's share capital and amount to 660,359 shares (at 31 December 2020 represented 2.03% of the Company's share capital and amounted to 578,513 shares). The average cost of treasury shares has been 8.96 euros per share (the average cost of treasury shares in the same period of 2020 was 8,58 euros per share).

These shares are carried by reducing the Company's equity at 30 June 2021 by 5,815 thousand euros (at 31 December 2020 it was 5,082 thousand euros).

The Company has complied with the requirements of Article 509 of the Spanish Capital Companies Act, which establishes that the par value of acquired shares listed on official secondary markets, together with those already held by the dominant Company and its subsidiaries, must not exceed 10% of the share capital. The subsidiaries do not hold either treasury shares or shares in the Company.

c) Profit (losses) per share

Basic earnings per share are calculated by dividing the net gain/(loss) for the period attributable to the owners of the dominant Company by the weighted average number of ordinary shares outstanding during the period, excluding the weighted average number of treasury shares held as throughout the period.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021 (Thousand euros)

Diluted earnings per share are calculated by dividing the net gain/(loss) for the period attributable to the owners of the dominant Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued in the conversion of all potentially dilutive instruments.

The following breakdown reflects the income and information of the number of shares used to calculate basic and diluted earnings per share:

Basic and diluted earnings per share:

	<u>At 30 June 2021</u>	<u>At 30 June 2020</u>
Net income (thousand euros)	7,084	2,537
Weighted average number of issued shares (shares)	28,429,376	28,429,376
Weighted average number of common shares (shares)	27,804,428	28,228,998
Basic earning per share (euros)	0.25	0.09
Diluted earning per share (euros)	0.25	0.09

In relation to the calculation of earnings per share, there have been no transactions on ordinary shares or ordinary potential shares between the closing date of the condensed consolidated interim financial statements and the preparation thereof, which have not been taken into account in the calculations for the period between 1 January 2021 and 30 June 2021.

11. DEBTS AND OTHER PAYABLES

	<u>Thousand euros</u>	
	<u>At 30 June 2021</u>	<u>At 31 December 2020</u>
Debts and non-current liabilities:		
- Debts with credit entities	104,010	104,039
- Financial hedging instruments	1,141	1,486
- Guarantees	977	960
	106,128	106,485
Debts and current liabilities:		
- Debts with credit entities	465	39
- Other payables (Note 7)	3,488	2,251
- Other short-term debts	600	1,200
- Other debts held with Public Authorities (Note 14)	356	2,645
- Guarantees	55	100
	4,964	6,235

The book amounts of debts and payables approximate their fair values, since the effect of discounting is not significant.

The heading "Guarantees" in the balance sheet includes the guarantees granted by the tenants of real estate registered in real estate investments.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021 (Thousand euros)

The book value of loans and receivables to be paid by the Company is denominated in euros.

The Group has not signed any additional financial agreement over the course of the six-month period ended at 30 June 2021 in addition to those existing at 31 December 2020.

This financing is recorded at amortized cost in the long-term liability under the heading "Debts with credit institutions". As of 30 June 2021 the amount of the amortized cost amounts to 1,596 thousand euros (1,755 thousand euros at 31 December 2020). The nominal maturities have been included in Note 7. This financing is guaranteed by the properties described in Note 6.

As of 30 June 2021, 100% of the financing obtained by the Company has been classified as 'green' by financial institutions, given the sustainable characteristics of the financed real estate properties.

The Group signed over the course of the financial year ended on 31 December 2020 two financial agreements with prestigious financial institutions: a financing agreement with a mortgage guarantee at a fixed interest rate the first year and a market interest rate the following years the amount of 9 million euros, and another financing agreement with a mortgage guarantee at a fixed interest rate for the amount of 27 million euros.

Under the heading "Short-term debt with credit entities" the amount of unpaid accrued interest in the amount of 277 thousand euros has been recorded (39 thousand euros at 31 December 2020) and short-term repayment installments in the amount of 188 thousand euros.

These loans are subject to compliance with certain financial ratios, which are common in the sector in which the Group operates and are calculated annually at the end of the year.

Additionally, the Group contracted two interest rate swaps in 2019. The amount registered in the Derivative financial instruments headings correspond to the valuation of the derivative financial instruments as of 30 June 2021 (Note 14). The effective part of the changes in the fair value of derivatives that are designated and classified as hedges is recognized in the hedge reserve within equity.

12. INCOME AND EXPENSES

a) Net turnover figure

The net turnover figure corresponding to the Company's ordinary business activities broke down in geographical terms as follows:

Market	Percentaje	Six-month period ended at 30 June 2021	Six-month period ended at 30 June 2020
		Thousand euros	
Domestic	100%	2,894	3,057
	100%	2,894	3,057

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021 (Thousand euros)

The net turnover figure breaks down as follows:

	Thousand euros	
	Six-month period ended at 30 June 2021	Six-month period ended at 30 June 2020
Revenue		
Rents	2,528	2,549
Reinvoicing of costs	366	508
	2,894	3,057

The lease agreements signed by the Group companies are in normal market conditions in terms of their duration, early maturity dates and rent.

b) Personnel costs

	Thousand euros	
	Six-month period ended at 30 June 2021	Six-month period ended at 30 June 2020
Wages, salaries and associated costs	(1,836)	(6,648)
Welfare charges:		
- Other welfare charges	(108)	(100)
	(1,944)	(6,748)

Under the heading “Wages, salaries and associated costs” is booked the amount related to the incentive plan approved by the shareholders (Note 16).

