



**ÁRIMA REAL ESTATE SOCIMI, S.A.
AND SUBSIDIARIES**

Report on limited review of condensed
interim consolidated financial statements
at 30 June 2019



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 interim balance sheet as at 30 June 2019, and the interim income statement, interim statement of other comprehensive income, interim statement of changes in equity, interim statement of cash flows 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 30 June 2019 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 31 December 2018. Our conclusion is not modified in respect of this matter.

Other Matters

Interim consolidated directors' Report

The accompanying interim consolidated directors' Report for the six months period ended 30 June 2019 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 directors' Report is in agreement with that of the interim financial statements for the six months period ended 30 June 2019. Our work is limited to checking the interim consolidated directors' 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 Directors of Árima Real Estate SOCIMI, S.A. 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 on
25 July 2019



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 2019

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 2019

(Thousand euros)

ASSETS	Note	At 30 June 2019	At 31 December 2018
NON- CURRENT ASSETS			
Property, plant and equipment	5	67	63
Investments properties	6	175,300	39,975
Other non-current financial assets	7, 8	1.067	-
		176,434	40,038
CURRENT ASSETS			
Trade receivables and other accounts receivable		1,603	369
Trade receivables for sales and services	7, 8	388	12
Other accounts receivable	7, 8	609	-
Personnel		2	-
Other credits held with Public Authorities	13	604	357
Prepayments for current assets		198	105
Cash and cash equivalents	9	21,391	57,970
Cash and banks		21,391	57,970
		23,192	58,444
		199,626	98,482

Notes 1 to 18 form an integral part of these Condensed Consolidated Interim Financial Statements at 30 June 2019.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AT 30 JUNE 2019
(Thousand euros)**

EQUITY AND LIABILITIES	Note	At 30 June 2019	At 31 December 2018
EQUITY			
Share capital	10	140,063	100,063
Reserves		(3,934)	(3,553)
Treasury shares	10	(494)	(546)
Profit (loss) for the period		14,735	1,124
Hedging transactions	11	(828)	-
		149,542	97,088
NON CURRENT LIABILITIES			
Bank loans and credits	7, 11	45,783	-
Financial hedging derivatives	7, 11	828	-
Other non-current financial liabilities	7	1,166	-
		47,777	-
CURRENT LIABILITIES			
Bank loans and credits	11	80	-
Trade and other payables	11	2,227	1,394
Commercial creditors and other payables	11	992	764
Other current debts	11	1	-
Other debts with Public Authorities	13	1,234	630
		2,307	1,394
		199,626	96,482

Notes 1 to 18 form an integral part of the Condensed Consolidated Interim Financial Statements at 30 June 2019.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019

(Thousand euros)

	Note	Six month period ended 30 June 2019	For the period 13 June 2018 to 30 June 2018
<u>CONTINUED OPERATIONS</u>			
Revenue	12	1,926	12
Changes in fair value of investment properties	6	15,033	-
Personnel costs	12	(990)	-
Other operating costs	12	(949)	(97)
Impairment and gains/(losses) on disposal of fixed assets		(33)	-
Amortisation and depreciation	5	(4)	-
OPERATING RESULTS		14,983	(97)
Financial income		-	-
Financial expenses		(248)	-
FINANCIAL RESULT		(248)	-
PRE-TAX RESULT		14,735	(97)
Income tax		-	-
PROFIT (LOSS) FOR THE PERIOD	12	14,735	(97)

EARNINGS PER SHARE ATTRIBUTABLE TO THE PARENT COMPANY'S OWNERS

(Euros per share)

Basic and diluted earning per share	1.24	-
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Notes 1 to 18 form an integral part of the Condensed Consolidated Interim Financial Statements at 30 June 2019.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019

(Thousand euros)

	Note	Six-month period ended 30 June 2019	For the period 13 June 2018 to 30 June 2018
Profit (Loss) for the period	12	14,735	(97)
<u>Other comprehensive income:</u>			
Entries that may subsequently be reclassified to results		(828)	-
On cash-flow hedges transactions	11	(828)	-
Other comprehensive results for the period		-	-
Total comprehensive income for the period		13,907	(97)

Notes 1 to 18 form an integral part of the Condensed Consolidated Interim Financial Statements at 30 June 2019.

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 2019
(Thousand euros)**

	Capital	Reserves	Hedging Reserve	Accumulated earnings	Treasury Shares	TOTAL
BALANCE AT 13 JUNE 2018	-	-	-	-	-	-
Profit /(loss) for the period	-	-	-	(97)	-	(97)
Other comprehensive results for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(97)	-	(97)
Incorporation	3	(1)	-	-	-	2
Others results in treasury shares (Note 10)	-	-	-	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	-	-	-
BALANCE AT 30 JUNE 2018	3	(1)	-	(97)	-	(95)
BALANCE AT 1 JANUARY 2019	100,063	(3,553)	-	1,124	(546)	97,088
Profit /(loss) for the period	-	-	-	14,735	-	14,735
Other comprehensive results for the period	-	-	(828)	-	-	(828)
Total comprehensive income for the period	-	-	(828)	14,735	-	13,907
Capital increase	40,000	(1,516)	-	-	-	38,484
Other movements	-	1,124	-	(1,124)	-	-
Other results in treasury shares (Note 10)	-	11	-	-	52	63
Total transactions with owners, recognised directly in equity	40,000	(381)	-	(1,124)	52	38,547
BALANCE AT 30 JUNE 2019	140,063	(3,934)	(828)	14,735	(494)	149,542

Notes 1 to 18 form an integral part of the Condensed Consolidated Interim Financial Statements.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019
(Thousand euros)**

	Note	Six-month period ended 30 June 2019	For the period 13 June 2018 to 30 June 2018
A) CASH FLOW FROM OPERATING ACTIVITIES			
Pre-tax result for the period		14,735	(97)
Adjustments to profit/loss		(14,748)	-
Depreciation of property, plant and equipment	5	4	-
Financial expenses		248	-
Changes in fair value of investment properties	6	(15,033)	-
Profit / (losses) on disposal of fixed assets		33	-
Changes in working capital		273	97
Debtors and other receivables	8	(646)	(31)
Other current assets		(93)	-
Creditors and other payables	11	913	-
Other non-current assets and liabilities		99	128
Cash flow from operating activities		260	-
B) CASH FLOW FROM INVESTMENT ACTIVITIES			
Payments on investments		(120,234)	-
Property, plant and equipment	5	(42)	-
Investment properties	6	(120,292)	-
Cash flow from investment activities		(120,334)	-
C) CASH FLOW FROM FINANCING ACTIVITIES			
Receivables and payments on equity instruments		38,547	3
Issue of equity instruments	10	38,484	3
Acquisition of treasury shares	10	(201)	-
Disposal of treasury shares	10	264	-
Receivables and payments on financial liabilities		44,948	-
Financial borrowings	11	75,083	-
Financial payments	11	(30,000)	-
Paid interest		(135)	-
Cash flow from financing activities		83,495	3
NET INCREASE/REDUCTION IN CASH AND CASH EQUIVALENTS		(36,579)	3
Cash and cash equivalents at beginning of period		57,970	-
Cash and cash equivalents at end of period	9	21,391	3

Notes 1 to 18 form an integral part of the Condensed Consolidated Interim Financial Statements at 30 June 2019.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019 (Thousand euros)

1. GENERAL INFORMATION

Árma Real Estate SOCIMI, S.A. (hereinafter, the “Company”) was incorporated in Spain on 13 June 2018 under the Spanish Capital Companies Act. Its registered office is located at calle Serrano, 47 4º planta, 28001 Madrid. During this period the company has changed its registered office from calle Fernando el Sando, 15, 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.

