



Árma Real Estate SOCIMI, S.A.  
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## **SPANISH NATIONAL STOCK MARKET COMMISSION**

Pursuant to the provisions in articles 17 of Regulation (EU) 596/2014 of the European Parliament and of the Council of 16 April, on market abuse, and 227 of the consolidated text of the Spanish Stock Market Act, approved by Royal Legislative Decree 4/2015 of 23 October and its concordant provisions, Árma Real Estate SOCIMI, S.A. (hereinafter, "Árma" or the "Company") hereby notifies the following

### **RELEVANT INFORMATION**

Notice is given of the text of the announcement of the call of the Extraordinary General Shareholders' Meeting of the Company to be held on Monday, 4 November 2019, at 12:00 a.m., in Madrid, at the corporate address, in the first call and should it not be possible to hold the Ordinary General Shareholders Meeting at first call due to a lack of quorum, it shall be held at second call on the following day, Tuesday, 5 November 2019, at the same time, in Madrid, Paseo de la Castellana 9, 1<sup>st</sup> floor. Likewise, notice is given of the proposals of the agreements, the Board of Directors' Report regarding the proposed agreement referred to in the first item of the agenda of the aforementioned General Meeting, the Independent Expert's Report and the Appointment and Remuneration Committee Report.

The remaining documentation related to the meeting will be available to shareholders and investors on the website [www.arimainmo.com](http://www.arimainmo.com).

Madrid, 1<sup>th</sup> October 2019



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Mr Luis Alfonso López de Herrera-Oria  
Chief Executive Officer  
Árma Real Estate

## Árima Real Estate SOCIMI, S.A.

### Extraordinary General Shareholders Meeting

The Board of Directors unanimously agrees to call an Extraordinary General Shareholders Meeting of Árima Real Estate SOCIMI, S.A. (the "Company"), to be held in Madrid, on 4 November 2019 at 12:00pm at first call at the corporate address or, should the necessary quorum not be achieved, **at second call on 5 November 2019 at 12:00pm in the offices of Bloomberg, located in Madrid, Paseo de la Castellana 9**, so that the shareholders can discuss and resolve on the points set forth in the following:

#### Agenda

*FIRST. Share capital increase in a maximum amount of one hundred million euros (€100,000,000) by issuance and entry into trading of a maximum of ten million (10,000,000) new ordinary shares, each with a nominal value of ten euros (€10), with the issuance premium being determined by the Board of Directors, and that will be fully subscribed and paid up by collection of consideration in cash, with exclusion of the pre-emptive right of purchase and with provisions for incomplete subscription. Delegation to the Board of Directors, with authorization for sub-substitution, of the powers required in order to implement the resolution and to establish its terms and conditions with regard to any aspects not covered in the resolution, within the scope of section 297.1.a) of the Spanish Corporate Enterprises Act, and to amend the wording of Article 5 of the Articles of Association.*

*SECOND. Amendment to the Remuneration Policy of the Directors for the fiscal years 2019, 2020 and 2021 according to the requirements set forth in the Brochure of the share capital increase registered before the CNMV on 8 April 2019.*

*THIRD.- Setting the number of members of the board of directors in six (6) people.*

*FORTH.- Delegation of Powers to the interpretation, execution, protocolization and registration of the above resolutions.*

Taking into consideration the quorum achieved in other Shareholders Meetings calls, it is foreseeable that the meeting will be held at second call in the place indicated in the heading.

Presentation of proposed resolutions: Shareholders owning at least three per cent (3%) of share capital can, during the period of five days following publication of the call, present founded proposals for resolution on matters already included or that should be included in the agenda for the meeting called, under section 519.3 of the Spanish Corporate Enterprises Act.

Right to information: In accordance with sections 272 and 308 of the Spanish Corporate Enterprises Act, the shareholders are informed that effective with this notice they can immediately obtain from the Company, free-of-charge, all of the documentation related to the agenda and proposed resolutions submitted to them for discussion and approval. The copies are available at the Company's registered office located in Madrid, at Torre Serrano, Calle Serrano, 47, floor 4; such documents being:

- (i) Proposed resolutions.
- (ii) The Directors Report related to the proposed resolution for the share capital increase and excluding the pre-emption right in accordance with sections 286 and 297.1 a), and 308 and 504 of the Spanish Corporate Enterprises Act.

- (iii) The Report of the independent expert issued pursuant to sections 308 and 505 of the Spanish Corporate Enterprises Act.
- (iv) The Remuneration Policy of the Directors for the years 2019, 2020 and 2021.
- (v) The Report of the Appointment and Remuneration Committee regarding the Remuneration Policy of the Directors for the years 2019, 2020 and 2021.
- (vi) All other documentation that is available to shareholders in advance of the General Shareholders Meeting notified here, available at the registered office and/or that can be shipped to the shareholders immediately upon request and free-of-charge.

All of the above documents can likewise be viewed and downloaded from the Company's web page ([www.arimainmo.com](http://www.arimainmo.com)).

In accordance with sections 197 and 520 of the Spanish Corporate Enterprises Act and 29 of the Company's Articles of Association, until the fifth calendar day preceding the date of the meeting, shareholders can request that the directors provide the information or clarifications that the shareholders may consider appropriate regarding the matters included in the agenda, or address the questions that the shareholders considers to be pertinent, in writing. Likewise and up to the fifth day prior to the date of the General Shareholders Meeting scheduled, the shareholders can request that the directors provide, in writing, the clarifications that the shareholders consider appropriate regarding information available to the public and provided by Árima Real Estate SOCIMI, S.A. to the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) regarding the auditor's report. Shareholders can also in this respect during the General Shareholders Meeting verbally request from the directors, the information or clarifications that they may consider pertinent.

Requests allowed pursuant to the shareholders right to information can be delivered or sent by mail or similar messenger service delivered at the registered office (Madrid, Torre Serrano, Calle Serrano, 47, floor 4), in a written request with original signature and a photocopy attached of a valid identification document. The request will include the address where the requesting shareholders wishes delivery of the information requested (which can include an email address).

For purposes of the above and pursuant to section 11 quater of the Spanish Corporate Enterprises Act, any response or request submitted by electronic means will be understood as accepted when presented via the same means if the shareholders, included an email address within the framework of the request made, and the use of electronic means for sending the request is not expressly rejected. If rejected the response or information will be sent by regular post to the address indicated in the communication (which information will be mandatory, if the sending is not accepted by electronics means or if an email address is not included).

Additional information and documentation available on the Company web page ([www.arimainmo.com](http://www.arimainmo.com)). Effective from the date of the notice and until the General Shareholders Meeting is held, the following documents, among others, will be available for view, downloading and printing on the Company web page ([www.arimainmo.com](http://www.arimainmo.com)):

- 1) full text of the call of the General Shareholders Meeting;
- 2) total number of shares and voting rights on the date of the call;
- 3) complete texts of the proposed resolutions for each of the points on the agenda;
- 4) support reports issued by the Board of Directors or independent experts, as applicable;

- 5) applicable rules to the delegation and form of delegation card;
- 6) current consolidated texts of the Company Articles of Association, Regulation of the General Shareholders Meeting, Regulation of the Board of Directors and other documents that comprise the corporate governance system;
- 7) a document from which the shareholders' right to information is extracted;
- 8) and any other documentation specified by Law.

Shareholders will have the right to review the above listed documents in the registered office and to request that they be delivered or sent to them free-of-charge.

It is placed on record that even when the additional information and documentation available on the Company web page ([www.arimainmo.com](http://www.arimainmo.com)) includes the proposed resolutions presented by the Board of Directors to the General Shareholders Meeting on each of the points of the agenda, the Board of Directors reserves the possibility of amending the content of the proposals, for justified reasons. In this event each circumstance will be reported as soon as possible through the pertinent and timely publication of the full and complete text of the changes.

Shareholders can send any request for clarification on delivery of the documentation and other points referred to in this notice to the offices of Árima Real Estate SOCIMI, S.A. (Madrid, Torre Serrano, Calle Serrano, 47, floor 4), or to the Shareholder Information Office + 34 910 532 803 during business hours Monday through Friday, 9:00 am to 7:00 pm, or to the email [investors@arimainmo.com](mailto:investors@arimainmo.com).

Right to attend: As specified in section 23 of the Articles of Association, shareholders owning one or more shares, including those with no voting rights, whose ownership is registered in the corresponding books of notes, five (5) days in advance of the date set for the General Shareholders Meeting and who confirm same by exhibiting the corresponding authentication certificates or attendance cards issued by the Company or any other form admitted by current legislation, will have the right to attend the General Shareholders Meeting.

The right to attend can be delegated as established in the Spanish Corporate Enterprises Act, in the Company's Articles of Association and the Regulation of the General Shareholders Meeting.

Attendance cards will be issued by the Company upon justification of their share ownership, or by the Sociedad de Gestion de los Sistemas de Registro, Compensacion y Liquidacion de Valores, S.A.U. (Iberclear), or entities participants of those systems. The attendance card can be replaced only through the corresponding authentication certificate that confirms compliance with the requirements for attendance.

Registry of the attendance cards will begin one hour before the time indicated for the General Shareholders Meeting. To confirm the identity of the shareholders, those attending the General Shareholders Meeting will be requested, at the entry of the meeting room, to provide national identity document, a foreigner's identification card or passport. If the shareholder is a legal entity, then its representative can likewise be requested to provide confirmation that he has sufficient powers to represent the attending entity.

Right to representation: In accordance with section 25 of the Articles of Association, each shareholder with a right to attend the General Shareholders Meeting can do so through another person, shareholder or not, as established in the Company Articles of Association, Regulation of the General Shareholders Meeting and the Spanish Corporate Enterprises Act. The representative will represent all of the shares owned by the shareholder. The representation can always be

revoked. The attendance of the represented shareholder at the General Shareholders Meeting will be considered as a revocation of the representation.

1. Shareholders can authorise their representative by correspondence sent by post or by equivalent messenger service in a document sent to the Company containing the representation granted, together with the attendance card issued by the Company or entities responsible for keeping the registry of notes on account; they also complete and sign (i) the attendance card and delegation issued on paper by the parties participants of the Sociedad de Gestion de los Sistemas de Registro, Compensacion y Liquidacion de Valores, S.A. (IBERCLEAR), that apply to each case; or (ii) the form provided by Árima Real Estate SOCIMI, S.A. through the mechanism established for the purpose on the Company Web Page ([www.arimainmo.com](http://www.arimainmo.com)) in the "Meeting of Shareholders" section. In both cases they will sign the section of the card provided for signature of the representative. In the second case (remission of the form provided by Árima Real Estate SOCIMI, S.A.), a certificate confirming ownership of the shares will likewise be attached. The card duly completed and signed in original (and as applicable the certificate of ownership) will be sent to Árima Real Estate SOCIMI, S.A. (Madrid, Torre Serrano, Calle Serrano, 47, floor 4) by post or by equivalent messenger service. Shareholders that are legal entities will attach a copy of the document confirming the sufficient powers to represent of the person signing. Delivery of the delegation made in person at the reception office of Árima Real Estate SOCIMI, S.A. (Madrid, Torre Serrano, Calle Serrano, 47, floor 4) will be considered the same as correspondence by post.

2. Communication of the delegation to the representative.

The shareholder advising of its representative by correspondence by post or by equivalent messenger service agrees to inform the designated representative of the representation granted.

When the representation is granted to Árima Real Estate SOCIMI, S.A., to any Director and/or to the Secretary of the Board of Directors, this communication will be understood as made and accepted upon receipt by Árima Real Estate SOCIMI, S.A. of the physical or electronic card, duly completed and signed.

The person to whom the vote is delegated can exercise that vote only through its personal attendance at the General Shareholders Meeting.

The designated representatives will identify themselves through an identity card, foreigner's identification card or passport, on the date and place of the General Shareholders Meeting within the hour immediately preceding the time announced for the meeting. Delegations made by a legal entity shareholder may require a copy of the document confirming that the representative has sufficient powers to represent the party signing the delegation; if a legal entity is representing one or more shareholders then a document may likewise be requested to confirm that the individual appearing as representing has sufficient powers to represent.

3. Period for receipt by Árima Real Estate SOCIMI, S.A.:

Powers to represent granted through any of the above mentioned remote communications means will be received by the Company at the latest by 11:59pm on the day preceding the date set for the General Shareholders Meeting opened at first call. Otherwise the powers to represent will be considered as not granted. As an exception to the above, intermediaries who receive to represent will inform the Company, within the seven (7) days prior to the date set for the Meeting, of a list indicating the identity of each client, the number of shares with voting rates exercised by the representative in the name of its client, as well as voting instruments that may have been given to the representative, if any.

#### 4. Priority rules:

- a) The attendance of the shareholder at the General Shareholders Meeting will be considered as a revocation of the executed delegation.
- b) In the event a shareholder should validly represent various shareholders through a card printed on paper, then the last representation received by Árima Real Estate SOCIMI, S.A. will prevail.

#### 5. Coverage of the delegation and voting instructions:

The powers to represent will cover the points on the agenda as well as, unless expressly indicated otherwise, such other points that may deal with in the General Shareholders Meeting, even though not included in the agenda sent in the notice. Vote delegations will include indications as to the sense in which the representative will vote. In the absence of precise voting instructions or if questions should arise on the scope of the delegation, then it will be understood that (i) votes on all proposals made by the Board of Directors will be considered to be in favour; and (ii) the delegation will extend to and cover the remaining points not included in the agenda of the notice but that may be dealt with by the General Shareholders Meeting, as allowed by applicable standards; and the representative will abstain from voting on the matters unless there are elements that allow him to consider what is the most favourable to the interests of his client in order to vote in favour of or against the proposals.

#### 6. Parties delegated powers to represent:

Delegations of powers to represent that are made simply to Árima Real Estate SOCIMI, S.A. or that do not indicate the person to whom they are delegated will be understood as made to the Chairman of the Board of Directors or, in the event of his absence at the General Shareholders Meeting, then to the person representing him as Chairman of the General Shareholders Meeting.

In the case of delegations that are expressly or tacitly made to the Chairman of the Board of Directors as well as those expressly granted to a director, in the event that any point dealt with may represent a possible conflict of interest to the representative and if the document delegating the representation does not give precise instructions from the shareholder represented, then the delegation will be considered as granted to the Secretary to the Board of Directors.

For these purposes, as well as for the purposes established in the applicable regulations, you are informed that:

- (i) if, as allowed by the applicable legislation, any or several proposals from those described in section 526.1 b) and c) of the Spanish Corporate Enterprises Act be submitted to the General Shareholders Meeting, the directors affected by those proposals would be in conflict of interest in that vote;
- (ii) the Chair of the Board and the other directors are in a conflict of interest regarding point second of the agenda.

7. The transfer of shares with voting rights that are known by Árima Real Estate SOCIMI, S.A., will annul the delegation granted.

#### 8. Technical conditions:

Árima Real Estate SOCIMI, S.A. will not be responsible for any harm that could be caused to the shareholder as a result of postal service or messenger service malfunction, or any other equal or

similar event that is outside the control of Árima Real Estate SOCIMI, S.A. and that may prevent the use of remote delegation mechanisms.

#### 9. Additional information:

For more information on delegating powers to represent through remote communications means, shareholders can see (i) the Company's web page ([www.arimainmo.com](http://www.arimainmo.com)); (ii) the email [investors@arimainmo.com](mailto:investors@arimainmo.com); or (iii) telephone of the Shareholder Attention +34 910 532 803.

Personal Data Management: Personal information sent by shareholders to Árima Real Estate SOCIMI, S.A. to exercise their rights to attend, delegate powers to represent and vote in the General Shareholders Meeting, as well as in compliance with other legal obligations that may derive from the notice or celebration of the General Shareholders Meeting or that may be provided by bank entities and securities agencies and companies in which the shareholders have deposited their shares, through the entity legal allowed to carry the registry of notes on account, IBERCLEAR, will be handled in order to manage the performance, compliance and control of the share relationship existing with regard to the notice and celebration of the General Shareholders Meeting. This data will be included in a file that is the responsibility of Árima Real Estate SOCIMI, S.A. In the event the attendance card or delegation should include personal data referring to individuals other than the owner, then the shareholder will have the consent of the owners to assign the personal data to Árima Real Estate SOCIMI, S.A. and to inform them of the points indicated in this notice and related to the management of their personal information. Personal data will be preserved during development of the share relationship and after this for a period of six (6) years, solely for the purpose of responding to any legal or contract proceedings except, on an exceptional basis, when any of the superior contractual or legal proceedings should be subject to a statute of limitations. Owners of the data will be able to exercise their rights to access, rectify, oppose, limit the handling, carry, delete or any other right recognised by data protection law, in accordance with EU Regulation 2016/679 of the European Parliament and Council of 27 April 2016 related to the protection of natural persons with regard to the processing of personal data and on the free movement of such data, (General Data Protection Regulation) in accordance with current standards and under the terms and in compliance with the requirements established therein, and will address a document identified by the reference of "Personal Data Processing" that contains the specific request, to: Árima Real Estate SOCIMI, S.A. Madrid, Torre Serrano, Calle Serrano, 47, floor 4.

*NOTE: The General Shareholders Meeting will be held, **at second call**, on 5 November 2019, in the place and at the time indicated, unless the shareholders are advised otherwise through the same newspaper that published this notice, in the Company web page [www.arimainmo.com](http://www.arimainmo.com)) or through the pertinent relevant fact that will be sent to the CNMV.*

In Madrid, 30 September 2019.

Iván Azinovic Gamo.

Secretary to the Board of Directors



PROPOSED RESOLUTION ON ITEM ONE OF THE AGENDA OF THE EXTRAORDINARY GENERAL SHAREHOLDERS MEETING OF ARIMA REAL ESTATE SOCIMI, S.A. CONVENED ON NOVEMBER 4<sup>TH</sup> 2019 AND NOVEMBER 5<sup>TH</sup> 2019 AT FIRST AND SECOND CALL, RESPECTIVELY.

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**Share capital increase in a maximum amount of one hundred million euros (€100,000,000) by issuance and entry into trading of a maximum of ten million (10,000,000) new ordinary shares, each with a nominal value of ten euros (€10), with the issuance premium being determined by the Board of Directors, and that will be fully subscribed and paid up by collection of consideration in cash, with exclusion of the pre-emptive right of purchase and with provisions for incomplete subscription. Delegation to the Board of Directors, with authorisation for sub-substitution, of the powers required in order to implement the resolution and to establish its terms and conditions with regard to any aspects not covered in the resolution, within the scope of section 297.1.a) of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), and to amend the wording of Article 5 of the Articles of Association.**

PROPOSED RESOLUTION:

**1. Share capital increase**

To increase the share capital, by collection of consideration in cash, for the purpose of increasing the Company's shareholder equity, by a maximum cash amount (nominal plus premium) of 100 million euros, by issuance and entry into trading of 10,000,000 new ordinary shares of the same class, series, and nominal value as those currently outstanding, with each share having a nominal value of 10 euros.

The Company's Board of Directors will be authorised, or else the person to which that board may decide to grant that authority by substitution or sub-substitution, to determine the following, based on the market conditions existing at the time when this resolution is implemented: (i) the maximum nominal amount of the capital increase and the number of ordinary shares to be issued, which as a maximum will be 100 million euros and 10 million shares, respectively; and (ii) the issue price for the new shares, and in particular, the amount of the issuance premium that, as the case may be, will be determined for each new share issued.

It is resolved that the Board of Directors is being expressly delegated the authority to refrain from implementing this Resolution if, in its judgement, and in consideration of the interests of

the Company, the market conditions in general, or the financial structure that would result from the share capital increase operation, or other circumstances that could negatively affect the Company, are impeding such implementation or making it inadvisable.

It is also resolved to delegate to the Board of Directors the authority to reduce the cash amount of €100 million of increased shareholder equity that the resolved capital increase would be intended to produce, if for purely technical reasons such a decrease would be advisable in order to balance out the sum of the total nominal value and any issuance premium that may be determined.

Adoption of this resolution is independent from the substitution currently in force planned in favour of the Board of Directors by the Extraordinary and Ordinary General Shareholders Meeting dated 21 March 2019 under the eighth point of its agenda, in conformity with section 297.1.b) of the Spanish Corporate Enterprises Act. Therefore, the Board of Directors is authorised to either individually or jointly execute the capital increase in accordance with this resolution, along with any other capital increase that may be resolved by said body by use of the substitution granted by the General Shareholders Meeting dated 21 March 2019 referred to in the eighth point of the agenda.

## **2. Maximum time period for implementation**

The Board of Directors will be responsible for determining the date upon which the resolution should be implemented, within a maximum time period of one year counted from the date of this Resolution. If that time period expires without such execution occurring, this Resolution will become fully null and void.

## **3. Intended participants**

The shares issued will be distributed among qualified investors, whether from Spain or from other countries, and these will be the intended participants in the capital increase as determined by the Board of Directors.

## **4. Exclusion of the pre-emptive right of purchase**

Based upon the requirements existing in Company's interest, and for purposes of allowing the new shares to be subscribed by the qualified investors referred to in section 3 above, it is resolved to fully exclude the pre-emptive right of purchase held by the Company's shareholders.