There have been no compensation for dismissals at 30 June 2021 neither 2020.

Under the heading of wages, salaries and associated costs, a bonus expense accrual of 600 thousand euros as of June 30, 2021 is recorded (600 thousand euros as of June 30, 2020).

The average number of employees in the various companies comprising the Group during the six-month period ended at 30 June 2021 is 13 people.

The breakdown of the average number of employees at 30 June 2021 and 2020 by category is as follows:

Categories	30 June 2021	30 June 2020
Management	8	8
Employees with degrees	3	3
Administrative personnel and others	2	2
	13	13

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021 (Thousand euros)

The gender distribution at 30 June 2021 is as follows:

Grades	30 June 2021		
	Men	Women	Total
Management	6	2	8
Employees with degrees	2	1	3
Administrative personnel and others	2	2	4
	10	5	15

At 30 June 2020, Company personnel broken down by gender were as follows:

Grades	30 June 2020		
	Men	Women	Total
Management	6	2	8
Employees with degrees	2	1	3
Administrative personnel and others	1	1	2
	9	4	13

c) External services

The following table gives a breakdown of the external services:

	Thousand euros	
	Six-month period ended at 30 June 2021	Six-month period ended at 30 June 2020
External services directly attributable to real estate assets	(680)	(798)
Other external services	(760)	(945)
	(1,440)	(1,743)

d) Financial expenses

Financial expenses accrued in the six-month period ended at 30 June 2021 are associated with the financing obtained (Note 11).

13. INCOME TAX AND TAX POSITION

The expense for income tax is recognized based on Management's estimate of the expected weighted average tax rate for the entire financial year. The estimated annual average tax rate for the six-month period ended at 31 June 2021 is 0%, according to Law 11/2009, of October 26, and the amendments incorporated to it by Law 16/2012, of December 27, by which the SOCIMIs are regulated.

Tax inspections

Under current law, taxes cannot be understood to have been effectively settled until the tax authorities have reviewed the tax returns submitted or until the time-bar period of four years has elapsed.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
**NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021
(Thousand euros)**

As a result, among other things, of the different interpretations to which Spanish tax legislation lends itself, additional tax assessments may be raised in the event of a tax inspection. In any case, the Directors believe that any such liabilities, in the event that they arise, will not have any significant effect on the balance sheet or the income statement for the six-month period ended at 30 June 2021.

At 30 June 2021 and 31 December 2020, the amounts receivable and the amounts payable by the Company in respect of the Public Authorities broke down as follows:

	<u>At 30 June 2021</u>	<u>Thousand euros At 31 December 2020</u>
Accounts receivable		
Receivables from Spanish Tax Authorities (VAT)	5,463	4,534
Withholdings and prepayments to Spanish Tax Authorities	1	-
	<u>5,464</u>	<u>4,534</u>
Payment commitments		
Payables to Spanish Tax Authorities (withholdings collected)	(142)	(2,177)
Payables to Social Security Bodies	(22)	(21)
Stamp duty on the acquisition of investment properties (Note 6)	(192)	(447)
	<u>(356)</u>	<u>(2,645)</u>

14. FINANCIAL HEDGING DERIVATIVES

			<u>Thousand euros</u>			
			<u>30 June 2021</u>			
			<u>Non-current</u>		<u>Current</u>	
	<u>Covered principal</u>	<u>Maturity</u>	<u>Asset</u>	<u>Liability (*)</u>	<u>Asset</u>	<u>Liability</u>
Interest rate swap	22,700	2026	-	827	-	-
Interest rate swap	21,626	2024	-	314	-	-
			-	<u>1,141</u>	-	-

			<u>Thousand euros</u>			
			<u>31 December 2020</u>			
			<u>Non-current</u>		<u>Current</u>	
	<u>Covered principal</u>	<u>Maturity</u>	<u>Asset</u>	<u>Liability (*)</u>	<u>Asset</u>	<u>Liability</u>
Interest rate swap	22,700	2026	-	1,134	-	-
Interest rate swap	21,626	2024	-	352	-	-
			-	<u>1,486</u>	-	-

(*) See Note 7.b

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021 (Thousand euros)

The fair value of financial hedgings derivatives is registered as a non current asset or non current liability if its maturity is beyond 12 months, and as a current asset or current liability if its maturity is prior to 12 months. The interest rate swap derivative (financial swap) allows to change a variable interest rate to a fixed interest rate in bank loans signed by the Group. The cashflow covered is the foreseen future payments of interests related to the financial debts (Note 11). Changes in fair value of the interest rate swap are registered in “Adjustments for changes in value” inside Equity.

15. PROVISIONS AND CONTINGENCIES

Contingent liabilities

Neither at 30 June 2021 nor 31 December 2020 has the Company any contingent liabilities.

16. BOARD OF DIRECTORS AND OTHER PAYMENTS

Remuneration of members of the Board of Directors

During the period between 1 January 2021 and 30 June 2021, the remuneration of the members of the Board of Directors of the Company has amounted to:

	Thousand euros	
	Six-month period ended at 30 June 2021	Six-month period ended at 30 June 2020
Remuneration of executive directors	669	1,037
Allowance of executive directors	-	-
Allowance of non-executive directors	213	165
	882	1,202

In addition, during the period ended 30 June 2021, the dominant company has paid the amount of 33 thousand euros in premiums for liability insurance covering the members of the Board of Directors of the dominant company for the exercise of its office (19 thousand in 2020).

