

**THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Prospectus, or as to what action you should take, you should immediately consult an appropriately authorized professional advisor.**

This document constitutes a prospectus (the “**Prospectus**”) for the purposes of article 3 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the “**Prospectus Regulation**”) and its implementing measures, relating to Millenium Hotels Real Estate I, SOCIMI, S.A. (the “**Company**” and, together with its subsidiaries, the “**Group**” or “**Millenium**”, unless otherwise indicated or if the context otherwise requires). This Prospectus has been prepared in accordance with Annexes 1 and 11 of the Commission Delegated Regulation (EU) 2019/980 of March 14, 2019. This Prospectus has been approved by the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*, the “**CNMV**”), as competent authority under the Prospectus Regulation and its implementing measures, on June 18, 2020. Such approval relates only to the offering of the Pre-emptive Subscription Rights (as defined below) and the New Shares (as defined below) that are to be admitted to trading on the Spanish Alternative Stock Market (*Mercado Alternativo Bursátil*, the “**MAB**”), which is not a regulated market for the purposes of the European Union (“**EU**”) Directive 2014/65/EU on markets in financial instruments, as amended (“**MiFID II**”). This Prospectus is available on the CNMV’s website ([www.cnmv.es](http://www.cnmv.es)) and on the Company’s website ([www.milleniumhotelsrealestate.com](http://www.milleniumhotelsrealestate.com)).

Investing in the New Shares and/or the Pre-emptive Subscription Rights involves certain risks. You should read this Prospectus in its entirety and in particular the risk factors set out in the section of this Prospectus entitled “*Risk Factors*” before investing in the New Shares and/or the Pre-emptive Subscription Rights.



*Millenium Hotels*  
Real Estate

**MILLENIUM HOTELS REAL ESTATE I, SOCIMI, S.A.**

(incorporated and registered in Spain as a public limited company (*sociedad anónima*))

### **OFFERING OF UP TO 29,996,668 NEW SHARES**

#### **BY MEANS OF A RIGHTS OFFERING OF NEW SHARES AT AN OFFERING PRICE OF €5.00 PER SHARE AND ADMISSION TO TRADING ON THE MAB**

This Prospectus relates to the offering by the Company of up to 29,996,668 new ordinary shares of the Company (the “**New Shares**”), with a par value of €1.00 each, of the same class and series as the existing ordinary shares of the Company (the “**Shares**” or, individually, a “**Share**”) pursuant to a rights offering to subscribe for up to 29,996,668 New Shares (the “**Offering**”).

Subject to the terms and conditions set out herein, the Company is granting transferable subscription rights (*derechos de suscripción preferente*) (the “**Pre-emptive Subscription Rights**”) to existing holders of Shares who acquire them on or before June 19, 2020 and whose transactions are settled on or before June 23, 2020 in Iberclear (as defined below) (the “**Eligible Shareholders**”). Each Share held by the Eligible Shareholders entitles its holder to receive one Pre-emptive Subscription Right. The exercise of 63 Pre-emptive Subscription Rights entitles the relevant Eligible Shareholder to subscribe for 38 New Shares in exchange for payment of a subscription price of €5.00 per New Share (the “**Subscription Price**”).

The Shares are listed on the MAB and are quoted under the *fixing* modality and under the symbol “YMHRE”. The Company expects the Pre-emptive Subscription Rights to be listed on the MAB and to be traded during the period from July 6, 2020 to July 10, 2020, both inclusive. Likewise, the Company will apply for admission to listing of the New Shares on the MAB (the “**Admission**”).

The pre-emptive subscription period will commence on the first calendar day following the publication of the Offering in the Spanish Commercial Registry Official Gazette (*Boletín Oficial del Registro Mercantil*, the “**BORME**”) and will last up to one month thereafter (the “**Pre-emptive Subscription Period**”). During the Pre-emptive Subscription Period, Eligible Shareholders will be able to sell all or part of their Pre-emptive Subscription Rights in the MAB (during the referred period as provided for herein) or, alternatively, to subscribe, in whole or in part, for New Shares, subject to any applicable restrictions on transfers described in this Prospectus, while other investors may acquire Pre-emptive Subscription Rights in the MAB (during the referred period as provided for herein), in the required proportion and subscribe for the corresponding New Shares—expectedly the Pre-emptive Subscription Rights will be listed on the MAB from July 6, 2020 to July 10, 2020, both inclusive—. Both Eligible Shareholders and other investors that acquire Pre-emptive Subscription Rights and exercise their Pre-emptive Subscription Rights in whole may also subscribe for additional New Shares during the additional allocation period (the allocation of additional New Shares is expected to take place no later than July 23, 2020, the “**Additional Allocation Period**”), as described in this Prospectus. Pre-emptive Subscription Rights not exercised within the Pre-emptive Subscription Period will expire without value.

Any New Shares, net of committed Shares, not subscribed for during the Pre-emptive Subscription Period or the Additional Allocation Period (the “**Rump Shares**”) may then be offered by Banco Santander, S.A., Citigroup Global Markets Limited and Banco de Sabadell, S.A. (together, the “**Global Coordinators**”), by JB Capital Markets, Sociedad de Valores, S.A.U. and Société Générale (together, the “**Joint Bookrunners**”) and by Banca March, S.A., Renta 4 Banco, S.A., GBS Finance, S.A. and Rentamarkets S.V., S.A. (together with the Global Coordinators and the Joint Bookrunners, the “**Managers**”) in an international private placement to qualified investors, strategic investors or other private banking clients during a discretionary allocation period (which is expected to begin any time after the end of the Additional Allocation Period and end no later than 11:00 a.m. (CET) on July 27, 2020, the “**Discretionary Allocation Period**”).

Assuming that the New Shares are fully subscribed, they will represent approximately 37.50% of the Company’s issued and paid-up share capital immediately following the Offering. Unless otherwise indicated, all amounts included in this Prospectus assume full subscription of the Offering.

Neither the Pre-emptive Subscription Rights nor the New Shares have been, nor will be, registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) or under the securities laws of any state or other jurisdiction in the United States of America. The New Shares and the Pre-emptive Subscription Rights may not be offered, sold, exercised or otherwise transferred in the United States of America except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable securities laws of any state or other jurisdiction of the United States of America.

The New Shares are expected to be delivered through the book-entry facilities of the Spanish securities, clearance and settlement system (*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.*, “**Iberclear**”), subject to payment, on or about July 28, 2020 for New Shares subscribed during the Pre-emptive Subscription Period and the Additional Allocation Period and on or about July 31, 2020 for Rump Shares, if any, placed during the Discretionary Allocation Period.

**This Prospectus was approved and registered by the CNMV on June 18, 2020. This Prospectus is valid for 12 months following its approval. However, as this Prospectus refers to the offering of the New Shares, its validity will end upon the offering of such New Shares and the admission to trading of such New Shares on the MAB. Once this Prospectus is no longer valid, the Company will have no obligation to supplement this Prospectus in case of significant new factors, material mistakes or material inaccuracies.**

*Global Coordinators*

**Banco Santander**

**Citigroup**

**Banco Sabadell**

*Joint Bookrunners*

**JB Capital Markets**

**Société Générale**

*Co-leads*

**Banca March**

**GBS Finance**

**Renta 4**

**Rentamarkets**

**This Prospectus is dated June 18, 2020**

## IMPORTANT NOTICES

You agree to each of the notices set forth below by accepting delivery of this Prospectus.

The terms “we”, “us” and “our” refer to the Company and its subsidiaries as a whole.

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO SUBSCRIBE FOR, ANY OF THE NEW SHARES AND/OR THE PRE-EMPTIVE SUBSCRIPTION RIGHTS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH AN OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY OR THE GROUP OR THAT THE INFORMATION SET FORTH HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

In making an investment decision, prospective investors must rely upon their own examination of the Company’s business and the terms of this Prospectus, including the merits and risks involved in investing in the New Shares and the Pre-emptive Subscription Rights.

This Prospectus has been prepared by the Company solely for use in the proposed placements through the offerings of the New Shares and the Pre-emptive Subscription Rights.

To the extent available, the industry, market and competitive position data contained in this Prospectus has come from third party sources. Such third parties make no representation or warranty, express or implied, nor accept any responsibility whatsoever with respect to the content of this Prospectus.

Neither the Company nor any of the Managers have authorized any person to give any information or to make any representations other than those contained in this Prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized. Investors should assume that the information appearing in this Prospectus is accurate only as of its date.

You are being provided with this Prospectus solely for the purpose of considering an investment in the New Shares and/or the Pre-emptive Subscription Rights described in this Prospectus. All the information in this Prospectus has been furnished by the Company and you acknowledge and agree that the Managers or their respective affiliates, advisors or selling agents make no representation or warranty, express or implied, regarding the accuracy, completeness or verification of the information given herein, and that nothing contained in this Prospectus is, or shall be relied upon as, a promise, warranty or representation by the Managers or any of their respective affiliates, advisors or selling agents whether as to the past or the future. The Managers do not assume any responsibility for its accuracy, completeness or verification and, accordingly, disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise that they might otherwise be found to have in respect of this Prospectus. This Prospectus should not be considered as a recommendation by any of the Managers that any recipient of this Prospectus should subscribe for the Pre-emptive Subscription Rights and/or the New Shares. Each person receiving this Prospectus acknowledges that (i) such person has not relied on the Managers or any person affiliated with the Managers in connection with any investigation of the accuracy of such information or its investment decision; (ii) it has relied only on the information contained herein; and (iii) no person has been authorized to give any information or to make any representation concerning the Company, the Pre-emptive Subscription Rights or the New Shares (other than as contained herein and information given by the Company’s duly authorized officers and employees in connection with investors’ examination of the Company and the terms of the Offering) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Company or the Managers. The contents of any Company website do not form part of this Prospectus, except as otherwise provided herein.

Neither the Company nor the Managers nor any of their respective representatives, is making any representation to any offeree or purchaser of the New Shares and/or the Pre-emptive Subscription Rights regarding the legality of an investment in the New Shares and/or the Pre-emptive Subscription Rights by such offeree or purchaser under the laws applicable to such offeree or purchaser. Prospective investors should not consider any information contained in this Prospectus to be investment, legal, business or tax advice. Each prospective investor should consult its own counsel, business advisor, accountant, tax advisor and other advisors for legal, financial, business, tax and related advice regarding an investment in the New Shares and/or the Pre-emptive Subscription Rights.

In connection with the Offering, any Manager and any of their respective affiliates or any other investment vehicle, directly or indirectly connected therewith, may take up a portion of the New Shares and/or the Pre-emptive Subscription Rights as a principal position and, in that capacity, may retain, purchase, sell, offer to sell, or otherwise deal for its or their own account(s) in such securities, any other securities of the Company or other related investments in connection with the Offering or otherwise. Accordingly, references in this Prospectus to the New Shares and/or the Pre-emptive Subscription Rights being offered or otherwise dealt with should be read as including any offer to, or dealing by, the

Managers or any of them and any of their affiliates acting in such capacity. In addition, certain of the Managers or their affiliates may enter into financing agreements and swaps with investors in connection with which such Managers (or their affiliates) may, from time to time, acquire, hold or dispose of the New Shares and/or the Pre-emptive Subscription Rights. The Managers do not intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

The Managers are acting exclusively for the Company and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this Prospectus) as their respective clients in relation to the Offering and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

You may not reproduce or distribute this Prospectus, in whole or in part, and you may not disclose any of the content of this Prospectus or use any information given herein for any purpose other than considering an investment in the New Shares and/or the Pre-emptive Subscription Rights described in this Prospectus.

The distribution of this Prospectus and the offering, sale, exercise or transfer of the New Shares and/or the Pre-emptive Subscription Rights in certain jurisdictions may be restricted by law. Thus, this Prospectus may not be used in connection with any offer or solicitation in any jurisdiction where, or to any person to whom, it is unlawful to make such offer or solicitation. Other than in Spain, no action has been taken or will be taken by the Company or the Managers that would permit a public offering of the New Shares and/or the Pre-emptive Subscription Rights or the possession or distribution of a Prospectus in any jurisdiction where action for that purpose would be required. This Prospectus may not be used for, or in connection with, and does not constitute an offer of, or an invitation or solicitation to subscribe for or purchase, any securities in any jurisdiction in which such offer, invitation or solicitation would be unlawful. The Company and the Managers require persons into whose possession this Prospectus comes to inform themselves about and to observe any such restrictions. Neither the Company nor the Managers accept any responsibility for any violation by any person, whether or not such person is a prospective purchaser of the New Shares and/or the Pre-emptive Subscription Rights described in this Prospectus, of any of these restrictions.

Solely for the purposes of the product governance requirements contained within: (a) MiFID II (as defined herein); (b) articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the “**MiFID II Product Governance Requirements**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the New Shares and the Pre-emptive Subscription Rights subject of this Offering (the “**Securities**”) have been subject to a product approval process, which has determined that such Securities are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “**Target Market Assessment**”). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Securities may decline and investors could lose all or part of their investment; the Securities offer no guaranteed income and no capital protection; and an investment in the Securities is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other advisor) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Managers will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Securities.

Each distributor is responsible for undertaking its own Target Market Assessment in respect of the Securities and determining appropriate distribution channels.

## OFFERING RESTRICTIONS

Prospective investors must observe the selling and transfer restrictions set out under “*Transfer and Selling Restrictions*”, as well as the other offering restrictions set forth below.

## NOTICE TO INVESTORS IN THE UNITED KINGDOM

This Prospectus is only being distributed to and is only directed at persons in the United Kingdom who (i) have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”), or (ii) who are high net worth entities, and other persons to whom it may lawfully be communicated, falling within article 49(2)(a) to (d) of the Order (all such



persons together being referred to as “relevant persons”). This Prospectus must not be acted on or relied on by any person who is not a relevant person. The New Shares and the Pre-emptive Subscription Rights are only available to, and any investment or investment activity to which this Prospectus relates will only be available to and will only be engaged in with, relevant persons.

The New Shares and the Pre-emptive Subscription Rights may not be offered or sold to any person in the United Kingdom, other than to “qualified investors” (as defined in Section 86(7) of the Financial Services and Markets Act 2000 (as amended) (“FSMA”)) or otherwise in circumstances that do not require an approved prospectus to be made available to the public, as set out in Section 86 of the FSMA.

### **NOTICE TO INVESTORS IN CANADA**

The Pre-emptive Subscription Rights may be exercised, and the New Shares may be subscribed, by investors in Canada so exercising or subscribing as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are also permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any sale or resale of the Pre-emptive Subscription Rights or New Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Any person in Canada wishing to exercise Pre-emptive Subscription Rights to subscribe for New Shares must execute and deliver an investor letter (in the form of Canadian investment letter separately provided by the Company) to the Company to the effect that such person is an accredited investor and permitted client and satisfies certain other requirements. Purchasers of New Shares during the Discretionary Allocation Period in Canada will not be required to provide an investor letter.

Securities legislation in certain provinces or territories of Canada may provide a subscriber or purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the subscriber or purchaser within the time limit prescribed by the securities legislation of the subscriber or purchaser’s province or territory. The subscriber or purchaser should refer to any applicable provisions of the securities legislation of the subscriber’s or purchaser’s province or territory for particulars of these rights or should consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (“NI 33-105”), the Managers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the international private placement of the Rump Shares during the Discretionary Allocation Period.

### **NOTICE TO INVESTORS IN MEXICO**

The Shares and/or the New Shares have not been and will not be registered with the Mexican National Securities Registry (*Registro Nacional de Valores*) maintained by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria de Valores* or “CNBV”) and therefore, the New Shares and/or the Pre-emptive Subscription Rights may not be publicly offered, sold nor otherwise be the subject of brokerage activities (*intermediación*) in the United Mexican States (“Mexico”). Additionally, this Prospectus does not constitute, nor has it been prepared in the context of an offer of New Shares or Pre-emptive Subscription Rights in compliance with the provisions of the Mexican Securities Market Law (*Ley del Mercado de Valores* or “LMV”) and regulations thereunder. The New Shares and/or the Pre-emptive Subscription Rights may only be offered and sold in Mexico to investors that qualify as institutional (*institucionales*) and qualified (*calificados*) solely on a private placement basis, pursuant to the exemptions set forth in Article 8 of the LMV. This Prospectus and any other materials related with the Offering are the exclusive responsibility of the Company, have not been reviewed or authorized by the CNBV and may not be publicly distributed in Mexico.

### **INFORMATION FOR INVESTORS IN CERTAIN COUNTRIES**

For information for investors in certain countries, see “*Transfer and Selling Restrictions*”.

## TABLE OF CONTENTS

SUMMARY .....	1
RISK FACTORS .....	7
DECLARATION OF RESPONSIBILITY AND COMPETENT AUTHORITY.....	22
PRESENTATION OF FINANCIAL AND OTHER INFORMATION.....	23
THE OFFERING .....	27
INFORMATION ABOUT THE COMPANY .....	39
BUSINESS .....	41
INDUSTRY OVERVIEW .....	64
SPANISH SOCIMI REGIME.....	84
USE OF PROCEEDS .....	88
DIVIDEND POLICY .....	89
CAPITALIZATION AND INDEBTEDNESS .....	91
SELECTED FINANCIAL INFORMATION .....	92
OPERATING AND FINANCIAL REVIEW .....	95
BOARD OF DIRECTORS AND MANAGEMENT .....	114
PRINCIPAL SHAREHOLDERS .....	139
RELATED PARTY TRANSACTIONS.....	140
DESCRIPTION OF SHARE CAPITAL.....	142
MARKET INFORMATION.....	154
TAXATION.....	157
PLAN OF DISTRIBUTION .....	165
TRANSFER AND SELLING RESTRICTIONS.....	168
ENFORCEMENT OF CIVIL LIABILITIES .....	171
LEGAL MATTERS.....	172
INDEPENDENT AUDITORS.....	173
INDEPENDENT APPRAISERS .....	174
DOCUMENTATION INCORPORATED BY REFERENCE .....	175
ADDITIONAL INFORMATION.....	176
SPANISH TRANSLATION OF THE SUMMARY .....	180
ANNEX 1: VALUATION REPORTS .....	187

## SUMMARY

Prepared in compliance with article 7 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.

### 1. INTRODUCTION AND WARNINGS

**THIS SUMMARY SHOULD BE READ AS AN INTRODUCTION TO THE PROSPECTUS. ANY DECISION TO INVEST IN THE NEW SHARES AND/OR THE PRE-EMPTIVE SUBSCRIPTION RIGHTS OF MILLENIUM HOTELS REAL ESTATE I, SOCIMI, S.A. (THE “COMPANY” AND TOGETHER WITH ITS SUBSIDIARIES, “MILLENIUM” OR THE “GROUP”) SHOULD BE BASED ON A CONSIDERATION OF THE PROSPECTUS AS A WHOLE BY THE INVESTOR. THE INVESTOR COULD LOSE ALL OR PART OF THE INVESTED CAPITAL.**

**WHERE A CLAIM RELATING TO THE INFORMATION CONTAINED IN, OR INCORPORATED BY REFERENCE INTO, THE PROSPECTUS IS BROUGHT BEFORE A COURT THE PLAINTIFF INVESTOR MIGHT, UNDER SPANISH LAW, HAVE TO BEAR THE COSTS OF TRANSLATING THE PROSPECTUS BEFORE THE LEGAL PROCEEDINGS ARE INITIATED.**

**CIVIL LIABILITY ATTACHES ONLY TO THOSE PERSONS WHO HAVE TABLED THE SUMMARY INCLUDING ANY TRANSLATION THEREOF, BUT ONLY WHERE THE SUMMARY IS MISLEADING, INACCURATE OR INCONSISTENT, WHEN READ TOGETHER WITH THE OTHER PARTS OF THE PROSPECTUS, OR WHERE IT DOES NOT PROVIDE, WHEN READ TOGETHER WITH OTHER PARTS OF THE PROSPECTUS, KEY INFORMATION IN ORDER TO AID INVESTORS WHEN CONSIDERING WHETHER OR NOT TO INVEST IN THE NEW SHARES AND THE PRE-EMPTIVE SUBSCRIPTION RIGHTS OF THE COMPANY.**

The address and phone number of the Company (legal entity identifier code (LEI): 9598000L9L105M8ZYD72) are: Millenium Hotels Real Estate I, SOCIMI, S.A., Paseo de la Castellana, 102, 28046 Madrid, Spain, and +34 91 185 17 10, respectively.