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, 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:

- a) 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.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019 (Thousand euros)

b) 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 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.

c) 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 First Transitional Provision of the SOCIMI Act allows for application of the SOCIMI tax rules under the terms set out in Article 8 of the SOCIMI Act, even when the requirements it contains are not met on the date of incorporation, on the condition that these requirements are met during the two years following the date on which it is decided to opt for application of the said tax rules. In this regard, the Directors consider that the necessary requirements have already met within the established terms and periods, and they have therefore not entered any income or expense in respect of Corporate Income Tax.

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

On 23 January 2019 the 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 2018 were prepared by the Board of Directors and were approved, without modifications, by the share holders on 21 March 2019.

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 2019, Árima Real Estate SOCIMI, S.A., is the parent company of a Group of companies (hereinafter, the "Group") which is comprised of the next subsidiary:

Name	Address	Activity	Share %
Árima Real Estate Investments, S.L.U.	Calle Serrano 47, 4ª planta, 28001 Madrid	Real Estate Business	100

Árima Real Estate Investments, S.L.U. was incorporated on 10 December 2018. At this moment, Árima Real Estate SOCIMI, S.A. becomes the parent company of a group of companies. Árima Real Estate investments, S.L.U. is at the initial stage of its business activity.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019 (Thousand euros)

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

2.1 Bases for presentation

These condensed consolidated interim financial statements for the six-month period ended June 30, 2019 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 December 31, 2018, prepared from in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU).

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 2018 fiscal year, except as described in note 2.3 and the adoption of new and modified standards as indicated below.

These consolidated condensed interim financial statements have been prepared and prepared by the Board of Directors on 25 July 2019. These condensed consolidated interim financial statements have been subject to a limited review, but have not been audited.

2.2 Comparative information

Until 10 December 2018, the Company was not a parent company in a group of companies according to the IFRS-EU standards. As a result, the figures presented in the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows with respect to the period between on 13 June 2018 and 30 June 2018 correspond to the stand-alone accounts of the Company.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019 (Thousand euros)

2.3 IFRS Interpretation Committee and IFRIC modifications

Standards, modifications and mandatory interpretations for all years beginning on January 1, 2019:

- IFRS 16 – “Leasings”
- IFRS 9 (Modification) – “Component of payment advice with negative compensation”
- IFRIC 23 – “Uncertainty over income tax treatments”
- IAS 28 (Modification) – “Investments in Associates and Joint Ventures”
- IAS 19 (Modification) – “Employee Benefits”
- Annual improvement of IFRS – Cycle 2015-2017:
 - o IAS 12 – “Income taxes”
 - o IAS 23 – “Borrowing costs”
 - o IFRS 11 – “Joint arrangements”
 - o IFRS 3 – “Business combinations”

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

Norms, 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 that are pending adoption by the European Union.

- IFRS 10 (Modification) y IAS 8 (Modification) – “Sale of contribution of assets between an investor and its associates of joint venture.”
- IFRS 17 – Insurance contract.
- IFRS 3 (Modification) – “Definition of business”
- IAS 1 (Modification) – “Definition of material”

The Group is currently analysing the impacts that the new standards may have on its consolidated annual accounts and its condensed interim consolidated financial statements. If any of the above standards were adopted by the European Union, the Group will apply them with the corresponding effects in its financial statements.

2.4 Use of estimates

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are considered reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, will rarely equal the corresponding actual results. The adjustments that occur when regularizing the estimates will be prospective. Below, we explain the estimates and judgments that have a significant risk of giving rise to a material adjustment in the carrying amounts of the assets and liabilities within the following financial year.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019 (Thousand euros)

Fair value of real estate investments

The best evidence of the fair value of investment properties in an active market is the price of similar assets. The Directors determines fair value using a range of reasonable values. When making such judgements, the Company uses a series of sources, including:

- i. The current prices in an active marketplace of different kinds of properties in varying states of repair and different locations, adjusted to reflect differences with the Company's own assets.
- ii. The recent prices paid for properties in other, less active marketplaces, adjusted to reflect changes in economic conditions since the transaction date.
- iii. The discounting of cash flows based on estimates resulting from the terms and conditions contained in current lease contracts and, where possible, evidence of the market prices of similar properties in the same location, through the use of discount rates that reflect the uncertainty of the time factor.

At 30 June 2019, the Directors have requested valuations carried out by independent experts (Note 6) in order to book their fair value.

Fair value of derivatives and other financial instruments

The fair value of those financial instruments that are not traded in an active market (for example, off-exchange derivatives) is determined using valuation techniques. The Group uses its judgment to select several methods and makes assumptions that are based mainly on the market conditions at each balance sheet. The Group has used a discounted cash flow analysis for several interest rate contracts that are not traded in active markets.

As indicated in note 3.1, the Group has signed several interest rate swap financial instruments, classified as hedging instruments and registered in accordance with the following registration and valuation policy:

Financial derivatives are measured at fair value both on initial entry and on subsequent measurement. The method used to enter any resulting gains or losses depends on whether the derivative is designated as a hedging instrument or not and, if so, the type of hedging applied. Hedging instruments are valued and entered according to their characteristics, insofar as they do not provide, or cease to provide, effective coverage. In the case of derivatives that do not qualify for hedge accounting, gains or losses in their fair value are immediately entered in the income statement.

The Group designates certain derivatives as hedges for a specific risk associated with a recognised asset or liability or with a highly probable forecast transaction (cash flow hedges). Upon initiating the transaction, the Group documents the relationship between the hedging instruments and hedged items and its risk management objectives and strategy for arranging various hedging transactions. The Group also documents its evaluation, both at the outset and continuously thereafter, as to whether the derivatives being used in the hedging transactions are expected to be highly effective in order to offset changes in fair value or in cash flows from hedged items.

The total fair value of a hedging derivative is entered under non-current assets or liabilities if the time remaining to maturity of the hedged item is more than 12 months and under current assets or liabilities if the time remaining to maturity of the hedged item is less than 12 months. Derivatives held for trading are entered under current assets or liabilities.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019 (Thousand euros)

Cash flow hedges

The effective portion of changes in the fair value of a derivative designated as a cash flow hedge is entered under other comprehensive income. The profit or loss on the ineffective portion is entered immediately in the income statement under “other (losses)/gains - net”.

Amounts accumulated in equity are reclassified to the income statement in the periods in which the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). Gains or losses on the effective part of interest rate swaps used to hedge loans at variable rates are entered in the income statement under “financial income/expenses”. However, when the forecast transaction that is being hedged results in the entry of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial valuation of the cost of the asset. The deferred amounts are definitively entered as the cost of the assets sold, in the case of stocks, or as depreciation in the case of property, plant and equipment.

When a hedging instrument matures or is sold or when the requirements for the application of hedge accounting cease to be met, any gains or losses accumulated in equity to that date will remain in equity and will be entered when the forecast transaction is finally entered in the income statement. When it is expected that the scheduled transaction is not going to take place after all, the profit or loss accumulated in the equity is immediately transferred to the income statement under the heading “other net (losses)/profits”.