The members of the dominant Company's Board of Directors do not have pension funds or similar obligations for their benefit. During the periods ended at 30 June 2021 and 2020, there are no Senior Management personnel who do not belong to the dominant Company's Board of Directors.

The other non executive members of the dominant Company's Board of Directors have not received shares or share options during the six-month period ended at 30 June 2021 and six-month period ended at 30 June 2020, nor have exercised options or have options pending to exercise.

Additionally, there is a compensation plan based on the hanging out of shares whose beneficiary is the Company's team, including the Executive Director (Note 2.17 of the Annual Accounts for the financial year ended at 31 December 2020). Said plan, which is in force, has a annual accrual when, for each calculation period (between 1 July and 30 June of the following year) are accomplished certain value generation conditions. The second calculation period ends at 30 June 2021. The dominant Company's Board of Directors has assessed compliance with these conditions and, as a result, no cost associated with it has been recorded as of 30 June 2021 (3,790 thousand euros at 30 June 2020).

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021 (Thousand euros)

17. RELATED-PARTY TRANSACTIONS

As of 30 June 2021, there are no pending balances with group companies and related parties. As of 31 December 2020, there were no pending balances with group companies and related parties. During the six-month periods ended at 30 June 2021 and 30 June 2020 there have been no transactions with related parties.

18. INFORMATION REQUIREMENTS RESULTING FROM SOCIMI STATUS, ACT 11/2009, AS AMENDED BY ACT 16/2012

- a) Reserves from financial years prior to the application of the tax rules set out in Act 11/2009, as amended by Act 16 of 27 December 2012.

Not applicable.

- b) Reserves from financial years in which the tax rules set out in Act 11/2009, as amended by Act 16 of 27 December 2012, have been applied.

Not applicable

- c) Dividends distributed against profits each year in which the tax rules contained in this Act applied, with differentiation between the portion originating from income subject to tax at a rate of 0% or 19%, and the portion originating from income subject to tax at the general rate.

Not applicable

- d) In the case of distribution against reserves, identifying the year from which the reserves applied originate, and whether they were taxed at 0%, 19% or the general rate.

Not applicable

- e) Date of the agreement for the distribution of dividends referred to in c) and d) above.

Not applicable

- f) Date of acquisition of properties intended for rent and interests in the share capital of companies referred to in Article 2.1 of this Act.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

**NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021
(Thousand euros)**

	Property	Location	Date acquired
1	María de Molina	Calle María de Molina, on the corner with Calle Príncipe Vergara, Madrid	21 December 2018
2	Paseo de la Habana	The junction of Paseo de la Habana and Avenida de Alfonso XIII, Madrid	21 December 2018
3	Edificio Botanic	Calle Josefa Valcárcel, 42, Madrid	29 January 2019
4	Edificio Play	Vía de los Poblados, 3 -Parque Empresarial Cristalia, Edificio 4B, Madrid	29 January 2019
5	María de Molina	Calle María de Molina, on the corner with Calle Príncipe Vergara, Madrid	28 February 2019
6	Nave Guadalix	Barranco Hondo, San Agustín de Guadalix	12 April 2019
7	Ramírez de Arellano, 21	Calle Ramírez de Arellano, 21, Madrid	28 June 2019
8	Cadenza	Vía de los Poblados 7, Madrid	30 December 2019
9	Manoteras, 28	Calle Manoteras, 28, Madrid	11 June 2020
10	P54	Chamartín district	27 October 2020

g) Identification of assets taken into account when calculating the 80% referred to in Article 3.1 of this Act.

The assets taken into account when calculating the 80% referred to in Article 3.1 of the SOCIMI Act are the ones listed in the above table.

h) Reserves from years in which the tax system provided for under the Act was applicable and which have been made use of (not for distribution or offsetting losses) during the tax period, with identification of the year from which the reserves originate.

Not applicable

19. SUBSEQUENT EVENTS

From 30 June 2021 to the date on which these interim consolidated financial statements were authorised for issue, there were no significant events to disclose.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021

1. ORGANIZATION STRUCTURE AND FUNCTIONING

Árma Real Estate SOCIMI, S.A. (hereinafter Árma, or the Company or the dominant Company) was created in Spain on 13 June 2018 as Árma Real Estate, S.L. The Company was subsequently transformed into a public limited company, opting for the application of the special regime of Public Limited Investment Companies Listed on the Property Market (SOCIMI in Spanish).

Árma is the dominant Company of a Group whose main objective is the creation of a real estate portfolio focused mainly on the office and logistics sector in Madrid and Barcelona, with the aim of obtaining income from rents, as well as generating value through active management of the portfolio.

The Group's strategy is based on a deep knowledge of the sector and the combined experience of a team that has worked in the past in different successful projects, sharing values such as transparency, excellence, sustainable profitability and tangible revaluation.

Árma's goal is to add real value to each asset, maximising its operational, environmental and technological efficiency while ensuring that each building has a positive impact on the environment where it is located. This leads to growth and attractive profitability for our stakeholders, and especially for our investors.

The Group's shareholding includes major national and international funds that are very interested in the opportunities in the Spanish real estate market and in the management team's ability to maximise and optimise the performance and value of the portfolio.

The dominant Company is supervised by the Board of Directors, a body with authority over matters such as the approval of the Group's general policies and strategies, such as the Corporate Social Responsibility Policy, the Risk Control and Management Policy, as well as compliance with the requirements necessary to maintain SOCIMI status.

The Board of Directors carries out its activity in accordance with the rules of corporate governance set forth mainly in the Bylaws, in the Regulations of the General Shareholders' Meeting and in the Regulations of the Board of Directors, also following the recommendations of the Code of Good Governance with the maximum commitment to compliance.