## **5. Issue price**

The new shares are being issued with a nominal value of 10 euros per share plus, if applicable, an issuance premium that will be established by the persons who are authorised or granted powers for that purpose by virtue of section 12 of this Resolution, and according to the criteria typically used in stock subscription offers. The issuance price will be the one resulting from the sum of the nominal value and any issuance premium that may be established.

## **6. Representation of the new shares**

The new shares issued will be represented by book entry, which will be the responsibility of the company Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (“**Iberclear**”), along with its participating entities, under the terms established in the legislation in force at any given time.

## **7. Rights for the new shares**

The new shares will be of the same class and series as those currently outstanding, and they will confer the same rights from the date upon which the capital increase is declared as being subscribed and paid up.

## **8. Incomplete subscription**

If the capital increase is not fully subscribed during the time period established for such subscription, the Company’s share capital will be increased by the amount effectively subscribed.

## **9. Payment for the new shares**

Payment for the new shares, including for their nominal value and for any corresponding issuance premium, will take place by consideration in cash, within the time period and in the manner determined by the persons granted authorities or powers for this purpose by virtue of section 12 of this Resolution.

For purposes of compliance with section 299 of the Spanish Corporate Enterprises Act, it is declared that the Company’s previously issued shares are fully paid up.

## **10. Admission to trading**

To request admission to trading for the new shares, on the Securities Exchanges of Madrid, Barcelona, Bilbao, and Valencia, by means of Spain’s Interconnection System for Securities Exchanges (Organised Market), and to carry out all procedures and actions necessary or appropriate and to submit all documents required to the competent bodies for admission to trading of these new shares being issued as a result of the resolved capital increase, with express declaration that the Company is subject to the legislation that currently exists or that could be passed in the future on the subject of securities exchanges, and especially that regarding trading, permanence, and exclusion from the official list.

It is expressly declared, for the pertinent legal effects, that if a subsequent request is made for exclusion of the Company’s stock from listing, this must be resolved with the formalities required by the applicable legislation, and under such circumstances, the interests of any shareholders that oppose the resolution or abstain from voting on it will be guaranteed, in compliance with the requirements established in the Spanish Corporate Enterprises Act, in the Spanish Securities Market Act (*Ley del Mercado de Valores*), and in all other associated legal provisions or implementing regulations.

## **11. Amendment of Article 5 of the Company's Articles of Association**

Authority is expressly delegated to the Board of Directors to, once the capital increase has been implemented, adapt the wording of Article 5 of the Articles of Association related to the share capital to reflect the final results of the capital increase.

## **12. Delegation of authorities**

It is resolved to delegate to the Board of Directors, in conformity with section 297.1.a) of the Spanish Corporate Enterprises Act, and with express powers of sub-substitution, the authority to indicate the date upon which the resolution passed on a capital increase for the Company must be carried out, within a maximum time period of one (1) year counted from the date the resolution is passed; and to the extent necessary, to appropriately amend the wording of Article 5 of the Articles of Association to reflect the new amount of the share capital and the number of shares into which that amount is divided.

It is also resolved to delegate to the Board of Directors, also in conformity with section 297.1.a) of the Spanish Corporate Enterprises Act and also with express powers of sub-substitution, the authority to establish the terms and conditions for increasing the capital in relation to any aspects not covered in the previous paragraphs. This especially includes, but without the list below being exhaustive in nature or imposing any limitations or restrictions, substitution of the authorities required in order to:

- a) Execute the capital increase for the Company, establishing the date upon which the resolution must be carried out and also performing all actions necessary or appropriate in order to ensure it is implemented in the best manner possible;
- b) To further develop, complement, and interpret this resolution, establishing the terms and conditions for the share issuance in relation to any aspects not covered in this resolution. In particular this includes, but is not limited to, determination of the issuance premium for the new shares, and therefore to establish the issue price for the new shares, and to establish the amount in which the capital increase should be implemented following subscription, and the time period, manner, terms and conditions, and procedures for subscription and payment, and in general, any other circumstances required in order to carry out the capital increase and to issue the shares in exchange for consideration in cash;
- c) To declare the capital increase as implemented and closed once the new shares have been subscribed and paid up, and in any case of incomplete subscription of the capital increase, to determine the final amount of the capital increase and the number of shares subscribed;
- d) To amend the wording of Article 5 of the Articles of Association in accordance with the results of the capital increase, in conformity with section 297.2 of the Spanish Corporate Enterprises Act;

- e) To appear before a notary of its own selection and formalise this resolution as a public instrument, as well as to carry out any actions that may be necessary or appropriate in order to carry out execution, formalisation, and registration of the capital increase and the corresponding amendment of the Articles of Association, with any public or private entities and bodies, whether in Spain or in any foreign countries, in particular with the Commercial Registry, and including the actions required for formalisation of the resolution as a public instrument, as well as those needed for clarification or complementary expansion, or for correcting any defects or omissions that could represent impediments or obstacles to the full legal force of the resolution or to its entry into the Commercial Register;
- f) To produce, sign, and submit the corresponding informational prospectus and any other documentation required or appropriate for authorisation, verification, and execution of the capital increase, as well as for admission of the new shares to trading, before Spain's National Securities Market Commission (CNMV), the market operators for the securities exchanges, the securities exchange company IBERCLEAR, and any other public or private body, entity, or registry, whether in Spain or in any foreign country, or before any other competent authority, also assuming liability for the contents of such documentation, and to also produce, sign, and submit any complementary documentation that may be necessary and any required supplements, also requesting their certification and registration;
- g) To designate the placement or insurance entities for the issuance, as well as a transfer agent, and to negotiate the terms of their involvement;
- h) To produce, sign, formalise, and as applicable, certify any type of document related to issuance of the new shares and their admission to trading;
- i) To carry out the procedures required in order to ensure that the new shares issued for the capital increase are entered in IBERCLEAR's accounting records and admitted for trading on the corresponding securities exchanges;
- j) To request admission to trading for any shares that may be issued by the Company, on the Securities Exchanges of Madrid, Barcelona, Bilbao, and Valencia, by means of Spain's Interconnection System for Securities Exchanges (Organised Market);
- k) To jointly implement and combine into a single issuance the capital increase referred to in this resolution and a share capital increase with suppression of the pre-emptive rights which could be approved by the Board of Directors by use of the substitution granted by the Extraordinary and Ordinary General Shareholders Meeting dated 21 March 2019 in the eighth point of the agenda; and
- l) To resolve to refrain from executing this resolution in any case where, in its judgement, there are reasons that justify this.



PROPOSED RESOLUTION ON ITEM TWO OF THE AGENDA OF THE EXTRAORDINARY GENERAL SHAREHOLDERS MEETING OF ARIMA REAL ESTATE SOCIMI, S.A. CONVENED ON NOVEMBER 4<sup>TH</sup> 2019 AND NOVEMBER 5<sup>TH</sup> 2019 AT FIRST AND SECOND CALL, RESPECTIVELY.

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**Amendment of the Remuneration Policy for the Directors for the years 2019, 2020 and 2021, according to the requirements set forth in the Brochure of the share capital increase registered before the CNMV on 8 April 2019.**

PROPOSED RESOLUTION:

To amend the Remuneration Policy for the Directors, which was approved by the Company's General Shareholders Meeting held on 21 March 2019 with the purpose of amend it according to the requirements set forth in the Brochure of the share capital increase registered before the CNMV on 8 April 2019. That policy will be applicable to the remuneration paid to the Company's Board members as from today's date during the 2019, 2020 and 2021 financial years, unless the General Shareholders Meeting passes a resolution that modifies that policy while it remains in force.

According to that Remuneration Policy, the maximum total annual amount for remuneration paid to the Company's board members in their capacity as such will be four hundred and twenty-five thousand euros (€425,000) gross, undefined in nature, and unless the General Shareholders Meeting resolves otherwise. It is expressly declared that the annual amount stated does not include any retribution that, in the form of a fixed salary, variable remuneration, or for any other concept, may correspond to the Executive Directors for performance of their duties as executives at the Company. It is also expressly declared that the position of dominical board member is not remunerated.

Distribution of the stated amount among the various board members must be established by Board resolution, taking into consideration the duties and responsibilities assigned to each member, their participation on that board's committees, and any other objective circumstances that may be considered relevant.

In particular, the Board of Directors has approved the payment, as fix annual amount, of the following amounts for the independent board members:

- For being part of the Board of Directors: euro 100,000.
- For the chairmanship of the Board of Directors: additional euro 25,000.

In addition, the fix annual remuneration of the Managing Director of the Company will be of six hundred thousand euros (€600,000) gross, plus the bonus that for each year, including 2019, will correspond, according to the criteria fixed by the Board of Directors, and all the above, notwithstanding any other compensations or benefits determined by the Remuneration Policy.

Any other payment items and amounts of remuneration paid to the Executive Directors, whether as fixed salaries, variable compensation, or for any other corresponding concept, will be the amounts determined by the Remuneration Policy in force at any given time, or if applicable, by other resolutions passed by the General Shareholders Meeting.

Likewise, it is proposed to modify the Remuneration Policy as for the elements of the Employee Incentive Plan or EIP, as follows:

- To clarify that after 30 June 2024 a new incentive plan will be implemented.
- In the Calculation section, to clarify that “if the Minimum Compliance Thresholds are exceeded, the Beneficiaries will be entitled to receive an Incentive equivalent to the percentage representing the lower of (i) 20% of the Excess over the Shareholder Return Rate or (ii) 20% of the Excess over the Relevant High Watermark for the calculation period over the total ordinary outstanding shares in the last day of the corresponding calculation”.
- In the Loss of Rights section, to clarify that the Beneficiary will lose their rights under the EIP if the employment contract or service contract is terminated with a justified cause, whichever is applicable, prior to the completion of the Validity Period.

The Remuneration Policy for the Board members approved in this resolution is replacing and rendering null and void the one approved by the Company’s General Shareholders Meeting held on 21 March 2019.



PROPOSED RESOLUTION ON ITEM THREE OF THE AGENDA OF THE EXTRAORDINARY GENERAL SHAREHOLDERS MEETING OF ARIMA REAL ESTATE SOCIMI, S.A. CONVENED ON NOVEMBER 4<sup>TH</sup> 2019 AND NOVEMBER 5<sup>TH</sup> 2019 AT FIRST AND SECOND CALL, RESPECTIVELY.

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**Setting the number of members of the Board of Directors in six (6) people.**

PROPOSED RESOLUTION:

By virtue of article 242 of Royal Decree Law 1/2010 of 2 July, by which it is approved the Consolidated Text of the Spanish Corporate Enterprises Act, to settle the number of members of the Board of Directors in six (6) members, between the limits set forth by article 34 of the Articles of Association and by article 8 of the Regulations of the Board of Directors.



PROPOSED RESOLUTION ON ITEM FOUR OF THE AGENDA OF THE EXTRAORDINARY GENERAL SHAREHOLDERS MEETING OF ARIMA REAL ESTATE SOCIMI, S.A. CONVENED ON NOVEMBER 4<sup>TH</sup> 2019 AND NOVEMBER 5<sup>TH</sup> 2019 AT FIRST AND SECOND CALL, RESPECTIVELY.

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**Recording as a public instrument of the resolutions passed by the General Shareholders Meeting.**

PROPOSED RESOLUTION:

Without prejudice to any acts of delegation included in the previous resolutions, it is resolved to authorise the Company's Board of Directors, with the express possibility of sub-delegation or replacement and as broadly as may be necessary by law, to perform completion, execution, performance, and technical modification (if necessary) of all the previous resolutions, as well as correction of any errors or omissions (whether formal, substantive, or technical) that they may contain, as well as to engage in their interpretation; and with authority also being granted jointly to the Board members, with the express possibility for sub-delegation or replacement, and also to the Chair and Secretary of the Board, to formalise the appropriate public instruments in which the resolutions passed are contained, with the broadest powers possible for purposes of carrying out any acts that may be necessary, and for formalisation of any documents that may be required in order to carry out registration, including partial registration, in the Commercial Register of the previous resolutions, and in particular to:

- (a) Correct, clarify, specify, or complete the resolutions passed by this General Shareholders Meeting, or in relation to any other deeds or documents executed when those resolutions are implemented, and in particular, in relation to any omissions, defects, or errors in their contents or formats, whether substantive or technical, in cases where these would prevent entry of these resolutions and their consequences into the Commercial Register, Property Register, Industrial Property Register, or any others.
- (b) To carry out any legal acts or business that may be necessary or appropriate when implementing the resolutions passed by this General Shareholders Meeting, formalising any public or private documents as may be necessary or appropriate in order to grant the broadest effects possible to these resolutions, including performance of any actions that may be necessary or appropriate before any public or private entities.

- (c) To delegate to one or more of its members all or a portion of the powers considered to be appropriate from among those corresponding to the Board of Directors, and any that have been attributed to that board by the General Shareholders Meeting, and on either a sole or joint basis.
- (d) To carry out final determination of all other circumstances that may be required, adopting and executing the necessary resolutions, formalising the documents required, carrying out as many procedures as may be appropriate, and complying with any requirements as necessary in accordance with the law in order to allow the full and complete implementation of the resolutions passed by the General Shareholders Meeting.

Also, to expressly authorise any members of the directorship body to, individually and using only their sole signature, record the resolutions passed as a public instrument, as well as to execute any additional deeds or documents that may be necessary or pertinent in order to correct, clarify, specify, or complete the resolutions passed by this General Shareholders Meeting.



**REPORT DRAFTED BY THE BOARD OF DIRECTORS OF THE COMPANY ÁRIMA REAL ESTATE SOCIMI, S.A. IN RELATION TO THE PROPOSED RESOLUTION TO INCREASE CAPITAL WITH EXCLUSION OF THE PRE-EMPTION RIGHT OF PURCHASE REFERRED TO IN POINT ONE OF THE AGENDA OF THE EXTRAORDINARY GENERAL SHAREHOLDERS MEETING CALLED FOR 4 AND 5 NOVEMBER 2019, AT FIRST AND SECOND CALL, RESPECTIVELY**

This report is drafted by the Board of Directors of the company **ÁRIMA REAL ESTATE SOCIMI, S.A.** (the “**Company**” or “**ÁRIMA**”, indistinctly) in compliance with sections 286, 296 and 297.1 a) (in relation to the resolution to increase capital and the consequent statutory amendment) and 308 and 504 (in relation to exclusion of the pre-emption right of purchase) of the **Spanish Corporate Enterprises Act** (*Ley de Sociedades de Capital*) approved by the Royal Legislative Decree no. 1/2010 of 2 July to justify the proposed resolution submitted for approval by the Extraordinary General Shareholders Meeting of the Company convened on 4 and 5 November 2019, at first and second call, respectively (the “**General Shareholders Meeting**”), under point one of the agenda, related to increasing the capital by collection of consideration in cash, with exclusion of the pre-emption right of purchase by a cash (considering nominal value and share premium) amount of €100 million and delegation to the Board of Directors for implementation of the resolution. In addition, it is included as Annex I of this report the whole text of the resolutions proposal to be approved by the General Shareholders Meeting related to item one of the agenda.

Section 297.1.a) of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*) allows the General Shareholders Meeting, with the requirements set out for amendment of the Articles of Association, to delegate to the Directors the faculty to define the date when the resolution to increase the share capital will come into effect at the agreed amount and to fix the conditions where these are not defined in the resolution of the General Shareholders Meeting.

The period for executing this delegated faculty will not exceed one year, except in the case of conversion of obligations into shares.

In relation to the requirements set out for amendment of the Articles of Association, section 286 of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*) establishes that the Directors will redraft the full text of the proposed amendment and, in the case of limited companies, a written report with justification for such.

In compliance with sections 308 and 504 of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), in order to exclude the pre-emption right of purchase within the framework of an increase in the share capital, the Directors shall produce a report that provides a detailed justification of the proposed resolution, specifies the value of the Company’s shares and the consideration to be paid for

the new shares, and indicates the people to which they are assigned, which must be accompanied, in the case of limited companies, with a report produced by an independent expert different from the Company's Auditor by the Commercial Registry, in relation to (i) the fair value of ÁRIMA shares, (ii) the theoretical value of the pre-emption right of purchase that it is proposed to exclude and (iii) the reasonable nature of the data contained in this report.

This report, along with the report that ETL HENIAUDIT, S.L. will issue in its position as independent expert appointed by the Commercial Registry of Madrid at the Company's requests meets the requirements referred to above.

## **1. JUSTIFICATION FOR THE PROPOSED INCREASE IN CAPITAL**

The Extraordinary and Ordinary General Shareholders Meeting dated 21 March 2019, under item eight of its agenda, authorized the Board of Directors to increase, on one or more occasions, the share capital, according to section 297.1.b) of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), during a five-year period as from the date of such General Shareholders Meeting up to a sum no greater than half of the share capital at the time of authorisation, delegating in favour of the Board of Directors the power to exclude the pre-emption right. This delegation is normally granted to enable the Board of Directors to implement measures that the legislation allows for taking rapid and effective actions in response to needs that arise in relation to economic activity.

Notwithstanding the above, the nature and characteristics of the market in which the Company operates and its own investment strategy, which requires the Company to respond swiftly and efficiently to opportunities that may arise in the market in the short or medium term, it is recommended that, without prejudice of the delegation granted by the General Shareholders Meeting dated March 2019 in favour of the Board of Directors under section 297.1.b) of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*) to be able to increase the share capital in the referred five-year period, the Board of Directors asks shareholders to approve a new increase in the share capital via the General Shareholders Meeting for an amount greater than the maximum limit imposed by section 297.1.b), and for its execution in a shorter period.

In this context, against a background of new investment opportunities for ÁRIMA, a new increase in the share capital approved by the General Shareholders Meeting for a cash amount (considering nominal value and share premium) of €100 million, as proposed, would allow obtaining the estimated volume of resources that the Company initially planned to raise with the subscription offer prior to its launching to the Stock Market in October 2018 and which was only partially reached with the increase of the share capital resolved by the Extraordinary and Ordinary General Shareholders Meeting dated March 2019 and which would provide it with the necessary equity to materialise the portfolio of asset acquisition opportunities that are currently being analysed as interesting investment possibilities by its management team, at the same time as accessing an extremely flexible financing model that is available in a short period of time.

As indicated, raising these resources will enable the Company to continue executing its investment strategy, which consists principally of acquiring assets with the potential to create value, with a focus on active portfolio management, and to making replacement and improvement investments that allow

maximising the quality, occupation and value of the acquired assets, positioning them as leaders in their areas of influence.

The Company has an attractive portfolio of potential investment opportunities in real estate assets thanks to the proven ability of the management team of ÁRIMA to originate off market operations. To this, we can add the current situation in the real estate market. Some of these opportunities are in an advanced state of analysis, negotiation and execution, which potential materialization may require disbursements in the short term.

The need to respond rapidly and efficiently to market opportunities acquires greater relevance given that the Company has invested, or committed to investing, a volume of resources (from its shareholder equity and other resources) greater than €175 million, in other words an amount greater than the €140 million in capital obtained by the initial subscription offering of new ordinary shares and executed under the admission onto the Spanish Stock Market (closed in October 2018) and the increase of share capital of the Company executed by an accelerate placement transaction of new issued shares (closed in April 2019), while in the market there are investment opportunities that must be evaluated with the aim of being in a situation to give maximum, sustained, long-term shareholder value. Currently, the real estate portfolio being analysed by ÁRIMA stands at an approximate amount of €1,210 million, of which some €550 million is in an advanced stage of analysis and €660 million is in a preliminary stage of analysis. The Company's pipeline is dynamic as investment opportunities are continuously being evaluated by the management team with the seriousness and rigour that it applies to undertaking investment projects.

The Company's Board of Directors considers that the economic situation and the current circumstances of the financial and capital markets offers ÁRIMA a favourable opportunity to carry out the transaction as described, as can be seen from the great support that this type of capitalisation transactions has had in European companies in recent years in appropriate market windows and, singularly, due to the interest that persists at an international level in the Spanish real estate market and the active participation of the Company in building a portfolio of high-quality real estate assets.

In the current context that presents interesting investment opportunities, and with the priority of maintaining a solid position of its own resources and a suitable proportion of other resources, this increase in capital will enable ÁRIMA to achieve a higher capitalisation, increasing the efficiency of the Company for shareholders by economies in scale in operating costs with a higher volume of resources, greater autonomy in selecting and executing opportunities, assuring short and medium term availability of equity to deal with these opportunities and, consequently, facilitating the materialisation of the portfolio of asset acquisition opportunities that are currently being analysed by the Company.

By its nature, and in accordance with section 297.1.a), this increase would inherently imply the faculty for the Board of Directors to indicate the date when the resolution should come into effect and to set the conditions for all issues not allowed for in the General Shareholders Meeting ruling, with the period for exercising this delegated power, not exceeding one year.