The ISIN number assigned to the Shares is ES0105407003, while the Pre-Emptive Subscription Rights have the provisional ISIN code ES0605407909, and the New Shares have the provisional ISIN code ES0105407011.

The Prospectus was approved and registered by the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*, the “CNMV”) on June 18, 2020. Investors may contact the CNMV at the following telephone number +34 900 535 015.

This Prospectus is available on the CNMV’s website ([www.cnmv.es](http://www.cnmv.es)) and on the Company’s website ([www.milleniumhotelsrealestate.com](http://www.milleniumhotelsrealestate.com)). Neither the Company’s website nor any of its contents form part or are incorporated into this Prospectus, whether by reference or otherwise, except as otherwise provided herein. The CNMV has neither examined nor approved the Company’s website nor any of its contents.

Capitalized terms not defined in the Summary have the meanings defined elsewhere in the Prospectus.

### 2. KEY INFORMATION ON THE ISSUER

#### 2.1. Who is the issuer of the securities?

The legal name of the issuer is Millenium Hotels Real Estate I, SOCIMI, S.A. The commercial name of the issuer is “**Millenium**”. The Company is incorporated as a public limited company (*sociedad anónima*) in Spain under the Spanish Companies Law. It has its registered office at Paseo de la Castellana, 102, 28046, Madrid, Spain, with legal entity identifier code (LEI): 9598000L9L105M8ZYD72 and with phone number +34 91 185 17 10. The Company was incorporated for an unlimited term and holds Spanish tax identification number A-87846028. The Company is a real estate investment company (*Sociedad Anónima Cotizada de Inversión en el Mercado Inmobiliario*) (“**SOCIMI**”).

The Company’s activity consists in identifying and acquiring or creating iconic buildings that meet top quality standards, located in prime districts of the main Spanish cities, occasionally in Portugal, that can be transformed and repositioned as high value assets and enter into lease agreement with hotel operators for its management. Our strategy is designed to allow us to identify attractive investment opportunities and execute value added and tailored strategies to unlock value. We seek to acquire underinvested and undermanaged hotel properties with operational deficiencies and strong refurbishment potential (what we call “yielding” properties), high quality real estate properties with lodging potential (what we call “turnaround” properties) and selective “greenfield” projects in core and established locations with the potential to offer attractive returns.

Once the asset has been transformed or repositioned, we reinforce our ownership business model with an active management strategy over the assets, which are operated by national and international hotel operators under lease agreements. Through this strategy, our goal is to create and maintain a high quality hotel portfolio with embedded hotel potential and intrinsic value in prime locations situated in strategic destinations.

Since the Company’s incorporation, its operations have been limited to the acquisition of the properties currently in the Portfolio. The Company’s main acquisitions have been Hotel Vía Castellana, Hotel Lucentum and one of the buildings of Hotel Radisson Collection Sevilla in 2018 and Hotel Radisson Collection Bilbao, Hotel Alma Sevilla, Hotel Meliá Bilbao, Hotel Palacetes de Cordoba, Hotel Plaza Canalejas, Proyecto La Hacienda San Roque and the other building of Hotel Radisson Collection Sevilla in 2019. As of May 31, 2020, the Company’s gross asset value (“**GAV**”) was approximately €314.5 million (€318.64 million as of December 31, 2019).

The following table sets forth publicly available information issued pursuant to Circular 6/2018 with respect to the principal shareholders (this is, when any shareholder reaches, exceeds or falls below 5% of the share capital and successive multiples) of the Company as of the date of this Prospectus.

Owner	Total voting rights (%)	
	Direct	Indirect
Ibervalles, S.A. ....	24.83%	-
Pelham Capital, Ltd. ....	9.93%	-
Mr. Leopoldo del Pino <sup>(1)</sup> .....	-	5.60%
Mr. José María Castellano Ríos <sup>(2)</sup> .....	-	5.60%
<b>Total</b> .....		<b>45.959%</b>

(1) Indirectly through Siemprelara, S.L.

(2) Indirectly through Alazady España, S.L.

As of the date of this Prospectus, the directors of the Company are the six members of the Board of Directors: Mr. Javier Illán Plaza (Chairman and Chief Executive Officer), Mr. Enrique Isidro Rincón (Vice-Chairman, proprietary director representing Ibervalles, S.A.), Mr. Remigio Iglesias Surribas

(executive Vice-Chairman), Mr. José María Castellano Ríos (member, proprietary), Ms. Isabel Dutilh Carvajal (member, independent) and Mr. Jaime Montalvo Correa (member, independent).

Ernst & Young, S.L. domiciled at calle de Raimundo Fernández Villaverde, 65, 28003 Madrid (Spain), holder of Spanish tax identification number B-78970506 and is registered in the Official Registry of Auditors (*Registro Oficial de Auditores de Cuentas* or R.O.A.C.) with number S0530 and in the Commercial Registry of Madrid at Volume 9,364, General 8,130, Section 3, Page 68 and Sheet 87690-1 is the independent auditor of the Company. It was appointed Company's auditor on December 29, 2017 for the financial year ended December 31, 2017. Likewise, it was appointed auditor of the Company and its group on November 1, 2018 for the financial year ended December 31, 2018. On May 10, 2019, EY was re-appointed auditor of the Company and its Group for financial years 2019, 2020 and 2021.

## 2.2. What is the key financial information regarding the issuer?

### Selected consolidated statement of financial position information

	As of December 31, 2019	As of December 31, 2018
	(audited)	(unaudited) (restated)
	(thousands of €)	
Total assets .....	374,500	97,873
Equity .....	267,416	60,039
Net financial debt.....	48,623	13,755

### Selected consolidated income statement information

	For the year ended December 31,	
	2019	2018
	(audited)	(unaudited) (restated)
	(thousands of €)	
Net revenue.....	4,539	2,564
<b>Operating profit</b> .....	<b>23,532</b>	<b>2,167</b>
<b>Net profit attributable to the Company</b> .....	<b>22,785</b>	<b>1,585</b>
Year on year net revenue growth .....	77%	-

### Selected consolidated cash flow statement information

	As of December 31, 2019	As of December 31, 2018
	(audited)	(unaudited) (restated)
	(thousands of €)	
<b>Total net cash flows from operating activities</b> .....	<b>(2,838)</b>	<b>2,023</b>
<b>Total net cash flows from investing activities</b> .....	<b>(214,548)</b>	<b>(51,396)</b>
<b>Total net cash flows from financing activities</b> .....	<b>243,146</b>	<b>64,186</b>

The Company was incorporated on June 6, 2017 and opted for the Spanish SOCIMI Regime under the SOCIMI Act. We prepare consolidated financial information as from financial year 2018. Because a substantial portion of our Portfolio has been acquired during financial years 2018 and 2019, we have a limited operating history thus the Portfolio is not comparable year on year. Therefore, our financial condition and results of operations as of and for the financial periods discussed in this Prospectus are not comparable and may not be indicative of our future business, financial condition or results of operations.

Investors are cautioned against drawing any inferences from the Financial Statements and/or other financial data included herein given the Company's limited operating history and the fact that, as of the date of this Prospectus, certain properties in the Portfolio are under development and therefore not generating rental income and will be incurring in construction and refurbishment expenses, which will be capitalized. The future results of the Company will depend upon its ability to successfully refurbish the Portfolio that is currently under development and enter into lease agreements with recognized hotel operators in order to derive value from the properties acquired so far and from its future investments, as well as the impact of the COVID-19 crisis in the global economy generally, the Spanish economic environment and its lodging and tourism sector and other factors described elsewhere in this Prospectus.

## 2.3. What are the key risks that are specific to the issuer?

The most material risk factors specific to the issuer are as follows:

### – Risks relating to health, environment, social and economic conditions

1. The outbreak of COVID-19 and possible similar future outbreaks or any other circumstances that could result in movement restrictions or hotels closures could materially and adversely affect our business, financial condition, results of operations, dividends and/or prospects.

2. A deterioration of economic conditions in Spain and the EU generally could materially and adversely affect our business, financial condition, results of operations and/or prospects including any deterioration derived from the political uncertainty in Spain and the EU, including as a consequence of Brexit.

– **Risks related to the Company’s financial situation**

3. The Company’s investment strategy includes the use of financial leverage and in rem collaterals such as mortgages or pledges, which may expose the Company to risks associated with borrowings and may materially and adversely affect our operating performance and financial condition.

– **Risks related to the Company’s business activities and industry**

4. The net asset value of the Company may fluctuate over time and the Valuation Reports and/or additional existing or future valuation reports could incorrectly assess the value of the Company’s properties and may not reflect the current market value of the Company’s properties thus materially and adversely affecting our business, financial condition, results of operations and/or prospects.
5. The Company’s operating history is limited and the Company may be unsuccessful in acquiring future properties, impairing its performance and ability to execute its investment strategy.
6. Rents received from a small number of hotel operators represent and in the future may represent a significant portion of the Company’s total revenue.
7. The Company’s business may be materially and adversely affected by a number of factors inherent to the hotel rental and lodging industries, including high competition, over-building of hotels, properties vacancies, changes in occupancy and average daily rates (ADR), increases in operating and other expenses and capital expenditures.
8. We are dependent on the performance of third-party hotel operators and we could be materially and adversely affected if such third parties do not manage our hotels in our best interests.

– **Risks relating to corporate governance**

9. Potential implications deriving from the Company’s salary policy, including incentive plans and termination compensations for executive directors, may require the Company to enter into supplementary financing agreements materially and adversely affecting our financial condition and/or results of operations.
10. The Company is reliant on the performance and expertise of certain key members of the Senior Management to implement the Company’s investment strategy and its historical performance is not a guarantee of the future performance of the Company.

– **Legal and regulatory risks**

11. Risks relating to losing the Spanish SOCIMI status and consequent payment of Spanish standard CIT rate, as well as changes in taxes and laws and regulations relating to real estate properties could materially and adversely affect our business, financial condition, results of operations and/or prospects.

### 3. KEY INFORMATION ON THE SECURITIES

#### 3.1. What are the main features of the securities?

The 29,996,668 New Shares to be issued pursuant to the Offering are ordinary shares of the Company with a nominal value of €1.00 each, all of the same class and series as the Company’s existing shares. The New Shares will be denominated in euro. The New Shares will be ordinary shares and their owners will be granted the same economic and voting rights as with respect to the existing ordinary shares of the Company, which are set forth in the Spanish Companies Law and in the Bylaws. There are no restrictions on the free transferability of Shares in the Bylaws.

The 29,996,668 New Shares to be issued pursuant to the Offering will be created pursuant to the Spanish Companies Law and rank *pari passu* in all respects with the previously existing Shares—including with respect to the right to vote and the right to receive all dividends and other distributions declared, made or paid on the Company’s share capital—and junior to any kind of Company’s indebtedness. Each existing Share, including each New Share, will carry one vote at a General Shareholders Meeting of the Company. There are no restrictions on the voting rights of the Shares.

Holders of the Shares are entitled to the rights and subject to the obligations set forth in the Bylaws, in particular the following rights inherent to the condition of shareholder of the Company:

- Right to attend General Shareholders Meetings with voting rights.
- Pre-emptive rights in share capital increases via monetary contributions and for any new bonds convertible into Shares, as well as right of free allotment in share capital increases against reserves.
- Right to exercise shareholder actions.
- Information rights.
- Dividend and liquidation rights.

The Company intends to maintain a dividend policy that accounts for sustainable levels of dividend distribution and which reflects the Company’s view on the outlook for sustainable recurring earnings. The Company does not aim to create reserves that are not available for distribution to its shareholders other than those required by law. The Company intends to pay dividends following shareholders’ approval at the proposal of the Board of Directors. In any case, the Company is a Spanish SOCIMI and aims to maintain such status. In this regard, under the Spanish SOCIMI Regime, the Company will be required to adopt resolutions for the annual distribution of dividends to shareholders, in compliance with the conditions set out in both the Spanish SOCIMI Regime and the Spanish corporate legislation, within six months following the closing of each fiscal year.

Under the Spanish SOCIMI Regime, a SOCIMI will be required to adopt resolutions for the distribution of dividends to shareholders, after fulfilling any relevant Spanish Companies Law requirements, to shareholders annually within six months following the closing of the fiscal year of: (i) at least 50% of the profits derived from the transfer of real estate properties and shares in Qualifying Subsidiaries and real estate collective investment funds; provided that the remaining profits must be reinvested in other real estate properties or participations within a maximum period of three years from the date of the transfer or, if not, 100% of the profits must be distributed as dividends once such period has elapsed; (ii) 100% of the profits derived from dividends paid by Qualifying Subsidiaries and real estate collective investment funds; and (iii) at least 80% of all other profits obtained (i.e., profits

derived from rental and ancillary activities). If the relevant dividend distribution resolution were not adopted in a timely manner, the SOCIMI would lose its SOCIMI status in respect of the year to which the dividends relate.

The number of Shares of the Company following the Offering, assuming they are fully subscribed, will be 80,000,000.

Immediately following Admission, the New Shares will be freely transferable under the Bylaws, but shareholders may be subject to selling and transfer restrictions deriving from any legal or regulatory requirement that may be applicable in the relevant jurisdiction. The Shares, including the New Shares, are represented in registered book-entry form and held through the clearance and settlement system managed by Iberclear.

The Bylaws contain information and indemnity obligations applicable to Substantial Shareholders designed to minimize the possibility that dividends may become payable to Substantial Shareholders and mitigate its potential consequences for the Company. In such a case, if a dividend payment is made to a Substantial Shareholder, the Company will be entitled to deduct an amount equivalent to the tax expenses incurred by the Company on such dividend payment from the amount to be paid to such Substantial Shareholder (the Board of Directors will maintain certain discretion in deciding whether to exercise this right if making such deduction would put the Company in an unfavorable position).

### 3.2. Where will the securities be traded?

The Shares are listed on the Spanish Alternative Stock Market (*Mercado Alternativo Bursátil*) and are quoted under the fixing modality and under the symbol “YMHRE”. The Company expects the Pre-emptive Subscription Rights to be listed on the MAB and to be traded during the period from July 6, 2020 to July 10, 2020, both inclusive. The Company will apply for admission to listing of the New Shares on the Spanish Alternative Stock Market.

### 3.3. Is there a guarantee attached to the securities?

Not applicable.

### 3.4. What are the key risks that are specific to the securities?

The most material risk factors specific to the securities are as follows:

- **Risks related to the Offering and the admission of the New Shares and the Pre-emptive Subscription Rights to trading on the MAB**
  1. The liquidity of the Shares and the Pre-emptive Subscription Rights is limited as they are quoted on the MAB under the fixing modality and their market price may fluctuate in response to various factors, many of which are outside our control.
  2. The Company has not entered into an underwriting agreement but into a placing agreement, therefore the New Shares may not be subscribed, fully or partially, and Eligible Shareholders and investors who exercise their Pre-emptive Subscription Rights or who request additional New Shares during the Pre-emptive Subscription Period will not be able to cancel their requests.
  3. The price of the Shares may materially decline as a result of the Offering.
- **Risks related to the nature of the New Shares**
  4. The issuance of the New Shares may dilute shareholders’ interest in the Company if the Company’s current shareholders’ do not subscribe New Shares. Also, the Company may at some point in the future issue additional Shares or convertible securities, which may further dilute shareholders’ interest in the Company.

## 4. KEY INFORMATION ON THE OFFER OF SECURITIES TO THE PUBLIC

### 4.1. Under which conditions and timetable can I invest in this security?

Under the Offering, the Company is granting Pre-emptive Subscription Rights to existing holders of Shares who acquire them on or before June 19, 2020 and whose transactions are settled on or before June 23, 2020 in Iberclear (the “**Eligible Shareholders**”) for the subscription of up to 29,996,668 New Shares. Each Share held by the Eligible Shareholders entitles its holder to receive one Pre-emptive Subscription Right. The exercise of 63 Pre-emptive Subscription Rights entitles the exercising holder to subscribe for 38 New Shares against payment of the Subscription Price in cash. The Subscription Price, which must be paid in euros, is €5.00 per New Share.

Eligible Shareholders who do not participate in the Offering will have their ownership interest diluted after its execution. Assuming that (i) none of the Company’s current shareholders subscribe New Shares as a result of their Pre-emptive Subscription Rights, and (ii) the New Shares were fully subscribed by third parties, the ownership interest of the Company’s current shareholders would represent 62.50% of the total number of the Shares after the execution of the Offering, which would involve a dilution of 37.50%.

The Company expects net proceeds from the Offering of approximately €147 million (gross proceeds of approximately €150 million less total expenses in the amount of approximately €2.2 million comprising the fees payable to the Managers and other expenses related to the Offering in the amount of approximately €0.8 million (assuming placement of all New Shares)).

#### Subscription of New Shares

- **Pre-emptive Subscription Period:** The period during which Eligible Shareholders may exercise their Pre-emptive Subscription Rights will last one month, beginning on the first calendar day following the publication of the notice of the Offering in the BORME. According to the envisaged timetable, this period will commence on June 20, 2020 and last until July 19, 2020 (in each case inclusive of the start and end dates). During the Pre-emptive Subscription Period, Eligible Shareholders or purchasers of Pre-emptive Subscription Rights may exercise their Pre-emptive Subscription Rights, in whole or in part. Alternatively, Eligible Shareholders or purchasers of Pre-emptive Subscription Rights may sell their Pre-emptive Subscription Rights on the MAB from July 6, 2020 to July 10, 2020 on the same terms as the Shares from which they result. Those having exercised their Pre-emptive Subscription Rights in full may confirm their agreement to subscribe for additional New Shares in excess of their pro rata entitlement.
- **Additional Allocation Period:** To the extent that at the expiration of the Pre-emptive Subscription Period there are New Shares that have not been subscribed for, the Company will allocate them to holders of Pre-emptive Subscription Rights that have exercised all of their Pre-emptive Subscription Rights and have indicated at the time of such exercise their agreement to subscribe for additional New Shares in excess of the New Shares corresponding to their Pre-emptive Subscription Rights. This is currently expected to take place no later than 5:00 p.m. (CET) on the fourth trading day immediately following the end of the Pre-emptive Subscription Period (which, according to the envisaged timetable, is expected to be July 23, 2020).
- **Discretionary Allocation Period:** If, following the Pre-emptive Subscription Period and the Additional Allocation Period any New Shares remain unsubscribed, the Agent Bank will notify the Managers by no later than 5:00 p.m. (CET) on the fourth trading day following the end of the Pre-emptive Subscription Period (which, in accordance with the envisaged timetable, is expected to take place on July 23, 2020) of the

number of Rump Shares to be allocated during the Discretionary Allocation Period. The Discretionary Allocation Period, if any, is expected to begin at any time after the end of the Additional Allocation Period (which, according to the envisaged timetable, is expected to be July 23, 2020) and end no later than 11:00 a.m. (CET) on July 27, 2020, without prejudice to the ability of the Company to terminate it prior to such time.