The Board of Directors has two fundamental committees whose essential function is to support the Board of Directors in its duties of supervision and control of the day-to-day management of the Group: the Audit and Control Committee and the Appointments and Remuneration Committee.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021



2. EVOLUTION AND RESULTS OF BUSINESS

The Group, since its launch on the stock market in October 2018, has carried out various real estate asset acquisition transactions that have resulted in a positive consolidated result of 7,084 thousand euros in the first six months of 2021.

Despite the difficult conditions generated by the pandemic, Árima has managed to maintain a solid and highly stable position throughout the first half of 2021 thanks to its defensive strategy and portfolio with minimal exposure to vulnerable sectors.

Taking into account that, from an operational point of view, all the Company's assets in operation have remained open and accessible to tenants during this period, with all services available and reinforced cleaning, disinfection and air filtering measures, the evolution of the business has followed a favourable path, without significant impacts that have entailed the adoption of extraordinary measures.

During this period of uncertainty, Árima has strengthened its commitment to its main stakeholders, maintaining continuous contact with shareholders and investors and giving priority to the health of its employees and tenants.

The investments made by the Group result in the composition of a portfolio comprising 9 assets with a defensive profile and high growth potential. It has excellent indicators, such as the initial return on acquisition cost, in line with the Group's commitments set out in the IPO Prospectus and the Capital Increase Prospectuses.

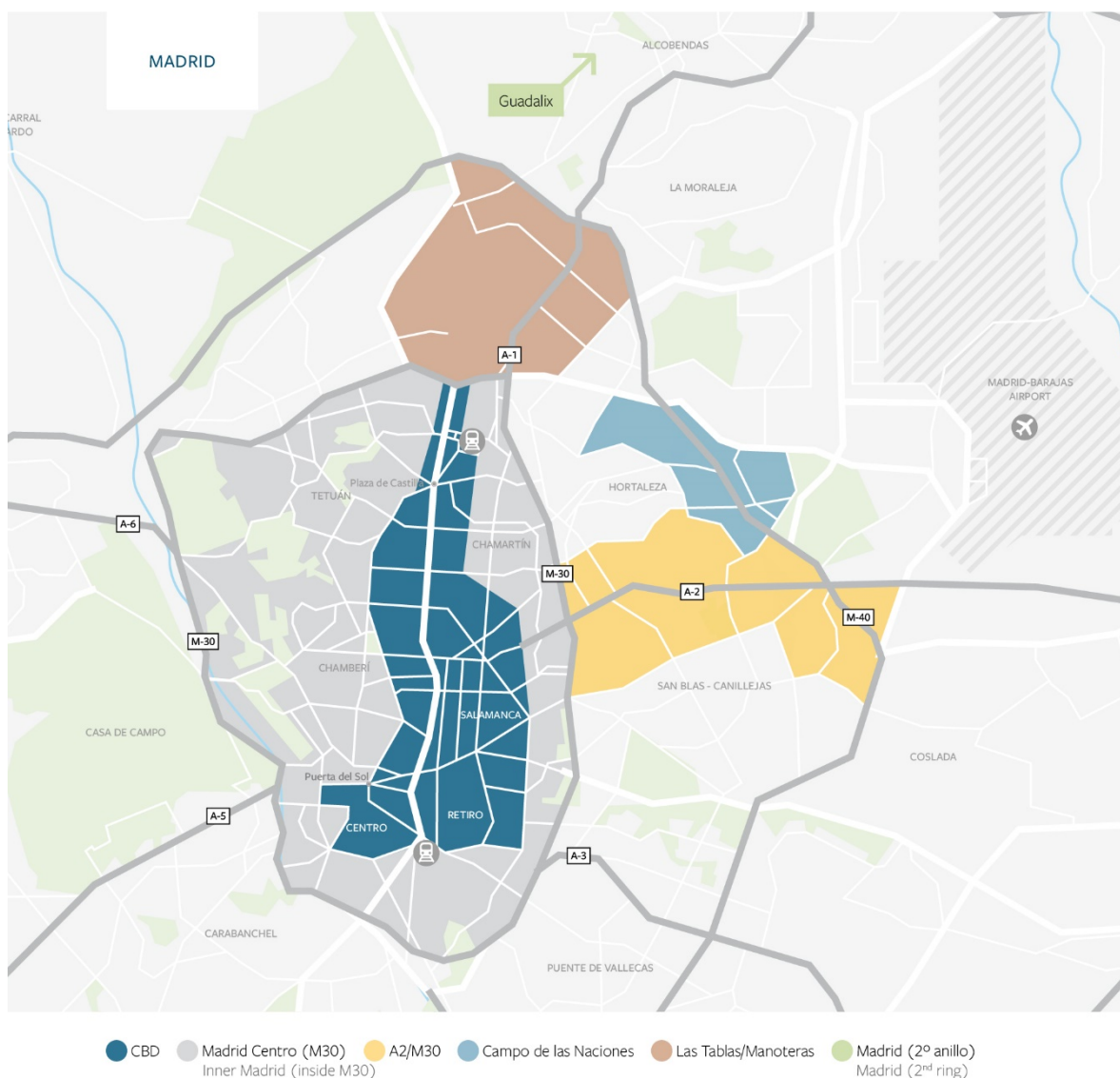
Although the consequences of COVID-19 have brought the economy to an unprecedented standstill, the portfolio continues to grow positively, amounting to €292.5m at 30 June 2021. The increase in value of the portfolio reflects disciplined investment focused on healthy buildings, sustainable reforms and projects whose philosophy fits perfectly with what the post-COVID world will demand, as well as the good progress of the refurbishments, with deliveries expected at the end of 2021 and 2022.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021

The Group's portfolio totals more than 94,000 sqm of gross leasable area and more than 1,110 parking spaces. The properties are in line with the listed company's investment model: they make up a balanced portfolio of offices for rent and buildings with high appreciation potential for the SOCIMI's shareholders.