Income Tax

The company applies the system provided for in Act 11 of 26 October 2009, which governs Spanish Real Estate Investment Trusts (SOCIMIs), which in practice means that, provided that it meets certain requirements, the Company is subject to a Corporate Income Tax rate of 0% (Note 1).

The Directors monitor compliance with the requirements set out in the relevant legislation in order to secure the tax advantages offered. In this regard, the Directors consider that the necessary requirements will be met within the established terms and periods, and they have therefore not entered any income or expense in respect of Corporate Income Tax.

Although the aforementioned criteria are based on rational appreciations and elements of objective analysis, events that may take place in the future may make it necessary to adjust these estimates (upwards or downwards) in coming reporting periods or years. Changes in accounting estimates, if required, would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the consolidated income statements for the periods or years concerned.

3. FINANCIAL RISK MANAGEMENT

The Company’s activities are exposed to various financial risks: market risk (including interest rate risk), credit risk, liquidity risk and tax risk. 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. 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.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019 (Thousand euros)

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 June 30, 2019. The Group has signed two long-term financing agreements with two prestigious financial institutions term for an amount of 22,700 thousand euros and 41,059 thousand euros respectively, at a variable market interest rate with mortgage guarantee (see Note 6). As of June 30, 2019, the amount drawn down in nominal terms amounts to 18,200 thousand euros and 28,605 thousand euros, respectively.

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 analyzes 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, % 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 notionals 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 customers for sales and services, 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 individual risk limits are established based on internal and external classifications in accordance with the limits established by the Board of Directors. The use of credit limits is monitored regularly.

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.

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NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019 (Thousand euros)

c) Liquidity risk

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. These forecasts take account of the Group's financing plans, ratio compliance, compliance with internal objectives and, where applicable, any regulatory or legal requirements.

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 has 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.

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: $(\text{Financial debt} / (\text{Financial debt} + \text{Net equity}))$ as of June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019	December 31, 2018
Financial debt	45,863	-
Equity	149,542	97,088
Leverage	23%	-%

3.3 Estimation of fair value.

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.

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- Level 3: Input data not observable in the market for the asset or liability.

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

June 30, 2019:

Assets	Level 1	Level 2	Level 3	Total
- Investment property (Note 6)	-	175,300	-	175,300
Total assets	-	175,300	-	175,300
Liabilities	Level 1	Level 2	Level 3	Total
Financial hedging instruments	-	828	-	828
Total liabilities	-	828	-	828

December 31, 2018:

Assets	Level 1	Level 2	Level 3	Total
- Investment properties (Note 6)	-	39,975	-	39,975
Total assets	-	39,975	-	39,975
Liabilities	Level 1	Level 2	Level 3	Total
Financial hedging instruments				
Financial hedging instruments	-	-	-	-
Total liabilities	-	-	-	-

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

During the six-month period ended at June 30, 2019, there were no level transfers.

4. FINANCIAL INFORMATION BY SEGMENT

The Investments Committee, together with the Board of Directors, 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.

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(Thousand euros)**

June 30, 2019	Thousand euros			
	Offices	Logistics	Corporate	Total
Revenue	1,591	335	-	1,926
Changes in the estimated fair value of investment properties	10,061	4,973	-	15,034
Operating costs	(465)	(22)	(1,453)	(1,940)
Losses on disposal of fixed assets	-	-	(33)	(33)
Fixed assets amortization	-	-	(4)	(4)
Operating Results	11,187	5,286	(1,490)	14,983
Financial income	-	-	-	-
Financial expenses	(112)	-	(136)	(248)
Financial Result	(112)	-	(136)	(248)
Pre-tax result	11,075	5,286	(1,626)	14,735
Income tax	-	-	-	-
Profit (loss) for the period	11,075	5,286	(1,626)	14,735

100% of the income corresponds to transactions carried out in Spain.

The amounts that are provided to the Investment Committee and the Board of Directors in respect of the total assets and liabilities are valued in accordance with criteria that are uniform to those applied in the Condensed Interim Consolidated Financial Statements. These assets and liabilities are allocated on the basis of segment activities.

June 30, 2019	Thousand euros			
	Offices	Logistics	Corporate	Total
Non-current assets	154,004	22,336	94	176,434
Investments properties	153,300	22,000	-	175,300
Other non-current assets	704	336	94	1,134
Current assets	1,542	443	21,207	23,192
Non-current liabilities	47,403	374	-	47,777
Current liabilities	2,214	-	93	2,307

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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	
	Furniture, information Technology and other equipment	Total
Balance at June 13, 2018	-	-
Cost	-	-
Accumulated depreciation	-	-
Book value	-	-
Added	65	65
Allocation to depreciation	(2)	(2)
Balance at December 31, 2018	63	63
Cost	65	65
Accumulated depreciation	(2)	(2)
Net book value	63	63
Added	42	42
Sales	(37)	(37)
Allocation to depreciation	(4)	(4)
Reduction of depreciation charge	3	3
Balance at June 30, 2019	67	67
Cost	70	70
Accumulated depreciation	(3)	(3)
Net book value	67	67

a) Losses due to impairment

During 2019 and 2018, 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 June 30, 2019 neither at June 30, 2018.

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.

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

	Thousand euros
	Investment properties
Balance at June 13, 2018	-
Acquisitions	32,079
Subsequent capitalised disbursements	6,275
Gain / (loss) net of adjustments at fair value	1,621
Balance at December 31, 2018	39,975
Added	119,897
Ongoing investment property	395
Gain / (loss) net of adjustments at fair value	15,033
Balance at June 30, 2019	175,300

In January 2019, the Group formalized the acquisition of two office buildings, thus executing the binding purchase commitment signed in December 2018 and for which it made a deposit payment of 6,275 thousand euros (classified under the "Real Estate Investments in Progress" caption as of December 31, 2018). The acquisition involved a final investment of 62,750 thousand euros (not including acquisition costs), which corresponds to two office buildings totaling a gross leasable gross area of 20,200 m² and 395 parking spaces in the most consolidated business areas of the city. northeast of Madrid: on the urban axis M30-A2 and in the business park of Cristalia, in the business district of Campo de las Naciones.

From January to June 2019, the Group has formalized the acquisition of two buildings for offices and one logistics for a total amount of 59,863 thousand euros (not including acquisition costs): a floor and a half of offices on María de Molina street, acquired on February 28, 2019, a warehouse in San Agustín de Guadalix, acquired on April 12, 2019, and a building on Calle Ramírez de Arellano 21, acquired on June 28, June 2019. The logistics warehouse in Guadalix has a gross leasable area of 25,694 m² and is fully rented to one of the largest food distribution companies in Spain. The offices of Ramírez de Arellano have a gross leasable area of 6,759 m² and 110 parking spaces, and María de Molina has a leaseable area of 4,120 m² and 22 parking spaces.

On real estate investments, a mortgage was constituted as a guarantee of the granted financing. The financed buildings correspond to the offices of Cristalia, María de Molina, Habana and América properties.

a) Insurances

The Company maintains a policy of taking out 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.

b) 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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c) Valuation process

The following is the cost and fair value of the real estate investments as of June 30, 2019 and December 31, 2018:

	30 June 2019		31 December 2018	
	Net book value	Fair value	Net book value	Fair value
Investment properties	158,013	175,300	38,354	39,975

The valuations of these real estate assets have been carried out using "market value" hypothesis, these valuations being made in accordance with the statements of the Appraisal-Valuation method of goods and the guide of observations published by the Royal Institution of Chartered Surveyors of Gran Brittany (RICS) standard assessment, 8th edition. 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, the exit yield and the internal rate of return.