During the Discretionary Allocation Period, persons who: (i) are in any country of the EEA or in the United Kingdom and have the status of qualified investors, as this term is defined in article 2(e) of the Prospectus Regulation; (ii) are, in Spain only, (a) strategic investors or (b) other private banking clients; or (iii) are outside Spain, the EEA, the United Kingdom and the United States of America and have the status of qualified investors pursuant to the applicable legislation in the relevant country, in any case to the extent that the subscription and payment of the Rump Shares do not require registration or approval of any kind, may submit orders to the Managers to subscribe for Rump Shares.

The summary timetable set forth below lists certain important dates relating to the Offering:

<b>Principal event</b>	<b>On or about</b>
Approval of this Prospectus by the CNMV .....	June 18, 2020
Filing with the MAB of regulatory information notice ( <i>hecho relevante</i> ) announcing the registration of the Prospectus with the CNMV and estimated date of the commencement and end of the Pre-emptive Subscription Period .....	June 18, 2020
Announcement of the Offering in the BORME and last trading date of Shares “with rights” .....	June 19, 2020
Commencement of the Pre-emptive Subscription Period and the period to request additional New Shares to be allocated (if applicable) during the Additional Allocation Period.....	June 20, 2020
First trading date of the Shares without rights (ex-date).....	June 22, 2020
Record Date (the date on which those persons or entities registered in Iberclear as shareholders become Eligible Shareholders) .....	June 23, 2020
First date of trading of the Pre-emptive Subscription Rights .....	July 6, 2020
End of trading of the Pre-emptive Subscription Rights (guaranteed participation date) .....	July 10, 2020
End of the Pre-emptive Subscription Period and the period to request additional New Shares to be allocated (if applicable) during the Additional Allocation Period .....	July 19, 2020
Additional Allocation Period (if applicable) .....	July 23, 2020
Filing with the MAB of regulatory information notice announcing results of the Pre-emptive Subscription Period and Additional Allocation Period (if applicable) .....	July 23, 2020
Commencement of the Discretionary Allocation Period (if applicable) .....	July 23, 2020
End of the Discretionary Allocation Period (if applicable).....	July 27, 2020
Filing with the MAB of regulatory information notice announcing results of the Discretionary Allocation Period (if applicable).....	July 27, 2020
Payment by the Participant Entities to the Agent Bank of the New Shares subscribed for during the Pre-emptive Subscription Period and Additional Allocation Period (if applicable).....	July 28, 2020
Payment (pre-funding) by the Pre-Funding Bank of the New Shares subscribed for in the Discretionary Allocation Period (if applicable).....	July 28, 2020
Approval of the resolution regarding the capital increase of the Offering to be closed and executed.....	July 28, 2020
Granting of the notarized deed formalizing the capital increase of the Offering before a public notary (Execution Date)....	July 28, 2020
Registration with the Commercial Registry of the notarized deed formalizing the capital increase of the Offering.....	July 28, 2020
Filing with the MAB of regulatory information notice announcing registration of the notarized deed formalizing the capital increase of the Offering with the Commercial Registry .....	July 28, 2020
Registration of the New Shares issued with Iberclear .....	July 28, 2020
Admission to listing and trading of the New Shares on the MAB by BME.....	July 29, 2020
Execution of the Special Transaction for the transfer of Rump Shares allocated during the Discretionary Allocation Period (if applicable).....	July 29, 2020
Expected commencement of trading of the New Shares issued on the MAB .....	July 30, 2020
Settlement date of the Special Transaction for the transfer of Rump Shares allocated during the Discretionary Allocation Period (if applicable).....	July 31, 2020

In case that significant new factors, material mistakes or material inaccuracies affecting this Prospectus arise between the date hereof and the time when trading on the MAB of the New Shares begins, the Company will have the obligation to supplement this Prospectus.

#### Commitments from shareholders, Directors and members of the Senior Management

Mr. José María Castellano Ríos, Mr. Javier Illán Plaza and Mr. Remigio Iglesias Surribas which, as of the date of this Prospectus, indirectly hold 5.6%, 1.67% and 0.2%, of the Company’s share capital, respectively, have informed the Company about their intention to participate in the Offering. In addition, Pelham Capital, Ltd. and Siemprelara, S.L., which, as of the date of this Prospectus, directly hold 9.93% and 5.60% of the Company’s share capital, respectively, have informed the Company about their intention to participate in the Offering. Notwithstanding the foregoing, the referred shareholders have not informed the Company whether they will exercise their pre-emptive subscription rights fully or partially. Regarding the other significant shareholder (Ibervalles, S.A.), it has notified the Company that it has not taken a decision yet regarding the exercise of its pre-emptive subscription rights in the Offering.

Likewise, the following shareholders, Biandrina Mercantil, S.L., Vicareca, S.L. and Phervicu, S.L. which, as of the date of this Prospectus, hold, 0.2%, 0.2% and 0.2%, of the Company’s share capital, respectively, have informed the Company about their intention to participate in the Offering. Notwithstanding the foregoing, the referred shareholders have not informed the Company whether they will exercise their pre-emptive subscription rights fully or partially.

The remaining members of the Senior Management and members of the Board of Directors not referred to above (who in aggregate have a 0% stake in the Company’s share capital) have not informed the Company of their intentions regarding the Offering.

#### **4.2. Who is the offeror?**

The offeror of the New Shares is the Issuer (see Section 2 of this Summary in relation to the key information about the Issuer).

#### **4.3. Why is this prospectus being produced?**

This Prospectus has been produced in relation to the offer of New Shares under the Offering pursuant to the Prospectus Regulation. This Prospectus has been approved as a prospectus by the CNMV in its capacity as competent authority under the Prospectus Regulation and its implementing measures in Spain for the Offering and admission of the New Shares on the MAB. Once the Offering is executed, the refurbishment projects are carried out and the

Portfolio is stabilized (it is expected that the current Portfolio will be stabilized during the second quarter of financial year ended December 31, 2025), we intend to initiate the procedure for the admission to trading of the Shares on the Spanish Stock Exchanges.

The Company expects net proceeds from the Offering of approximately €147 million (assuming placement of all New Shares). The Company intends to use the net proceeds of the Offering to expand its existing Portfolio in a way consistent with the Company's current strategy and enhance it through capital expenditures.

As of May, 2020, we had a potential acquisition pipeline with an estimated aggregate gross asset value of approximately €960 million (representing 19 potential transactions, approximately 2,000 rooms and 19 hotels), of which approximately 38% are under exclusivity agreements, 42% under a due diligence process or under advanced assessment and negotiation and the remaining 20% are structured as competitive processes. We aim to complete the acquisitions of hotels with an aggregate gross asset value of approximately €130 million (including capital expenditures) within a timeframe of 6 to 12 months.

On June 17, 2020, the Company and the Managers entered into the Placing Agreement, with respect to the Offering. The Placing Agreement is governed by Spanish law. In consideration of the Managers entering into the Placing Agreement and providing the services agreed thereunder, the Company has agreed to pay the Managers certain commissions. In addition, on May 29, 2020, the Company and Securities and Bonds, S.L. entered into a mediation agreement whereby Securities and Bonds, S.L. may introduce potential investors to the Company in order for them to subscribe for New Shares. Securities and Bonds, S.L. would be entitled to receive up to 1.5% of the gross proceeds deriving from the subscription of New Shares by those investors.

Certain of the Managers, Agent Bank and legal advisors and their affiliates may from time to time engage in transactions with, and perform services for the Company in the ordinary course of their business. In addition, the Managers and their respective affiliates have performed, and may in the future perform, various financial advisory, investment banking, commercial banking or other services for the Company (including, for the avoidance of doubt, the involvement of certain Managers as global coordinators and joint bookrunners in the Company's share capital increase of May 10, 2019), for which they have received and are likely to continue to receive customary fees and expenses.



## RISK FACTORS

*An investment in the New Shares and/or the Pre-emptive Subscription Rights involves a high degree of risk. You should carefully consider the following risks and uncertainties, together with other information provided to you in this Prospectus, before deciding whether or not to invest in the New Shares and/or the Pre-emptive Subscription Rights. The risks set out below are those that the Company currently considers to be material, specific and relevant for an investor to make an informed decision and are supported by the content of this Prospectus. If any of the following risks and uncertainties actually occur, the Company's business, prospects, results of operations, financial condition and cash flows could be materially affected. The trading price of the New Shares and/or the Pre-emptive Subscription Rights could decline due to any of these risks and uncertainties, and investors may lose all or part of their investment.*

*Although the Company believes the main risk factors to which it is subject are mentioned below, there may also be other risks and uncertainties which are not identified in the Prospectus because of their generic nature or because the Company does not consider them as material or are currently unknown as of the date of this Prospectus and may have an adverse effect on the financial condition, business, prospects or results of operations of the Company and on the value of any investment in the New Shares and/or the Pre-emptive Subscription Rights. Such risks include, among others, those related to delays or difficulties in the deployment of the net proceeds of the Offering; risks resulting from potential joint ventures, co-ownership or the holding of minority stakes in respect of any investment, risks derived from members of the Company's senior management (the "**Senior Management**") being no longer employed by the Company and their ability to implement the Company's strategy; risks derived from circumstances where members of the Senior Management or the board of directors of the Company (the "**Board of Directors**"), or their related parties, have a conflict of interest with the Company with respect to any business opportunities or the hiring of certain personnel; risks derived from the Company, members of the Board of Directors, members of the Senior Management, employees or affiliated companies' potential involvement in disputes and other legal proceedings or investigations; risks derived from losses in excess of insurance proceeds, if any, or from uninsurable events; risks derived from cybersecurity disruptions, security problems, and the use of information technology; risks derived from the maintenance of adequate internal control systems; or risks derived from the consideration of the Company as an alternative investment fund under the laws of certain European Economic Area ("**EEA**") jurisdictions other than Spain.*

*Investors should consider carefully whether an investment in the New Shares and/or the Pre-emptive Subscription Rights is suitable for them in light of the information in this Prospectus and their personal circumstances. If any recipient of this Prospectus is in any doubt about any action they should take, they should consult a competent independent professional advisor who specializes in advising on the acquisition of listed securities, to carefully review the risks associated with an investment in and holding of the New Shares and/or the Pre-emptive Subscription Rights.*

*This Prospectus also contains forward-looking statements that involve risks and uncertainties. See "Presentation of financial and other information—Forward-looking statements".*

*The actual results of the Company could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including the risks faced by the Company described below and elsewhere in this Prospectus. Save as required by applicable law, the Company is not obliged to, and makes no commitment to, release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this Prospectus.*

*Investors should carefully review the entire Prospectus and should reach their own views and decisions on the merits and risks of investing in the New Shares and/or the Pre-emptive Subscription Rights. Furthermore, investors shall consult their financial, legal, and tax advisors to carefully review the risks associated with an investment in the New Shares and/or the Pre-emptive Subscription Rights.*

### **A. Risks relating to health, environment, social and economic conditions**

#### **1. The outbreak of COVID-19 and possible similar future outbreaks or any other circumstances that could result in movement restrictions or hotels closures could materially and adversely affect our business, financial condition, results of operations, dividends and/or prospects**

In late December 2019 a notice of pneumonia originating from China was reported to the World Health Organization ("**WHO**"). COVID-19 was identified, with cases soon confirmed in many countries. On March 11, 2020 the WHO declared the coronavirus outbreak a pandemic. The ongoing COVID-19 crisis has resulted in most countries, including Spain, taking measures to restrict citizens' freedom of movement, limit or restrict the entry of people travelling from other countries and approving various types of measures (such as quarantines and lockdown of premises).

Since the outbreak of COVID-19, the virus has deeply impacted global growth especially due to, among others, the suspension of non-essential economic activities, lower consumption and significant disruptions in supply chains. In January 2020, the International Monetary Fund ("**IMF**") projected global growth to increase from 2.9% in 2019 to 3.3% in 2020. However, the updated forecasts issued by the IMF in April 15, 2020, in light of the outbreak of the COVID-19, estimates global growth to decrease by 3.0% in 2020 (source: IMF, *World Economic Outlook, April 2020: The Great*

*Lockdown*). The worst-case scenario of the estimates published by the Bank of Spain on April 20, 2020 indicates that Spanish gross domestic product may decrease by 13.6% in 2020 and that unemployment may reach 21.7%. Also, it has been estimated that the gross domestic product of the tourism industry (which represented 15% of the Spanish gross domestic product (“GDP”) in 2019) may decline by up to 81.4% in 2020, while on January 2020 an increase of up to 1.5% was forecast (source: Exceltur, *Posible Impacto del Covid 19 sobre el sector turístico español*). Moreover, the World Tourism Organization (“WTO”) estimated on March 26, 2020 that in 2020 global international tourist arrivals could decline between 20-30%, down from an estimated growth of 3% to 4% forecast in early January 2020 (source: WTO, *Impact assessment of the COVID-19 outbreak on international tourism*). All the foregoing indicates that Spain — where, as of the date of this Prospectus, all our hotels are located—, and the tourism sector in particular may face greater difficulties to overcome the COVID-19 economic crisis.

As of the date of this Prospectus, COVID-19 continues to impact economic activity worldwide and poses the risk that we or our employees, contractors, suppliers, customers and other business partners may be prevented from conducting certain business activities for an indefinite period of time, including due to shutdowns that may be requested or mandated by governmental authorities or otherwise elected by companies as a preventive measure (e.g., on March 14, 2020 the Spanish Government imposed significant restrictions on movement, especially regarding leisure travels; on March 19, 2020 the Spanish Government ordered all hotels in Spain to close during the state of emergency (*estado de alarma*); in March the European Council and the Spanish Government have adopted certain orders severely restricting transport of passengers) leading to severe falls in the stock markets, a global sharp downturn in activity and a high level of uncertainty regarding its possible impact on economic activities. In any case, if the spread of the COVID-19 continues unhindered and its global reach continues to increase or if another outbreak occurs, the negative consequences on growth may be more protracted.

In addition, the outbreak of COVID-19 could further disrupt our operations if our operative hotels (i.e., three out of nine of our hotels are operative as of the date of this Prospectus) are subject to additional closures or if any of our employees or hotel’s customers are infected, in which case we may be required to disinfect the affected premises and therefore hotels may suffer a temporary suspension of their operations. Our non-operative hotels are also subject to risks deriving from the outbreak of COVID-19 (e.g. affecting their estimated opening dates) (see “*Business—General portfolio overview*”).

Despite the measures that the Spanish Government is taking on the re-opening of the hotel industry, there is no certainty as to when —and under what conditions, if any— will hotel operators be able to fully re-open hotels and as to what measures may be approved by the relevant authorities to support travel and tourism activities and employment, in particular, considering that the de-escalation process has been designed to apply differently in different territories and re-opening measures currently in place may be accelerated or postponed until further improvements of the health crisis. Consequently, we cannot be certain as to the impact this crisis will have in our business, financial condition, results of operations and/or prospects. However, COVID-19 virus is having and will likely continue to have, for so long as the health crisis and the virus impact continue, a negative impact on tourism, and in our business, financial condition, prospects and results of operation. Furthermore, the mid and long term effects of the COVID-19 outbreak are highly uncertain and currently it is difficult to ascertain the impact and severity —specially on the economy and the hotel industry— of future actions aimed at containing a potential new spread of the virus and of a new global, regional or local outbreak. These factors could further worsen the consequences of the COVID-19 pandemic and could have a material adverse effect on the Company’s business, financial condition, results of operations and prospects.

Regarding our three operating properties, as a consequence of the COVID-19 outbreak, the hotel operators of these properties have been forced to suspend hotel operations (since March 21, 2020 for Hotel Meliá Bilbao, March 19, 2020 for Hotel Vía Castellana and March 23, 2020 for Hotel Lucentum) and are currently closed as a consequence of the state of emergency. In this regard, the corresponding lease agreements entered into between the Company and the corresponding hotel operators are still in force, although the relevant rent payments under these agreements have been currently suspended. In this context, we have not received the fixed rents of the three operative hotels corresponding to April, May and June of the current financial year (amounting approximately to €1.5 million in aggregate) (the Company does not have comparable information regarding the financial year ended on December 31, 2020 because the three properties, together, were not operative during the same period of the referred financial year). As of the date of this Prospectus, the three operating properties are expected to resume operations at the beginning of July 2020. We are currently discussing with the relevant hotel operators different alternatives to facilitate the rent payments (i.e. delaying rent payments with the correlative extension of the term of the lease agreement) although, as of the date of this Prospectus, we have not entered into any specific agreement with any of the relevant hotel operators in this regard.

Regarding our non-operative properties, the outbreak of COVID-19 has not had a relevant impact on their respective lease agreements, on the refurbishment and development schedule or on the respective opening dates, which are included under section “*Business—General Portfolio overview*” and duly reflect the new expected opening dates (which have not been significantly postponed). In this regard, the Company intends to finance pending capital expenditures related to the non-operative hotels of our Portfolio through new debt and equity (approximately, 75% and 25%, respectively).

Considering the above, and in particular the uncertainty related to the future developments of the COVID-19 outbreak, a potential new spread of the virus and to the potential measures to be agreed with our hotel operators, the Company is not currently able to ascertain or quantify the overall potential impact of the COVID-19 outbreak on its business, financial condition, results of operations and prospects, which could be material, which, in turn, would have a material impact on the potential dividend corresponding to that financial year, if applicable.

**2. *A deterioration of economic conditions in Spain and the EU generally could materially and adversely affect our business, financial condition, results of operations and/or prospects including any deterioration derived from the political uncertainty in Spain and the EU, including as a consequence of Brexit***

As of the date of this Prospectus, all of the Company's properties are located in Spain and the Company expects most of its future property acquisitions to be in Spain and, to a lesser extent, in Portugal. This geographic concentration exposes the Company's operating results to events or conditions that specifically affect Spain or, if applicable, Portugal, such as local, regional and nationwide economic, political, social, climate-related and other conditions. Therefore, adverse developments in any of these territories, or their attractiveness as business or leisure destinations, could have a negative impact on demand for commercial properties, which, in turn, may lead to higher vacancy rates, declining market rents and declining income, which, in turn, could negatively affect our business, financial condition and results of operations, but also the value of any properties that the Company has acquired or acquires in the future and the rental income those properties yield. A general downturn in the Spanish or, if applicable, Portuguese economy may change demand for real estate properties in Spain and Portugal and result in a decline of the attractiveness in real estate properties in the Spanish (or, if applicable, Portuguese) market relative to other investment choices which in turn may lead to a material decrease of the value of our Portfolio, thus affecting the Company's financial condition, results of operations and/or prospects. For additional information regarding the development of the Spanish and Portuguese economies, see "*Industry overview*".

In particular, the Spanish economy faces additional challenges, that could further deteriorate the economic conditions in Spain, due to internal factors. In particular, general elections held on November 10, 2019 did not result in a clear absolute majority. Nevertheless, on January 7, 2020, Pedro Sánchez was elected president by the Spanish Congress (*Congreso de los Diputados*) at the second round, with a simple majority. As of the date of this Prospectus, Mr. Sánchez heads the coalition government since 1978 (composed by Mr. Sánchez's PSOE and the Unidas Podemos party). However, these allied parties fall short of an absolute majority in Congress, and will require law-by-law support in order to get legislation passed.