The investments respond to a disciplined strategy focused on looking for products with great potential for value generation in highly consolidated areas of the metropolitan area and the outskirts of Madrid, as shown in the following map:



ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021

The assets comprising the Group's portfolio are as follows:



OFFICES

1 Habana

ACQUISITION DATE	STRATEGY	LOCATION	GLA	PARKING SPACES
December 2018	Full refurbishment	Madrid CBD	4,236 sqm	42 (17 electric chargers)



OFFICES

2 María de Molina

ACQUISITION DATE	STRATEGY	LOCATION	GLA	PARKING SPACES
Dec 2018 / Feb 2019	Single Onwership	Madrid CBD	4,120 sqm	20

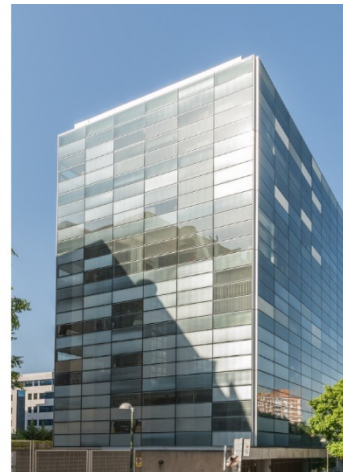
ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021



OFFICES
3 P54

ACQUISITION DATE	STRATEGY	LOCATION	GLA	PARKING SPACES
October 2020	Full refurbishment	Inner Madrid (M30)	6,535 sqm	70 (20 electric chargers)



OFFICES
4 Ramírez de Arellano 21

ACQUISITION DATE	STRATEGY	LOCATION	GLA	PARKING SPACES
June 2019	Re-gearing	Inner Madrid (M30)	6,759 sqm	110

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021



OFFICES
5 Cristalía

ACQUISITION DATE	STRATEGY	LOCATION	GLA	PARKING SPACES
January 2019	Lease up & re-leasing	Madrid CDN	10,928 sqm	202

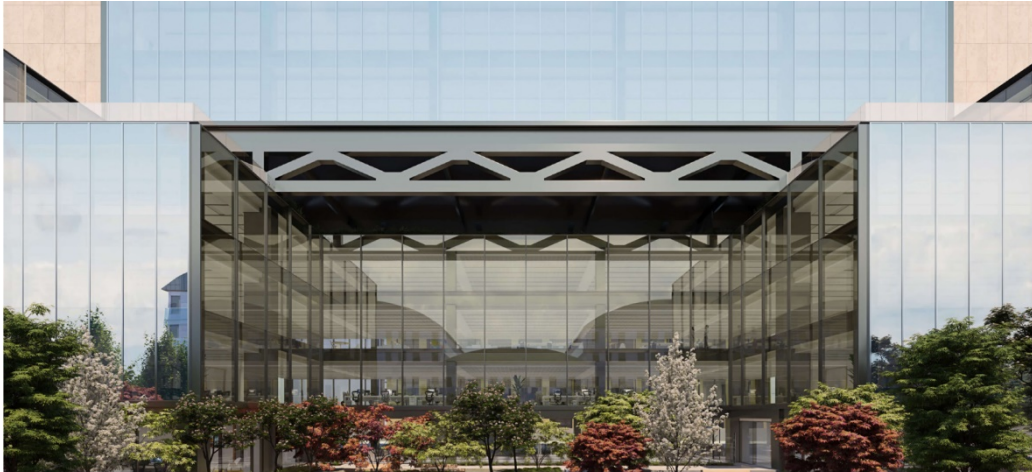


OFFICES
6 Cadenza

ACQUISITION DATE	STRATEGY	LOCATION	GLA	PARKING SPACES
December 2019	Full refurbishment	Madrid CDN	14,500 sqm	196 (30 electric chargers)

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021



OFFICES

7 Botanic

ACQUISITION DATE	STRATEGY	LOCATION	GLA	PARKING SPACES
January 2019	Full refurbishment	Madrid A2/M30	9,391 sqm	193 (36 electric chargers)



OFFICES

8 Manoteras 28

ACQUISITION DATE	STRATEGY	LOCATION	GLA	PARKING SPACES
June 2020	Full refurbishment	Las Tablas/Manoteras	11,961 sqm	280

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CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021



LOGISTICS
9 Guadalix

ACQUISITION DATE	STRATEGY	LOCATION	GLA	LOADING BAYS
April 2019	Re-gearing/value-add	Madrid (2 nd Ring)	25,694 sqm	29

The revenue derived from the lease of real estate assets amounted to 2,894 thousand euros in the first six months of financial year 2021 (30 June 2020: 3,057 thousand euros). EBITDA - earnings before interest, taxes, depreciation and amortisation - amounted to 7,661 thousand euros.