The income capitalization method consists of the capitalization of the estimated net income from each property, based on the lease period and the reversal. This supposes the capitalization of the current revenues throughout the period, together with the valuation of each one of the probable subsequent rents after the updates of the rents or after the formalization of new rents in each one of the foreseen periods, always starting of the current value. The yield applied to the different income categories reflects all the forecasts and risks associated with cash flow and investment. Therefore, the key variables of the capitalization method are the determination of net income, the period of time during which they are discounted, the approximation to the value that is realized at the end of each period and the objective internal rate of return, used for cash flow discount.

The estimated yields ("yield") 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.

As provided in note 2.4, the Directors requested an assessment on June 30, 2019 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 15,033 thousand euros.

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Based on the simulations performed on these valuations, the recalculated impact on the fair value of the properties in the portfolio at June 30, 2019, of a variation of 0.25% in the yield rate, would produce:

- in the event that the yield was reduced by 0.25%, the market value of these properties would be 181,960 thousand euros.
- in the case that the yield was increased by 0.25%, the market value of these properties would be 169,280 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 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 192,060 thousand euros.
- in the case that the market rents were reduced by 10%, the market value of these properties would be 158,490 thousand euros.

As of December 31, 2018, 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 rate of return ("yield"), would produce:

- in the event that the yield was reduced by 0.25%, the market value of these properties would be 35,350 thousand euros.
- in the case that the yield was increased by 0.25%, the market value of these properties would be 32,150 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 37,550 thousand euros.
- in the event that market rents were reduced by 10%, real estate investments would amount to 29,850 thousand euros.

As of June 30, 2019, the yields used in the valuations of offices located in the prime area would be 3.50% and for those that are decentralized the yields would be 5.25% (3,75% and 5,25% respectively in December 2018). The discount rates used would be between 6.50% and 7.50%.

As of June 30, 2019, the 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 6.50%. The discount rates used would be around 8.50%.

The valuation of real estate investments has been framed within level 2 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 observable in the market and that are available based to a lesser extent on specific estimates of the entities.

During the six-month period ended at 30 June 2019, no level transfers have occurred.

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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 established in the regulations on the recording and valuation of “financial instruments”, excluding investments in group company equity (Note 8), is as follows:

	Non-current financial assets					
	Fair value with changes in global result		Amortized cost		Fair value with changes in the account of results	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Other long-term financial liabilities	-	-	1,067	-	-	-
Total long-term financial liabilities	-	-	1,067	-	-	-
	Current financial assets					
	Fair value with changes in global result		Amortized cost		Fair value with changes in the account of results	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Trade receivables for sales and services (Note 8) and other assets	-	-	1,196	117	-	-
Total short-term financial assets	-	-	1,196	117	-	-

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(Thousand euros)**

	Non-currents financial liabilities					
	Debts with credit entities		Debentures and other marketable securities		Financial hedging instruments and other liabilities	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Debts and other financial liabilities (Note 11)	45,783	-	-	-	1,994	-
Total non-current financial liabilities	45,783	-	-	-	1,994	-

	Current financial liabilities					
	Debts with credit entities		Debentures and other marketable securities		Financial hedging instruments and other liabilities	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Debts and other payables (Note 12)	80	-	-	-	993	764
Total current financial liabilities	80	-	-	-	993	764

b) Analysis by maturity date

At 30 June 2019 and 31 December 2018, 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 2019:

	Thousand euros						
	Financial assets						Total
	2020	2021	2022	2023	2024	Subsequent years	
Trade receivables:							
- Trade receivables	997	-	-	-	-	-	997
- Other financial assets	2	-	-	-	1,067	-	1,069
	999	-	-	-	1,067	-	2,066

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(Thousand euros)**

	Financial liabilities						
	2020	2021	2022	2023	2024	Subsequent years	Total
- Debts with credit entities	80	-	-	-	1,722	45,083	46,885
- Financial hedging instruments	-	-	-	-	201	627	828
- Trade and other payables	993	-	-	-	-	-	993
- Other financial liabilities	-	-	-	-	1,166	-	1,166
	1,073	-	-	-	3,089	45,710	49,792

At 31 December 2018:

	Thousand euros						
	Financial assets						
	2019	2020	2021	2022	2023	Subsequent years	Total
Trade receivables:							
- Trade receivables	12	-	-	-	-	-	12
- Other financial assets	-	-	-	-	-	-	-
	12	-	-	-	-	-	12
	Financial liabilities						
	2019	2020	2021	2022	2023	Subsequent years	Total
Trade payables:							
- Trade and other payables	764	-	-	-	-	-	764
	764	-	-	-	-	-	764

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

8. LOANS AND RECEIVABLES

	Thousand euros	
	June 30, 2019	December 31, 2018
Trade receivables and other long-term accounts receivable		
- Other financial assets	1,067	-
Trade receivables and other accounts receivable:		
- Trade receivables for sales al services	388	12
- Other accounts receivable	609	-
- Personnel	2	-
- Other credits held with Public Authorities (Note 13)	604	357
	2,670	369

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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 debtors", the amounts corresponding to the provision of funds, derived from the acquisitions of the investment property (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 75 thousand euros relating to invoices pending issuance

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

	<u>Thousand euros</u>
	<u>June 30, 2019</u>
Up to 3 months	114
Between 3 and 6 months	199
More than 6 months	-
	<u>313</u>

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

9. CASH AND CASH EQUIVALENTS

	<u>June 30, 2019</u>	<u>Thousand euros</u> <u>December 31, 2018</u>
Cash and banks	21,391	57,970
	<u>21,391</u>	<u>57,970</u>

The current accounts accrue market interest rates.

Due to the liquidity contract entered into with JB Capital Markets, Sociedad de Valores, S.A.U., detailed in note 10b, at 30 June 2019 the Company holds 494 thousand euros of total cash destined for the cash account under that contract (at 31 December 2018 held 433 thousand euros).

10. SHARE CAPITAL AND TREASURY SHARES

a) Share capital

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 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

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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 Share Subscription Prospectus for the Company's flotation. 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 trading began of 10,000,000 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 extension 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.

As of 30 June 2019 and 31 December 2018 the breakdown of share capital is as follows:

	Thousand euros	
	June 30, 2019	December 31, 2018
Share capital	140,063	100,063
	140,063	100,063

As of June 30, 2019, the capital stock of the Parent Company is 140,063 thousand euros and is represented by 14,006,300 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 2018 the Company's share capital amounted to 100,063 thousand euros and consisted of 10,006,300 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.

All the parent company's shares are listed on the Spanish Continuous Stock Market since 23 October 2018.