Consequently, this lack of a clear parliamentary majority will require the government to obtain the support of other political parties to promote and approve new laws and annual national budgets and to face social and political unrest in Catalonia connected to secessionist movements, which may lead to similar risks to those faced by its predecessors, such as the possibility of new elections if its support is weak. Such uncertainty may slow the pace of reforms, enactment of laws, regulations and policies.

Additionally, external factors, such as geopolitical uncertainties (including those derived from the exit of the United Kingdom from the EU (the "**Brexit**") or any future Eurozone exit), may affect the growth of the Spanish economy and, in particular, disposable income. In particular, the full effects of Brexit are impossible to predict but may result in significant market volatility and dislocation and adversely affect, among others, the Spanish, British, French and German economies.

Continued internal and external political uncertainty could negatively affect the Spanish real estate market, and consequently the economic growth in each region where the Company intends to be present or more broadly in Spain, which could have a material adverse effect on the Company's business, financial condition, results of operations and/or prospects.

**B. Risks related to the Company's financial situation**

**3. *The Company's investment strategy includes the use of financial leverage and in rem collaterals such as mortgages or pledges, which may expose the Company to risks associated with borrowings and may materially and adversely affect our operating performance and financial condition***

Our investment strategy includes the use of leverage and reliance on external funding, which may increase our risks associated with borrowing. As of the date of this Prospectus, we have incurred in debt under seven different indebtedness agreements with different Spanish financial institutions (see "*Operating and financial review—Liquidity and capital resources—Borrowings*"). As of December 31, 2019, we had €92.36 million of outstanding gross debt with financial institutions. We target a loan-to-value ratio<sup>1</sup> ("**LTV Ratio**"), measured as our gross financial debt with financial institutions as a percentage of the aggregate gross asset value<sup>2</sup> ("**GAV**") of our hotel portfolio, of up to 50%. Our LTV

<sup>1</sup> LTV Ratio is an alternative performance measure ("**APM**"), see "*Additional Information—Alternative performance measures*" for the description of this management measure categorized as APM.

<sup>2</sup> GAV is an APM, see "*Additional Information—Alternative performance measures*" for the description of this management measure categorized as APM.

Ratio amounted to approximately 29% as of December 31, 2019. As of the date of this Prospectus, we have not executed arrangements (such as moratoriums or write-offs) in relation to our financial indebtedness as a consequence of the COVID-19 outbreak. However, we are pending to execute various agreement regarding the financing agreements of two of our operative hotels in order to postpone for twelve months any payment of principal amounts. In case the state of alarm is postponed or there is a second outbreak of COVID-19, which makes it impossible to receive rent payments or, if applicable, amendments to the current terms of the lease agreements regarding the rents to be received by the Company are executed, the Company intends to enter into this kind of agreements for the remaining hotels.

The use of leverage involves a high degree of financial risk and will increase the exposure of the investments to adverse economic factors such as rising interest rates, economic downturns, economic volatility or deteriorations in the condition of the investments.

Besides, we may incur or increase our indebtedness by obtaining additional loans secured by some or all of our properties at the moment of their acquisition and may borrow under financing secured by our properties once acquired. Depending on the level of leverage and decline in value, if debt payments are not made when due, one or more of our properties may be lost (and our investment therein rendered valueless) as a result of foreclosure by the lender(s). A foreclosure may also have substantial adverse tax consequences for us. In this regard, seven out of the nine hotels Millenium currently owns are subject to in rem collaterals (see “*Operating and financial review—Liquidity and capital resources—Borrowings*” below). Furthermore, we cannot assure that the Company will be able to obtain further financing to implement acquisitions, renovations, refurbishments, turnarounds, developments, reposition of assets in terms and conditions similar to those applying to the Company’s current financing.

In addition, Spanish real estate investment companies (*Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario*, “**SOCIMIs**”) must distribute a minimum dividend each year in order to maintain SOCIMI status provided that the SOCIMI had a profit in such financial year (see “*Spanish SOCIMI Regime*”). Such requirement limits the Company’s leverage capacity, financial flexibility and ability to pay dividends as the Company must simultaneously be able to service its debt and distribute dividends. If certain extraordinary or unforeseen events occur, including breaches of financial covenants by the Company, its borrowings and any hedging arrangements that the Company may enter into in the future may be repayable prior to the date on which they are scheduled for repayment or could otherwise become subject to early termination.

Any of the foregoing events may have a material adverse effect on the business, financial condition, business, results of operations and or prospects of the Company and its ability to make distributions to shareholders.

### **C. Risks related to the Company’s business activities and industry**

#### ***4. The net asset value of the Company may fluctuate over time and the Valuation Reports and/or additional existing or future valuation reports could incorrectly assess the value of the Company’s properties and may not reflect the current market value of the Company’s properties thus materially and adversely affecting our business, financial condition, results of operations and/or prospects***

The Company expects its portfolio’s net asset value<sup>3</sup> (“NAV”) to fluctuate over time due to real estate market conditions, the performance of the Company’s properties, the execution of renovation, refurbishment, turnaround, development, repositioning and re-branding projects, and the outlook of the Spanish economy especially after COVID-19’s outbreak. However, valuations of the Company’s properties may not reflect the price such individual properties can realize if they were sold in the market. NAV per Share<sup>4</sup> as of December 31, 2019 was €5.46 (i.e., NAV amounted to €273.12 million), whereas the closing price of the Company’s Shares as of December 31, 2019 was €5.4 per Share. As of May 31, 2020, the Company’s GAV was approximately €314.5 million (€318.64 million as of December 31, 2019) (including a €1 million down payment regarding Hotel Plaza Canalejas). The Company’s NAV as of May 31, 2020 cannot be calculated as it is necessary to have the relevant consolidated accounts of the Company drafted and approved. In this regard, as of the date of this Prospectus, the Company has not drafted the consolidated financial statements as of May 31, 2020 but will draft, according to MAB regulations, the consolidated financial statements as of June 30, 2020 when appropriate.

In calculating the NAV, the Company relies, among other things, on estimated valuations that may include information derived from third-party sources including the Valuation Reports (as defined in section “*Presentation of financial and other information—Valuation*” below), which are unaudited and may not be subject to independent verification or other due diligence. Accordingly, as a result of each of these factors, NAV may fluctuate from time to time, potentially materially, and could decrease substantially. If NAV was to decrease, this could have a material adverse impact on the price of the Shares.

<sup>3</sup> NAV is an APM, see “*Additional Information—Alternative performance measures*” for the description of this management measure categorized as APM.

<sup>4</sup> NAV per Share is an APM, see “*Additional Information—Alternative performance measures*” for the description of this management measure categorized as APM.

Furthermore, the success of the Company will depend significantly on its ability to assess the value of its properties, both at the time of acquisition and the time of disposal. Valuations of the Portfolio from time to time will also have a significant effect on the financial stability of the Company on an ongoing basis and its ability to obtain financing. The Valuation Reports contain valuations on the basis of the market value of the Portfolio appraised therein as of May 31, 2020, except as otherwise stated therein, and are based on standard valuation principles and represents the opinions of CBRE Valuation Advisory, S.A. (“**CBRE**”) and Savills Aguirre Newman, S.A.U. (“**Savills**” and, together with CBRE, the “**Independent Appraisers**”), who prepared the reports. The Valuation Reports are also based on assumptions regarding the Spanish real estate market and other factors, including market performance, exit yield, occupancy rates, management fees, contingencies and the general market environment that could subsequently turn out to have been incorrect.

Should the information, estimates or assumptions used in the Valuation Reports prove incorrect or inaccurate, the valuations could be substantially erroneous. In addition, the values ascribed by CBRE and Savills should not be taken as an indication of the amounts that could be obtained by the Company upon disposal of such properties, whether in the context of the sale of individual properties or the Portfolio as a whole. The values assigned to the appraised properties in the Valuation Reports and/or the Company’s financial information could exceed the proceeds that the Company can generate from the sale of the appraised properties. This could also apply to sales that occur on or shortly after the respective valuation date.

Accordingly, the Valuation Reports do not represent the future or current actually achievable sales price of the Company’s properties. The Company cannot assure that the values of its properties will not decrease in future valuation reports. Valuations of the Company’s properties may have a significant effect on its financial standing on an ongoing basis and on the Company’s ability to obtain further financing. As a result of the above, investors are cautioned not to place undue reliance on the statements contained in the Valuation Reports or any additional present or future valuation or valuation reports.

**5. *The Company’s operating history is limited and the Company may be unsuccessful in acquiring future properties, impairing its performance and ability to execute its investment strategy***

The Company was incorporated in Madrid on June 6, 2017. The Company’s operating history is therefore limited and its track record relates only to this limited operating period. Likewise, the Portfolio (as defined below) has significantly changed during the reported periods and thus these periods may not be comparable. As a result, investors may not have sufficient historical information to evaluate the investments that the Company has made so far or to accurately estimate the income-generating potential of the Company’s properties, and the capital expenditures in connection with such properties, which will be relevant for the Company’s future performance and income-generating potential. This makes assessing the Company’s potential future operating results, and the related merits of an investment in the New Shares and/or in the Pre-emptive Subscription Rights, difficult, and will limit the comparability of Company’s operating results from period to period until the Company has a longer, more established track record.

Since the Company’s incorporation, its operations have been limited to the acquisition of the properties currently in the Portfolio. There can be no guarantee that the Company will be successful in any negotiations to expand its Portfolio as the real estate sector is highly competitive and fragmented due to low barriers to entry for new companies. The Company faces competition with respect to the purchase of properties from: (i) other Spanish publicly listed property investors; and (ii) private property investors, such as real estate developers with in-depth knowledge of the local markets or other property portfolio companies, including funds that invest nationally and internationally, institutional investors and foreign investors. The number of entities and the amount of funds competing for suitable properties has increased in recent years.

In this regard, several of the Company’s direct competitors have, and other potential competitors may have, greater financial, technical, and marketing resources than the Company and a greater ability to source investment opportunities and borrow funds to acquire properties, and, consequently, those competitors may acquire properties at a higher price or at lower implied rates of return or otherwise on terms less favorable than those the Company may be prepared to accept. Strong competition in the real estate market may cause an increase of the prices of properties available for sale, an oversupply of properties available for rent and a lack of top tier hotel operators, which could lead to lower rental prices and revenue.

However, the Senior Management has identified certain properties comprising a pipeline of approximately €960 million (representing 19 potential transactions, approximately 2,000 rooms and 19 hotels), of which approximately 38% are under exclusivity agreements, 42% under a due diligence process or under advanced assessment and negotiation (this is when sufficient information has been received, analyzed and considered adequate to perform advance analysis of the property, or when negotiations are ongoing with potential seller) and the remaining 20% are structured as competitive processes.

Any inability by the Company to compete effectively against other property investors or to effectively manage the risks related to competition may have a material adverse effect on the Company’s business, financial condition, results of operations and prospects.

The Company is likely to incur certain third-party costs in connection with the valuation and professional services associated with the sourcing and analysis of opportunities. There can be no guarantee that the Company will be successful in its negotiations to acquire any given property, and the total cost, including opportunity cost, incurred in connection with potential acquisitions that do not proceed to completion could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

Investment in the New Shares and/or in the Pre-emptive Subscription Rights is subject to all of the risks and uncertainties associated with a recently incorporated business, including, without limitation, the risk that the Company will not achieve its investment objectives, that not all capital will be invested and that the value of any investment made by the Company, of the New Shares and/or of the Pre-emptive Subscription Rights, could substantially decline.

**6. Rents received from a small number of hotel operators represent and in the future may represent a significant portion of the Company's total revenue**

As of the date of this Prospectus, Millenium owns three operative hotels:

- Hotel Vía Castellana: operated by Argon Hoteles, S.L.;
- Hotel Lucentum: operated by Galena Hotels, S.L. (Argon Hoteles, S.L. and Galena Hotels, S.L., together, the “**Hotusa Group**”);
- Hotel Meliá Bilbao: operated by Meliá Hotels International, S.A. (“**Meliá**”);

and six non-operative hotels:

- Hotel Radisson Collection Sevilla: which will be operated by Radisson Hotels ApS Danmark (“**Radisson**”);
- Hotel Radisson Collection Bilbao: which will be operated by Radisson;
- Hotel Alma Sevilla: which will be operated by Alma Gestión Hoteles, S.L.U. (“**Alma Hoteles**”);
- Hotel Plaza Canalejas;
- Proyecto La Hacienda San Roque; and
- Hotel Palacetes de Cordoba.

In relation to Hotel Plaza Canalejas, Proyecto La Hacienda San Roque and Hotel Palacetes de Cordoba, the Company has not entered into any lease agreement with any hotel operator as of the date of this Prospectus (see “*Business—General Portfolio overview*”). In addition, and also as of the date of this Prospectus, the Company has not developed a refurbishment project for Hotel Palacetes de Cordoba.

As a result, the Company currently depends on Hotusa Group and Meliá for almost 100% of its revenue. The Company believes that the exposure to each hotel operator will be gradually reduced once the remaining hotels become fully operational and as a consequence of the expansion of its Portfolio. During financial year ended December 31, 2019, rental revenues received from the Company's largest hotel operator (i.e., €4,020,341), represented 94% of the Company's revenues from rents. In this regard, although our lease agreements strategy provides for a minimum fixed rent, hotel earnings volatility could translate into highly volatile revenue for us through the variable component of our rental income.

As result of the COVID-19 outbreak and the closure of our three operative hotels, we are currently discussing with the relevant hotel operators different alternatives to facilitate their monthly payments. However, as of the date of this Prospectus, we have not entered into any specific agreement with the relevant hotel operators (see “*Risk Factors—Risks relating to health, environment, social and economic conditions—The outbreak of COVID-19 and possible similar future outbreaks or any other circumstances that could result in movement restrictions or hotels closures could materially and adversely affect our business, financial condition, results of operations, dividends and/or prospects*” for more information).

A downturn in the business, or the bankruptcy or insolvency of any operator —and, in particular, as of the date of this Prospectus, Hotusa Group— could result in a significant loss of income, additional expenses, an increase in bad debts and decreased property value. As a result of such operators' default, the Company may experience delays in enforcing its rights as landlord and may incur substantial costs in protecting its investments. Sustained or otherwise material hotel operator defaults may also prevent the Company from increasing rents or result in lease terminations by, or reductions in rent for, other hotel operators under the conditions of the leases or otherwise. However, the lease agreements entered into by the Company with their hotel operators provide for various payment guarantees (see “*Business—General Portfolio overview*”). Likewise, the credit risk controls of Millenium set out the required credit quality of our hotel operators, taking into consideration their financial situation, past experience and other factors.

In addition, the Company's dependence on the referred operators and their brand perception entails a higher level of risk and causes the Company to be susceptible to enhanced risks derived from lessee concentration, compared to other

property companies that own a portfolio of hotel properties leased to a diverse number of hotel operators. Consequently, if market recognition or the positive perception of such brands is reduced or compromised for any reason, the goodwill associated with our hotels utilizing such brands may be adversely affected. In this regard, any circumstance which adversely affects the operations or business of the Hotusa Group and Meliá or its attractiveness to clients, may affect the revenue that the Company is able to derive from its hotels currently leased to them, and the Company will not have income from any other properties to mitigate any ensuing loss arising from such circumstance until the opening the remaining hotels of the Portfolio (see “*Business—General Portfolio overview*” for information on the scheduled opening dates) and/or the acquisition and operation in the near future of other hotels currently under analysis.

Any of the above may have a material adverse effect on the Company’s business, financial condition, results of operations and prospects.

**7. *The Company’s business may be materially and adversely affected by a number of factors inherent to the hotel rental and lodging industries, including high competition, over-building of hotels, properties vacancies, changes in occupancy and ADR, increases in operating and other expenses and capital expenditures***

We are exposed to the following risks inherent in the hotel rental and lodging industries, many of which are beyond our control, including, among others

- **High competition:** our hotels compete on the basis of several factors, including, location, quality, reputation, brand affiliation, rates, service levels, amenities and customer service. In addition, our hotels face competition from non-traditional accommodations, such as online room sharing services. New competitors may have an operating model that enables them to offer lower rates, which could result in those competitors increasing their occupancy and adversely affecting our average daily rates<sup>5</sup> (“ADR”). Competition could adversely affect our hotels’ ability to attract prospective guests, which could materially and adversely affect our business, financial condition and results of operations. In addition, our operators may operate other hotels in the same area and in direct competition with our hotels (e.g., Madrid and Alicante regarding Hotusa Group) therefore preventing us from reaching the level of product differentiation we seek, and could lower demand in our hotels or force our hotels to lower prices, all of which could materially and adversely affect our business, financial condition and results of operations.
- **Changes in occupancy and ADR:** while increases in occupancy are accompanied by increases in most categories of variable operating expenses, increases in ADR typically only result in increases in certain categories of operating costs and expenses, such as hotel management fees, travel agency commissions and credit card processing fee expenses, all of which are based on hotel revenues. Therefore, changes in ADR generally have a more material impact on operating margins than changes in occupancy. In this regard, our hotel lease agreement strategy is based on entering into leases that have both fixed rent and a variable component tied to the hotel’s gross operating profit. As a result, changes in ADR and occupancy rates of our hotels could have a material impact on the variable component of our rental income.
- **Over-building of hotels in the markets in which we operate:** especially if the moratoriums in certain regions where authorities have prohibited the construction of new hotels are lifted (e.g., Valencia lifted its moratorium in February 2020), which results in an increased supply of hotels adversely affecting occupancy and revenues at our hotels as new hotels in such areas may offer lower rates after moratoriums are revoked or be more appealing to tourists. Also if further actions aimed at limiting the number of tourists take place, such as protests led by anti-tourism activists are passed by national or local authorities, new moratoriums could be adopted. All of which could materially and adversely affect our business, financial condition and results of operations.
- **Properties vacancy:** if the Company fails to adequately manage its leased properties, or if is unable to find or retain operators, such properties may remain or become vacant. In this regard, certain lease agreement entered into by the Company provides for free termination at any time after a specific number of years has elapsed since its execution (e.g., lease agreements of Hotel Meliá Bilbao or Hotel Vía Castellana). There can be no assurance that the Company will be successful in attracting and retaining top tier hotel operators, that leases will be renewed or that the Company’s properties will be re-leased at rental levels equal to or above the then current average of rental levels of the Company or that substantial benefits or rights will not be offered to attract or retain operators. As of the date of this Prospectus, 66% of the hotels that comprise our Portfolio are leased to hotel operators (while 33% of the hotels that comprise our Portfolio are also operative) while the Company is currently under negotiations to lease the remaining 33% of our hotels.
- **Increases in operating and other expenses without a corresponding increase in turnover or hotel operator reimbursements:** the acquisition of real estate properties for rent requires significant upfront investments therefore substantial operating costs and expenses or reductions in expected rental income from the acquired real estate properties that are not offset by higher room rates, could materially and adversely affect expected return on such investments. The Company’s properties may not generate sufficient income to meet operating expenses. In

---

<sup>5</sup> ADR is an APM, see “*Additional Information—Alternative performance measures*” for the description of this management measure categorized as an APM.

addition, there are expenditures related with the maintenance and management of properties that generally do not decline when circumstances reduce the income from the property. If rental income declines disproportionately to any related costs, the business, financial condition, results of operations and/or prospects of the Company could be materially adversely affected.