Without prejudice to this, note that approval of this share capital increase will not necessarily lead to execution nor, as applicable, that it will be for the full agreed amount, as this would only occur if the circumstances so advised, and for the strictly necessary amount. Therefore, the increase is requested subject to the fact that, in the opinion of the management body and taking into account the corporate interest it may not be executed, fully or partially, if not necessary or suitable and, consequently, with the possibility of incomplete subscription, which would be reported to the Spanish National Securities Market Commission (CNMV) and to the first General Shareholders Meeting of the Company held after such decision.

Finally, the proposed resolution to increase the share capital is compatible with the delegation, currently in force, granted in favour of the Board of Directors by the Extraordinary and Ordinary General Shareholders Meeting dated 21 March 2019 in point eight of its agenda to increase the share capital by a maximum amount of up to half the share capital sum at the time of approval of the delegation. Consequently, if the market circumstances were appropriate to reach a volume of resources greater than €100 million of nominal value which are part of the present increase, the Board of Directors is empowered to execute jointly and combine in a single issue of new shares the increase in the share capital agreed in this General Shareholders Meeting and the capital increase that is executed by using the delegation referred to in this regard, in the amount and way it deems appropriate.

## **2 JUSTIFICATION FOR EXCLUSION OF THE PRE-EMPTION RIGHT OF PURCHASE**

The proposed share capital increase includes a proposal for exclusion of the ÁRIMA shareholders' pre-emption right of purchase, all in compliance with sections 308 and 504 of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*). This exclusion is necessary to proceed with the share capital increase via the procedure described below. In compliance with the applicable system for excluding the pre-emption right of purchase in the issuance of new shares, a report is produced by the Directors of ÁRIMA containing a detailed justification for the proposed resolution, specifying the value of the shares and the consideration to be paid for the new shares, with an indication of the people to whom they have been assigned.

The following parts analyse compliance with the legal requirements for executing the share capital increase proposed here: the first part sets out the proposed offer method, the second justifies, from the perspective of the corporate interest, excluding the pre-emption right of purchase and the third and final part justifies compliance with the legal obligation for the issue of the new shares to match its fair value.

### **2.1 Description of the placement method.**

The Company's Board of Directors considers that the most effective and suitable way to achieve the sought-after objectives, in these market conditions is to issue the new shares via a private placement through various investment banks, a method that is commonly used for those companies listed on the Spanish Stock Markets and on international markets.

For these purposes, if the resolution to increase the share capital is adopted, ÁRIMA will sign an agreement with one or various highly reputable investment banks by which, once the increase is approved by the General Shareholders Meeting, and after the subsequent resolution by the Board of

Directors of the decision to issue, these investment banks will implement a private placement of the new ÁRIMA shares that will be issued in executing the share capital increase that this report refers with investors which shall be considered as qualified investors, that is: (i) in any member of the European Union, as foreseen in section 2(e) of Regulations (EU) 2017/1129 of the European Parliament and Council of 14 June 2017, on the brochure to be published in case of public offer or admission of stocks for trading in regulated markets, and by which the Directive 2003/71/CE is repealed (the “**Brochure Regulations**”); (ii) in the United Kingdom, as foreseen in section 86(7) of the Financial Services and Markets Act 2000; and (iii) in the other countries where the placement occurs, who are in the condition of qualified investors or an equivalent category in accordance with the standards applicable in each jurisdiction and taking into account the remaining requirements applicable to any increase in capital do not require any registration or approval by the appropriate authorities outside Spain, all to make the operation as fast as possible.

This placement will have an institutional nature and an execution timetable in line with the requirements of the capital markets such that the placement, subscription and disbursement of the share capital increase, and the admission for listing the new shares and closure of the transaction would take place in a reduced period of stock market sessions, subject to normal practices and uses for this type of procedure, and in considerably shorter periods than those that an increase in the share capital with pre-emption right of purchase would require. In accordance with standard market practice, this type of share capital increase requires exclusion of the pre-emption right of purchase as it is incompatible, in its periods and processes, with a placement on these terms and aimed at a specific collective of investors as planned.

In this sense, it is considered the possibility of assigning a significant part of the new shares of ÁRIMA that will be issued in the increase execution, which could reach the majority of the shares to issue, in favour of one or various qualified “anchor” investors. The assignment of packs amongst one or various qualified “anchor” investors is a common practice in the framework of transactions such as an increase of share capital which execution is proposed to the shareholders of the Company as enhances the perception of the Company in the market due to the trust that such investment represents in the future perspectives of the Company by the qualified investors, and to enable the emplacement of the rest of the new issued shares amongst the current shareholders and new investors. For this purpose, the profile and the particular features of said potential investors will be analysed in order to grant that their incorporation contributes to enhance the position and the perception of the Company in the market, and that such incorporation is convenient from a social interest point of view.

Thus, and considering this potential incorporation of one or various qualified “anchor” investors, it is also proposed to the shareholders setting in six the number of members of the Board of Directors, different from the current 5 members that are part of it, in order to, in case the interest of any potential qualified “anchor” investors in the acquisition of a relevant part of the increase of the share capital is finally materialized, and said investment were subject to the possibility of promoting the appointment of a dominical director with immediate effects, the Board of Directors could answer to said request by filing that new post by the co-optation procedure until the first General Shareholders Meeting is held. All of this, provided that the essential features of the qualitative composition of the body of directors,

which if such is the case, will still consist of a little number of directors, appropriated to the Company's needs, and mostly independents, were not be denatured.

Within the framework of this placement and with the aim of establishing the type of investor interested in subscribing to the new shares and the price that the market is prepared to pay for the newly issued shares, the investment banks will research the demand for ÁRIMA shares among qualified investors (including those who are already shareholders in the Company). The Board of Directors believes that the price resulting from this procedure (which will be set transparently, between well-informed parties and in compliance with the standards that prevent market abuse) will reflect the fair value of ÁRIMA shares. Consequently, the Board of Directors proposes to take this price as a reference for setting the issue price for increase in the share capital to which this report refers. In all cases, the Minimum Issue Rate per share under this share capital increase will be its nominal value, i.e.: €10 per share (the **"Minimum Issue Rate"**).

Once the price is established after the demand research process and, with it, the issue price of the new shares, they will be fully subscribed and disbursed by all or some of the investment banks that will participate in the placement acting on behalf of final investors by those that have placed the new shares with a view to their later transfer to them. Once this subscription and disbursement is completed, the Board of Directors will execute the share capital increase, by giving new wording to the corresponding section of the Articles of Association, indicating the exact amount to which the share capital will be increased as a consequence of the institutional placement procedure.

## **2.2 Reasons of company interest that support exclusion the pre-emption right of purchase.**

Exclusion of the shareholders' pre-emption right of purchase is required to be in the company interests of ÁRIMA. In this context, the Board of Directors of the Company considers that excluding the shareholders' pre-emption right of purchase fully complies with substantive requirements established in law and, especially, with that stating the need for the exclusion to be required in the Company's interest. In particular, because (a) it allows a suitable transaction from the corporate interest point of view; (b) the procedure is suitable to achieve the aim of the share capital increase and (c) there is proportionality between the selected method and the sought-after objective, as detailed below.

### **(a) Convenience of the increase in the share capital from the perspective of the Company's interests.**

As set out above (see part 1), the increase in the share capital is fully justified by reasons of the corporate interest given that the Company has invested, or committed to investing, resources (its own and third parties') for a volume greater than its own equity obtained in the subscription offer prior to the Company's departure from the Stock Market in October 2018 and the increase of share capital executed in April 2019, this transaction will allow ÁRIMA to reach new resources to follow up on new opportunities to acquire real estate properties that will allow it to continue its disciplined investment strategy, based on creating value via active management of the Company's portfolio, to maximise the properties' quality, occupation and value, positioning them as leaders in their areas of influence, all in accordance with its strategic plan.

**(b) Suitability of implementing the increase in the share capital via a private placement.**

The proposed method for the transaction to raise equity via a private placement of the new shares to be issued within a reduced period of time, it is not only suitable for achieving the desired aim but is also appropriate from the perspective of the corporate interest. In line with market practice, this technique will allow own resources to be raised under the terms described in a short period of time and reducing the inherent risk of market volatility. It is relevant to state that this type of transaction is commonly used by major issuers in the international capital markets and has been used by various Spanish listed companies due, principally, to its flexibility, efficiency and speed.

This process will take place subject to normal practices and uses for major issuers of capital in this type of procedure and in compliance with the standards that prevent market abuse.

With the aim of giving more detail about the suitability of the proposed transaction, the following contains the advantages of this structure compared with other alternatives that were considered and rejected, principally a share capital increase with pre-emption right of purchase. The Board of Directors of ÁRIMA considers that these advantages can be divided into four categories. As follows:

- Swifter execution.

The Board of Directors believes that the proposed procedure for the increase in capital is that it can be executed with flexibility and as swiftly as possible, while any alternative to the proposed one would significantly delay the process of raising resources.

In effect, the only alternatives that may provide a parallel method for obtaining resources and, at the same time, an increase in the level of capital may be:

- (i) an increase in the share capital via contributions in cash with pre-emption rights or
- (ii) an increase in the share capital via contributions in cash with exclusion of the rights and a public offering of shares intended for the market as a whole. However, any of these two options would lead to a considerably longer period of execution for the transaction, which would not only delay obtaining the necessary equity but would also reduce the Board of Directors' flexibility to select the most suitable time in the market to implement the transaction.

It must be noted that in the event of a share capital increase with pre-emption rights, these must be exercised within a period that will be no less than fifteen days from publication of the issue announcement in the Official Bulletin of the Commercial Registry, and that, due to the securities market post-contract procedures and the treatment of corporate operations of this nature by the system for share registration, compensation and settlement in an account managed by Iberclear, a further week would be required after the end of the subscription period until disbursement of the increase in the share capital. In the event of a public share offering open to unqualified investors, for practical purposes this would require a period of two weeks from announcement of the offer until fixing the issue price.

These periods contrast with those required to complete the private placement of shares under the proposed terms and that would be limited to a few stock market sessions from

announcement to the market of the proposed increase in capital by the Board of Directors until execution and disbursement. Therefore, definitively, neither an issue of shares with pre-emption rights to a public offering with exclusion of the pre-emption right of purchase could take place as swiftly and flexibly as a private placement with exclusion of the pre-emption right of purchase aimed at qualified investors that is proposed to assure obtaining own resources in the current market conditions.

- Lower exposure to market risk.

Implementing the share capital increase with exclusion of the pre-emption right of purchase and its placement among qualified investors following the proposed procedure, reducing the execution period of the transaction, minimising its exposure to market risk, increasing its probability of success, is a relevant advantage in the current position, considering the changing circumstances and high market volatility.

With an increase in the share capital via contributions in cash with pre-emption rights, the value of the shares must be fixed at the start of the process, leaving ÁRIMA exposed to market changes for an extended period of time (longer than three weeks) that would occur between the launch and closure and disbursement of the share capital increase. Further, an extended period for the transaction may weaken demand from shareholders, who may feel inclined to wait until the end of the pre-emption period to place their orders to exercise their pre-emption rights, given their firm and irrevocable nature, or only exercise them partially due to the lack of certainty about a complete or incomplete subscription of the increase, in case this were not ensured, which will foreseeable occur provided that the issuance rate were the same to the market value or estimated. In addition, as the proposed Minimum Issue Rate is substantially aligned with the current quoted ÁRIMA share price in the market and represents a modest discount with regards to its Net Asset Value, which was €10.8 per share on 30 June 2019, according to the discount over the quoted Net Asset Value of other similar SOCIMI, it is improbable that a very active market in pre-emption rights would develop that would allow shareholders uninterested in participating in the increase to sell their rights and other investors to acquire the corresponding shares, such that, combining all the above, this would deprive the pre-emption subscription period of a good part of its functionality.

In the event of a new public offering the duration of the process may entail a considerable market risk that, as it continues, might compromise obtaining the necessary resources.

Definitively, therefore, an issue of shares with pre-emption rights does not meet the Company's needs in the current circumstances of the financial markets and the execution time required to undertake any of these alternatives. The Company's needs are also not met by any public share offering, with an institutional and minority framework and disapplication of the pre-emption right of purchase, due to the rigidity that this structure implies and that is incompatible in the present circumstances with the objectives that the corporate interest of ÁRIMA demands.

- Opportunity to increase the share liquidity and share base of ÁRIMA.

Since the Company was launched to the Stock Market in October 2018 and despite of the increase of share capital with exclusion of the pre-emption right dated April 2019, ÁRIMA has had a high concentration of shareholders, basically qualified investors, with numerous positions of 3% or more of the Company's share capital. In addition to the shareholder base stability and the need to reduce the volume of the initial share offering in October 2018 from €300 to €100 million and of the share capital increase dated April 2019 from €200 to €40 million, has determined that the Company's shares currently have a limited frequency and activity in the stock market, currently quoted in fixing mode (i.e.: with two prices fixed each day) rather than open quotes, with sessions in which no share is traded.

In this context, the proposed increase in capital via private placement with exclusion of the pre-emption right of purchase open, logically, to participation by all current shareholders of the Company that meet the condition of qualified investors, is an excellent opportunity for new qualified shareholders who meet the criteria of investor quality and solvency, and may increase the free float of the Company; in other words, it potentially allows an increase and diversification in the share base of ÁRIMA. This, combined with the resultant higher capitalisation of the Company, may contribute to stimulating the stock's liquidity.

The Board of Directors considers that this circumstance is beneficial to most shareholders and also to the corporate interest to the extent that it favours the largest extent and depth of the market, contributing to the quoted price of the shares in the market being set correctly, potentially increasing its alignment with the *Net Asset Value* and mitigating the volatility of its quoted price, and because it may lead to increased monitoring by analysts that in turn increases other investors' interest in ÁRIMA shares.

- Cost savings.

It should similarly be stated that the costs and risks of execution of a private placement that excludes the pre-emption right of purchase are lower than those of an increase in the share capital with pre-emption right of purchase or with a public offering aimed at the market in general. Likewise, such costs and risks of execution are limited to those of the placement – in turn, normally far lower – saving the costs of potential underwriting commitments (which in the proposed transaction are not foreseen, as the shares are distributed by a simple placement) and consequently, the commissions of the investment banks for distributing the new shares are lower. In addition, and as stated above, it is considered that the flexibility of the execution periods of this procedure, and their greater speed, significantly reduce the management costs associated with any increase in capital.

**(c) Proportionality of exclusion of the pre-emption right of purchase.**

Finally, the Board of Directors of ÁRIMA wishes to state that the extent of the exclusion complies with the due proportionality that should exist between the advantages obtained by the Company and the hypothetical disadvantages it may cause to the Company's current shareholders.

Firstly, as stated above, this share capital increase is not only open to participation by the current ÁRIMA shareholders that are qualified investors (who, in addition, represent the vast majority of the share capital): the Company also hopes and expects to enjoy interest and participation from its current shareholder base with the success of the proposed increase in the share capital. In addition, the number of shareholders in ARIMA that are not of this quality and the percentage of the share capital that they represent is greatly reduced, and, any case, these shareholders will also benefit from the entry of equity into the Company that is planned to take place via the proposed placement. Also taking into account the current market conditions, the quoted price for ARIMA shares and the planned Minimum Issue Rate as well as the increased liquidity that this placement will produce, it is anticipated that minor shareholders interested in increasing their investment in ÁRIMA may acquire more shares through an alternative route of exercising their pre-emption right of purchase or participation in the placement, going to the market after the operation to buy them in price conditions similar to those offered in the increase in capital.

Secondly, the Company considers that the major benefits that the Company will derive from the proposed share capital increase and that have been referred to throughout this report, in the Board's judgement, are in balance with the disadvantages that may be caused to those current shareholders who decide not to participate in the transaction or who could not participate due to their minority nature.

In addition, it should be highlighted that the terms of the transaction prevent any economic dilution of the Company's current shareholders, as the new shares will be issued at fair value, with the Minimum Issue Rate fixed at €10 per share, which matches the nominal value and the issue price of the shares issued in the initial offering of ÁRIMA shares in October 2018 and the increase of share capital of the Company dated April 2019.

Taking into account all the above, the Board of Directors of ÁRIMA considers that the share capital increase referred to in this report is full justified for reasons of the corporate interest. Consequently, it is proposed to implement the share capital increase covered in this report with exclusion of the pre-emption right of purchase, as this is fair and reasonable and also meets the corporate interests of ÁRIMA.

### **2.3 Justification of the fair value of the proposed Minimum Issue Rate.**

Section 308.2.c) of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*) requires the nominal value of the new shares plus, as applicable, the amount of the issue premium to match the value contained in the report from the independent expert appointed to that end by the Commercial Registry. In addition, section 504.2 of the above-mentioned Act adds that, in the case of listed companies, the fair value will be taken to be the market value, except where justified otherwise, with a presumption that this will be established by reference to the stock market quote.

Taking into account the above, it is proposed to issue the new shares at an issue price per share that will be the price that results from the private placement that the investment banks carry out of new shares issued due to the share capital increase referred to in this report. The Board of Directors considers that, in view of the paragraph below, the fair value of the new shares will correspond to the value that results from the demand research process that the investment banks that participate in the transaction described will carry out, because this process measures the strength of demand in the most qualified segment of investors, both shareholders and non-shareholders, and therefore suitably analyses what the market is prepared to pay for the new shares.

In any event, a Minimum Issue Rate equivalent to a unit nominal value per ÁRIMA share of €10 per share is proposed. This figure represents a premium of 0.47% over the weighted average price of ÁRIMA shares in the Stock Market Interconnection System (SIB) or Continuous Market of the Spanish Stock Market on 25 September 2019 (the last stock market session prior to this report in which ÁRIMA shares were traded), which was €9.9528 per share, and a premium of 0.11% over the weighted average of ÁRIMA ordinary shares in the quarter from 25 June 2019 to 25 September 2019, which was €9.9886 per share. The proposed Minimum Issue Rate represents a modest discount of 7.6% from the EPRA NAV value of its shares on 30 June 2019, which was €10.8 per share, according to the discount from the quoted EPRA NAV value of other similar SOCIMI.

Therefore, in the Board of Directors judgement, the planned Minimum Issue Rate complies with legal requirements and matches, when lower, the fair value of the ÁRIMA shares.

In any event, as indicated above, in compliance with section 504 and section 308.2.c) of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), the issue price of the shares must match the real value that results from the report of the independent expert nominated by the Commercial Registry of Madrid, ETL HENIAUDIT, S.L., which will issue a corresponding report about the fair value of the Company's shares, the theoretical value of the pre-emption rights that it is intended to exclude, and the reasonableness of the data contained in this report.

As mentioned above, the report, along with this report, will be made available to shareholders and communicated concurrently with the calling the General Shareholders Meeting of the Company that will be convened for 4 and 5 November 2019, on first and second call, respectively, which will implement, as applicable, the share capital increase contained in this report.

This Directors Report has been drawn up by the Board of Directors of the Company in the meeting held on 26 September 2019.

\* \* \*

In Madrid, 26 September 2019.  
Mr. Iván Azinovic  
Secretary of the Board of Directors

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## PROPOSED RESOLUTION FOR AGREEMENT BY THE GENERAL MEETING

The following is a literal transcription of the full text of the proposed resolution submitted for approval by the Extraordinary General Meeting under point one of the agenda:

**“Share capital increase in a maximum amount of one hundred million euros (€100,000,000) by issuance and entry into trading of a maximum of ten million (10,000,000) new ordinary shares, each with a nominal value of ten euros (€10), with the issuance premium being determined by the Board of Directors, and that will be fully subscribed and paid up by collection of consideration in cash, with exclusion of the pre-emptive right of purchase and with provisions for incomplete subscription. Delegation to the Board of Directors, with authorisation for sub-substitution, of the powers required in order to implement the resolution and to establish its terms and conditions regarding any aspects not covered in the resolution, within the scope of section 297.1.a) of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), and to amend the wording of Article 5 of the Articles of Association.**

### PROPOSED RESOLUTION:

#### **1. Share capital increase**

To increase the share capital, by collection of consideration in cash, for the purpose of increasing the Company's shareholder equity, by a maximum cash amount (nominal plus premium) of 100 million euros, by issuance and entry into trading of 10,000,000 new ordinary shares of the same class, series, and nominal value as those currently outstanding, with each share having a nominal value of 10 euros.

The Company's Board of Directors will be authorised, or else the person to which that that board may decide to grant that authority by substitution or sub-substitution, to determine the following, based on the market conditions existing at the time when this resolution is implemented: (i) the maximum nominal amount of the capital increase and the number of ordinary shares to be issued, which as a maximum will be 100 million euros and 10 million shares, respectively; and (ii) the issue price for the new shares, and in particular, the amount of the issuance premium that, as the case may be, will be determined for each new share issued.

It is resolved that the Board of Directors is being expressly delegated the authority to refrain from implementing this Resolution if, in its judgement, and in consideration of the interests of the Company, the market conditions in general, or the financial structure that would result from the share capital increase operation, or other circumstances that could negatively affect the Company, are impeding such implementation or making it inadvisable.