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At 30 June 2019, 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 %
AFFM S.A.	3.606	-	3.606
BANK OF MONTREAL	10.422	-	10.422
BSMA LIMITED	-	1.321	1.321
HÉCTOR COLONQUÉS MORENO	4.997	-	4.997
MISTRAL IBERIA REAL ESTATE SOCIMI S.A.	4.997	-	4.997
PELHAM LONG/SHORT SMALL CAP MASTER FUND LTD	-	9.984	9.984
ROSS TURNER	-	9.984	9.984
RODEX ASSET MANAGEMENT, S.L.	7.791	-	7.791
UBS GROUP AG	2.919	6.733	9.652
Total	34.732	28.022	62.754

At 31 December 2018, 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	9.794	-	9.794
HÉCTOR COLONQUÉS MORENO	4.997	-	4.997
MISTRAL IBERIA REAL ESTATE SOCIMI S.A.	5.097	-	5.097
MORGAN STANLEY	9.976	-	9.976
PELHAM LONG/SHORT SMALL CAP MASTER FUND LTD	-	9.984	9.984
ROSS TURNER	-	9.984	9.984
RODEX ASSET MANAGEMENT, S.L.	10.906	-	10.906
UBS GROUP AG	8.560	-	8.560
Total	49.330	19.968	69.298

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b) Treasury shares

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

	June 30, 2019		December 31, 2018	
	Number of treasury shares	Thousand euros	Number of treasury shares	Thousand euros
At the beginning of the period/financial year	58,130	546	-	-
Additions / purchases	20,935	201	60,202	555
Reductions	(26,867)	(253)	(2,072)	(9)
At the end of the period/financial year	52,198	494	58,130	546

The General Shareholders' Meeting of the Company agreed on March 21, 2019 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 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 2018 Árima Real Estate SOCIMI, S.A. entered 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.

The General Shareholders' Meeting of 26 September 2018 resolved to implement the manager incentive plan consisting of handing over shares or cash (on a discretionary basis) to Company management (Notes 2.16 and 17 of the consolidated annual accounts of the Group at 31 December 2018).

The treasury shares held at 30 June 2019 represent 0.37% of the Company's share capital and amount to 52,198 shares (at 31 December 2018 represented 0.58% of the Company's share capital and amounted to 58,130 shares). The average cost of treasury shares has been 9.26 euros per share (the average cost of treasury shares in 2018 was 9.4 euros per share).

These shares are carried by reducing the Company's equity at 30 June 2019 by 494 thousand euros (at 31 December 2018 it was 546 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 Parent 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.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019 (Thousand euros)

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 Parent 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.

Diluted earnings per share are calculated by dividing the net gain / (loss) for the period attributable to the owners of the Parent 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 Group has in place a compensation plan (incentives) based on the concession of a number of shares, although as of June 30, 2019 this plan has not been accrued.

The following table 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:

	Six-month period ended at 30 June 2019
Net income (thousand euros)	14,735
Weighted average number of issued shares (shares)	11,928,952
Weighted average number of common shares (shares)	11,871,405
Basic earning per share (euros)	1.24
Diluted earning per share (euros)	1.24

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 formulation thereof, which have not been taken into account in said calculations for the period between January 1, 2019 and June 30, 2019.

11. DEBTS AND OTHER PAYABLES

	Thousand euros	
	June 30, 2019	December 31, 2018
Debts and non-current liabilities:		
- Debts with credit entities	45,783	-
- Financial hedging instruments	828	-
- Guarantees	1,166	-
	47,777	-
Debts and current liabilities:		
- Debts with credit entities (Note 7)	80	-
- Other payables (Note 7)	992	764
- Other short term debts (Note 7)	1	-
- Other debts with Public Authorities (Note 13)	1,234	630
	2,307	1,394

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019 (Thousand euros)

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.

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

On January 28, 2019, the Group signed a financial agreement with a prestigious financial institution at a market interest rate. This financing was considered a bridge financing to continue with its investment activity, foreseeing its formalization in the long term in the following months. This financing was canceled in the second quarter, in which two bilateral financing transactions were signed with prestigious financial institutions at a variable market interest rate.

This financing is recorded at amortized cost in the long-term liability under the heading "Debts with credit institutions". As of June 30, 2019 the amount of the amortized cost amounts to 1,012 thousand euros. The nominal maturities of the same have been included in Note 7. Said financing is guaranteed by the properties described in Note 6.

Under the heading "Short-term debt with credit entities" the amount of unpaid accrued interest in the amount of 80 thousand euros has been recorded.

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

Additionally, the Group has contracted two interest rate swaps. The amount registered in the Derivative financial instruments headings correspond to the valuation of the derivative financial instruments as of 30 June 2019. 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	Six-month period ended at June 30, 2019	
	Percentage	Thousand euros
Domestic	100%	1,926
	100%	1,926

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

**NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019
(Thousand euros)**

The net turnover figure breaks down as follows:

	<u>Thousand euros</u>
	<u>Six-month period ended at June 30, 2019</u>
Revenue	
Rents	1,926
Reinvoicing of costs	-
	<u>1,926</u>

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

The detail of the future minimum payments from the non-cancelable lease agreements is as follows:

	<u>Thousand euros</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Less than a year	5,391	407
Between one and five years	12,468	500
More than five years	1,483	-
	<u>19,342</u>	<u>907</u>

b) Personnel costs

	<u>Thousand euros</u>
	<u>Six-month period ended at June 30, 2019</u>
Wages, salaries and associated costs	(900)
Welfare charges:	
- Other welfare charges	(90)
	<u>(990)</u>

At 30 June 2019 there was no compensation for dismissals.

The average number of employees during the six-month period ended at 30 June 2019 is 10 people, shown by professional grade, was as follows:

Categories	<u>2019</u>
Management / Directors	7
Employees with degrees	2
Administrative personnel and others	1
	<u>10</u>

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019 (Thousand euros)

In addition, at 30 June 2019, Company personnel details broken down by gender were as follows:

Grades			2019
	Men	Women	Total
Management / Directors	5	2	7
Employees with degrees	2	-	2
Administrative personnel and others	1	1	2
	8	3	11

c) External services

The following table gives a breakdown of the external services:

	Thousand euros
	Six-month period ended at June 30, 2019
External services directly attributable to real estates assets	(488)
Other external services	(461)
	(949)

d) Financial expenses

Financial expenses accrued in the six-month period ended June 30, 2019 are associated with the financing obtained in the period (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 June 30, 2019 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.

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 2019.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019 (Thousand euros)

At 30 June 2019 and 31 December 2018, the amounts receivable and the amounts payable by the Company in respect of the Public Authorities broke down as follows:

	Thousand euros	
	At June 30, 2019	At 31 December, 2018
Accounts receivable		
Receivables from Spanish Tax Authorities (VAT)	604	357
	604	357
Payment commitments		
Payables to Spanish Tax Authorities (withholdings collected)	(185)	(147)
Payables to Social Security Bodies	(36)	(17)
Stamp duty on the acquisition of investment properties (note 6)	(1,013)	(466)
	(1,234)	(630)

14. PROVISIONS AND CONTINGENCIES

Contingent liabilities

Neither at 30 June 2019 nor 31 December 2018 has the Company contingent liabilities.

15. BOARD OF DIRECTORS AND OTHER PAYMENTS

Remuneration of members of the Board of Directors

During the period between January 1, 2019 and June 30, 2019, the remuneration of the members of the Board of Directors of the Company has amounted to 339 thousand euros (103 thousand euros at 31 December 2018).

Likewise, based on the compensation plan based on shares approved by the General Shareholders' Meeting on September 26, 2018, the executive and other personnel of the parent company have not been accrued any amount.

The rest of the members of the Board of Directors of the Company have not received any shares or options on the shares during the year, nor have they exercised any options nor do they have any options to be exercised.