- Capital expenditures: we are subject to significant ongoing capital expenditure requirements as most of our hotels are currently under development. However, our capital expenditures for future periods could change as we acquire additional properties. We may acquire properties that require refurbishment, turnaround or full construction before they begin generating rental income thus our results of operations or other indicators may not be comparable across different financial periods. Our actual capital expenditure requirements may exceed the amounts we currently expect or describe in this Prospectus. Consequently, the Company's business, financial condition, results of operations and prospects may be materially and adversely affected by the number of properties undergoing capital improvements and its scale.

In addition to the aforementioned factors, the Company and its hotels are exposed to other risks such as the consolidation among companies in the hotel rental or lodging industries, seasonality of the Spanish and Portuguese hotel industries, dependence on leisure and business travelers and the cyclical nature of the hotel rental and lodging industries. Any of the aforementioned events could materially and adversely affect our business, financial condition, results and/or prospects.

**8. *We are dependent on the performance of third-party hotel operators and we could be materially and adversely affected if such third parties do not manage our hotels in our best interests***

Millenium does not operate any of its hotels directly. Instead, Millenium relies on third-party hotel operators to operate its hotels pursuant to lease agreements: (i) Hotel Vía Castellana and Hotel Lucentum are operated by companies of the Hotusa Group; (ii) Hotel Meliá Bilbao is operated by Meliá; (iii) Hotel Radisson Collection Sevilla and Hotel Radisson Collection Bilbao will be operated by Radisson; and (iv) Hotel Alma Sevilla will be operated by Alma Hoteles. In relation to Hotel Plaza Canalejas, Hotel Palacetes de Cordoba and Proyecto La Hacienda San Roque, the Company has not entered into any lease agreement with any hotel operator as of the date of this Prospectus. Additionally, Millenium and its hotel operators select specialized operators for specific services, such as food and beverage (“F&B”), spa, entertainment and sports.

Under the lease agreements for Hotel Vía Castellana, Hotel Lucentum and Hotel Meliá Bilbao, Millenium has no ability to participate in operational decisions affecting the hotels and we are not allowed to terminate such lease agreements as a result of poor operating performance. However, according to our lease strategy and under the terms of our lease agreements for Hotel Radisson Collection Sevilla, Hotel Radisson Collection Bilbao and Hotel Alma Sevilla we may terminate our lease agreements for poor performance under certain events measured periodically. We also have the right to perform compliance audits in connection with Hotel Vía Castellana, Hotel Radisson Collection Sevilla, Hotel Radisson Collection Bilbao and Hotel Alma Sevilla to ensure the accuracy of the hotel operator's calculation and settlement of the variable component.

Although, we seek to work only with reputed hotel operators—who are selected based on a scoring system—and enter into turnkey contracts with them establishing guarantees and penalties to ensure the fulfilment of established partial milestones and completion dates, we cannot assure that they will operate our hotels in a manner that is consistent with our business plan or with their respective obligations under the applicable lease agreement or that they will not be negligent in their performance, engage in criminal or fraudulent activity or otherwise default on their respective obligations to us.

From time to time, disputes may arise with the operators of our hotels. If we are unable to reach satisfactory results through negotiations, we may decide to terminate the lease agreement or litigate the dispute, the outcome of which may be unfavorable to us. In the event that any of our lease agreements is terminated, we can provide no assurances that we could find a replacement hotel operator, or that any replacement hotel operator will be successful in operating our hotels. In addition, finding a replacement hotel operator could be challenging and time consuming and could cause us to incur significant costs to obtain new lease agreements for the affected hotels, or the terms and conditions of the new lease agreements could be less favorable to us than those of the former lease agreements, any of which in turn could materially and adversely affect our business, financial condition and results of operations.

We face similar risks to those described above with respect to the specialized operators who are responsible for providing specific services at our hotels, especially the F&B operators in some of our hotels where F&B revenues are significant, as well as with respect to tour operators and travel intermediaries with whom our operators are usually engaged. If our relationship or the operators of our hotels' relationship with any such specialized operator were to deteriorate or terminate, this could materially and adversely affect our business, financial condition and results of operations.



**9. *The acquisition, renovation, refurbishment, turnaround, development, repositioning and re-branding activities are subject to various risks and liabilities, any of which could result in delays, higher costs, disruptions to our hotel operations, strain management resources and materially and adversely affect our results and business***

We intend to continue to acquire, renovate, refurbish, turnaround, develop, reposition and re-brand hotels, subject to the availability of attractive hotels or projects and our ability to undertake such activities on satisfactory terms. However, the costs necessary to bring such hotels up to the desired standards may exceed our expectations, which may result in the hotels' failure to achieve our targeted returns.

In addition, and despite our efforts, the use of third-party contractors for works in respect of our hotels exposes us to various risks, including but not limited to: (i) the resulting costs of a project may differ from those originally estimated and may exceed the increase in rental income expected as a result of such project; (ii) failure by such third-party contractors to perform their contractual obligations on a timely basis or at all; (iii) inability to obtain necessary governmental or regulatory permits on a timely basis or at all; (iv) difficulty or inability to use or sell a property once a development project is completed; (v) unanticipated costs; (vi) liability of the Company for the actions of the third-party contractors or property users; and (x) potential liabilities and obligations associated with the developments and/or ownership of assets under Spanish development laws.

The risks referred to above may cause increases in costs and delays for, or the cancellation of, future projects, but they also could trigger the payment of penalties to clients and incurrence of higher development costs. Furthermore, we may not receive the expected benefits of such development projects, which could in turn make us unable to meet its performance expectations and to achieve our target return. It should be noted that six out of the nine hotels Millenium owns are currently under development.

To the extent that we engage in the activities described above, they could pose the following risks to our ongoing operations: (i) acquired, developed, repositioned, renovated or re-branded hotels may not be accretive to our results of operations, (ii) the target yield—which we set taking into account the need for required construction, maintenance, refurbishment or renovation and the revaluation potential of the asset to be acquired—may not be achieved, due to inaccuracies in the assumptions made, in whole or in part, or unsuitability or inappropriateness of the valuation methods used; (iii) effectively and efficiently integrate new acquisitions into our existing operations, our landing plan could prove ineffective; (iv) we may abandon such activities and we may be unable to recover the expenses already incurred in connection with exploring such opportunities, including costs derived from valuation, financing or legal services; and (v) management attention may be diverted by the aforementioned activities, which in some cases may turn out to be less compatible with our growth strategy than originally anticipated.

In addition, properties that the Company has acquired or may acquire or invest in may be subject to hidden material defects, measurement errors or appraisal errors that are not apparent or otherwise known to the Company at the time of acquisition or investment. Any failure to uncover such risks or liabilities may expose the Company to substantial undisclosed or unascertained liabilities that were incurred or that arose prior to the completion of the acquisition of such properties.

The occurrence of any of the foregoing events, among others, could have a material adverse effect on our business, financial condition, results of operations and/or prospects.

**10. *Real estate investments are relatively illiquid and the Company may dispose of investments at a lower than expected return or at a loss on such investments and may be subject to liability following disposal all of which may materially and adversely affect our business, financial condition and/or results of operations***

Investments in property can be relatively illiquid for reasons including, but not limited to, the long-term nature of leases, commercial properties being tailored to hotel operators' specific requirements, restrictions contained in certain lease agreements (e.g., mandatory assignment of the lease agreement, right of first offer and right of first refusal) (see "*Business—General Portfolio overview*"), varying demand and the complexity and significant amount of time and cost incurred in the completion of property transactions. Such illiquidity may affect the Company's ability to vary the composition of its Portfolio or dispose of properties in a timely fashion, at satisfactory prices or at all, limiting the Company's ability to modify the composition of its Portfolio in response to changes in economic, property market or other conditions.

There can be no guarantee that, at the time the Company chooses to dispose of properties (whether voluntarily or otherwise), real estate market conditions will be favorable, that the Company will be able to maximize the returns on such properties, that the sale of a particular property will ultimately be realized at any published GAV or at prices that are favorable to the Company. The Company may not be able to sell its property or properties quickly or on favorable terms in response to the changing economic, financial and investment conditions or changes in a property's operating performance when it otherwise may be prudent to do so. The Company also cannot predict the length of time needed to find a willing purchaser and to close the sale of a property. Additionally, the Company may be required to spend funds to correct defects or to make improvements before a property can be sold, and the Company cannot provide any assurances

that it will have the funds available to correct such defects or to make such improvements. Furthermore, property market downturns may exacerbate the low liquidity of properties by reducing the number of available investors and limiting sources of funding and may lead to an increase in the supply of properties and, consequently, a fall in market prices. Consequently, the Company's inability to divest its properties or to do so at a gain, or any losses on the sale of the Company's properties, may have a material adverse effect on the business, financial condition, results of operations and profits of the Company. In any case, the Company may be exposed to future liabilities or obligations with respect to the properties that it sells.

Upon a sale, the Company may realize less than the value at which the property was previously recorded, which could result in a decrease in NAV and lower returns to shareholders. In addition, if the Company disposes of a property within a period of three years from completion of its acquisition, the profits arising from disposal of the property and potentially, the entire income derived from such property, including rental income, will be taxable (see "*Risk Factors—Regulatory Risks—Risks relating to losing the Spanish SOCIMI status and consequent payment of Spanish standard CIT rate, as well as changes in taxes and laws and regulations relating to real estate properties could materially and adversely affect our business, financial condition, results of operations and/or prospects*").

#### **D. Risks relating to corporate governance**

##### **11. *Potential implications deriving from the Company's salary policy, including incentive plans and termination compensations for executive directors, may require the Company to enter into supplementary financing agreements materially and adversely affecting our financial condition and/or results of operations***

Due to their critical relevance and in order to ensure alignment with shareholders' interests, the members of the Senior Management (including the two executive directors) are entitled to different remunerations. Firstly, they are entitled to a fixed annual remuneration (which amounted to €1,559 thousand during financial year ended December 31, 2019) as well as to a variable annual remuneration based on, among others, the Company's NAV (the variable annual remuneration was not accrued for financial year ended December 31, 2019). Secondly, they are entitled to participate in two incentives plans (i.e., Promote Plan and IPO MIP). The Promote Plan provides for the delivery of Shares and is based on, among other parameters, the Company's NAV. In this regard, executive directors have accrued a compensation corresponding to the Promote Plan for 2019 amounting to €3.1 million which is pending to be paid (€3.7 million taking into account the remaining members of the Senior Management) (see "*Board of Directors and Management—Compensation—Incentive Plans*" below).

If increases in the NAV are the result of temporary price increases in the real estate sector or the overall economy which are not sustained over time, it is possible that the Senior Management (including the executive directors) are overcompensated in relation to the subsequent performance of the Company. Incentives that become due and payable to beneficiaries are not subject to a reduction or claw-back as a result of any subsequent decrease in the NAV of the Company. In addition, generally, the NAV of real estate companies and the evolution of such companies' share prices are not perfectly correlated. Accordingly, none of the incentive plans will be directly linked to the price performance of the Shares, and may become due and payable, or even increase, when the price performance of the Shares is declining. For additional information on the incentive plans, see section "*Board of Directors and Management—Compensation—Incentive Plans*".

For instance, assuming, among others things, that the Offering is fully subscribed and the initial NAV of the Company in the relevant calculation period amounts to €250 million, the Senior Management (including the executive directors) could be entitled to receive 200,411 Shares pursuant to the current Promote Plan (103,360 Shares if calculated in accordance with the amendments passed by the Board of Directors on June 17, 2020 regarding the Promote Plan (see "*Board of Directors and Management—Compensation—Incentive Plans—Promote Plan*" for more information on the referred amendments)). Likewise, assuming that the Offering is fully subscribed and the Company decides to initiate the procedure for the admission to trading of the Shares on the Madrid, Barcelona, Bilbao and Valencia stock exchanges (the "**Spanish Stock Exchanges**") on the third anniversary of the admission to the MAB, the Senior Management (including the executive directors) could be entitled to receive an amount of €872,700 pursuant to the IPO MIP (€317,453 if calculated in accordance with the amendments passed by the Board of Directors on June 17, 2020 regarding the IPO MIP (see "*Board of Directors and Management—Compensation—Incentive Plans—IPO MIP*" for more information on the referred amendments)). For more information on the calculation of the examples of the Promote Plan and the IPO MIP please see "*Board of Directors and Management—Compensation—Incentive Plans*".

Moreover, assuming, among other things, that the Offering is fully subscribed and that the increase of the NAV for the relevant calculation period refers only to the proceeds of the Offering, the members of the Senior Management would not be entitled to receive any annual variable remuneration. For more information on the calculation of the example please see "*Board of Directors and Management—Compensation—Compensation of Senior Management*".

In addition, Senior Management members (including executive directors) may be entitled to additional compensations upon termination of their respective contracts or services agreements with the Company, provided that certain conditions are met (e.g., unilateral termination without a cause by the Company). The referred compensation is affected by several

factors, including without limitation, if termination occurs before or after the minimum permanence period (i.e., the later of: (i) five years since the end of the Initial Execution Period (as defined in section “*Business*”) and (ii) five years from the shares admission to listing on the MAB).

In this regard, if the services agreements entered into with the executive directors were terminated by the Company, for example, after the minimum permanence period ends due to a change of control of the Company and taking into account the Company’s NAV as of December 31, 2019, the compensation to be paid by the Company to the executive directors would approximately amount to €18 million (approximately €2.3 million if calculated in accordance with the amendments passed by the Board of Directors on June 17, 2020 regarding the termination compensations (see “*Board of Directors and Management—Compensation— Compensation of executive directors*” for more information on the referred amendments)). Likewise, if the services agreements entered into with the executive directors were terminated by the Company, for example, one year before the minimum permanence period ends due to a change of control of the Company and taking into account the Company’s NAV as of December 31, 2019, the compensation to be paid by the Company to the executive directors would approximately amount to €23.5 million (approximately €22.7 million if calculated in accordance with the amendments passed by the Board of Directors on June 17, 2020 regarding the termination compensations). For additional information on termination of the services agreements, see section “*Board of Directors and Management—Compensation—Compensation of directors*”.

As previously mentioned, on June 17, 2020, the Board of Directors resolved to introduce various amendments to the Management Policy (as defined below) regarding, among others, the variable remuneration, incentives plans and termination compensations referred to above. These amendments will not be effective until the General Shareholders Meeting ratifies them. For additional information, see sections “*Board of Directors and Management*” and “*Business*”.

If the Company’s incentive plans are accrued and the services agreements are terminated in such a way that the Company has to pay an additional compensation to the Senior Management members (including executive directors), the Company may be required to face significant payments that may impact its financial resources. In addition, the Company could be required to enter into supplementary financing agreements in order to meet such payments commitments. Furthermore, such compensations are based on the NAV’s performance which may not correspond with the performance of the Shares’ market value thus Senior Management decisions’ may not be aligned with shareholders’ interests. Likewise, such compensations are not subject to malus or clawback clauses in case the NAV decreases afterwards. As a result, such incentives and/or compensations may have a material adverse effect on the financial condition, results of operations and profits of the Company.

**12. *The Company is reliant on the performance and expertise of certain key members of the Senior Management to implement the Company’s investment strategy and its historical performance is not a guarantee of the future performance of the Company***

The Company relies on the experience, skills and judgment of Mr. Javier Illán, Mr. Remigio Iglesias and Mr. Juan Odériz and its ability to successfully implement the investment strategy and, in particular, its ability to identify, select, and negotiate suitable investments, as well as managing and divesting such investments, and ultimately on its ability to create a property investment portfolio capable of generating shareholder returns. There can be no guarantee that the implementation of the Company’s investment strategy by them will be successful under current or future market conditions. The approach employed may be modified and altered from time to time, so the approach adopted to achieve the investment strategy of the Company in the future may differ from the approach adopted since the incorporation of the Company or that is currently expected to be used and disclosed in this Prospectus.

Furthermore, this Prospectus includes certain information regarding the historical performance of the members of the Senior Management and, especially, of Mr. Javier Illán, Mr. Remigio Iglesias and Mr. Juan Odériz. However, their past performance is not indicative of the future performance or results of the Company.

Moreover, the ability of the Company to achieve its objectives will depend significantly upon the expertise, operating skills and continued success of Mr. Javier Illán, Mr. Remigio Iglesias and Mr. Juan Odériz. We can provide no assurances that they will continue their employment with us, or that we will continue to be successful in attracting and retaining qualified personnel. The departure of any of them for any reason, including death, incapacity, termination or resignation, could have an adverse impact on the ability of the Company to achieve its investment objectives. If any of them was to depart for any reason whatsoever, there can be no guarantee that the Company will be able to find and attract other individuals with the same level of expertise and experience in the Spanish real estate market, or with similar relationships with commercial real estate lenders, property funds and other local market participants. The loss of any of them could also result in lost business relationships and damage to the reputation of the Company.

**13. *The Company’s significant shareholders’ interests may differ from those of the Company***

Ibervalles, S.A., controlled by the Isidro family, Pelham Capital, Ltd., Siemprelara, S.L., controlled by Mr. Leopoldo del Pino, and Alazady España, S.L., controlled by Mr. José María Castellano Ríos, own 24.83%, 9.93%, 5.60% and 5.60% of the Company’s share capital, respectively. Therefore they are the largest shareholders of the Company as of the date of this Prospectus.

On June 10, 2019, Ibervalles, S.A. and the Company entered into a subscription agreement (the “**Subscription Agreement**”) whereby Ibervalles, S.A. agreed to subscribe for new Shares up to an aggregate amount of €80 million in one or various share capital increases. Pursuant to the referred agreement, Ibervalles, S.A. subscribed for 12,385,538 Shares for a total amount of €61,927,690 under the offering carried out on June 20, 2019 (see “*Description of Share Capital—Pre-emptive rights and increases of share capital*”), representing 24.77% of the Company’s share capital after the execution of such offering.

Mr. José María Castellano Ríos, Mr. Javier Illán Plaza and Mr. Remigio Iglesias Surribas which, as of the date of this Prospectus, indirectly hold 5.6%, 1.67% and 0.2%, of the Company’s share capital, respectively, have informed the Company about their intention to participate in the Offering. In addition, Pelham Capital, Ltd. and Siemprelara, S.L., which, as of the date of this Prospectus, directly hold 9.93% and 5.60% of the Company’s share capital, respectively, have informed the Company about their intention to participate in the Offering. Notwithstanding the foregoing, the referred shareholders have not informed the Company whether they will exercise their pre-emptive subscription rights fully or partially. Regarding the other significant shareholder (Ibervalles, S.A.), it has notified the Company that it has not taken a decision yet regarding the exercise of its pre-emptive subscription rights in the Offering.

Likewise, the following shareholders, Biandrina Mercantil, S.L., Vicareca, S.L. and Phervicu, S.L. which, as of the date of this Prospectus, hold, 0.2%, 0.2% and 0.2%, of the Company’s share capital, respectively, have informed the Company about their intention to participate in the Offering. Notwithstanding the foregoing, the referred shareholders have not informed the Company whether they will exercise their pre-emptive subscription rights fully or partially.

There can be no assurance that current or future significant shareholders, will act in a manner that is in the best interest of other shareholders of the Company, which could, in turn, adversely affect the Group’s business, prospects results of operations, financial condition and cash flows.

## **E. Legal and regulatory risks**

### **14. Risks relating to losing the Spanish SOCIMI status and consequent payment of Spanish standard CIT rate, as well as changes in taxes and laws and regulations relating to real estate properties could materially and adversely affect our business, financial condition, results of operations and/or prospects**

#### *Risks relating to the Spanish SOCIMI Regime*

The Company has elected the Spanish SOCIMI status under the Spanish SOCIMI Regime (as defined in section “*Spanish SOCIMI regime*”) and, thus, it will be subject to a 0% corporate income tax (“**CIT**”) rate, provided that the requirements explained in “*Spanish SOCIMI regime*” below are duly fulfilled. Likewise, on September 5, 2019, the sole shareholder of Varia Pza Magdalena, S.L.U. (“**VPM**”) and Millenium Hotels C220, S.L.U. (“**C220**”) resolved to apply for the Spanish SOCIMI Regime. The notification to the Spanish tax authorities of such election was made on September 27, 2019.