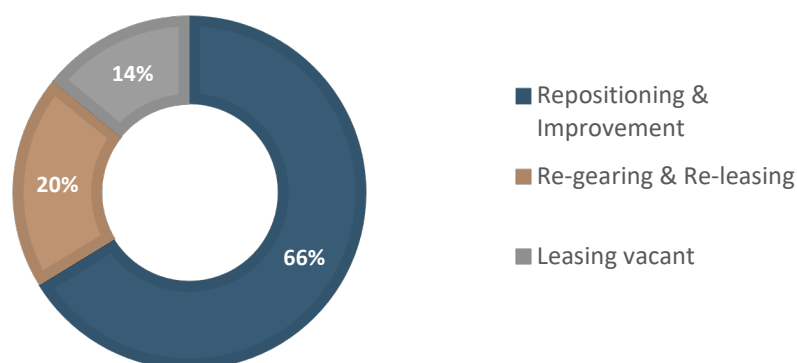
The market value of the Group's assets at 30 June 2021 amounts to 292,500 thousand euros (30 June 2020: 253,220 thousand euros) representing an increase of 34% over the purchase price.

The following chart breaks down the target value creation of the portfolio, taking into account the nature of the management and strategy for each of the properties after a detailed analysis of the properties and the market: through the marketing of vacant space, the refurbishment of the acquired properties or the comprehensive refurbishment of the assets.

Value Creation	GAV (€m)	GAV (%)
Repositioning and Improvement	193,700	66.2%
Re-gearing and re-leasing	57,600	19.7%
Leasing vacant	41,200	14.1%
Total	292,500	100.0%

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Since its inception, the Group has demonstrated its strong commitment to society, conducting its business in a responsible and diligent manner. Árima has focused especially on ensuring that its portfolio meets the highest standards of well-being and sustainability, involving all areas of the Company, both in the portfolio through the most demanding certifications, as well as at corporate level by being assessed by the most recognised institutions in the sector. With all this, Árima demonstrates its firm conviction on the importance of transparency, integrity and good governance in all its activities.

3. EPRA INFORMATION

The European Public Real Estate Association (EPRA) defines three different metrics for calculating the Net Asset Value (NAV) in its Best Practices guide: Net Reinstatement Value, Net Tangible Assets and Net Disposal Value. Considering its activity, the metric that best represents the nature of the Company is Net Tangible Asset:

EPRA Net Asset Value Metric: Net Tangible Assets

	Thousand euros	
	30/06/2021	30/06/2020
NAV	308,531	302,436
Effect of options, convertibles bonds and other interest	-	-
Diluted NAV	308,531	302,436
Excluded:		
Fair value of financial instruments	(1,141)	(1,372)
Intangible assets	137	-
EPRA NTA	309,535	303,808
Number of issued shares (without treasury shares)	27,769,017	28,013,042
EPRA NAV per share (euros)	11.15	10.8

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CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021

4. EVOLUTION OF THE SHARES

The share price at 30 June 2021 is EUR 9.12 per share. The share price at 30 June 2020 was EUR 8.80 per share.

5. TREASURY SHARES

At 30 June 2021, the Company holds shares representing 2.32% of the dominant Company's share capital and totalling 660,359 shares (at 30 June 2020 they represented 1.46% and totalled 416,334 shares). The average cost of treasury shares was EUR 8.96 per share in 2021 (EUR 8.58 per share in the same period of 2020).

These shares are registered, thus reducing the value of the Group equity on 30 June 2021 by EUR 5,815 thousand (at 30 June 2020 by EUR 3,639 thousand).

The movement of treasury shares in the period/year is as follows:

	30 June 2021		30 June 2020	
	Number of treasury shares	Thousand euros	Number of treasury shares	Thousand euros
At the beginning of the period/year	578,513	5,082	55,842	625
Additions/purchases	81,846	733	381,743	3,926
Reductions	-	-	(21,251)	(912)
At the end of the period/year	660,359	5,815	416,334	3,639

The dominant Company has complied with its obligations under Article 509 of the Spanish Capital Companies Act, which establishes that the par value of acquired shares that are listed on official secondary markets, added to the value of those that are already held by the dominant Company and its subsidiaries, must not exceed 10% of the share capital. The subsidiary does not hold either treasury shares or shares in the dominant Company.

6. DIVIDEND POLICY

The Company is governed by the special tax rules established under Act 11 of 26 October 2009, with the amendments introduced by Act 16 of 27 December 2012, under which SOCIMIs are governed. They are required to distribute the profits they obtain over the course of the year to their shareholders in the form of dividends, after complying with the relevant corporate obligations. Distribution must be approved within the six months following the year end, in the following way:

- a) 100% of the profits resulting from dividends or profit shares received from the companies referred to in Article 2.1 of this Act.
- b) At least 50% of the profits earned from the transfer of the property, shares or ownership interests referred to in Article 2.1 of the Act, where this occurs after the deadlines referred to in Article 3.3 of the Act have expired, when the property, shares or interests are used to comply with the Company's primary corporate purpose. The remainder of these profits must be reinvested in other property or investments related to the performance of this corporate purpose within three years of the transfer date. Otherwise,

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CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021

these profits must be distributed in full together with any profit earned, where applicable, in the year in which the reinvestment period expires. If the items in which the reinvestment has been made are transferred prior to the end of the holding period, profits must be distributed in full, together, where applicable, with the part of the profits attributable to the years in which the Company was not taxed under the special tax scheme provided for in the aforementioned Act.

c) At least 80% of the remaining profits obtained.

The dividend must be paid within one month of the distribution agreement. When dividends are distributed with a charge to reserves originating from profits for a year in which the special tax rules were applied, the distribution must compulsorily be approved by means of the resolution referred to above.