The members of the Board of Directors of the Parent Company do not have pension funds or similar obligations for their benefit. During the year there is no senior management personnel that does not belong to the Board of Directors of the Parent Company.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019 (Thousand euros)

16. RELATED-PARTY TRANSACTIONS

As of June 30, 2019, there are no pending balances with group companies and related parties. As of December 31, 2018, there were no pending balances with group companies and related parties. During the six-month period ended June 30, 2019 there have been no transactions with related parties.

17. 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

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

**NOTES TO CONDENSED CONSOLIDATED INTERIM STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019
(Thousand euros)**

- 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.

	Property	Localization	Date acquired
1	María de Molina	Calle María de Molina, on the corner with Calle Príncipe Vergara, Madrid	December 21, 2018
2	Paseo de la Habana	The junction of Paseo de la Habana and Avenida de Alfonso XIII, Madrid	December 21, 2018
3	Edificio América	Calle Josefa Valcárcel, 42, Madrid	January 29, 2019
4	Edificio Play	Vía de los Poblados, 3 -Parque Empresarial Cristalía, Edificio 4B, Madrid	January 29, 2019
5	María de Molina	Calle María de Molina, on the corner with Calle Príncipe Vergara, Madrid	February 28, 2019
6	Nave Guadalix	Barranco Hondo, San Agustín de Guadalix	April 12, 2019
7	Ramírez de Arellano, 21	Calle Ramírez de Arellano, 21, Madrid	June 28, 2019

- 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

18. SUBSEQUENT EVENTS

From 30 June 2019 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 2019

1. OPERATING STRUCTURE AND OPERATION

Árma Real Estate SOCIMI, S.A. (Árma, or the Company or the Parent Company) was incorporated in Spain on 13 June 2018 as Árma Real Estate, SL, in accordance with the Capital Companies Act by issuing 300 registered shares with a nominal value of 10 euros each. Subsequently, on 25 July 2018 the Company was transformed into a public limited company and increase its capital with the issuance of 6,000 new shares with a nominal value of 10 euros each.

On 27 September 2018, the Company notified the Tax Agency of its option for the application of the Regime of Listed Companies of Investment in the Real Estate Market (SOCIMI).

On 1 October 2018, a General Shareholders' Meeting was held, through which a capital increase was decided with the waiver of the pre-emptive subscription right of the shareholders in an offer to subscribe to shares of the Company. On October 23, 2018, Árma converted into a listed company through a capital increase of 100 million euros through the issue of 10 million common shares with a nominal value of 10 euros each.

Subsequently, in 2019, the General Shareholders' Meeting, at its meeting of 21 March, 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 extension was approved by the CNMV on 8 April 2019, becoming effective through the issuance and circulation of 4 million new common shares of 10 euros each with a face value, resulting in an increase in the capital stock of 40,000 thousand euros.

Árma is a company that was incorporated without assets - "blind pool" - in order to take advantage of the opportunities of the Spanish real estate sector. At December 31, 2018, in just two months from the IPO, the Group invested 110 million euros, debuting in the market with the acquisition and investment commitment of four prime office assets located in the most consolidated areas of Madrid. Six months later, as of 30 June 2019, the Group has made the acquisition commitments it had acquired at the end of the previous year, and has made three additional investments. Following the Group's strategy, these are two prime office assets located in the center of Madrid, and a logistics warehouse located in San Agustín de Guadalix, the second logistics ring in Madrid, an excellent location for distribution throughout Spain.

After these acquisitions, the Group's portfolio totals more than 60,000 sqm of gross lettable area and more than 565 parking spaces. The properties follow the investment strategy of the listed company: they form a balanced portfolio of rental offices with a great potential for revaluation for the shareholders of the SOCIMI.

Árma focuses its business strategy on investment in high quality rental assets and strong growth potential. The commercial policy is based, mainly, on operating offices in the financial centers of Madrid and Barcelona, as well as in other consolidated places outside the urban center, logistics properties in the most important distribution centers in Spain and, to a lesser extent, other assets tertiary.

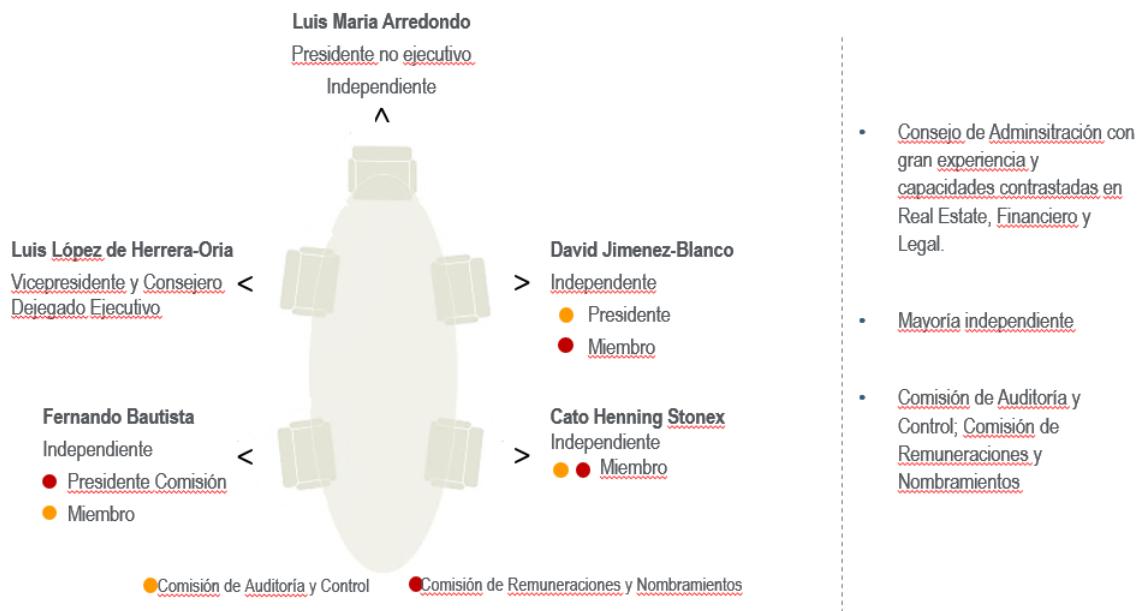
The Board of Directors of the Parent Company carries out its activity in accordance with corporate governance standards, mainly set out in the Bylaws, the Regulations of the Shareholders' Meeting and the Regulations of the Board of Directors.

The Board of Directors of the Parent Company is the oversight and control body for the Company's activity, with competence over matters such as the approval of the Group's general policies and strategies, corporate governance and corporate social responsibility policy, control policy and risk management and compliance with the requirements necessary for maintaining the condition of SOCIMI.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019

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



The Group's shareholders include large international and national funds that are very interested in the opportunities in the Spanish real estate market and in the ability of the management team to maximize and optimize the portfolio's performance and value.