There is no guarantee that the Company, VPM or C220 will be able to maintain their SOCIMI status, whether by reason of failure to satisfy the conditions or requirements for Spanish SOCIMI status (including without limitation (i) the ability to generate sufficient cash to pay dividends—in particular, our financing foresees certain restrictions on dividend distributions which are compatible with the Spanish SOCIMI Regime—and (ii) restrictions on investments and income), future changes in applicable regulations or otherwise; see “*Spanish SOCIMI Regime*”. In such a case, if the Company, VPM or C220 are unable to maintain their SOCIMI status, the resultant consequences may have a material adverse effect on the Company’s financial condition, business, prospects or results of operations and could adversely impact the liquidity of the Shares and their value.

In addition, certain disposals of properties may have negative implications under the Spanish SOCIMI Regime (see “*Spanish SOCIMI regime*”). Likewise, restrictions under the Spanish SOCIMI Regime (compulsory dividend distribution policy, investment criteria and minimum period of holding of assets—as explained in “*Spanish SOCIMI regime*” below—) may limit the Company’s ability and flexibility to pursue growth through acquisition.

Furthermore, the Company may become subject to a 19% CIT on the gross dividend distributed to any shareholder that holds a stake equal to, or higher than, 5% of the share capital of the Company, and either (i) is exempt from any tax on the dividends; or (ii) subject to tax on the dividends received at a rate lower than 10% (for these purposes, final tax due under the Spanish Non Resident Income Tax Law is also taken into consideration). This additional tax may cause a loss of profits for the Company (see “*Spanish SOCIMI Regime*”). However, the Bylaws (as defined in “*Board of Directors and Management*”) contain information and indemnity obligations applicable to Substantial Shareholders (as defined in “*Taxation*”) designed to minimize this possibility and mitigate its potential consequences for the Company (see “*Description of share capital—Reporting obligations*”). However, these measures may not be effective. If these measures are ineffective, the payment of dividends to a Substantial Shareholder may generate an expense for the Company (since it may have to pay a 19% CIT on such dividend) and, thus, may result in a loss of profits for the rest of the shareholders.

### *Risks relating to changes in taxes and law and regulations relating to real estate properties*

The legislatures and tax authorities in the tax jurisdictions in which the Company operates regularly enact reforms to the tax and other assessment regimes to which the Company and its shareholders are subject. In particular, in 2019, PSOE and Unidas Podemos (currently in the Spanish Government under a coalition system supported by other minor regional parties), announced specific measures within the scope of the CIT and the Spanish SOCIMI Regime. With regard to the Spanish SOCIMI Regime, this included a special tax rate (15%) which would apply on the non-distributed profits to the shareholders (see “*Spanish SOCIMI Regime*”). Should these or other similar measures be finally passed (which is not clear as of the date of this Prospectus), they would affect both the Company’s and its shareholders’ corporate income taxation position.

Furthermore, the Company’s operations are subject to Spanish, regional and local laws and regulations, including without limitation in respect to property ownership and use, development, zoning, health and safety requirements and stability and planning requirements, as well as EU legislation. These laws and regulations are subject to change. The occurrence of such changes in law and regulation could adversely affect the Company’s business, financial condition, results of operations and/or prospects. In addition, applicable certain applicable regulations impose obligations and potential liabilities on the owners of real estate properties which may result in significant costs regardless of whether the Company caused, directly or indirectly, the relevant risk or damage or may affect the ability of the Company to sell, lease or redevelop a property.

Also, in order to own and manage real estate properties, Millenium and/or the relevant lessees or managers of the assets are required to obtain certain licenses, concessions, permissions and authorizations for, among other things, refurbishment works, change of intended use, on-going refurbishments to modernize properties and/or the need to bring them into conformity with planning regulations. In some instances, the Company may be forced to forego the use of certain real estate properties as originally scheduled as a result of the foregoing.

In such events, the Company may be exposed to material unanticipated losses and this may have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Company.

#### **F. Risks related to the Offering and the admission of the New Shares and the Pre-emptive Subscription Rights to trading on the MAB**

##### **15. *The liquidity of the Shares and the Pre-emptive Subscription Rights is limited as they are quoted on the MAB under the fixing modality and their market price may fluctuate in response to various factors, many of which are outside our control***

The Shares are, and the New Shares and the Pre-emptive Subscription Rights will be, admitted to trading on the MAB under the *fixing* modality, which entails a limited liquidity. There can be no guarantee that negotiation volume and liquidity level will reach a certain level. The transfer of the Shares and/or the Pre-emptive Subscription Rights may be subject to the existence of purchase orders, without prejudice to the limited liquidity granted by the Liquidity Provider (as defined below) with regards to the Shares. During financial year 2019, the negotiation on Shares approximately amounted to €2.5 million (Source: MAB). Likewise, since July 1, 2019 and until March 31, 2020, an average of 3,661 Shares were traded each day on the MAB in 194 trading days for a total amount of approximately €3.56 million. Considering that Millenium currently has 50 million Shares, the Shares have a low liquidity volume (0.007% per day).

On May 10, 2019, the Company entered into a liquidity agreement (the “**Liquidity Agreement**”) with the financial broker and market member Renta 4 Banco, S.A. (the “**Liquidity Provider**”) with regards to the Shares. Renta 4 Banco, S.A. is a Spanish company, with tax identification number A-82473018 and registered office at Paseo de la Habana 74, Madrid (Spain).

By virtue of such Liquidity Agreement, the Liquidity Provider undertakes to offer liquidity to holders of Shares by carrying out sale and purchase transactions with Shares on the MAB in accordance with the system envisaged by Circular 7/2017, of December 20, 2017, on rules governing the acquisition of shares in Developing Companies via the MAB (*Circular 7/2017 de 20 de diciembre de 2017 sobre las normas de contratación de acciones de Empresas en Expansión y de Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario (SOCIMI) a través del Mercado Alternativo Bursáti*), as amended or restated from time to time (“**MAB Circular 7/2017**”) and its implementing regulations. However, the Liquidity Agreement does not include the provision of liquidity to Pre-emptive Subscription Rights.

Likewise, the price of the Shares and/or the Pre-emptive Subscription Rights may not always accurately reflect the underlying value of our business. The price and value of the Shares and/or the Pre-emptive Subscription Rights may vary, and investors may realize less than the original sum invested. The value of the Shares and the Pre-emptive Subscription Rights may, in addition to being affected by the Company’s actual or forecast operating results, fluctuate significantly as a result of a large number of factors, some specific to the Company and its operations and some, such as those which may affect hotel real estate companies, which are outside the Company’s control, and that have been partially addressed in this Prospectus.

**16. *The Company has not entered into an underwriting agreement but into a placing agreement, therefore the New Shares may not be subscribed, fully or partially, and Eligible Shareholders and investors who exercise their Pre-emptive Subscription Rights or who request additional New Shares during the Pre-emptive Subscription Period will not be able to cancel their requests***

The Company has not entered into an underwriting agreement. The Company cannot assure the success of the Offering and that the New Shares are totally or partially subscribed. Costs associated with the Offering may be incurred regardless of the success of the Offering.

However, the Company has entered into a placing agreement with the Managers on June 17, 2020 (the “**Placing Agreement**”). The Placing Agreement may be terminated by the Managers under certain circumstances (see “*Plan of distribution—Placing Agreement*”).

In the event of termination of the Placing Agreement, or if the pre-funding obligations of the Pre-Funding Bank under the Placing Agreement do not come into force as a result of failure to fulfil or waive any conditions precedent, the Offering could be incomplete which could have an adverse impact on the value of the Shares or the New Shares.

In this regard, holders of Pre-emptive Subscription Rights who exercise their Pre-emptive Subscription Rights or request for additional New Shares to be allocated during the Additional Allocation Period, will not be able to revoke the subscriptions made during that period, except where a supplement to this Prospectus is published, in which case such shareholders or investors will have the right, exercisable within two business days after publication of such supplement, to withdraw their subscriptions or requests, as applicable, made before the publication of the supplement provided that the new factor, mistake or inaccuracy to which the supplement refers arises before the closing of the Offering (i.e., when the Company declares the Offering’s share capital increase executed and grants the corresponding capital increase deed before a Spanish public notary, which is expected to take place on July 28, 2020 (the “**Execution Date**”)).

Requests for the subscription of Rump Shares during the Discretionary Allocation Period are deemed to be firm, irrevocable and unconditional, without prejudice to the right, where a supplement to this Prospectus is published, to withdraw subscription requests made before the publication of the supplement, exercisable within two business days after its publication, provided that the new factor, mistake or inaccuracy to which the supplement refers arises before the Execution Date (see “*The Offering—Subscription of New Shares—Discretionary Allocation Period*”).

On June 10, 2019, the Company and Ibervalles, S.A. entered into a Subscription Agreement. See “*Risk related to the Company’s ownership structure—The Company’s significant shareholders’ interests may differ from those of the Company*” for further information”.

Mr. José María Castellano Ríos, Mr. Javier Illán Plaza and Mr. Remigio Iglesias Surribas which, as of the date of this Prospectus, indirectly hold 5.6%, 1.67% and 0.2%, of the Company’s share capital, respectively, have informed the Company about their intention to participate in the Offering. In addition, Pelham Capital, Ltd. and Siemprelara, S.L., which, as of the date of this Prospectus, directly hold 9.93% and 5.60% of the Company’s share capital, respectively, have informed the Company about their intention to participate in the Offering. Notwithstanding the foregoing, the referred shareholders have not informed the Company whether they will exercise their pre-emptive subscription rights fully or partially. Regarding the other significant shareholder (Ibervalles, S.A.), it has notified the Company that it has not taken a decision yet regarding the exercise of its pre-emptive subscription rights in the Offering.

Likewise, the following shareholders, Biandrina Mercantil, S.L., Vicareca, S.L. and Phervicu, S.L. which, as of the date of this Prospectus, hold, 0.2%, 0.2% and 0.2%, of the Company’s share capital, respectively, have informed the Company about their intention to participate in the Offering. Notwithstanding the foregoing, the referred shareholders have not informed the Company whether they will exercise their pre-emptive subscription rights fully or partially.

The remaining members of the Senior Management and members of the Board of Directors not referred to above (who in aggregate have a 0% stake in the Company’s share capital) have not informed the Company of their intentions regarding the Offering.

**17. *The price of the Shares may materially decline as a result of the Offering***

The Offering will be in respect of up to 29,996,668 New Shares. The Subscription Price is €5.00 per New Share, which represents a 2.30% premium to the theoretical ex-rights price (“**TERP**”) based on the closing price of the Shares on June 16, 2020.

As 29,996,668 New Shares will be offered pursuant to the Offering (i.e., 0.6 times the number of Shares prior to the Offering), the Offering may result in a material decline of the trading price of the Shares. Further, given that the trading price of the Pre-emptive Subscription Rights depends on the price of the Shares, a significant decline in the public market trading price of the Shares would negatively affect the trading price of the Pre-emptive Subscription Rights. In addition, there can be no assurance that the public market trading price of the Shares will not decline below the Subscription Price following such holders’ exercise of their Pre-emptive Subscription Rights. Should this occur, such holders will have committed to buy the New Shares at a price above the prevailing market price of the Shares, and such holders will suffer an immediate unrealized loss as a result. In addition, there can be no assurance that, following the exercise of such Pre-

emptive Subscription Rights, holders of Pre-emptive Subscription Rights will be able to sell their New Shares at a price equal to or greater than the Subscription Price.

#### **G. Risks related to the nature of the New Shares**

**18. *The issuance of the New Shares may dilute shareholders' interest in the Company if the Company's current shareholders' do not subscribe New Shares. Also, the Company may at some point in the future issue additional Shares or convertible securities, which may further dilute shareholders' interest in the Company***

If none of the Company's current shareholders subscribe New Shares the ownership interest of the Company's current shareholders would be diluted by 37.50%.

Following the Offering, the Company may decide to carry out additional issuances of Shares or issue convertible securities. These new Shares could be issued through a capital increase or through the exercise of conversion rights by holders of bonds convertible into Shares or similar instruments convertible into Shares. Shareholders could see their shareholding in the Company's share capital diluted by any such issuances if they do not exercise their Pre-emptive Subscription Rights or if such rights are totally or partially excluded, in accordance with the Spanish Companies Law approved by Royal Legislative Decree 1/2010, of July 2 (*Real Decreto Legislativo 1/2010, de 2 de Julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*) (the "**Spanish Companies Law**").

The ordinary general shareholders meeting of the Company (the "**General Shareholders Meeting**"), on May 10, 2019, passed a resolution authorizing the Board of Directors, in accordance with article 297.1.b) of the Spanish Companies Law, to increase its share capital without previously convening the General Shareholders Meeting by up to half of the Company's share capital as of the date of effectiveness of said resolution (i.e., €25,000,000 nominal value). The Board of Directors may exercise this authorization within five years, on one or more occasions and at any time, and subject to any conditions that it may deem appropriate.

In addition, the General Shareholders Meeting, on December 18, 2019 passed a resolution approving a share capital increase excluding pre-emptive subscription rights of the Company's shareholders for up to 50 million Shares (the "**Subsequent Offering Shares**") and for an effective amount of €250 million. The referred General Shareholders Meeting also authorized the Board of Directors to execute this capital increase, in accordance with article 297.1.a), within one year.

The New Shares will not be issued pursuant to a share capital increase in exercise of the authorizations referred to in the previous paragraphs.

## DECLARATION OF RESPONSIBILITY AND COMPETENT AUTHORITY

### Declaration of responsibility

Mr. Javier Illán Plaza, acting in the name and on behalf of the Company in his capacity as Chairman and Chief Executive Officer (*consejero delegado*) (“CEO”) and duly empowered pursuant to the resolutions passed by the General Shareholders Meeting of the Company held on December 18, 2019 and subsequently on June 10, 2020 by the Board of Directors, accepts responsibility for the information contained in this Prospectus. To the best of his knowledge, the information contained in this Prospectus is in accordance with the facts and makes no omissions likely to affect its import.

### Competent authority

- This Prospectus has been approved by the CNMV, as competent authority under the Prospectus Regulation, on June 18, 2020.
- The CNMV only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation.
- Such approval should not be considered as an endorsement of the Company and the quality of the securities that are the subject of this Prospectus.



## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Presentation of financial information

The following documentation is incorporated by reference in this Prospectus: (i) the Company's audited consolidated financial statements as of and for the financial year ended December 31, 2019, which include comparative financial information as of and for the financial year ended December 31, 2018 (the "**2019 Audited Consolidated Financial Statements**"), (ii) the Company's audited individual financial statements as of and for the financial year ended December 31, 2019, which include comparative financial information as of and for the financial year ended December 31, 2018 (the "**2019 Audited Individual Financial Statements**"), (iii) the Company's audited consolidated financial statements as of and for the financial year ended December 31, 2018, (the "**2018 Audited Consolidated Financial Statements**"), (iv) the Company's audited individual financial statements as of and for the financial year ended December 31, 2018, (the "**2018 Audited Individual Financial Statements**"), and (v) the Company's audited individual financial statements as of and for the financial year ended December 31, 2017, (the "**2017 Audited Individual Financial Statements**").

The 2019 Audited Consolidated Financial Statements, the 2019 Audited Individual Financial Statements, the 2018 Audited Consolidated Financial Statements, the 2018 Audited Individual Financial Statements and the 2017 Audited Individual Financial Statements, together, shall be referred to as the "**Financial Statements**".

The 2019 Audited Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU ("**IFRS-EU**"). The consolidated financial information as of and for the financial year ended December 31, 2018 included therein has been restated in accordance with IFRS-EU for comparative purposes solely. The 2019 Audited Individual Financial Statements, the 2018 Audited Consolidated Financial Statements, the 2018 Audited Individual Financial Statements and the 2017 Audited Individual Financial Statements have been prepared in accordance with the Spanish General Accounting Plan (*Plan General de Contabilidad*, the "**Spanish GAAP**") approved by Royal Decree 1514/2007 of November 16, as amended.

The Financial Statements are accompanied by their respective directors' and auditors' reports including all of their respective annexes. The Financial Statements have been audited by Ernst & Young, S.L. ("**EY**"). The respective auditors' reports were unqualified. The above documentation is also incorporated by reference in this Prospectus.

Except as otherwise indicated herein, the consolidated statement of financial position as of December 31, 2018 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended December 31, 2018, included in the 2019 Audited Consolidated Financial Statements as comparative audited financial information to the financial information as of and for the year ended December 31, 2019, have been restated in accordance with IFRS-EU for the financial information presented therein to be comparable with the financial information presented in the 2019 Audited Consolidated Financial Statements as of and for the financial year ended December 31, 2019.

Other than as disclosed in this Prospectus and in the 2019 Audited Consolidated Financial Statements, no significant change in the financial or trading position of the Company has occurred since December 31, 2019.

Investors are strongly cautioned that the consolidated directors' reports contain information as of various historical dates and do not contain a full description of the Company's business, affairs or results. The information contained in the consolidated directors' reports has not been prepared for the specific purpose of this Prospectus. Accordingly, the consolidated directors' reports should be read together with the other portions of this Prospectus, and in particular the sections of this Prospectus entitled "*Risk factors*" and "*Operating and financial review*". Furthermore, the consolidated directors' reports include certain forward-looking statements that are subject to inherent uncertainty (see "*Presentation of financial and other information—Forward-looking statements*"). The directors' reports accompanying the Financial Statements have not been audited, although EY has reviewed the coherence of the information presented therein with regards to the information contained in each of the respective Financial Statements.

### Alternative performance measures

In addition to the financial information presented herein and prepared under IFRS-EU and Spanish GAAP, the Company has included in this Prospectus certain alternative performance measures as defined in the guidelines issued by the European Securities and Markets Authority on October 5, 2015 on APMs (the "**ESMA Guidelines**"). Millenium believes that the presentation of the APMs included herein complies with the ESMA Guidelines.

The Company has presented these APMs, which are unaudited, as supplemental information because they are used by the Group's management in making financial, operational and planning decisions and provide useful financial information that should be considered in addition to the financial statements prepared in accordance with the applicable accounting standards (IFRS-EU and Spanish GAAP), in assessing the Group's performance. In addition, the Company believes that the APMs presented herein may contribute to a better understanding of its results of operations by providing additional information on what the Company considers to be some of the drivers of its financial performance and because these

APMs are in line with the main indicators used by the majority of the community of analysts and investors in the capital markets.

APMs are not defined under IFRS-EU or Spanish GAAP, and should not be considered in isolation and may be presented on a different basis than the financial information included in the Financial Statements. In addition, they may differ significantly from similarly titled information reported by other companies, and may not always be comparable.

Prospective investors are cautioned not to place undue reliance on these measures, which should be considered as supplemental to, and not a substitute for, the financial information prepared in accordance with IFRS-EU and Spanish GAAP included herein. The APMs included herein have not been audited by EY or by any independent expert.

Investors are advised to review the APMs together with the Financial Statements incorporated by reference in this Prospectus. Accordingly, investors are cautioned not to place undue reliance on these management measures.