The Company is required to allocate 10% of its profits for the year to the legal reserve until the balance held in this reserve amounts to 20% of its share capital. The balance of this reserve is not available for distribution to the shareholders until it exceeds the 20% limit. The articles of association of these companies may not establish any restricted reserve other than the foregoing.

The following table shows a reconciliation between the result under Spanish Gaap and the result under IFRS:

	Thousand euros	
	30/06/2021	30/06/2020
Result of the period - Spanish GAAP	(2,005)	(7,031)
Adjustments:		
(I) Consolidation	938	(1)
(II) Revaluation of investment property	8,151	8,550
Result for period - IFRS	7,084	2,537

7. THE TEAM

Árima is a real estate investment group that bases its activity on professional solvency, in-depth knowledge of the sector and the high level of connection of its management team with the market. Consequently, the professionals who make up Árima are one of the main strengths of the Group. Since its creation, highly qualified personnel have been selected to develop its strategy and achieve its objectives, and are in charge of economic-financial, real estate, regulatory compliance and sustainability responsibilities.

Árima has assembled a solid team of real estate professionals, whose members have over 100 years of experience, and whose track record, years linked to the sector and knowledge give the Company access to differentiated investment opportunities in the Spanish real estate market.

All of them work exclusively and with full dedication to the creation of value for shareholders, and always taking under consideration proximity and rigour. They can tackle highly complex investment operations in short periods of time, and comprehensively carry out the entire value creation process from the identification of the properties, through a highly disciplined investment strategy, to the active comprehensive management of the properties and their potential rotation.

The Group is overseen by a Board of Directors with a majority of independent directors who bring together expertise in the real estate, financial and legal sectors.

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8. ALTERNATIVE PERFORMANCE MEASURES

On 5 October 2015, the European Securities and Markets Authority (ESMA) published a set of Guidelines (2015/1415) on Alternative Performance Measures (APM). Compliance with these guidelines is mandatory for all issuers whose securities are admitted for trading on a regulated market and who are required to publish regulatory information under Directive 2004/109/EC on transparency.

Árima's financial information contains figures and measures that have been prepared in accordance with the applicable accounting regulations, together with a further series of measures prepared in accordance with the reporting standards that the company has established and developed internally ("Medidas Alternativas de Rendimiento – MAR").

Alternative performance measures relating to the income statement

- EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization): this is an indicator that measures the Company's operating margin before interest, taxes, depreciation, and amortization have been deducted. Given that this figure does not include financial and tax costs or the accounting costs that do not involve any cash outflows, it is used by the Management to assess results over the long term and allows these results to be compared with other companies in the real estate sector. See Note 2 of these consolidated interim management report.

Alternative performance measures relating to the balance sheet

- Gross Asset Value (GAV): this is the value of the portfolio according to its most recent external valuation by an independent expert. This figure is used to determine the value generated as a result of the Group's management of its asset portfolio. See Note 6 of these condensed consolidated interim statements.

- Financial leveraging ratio: calculated as financial debt / (financial debt plus equity). This figure allows the Management to assess levels of borrowing at the Group, given that the Group's main capital management objectives are to ensure long and short-term financial stability, the positive performance of Árima Real Estate SOCIMI, S.A.'s share and the appropriate financing of investments. See Note 3.2 of these condensed consolidated interim statements.

As of 30 June 2021, 100% of the financing obtained by the Company is classified as "green" by the financial institutions given the sustainable characteristics of the properties financed.

Alternative performance measures related to COVID-19

The Group's administration and management continue to assess the main risks that the pandemic has on these condensed consolidated interim financial statements. It is concluded that the application of the going concern principle continues to be allowed and that constant monitoring of the situation will be maintained to address potential impacts that may occur. See note 3.1.e) to these condensed interim consolidated financial statements.

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CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021

9. USE OF DERIVATIVES

The coverage of cash flows through interest rate swaps (financial swap) allows to exchange debt at variable interest rate for fixed-rate debt, where future cash flows to be covered are future interest payments on contracted loans. Changes in the fair value of derivatives are reflected in "Hedging Reserve" in equity. See Note 14 of these consolidated interim financial statements.

10. RISK MANAGEMENT

ÁrIMA is subject to a wide range of regulations and good practices in compliance and reporting. In response to these requirements, the Group has carried out an analysis and adaptation of the following Risk Management Systems:

- Risk management (Compliance, Environmental, Sustainability, Strategic, Financial and Operational).
- Criminal Compliance.
- Internal Control over Financial Reporting System (ICFR).

In order to:

- Comply with applicable regulations.
- Benefit from models adapted to ÁrIMA's specific characteristics.
- Aid decision-making internally and with third parties through the reporting of these areas.

The Board of Directors considers risk management and internal control to be essential factors for the achievement of the Company's objectives. In order to implement these measures, the Company benefits from an Audit and Control Committee which, in turn, relies on the Risk Control and Management Function. ÁrIMA has therefore established a risk management model based on the Risk Management and Control Policy, which is detailed in greater detail in the Risk Management and Control Manual. This management model includes, in line with its commitment to integrate sustainability at all levels of the Company, an ESG risk analysis (Environmental, Social, Governance).

The Company's objective is to establish systematic and preventative procedures, aligned with renowned international risk management standards (COSO¹ ERM 2017 - Business Risk Management Framework) and led by management, to forecast, prevent and detect risks.