2. EVOLUTION AND RESULTS OF BUSINESS

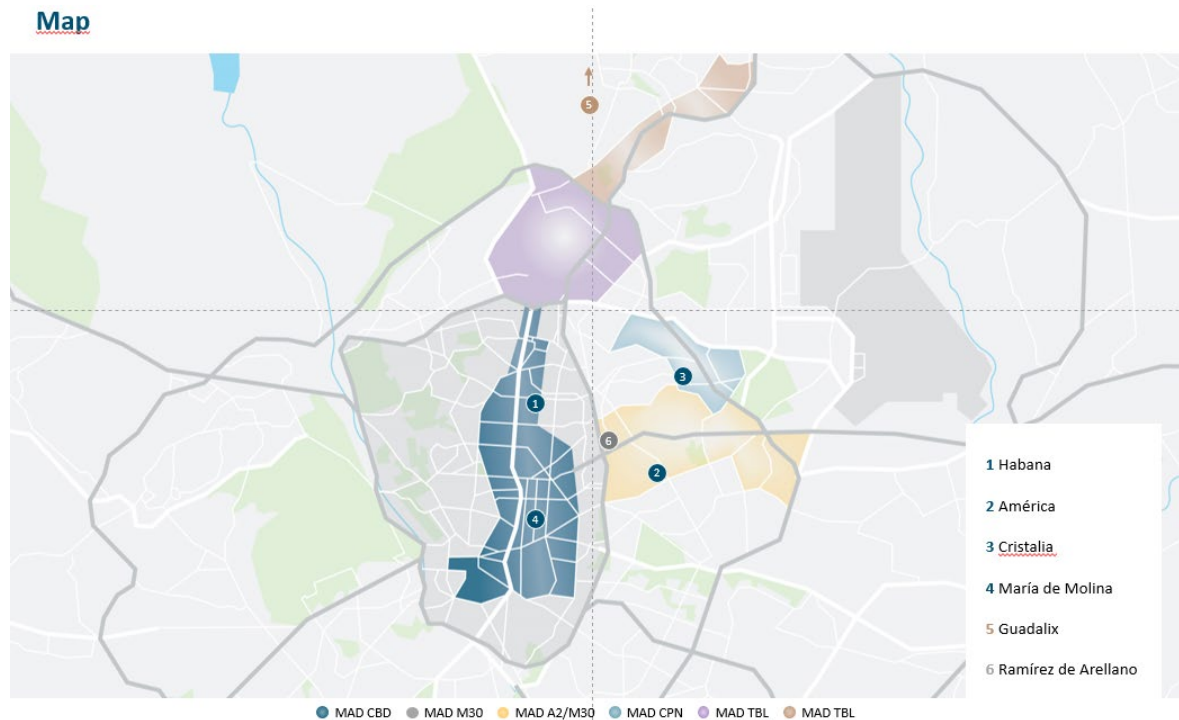
The Group, since the IPO in October 2018, has carried out various real estate asset acquisition, which resulted in a positive result of 14,735 thousand euros at the consolidated level during the first six-months period ended 30 June 2019.

The investments made by the Group result in the composition of a very balanced portfolio with excellent indicators such as the Internal Rate of Return and the initial Return on acquisition cost.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019

The investments made respond to a disciplined strategy in which a product with great potential for generating value has been sought in well-established areas of the metropolitan and border area of Madrid, as shown in the following plan:



The properties that currently are part of the Company’s portfolio are the following:

Habana

TYPE	LOCATION	GLA	PARKING SPACES	PRICE GLA	PRICE PARKING/SPACE
Offices	MAD, CBD	4.339 m ²	60 (after project)	3.770 €/m ²	35.000 €/p.s.



ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019

María de Molina

TYPE
Offices

LOCATION
MAD; CBD

GLA
4.120 m²

PARKING SPACES
22

PRICE GLA
5.533 €/m²

PRICE PARKING/SPACE
40.000 €/p.s.



América

TYPE
Offices

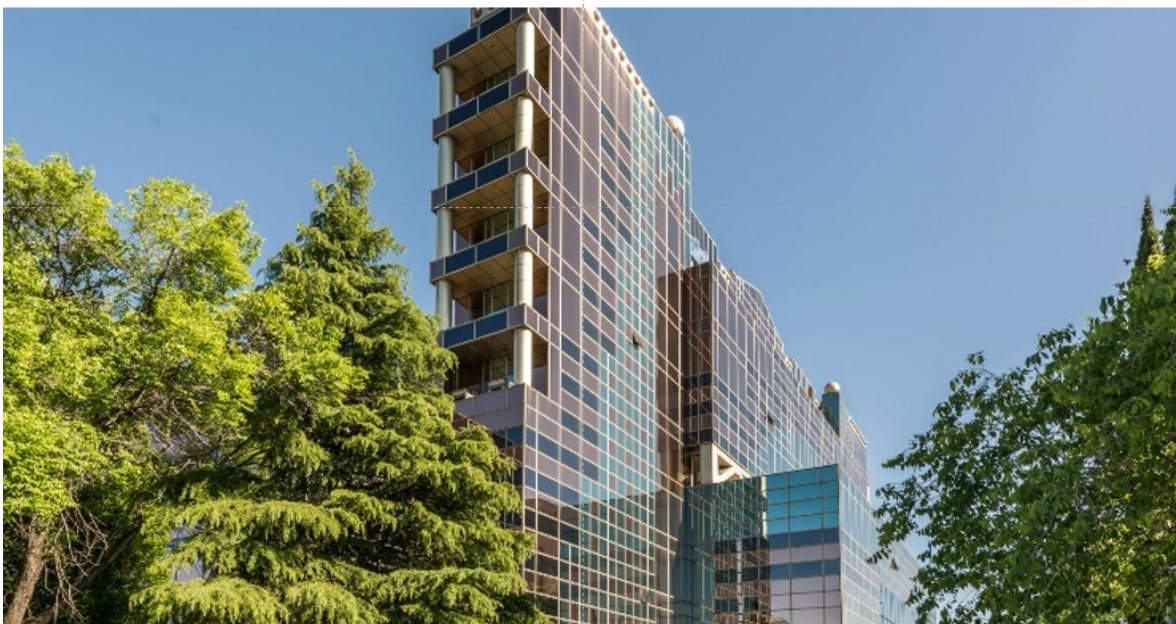
LOCATION
MAD Á/M30

GLA
9.272 m²

PARKING SPACES
193

PRICE GLA
2.264 €/m²

PRICE PARKING/SPACE
15.000 €/p.s.



ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019

Cristalia

					
TYPE Offices	LOCATION MAD C/Naciones	GLA 10.928 m ²	PARKING SPACES 202	PRICE GLA 3.232 €/m ²	PRICE PARKING/SPACE 20.000 €/p.s.



Guadalix

					
TYPE Logistics	LOCATION MAD S. Agustín de Guadalix	GLA 25.694 m ²	PARKING SPACES 177	PRICE GLA 638 €/m ²	PRICE PARKING/SPACE 0 €/p.s.



ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019

Ramírez de Arellano 21

 TYPE Offices	 LOCATION MAD M30-A2	 GLA 6.759 m ²	 PARKING SPACES 110	 PRICE GLA 4.233 €/m ²	 PRICE PARKING/SPACE 35.000 €/p.s.
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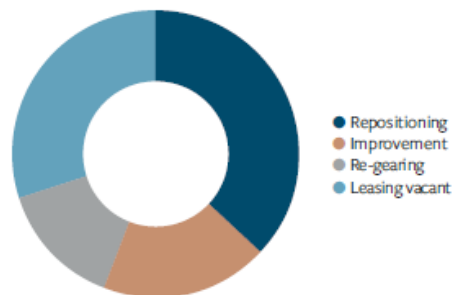


In the first half of 2019, the figure "Net amount of turnover" derived from the lease of real estate assets acquired amounted to 1,926 thousand euros. The EBITDA amounts to 14,983 thousand euros (EBITDA: Result before interest, taxes, depreciation and amortization).