See “*Additional Information—Alternative performance measures*” for the description of these management measures categorized as APMs.

## Valuation

At the Company’s request, CBRE and Savills, external independent real estate appraisers with business addresses in Paseo de la Castellana 202, 28046 Madrid (Spain) and Paseo de la Castellana 81, 28046 Madrid (Spain), respectively, have prepared two valuation reports (the “**Valuation Reports**”).

The valuation report prepared by CBRE appraises the following hotels: Hotel Vía Castellana, Hotel Lucentum, Hotel Meliá Bilbao, Hotel Radisson Collection Sevilla, Hotel Radisson Collection Bilbao, Hotel Alma Sevilla and Hotel Palacetes de Córdoba, as of May 31, 2020; the valuation report prepared by Savills appraises the following hotels: Hotel Plaza Canalejas and Proyecto La Hacienda San Roque as of May 31, 2020. As of May 31, 2020, the Company’s GAV was approximately €314.5 million (€318.64 million as of December 31, 2019) (including a €1 million down payment regarding Hotel Plaza Canalejas). The Company’s NAV as of May 31, 2020 cannot be calculated as it is necessary to have the relevant consolidated accounts of the Company drafted and approved. In this regard, as of the date of this Prospectus, the Company has not drafted the consolidated financial statements as of May 31, 2020 but will draft, according to MAB regulations, the consolidated financial statements as of June 30, 2020 when appropriate.

The Valuation Reports prepared by CBRE and Savills are included in **Annex 1** (Valuation Reports) of this Prospectus. CBRE and Savills have authorized the inclusion of the Valuation Reports in this Prospectus and have accepted responsibility for its content *vis-à-vis* its addressees.

No material change has occurred in the Company’s properties that were the subject of such valuations that may justify a new valuation as of the date of this Prospectus.

The Independent Appraisers’ valuations were made using “market value” hypotheses, in accordance with the Property Appraisal and Valuation method and the Guidance Notes published by the RICS, Valuation Standards, 8th edition.

“Market Value” is defined as the estimated amount at which a property should exchange on the valuation date, between a willing seller and a willing buyer and after a reasonable sales marketing period, during which both parties have acted knowledgeably, prudently and without compulsion.

The valuation methodology adopted by the Independent Appraisers in order to determine fair value was primarily the discounted cash flow method at 10 years and the income capitalization method (reflecting net rent, capitalized expenses, etc.), in addition to verifying the information against comparable properties. The residual amount at the end of year 10 is calculated by applying a rate of return (exit yield or cap rate) to projections for net income during year 11. Cash flows are discounted at an internal rate of return in order to give the current net value. This internal rate of return is adjusted to reflect the risk associated with the investment and the assumptions adopted. Key variables are therefore income, exit yield and internal rate of return.

The income capitalization method consists of capitalizing estimated net income from each property, based on the length of the lease and reversion. This involves the capitalization of current income over the entire period, together with the valuation of probable subsequent rentals following rent reviews or the arrangement of new rentals in each of the forecast periods, always taking current value as a basis. The yield applied to the different income categories reflects all forecasts and risks associated with cash flows and the investment. Therefore, the key variables involved in the capitalization method are the determination of net income, the period over which it is discounted, the approximate value at which it is realized at the end of each period and the target internal rate of return used to discount cash flows.

The estimated yields depend on the type and age of the properties and their location. The properties have been valued individually, via calculations based on the lease agreements in place at the end of the financial year and, if applicable, the forecast value based on current market rents for the different areas, as well as comparable and completed transactions.

The valuations in the Valuation Reports are based on CBRE and Savills' estimates of the market prices that could be obtained for Company's properties as of May 31, 2020 in accordance with the valuation methodology (i.e., discounted cash flow method at 10 years and income capitalization method reflecting net rent, capitalized expenses, etc.) used by the Independent Appraisers. These valuations methods might result in properties currently under refurbishment, turnaround or construction having a lower valuation than similar operating properties otherwise have. However, the valuation of property is inherently subjective due to the individual nature of each property. The Valuation Reports have been prepared by the Independent Appraisers on the basis of certain information the Company provided to the Independent Appraisers, which has not been independently verified. See "*Risk Factors—Risks related to the Company's business activities and industry—The net asset value of the Company may fluctuate over time and the Valuation Reports and/or additional existing or future valuation reports could incorrectly assess the value of the Company's properties and may not reflect the current market value of the Company's properties thus materially and adversely affecting our business, financial condition, results of operations and/or prospects*".

As of the date of this Prospectus, there have been no material changes in the properties appraised since May 31, 2020.

### **Market, economic and industry data**

This Prospectus includes certain market, economic and industry data, which were obtained by the Company from industry publications, data, and reports compiled by professional organizations and analysts, data from other external sources and internal surveys conducted by or on behalf of the Senior Management. In particular, the Company has included market and industry data from the following third-party sources, among others: National Statistics Office (*Instituto Nacional de Estadística*, "INE"), Bank of Spain (*Banco de España*), Organization for Economic Co-operation and Development ("OECD"), European Central Bank ("ECB") and the European Commission.

As far as the Company is aware and is able to ascertain from the information provided to it by third parties, market, economic and industry data sourced from third parties used to prepare the disclosures in this Prospectus have been accurately reproduced, and no facts have been omitted which would render the reproduced information inaccurate or misleading in any material respect.

Some of the aforementioned third-party sources may state that the information they contain has been obtained from sources believed to be reliable. However, such third-party sources may also state that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on significant assumptions. As the Company does not have access to the facts and assumptions underlying such market data, statistical information and economic indicators contained in these third-party sources, the Company is unable to verify such information.

### **Forward-looking statements**

This Prospectus includes statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "anticipates", "believes", "estimates", "expects", "intends", "may", "plans", "projects", "should" or "will", or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include, but are not limited to, statements regarding the intentions of the Company, beliefs or current expectations concerning, among other things, the results of operations, financial position, prospects, growth, investment strategy, financing strategies, prospects for relationships with hotel operators, liquidity of the Company's properties and expectations for the Spanish real estate industry. Forward-looking statements may be found in various sections of this Prospectus such as "*Summary*", "*Risk factors*", "*Operating and financial review*" or "*Industry overview*".

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Company's operations and the development of the markets and the industry in which the Company operates may differ materially from those described in, or suggested by, the forward-looking statements contained in this Prospectus. In addition, even if the Company's results of operations, financial position and growth, and the development of the markets and the industry in which the Company operates, are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments of the Company to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, Spanish real estate market conditions, industry trends, competition, changes in law or regulation, changes in taxation regimes or development planning regime, the availability and cost of capital, currency fluctuations, political and economic uncertainty and other factors discussed under section "*Risk Factors*". The Company undertakes no obligation to update these forward-looking statements and will not publicly release any revisions it may make to these forward-looking statements that may occur due to any change in the Company's expectations or to reflect events or circumstances after the date of this Prospectus, except where required by applicable law. Investors should note that the contents of these

paragraphs relating to forward-looking statements are not intended to qualify the statements made as to sufficiency of working capital in this Prospectus.

### **Rounding**

Certain financial information contained in this Prospectus has been rounded. For this reason, in some cases, the sum of the figures in a given column may not conform exactly to the total figure presented in that same column. Figures that are represented in percentages in this Prospectus have not been calculated on the basis of rounded figures, but rather on those values prior to rounding.

## THE OFFERING

### General

The Offering will be in respect of up to 29,996,668 New Shares pursuant to a rights offering at a Subscription Price of €5.00 per New Share (nominal amount of €1.00 plus a premium of €4.00).

The New Shares will be Shares with a nominal value of one euro (€1.00) each, all of the same class and series as the existing Shares, represented in book-entry forms (*anotaciones en cuenta*) and registered in the accounting records of Iberclear, with registered office at Plaza de la Lealtad 1, 28014, Madrid (Spain), and of its participant entities (the “**Participant Entities**”). The Shares are listed on the MAB and are quoted under the *fixing* modality.

The New Shares will be issued pursuant to the following resolutions:

- (i) The extraordinary General Shareholders Meeting, on December 18, 2019, resolved, under item 1 of its agenda, to increase the share capital of the Company through cash contributions in up to €30,000,000 by means of the issuance of up to 30,000,000 New Shares (representing 60% of the Shares before the Offering) with a share premium of €4.00 per New Share and for a total effective amount of up to €150,000,000.00, with pre-emptive subscription rights in favor of the Company’s shareholders. The possibility of an incomplete subscription (*suscripción incompleta*) has been expressly foreseen. The resolution includes the delegation of powers in favor of the Board of Directors, with powers to sub-delegate, pursuant to article 297.1a) of the Spanish Companies Law.
- (ii) The resolutions of the Company’s Board of Directors of June 10, 2020 and June 17, 2020 when the Board of Directors unanimously approved the Offering.
- (iii) The resolutions of the Chief Executive Officer of June 16, 2020.

The Shares are, and the New Shares will be, subject to the provisions of Spanish legislation and, particularly, the provisions of the Spanish Companies Law and the restated text of the Securities Market Law approved by Royal Legislative Decree 4/2015, dated October 23 (*texto refundido de la Ley del Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre*) (the “**Securities Market Law**”), and applicable implementing regulations, as well as the MAB Circular 7/2017, Circular 2/2018 of the MAB on the requirements for admission to listing of shares on the MAB (*Circular 2/2018 sobre requisitos y procedimientos aplicables a la incorporación y exclusión en el Mercado Alternativo Bursátil de acciones emitidas por Empresas en Expansión y por Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario*), as amended or restated from time to time (“**MAB Circular 2/2018**”) and Circular 6/2018 of the MAB on information to be supplied by growth companies and SOCIMIs listed on the MAB (*Circular 6/2018 sobre información a suministrar por Empresas en Expansión y SOCIMI incorporadas a negociación en el Mercado Alternativo Bursátil*), as amended or restated from time to time (“**MAB Circular 6/2018**”) and, together with MAB Circular 7/2017, MAB Circular 2/2018, the “**MAB Circulars**”). The Offering, including the exercise of Pre-emptive Subscription Rights, the request for additional New Shares and the subscription requests for Rump Shares shall be governed and interpreted in accordance with Spanish legislation. By exercising Pre-emptive Subscription Rights, the request for additional New Shares and subscription requests for Rump Shares, shareholders and investors irrevocably and unconditionally accept that the Courts and Tribunals of the city of Madrid shall have exclusive jurisdiction to resolve any disputes that might arise in relation to the Offering. Notwithstanding the foregoing, the Company and the Managers have agreed to submit any dispute which may arise under the Placing Agreement to the exclusive jurisdiction of the Courts and Tribunals of the City of Madrid.

The ISIN code of the Shares is ES0105407003. The National Numbering Agency, an entity within the CNMV, has assigned the provisional ISIN code ES0605407909 for the Pre-emptive Subscription Rights and the provisional ISIN code ES0105407011 for the New Shares. Notwithstanding the foregoing, once the New Shares are listed, all Shares of the Company will be assigned the same ISIN code.

In case that significant new factors, material mistakes or material inaccuracies affecting this Prospectus arise between the date hereof and the time when trading on the MAB of the New Shares begins, the Company will have the obligation to supplement this Prospectus.

### **General terms of the Offering**

Under the Offering, the Company is granting Pre-emptive Subscription Rights to Eligible Shareholders for the subscription of up to 29,996,668 New Shares. Each Share held by the Eligible Shareholders entitles its holder to receive one Pre-emptive Subscription Right. The exercise of 63 Pre-emptive Subscription Rights entitles the exercising holder to subscribe for 38 New Shares against payment of the Subscription Price in cash. The Subscription Price, which must be paid in euros, is €5.00 per New Shares. The Subscription Price represents an implied premium of 2.30% on the TERP (€0.18 per Share based on the Share’s closing price of €4.82 as of June 16, 2020).

The Offering, if all the New Shares are fully subscribed, will result in an increase of 29,996,668 issued Shares (i.e., from 50,000,000 Shares to 79,996,668 Shares), corresponding to an increase of 60% before the Offering and an increase of 37.50% following the Offering.

Eligible Shareholders who do not participate in the Offering will have their ownership interest diluted after its execution. Assuming that (i) none of the Company's current shareholders subscribe New Shares as a result of their Pre-emptive Subscription Rights, and (ii) the New Shares were fully subscribed by third parties, the ownership interest of the Company's current shareholders would represent 62.50% of the total number of the Shares after the execution of the Offering, which would involve a dilution of 37.50%.

The following table shows a comparison between the NAV per Share as of December 31, 2019 and the Subscription Price:

	<u>Offering</u>
NAV per Share <sup>(1)</sup> .....	€5.46
Subscription price per New Share.....	€5.00
(1) As of December 31, 2019.	

The expenses charged to the subscribers of New Shares and/or purchasers of Pre-emptive Subscription Rights will be those determined by their Participant Entity. The Participant Entities will charge, if applicable, fees in relation to the acquisition or transfer of Pre-emptive Subscription Rights as well as, if applicable, any fees for the custody of the New Shares, all in accordance with the tariff brochures published by the Participant Entities, which are available at the Bank of Spain and the CNMV.

### ***Pre-emptive Subscription Rights under the Offering***

The Offering provides Eligible Shareholders with Pre-emptive Subscription Rights to subscribe for New Shares in order to, among other things, maintain their current level of ownership in the Company if they choose so. The Pre-emptive Subscription Rights are options to subscribe for and purchase New Shares and may be sold, subject to applicable laws and the restrictions set forth herein, to third parties, which the Company refers to as purchasers of Pre-emptive Subscription Rights. In accordance with article 306.2 of the Spanish Companies Law, the Pre-emptive Subscription Rights will be freely transferable on the same terms as the New Shares in respect of which they are exercisable and will be tradable on the MAB from July 6, 2020 to July 10, 2020. Eligible Shareholders may, therefore, subscribe for New Shares at the Subscription Price, sell their Pre-emptive Subscription Rights through banks or brokers in Spain, subject, in each case, to applicable laws and the restrictions set forth herein or a combination of both. The Pre-emptive Subscription Rights to subscribe for New Shares offered hereby do not have an established trading market. Although the Pre-emptive Subscription Rights offered hereby will be admitted to listing on the MAB during the Pre-emptive Subscription Period aforementioned, the Company cannot assure holders of Pre-emptive Subscription Rights that an active trading market will develop for these rights on the MAB or that any over-the-counter trading market in the Pre-emptive Subscription Rights will develop or that there will be sufficient liquidity for such rights during such period. In this regard, the Liquidity Agreement does not include the provision of liquidity to Pre-emptive Subscription Rights.

Pursuant to article 304 of the Spanish Companies Law, Eligible Shareholders may exercise, during the Pre-emptive Subscription Period, their right to subscribe a number of New Shares in proportion to the nominal value of the Shares they hold. Eligible Shareholders who do not fully exercise their Pre-emptive Subscription Rights during the Pre-emptive Subscription Period described herein in the percentage to which their Pre-emptive Subscription Rights entitle them will have their equity interest diluted by approximately 37.50% with respect to their interest in the Company's share capital on the record date (the date on which those persons or entities registered in Iberclear as shareholders become Eligible Shareholders), assuming all of the New Shares are subscribed for in full by other Eligible Shareholders or third parties. Even where an Eligible Shareholder sells unexercised Pre-emptive Subscription Rights prior to the expiration of the Pre-emptive Subscription Period, the consideration received by such Eligible Shareholder may not be sufficient to fully compensate such Eligible Shareholder for the dilution of its percentage ownership of the Shares that may result from the Offering. Furthermore, after the Pre-emptive Subscription Period ends, Pre-emptive Subscription Rights that have not been exercised will expire and holders that have not exercised those Pre-emptive Subscription Rights will not receive compensation for any expired Pre-emptive Subscription Rights.

As of June 16, 2020, the Company owns 268,665 treasury Shares, representing approximately 0.54% of its share capital, as of the date hereof. Pursuant to article 148 of the Spanish Companies Law, directly held treasury shares do not generate Pre-emptive Subscription Rights. The rights that would have accrued to these treasury Shares, accrue directly to the other shareholders. So as not to alter the calculation of the Pre-emptive Subscription Rights needed for the subscription of the New Shares, the Company shall hold, directly, the same number of treasury Shares from the registration date of this Prospectus until the end of the Pre-emptive Subscription Period.

The calculations performed to determine the number of Pre-emptive Subscription Rights necessary in order to subscribe the New Shares are included below:

- Total number of Shares prior to the Offering: 50,000,000.
- Number of treasury Shares as of June 16, 2020: 268,665. The President and CEO has undertaken to acquire from or transfer to the Company the necessary Shares to guarantee that the number of treasury Shares does not change between June 16, 2020 and the Record Date, where appropriate.
- Number of Shares with Pre-emptive Subscription Rights: 49,731,318 (excluding also 17 Pre-emptive Subscription Rights, which the President and CEO has undertaken not to exercise nor to sell in order to allow for the exchange ratio agreed for the Offering to consist of whole numbers).
- Number of New Shares: 29,996,668.

Based on the value of each Share prior to the Offering, amounting to €4.82 per Share (the closing price per Share on the MAB on June 16, 2020), the underlying carrying amount of the Pre-emptive Subscription Rights would be negative (€-0.0675) as a result of applying the following formula:

$$UCA = \frac{(CPS - SPE) \times NSI}{PNS + NSI}$$

Where:

UCA: Underlying carrying amount of the Pre-emptive Subscription Rights.

CPS: Closing price per Share on the MAB on June 16, 2020 (i.e., €4.82 per Share).

SPE: Subscription price per New Share (€5.00).

PNS: Number of Shares prior to the Offering (50,000,000 Shares).

NSI: Number of New Shares (29,996,668 Shares).

However, Pre-emptive Subscription Rights will be freely traded and it is therefore impossible to anticipate the future market value of these rights.

### ***New Shares***

The issue of the New Shares will be governed by, and construed in accordance with, Spanish law. The issue and Admission of the New Shares does not require any authorization or administrative pronouncement other than the general provisions on the CNMV's and MAB's approval and registration of this Prospectus, and the registration of the public deeds formalizing the capital increase with the Commercial Registry of Madrid (*Registro Mercantil de Madrid*), according to the provisions established in the Securities Market Law and its implementing regulations, the Spanish Companies Law and the MAB Circulars.

The Shares are listed on the MAB under the *fixing* modality and under the symbol "YMHRE". The Bylaws do not contain any restrictions on the free transferability of the Shares. However, the acquisition, exercise and holding of Pre-emptive Subscription Rights and Shares by an investor may be affected by legal or regulatory requirements of its own jurisdiction, which may include restrictions on the free transferability of such securities. Investors should consult their own advisors prior to making any investment in the New Shares and/or Pre-emptive Subscription Rights. Pursuant to the Offering, the Company is offering New Shares that are fungible with the Company's outstanding Shares as of the date of this Prospectus. The New Shares will be listed on the MAB. The owners of the New Shares will be able to liquidate their investment through its sale on the MAB. However, liquidity problems could arise and sell orders may not be promptly matched by adequate buy orders.

There are no special regulations on mandatory takeover bids or squeeze-out and sell-out rules with respect to the Shares, except those deriving from the Bylaws, as provided for in the MAB Circulars (see "*Principal shareholders—Change of control*").

The Company expects the New Shares issued to start trading on the MAB from on or about July 30, 2020. When issued, the New Shares will enjoy the same economic and voting rights and will rank *pari passu* with the Shares.