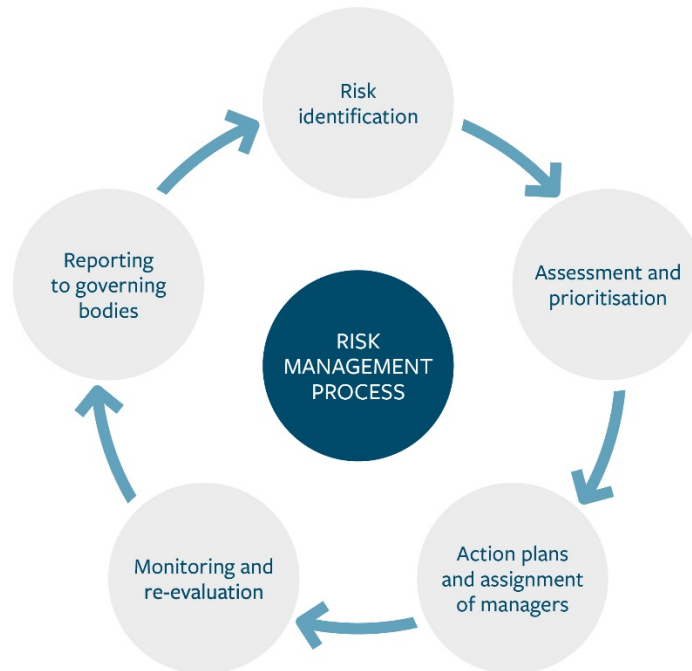
Risk management and control is an ongoing process based on (i) the identification and assessment of potential Company risks based on strategic and business objectives, (ii) the determination of critical risk action plans and controls, (iii) monitoring the effectiveness of the controls and residual risk developments put in place, to report to the Company's governing bodies.

In addition, the Risk Management System operates in a comprehensive, continuous, and cross-cutting way, and serves the management of all priority risks, both internal and external.

¹ The "Committee of Sponsoring Organizations" (COSO) is a voluntary private sector organization founded in 1985 whose mission is to provide intellectual leadership in relation to three interrelated issues: corporate risk management, internal control and fraud deterrence.

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CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021



Note 3 of the Notes to the consolidated annual accounts gives details of the Group’s risk management activities.

11. PRINCIPAL RISKS AND UNCERTAINTY

The Group's activity is subject to various risks inherent to the sector, such as changes in tax regulations, the evolution of the real estate market, defaults, environmental risks, the search for potential acquisitions of new prime assets in the domestic market and the availability of financing and resources to undertake these acquisitions.

Therefore, the Group carries out its work with committed risk management, as described in the previous section, with the aim of acquiring real estate investments that are in line with its strategy and that provide maximum value to its shareholders in the medium and long term. Árima has investment resources that result from its cash flows associated with the ability to finance assets, which will enable it to continue with its investment strategy focused on real estate assets in Spain.

Additionally, following the emergence and worldwide spread of the COVID-19 coronavirus pandemic, Spanish economic activity, like all major economies, contracted significantly due to restrictions on mobility and one of the strictest lockdowns affecting all sectors. GDP fell significantly and unemployment reached its highest level for five years. In recent months, signs of recovery have begun to emerge and some regions such as Madrid are growing faster than the national average. However, the Company remains focused on protecting the health and safety of its employees, tenants, contractors and suppliers, while maintaining the business.

From a financial point of view, Árima has a solid balance sheet to overcome this challenging period, with a reduced leverage (36% LTV) and a cash position and equivalents of EUR 118 million at 30 June 2021, which translates into a positive working capital of EUR 119 million and a net debt amount (positive) of EUR 14 million at that date. In addition, 95% of the debt service facing the dominant Company will take place in 2025 and subsequent years, minimising the Group's liquidity risk. In addition, Árima has a high-quality tenant base, which has allowed rent collection periods to remain unchanged. In addition, the refurbishment projects continue without disrupting the Group's strategy.

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CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2021

12. I+D+i ACTIVITIES

The Company has a strong innovative spirit and, relying on the latest technological advances, develops modern procedures that provide efficiency and control. To carry out innovation and development projects, Árima has a fundamental subsidiary: Árima I&D&i, focused on channelling all actions related to innovation and sustainable development carried out in the Group. Árima continues to work on projects that add value to the business and go hand in hand with sustainability.

13. SUBSEQUENT EVENTS

From 30 June 2021 to the date of preparation of these condensed interim consolidated financial statements there have been no material subsequent events requiring disclosure.



ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

PREPARATION OF THE CONDENSED CONSOLIDATED INTERIM STATEMENTS AND THE CONSOLIDATED MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2020

The Board of Directors of the company Árima Real Estate SOCIMI, S.A. on 27 July 2021 proceeds to prepare the condensed consolidated interim financial statements for the six-month period ended at 30 June 2021.

D. Luis María Arredondo Malo
President

D. Luis Alfonso López de Herrera-Oria
Vice-President and Board Member

D. David Jiménez-Blanco Carrillo de Albornoz
Board Member

D. Cato Henning Stonex
Board Member

D. Fernando Bautista Sagüés
Board Member

D. Stanislas Henry
Board Member

Dña. Chony Martín Vicente-Mazariegos
Board Member

Notice extended by the Secretary to the Board, placing on record that, following the preparation by the members of the Board of Directors of Árima Real Estate SOCIMI, S.A. and subsidiaries of the condensed interim consolidated financial statements and consolidated interim management report for the period of six months ended at 30 June 2021 at the 27 July 2021 session, all directors have signed this document and stamped their signature on this last page, to which I bear witness, in Madrid, on 27 July 2021. I also certify that these condensed interim consolidated financial statements are the same as those approved by that Board of Directors, and therefore I sign all pages.

D. Iván Azinovic Gamo