It is also resolved to delegate to the Board of Directors the authority to reduce the cash amount of €100 million of increased shareholder equity that the resolved capital increase would be intended to produce, if for purely technical reasons such a decrease would be advisable in order to balance out the sum of the total nominal value and any issuance premium that may be determined.

Adoption of this resolution is independent from the substitution currently in force planned in favour of the Board of Directors by the Extraordinary and Ordinary General Shareholders Meeting dated 21 March 2019 under the eighth point of its agenda, in conformity with section 297.1.b) of the Spanish Corporate Enterprises Act. Therefore, the Board of Directors is authorised to either individually or jointly execute the capital increase in accordance with this resolution, along with any other capital increase that may be resolved by said body by use of the substitution granted by the General Shareholders Meeting dated 21 March 2019 referred to in the eighth point of the agenda.

## **2. Maximum time period for implementation**

The Board of Directors will be responsible for determining the date upon which the resolution should be implemented, within a maximum time period of one year counted from the date of this Resolution. If that time period expires without such execution occurring, this Resolution will become fully null and void.

## **3. Intended participants**

The shares issued will be distributed among qualified investors, whether from Spain or from other countries, and these will be the intended participants in the capital increase as determined by the Board of Directors.

## **4. Exclusion of the pre-emptive right of purchase**

Based upon the requirements existing in Company's interest, and for purposes of allowing the new shares to be subscribed by the qualified investors referred to in section 3 above, it is resolved to fully exclude the pre-emptive right of purchase held by the Company's shareholders.

## **5. Issue price**

The new shares are being issued with a nominal value of 10 euros per share plus, if applicable, an issuance premium that will be established by the persons who are authorised or granted powers for that purpose by virtue of section 12 of this Resolution, and according to the criteria typically used in stock subscription offers. The issuance price will be the one resulting from the sum of the nominal value and any issuance premium that may be established.

## **6. Representation of the new shares**

The new shares issued will be represented by book entry, which will be the responsibility of the company Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. ("Iberclear"), along with its participating entities, under the terms established in the legislation in force at any given time.

## **7. Rights for the new shares**

The new shares will be of the same class and series as those currently outstanding, and they will confer the same rights from the date upon which the capital increase is declared as being subscribed and paid up.

## **8. Incomplete subscription**

If the capital increase is not fully subscribed during the time period established for such subscription, the Company's share capital will be increased by the amount effectively subscribed.

## **9. Payment for the new shares**

Payment for the new shares, including for their nominal value and for any corresponding issuance premium, will take place by consideration in cash, within the time period and in the manner determined by the persons granted authorities or powers for this purpose by virtue of section 12 of this Resolution.

For purposes of compliance with section 299 of the Spanish Corporate Enterprises Act, it is declared that the Company's previously issued shares are fully paid up.

## **10. Admission to trading**

To request admission to trading for the new shares, on the Securities Exchanges of Madrid, Barcelona, Bilbao, and Valencia, by means of Spain's Interconnection System for Securities Exchanges (Organised Market), and to carry out all procedures and actions necessary or appropriate and to submit all documents required to the competent bodies for admission to trading of these new shares being issued as a result of the resolved capital increase, with express declaration that the Company is subject to the legislation that currently exists or that could be passed in the future on the subject of securities exchanges, and especially that regarding trading, permanence, and exclusion from the official list.

It is expressly declared, for the pertinent legal effects, that if a subsequent request is made for exclusion of the Company's stock from listing, this must be resolved with the formalities required by the applicable legislation, and under such circumstances, the interests of any shareholders that oppose the resolution or abstain from voting on it will be guaranteed, in compliance with the requirements established in the Spanish Corporate Enterprises Act, in the Spanish Securities Market Act (*Ley del Mercado de Valores*), and in all other associated legal provisions or implementing regulations.

## **11. Amendment of Article 5 of the Company's Articles of Association**

Authority is expressly delegated to the Board of Directors to, once the capital increase has been implemented, adapt the wording of Article 5 of the Articles of Association related to the share capital to reflect the final results of the capital increase.

## **12. Delegation of authorities**

It is resolved to delegate to the Board of Directors, in conformity with section 297.1.a) of the Spanish Corporate Enterprises Act, and with express powers of sub-substitution, the authority to indicate the date upon which the resolution passed on a capital increase for the Company must be carried out, within a maximum time period of one (1) year counted from the date the resolution is passed; and to the extent necessary, to appropriately amend the wording of Article 5 of the Articles of Association to reflect the new amount of the share capital and the number of shares into which that amount is divided.

It is also resolved to delegate to the Board of Directors, also in conformity with section 297.1.a) of the Spanish Corporate Enterprises Act and also with express powers of sub-substitution, the authority to establish the terms and conditions for increasing the capital in relation to any aspects not covered in the previous paragraphs. This especially includes, but without the list below being exhaustive in nature or imposing any limitations or restrictions, substitution of the authorities required in order to:

- a) Execute the capital increase for the Company, establishing the date upon which the resolution must be carried out and also performing all actions necessary or appropriate in order to ensure it is implemented in the best manner possible;
- b) To further develop, complement, and interpret this resolution, establishing the terms and conditions for the share issuance in relation to any aspects not covered in this resolution. In particular this includes, but is not limited to, determination of the issuance premium for the new shares, and therefore to establish the issue price for the new shares, and to establish the amount in which the capital increase should be implemented following subscription, and the time period, manner, terms and conditions, and procedures for subscription and payment, and in general, any other circumstances required in order to carry out the capital increase and to issue the shares in exchange for consideration in cash;
- c) To declare the capital increase as implemented and closed once the new shares have been subscribed and paid up, and in any case of incomplete subscription of the capital increase, to determine the final amount of the capital increase and the number of shares subscribed;
- d) To amend the wording of Article 5 of the Articles of Association in accordance with the results of the capital increase, in conformity with section 297.2 of the Spanish Corporate Enterprises Act;

- e) To appear before a notary of its own selection and formalise this resolution as a public instrument, as well as to carry out any actions that may be necessary or appropriate in order to carry out execution, formalisation, and registration of the capital increase and the corresponding amendment of the Articles of Association, with any public or private entities and bodies, whether in Spain or in any foreign countries, in particular with the Commercial Registry, and including the actions required for formalisation of the resolution as a public instrument, as well as those needed for clarification or complementary expansion, or for correcting any defects or omissions that could represent impediments or obstacles to the full legal force of the resolution or to its entry into the Commercial Register;
  - f) To produce, sign, and submit the corresponding informational prospectus and any other documentation required or appropriate for authorisation, verification, and execution of the capital increase, as well as for admission of the new shares to trading, before Spain's National Securities Market Commission (CNMV), the market operators for the securities exchanges, the securities exchange company IBERCLEAR, and any other public or private body, entity, or registry, whether in Spain or in any foreign country, or before any other competent authority, also assuming liability for the contents of such documentation, and to also produce, sign, and submit any complementary documentation that may be necessary and any required supplements, also requesting their certification and registration;
  - g) To designate the placement or insurance entities for the issuance, as well as a transfer agent, and to negotiate the terms of their involvement;
  - h) To produce, sign, formalise, and as applicable, certify any type of document related to issuance of the new shares and their admission to trading;
  - i) To carry out the procedures required in order to ensure that the new shares issued for the capital increase are entered in IBERCLEAR's accounting records and admitted for trading on the corresponding securities exchanges;
  - j) To request admission to trading for any shares that may be issued by the Company, on the Securities Exchanges of Madrid, Barcelona, Bilbao, and Valencia, by means of Spain's Interconnection System for Securities Exchanges (Organised Market);
  - k) To jointly implement and combine into a single issuance the capital increase referred to in this resolution and a share capital increase with suppression of the pre-emptive rights which could be approved by the Board of Directors by use of the substitution granted by the Extraordinary and Ordinary General Shareholders Meeting dated 21 March 2019 in the eighth point of the agenda; and
  - l) To resolve to refrain from executing this resolution in any case where, in its judgement, there are reasons that justify this.
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**ÁRIMA REAL ESTATE SOCIMI, S.A.**

**Independent expert's report on the exclusion from  
the pre-emptive right of purchase  
in the case of sections 308 and 505 of the  
Consolidated Text of the Spanish Corporate Enterprises Act.**

## **INDEPENDENT EXPERT'S REPORT ON THE EXCLUSION FROM THE PRE-EMPTIVE RIGHT OF PURCHASE IN THE CASE OF SECTIONS 308 AND 505 OF THE CORPORATE ENTERPRISES ACT.**

To the shareholders of **ÁRIMA REAL ESTATE SOCIMI, S.A.**

For the purpose of section 308 and 505 of the Corporate Enterprises Act, the consolidated text of which was approved by Royal Legislative Decree 1/2010 of 2 July (*Ley de Sociedades de Capital*, "Corporate Enterprises Act"), as appointed by Mr Miguel Seoane de la Parra, Commercial Registrar number XIV of Madrid, of 22 July 2017, and in accordance with the commission received from ÁRIMA REAL ESTATE SOCIMI, S.A., (ÁRIMA or the Company), we issue this special report on the proposed increase in the Company's share capital, with the exclusion of the pre-emptive right of purchase, together with the Directors' report, which will be made available to the shareholders upon the call of the General Shareholders Meeting convened to deliberate the resolution to increase the capital (the "Capital Increase").

### **1. BACKGROUND AND PURPOSE OF OUR WORK**

In its meeting of 26 September 2019, ÁRIMA's Board resolved to submit a proposal to the Ordinary General Shareholders Meeting of 4 or 5 November 2019 (on first or second call respectively) to approve a capital increase for an effective sum of 100,000,000 euros projected for incomplete subscription, by issuing new shares charged to monetary contributions and with no pre-emptive rights of purchase pursuant to sections 297.1, 308 and 505 of the Spanish Corporate Enterprises Act.

Under the Board's proposal, the capital increase may ultimately be combined with a capital increase approved by the Board whereby new shares would be issued charged to monetary contributions and with no pre-emptive purchase rights pursuant to the power granted by the Company's Ordinary and Extraordinary General Shareholders Meeting of 21 March 2019, under item eight of its Agenda, so that the Board may increase by one or several times the share capital for a nominal amount of €50,000,000 through the issuance and circulation of a maximum of 5,000,000 new shares, each with a par value of €10, pursuant to the provisions in section 297.1(b) of the Spanish Corporate Enterprises Act, for a maximum period of five years from the date when the General Meeting is held, through monetary contributions. Within the maximum amount specified, the Board is attributed the power to exclude the pre-emptive right of purchase.

On 22 July 2019, the Company ETL HENIAUDIT, S.L. was appointed by the Commercial Registrar to draft the mandatory report on the fair value of the Company's shares, the theoretical value of the Pre-Emptive Right of Purchase the exercise of which it is proposed to remove, and the reasonableness of the data included in the Directors' Report. The appointment of ETL HENIAUDIT, S.L. was accepted on 2 August 2019 by Ms Miren Izaskun Tolosa García in her capacity as the Company's representative.

The Company's Board drafted the Directors' Report of 26 September 2019 (the "Directors' Report"), which is included as Appendix 1 to this special report, in which the proposal and the exclusion of the pre-emptive right of purchase is justified in detail, pursuant to section 308 of the Spanish Corporate Enterprises Act. The proposal for a

capital increase together with the Directors' Report will be subject to the approval of the Company's Ordinary General Shareholders Meeting, called to be held on 4 November 2019, at first call, or on 5 November 2019, at second call.

## 2. DESCRIPTION OF THE COMPANY:

ÁRIMA REAL ESTATE SOCIMI S.A. was incorporated on 13 June 2018 under the Spanish Corporate Enterprises Act. Its current registered and tax domicile is calle Serrano, 47, 4 planta, in Madrid. The Company's corporate purposes are the following:

- The acquisition and development of urban real estate properties for their lease.
- Ownership of shares in the share capital of other listed limited real estate investment trusts ("REITs") or in other companies that are not residents of Spain that have the same corporate purpose as REITs and are subject to a similar system to that established for REITs as regards the mandatory, legal, or statutory policy for distribution of profits and meet the investment requirements established in section 3 of the Spanish Listed Real Estate Investment Trust Act [*Ley de las Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario*].
- Ownership of shares in the capital of other companies, be they residents of Spain or not, whose main corporate purpose is the acquisition of urban real estate properties for their lease, subject to a similar system as that established for SOCIMIs as regards the mandatory, legal, or statutory policy for distribution of profits.
- Ownership of shares or stock in Real Estate Investment Trusts as regulated by Law 35/2003 of 4 November on Undertakings for Collective Investment (*Ley 35/2003, de 4 de noviembre, de Instituciones de Inversión Colectiva*).

In addition, the Company may carry out other supplementary activities, understood as those whose total revenues represent less than 20% of the Company's revenues in each tax period.

All activities that must, by law, meet special requirements that are not met by the Company are excluded. The Company may also perform, totally or partially, the activities described above indirectly through shares in another company or in companies with a similar corporate purpose.

ÁRIMA has been listed on the Barcelona, Bilbao, Madrid and Valencia stock exchanges since 23 October 2018 and it holds a 100% direct share in the share capital of ÁRIMA REAL ESTATE INVESTMENTS, S.L.U., a company incorporated in December 2018 and that is not listed, thus making it the parent company of a Business Group.

## 3. DESCRIPTION OF THE OPERATION: THE CAPITAL INCREASE.

Pursuant to sections 286, 297, 308 and 505 of the Spanish Corporate Enterprises Act, on

26 September 2019, the Company's Board drafted the Directors' Report with the proposal for the share capital increase through monetary contributions with the exclusion of the pre-emptive right of purchase, which will be subject to the approval of the next General Shareholders Meeting, called to be held on 4 November 2019 at first call, and on 5 November 2019, at second call.

This document includes the previous requirements from the Spanish Corporate Enterprises Act, which are:

- those of Section 286 of the Spanish Corporate Enterprises Act, regarding the justification of the proposal for the share capital increase and the ensuing amendment to the bylaws, and
- those of Sections 308 and 505 of the same law as regards the exclusion of the pre-emptive right of purchase.

In the Directors' Report, the Board proposed increasing the Company's share capital by a maximum of €100,000,000, from the current €140,063,000 to €240,063,000, through the issuance and circulation of a maximum of 10,000,000 of ordinary shares, each with a par value of €10.

The capital increase will be instrumented through the private placement by various investment banks among qualified investors with no pre-emptive right of purchase, which has already been implemented in the Spanish market by various listed companies, aimed at qualified investors in each jurisdiction, as the issue will be placed in Spain and in other countries. The subscription and disbursement of the capital increase and the admission to trading of the shares, as well as the liquidation of the transaction, will most likely be carried out in a small number of stock exchange sessions, subject to the usual practices in this type of procedure. This type of placement, according to consolidated practice in the market, requires the exclusion of the pre-emptive right of purchase.

According to the Directors' Report, and for the purposes of this special report, the minimum issue rate per share at which the transaction will be carried out will be €10 shares per share (the Minimum Issuance Rate).

According to the documents provided by the Company Management, the issuance rate for the new shares will be established during the placement process, depending on the investors' interest and the price level offered by these.

Regarding the justification of the capital increase to be carried out, the Board believes that the nature and characteristics of the market in which the Company operates and its own investment strategy require that the Company respond in an agile and efficient manner to the opportunities that may arise in the market in the short or medium term. This makes it advisable for the Board to consider the possibility of having a capital increase approved by the General Meeting, for an amount that exceeds the maximum limit imposed in section 297.1(b) of the Corporate Enterprises Act, that is, half of the Company's share capital at the time of the authorisation, for its equally immediate enforcement.

This need arises, according to the Directors' Report, from the existence of an environment of new opportunities for the Company, as the capital increase will make it possible to

attract the funds required for the materialisation of the portfolio of opportunities for the acquisition of assets that are being currently examined as interesting possibilities for investment by its management team (as part of the Company's strategy of investment in assets with a high potential for the creation of value and repositioning investments that make it possible to maximise the quality, occupation, and value of the assets acquired, positioning them as references in their areas of influence), while accessing an extremely flexible financing mechanism that is available in a short period of time.

The need to respond in a rapid and efficient manner to market opportunities becomes all the more relevant, according to the Directors' Report, as the Company has already invested or committed the investment of a resource volume (including own funds and third-party resources) higher than €175 million, that is, an amount higher than €140 million gross of capital obtained in the IPO of its new ordinary shares and admission to trading in Spanish Stock Exchanges, closed in October 2018 and the capital increase carried out in April 2019.

The Directors' Report shows that the exclusion of the pre-emptive right of purchase (which entails the ensuing dilution of votes for all shareholders who do not participate in the capital increase) meets the material requirements established in the Spanish Corporate Enterprises Act, particularly as regards the corporate interest, given that:

a) It makes it possible to carry out a convenient transaction from the point of view of the corporate purpose; the capital increase will enable the Company to attract resources to strengthen its balance statement, improving the Company's own resources, thus facilitating access to opportunities for the acquisition of real estate property that make it possible for the Company to continue with its management team's investment strategy.

b) The procedure is suitable to achieve the purpose sought with the capital increase: the method proposed to attract funds, instrumented through a capital increase through the private placement of the new shares among qualified investors (i) will make it possible to attract own resources in a very short period of time, reducing the risk inherent to the volatile nature of the markets, as it is a flexible, quick, and effective method, used by various Spanish listed companies, (ii) will minimise the transaction's exposure to market risk increasing its probabilities of success, (iii) will make it possible to increase the Company's shareholders with qualified investors, which will benefit the shareholders by making shares more liquid, and (iv) will save costs against other forms to attract own resources, such as capital increase with a pre-emptive right of purchase or with a public subscription offer aimed at the market in general.

c) There is adequate proportionality between the goal sought and the means selected. The Board of Directors states that the proposal for exclusion fulfils the requirement of proportionality between the benefits for the Company and any potential drawbacks to those shareholders whose expectations would be hindered by the dilution of votes involved in any issuance of shares with no pre-emptive right of purchase.

#### **4. SCOPE AND PROCEDURES APPLIED IN OUR WORK.**

Our responsibility is to issue a professional judgement as independent experts regarding the Fair Value of the Company's shares, the Theoretical Value of the Pre-emptive Right of Purchase whose exercise it is proposed to remove, and the reasonableness of the data

in the Directors' Report.

Our work was carried out in accordance with the technical standard on the drafting of a special report on the exclusion of the pre-emptive right of purchase under section 159 of the Spanish Public Limited Liability Companies Act (*Ley de Sociedades Anónimas*) (current section 308 of the Spanish Corporate Enterprises Act), approved by resolution of 16 June 2004 of the Spanish Institute for Accountancy and Auditing (the "Technical Standard"):

The accounting information used in this work was that pertaining to the Interim Consolidated Financial Statements at 30 June 2019, drafted by the Company's directors, which have been the object of a "limited review" report issued by PricewaterhouseCoopers Auditores, S.L. ("PWC"), dated 25 July 2019. From that date and up until the issuance of our report, the Directors have not formulated other Financial Statements or had them audited.

In accordance with this Technical Standard on the drafting of the Special Report, our work consisted in the application of the following procedures:

- Obtaining and analysing the following information:
- Application for the appointment of an independent expert submitted to the Commercial Registry by the Company.
- Report from the Company's Board, explaining the basis for the capital increase and the exclusion of the pre-emptive right of purchase.
- ÁRIMA's consolidated annual accounts at 31 December 2018 together with the PWC audit report of 25 January 2019, stating a favourable opinion with no qualifications.
- Interim Consolidated Financial Statement of 30 June 2019 together with the PWC limited review report of 25 July 2019 on those financial statements, in which they conclude that "*(...) we are not aware of any matter that leads us to conclude that the interim financial statements attached for the six-month period ended on 30 June 2019 were not drafted, in every significant respect, in accordance with the requirements established in the International Accounting Standard (IAS) 34, Interim Financial Reporting, adopted by the European Union, for the drafting of summarised interim financial statements (...)*"
- Reports on the valuation of real estate assets corresponding to the real estate properties owned by ÁRIMA issued by an independent expert valuator.
- Minutes of the decisions of the Sole Member and Executive Director, of the General Shareholders Meetings, and of the meetings of the Company's Board held between 25 July 2018 and up to the date of our report.
- Relevant Events sent by the Company to the Spanish National Stock Market Commission (*Comisión Nacional del Mercado de Valores*, "CNMV") from the

date of issuance of the latest annual accounts to the date of issuance of this Special Report.