The market value of the Group's assets at 30 June 2019 amounts to 175,300 thousand euros, which implies an increase of 14% over the purchase price.

The following chart breaks down the creation of value that will be generated in the portfolio, taking into account the nature of the management that the Árima team will perform in each of the properties after a detailed analysis of the market and the real estate itself. Through the commercialization of the empty spaces, the remodeling of the acquired properties or the integral rehabilitation of the assets, the strategic plan of Árima aims to generate value for its shareholders:

> BY GAV



ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019

3. TREND IN SHARES

The movement of the shares has not been significant during the period due to its recent listing on the stock exchanges on which it is listed.

4. TREASURY SHARES

The shares of the Group held by it on 30 June 2019, represent 0.37% of the Parent Company's capital stock and total 52,198 shares. The average cost of own shares has been 9.26 euros per share, with a nominal value of 10 euros each.

These shares are recorded reducing the value of the Group's equity as of 30 June 2019 in the amount of 494 thousand euros.

The Parent Company has complied with the obligations derived from article 509 of the Capital Companies Law that establishes, in relation to shares listed on an official secondary market, that the nominal value of the shares acquired, in addition to those that already have the Parent company and its subsidiaries must not exceed 10% of the share capital. The subsidiaries do not own either shares of their own or of the Parent Company.

5. DIVIDEND POLICY

The SOCIMIs have been regulated by the special tax regime established in Law 11/2009, of October 26, modified by Law 16/2012, of 27 December, which regulates listed public limited companies for investment in the market real estate. They will be obliged to distribute in the form of dividends to their shareholders, once the corresponding mercantile obligations have been fulfilled, the benefit obtained in the year, and their distribution must be agreed within six months after the end of each year, as follows:

a) 100% of the profits from dividends or profit sharing distributed by the entities referred to in section 1 of article 2 of this Law.

b) At least 50% of the profits derived from the transfer of real estate and shares or participations referred to in section 1 of article 2 of this Law, made after the deadlines referred to in section 3 of article 3 have elapsed of this Law, subject to compliance with its main corporate purpose. The rest of these benefits must be reinvested in other properties or participations affected by the fulfillment of said object, within three years after the date of transmission. Failing that, these benefits must be distributed in full along with the benefits, if any, that come from the year in which the reinvestment term ends. If the elements subject to reinvestment are transferred before the maintenance period, those benefits must be distributed in full along with the benefits, if any, to the portion of these benefits attributable to years in which the Company does not pay tax benefits special established in said Law.

c) At least 80% of the rest of the benefits obtained.

The dividend must be paid within the month following the date of the distribution agreement. When the distribution of dividends is made with a charge to reserves from benefits of an exercise in which the special fiscal regime has been applied, its distribution will be compulsorily adopted with the agreement referred to in the previous section.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019

The Company is obliged to allocate 10% of the profits for the year to the constitution of the legal reserve, until it reaches 20% of the share capital. This reserve, while not exceeding the limit of 20% of the share capital, is not distributable to the shareholders. The bylaws of these companies may not establish any other reserve of an unavailable nature other than the previous one.

The following table shows a reconciliation between the result under Spanish Gaap and the result under IFRS, for a greater understanding of the results under both regulations:

	30/06/2019
Reconciliation <i>Spanish GAAP</i> vs IFRS	(Thousand euros)
Result of the six-month period - <i>Spanish GAAP</i>	(923)
Adjustements:	
(i) Consolidation	-
(ii) Amortisation of investment properties	625
(iii) Changes in the estimated fair value of investment properties	15,033
Result of the six-month period - IFRS	14,735

6. RISK MANAGEMENT

Árma has established a risk control system that covers its activity and is appropriate to its risk profile. These policies are controlled by the Board of Directors of the Parent Company.

The main risk to achieve the Group's objectives is compliance with the regulatory requirements necessary to maintain its status as SOCIMI.

The risk control system also includes financial risk management. The policies to cover each type of risk are detailed in the attached report.

Note 3 of the notes to the condensed consolidated interim financial statements includes the Group's risk management.

7. THE TEAM

The team of professionals of Árma is one of the Group's main strengths. Since its incorporation, it has selected the highly qualified personnel necessary to develop its strategies and achieve its objectives.

Árma Real Estate is a self-managed real estate investment group that integrates the management team into its organizational structure. This internal team works exclusively - and with full dedication - for the Group and its shareholders. It is formed by specialized professionals with extensive experience and recognized experience in the real estate sector and with a deep knowledge of the market. This expert group of professionals is capable of dealing with highly complex investment operations in short periods of time, and carries out in an integral manner the whole value creation process, from the identification of the investment to the active management and potential rotation of the property.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2019

The Group is supervised by the Board of Directors of the Parent Company with a large majority of independent directors who group competences in the real estate, financial and legal sectors. This Board is advised by an Investment Committee, an Appointments and Remuneration Committee and an Audit and Control Committee that ensure compliance with the investment and profitability requirements set.

ÁrIMA has assembled a solid team of real estate professionals, whose members have more than 100 years of professional experience, which is dedicated exclusively to the creation of value for the Group and its shareholders, and to the satisfaction of its customers. Its specialization and existing network of contacts gives the management team access to differentiated investment opportunities in the Spanish real estate market.

8. INNOVATION AND DEVELOPMENT ACTIVITIES

The Group has not carried out R&D activities during the first semester of 2019.

9. ALTERNATIVE EFFICIENCY MEASURES

Given the recent constitution of the Group and the date of acquisition of the real estate investments that are reflected in the balance sheet, there are no alternative performance measures whose breakdown is significant. However, the Group will assess the implementation of these measures to be applied in the coming years.

10. SUBSEQUENT EVENTS

There have been no events subsequent to the closure that are relevant.

11. MAIN RISKS AND UNCERTAINTIES OF THE SECOND SEMESTER OF 2019

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

For this reason, the Group carries out its work with a committed risk management with the objective of acquiring real estate investments that fall within the Group's strategy and that provide maximum value to its shareholders in the medium and long term. The Group has investment resources associated with the treasury and the financing capacity of the assets pending to finance, which will allow it to continue during the second half of 2019 with its investment strategy focused on real estate assets in Spain.

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 2019

The Board of Directors of the company Árima Real Estate SOCIMI, S.A. on July 25, 2019, and in compliance with the requirements established in article 253 of LSC and article 37 of Commercial Code proceeds to prepare the Condensed Consolidated Interim Financial Statements and the Management Report for the period 31 December 2018 to 30 June 2019, which are constituted by the attached documents that precede this writing.

Mr. Luis Alfonso López de Herrera-Oria
President

Mr. Luis María Arredondo Malo
Board Member

Mr. Fernando Bautista Sagüés
Board Member

Mr. David Jiménez-Blanco Carrillo de Albornoz
Board Member

Mr. Cato Henning Stonex
Board Member

Notice extended by the Secretary to the Board, placing on record that, following the authorisation for issue by the members of the Board of Directors of Árima Real Estate SOCIMI, S.A. and subsidiaries of the condensed interim consolidated financial statements for the period of six months ended on June, 30 2019, all directors have signed this document and stamped their signature on this last page, to which I bear witness, in Madrid, on 25 July 2019. 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