- Assessment of the reasonableness of the data included in the Directors' Report that justifies the proposal and the share issue rate.
- Calculation of the Net Equity Value resulting from the Company's latest consolidated annual accounts or audited consolidated financial statements. In this case, we must point out that we have taken the Interim Consolidated Financial Statements at 30 June 2019 provided by the Management and subject to "limited review" by PWC as our basis.
- Calculation of the Fair Value of the ÁRIMA shares on the basis of the study of the evolution of the share price of the Company shares and determination of the average share price of those shares during the period between 25 June 2019 and 25 September 2019 and the value of the latest share price available prior to the date of this Report (25 September 2019) as values indicative of that Fair Value. The share price was established on the basis of a certificate from Sociedad Rectora de la Bolsa de Valores de Madrid which includes, in addition to those share prices and those for the immediately prior period, the frequency and volume of trade in the periods analysed (attached as **Appendix II** to our report).
- Establishing the Theoretical Value of the Pre-emptive Right of Purchase whose exercise it is proposed to remove, calculated with respect to the Fair Value and to the Net Equity Value of the Company's shares.
- Confirming whether the Minimum Issue Rate corresponds to the Fair Value of the Company's shares given in the information obtained in the previous points.
- Obtaining a letter of representation from the Company Directors in which we are notified that we have been provided with all the relevant data and information to perform our work.

Our work is based on information subject to a limited audit and/or review provided by the Company Management. In drafting it, we have assumed the integrity and accuracy of this information. Our work is not a financial statement audit, so it has not included the procedures regarded as necessary in the generally accepted professional standards to conduct an audit. Thus, we are not issuing a professional opinion on the financial information included in this document. Had we conducted an audit of the financial statements following generally accepted professional standards or had conducted additional procedures or had a different scope, additional aspects of interest that would have been reported might have emerged. However, we have conducted the verifications, procedures, and checks whose sole purpose is meeting the requirements set out in sections 308 and 505 of the Spanish Corporate Enterprises Act.

As the information was directly provided by the Company, in our capacity as independent experts we will not be held in any way responsible for the truth of the data used in the Directors' Report.

Our work is independent, and thus does not constitute a recommendation to the

Company's Management, its shareholders, or third parties regarding the position which they should take with respect to the Capital Increase considered or other transactions involving the Company. The purpose of our work is not to analyse the convenience of the Company's current or past business strategies or the reasons for the transaction with respect to other business strategies or transactions which might have been selected.

The purpose of the analyses and verifications conducted is the verification of fulfilment of any other legal or formal obligations (approval, submission of documents, publicity, deadlines, etc.) other than those already mentioned in **Section 1** of this Special Report and pertaining to the requirements set out in sections 308 and 505 of the Spanish Corporate Enterprises Act. For this reason, as independent experts, we are not giving our opinion on these matters, as they are not the object of our commission.

## 5. CONCLUSION.

The Directors' Report proposes that the Minimum Issue Rate for the subscription of new shares exclusively by those persons that are qualified investors be €10 per share.

The final issue rate for the new shares will be established during their placement process, in which the duly mandated investment banks will assist the Company on the basis of the potential investors' interests and the price level offered by these, following the guidelines and criteria usually employed in this kind of process.

Considering all the above, in our professional view as independent experts, we conclude that:

- The data included in the Directors' Report to justify its proposal regarding the exclusion of the shareholders' pre-emptive right of purchase under section 308 of the Spanish Corporate Enterprises Act are reasonable as they are adequately documented and explained.
- In the case of a listed company, the Fair Value is understood as the market value, and the latter is presumed to refer, unless otherwise justified, to its share price. The price per share according to the publication of the corresponding stock exchange body (Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U.), as well as the mean of the weighted average price of those shares in the last quarter, comprised between 25 June 2019 and 25 September 2019, both included, according to this certification by the stock exchange body, was the following:

<b>Stock price period</b>	<b>Stock price (EUR/share)</b>
25 September 2019	€9.950
Average for the period between 25 June and 25 September 2019, both included	€9.9886

- The consolidated net equity value of the Company's current circulating shares, discounting own shares, which amount to 52,198 shares, representing 0.37% of the Share Capital, according to the Interim Consolidated Financial Statements at 30 June 2019, subject to limited review by PWC, which at 30 June 2019, amount to:

<b>Net Equity at 30 June 2019</b>	<b>Number of circulating shares</b>	<b>Net equity value of the shares (EUR/share)</b>
149,540,883.79	13,954,102	10.7166

This consolidated Net Equity Value is also, in our view, indicative of the fair value of the Company share, as the Net Equity reflected in the interim consolidated financial statements of ÁRIMA at 30 June 2019 equates its adjusted Net Equity, as the main assets and liabilities (the real estate investments, the treasury, and the financial debts) are recorded in the accounts at their market value. Specifically, the market value of the Company's six real estate investments acquired in 2019 and 2018 was included in the financial statements on the basis of external valuations carried out by CRBE Valuation Advisory Services, S.A., independent valuation experts.

- The Minimum Issue Rate of €10 per share, decided by the Company's Board by virtue of the Delegation of the Ordinary General Shareholders Meeting, falls within the range of the amounts that might be regarded as indicative of the fair value of the Company shares in the context of this transaction.

This Minimum Issue Rate is lower than the consolidated net equity value of the Company's shares at 30 June 2019, which amounts to €10.7166 per share, a value above the share price.

- We also present now the theoretical value of the rights of preferential rights whose exercise it is proposed to remove, stated in euros per share, of the Minimum Issue Rate with respect to the price of the ÁRIMA share at the close of the market on 25 September 2019, and with respect to the median of the weighted average price of those shares in the period between 25 June 2019 and 25 September 2019, both included, as well as the theoretical book value of the Company shares according to

the interim consolidated financial statements audited at 30 June 2019.

Stock price period	Stock price (EUR/share)	Minimum Issue Rate	Circulating share before the issuance	Shares to be issued	Dilution effect (EUR/share)
At end of 25 September 2019	€9.950				-0.0209
Median of the weighted average price in the period between 25 June and 25 September, both included	€9.9886	10.00	13,954,102	10,000,000	- 0.0048
Net equity value audited at 30 June 2019	10.7166				0.2992

The Minimum Issue Rate proposed by the members of the Company's Board does not have a dilution effect on the Fair Value, understood as the average stock price for the period between 25 June 2019 and 25 September 2019 and the stock price at 25 September 2019 (the last available listing as of the date of this report), while the dilution per circulating share over the consolidated Net Equity Value at 30 June 2019, stated in euros per share, amounts to 0.2992 euros/share.

This special report was drafted solely for the purposes established in sections 308 and 505 of the Spanish Corporate Enterprises Act, and should not be used for any other purpose.

ETL HENIAUDIT, S. L.

Luis Marigomez Rodríguez Partner - Auditor

Madrid, 26 September 2019



**REPORT DRAFTED BY THE BOARD OF DIRECTORS OF THE COMPANY ÁRIMA REAL ESTATE SOCIMI, S.A. IN RELATION TO THE PROPOSED RESOLUTION TO INCREASE CAPITAL WITH EXCLUSION OF THE PRE-EMPTION RIGHT OF PURCHASE REFERRED TO IN POINT ONE OF THE AGENDA OF THE EXTRAORDINARY GENERAL SHAREHOLDERS MEETING CALLED FOR 4 AND 5 NOVEMBER 2019, AT FIRST AND SECOND CALL, RESPECTIVELY**

This report is drafted by the Board of Directors of the company **ÁRIMA REAL ESTATE SOCIMI, S.A.** (the “**Company**” or “**ÁRIMA**”, indistinctly) in compliance with sections 286, 296 and 297.1 a) (in relation to the resolution to increase capital and the consequent statutory amendment) and 308 and 504 (in relation to exclusion of the pre-emption right of purchase) of the **Spanish Corporate Enterprises Act** (*Ley de Sociedades de Capital*) approved by the Royal Legislative Decree no. 1/2010 of 2 July to justify the proposed resolution submitted for approval by the Extraordinary General Shareholders Meeting of the Company convened on 4 and 5 November 2019, at first and second call, respectively (the “**General Shareholders Meeting**”), under point one of the agenda, related to increasing the capital by collection of consideration in cash, with exclusion of the pre-emption right of purchase by a cash (considering nominal value and share premium) amount of €100 million and delegation to the Board of Directors for implementation of the resolution. In addition, it is included as Annex I of this report the whole text of the resolutions proposal to be approved by the General Shareholders Meeting related to item one of the agenda.

Section 297.1.a) of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*) allows the General Shareholders Meeting, with the requirements set out for amendment of the Articles of Association, to delegate to the Directors the faculty to define the date when the resolution to increase the share capital will come into effect at the agreed amount and to fix the conditions where these are not defined in the resolution of the General Shareholders Meeting.

The period for executing this delegated faculty will not exceed one year, except in the case of conversion of obligations into shares.

In relation to the requirements set out for amendment of the Articles of Association, section 286 of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*) establishes that the Directors will redraft the full text of the proposed amendment and, in the case of limited companies, a written report with justification for such.

In compliance with sections 308 and 504 of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), in order to exclude the pre-emption right of purchase within the framework of an increase in the share capital, the Directors shall produce a report that provides a detailed justification of the proposed resolution, specifies the value of the Company’s shares and the consideration to be paid for

the new shares, and indicates the people to which they are assigned, which must be accompanied, in the case of limited companies, with a report produced by an independent expert different from the Company's Auditor by the Commercial Registry, in relation to (i) the fair value of ÁRIMA shares, (ii) the theoretical value of the pre-emption right of purchase that it is proposed to exclude and (iii) the reasonable nature of the data contained in this report.

This report, along with the report that ETL HENIAUDIT, S.L. will issue in its position as independent expert appointed by the Commercial Registry of Madrid at the Company's requests meets the requirements referred to above.

## **1. JUSTIFICATION FOR THE PROPOSED INCREASE IN CAPITAL**

The Extraordinary and Ordinary General Shareholders Meeting dated 21 March 2019, under item eight of its agenda, authorized the Board of Directors to increase, on one or more occasions, the share capital, according to section 297.1.b) of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), during a five-year period as from the date of such General Shareholders Meeting up to a sum no greater than half of the share capital at the time of authorisation, delegating in favour of the Board of Directors the power to exclude the pre-emption right. This delegation is normally granted to enable the Board of Directors to implement measures that the legislation allows for taking rapid and effective actions in response to needs that arise in relation to economic activity.

Notwithstanding the above, the nature and characteristics of the market in which the Company operates and its own investment strategy, which requires the Company to respond swiftly and efficiently to opportunities that may arise in the market in the short or medium term, it is recommended that, without prejudice of the delegation granted by the General Shareholders Meeting dated March 2019 in favour of the Board of Directors under section 297.1.b) of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*) to be able to increase the share capital in the referred five-year period, the Board of Directors asks shareholders to approve a new increase in the share capital via the General Shareholders Meeting for an amount greater than the maximum limit imposed by section 297.1.b), and for its execution in a shorter period.

In this context, against a background of new investment opportunities for ÁRIMA, a new increase in the share capital approved by the General Shareholders Meeting for a cash amount (considering nominal value and share premium) of €100 million, as proposed, would allow obtaining the estimated volume of resources that the Company initially planned to raise with the subscription offer prior to its launching to the Stock Market in October 2018 and which was only partially reached with the increase of the share capital resolved by the Extraordinary and Ordinary General Shareholders Meeting dated March 2019 and which would provide it with the necessary equity to materialise the portfolio of asset acquisition opportunities that are currently being analysed as interesting investment possibilities by its management team, at the same time as accessing an extremely flexible financing model that is available in a short period of time.

As indicated, raising these resources will enable the Company to continue executing its investment strategy, which consists principally of acquiring assets with the potential to create value, with a focus on active portfolio management, and to making replacement and improvement investments that allow

maximising the quality, occupation and value of the acquired assets, positioning them as leaders in their areas of influence.

The Company has an attractive portfolio of potential investment opportunities in real estate assets thanks to the proven ability of the management team of ÁRIMA to originate off market operations. To this, we can add the current situation in the real estate market. Some of these opportunities are in an advanced state of analysis, negotiation and execution, which potential materialization may require disbursements in the short term.

The need to respond rapidly and efficiently to market opportunities acquires greater relevance given that the Company has invested, or committed to investing, a volume of resources (from its shareholder equity and other resources) greater than €175 million, in other words an amount greater than the €140 million in capital obtained by the initial subscription offering of new ordinary shares and executed under the admission onto the Spanish Stock Market (closed in October 2018) and the increase of share capital of the Company executed by an accelerate placement transaction of new issued shares (closed in April 2019), while in the market there are investment opportunities that must be evaluated with the aim of being in a situation to give maximum, sustained, long-term shareholder value. Currently, the real estate portfolio being analysed by ÁRIMA stands at an approximate amount of €1,210 million, of which some €550 million is in an advanced stage of analysis and €660 million is in a preliminary stage of analysis. The Company's pipeline is dynamic as investment opportunities are continuously being evaluated by the management team with the seriousness and rigour that it applies to undertaking investment projects.

The Company's Board of Directors considers that the economic situation and the current circumstances of the financial and capital markets offers ÁRIMA a favourable opportunity to carry out the transaction as described, as can be seen from the great support that this type of capitalisation transactions has had in European companies in recent years in appropriate market windows and, singularly, due to the interest that persists at an international level in the Spanish real estate market and the active participation of the Company in building a portfolio of high-quality real estate assets.

In the current context that presents interesting investment opportunities, and with the priority of maintaining a solid position of its own resources and a suitable proportion of other resources, this increase in capital will enable ÁRIMA to achieve a higher capitalisation, increasing the efficiency of the Company for shareholders by economies in scale in operating costs with a higher volume of resources, greater autonomy in selecting and executing opportunities, assuring short and medium term availability of equity to deal with these opportunities and, consequently, facilitating the materialisation of the portfolio of asset acquisition opportunities that are currently being analysed by the Company.

By its nature, and in accordance with section 297.1.a), this increase would inherently imply the faculty for the Board of Directors to indicate the date when the resolution should come into effect and to set the conditions for all issues not allowed for in the General Shareholders Meeting ruling, with the period for exercising this delegated power, not exceeding one year.

Without prejudice to this, note that approval of this share capital increase will not necessarily lead to execution nor, as applicable, that it will be for the full agreed amount, as this would only occur if the circumstances so advised, and for the strictly necessary amount. Therefore, the increase is requested subject to the fact that, in the opinion of the management body and taking into account the corporate interest it may not be executed, fully or partially, if not necessary or suitable and, consequently, with the possibility of incomplete subscription, which would be reported to the Spanish National Securities Market Commission (CNMV) and to the first General Shareholders Meeting of the Company held after such decision.

Finally, the proposed resolution to increase the share capital is compatible with the delegation, currently in force, granted in favour of the Board of Directors by the Extraordinary and Ordinary General Shareholders Meeting dated 21 March 2019 in point eight of its agenda to increase the share capital by a maximum amount of up to half the share capital sum at the time of approval of the delegation. Consequently, if the market circumstances were appropriate to reach a volume of resources greater than €100 million of nominal value which are part of the present increase, the Board of Directors is empowered to execute jointly and combine in a single issue of new shares the increase in the share capital agreed in this General Shareholders Meeting and the capital increase that is executed by using the delegation referred to in this regard, in the amount and way it deems appropriate.

## **2 JUSTIFICATION FOR EXCLUSION OF THE PRE-EMPTION RIGHT OF PURCHASE**

The proposed share capital increase includes a proposal for exclusion of the ÁRIMA shareholders' pre-emption right of purchase, all in compliance with sections 308 and 504 of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*). This exclusion is necessary to proceed with the share capital increase via the procedure described below. In compliance with the applicable system for excluding the pre-emption right of purchase in the issuance of new shares, a report is produced by the Directors of ÁRIMA containing a detailed justification for the proposed resolution, specifying the value of the shares and the consideration to be paid for the new shares, with an indication of the people to whom they have been assigned.

The following parts analyse compliance with the legal requirements for executing the share capital increase proposed here: the first part sets out the proposed offer method, the second justifies, from the perspective of the corporate interest, excluding the pre-emption right of purchase and the third and final part justifies compliance with the legal obligation for the issue of the new shares to match its fair value.

### **2.1 Description of the placement method.**

The Company's Board of Directors considers that the most effective and suitable way to achieve the sought-after objectives, in these market conditions is to issue the new shares via a private placement through various investment banks, a method that is commonly used for those companies listed on the Spanish Stock Markets and on international markets.

For these purposes, if the resolution to increase the share capital is adopted, ÁRIMA will sign an agreement with one or various highly reputable investment banks by which, once the increase is approved by the General Shareholders Meeting, and after the subsequent resolution by the Board of

Directors of the decision to issue, these investment banks will implement a private placement of the new ÁRIMA shares that will be issued in executing the share capital increase that this report refers with investors which shall be considered as qualified investors, that is: (i) in any member of the European Union, as foreseen in section 2(e) of Regulations (EU) 2017/1129 of the European Parliament and Council of 14 June 2017, on the brochure to be published in case of public offer or admission of stocks for trading in regulated markets, and by which the Directive 2003/71/CE is repealed (the “**Brochure Regulations**”); (ii) in the United Kingdom, as foreseen in section 86(7) of the Financial Services and Markets Act 2000; and (iii) in the other countries where the placement occurs, who are in the condition of qualified investors or an equivalent category in accordance with the standards applicable in each jurisdiction and taking into account the remaining requirements applicable to any increase in capital do not require any registration or approval by the appropriate authorities outside Spain, all to make the operation as fast as possible.

This placement will have an institutional nature and an execution timetable in line with the requirements of the capital markets such that the placement, subscription and disbursement of the share capital increase, and the admission for listing the new shares and closure of the transaction would take place in a reduced period of stock market sessions, subject to normal practices and uses for this type of procedure, and in considerably shorter periods than those that an increase in the share capital with pre-emption right of purchase would require. In accordance with standard market practice, this type of share capital increase requires exclusion of the pre-emption right of purchase as it is incompatible, in its periods and processes, with a placement on these terms and aimed at a specific collective of investors as planned.

In this sense, it is considered the possibility of assigning a significant part of the new shares of ÁRIMA that will be issued in the increase execution, which could reach the majority of the shares to issue, in favour of one or various qualified “anchor” investors. The assignment of packs amongst one or various qualified “anchor” investors is a common practice in the framework of transactions such as an increase of share capital which execution is proposed to the shareholders of the Company as enhances the perception of the Company in the market due to the trust that such investment represents in the future perspectives of the Company by the qualified investors, and to enable the emplacement of the rest of the new issued shares amongst the current shareholders and new investors. For this purpose, the profile and the particular features of said potential investors will be analysed in order to grant that their incorporation contributes to enhance the position and the perception of the Company in the market, and that such incorporation is convenient from a social interest point of view.

Thus, and considering this potential incorporation of one or various qualified “anchor” investors, it is also proposed to the shareholders setting in six the number of members of the Board of Directors, different from the current 5 members that are part of it, in order to, in case the interest of any potential qualified “anchor” investors in the acquisition of a relevant part of the increase of the share capital is finally materialized, and said investment were subject to the possibility of promoting the appointment of a dominical director with immediate effects, the Board of Directors could answer to said request by filing that new post by the co-optation procedure until the first General Shareholders Meeting is held. All of this, provided that the essential features of the qualitative composition of the body of directors,

which if such is the case, will still consist of a little number of directors, appropriated to the Company's needs, and mostly independents, were not be denatured.

Within the framework of this placement and with the aim of establishing the type of investor interested in subscribing to the new shares and the price that the market is prepared to pay for the newly issued shares, the investment banks will research the demand for ÁRIMA shares among qualified investors (including those who are already shareholders in the Company). The Board of Directors believes that the price resulting from this procedure (which will be set transparently, between well-informed parties and in compliance with the standards that prevent market abuse) will reflect the fair value of ÁRIMA shares. Consequently, the Board of Directors proposes to take this price as a reference for setting the issue price for increase in the share capital to which this report refers. In all cases, the Minimum Issue Rate per share under this share capital increase will be its nominal value, i.e.: €10 per share (the **"Minimum Issue Rate"**).

Once the price is established after the demand research process and, with it, the issue price of the new shares, they will be fully subscribed and disbursed by all or some of the investment banks that will participate in the placement acting on behalf of final investors by those that have placed the new shares with a view to their later transfer to them. Once this subscription and disbursement is completed, the Board of Directors will execute the share capital increase, by giving new wording to the corresponding section of the Articles of Association, indicating the exact amount to which the share capital will be increased as a consequence of the institutional placement procedure.

## **2.2 Reasons of company interest that support exclusion the pre-emption right of purchase.**

Exclusion of the shareholders' pre-emption right of purchase is required to be in the company interests of ÁRIMA. In this context, the Board of Directors of the Company considers that excluding the shareholders' pre-emption right of purchase fully complies with substantive requirements established in law and, especially, with that stating the need for the exclusion to be required in the Company's interest. In particular, because (a) it allows a suitable transaction from the corporate interest point of view; (b) the procedure is suitable to achieve the aim of the share capital increase and (c) there is proportionality between the selected method and the sought-after objective, as detailed below.

### **(a) Convenience of the increase in the share capital from the perspective of the Company's interests.**

As set out above (see part 1), the increase in the share capital is fully justified by reasons of the corporate interest given that the Company has invested, or committed to investing, resources (its own and third parties') for a volume greater than its own equity obtained in the subscription offer prior to the Company's departure from the Stock Market in October 2018 and the increase of share capital executed in April 2019, this transaction will allow ÁRIMA to reach new resources to follow up on new opportunities to acquire real estate properties that will allow it to continue its disciplined investment strategy, based on creating value via active management of the Company's portfolio, to maximise the properties' quality, occupation and value, positioning them as leaders in their areas of influence, all in accordance with its strategic plan.

**(b) Suitability of implementing the increase in the share capital via a private placement.**

The proposed method for the transaction to raise equity via a private placement of the new shares to be issued within a reduced period of time, it is not only suitable for achieving the desired aim but is also appropriate from the perspective of the corporate interest. In line with market practice, this technique will allow own resources to be raised under the terms described in a short period of time and reducing the inherent risk of market volatility. It is relevant to state that this type of transaction is commonly used by major issuers in the international capital markets and has been used by various Spanish listed companies due, principally, to its flexibility, efficiency and speed.

This process will take place subject to normal practices and uses for major issuers of capital in this type of procedure and in compliance with the standards that prevent market abuse.

With the aim of giving more detail about the suitability of the proposed transaction, the following contains the advantages of this structure compared with other alternatives that were considered and rejected, principally a share capital increase with pre-emption right of purchase. The Board of Directors of ÁRIMA considers that these advantages can be divided into four categories. As follows:

- Swifter execution.

The Board of Directors believes that the proposed procedure for the increase in capital is that it can be executed with flexibility and as swiftly as possible, while any alternative to the proposed one would significantly delay the process of raising resources.

In effect, the only alternatives that may provide a parallel method for obtaining resources and, at the same time, an increase in the level of capital may be:

- (i) an increase in the share capital via contributions in cash with pre-emption rights or
- (ii) an increase in the share capital via contributions in cash with exclusion of the rights and a public offering of shares intended for the market as a whole. However, any of these two options would lead to a considerably longer period of execution for the transaction, which would not only delay obtaining the necessary equity but would also reduce the Board of Directors' flexibility to select the most suitable time in the market to implement the transaction.

It must be noted that in the event of a share capital increase with pre-emption rights, these must be exercised within a period that will be no less than fifteen days from publication of the issue announcement in the Official Bulletin of the Commercial Registry, and that, due to the securities market post-contract procedures and the treatment of corporate operations of this nature by the system for share registration, compensation and settlement in an account managed by Iberclear, a further week would be required after the end of the subscription period until disbursement of the increase in the share capital. In the event of a public share offering open to unqualified investors, for practical purposes this would require a period of two weeks from announcement of the offer until fixing the issue price.

These periods contrast with those required to complete the private placement of shares under the proposed terms and that would be limited to a few stock market sessions from

announcement to the market of the proposed increase in capital by the Board of Directors until execution and disbursement. Therefore, definitively, neither an issue of shares with pre-emption rights to a public offering with exclusion of the pre-emption right of purchase could take place as swiftly and flexibly as a private placement with exclusion of the pre-emption right of purchase aimed at qualified investors that is proposed to assure obtaining own resources in the current market conditions.

- Lower exposure to market risk.

Implementing the share capital increase with exclusion of the pre-emption right of purchase and its placement among qualified investors following the proposed procedure, reducing the execution period of the transaction, minimising its exposure to market risk, increasing its probability of success, is a relevant advantage in the current position, considering the changing circumstances and high market volatility.

With an increase in the share capital via contributions in cash with pre-emption rights, the value of the shares must be fixed at the start of the process, leaving ÁRIMA exposed to market changes for an extended period of time (longer than three weeks) that would occur between the launch and closure and disbursement of the share capital increase. Further, an extended period for the transaction may weaken demand from shareholders, who may feel inclined to wait until the end of the pre-emption period to place their orders to exercise their pre-emption rights, given their firm and irrevocable nature, or only exercise them partially due to the lack of certainty about a complete or incomplete subscription of the increase, in case this were not ensured, which will foreseeable occur provided that the issuance rate were the same to the market value or estimated. In addition, as the proposed Minimum Issue Rate is substantially aligned with the current quoted ÁRIMA share price in the market and represents a modest discount with regards to its Net Asset Value, which was €10.8 per share on 30 June 2019, according to the discount over the quoted Net Asset Value of other similar SOCIMI, it is improbable that a very active market in pre-emption rights would develop that would allow shareholders uninterested in participating in the increase to sell their rights and other investors to acquire the corresponding shares, such that, combining all the above, this would deprive the pre-emption subscription period of a good part of its functionality.

In the event of a new public offering the duration of the process may entail a considerable market risk that, as it continues, might compromise obtaining the necessary resources.

Definitively, therefore, an issue of shares with pre-emption rights does not meet the Company's needs in the current circumstances of the financial markets and the execution time required to undertake any of these alternatives. The Company's needs are also not met by any public share offering, with an institutional and minority framework and disapplication of the pre-emption right of purchase, due to the rigidity that this structure implies and that is incompatible in the present circumstances with the objectives that the corporate interest of ÁRIMA demands.

- Opportunity to increase the share liquidity and share base of ÁRIMA.

Since the Company was launched to the Stock Market in October 2018 and despite of the increase of share capital with exclusion of the pre-emption right dated April 2019, ÁRIMA has had a high concentration of shareholders, basically qualified investors, with numerous positions of 3% or more of the Company's share capital. In addition to the shareholder base stability and the need to reduce the volume of the initial share offering in October 2018 from €300 to €100 million and of the share capital increase dated April 2019 from €200 to €40 million, has determined that the Company's shares currently have a limited frequency and activity in the stock market, currently quoted in fixing mode (i.e.: with two prices fixed each day) rather than open quotes, with sessions in which no share is traded.

In this context, the proposed increase in capital via private placement with exclusion of the pre-emption right of purchase open, logically, to participation by all current shareholders of the Company that meet the condition of qualified investors, is an excellent opportunity for new qualified shareholders who meet the criteria of investor quality and solvency, and may increase the free float of the Company; in other words, it potentially allows an increase and diversification in the share base of ÁRIMA. This, combined with the resultant higher capitalisation of the Company, may contribute to stimulating the stock's liquidity.

The Board of Directors considers that this circumstance is beneficial to most shareholders and also to the corporate interest to the extent that it favours the largest extent and depth of the market, contributing to the quoted price of the shares in the market being set correctly, potentially increasing its alignment with the *Net Asset Value* and mitigating the volatility of its quoted price, and because it may lead to increased monitoring by analysts that in turn increases other investors' interest in ÁRIMA shares.

- Cost savings.

It should similarly be stated that the costs and risks of execution of a private placement that excludes the pre-emption right of purchase are lower than those of an increase in the share capital with pre-emption right of purchase or with a public offering aimed at the market in general. Likewise, such costs and risks of execution are limited to those of the placement – in turn, normally far lower – saving the costs of potential underwriting commitments (which in the proposed transaction are not foreseen, as the shares are distributed by a simple placement) and consequently, the commissions of the investment banks for distributing the new shares are lower. In addition, and as stated above, it is considered that the flexibility of the execution periods of this procedure, and their greater speed, significantly reduce the management costs associated with any increase in capital.

**(c) Proportionality of exclusion of the pre-emption right of purchase.**

Finally, the Board of Directors of ÁRIMA wishes to state that the extent of the exclusion complies with the due proportionality that should exist between the advantages obtained by the Company and the hypothetical disadvantages it may cause to the Company's current shareholders.

Firstly, as stated above, this share capital increase is not only open to participation by the current ÁRIMA shareholders that are qualified investors (who, in addition, represent the vast majority of the share capital): the Company also hopes and expects to enjoy interest and participation from its current shareholder base with the success of the proposed increase in the share capital. In addition, the number of shareholders in ARIMA that are not of this quality and the percentage of the share capital that they represent is greatly reduced, and, any case, these shareholders will also benefit from the entry of equity into the Company that is planned to take place via the proposed placement. Also taking into account the current market conditions, the quoted price for ARIMA shares and the planned Minimum Issue Rate as well as the increased liquidity that this placement will produce, it is anticipated that minor shareholders interested in increasing their investment in ÁRIMA may acquire more shares through an alternative route of exercising their pre-emption right of purchase or participation in the placement, going to the market after the operation to buy them in price conditions similar to those offered in the increase in capital.

Secondly, the Company considers that the major benefits that the Company will derive from the proposed share capital increase and that have been referred to throughout this report, in the Board's judgement, are in balance with the disadvantages that may be caused to those current shareholders who decide not to participate in the transaction or who could not participate due to their minority nature.

In addition, it should be highlighted that the terms of the transaction prevent any economic dilution of the Company's current shareholders, as the new shares will be issued at fair value, with the Minimum Issue Rate fixed at €10 per share, which matches the nominal value and the issue price of the shares issued in the initial offering of ÁRIMA shares in October 2018 and the increase of share capital of the Company dated April 2019.

Taking into account all the above, the Board of Directors of ÁRIMA considers that the share capital increase referred to in this report is full justified for reasons of the corporate interest. Consequently, it is proposed to implement the share capital increase covered in this report with exclusion of the pre-emption right of purchase, as this is fair and reasonable and also meets the corporate interests of ÁRIMA.

### **2.3 Justification of the fair value of the proposed Minimum Issue Rate.**

Section 308.2.c) of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*) requires the nominal value of the new shares plus, as applicable, the amount of the issue premium to match the value contained in the report from the independent expert appointed to that end by the Commercial Registry. In addition, section 504.2 of the above-mentioned Act adds that, in the case of listed companies, the fair value will be taken to be the market value, except where justified otherwise, with a presumption that this will be established by reference to the stock market quote.

Taking into account the above, it is proposed to issue the new shares at an issue price per share that will be the price that results from the private placement that the investment banks carry out of new shares issued due to the share capital increase referred to in this report. The Board of Directors considers that, in view of the paragraph below, the fair value of the new shares will correspond to the value that results from the demand research process that the investment banks that participate in the transaction described will carry out, because this process measures the strength of demand in the most qualified segment of investors, both shareholders and non-shareholders, and therefore suitably analyses what the market is prepared to pay for the new shares.

In any event, a Minimum Issue Rate equivalent to a unit nominal value per ÁRIMA share of €10 per share is proposed. This figure represents a premium of 0.47% over the weighted average price of ÁRIMA shares in the Stock Market Interconnection System (SIB) or Continuous Market of the Spanish Stock Market on 25 September 2019 (the last stock market session prior to this report in which ÁRIMA shares were traded), which was €9.9528 per share, and a premium of 0.11% over the weighted average of ÁRIMA ordinary shares in the quarter from 25 June 2019 to 25 September 2019, which was €9.9886 per share. The proposed Minimum Issue Rate represents a modest discount of 7.6% from the EPRA NAV value of its shares on 30 June 2019, which was €10.8 per share, according to the discount from the quoted EPRA NAV value of other similar SOCIMI.

Therefore, in the Board of Directors judgement, the planned Minimum Issue Rate complies with legal requirements and matches, when lower, the fair value of the ÁRIMA shares.

In any event, as indicated above, in compliance with section 504 and section 308.2.c) of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), the issue price of the shares must match the real value that results from the report of the independent expert nominated by the Commercial Registry of Madrid, ETL HENIAUDIT, S.L., which will issue a corresponding report about the fair value of the Company's shares, the theoretical value of the pre-emption rights that it is intended to exclude, and the reasonableness of the data contained in this report.

As mentioned above, the report, along with this report, will be made available to shareholders and communicated concurrently with the calling the General Shareholders Meeting of the Company that will be convened for 4 and 5 November 2019, on first and second call, respectively, which will implement, as applicable, the share capital increase contained in this report.

This Directors Report has been drawn up by the Board of Directors of the Company in the meeting held on 26 September 2019.

\* \* \*

In Madrid, 26 September 2019.  
Mr. Iván Azinovic  
Secretary of the Board of Directors

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## PROPOSED RESOLUTION FOR AGREEMENT BY THE GENERAL MEETING

The following is a literal transcription of the full text of the proposed resolution submitted for approval by the Extraordinary General Meeting under point one of the agenda:

**“Share capital increase in a maximum amount of one hundred million euros (€100,000,000) by issuance and entry into trading of a maximum of ten million (10,000,000) new ordinary shares, each with a nominal value of ten euros (€10), with the issuance premium being determined by the Board of Directors, and that will be fully subscribed and paid up by collection of consideration in cash, with exclusion of the pre-emptive right of purchase and with provisions for incomplete subscription. Delegation to the Board of Directors, with authorisation for sub-substitution, of the powers required in order to implement the resolution and to establish its terms and conditions regarding any aspects not covered in the resolution, within the scope of section 297.1.a) of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), and to amend the wording of Article 5 of the Articles of Association.**

### PROPOSED RESOLUTION:

#### **1. Share capital increase**

To increase the share capital, by collection of consideration in cash, for the purpose of increasing the Company's shareholder equity, by a maximum cash amount (nominal plus premium) of 100 million euros, by issuance and entry into trading of 10,000,000 new ordinary shares of the same class, series, and nominal value as those currently outstanding, with each share having a nominal value of 10 euros.

The Company's Board of Directors will be authorised, or else the person to which that that board may decide to grant that authority by substitution or sub-substitution, to determine the following, based on the market conditions existing at the time when this resolution is implemented: (i) the maximum nominal amount of the capital increase and the number of ordinary shares to be issued, which as a maximum will be 100 million euros and 10 million shares, respectively; and (ii) the issue price for the new shares, and in particular, the amount of the issuance premium that, as the case may be, will be determined for each new share issued.

It is resolved that the Board of Directors is being expressly delegated the authority to refrain from implementing this Resolution if, in its judgement, and in consideration of the interests of the Company, the market conditions in general, or the financial structure that would result from the share capital increase operation, or other circumstances that could negatively affect the Company, are impeding such implementation or making it inadvisable.

It is also resolved to delegate to the Board of Directors the authority to reduce the cash amount of €100 million of increased shareholder equity that the resolved capital increase would be intended to produce, if for purely technical reasons such a decrease would be advisable in order to balance out the sum of the total nominal value and any issuance premium that may be determined.

Adoption of this resolution is independent from the substitution currently in force planned in favour of the Board of Directors by the Extraordinary and Ordinary General Shareholders Meeting dated 21 March 2019 under the eighth point of its agenda, in conformity with section 297.1.b) of the Spanish Corporate Enterprises Act. Therefore, the Board of Directors is authorised to either individually or jointly execute the capital increase in accordance with this resolution, along with any other capital increase that may be resolved by said body by use of the substitution granted by the General Shareholders Meeting dated 21 March 2019 referred to in the eighth point of the agenda.

## **2. Maximum time period for implementation**

The Board of Directors will be responsible for determining the date upon which the resolution should be implemented, within a maximum time period of one year counted from the date of this Resolution. If that time period expires without such execution occurring, this Resolution will become fully null and void.

## **3. Intended participants**

The shares issued will be distributed among qualified investors, whether from Spain or from other countries, and these will be the intended participants in the capital increase as determined by the Board of Directors.

## **4. Exclusion of the pre-emptive right of purchase**

Based upon the requirements existing in Company's interest, and for purposes of allowing the new shares to be subscribed by the qualified investors referred to in section 3 above, it is resolved to fully exclude the pre-emptive right of purchase held by the Company's shareholders.

## **5. Issue price**

The new shares are being issued with a nominal value of 10 euros per share plus, if applicable, an issuance premium that will be established by the persons who are authorised or granted powers for that purpose by virtue of section 12 of this Resolution, and according to the criteria typically used in stock subscription offers. The issuance price will be the one resulting from the sum of the nominal value and any issuance premium that may be established.

## **6. Representation of the new shares**

The new shares issued will be represented by book entry, which will be the responsibility of the company Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. ("Iberclear"), along with its participating entities, under the terms established in the legislation in force at any given time.

## **7. Rights for the new shares**

The new shares will be of the same class and series as those currently outstanding, and they will confer the same rights from the date upon which the capital increase is declared as being subscribed and paid up.

## **8. Incomplete subscription**

If the capital increase is not fully subscribed during the time period established for such subscription, the Company's share capital will be increased by the amount effectively subscribed.

## **9. Payment for the new shares**

Payment for the new shares, including for their nominal value and for any corresponding issuance premium, will take place by consideration in cash, within the time period and in the manner determined by the persons granted authorities or powers for this purpose by virtue of section 12 of this Resolution.

For purposes of compliance with section 299 of the Spanish Corporate Enterprises Act, it is declared that the Company's previously issued shares are fully paid up.

## **10. Admission to trading**

To request admission to trading for the new shares, on the Securities Exchanges of Madrid, Barcelona, Bilbao, and Valencia, by means of Spain's Interconnection System for Securities Exchanges (Organised Market), and to carry out all procedures and actions necessary or appropriate and to submit all documents required to the competent bodies for admission to trading of these new shares being issued as a result of the resolved capital increase, with express declaration that the Company is subject to the legislation that currently exists or that could be passed in the future on the subject of securities exchanges, and especially that regarding trading, permanence, and exclusion from the official list.

It is expressly declared, for the pertinent legal effects, that if a subsequent request is made for exclusion of the Company's stock from listing, this must be resolved with the formalities required by the applicable legislation, and under such circumstances, the interests of any shareholders that oppose the resolution or abstain from voting on it will be guaranteed, in compliance with the requirements established in the Spanish Corporate Enterprises Act, in the Spanish Securities Market Act (*Ley del Mercado de Valores*), and in all other associated legal provisions or implementing regulations.

## **11. Amendment of Article 5 of the Company's Articles of Association**

Authority is expressly delegated to the Board of Directors to, once the capital increase has been implemented, adapt the wording of Article 5 of the Articles of Association related to the share capital to reflect the final results of the capital increase.

## **12. Delegation of authorities**

It is resolved to delegate to the Board of Directors, in conformity with section 297.1.a) of the Spanish Corporate Enterprises Act, and with express powers of sub-substitution, the authority to indicate the date upon which the resolution passed on a capital increase for the Company must be carried out, within a maximum time period of one (1) year counted from the date the resolution is passed; and to the extent necessary, to appropriately amend the wording of Article 5 of the Articles of Association to reflect the new amount of the share capital and the number of shares into which that amount is divided.

It is also resolved to delegate to the Board of Directors, also in conformity with section 297.1.a) of the Spanish Corporate Enterprises Act and also with express powers of sub-substitution, the authority to establish the terms and conditions for increasing the capital in relation to any aspects not covered in the previous paragraphs. This especially includes, but without the list below being exhaustive in nature or imposing any limitations or restrictions, substitution of the authorities required in order to:

- a) Execute the capital increase for the Company, establishing the date upon which the resolution must be carried out and also performing all actions necessary or appropriate in order to ensure it is implemented in the best manner possible;
- b) To further develop, complement, and interpret this resolution, establishing the terms and conditions for the share issuance in relation to any aspects not covered in this resolution. In particular this includes, but is not limited to, determination of the issuance premium for the new shares, and therefore to establish the issue price for the new shares, and to establish the amount in which the capital increase should be implemented following subscription, and the time period, manner, terms and conditions, and procedures for subscription and payment, and in general, any other circumstances required in order to carry out the capital increase and to issue the shares in exchange for consideration in cash;
- c) To declare the capital increase as implemented and closed once the new shares have been subscribed and paid up, and in any case of incomplete subscription of the capital increase, to determine the final amount of the capital increase and the number of shares subscribed;
- d) To amend the wording of Article 5 of the Articles of Association in accordance with the results of the capital increase, in conformity with section 297.2 of the Spanish Corporate Enterprises Act;

- e) To appear before a notary of its own selection and formalise this resolution as a public instrument, as well as to carry out any actions that may be necessary or appropriate in order to carry out execution, formalisation, and registration of the capital increase and the corresponding amendment of the Articles of Association, with any public or private entities and bodies, whether in Spain or in any foreign countries, in particular with the Commercial Registry, and including the actions required for formalisation of the resolution as a public instrument, as well as those needed for clarification or complementary expansion, or for correcting any defects or omissions that could represent impediments or obstacles to the full legal force of the resolution or to its entry into the Commercial Register;
  - f) To produce, sign, and submit the corresponding informational prospectus and any other documentation required or appropriate for authorisation, verification, and execution of the capital increase, as well as for admission of the new shares to trading, before Spain's National Securities Market Commission (CNMV), the market operators for the securities exchanges, the securities exchange company IBERCLEAR, and any other public or private body, entity, or registry, whether in Spain or in any foreign country, or before any other competent authority, also assuming liability for the contents of such documentation, and to also produce, sign, and submit any complementary documentation that may be necessary and any required supplements, also requesting their certification and registration;
  - g) To designate the placement or insurance entities for the issuance, as well as a transfer agent, and to negotiate the terms of their involvement;
  - h) To produce, sign, formalise, and as applicable, certify any type of document related to issuance of the new shares and their admission to trading;
  - i) To carry out the procedures required in order to ensure that the new shares issued for the capital increase are entered in IBERCLEAR's accounting records and admitted for trading on the corresponding securities exchanges;
  - j) To request admission to trading for any shares that may be issued by the Company, on the Securities Exchanges of Madrid, Barcelona, Bilbao, and Valencia, by means of Spain's Interconnection System for Securities Exchanges (Organised Market);
  - k) To jointly implement and combine into a single issuance the capital increase referred to in this resolution and a share capital increase with suppression of the pre-emptive rights which could be approved by the Board of Directors by use of the substitution granted by the Extraordinary and Ordinary General Shareholders Meeting dated 21 March 2019 in the eighth point of the agenda; and
  - l) To resolve to refrain from executing this resolution in any case where, in its judgement, there are reasons that justify this.
-

**MS CRISTINA BAJO MARTÍNEZ, DEPUTY SECRETARY OF THE BOARD OF DIRECTORS OF SOCIEDAD RECTORA DE LA BOLSA DE VALORES DE MADRID, S.A.U.**

CERTIFIES that, on the basis of the background existing in this Secretariat of which she is in charge and that corresponding to the other Spanish Stock Exchanges, it can be stated that, during the period between 25/06/2019 and 25/09/2019, both included, the average exchange rate corresponding to the daily weighted average exchange rates for the trading of ARIMA REAL ESTATE SOCIMI, S.A. shares was EUR 9.9886.

On 25/09/2019, the closing exchange rate for these shares was EUR 9.9500.

Which is certified, to all relevant purposes, at the request of ETL HENIAUDIT, and approved by the PRESIDENT in Madrid on 1 October two thousand nineteen.

**APPROVED  
THE PRESIDENT**

*[Signature]*

**Antonio J. Zoido Martínez**

**THE VICE-SECRETARY**

*[Signature]*

**Cristina Bajo Martínez**



**REPORT BY THE APPOINTMENTS AND REMUNERATION COMMITTEE ON THE BOARD'S PROPOSAL TO THE GENERAL SHAREHOLDERS MEETING ON CHANGES TO THE REMUNERATION POLICY FOR DIRECTORS FOR 2019, 2020 AND 2021, PURSUANT TO THE MANDATE IN THE CAPITAL INCREASE BROCHURE FILED WITH THE CNMV ON 8 APRIL 2019, IN REFERENCE TO ITEM TWO ON THE AGENDA OF THE GENERAL SHAREHOLDERS MEETING OF ÁRIMA REAL ESTATE SOCIMI, S.A., CALLED FOR 04 NOVEMBER 2019 AND 05 NOVEMBER 2019 ON THE FIRST AND SECOND CALL RESPECTIVELY.**

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This report has been prepared by the Appointments and Remuneration Committee of the company **ÁRIMA REAL ESTATE SOCIMI, S.A.** (the “**Company**” or “**ÁRIMA**” indistinctly) pursuant to subsection 529.2 *novodecies* of the revised text of the Spanish Corporate Enterprises Act [*Ley de Sociedades de Capital*] approved under the sole section of Spanish Royal Legislative Decree 1/2010, of 2 July (the “**Corporate Enterprises Act**”), which stipulates that any proposals on board remuneration policies must be moved and accompanied by a specific report from the appointments and remuneration committee.

In this regard, the Company's Appointments and Remuneration Committee's functions under section 36 of the Regulations of the Board include ensuring observance of the remuneration policy put in place by the Company, and in particular, proposing to the Board the Board member remuneration policy, the distribution of compensation for meal allowances among Board members resolved by the General Shareholders Meeting, and the individual remuneration of the executive Board members and the other conditions of their contracts, in addition to periodically reviewing the remuneration policy applied for Board members and senior managers.

Section 4.9 of the Remuneration Policy (as this term is defined below) also stipulates that the Appointments and Remuneration Committee must ensure that the Remuneration Policy is observed, reviewing it periodically and proposing changes and updates of it to the Board for submission to the General Shareholders Meeting, all in accordance with the Company's Articles of Association and the Regulations of the Board.

This report therefore responds to these requirements.

## 1. JUSTIFICATION OF THE PROPOSAL AND THE CHANGES IN IT

The General Shareholders Meeting of 21 March 2019 approved ÁRIMA's Board member Remuneration Policy for 2019, 2020 and 2021. The policy is in line with the provisions of the Corporate Enterprises Act, the specific legislation applicable to listed limited real estate investment trusts (REITs), specifically Spanish Law 11/2009, of 26 October, regulating real estate investment trusts [*Ley 11/2009, por la que se regulan las Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario*], and with the principles for achieving solid remuneration practices in line with the principles and concepts considered appropriate in view of the practice of listed companies.

The Company's Board member Remuneration Policy proposed for approval by the General Meeting (the "**Remuneration Policy**") will replace the policy approved on 21 March 2019, and it will be valid for 2019, 2020 and 2021. This policy will apply for 2019, 2020 and 2021 unless the General Shareholders Meeting passes a resolution modifying it during its validity.

The purpose of this proposal-- the full text of which is provided in the annex of this report-- is to modify the aspects of the Remuneration Policy on the annual remuneration cap for Board members as such, and the amount of fixed annual remuneration for the Chief Executive, to adapt them to the mandate in the capital increase brochure filed with the National Securities Market Commission (the "**CNMV**") on 8 April 2019.

This report discusses the reasons why the Board should submit the proposed resolution to the General Shareholders Meeting, which consists of a change to the Company's Board member Remuneration Policy for 2019, 2020 and 2021.

## 2. General principles of ÁRIMA's Remuneration Policy

The Company's Remuneration Policy was prepared in view of the Company's relevance, its economic situation, the market standards for comparable companies, and the amount of time dedicated by the Company's Board members. The goal of the remuneration defined in it is to maintain an adequate proportion and promote the Company's long-term profitability and sustainability, incorporating the necessary precautions to avoid assuming excessive risks and the rewarding of unfavourable results, whilst ensuring the Board members' interests are in line with those of the Company and its shareholders but without compromising the Board members' independence.

The principles of the Remuneration Policy are:

- **Ensuring independent judgement:** The remunerations must be structured in a way that does not compromise the independent judgement of the external Board members.
- **Limited remuneration for independent Board members:** The remuneration for Board members for the functions they perform as such is only paid to independent Board members. In this regard, executive Board members will only be paid remuneration as executive Board members based

on their contracts with the Company in accordance with the Remuneration Policy, and the position of proprietary Board member is not remunerated.

- **Attracting and retaining the best professionals:** The remuneration must be competitive enough to attract and retain talented professionals who will contribute to the creation of value for the Company and to the achievement of its strategic objectives.
- **Long-term sustainability:** The remunerations must promote the Company's long-term profitability and sustainability whilst also being compatible with its long-term interests and strategy and its values and objectives.
- **Transparency:** The Remuneration Policy and the specific rules for determining remuneration must be clear and discernible.
- **Clarity and individualisation:** The rules for managing and determining the remuneration for each Board member must be written clearly, simply and concisely.
- **Equity and proportionality of remuneration and coherence with the Company's strategy, interests and values:** The remuneration must be determined taking into account the dedication, qualifications and responsibilities required for the position, and the experience, functions and work performed by each Board member, maintaining a balance between market competitiveness and internal equity, consistent with the Company's strategy, values and interests.
- **Adaptation to the best practices in the market:** Remuneration must be in line with the remuneration trends and benchmarks in the Company's sector and in companies that are comparable in size and activity, so that it is in line with the best practises in the market.
- **Involvement of the Appointments and Remuneration Committee:** The Appointments and Remuneration Committee must ensure that the Remuneration Policy is observed, reviewing it periodically and proposing changes and updates of it to the Board for submission to the General Shareholders Meeting, all in accordance with the Company's Articles of Association and the Regulations of the Board.
- **Approval of remuneration caps by the General Shareholders Meeting and delegation in the Board:** Based on the annual cap set and approved by the Company's General Shareholders Meeting on remuneration for the position of Board member, the Board of Directors has the power to distribute this sum among its members based on the functions and responsibilities assigned to each of its members, whether they sit on and attend the Board's committees, the positions they hold on the Board and its committees, and any other objective circumstances it may consider relevant. The Board may also define a lower sum. The Board will also define the remuneration that will be paid to Board members for performing executive functions, and it will approve the executive Board members' contracts with the Company, all of which must be in accordance with the Remuneration Policy in force at any given time.

### 3. JUSTIFICATION FOR THE PROPOSED CHANGES

#### **Amendment of the section on the structure of the fixed annual remuneration paid to members of the Board as members.**

The remuneration for the position of Board member consists of an amount defined based on the members' positions and responsibilities, with a greater weight given to the functions of chair of the board.

The maximum remuneration that may be paid to the entire board for their position as Board members may not exceed the cap approved by the General Board of Shareholders, although the Board may specify a lower amount.

The maximum annual remuneration that may be paid to the entire board for their position as Board members will be whichever amount the General Shareholders Meeting has approved at any given time.

The Appointments and Remuneration Committee has proposed that the new cap on the remuneration that may be paid to the entire board for their position as Board members should be 425,000 euros gross indefinitely so long as the General Meeting does not resolve otherwise.

It is expressly noted that this annual sum does not include any remuneration from fixed salaries, bonuses or other compensation that may be due to executive Board members for performing executive functions in the Company, and that the position of proprietary Board member is not remunerated.

The Board of Directors is responsible for the distribution of the remuneration among the Board members for their positions and responsibilities on the board, and the Board has decided to pay the following sums as annual allocations to the independent Board members:

- For sitting on the Board of Directors: 100,000 euros.
- For acting as Chairman of the Board: 25,000 additional euros.

The Appointments and Remuneration Committee believes that the 200,000-euro increase of the cap (the previous cap was 225,000 euros) is justified by the need to adapt this structure to the structure that the Company initially put in place, with the support of external consultants, for Board members as Board members, and that was designed taking into account the dedication and commitment necessary for holding the position in a Company with the volume of resources that it was initially expected to attract with its pre-IPO subscription offer in October 2018, although it could only raise this amount partially with the capital increase approved by the Ordinary and Extraordinary General Shareholders Meeting of March 2019.

In this regard, a new capital increase approved by the General Meeting for an effective amount (par value plus share premium) of 100 million euros as proposed to the General Shareholders Meeting would allow the Company to raise the rest of those funds for an amount close to the sum it expected to raise and to reach a size close to the size envisaged in its IPO.

This is why the Committee believes that the fixed annual remuneration for the members of the Board of Directors as such should be changed to modify the

structure to the one initially envisaged for the Company in view of its size and the volume of its resources, which will require a greater commitment and more time from these Board members, and thus to retain the best talent, the Committee has proposed to the Board of Directors that the current fixed annual remuneration for Board members as Board members should be changed.

Since the structure of the fixed annual remuneration for Board members as Board members is specified in the Company's Remuneration Policy, it will need to be adapted to allow for the proposed changes outlined in the corresponding section of the proposals provided in the annex of this report.

**Updating of the fixed remuneration of the Chief Executive in the section on the main terms and conditions of the Chief Executive's contract in the Remuneration Policy**

The Appointments and Remuneration Committee also believes that the fixed annual remuneration of the Chief Executive in the section on the main terms and conditions of the Chief Executive's contract in the Remuneration Policy should be increased to 600,000 euros gross, as was envisaged in its IPO brochure in October 2018.

The 240,000-euro increase in that cap (the previous cap was 360,000 euros) resolved by the Board in its meeting of 26 September 2019 has the same justification as the proposed change to the sum of the fixed annual remuneration for Board members as Board members, basically to adapt the amount to the level of dedication, qualifications and responsibilities deriving from the size and volume of the Company's resources after the capital increase proposed for submission to the General Shareholders Meeting to maintain the necessary balance between market competitiveness and internal equality, and to stay coherent with the Company's strategy, values and interests, so that it can retain talent and contribute to the creation of value for the Company and to the achievement of its strategic objectives.

\* \* \*

These are the only two amendments to the current Board member Remuneration Policy, aside from certain clarifications with regard to the characteristics of the Employee Incentive Plan (EIP). In both cases, the amendments are proposed for 2019, 2020 and 2021. There are no proposals for changes other than the previous ones in relation to the Board member Remuneration Policy for 2019, 2020 and 2021.

Attached as annexes are (i) the proposed amendment to the Board member Remuneration Policy for 2019, 2020 and 2021 that must be submitted to the General Shareholders Meeting for approval; and (ii) a consolidated version of the Board member Remuneration Policy for 2019, 2020 and 2021 after the amendments.

In view of all of the foregoing, the Appointments and Remuneration Committee has concluded that the amendment to the Board member Remuneration Policy, in the terms outlined in this report that, at the proposal of this Committee, the Board of Directors will bring before the General Shareholders Meeting, is in accordance with

the current law and is in line with the principles and grounds of the current ÁRIMA Board member Remuneration Policy.

This document represents the reasoned legal report justifying the amendment of the Board member remuneration policy, which is detailed below and that will be sent to the Board for approval so that it may be brought before the General Shareholders Meeting.

This report was prepared by the Company's Appointments and Remuneration Committee in its meeting of 26 September 2019.

In Madrid, on 26 September 2019.

*[Illegible signature]*

Iván Azinovic  
Secretary of the Appointments and Remuneration Committee



PROPOSED RESOLUTION ON ITEM TWO OF THE AGENDA OF THE EXTRAORDINARY GENERAL SHAREHOLDERS MEETING OF ARIMA REAL ESTATE SOCIMI, S.A. CONVENED ON 4 NOVEMBER 2019 AND 5 NOVEMBER 2019 AT FIRST AND SECOND CALL, RESPECTIVELY.

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***Amendment of the Remuneration Policy for the Directors for the years 2019, 2020 and 2021, in accordance with the requirements set forth in the Brochure of the capital increase registered before the CNMV on 8 April 2019.***

**PROPOSED RESOLUTION:**

*To amend the Remuneration Policy for the Directors, which was approved by the Company's General Shareholders Meeting held on 21 March 2019 with the purpose of amend it according to the requirements set forth in the Brochure of the share capital increase registered before the CNMV on 8 April 2019. That policy will be applicable to the remuneration paid to the Company's Board members as from today's date during the 2019, 2020 and 2021 financial years, unless the General Shareholders Meeting passes a resolution that modifies that policy while it remains in force.*

*According to that Remuneration Policy, the maximum total annual amount for remuneration paid to the Company's Board members in their capacity as such will be four hundred and twenty-five thousand euros (€425,000) gross, undefined in nature, and unless the General Shareholders Meeting resolves otherwise. It is expressly declared that the annual amount stated does not include any retribution that, in the form of a fixed salary, variable remuneration, or for any other concept, may correspond to the Executive Directors for performance of their duties as executives at the Company. It is also expressly declared that the position of dominical Board member is not remunerated.*

*Distribution of the stated amount among the various Board members must be established by Board resolution, taking into consideration the duties and responsibilities assigned to each member, their participation on that Board's committees, and any other objective circumstances that may be considered relevant.*

*In particular, the Board of Directors has approved the payment, as a fixed annual amount, of the following amounts for the independent Board members:*

- *For being part of the Board of Directors: 100,000 euros.*
- *For the chairmanship of the Board of Directors: additional 25,000 euros.*

*In addition, the fixed annual remuneration of the CEO of the Company will be six hundred thousand euros (€600,000) gross, plus the bonus that for each year, including 2019, will correspond, based on the criteria fixed by the Board of Directors, and all the above, notwithstanding any other remuneration or benefits determined by the Remuneration Policy.*

*Any other payment items and amounts of remuneration paid to the Executive Directors, whether as fixed salaries, variable compensation, or for any other corresponding concept, will be the amounts determined by the Remuneration Policy in force at any given time, or if applicable, by other resolutions passed by the General Shareholders Meeting.*

*The Committee also proposes amending the Remuneration Policy with regard to the main characteristics of the Employee Incentive Plan (EIP) with the following changes:*

- *Clarifying that, once the EIP has expired on 30 June 2024, a new incentive plan will be put in place.*
- *Under the calculation method, clarifying that “if the Minimum Compliance Thresholds are surpassed, the Beneficiaries will be entitled to a Bonus equal to whichever of the following two percentages is lower: (i) 20% of the Shareholders Excess over the Rate of Return; or 20% of the Excess over the Maximum Cap of the calculation period; out of the total ordinary shares in circulation on the last day of the calculation period”.*
- *With regard to the loss of rights to the plan, clarifying that Beneficiaries will lose this right if their labour contracts or service provision agreements are rescinded with just cause before the end of the Validity Period.*

*The Remuneration Policy for the Board members approved in this resolution replaces and invalidates the one approved by the Company’s General Shareholders Meeting held on 21 March 2019.*



## **Board member Remuneration Policy**

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## **1. APPROACH AND SCOPE OF THE REMUNERATION POLICY**

This document contains the remuneration policy applicable to Árima Real Estate SOCIMI S.A.'s (“Árima” or the “**Company**”) Board members, in compliance with the legal requirements established by the revised text of the Spanish Corporate Enterprises Act approved by Spanish Royal Legislative Decree 1/2010, of 2 July (the “**Corporate Enterprises Act**” [*Ley de Sociedades de Capital*]) (the “**Remuneration Policy**”).

The Remuneration Policy has been prepared taking into account the relevance of the Company, its economic situation, market standards for comparable companies and the dedication of the Company's Board members. The remuneration established below maintains an adequate proportion and promotes the profitability and sustainability of the Company at long-term, including the precautions necessary to avoid assuming excessive risks or rewarding unfavourable results and ensuring that the interests of the Board members are in keeping with those of the Company and its shareholders, without compromising the independence of the Board members themselves.

## **2. TERM OF THE REMUNERATION POLICY**

The Remuneration Policy will be valid for 2019, 2020 and 2021.

Notwithstanding the foregoing, the Annual General Meeting of Árima may amend, supplement or replace this Remuneration Policy at any time during this period at the proposal of the Board with a report in favour of it from the Appointments and Remuneration Committee.

## **3. OBJECTIVES OF THE REMUNERATION POLICY**

The purpose of the Remuneration Policy is to define and control the Company's remuneration practices in relation to its Board members.

Taking that into account, the Board members' Remuneration Policy establishes a remuneration scheme in keeping with the dedication and responsibilities assumed by them and is applied to attract, retain and motivate Árima's Board members, with the ultimate goal of having members with the appropriate professional profiles to aid in achieving the Company's strategic objectives.

#### **4. CRITERIA AND PRINCIPLES GOVERNING THE REMUNERATION POLICY**

To have a robust corporate governance structure, Árima felt it was appropriate to establish clear principles in this area and, specifically, within the scope of the Remuneration Policy to guarantee that the remuneration strategy approved by the Board is applied in accordance with the Company's own strategy.

To that end, the Remuneration Policy will be governed by the following principles:

##### **4.1. Guarantee independent judgement**

Remuneration will be structured so as not to compromise the independent judgement of non-executive Board members.

##### **4.2. Remuneration is limited to independent Board members**

Only independent Board members are remunerated for the duties they perform in their capacity as independent Board members.

Consequently, executive Board members will only be remunerated in their capacity as executives. Furthermore, executive Board members must enter into a contract with the Company that first will be submitted to a Board vote and will require two thirds (2/3) of its members to vote in favour of it for approval.

The aforementioned contracts will detail all the items for which the Board members may obtain remuneration for the performance of executive duties (including, where applicable, salaries, incentives, bonuses, possible compensation for early termination and the amounts to be paid by the Company as insurance premiums or as contributions to saving systems). Directors may not receive any remuneration for performing executive duties for which the amounts and concepts are not envisaged in that contract.

Lastly, the office of proprietary Board member of the Company will not be remunerated.

##### **4.3. Attract and retain the best professionals**

The remuneration will be competitive so that it allows the Company to attract and retain talent who contribute to creating value for it and achieving its strategic objectives.

##### **4.4. Long-term sustainability**

Remuneration must foster the Company's long-term profitability and sustainability and be compatible with its long-term interests and strategy, as well as its values and

objectives. Likewise, the necessary precautions will be taken to avoid assuming excessive risks and unfavourable results. Specifically, the remuneration system will set the limits and the specific precautions to ensure that the variable remuneration is tied to the beneficiaries' professional performance and is not simply the result of the general evolution of the markets or the industry.

#### **4.5. Transparency**

The Remuneration Policy and specific rules for determining remuneration will be clear and known. In particular, when the Company issues the notice for the Annual General Meeting, it will furnish shareholders with the Annual Directors' Remuneration Report, which will be submitted to a consultative vote as a separate item on the agenda.

#### **4.6. Clarity and individualisation**

The rules for managing and determining the remuneration for each Board member will be drafted clearly, simply and concisely.

#### **4.7. Fairness, proportionality and consistency of the remuneration with the Company's strategy, interests and values**

Remuneration must be set taking into consideration the dedication, qualification and responsibility required for the office, as well as experience, duties and tasks performed by each Board member. In addition, remuneration must maintain a balance between market competitiveness and internal equity and be consistent with the Company's strategy, values and interests.

#### **4.8. Adaptation to best market practices**

Remuneration must be in line with remuneration trends and benchmarks followed in the Company's sector of activity or in comparable companies in terms of size or activity, so that it is in keeping with best market practices.

#### **4.9. Involvement of the Appointments and Remuneration Committee**

The Appointments and Remuneration Committee will ensure that this Remuneration Policy is observed and reviewed periodically and will propose to the Board, to be submitted to the Annual General Meeting, its amendment and updating, all in accordance with the Articles of Association and the Board Regulations.

#### **4.10. Approval of the maximum amount by the Annual General Meeting and delegation to the Board**

Based on the annual maximum amount set and approved by the Company's Annual General Meeting at any given time, for Board members' remuneration in their capacity

as such, the Board is responsible for distributing that amount to its members based on the duties and responsibilities attributed to each Board member, whether they are members of Board Committees and whether they attend such committee meetings, the offices they hold on the Board and in the Committees and other objective circumstances it considers relevant, and the Board may establish a lower amount. Likewise, the Board will establish Board members' remuneration for the performance of executive duties and will approve the contracts of the Company's executive Board members, all of which must conform to the Remuneration Policy in force at any given time.

## **5. REMUNERATION OF DIRECTORS AS DIRECTORS**

The Articles of Association and the Board Regulations establish that the post of independent Board member is remunerated. The Remuneration Policy seeks to remunerate Board members that are independent Board members, i.e.: for performing collective supervisory and decision-making tasks on the Board and, where applicable, the Committees of which they are members, adequately and sufficiently based on their dedication, qualifications and responsibilities, without compromising the independence of their judgement.

In this regard, Árima has implemented a Remuneration Policy pursuant to which only independent Board members are entitled to receive remuneration for performing their collective supervisory and decision-making tasks, i.e.: for being non-executive Board members and, where applicable, members of the Committees of which they form part.

In accordance with Article 37 of the Articles of Association and Article 25 of the Board Regulations, the independent Board members' remuneration in their capacity as such will be remunerated through attendance fees for attending the Board meetings and the meetings of the Committees of which they are members at any given time, and will consist of a fixed amount that will be determined by the Annual General Meeting.

Consequently, the remuneration that the Board member will receive in their capacity as such is established as follows:

- (i) The total amount of the remuneration that the Company may pay to its Board members as a whole in their capacity as such will not exceed the amount that the Annual General Meeting determines for such purposes. Therefore, the amount set by the Annual General Meeting will remain in force insofar as it is not amended by a new resolution of the Annual General Meeting, in accordance with the applicable legislation.

- (ii) The Board will specifically determine the amount that corresponds to each Board member and the payment frequency and method, in accordance with this Remuneration Policy. To that end, the Board will take into account the positions discharged by each Board member within the collective body and any other objective circumstances it considers relevant.

Directors, in their capacity as such, do not receive compensation or payment for the termination of their duties as Board members nor do they participate in savings or employee welfare schemes.

Lastly, the Company will pay the third-party liability insurance premium for Board members, in accordance with customary market conditions and in proportion to the Company's circumstances.

The aforementioned third-party liability insurance extends to all Board members, regardless of their classification.

#### **5.1. Maximum annual remuneration amount for Board members**

The maximum annual remuneration amount to be received by Board members as such amounts to €425,000. This maximum amount will remain the same until the Annual General Meeting determines otherwise.

The aforementioned limit does not include: (a) payment of third-party liability insurance arranged by the Company for its Board members; and (b) any reimbursement of current expenses incurred by the Board member to attend the Board meetings or meetings of any of its Committees.

#### **5.2. Fixed annual remuneration**

Of the amount established in paragraph 5.1 above, the Board will establish the criteria for determining the amount corresponding to each Board member, taking into account the following:

- The nature of the Board member.
- The role the Board member plays on the Board.
- The specific tasks and responsibilities assumed during the year.
- The experience and knowledge required to perform the aforementioned tasks.
- The amount of time and dedication required for its fulfilment.

Specifically, of the amount set in paragraph 5.1, the Board has decided, for payment as the annual fixed emolument, the following amounts:

- For membership on the Board: €100,000
- For chairing the Board: An additional €25,000.

The remuneration system, as well as the detail of the remuneration, will be broken down annually in the corresponding Annual Directors' Remuneration Report.

These fixed emoluments are only received by the Board members in their capacity as such, provided that they are independent, while executive Board members only and exclusively receive the remuneration stipulated in their respective contracts and proprietary Board members, when they exist, will not receive any remuneration.

## **6. REMUNERATION OF EXECUTIVE DIRECTORS**

Executive Board members will be entitled to receive remuneration for the executive duties they perform generally following the criteria applicable to the Company's executive staff members — the object of which is to establish a compensation package that facilitates the attraction, motivation and retention of valuable human capital. The Board is responsible for approving the executive Board members' contracts with the Company that establish the remuneration for performing the executive duties, which must be in line with the Remuneration Policy.

Therefore, the remuneration of Board members that perform executive duties will be aimed at generating value for the Company, seeking alignment with the interests of shareholders, prudent risk management and strict compliance with the legislation in force on the remuneration of listed companies' Board members.

At the date of this policy, the only Board member who performs executive duties is the Chief Executive Officer, Mr. Luís López de Herrera Oria (the “**Chief Executive**”).

### **6.1. Fixed annual remuneration**

The fixed remuneration will be determined in accordance with the responsibility, hierarchical position and experience of each executive Board member, taking into account the specific characteristics of each duty and the dedication required, and all the foregoing to establish a competitive base salary that attracts and retains talent to contribute to value creation.

Fixed remuneration will be (i) based, mainly, on a market focus and will consider the size, nature and scope of the activities of the Company; and (ii) duly aligned with the

remuneration established at comparable companies in the industry, nationally and internationally.

The Company will periodically report on the remuneration system and the executive Board members' remuneration levels through the corresponding Annual Directors' Remuneration Report.

## **6.2. Variable remuneration**

Only the remuneration of executive Board members will contain variable components.

Variable remuneration is based on the above-described principles of the Remuneration Policy and will take into account the elements set out below.

### **6.2.1. Bonus**

The bonus only applies to executive Board members as a percentage of their fixed remuneration. The aforementioned variable remuneration is based on objective criteria that aims to assess the Board members' contribution to the Company's business objectives in the exercise of their executive duties.

In this regard, the aforementioned executive Board members' bonus will not exceed 150% of the maximum fixed salary.

The bonus will be approved by the Board at the proposal of the Appointments and Remuneration Committee based on the level of compliance with the parameters to be taken into consideration for determining compliance with the bonus objectives, as well as their respective weight and degree of achievement, which will be determined annually by the Board at the proposal of the Appointments and Remuneration Committee.

The objectives and parameters will also consider the risk assumed to obtain a result and will aim to achieve a balance between the Company's short-, medium- and long-term objectives, and not solely revolving around one-off, occasional or extraordinary events or data.

In any event, the objectives, parameters and weights agreed in general by the Board for members of the Company's executive staff, will apply to executive Board members.

The Board, at the proposal of the Appointments and Remuneration Committee, may adjust the aforementioned weights or incorporate new objectives that are priorities for the business' development at short-term.

The bonus system will be reviewed periodically by the Appointments and Remuneration Committee, which will determine whether it adequately measures the contribution to the Company's results.

### **6.2.2. Long-term incentive plans**

The objective of the variable component of executive Board members' remuneration through long-term incentive plans, generally consisting of the delivery of shares, share options or share-based instruments, is multifaceted:

- To compensate executive Board members for their contribution to the creation of value.
- To encourage fulfilment of the financial objectives, in line with the best recommendations on remuneration matters, as well as the market practice of other listed companies comparable to Árima;
- Aligning the interests of executive Board members at long-term with those of shareholders enables executive Board members to participate as beneficiaries in the long-term incentive plans implemented by the Company.

To that end, when the Board approves the incentive plans, share purchase plans or other similar instruments for the Company's executive staff and employees, the executive Board members will be entitled to join and participate in them in accordance with the terms established by the Board, provided that the Annual General Meeting first agrees to the implementation of any of these remuneration systems.

Thus, the Chief Executive participates in the Company's Employee Incentive Plan, (the "EIP") approved by the Board and consisting of the delivery of Company shares for no consideration after a certain period of time, subject to fulfilment of certain objectives and the beneficiary remaining at the Company. The main characteristics of the EIP are summarised as follows:

- i. Beneficiaries: the Company's executive team and other employees. Directors who do not perform executive duties may not be EIP beneficiaries.
- ii. Validity Period: from the date the Company's shares are admitted to listing on the Madrid, Barcelona, Bilbao and Valencia Stock Markets through the Spanish stock market interconnection system (SIBE) until 30 June 2024. Once the EIP has expired on 30 June 2024, a new incentive plan will be put in place.

- iii. Calculation Period: the periods of time between 1 July of a certain year and 30 June of the following year that will be used as the basis to determine whether the Minimum Compliance Thresholds have been exceeded and, where applicable, the shares to be delivered within the framework of the EIP for each Calculation Period will be accrued (the “**Incentive**”). For the purposes of calculating the first Calculation Period, the beginning of the period will be the date the Company's shares are admitted to listing on the Madrid, Barcelona, Bilbao and Valencia Stock Markets through the Spanish stock market interconnection system and the end will be 30 June 2020.
- iv. Minimum Compliance Thresholds: in order for the beneficiaries to be entitled to receive shares, the following thresholds must be exceeded during the relevant Calculation Period:
- *Shareholder Return Rate*: understood as the change in the net asset value (“**NAV**”) during the Calculation Period (adjusted by the net amount of the funds received from any share issue of the Company and from any dividends distributed), which will be expressed as a percentage and must exceed 10% (the “**Excess over the Shareholder Return Rate**”).
  - *Relevant High Watermark*: understood as the highest value between (i) the initial NAV of the initial Calculation Period, (ii) and the NAV of the last date included within the most recent Calculation Period with regard to which the Incentive was payable (adjusted by the net amount of the share issues of the Company and dividends paid), which must be exceeded by the sum of (A) the NAV of the Company on the last day of the current Calculation Period (adjusted by the net amount of the funds received from any share issue of the company and the dividends that have been distributed) and (B) the dividends paid in the aforementioned Calculation Period or all the dividends paid since the last Calculation Period in which an Incentive was payable, this difference will be expressed as a percentage (the “**Excess over the Relevant High Watermark**”).

For the purposes of the EIP, NAV will mean the net value of the Company that will be calculated on a half-yearly basis by the Company in accordance with market standards (such as IFRS-EU or EPRA NAV) based on the most recent appraisal available of the Company's real estate assets. The aforementioned appraisal will be prepared by a RICS-qualified external appraiser and will be

approved by the Company's Board. The net income from the public offering of the Company's shares will be used as the initial NAV for the EIP Calculation.

- v. Calculation: if the Minimum Compliance Thresholds are exceeded, the Beneficiaries will be entitled to receive an Incentive equivalent to the percentage representing the lower of (i) 20% of the Excess over the Shareholder Return Rate or (ii) 20% of the Excess over the Relevant High Watermark for the calculation circulation on the last day of the calculation period.
- vi. Aggregate Maximum Limit: in any case, during the entire Validity Period, the Beneficiaries will not be entitled to receive more than 10% of the Company's total outstanding ordinary shares at any given time and, therefore, the expected maximum dilution for the Company's shareholders will be a maximum of 10%.
- vii. Accrual and Payment of the EIP: with the exception in relation to the first calculation period, the Incentive will be calculated by the Company's Finance Director at an annualised rate upon completion of the corresponding Calculation Period. The aforementioned calculations will be verified by an external auditor, in accordance with the corresponding report on the agreed procedures, and by the Appointments and Remuneration Committee, which will submit them to the Board for approval. Where applicable, the Board will approve the Incentive on the same date it approves the Company's half-yearly financial statements for the period ending on 30 June of each year. This date will determine when the Incentive accrues for each Beneficiary (the "**Incentive Award Date**").

Once the shares to be delivered to the Beneficiaries are determined, the Chief Executive will receive half. Furthermore, the Chief Executive will have complete discretion to allocate the other half amongst the other Beneficiaries. The aforementioned allocation will be ratified by the Appointments and Remuneration Committee. After the Incentive Award Date, the Board will award the Incentive to the Beneficiaries as soon as possible. To that end, it may use, subject, where applicable, to the corresponding authorisations, any procedure or employ any method legally available to it.

- viii. Cash Payment: the Company's Board may opt to pay the Incentive, in full or in part, in cash in the event that (i) the Company does not have sufficient treasury shares to pay the Incentive, or (ii) if a Liquidity Event occurs (as defined below).

In the above case (i), the amount to be delivered in cash will be that necessary (net of taxes) to subscribe or acquire from the Company the same number of shares that corresponded to each Beneficiary as payment of the Incentive.

Additionally, if the Company determines that the delivery, in full or in part, of the Incentive to any Beneficiary, in shares, is for any reason significantly detrimental to the Company, the Company must pay the Incentive in cash to the aforementioned Beneficiary.

ix. Lock-up Period (“Lock-up”): the shares delivered to the Beneficiaries within the framework of the EIP will be subject to a progressive restricted period (*lock-up*) from the Incentive Award Date, as detailed below:

- ✓ The Beneficiaries may not access 1/3 of the shares received during the 12 months following the corresponding Incentive Award Date;
- ✓ The Beneficiaries may not access 1/3 of the shares received during the 18 months following the corresponding Incentive Award Date; and,
- ✓ The Beneficiaries may not access 1/3 of the shares received during the 24 months following the corresponding Incentive Award Date.

This lock-up period will not apply in the following cases: (i) to meet the beneficiary’s tax obligations arising from the EIP; (ii) in the event of a third-party purchase offer or takeover bid in relation to the Company, acceptance of which is recommended by the Board or legally requires that the Beneficiary transfer the shares; (iii) if the contractual relationship between the Beneficiary and the Company is terminated, unless it is due to serious negligence; (iv) or during the period corresponding to the last 12 months of the Validity Period of the EIP.

x. Liquidity Events: if (i) the liquidation of the Company is approved by its Shareholders, or (ii) as a result of a public offering for the shares of the Company or a sale of its shares, any party obtains a position of control (where “control” is understood as it is defined in Spanish Royal Decree 1066/2007, of July 27, on the regime governing takeover bids) during the Validity Period of the EIP, the Beneficiaries will be entitled to receive the shares of the Incentive, not subject to any restriction or lock-up (or if determined by the Board, the Cash Payment) that represents a percentage of the total ordinary shares issued by the Company, equal to or less than the following percentages: (a) 20% of the Excess over the Shareholder Return Rate and (b) 20% of the Excess over the Relevant High Watermark; taking into account that both the calculation and

payment of the Incentive must be adjusted to the different time frame arising from the Liquidity Event.

- xi. Loss of Rights: Beneficiaries will lose their rights under the EIP if their employment contract or service contract is terminated, with a justified cause, whichever is applicable, prior to the completion of the Validity Period.
- xii. Amendment: the Company may vary the articulation of the EIP when it considers that a different structure may be more beneficial for the Company and the Beneficiaries.

### **6.3. Other medium- and long-term incentives**

Without prejudice to the above, executive Board members will be entitled to participate in all the medium- and long-term incentive plans that the Company decides to implement at any given time.

### **6.4. Other remuneration and in-kind remuneration**

Executive Board members may receive other remuneration and certain in-kind remuneration including a private company car, a life insurance policy, a private medical insurance policy or contributions to pension plans.

### **6.5. Main provisions of the Chief Executive's contract**

The essential provisions of the Chief Executive's contract are those indicated below:

- (i) Remuneration:
  - Fixed remuneration: For the services agreed upon pursuant to the contract signed by the Company with the Chief Executive, the Company will pay the Chief Executive the gross annual amount of six hundred thousand euros (€600,000).
  - Bonus: the Chief Executive will participate in the Company's bonus plan. In accordance with this bonus plan, the Chief Executive may be entitled to receive an annual bonus amount of up to 150% of his fixed annual remuneration, provided that he achieves the objectives approved annually by the Board and that the payment of this bonus is also approved by the Board.
  - Multi-year remuneration: the Chief Executive will be entitled to participate in the EIP and in the medium-and long-term incentive plans that the Company's Board establishes at any given time for the Company's executive team.

- In-kind remuneration: company vehicle (including the lease or corresponding expenses, the insurance and repair expenses and the expenses related to the vehicle's maintenance), life insurance policy and private medical insurance policy.
  - Other benefits: any additional employee benefits envisaged in the Collective Labour Agreement applicable to the Company, if any, and in any Company policy or practice applicable to its employees including, but not limited to, employee benefit systems.
- (ii) Term: indefinite, terminating pursuant to Spanish corporate and commercial law, the Articles of Association and paragraph (iv) below.
- (iii) Minimum commitment: the contract must remain in force for at least five years calculated from the date the Company's shares are admitted to listing on the Madrid, Barcelona, Bilbao and Valencia Stock Markets through the Spanish stock market interconnection system. In this respect, if the Chief Executive terminates his Contract with the Company without just cause before the aforementioned minimum commitment period has ended, the Company will be entitled to receive from him compensation equivalent to the gross fixed remuneration that the Chief Executive would have been entitled to receive during the remaining minimum commitment period.

If, before the end of the minimum commitment period, Mr López de Herrera-Oria is removed as the Company's Chief Executive or his appointment as Chief Executive is not renewed or his Contract is terminated by the Company, Mr López de Herrera-Oria will be entitled to receive compensation equivalent to the gross fixed remuneration that he would have been entitled to receive during the remainder of the Commitment Period, with a minimum of two years of remuneration calculated as two times the last total annual remuneration received (including gross remuneration, bonus, medium- and long-term incentive plans, as well as employee benefits). This amount will reduce, euro-by-euro, the employment termination compensation established for this case in paragraph (iv) below. This compensation would not apply in the event of removal or termination with cause.

- (iv) Exclusivity covenant: the Chief Executive must provide his services exclusively to the Company, such that he may not provide any type of direct or indirect services, under any type of legal relationship, to third parties, nor on his own behalf, even when the activities he carries out do not coincide with those of the

Company. Administrative positions in companies that the Chief Executive controls or has an ownership interest in that do not require significant dedication and do not coincide with the activities of the Company are excluded.

However, provided that it does not (i) interfere with the responsibilities that the Chief Executive has towards the Company and it (ii) does not entail a breach of his Exclusivity Covenant with the Company, this Exclusivity Covenant will not prevent the Chief Executive from:

- continuing to be the non-executive director of the companies that are listed in the Chief Executive's contract;
  - continuing to be the non-executive director of other companies (up to a maximum of three) provided that the Chief Executive obtains the express consent of the Company's Board: and,
  - continuing to be the executive director of his investment companies (which, at the date of this document, are those included in the Chief Executive's contract) and performing the corresponding duties in those companies.
- Reasons for termination and compensation: the Executive Director's contract may be terminated for the following reasons: (i) by mutual agreement; (ii) by unilateral decision of the Chief Executive with a three-month advance warning under penalty of having to compensate the Company with an amount equivalent to his fixed remuneration for the year in which the advance warning was breached; (iii) at the free will of the Company for any reason, including those established in the Articles of Association, even if it does not relate to a serious or culpable breach by the Chief Executive; (iv) decision of the Company as a result of serious wilful misconduct or negligence in discharging his duties as Chief Executive; and (v) structural modification or change of control.

Termination of the Chief Executive's contract for the reasons indicated in points (iii) or (v) above will entitle the Chief Executive to receive compensation equivalent to two (2) times the last total annual remuneration received (including fixed remuneration, bonus, medium- and long-term incentive plans, as well as employee benefits). If in the year immediately preceding the year in which the employment relationship between the Chief Executive and the Company is terminated, two or more medium- and long-term remuneration

systems have been settled, only the system with the higher amount will be taken into account for compensation purposes.

- Non-solicitation covenant: during the term of the Chief Executive's contract and during the period of two years after its termination, the Chief Executive may not directly or indirectly, without the prior written consent of the Company, (i) solicit, induce or attempt to persuade in any other manner any customers or potential customers of the Company to terminate their relationship or potential relationship with it, or (ii) hire or solicit, recruit, induce, persuade, influence or encourage any employees of the Company to leave.
- Covenant not to compete (CNC): during the term of his contract, the Chief Executive may not directly or indirectly compete with the business or activities carried out or that will be carried out by the Company, with the sole exception of the existing commitments assumed by Mr. López de Herrera-Oria as the non-executive director of Rodex Asset Management, S.L. and that are expressly indicated in the admission to listing perspectives of the Company's shares in the Spanish Stock Markets.

#### **6.6. New appointments**

If during the term of the Remuneration Policy other Board members with executive duties join the Board, their remuneration package (i.e.: remuneration components and their corresponding minimum and maximum limits) will be governed by the principles guiding paragraph 6.1, 6.2, 6.3 and 6.4 of this Remuneration Policy, without prejudice to the particularities specific to their respective service contracts with the Company.

In this regard, when proposing the basic terms of the aforementioned service contracts for approval by the Board, the Appointments and Remuneration Committee must bear in mind, including, but not limited to, variables or aspects such as (i) the duties attributed to the new executive Board member; (ii) the level of dedication to the Company; (iii) the responsibilities they assume; (iv) their management, leadership and business strategy experience; (v) their professional career and value creation history; and (vi) their remuneration level at the time of appointment.