In particular, holders of the New Shares will have the following rights, in the terms foreseen in the Bylaws and, as the case may be, in the applicable legislation:

(a) Dividend rights:

- Date or dates on which dividend rights accrue: the New Shares will grant their owners the right to participate in the distribution of corporate earnings and net assets resulting from liquidation under the same conditions as the Shares. The New Shares will give shareholders a right to participate in the dividends, remuneration and any other form of distribution that the Company might agree or pay to its shareholders from the date on which the Offering is declared to be subscribed and paid up (i.e., the Execution Date).

- According to the Bylaws, the Company’s shareholders which are registered in the Company’s book entries register at 23:59 on the date on which the General Shareholders Meeting or, as the case may be, the Board of Directors, resolves on the dividends distribution shall be entitled to receive the relevant dividend. The dividend shall be payable within 30 days from the date on which the General Shareholders Meeting or, as the case may be, the Board of Directors, resolves to distribute the relevant dividend, without prejudice to any withholdings which may be required under applicable law.
- Dividend restrictions and procedures for non-resident holders: the Company is not aware of any restriction on the collection of dividends by non-resident shareholders, without prejudice to any withholdings which may be required under the Non-Resident Income Tax (“NRIT”). All holders will receive dividends through Iberclear and its member entities, without prejudice to potential withholdings on account of the NRIT that may apply (see “Taxation”).
- Time limit after which entitlement to dividend lapses and person in whose favor the lapse operates: according to article 947 of the Spanish Commercial Code published by Royal Decree of August 22, 1885 by which the Commercial Code is published (*Real Decreto de 22 de agosto de 1885 por el que se publica el Código de Comercio*) (the “**Spanish Commercial Code**”), the right to receive payment of an already declared and paid out dividend lapses and reverts to the Company if it is not claimed within five years from the date it becomes payable.
- Rate of dividend or method for its calculation, periodicity and cumulative or non-cumulative nature of payments: as with the Shares, the New Shares will not give their holders any right to receive a minimum dividend, as they are all Shares. Therefore, the right to a dividend for these Shares shall only arise from the moment that the General Shareholders Meeting or Board of Directors, as the case may be, agrees a distribution of earnings.

Without prejudice to the above, under the current Spanish SOCIMI Regime, a SOCIMI is required to adopt resolutions for the distribution of dividends, after fulfilling any relevant Spanish Companies Law requirements, to shareholders annually within six months following the closing of the fiscal year of: (i) at least 50% of the profits derived from the transfer of real estate properties and shares in Qualifying Subsidiaries (as defined in section “*Spanish SOCIMI Regime*”) and real estate collective investment funds, provided that the remaining profits must be reinvested in other real estate properties or participations within a maximum period of three years from the date of the transfer or, if not, 100% of the profits must be distributed as dividends once such period has elapsed; (ii) 100% of the profits derived from dividends paid by Qualifying Subsidiaries and real estate collective investment funds; and (iii) at least 80% of all other profits obtained (e.g., profits derived from rental and ancillary activities). If the relevant dividend distribution resolution was not adopted in a timely manner, a SOCIMI would lose its SOCIMI status in respect of the year to which the dividends relate.

The SOCIMIs must agree the dividend distributions of a given fiscal year within six months following the closing of the fiscal year; those dividends must be effectively distributed within the month following the distribution agreement.

(b) Voting rights:

The New Shares will be Shares with voting rights. Their owners will be entitled to attend and vote at any General Shareholders Meeting, and also to contest corporate resolutions, as provided for under the general regime of the Spanish Companies Law, but subject to the provisions set forth under the Bylaws, and the applicable law.

With regard to the right to attend any General Shareholders Meeting, the Bylaws establish that shareholders who are duly registered in the book-entry records maintained by Iberclear and its Participant Entities at least five days prior to the day on which a General Shareholders Meeting is scheduled may, in the manner provided in the notice for such meeting, attend and vote at such meeting.

The Company’s shareholders may be represented by another person, whether another shareholder or not. The Bylaws do not establish any restrictions on the maximum number of votes which a given shareholder or companies belonging to the same group may cast. The attendees at the General Shareholders Meeting are entitled to one vote for every Share held.

Notwithstanding the above, in certain circumstances mandatory restrictions on voting may be applicable to the Shares to the extent the holders thereof may be affected by certain conflicts of interest as provided for under article 190.1 of the Spanish Companies Law.

(c) Pre-emptive rights in offers for subscription of securities of the same class:

Pursuant to the Spanish Companies Law, all Shares grant their holders a pre-emptive subscription right in capital increases with issue of new Shares (ordinary and preferential), charged against cash contributions, and in the issue of bonds convertible into Shares, except in the event of the total or partial exclusion of such pre-emptive



subscription rights as provided for under articles 308 (for capital increases), and 417 (for issues of convertible bonds) of the Spanish Companies Law.

Holders of Shares are also entitled to the free allocation right set forth in the Spanish Companies Law in the case of increases in the fully-paid up share capital of the Company.

(d) Right to share in the issuer’s profits:

All of the Shares grant their owners the right to share in the Company’s profits, in proportion to their nominal value.

(e) Rights to share in any surplus in the event of liquidation:

The New Shares will be Shares of the Company, and belong to the same class and series as the Shares currently outstanding. Therefore, the New Shares will grant the right, from the Execution Date, to share in any surplus resulting from liquidation, in the same terms and conditions as the Shares, pursuant to the Spanish Companies Law and the Bylaws.

**Expected timetable of principal events**

The summary timetable set forth below lists certain important dates relating to the Offering:

<b>Principal event</b>	<b>On or about</b>
Approval of this Prospectus by the CNMV .....	June 18, 2020
Filing with the MAB of regulatory information notice ( <i>hecho relevante</i> ) announcing the registration of the Prospectus with the CNMV and estimated date of the commencement and end of the Pre-emptive Subscription Period .....	June 18, 2020
Announcement of the Offering in the BORME and last trading date of Shares “with rights” .....	June 19, 2020
Commencement of the Pre-emptive Subscription Period and the period to request additional New Shares to be allocated (if applicable) during the Additional Allocation Period.....	June 20, 2020
First trading date of the Shares without rights (ex-date).....	June 22, 2020
Record Date (the date on which those persons or entities registered in Iberclear as shareholders become Eligible Shareholders) .....	June 23, 2020
First date of trading of the Pre-emptive Subscription Rights .....	July 6, 2020
End of trading of the Pre-emptive Subscription Rights (guaranteed participation date) .....	July 10, 2020
End of the Pre-emptive Subscription Period and the period to request additional New Shares to be allocated (if applicable) during the Additional Allocation Period .....	July 19, 2020
Additional Allocation Period (if applicable) .....	July 23, 2020
Filing with the MAB of regulatory information notice announcing results of the Pre-emptive Subscription Period and Additional Allocation Period (if applicable) .....	July 23, 2020
Commencement of the Discretionary Allocation Period (if applicable) .....	July 23, 2020
End of the Discretionary Allocation Period (if applicable).....	July 27, 2020
Filing with the MAB of regulatory information notice announcing results of the Discretionary Allocation Period (if applicable).....	July 27, 2020
Payment by the Participant Entities to the Agent Bank of the New Shares subscribed for during the Pre-emptive Subscription Period and Additional Allocation Period (if applicable).....	July 28, 2020
Payment (pre-funding) by the Pre-Funding Bank of the New Shares subscribed for in the Discretionary Allocation Period (if applicable).....	July 28, 2020
Approval of the resolution regarding the capital increase of the Offering to be closed and executed.....	July 28, 2020
Granting of the notarized deed formalizing the capital increase of the Offering before a public notary (Execution Date)....	July 28, 2020
Registration with the Commercial Registry of the notarized deed formalizing the capital increase of the Offering.....	July 28, 2020
Filing with the MAB of regulatory information notice announcing registration of the notarized deed formalizing the capital increase of the Offering with the Commercial Registry .....	July 28, 2020
Registration of the New Shares issued with Iberclear .....	July 28, 2020
Admission to listing and trading of the New Shares on the MAB by BME.....	July 29, 2020
Execution of the Special Transaction for the transfer of Rump Shares allocated during the Discretionary Allocation Period (if applicable).....	July 29, 2020
Expected commencement of trading of the New Shares issued on the MAB .....	July 30, 2020
Settlement date of the Special Transaction for the transfer of Rump Shares allocated during the Discretionary Allocation Period (if applicable).....	July 31, 2020

In case that significant new factors, material mistakes or material inaccuracies affecting this Prospectus arise between the date hereof and the time when trading on the MAB of the New Shares begins, the Company will have the obligation to supplement this Prospectus.

The specific dates for actions to occur in connection with the Offering that are set forth above and throughout this Prospectus are indicative only. There can be no assurance that the indicated actions will in fact occur on the cited dates or at all. If that is the case, the Company will as soon as possible publicly announce, via a MAB regulatory information notice, such new dates and a revised expected timetable of principal events. Information will also be made available on the Company’s website ([www.millenniumhotelsrealstate.com](http://www.millenniumhotelsrealstate.com)).

## Notice

The Company expects to announce the commencement of the Offering on June 19, 2020 in the BORME. The Company will communicate significant developments in the Offering via a MAB regulatory information notices in accordance with Spanish law and MAB Circulars. Information will also be made available on the Company's website ([www.millenniumhotelsrealestate.com](http://www.millenniumhotelsrealestate.com)).

## Record date and time

Eligible Shareholders (that is, shareholders —other than the Company— who acquired their Shares on or before June 19, 2020 and whose transactions are settled on or before June 23, 2020 in Iberclear) are entitled to Pre-emptive Subscription Rights. Such Eligible Shareholders will be allocated one right for each Share owned.

The exercise of 63 Pre-emptive Subscription Rights entitles the exercising holder to subscribe for 38 New Shares against payment of the Subscription Price in cash.

## Subscription of New Shares

The Company has established a three-staged procedure for the subscription of the New Shares.

### *Pre-emptive Subscription Period*

The period during which Eligible Shareholders may exercise their Pre-emptive Subscription Rights, or Pre-emptive Subscription Period, will last one month, beginning on the first calendar day following the publication of the notice of the Offering in the BORME. According to the envisaged timetable, this period will commence on June 20, 2020 and last until July 19, 2020 (in each case inclusive of the start and end dates). During the Pre-emptive Subscription Period, Eligible Shareholders or purchasers of Pre-emptive Subscription Rights may exercise their Pre-emptive Subscription Rights, in whole or in part. Alternatively, Eligible Shareholders or purchasers of Pre-emptive Subscription Rights may sell their Pre-emptive Subscription Rights on the MAB from July 6, 2020 to July 10, 2020 on the same terms as the Shares from which they result. Those having exercised their Pre-emptive Subscription Rights in full may confirm their agreement to subscribe for additional New Shares in excess of their pro rata entitlement.

To exercise Pre-emptive Subscription Rights, Eligible Shareholders and purchasers of Pre-emptive Subscription Rights during the Pre-emptive Subscription Period should contact the Participant Entity in whose register such securities are registered, indicating their intention to exercise some or all of their Pre-emptive Subscription Rights, and if they have elected to exercise their Pre-emptive Subscription Rights in full, indicating whether they request additional New Shares in the Additional Allocation Period and, if so, specifying the whole number of additional New Shares. Holders of Pre-emptive Subscription Rights may exercise all or part of their rights at their discretion.

Holders of Pre-emptive Subscription Rights that have exercised all of their Pre-emptive Subscription Rights in the Pre-emptive Subscription Period may request the allocation of additional New Shares in excess of their pro rata entitlement in the Additional Allocation Period at the time they exercise their Pre-emptive Subscription Rights. Holders of rights' requests are not subject to any maximum number of additional New Shares. While requests for additional New Shares may not be satisfied in full or at all, such requests shall nevertheless be considered firm and unconditional.

To request additional New Shares, holders of Pre-emptive Subscription Rights should contact the Participant Entity with whom their Pre-emptive Subscription Rights are deposited. The Participant Entities will be responsible for verifying that each holder of Pre-emptive Subscription Rights taking up additional New Shares has exercised his/her Pre-emptive Subscription Rights in respect of all of the Pre-emptive Subscription Rights deposited by such holders with such Participant Entity.

During the Pre-emptive Subscription Period, the Participant Entities will notify Banco Santander, S.A., as the agent bank (the "**Agent Bank**"), of the aggregate total number of New Shares in respect of which subscription orders have been made in accordance with the exercise of Pre-emptive Subscription Rights by their holders and the number of additional New Shares requested since the start of the Pre-emptive Subscription Period and on each day of the Offering, no later than 5:00 p.m. (CET) by email or fax.

The Participant Entities should communicate to the Agent Bank, on behalf of their clients or in their own name (as applicable), the aggregate amount of subscription orders for New Shares received by them in accordance with the exercise of Pre-emptive Subscription Rights and, separately, the total volume of additional New Shares requested, no later than 10:00 a.m. (CET) on the fourth trading day following the end of the Pre-emptive Subscription Period (which, according to the envisaged timetable, is expected to be July 23, 2020) in accordance with the operative instructions established by the Agent Bank.

The communications to be sent by the Participant Entities to the Agent Bank containing the details of the New Shares subscribed for during the Pre-emptive Subscription Period and of the request for additional New Shares must comply with the Practical Guide for Communication between Depositary Entities and the Agent Entity for the Processing of Corporate Events produced by AEB-CECA on September 1, 2017 (the “**Practical Guide**”). The files must be received by the Agent Bank with the breakdown of investors described in the aforementioned Practical Guide, without the Agent Bank being responsible under any circumstances for verifying the integrity and accuracy of the data provided by the Participant Entities. Only the Participant Entities will be responsible for errors or omissions in the information provided by Participant Entities, defects in the files or electronic transmissions sent and, in general, any failure on the part of the Participant Entities to comply with the provisions of this section, without the Agent Bank assuming any responsibility in this regard.

The Agent Bank is entitled to not accept communications from the Participant Entities that are submitted after the relevant deadline, or which do not comply with relevant current legislation or the relevant requirements set out in this Prospectus. If this occurs, neither the Agent Bank nor the Company accepts any responsibility, without prejudice to the potential responsibility of the relevant Participant Entity towards parties who have submitted their orders within the required timeframe or in the correct format.

Once the Pre-emptive Subscription Period has ended and in the event that all New Shares are fully subscribed for during such Pre-emptive Subscription Period, the Company may early terminate the Offering. In that case, the Agent Bank will inform the relevant Participant Entities of the definitive allocation of New Shares during the Pre-emptive Subscription Period upon the end of the Pre-emptive Subscription Period. The Participant Entities will in turn inform each investor of the definitive New Shares allocated to such investor.

The possibility of reducing subscription orders already submitted in the Pre-emptive Subscription Period has not been envisaged. Orders to take up New Shares received during the Pre-emptive Subscription Period and requests to subscribe for additional New Shares will be deemed to be irrevocable, firm and unconditional and may not be cancelled or modified by holders of Pre-emptive Subscription Rights (except where a supplement to this Prospectus is published, in which case investors who have already agreed to subscribe for New Shares will have the right, exercisable within two trading days after publication of such supplement, to withdraw their subscriptions of New Shares in exercise of Pre-emptive Subscription Rights and their request, if applicable, for additional New Shares, provided that the new factor, mistake or inaccuracy to which the supplement refers arises before the Execution Date (i.e., which is expected to take place on July 28, 2020)). In the event a supplement to this Prospectus is published, investors who had acquired Pre-emptive Subscription Rights in the market and revoke such subscriptions will lose such investment.

#### ***Additional Allocation Period***

To the extent that at the expiration of the Pre-emptive Subscription Period there are New Shares that have not been subscribed for, the Company will allocate them to holders of Pre-emptive Subscription Rights that have exercised all of their Pre-emptive Subscription Rights and have indicated, at the time of such exercise, their agreement to subscribe for additional New Shares in excess of the New Shares corresponding to their Pre-emptive Subscription Rights. This is currently expected to take place no later than 5:00 p.m. (CET) on the fourth trading day immediately following the end of the Pre-emptive Subscription Period (which, according to the envisaged timetable, is expected to be July 23, 2020).

Depending on the number of New Shares taken up in the Pre-emptive Subscription Period and the applications the Company receives for additional New Shares, holders of Pre-emptive Subscription Rights may receive fewer additional New Shares than those requested or none at all (but, in any event, not more additional New Shares than those requested by them).

On the date of the Additional Allocation Period (which, according to the envisaged timetable, is expected to be July 23, 2020), the Agent Bank will determine the number of New Shares that have not been taken up in the Pre-emptive Subscription Period. The Agent Bank will allocate these New Shares not taken up on the date of the Additional Allocation Period subject to the following allocation criteria:

- If the number of additional New Shares requested by holders of Pre-emptive Subscription Rights who have exercised in full their Pre-emptive Subscription Rights is equal to or less than the additional New Shares available, then the additional New Shares will be assigned to the holders of Pre-emptive Subscription Rights who requested additional New Shares until their requests are fully satisfied.
- If the number of additional New Shares requested by holders of Pre-emptive Subscription Rights who have exercised in full their Pre-emptive Subscription Rights is greater than the additional New Shares available, the Agent Bank will apply the following pro rata allocation:
  - (i) The number of New Shares will be allocated pro rata to the volume of additional New Shares requested by each holder of Pre-emptive Subscription Rights. To this end, the Agent Bank will calculate the percentage, which will be rounded down to three decimals, of the number of additional New Shares a given holder of

Pre-emptive Subscription Rights has requested, divided by the aggregate of additional New Shares requested (for example: 0.078974% will be rounded to 0.078%).

- (ii) The Agent Bank will then allocate to the holders of Pre-emptive Subscription Rights the number of additional New Shares that this percentage represents on the additional New Shares available, rounded down to the nearest whole number of additional New Shares.
- (iii) If after the pro rata allocation, all available additional New Shares have not been allocated due to rounding, the Agent Bank will allocate these remaining additional New Shares, one by one, starting with the holder of Pre-emptive Subscription Rights who has solicited the greatest number of additional New Shares. If two or more holders of Pre-emptive Subscription Rights have requested the same number of additional New Shares, the Agent Bank will determine allocations by alphabetical order, taking the first letter of the field “name and last name or corporate name”.

Allocation of additional New Shares will take place by no later than 5:00 p.m. (CET) on the date of the Additional Allocation Period (which, according to the envisaged timetable, is expected to be July 23, 2020). Any additional New Share allocated to holders of Pre-emptive Subscription Rights during the Additional Allocation Period will be deemed subscribed during the Additional Allocation Period, not the Pre-emptive Subscription Period. In no circumstances shall more additional New Shares be assigned to Eligible Shareholders or investors than those they have requested. The Agent Bank will inform the relevant Participant Entities of the definitive allocation of additional New Shares during the Additional Allocation Period on the day of the Additional Allocation Period. The Participant Entities will in turn inform each investor of the definitive New Shares allocated to such investor.

If there are no New Shares remaining unsubscribed at the end of the Additional Allocation Period, the Discretionary Allocation Period will therefore not open and the Agent Bank will notify the Participant Entities no later than by 6:00 p.m. (CET) on such date. Likewise, promptly after the end of the Additional Allocation Period, the Company will publicly announce, via a MAB regulatory information notice, the results of subscriptions during the Pre-emptive Subscription Period and, as applicable, the number of additional New Shares requested in the Additional Allocation Period and the number of additional New Shares assigned.

#### ***Discretionary Allocation Period***

If, following the Pre-emptive Subscription Period and the Additional Allocation Period any New Shares remain unsubscribed, the Agent Bank will notify the Managers by no later than 5:00 p.m. (CET) on the fourth trading day following the end of the Pre-emptive Subscription Period (which, in accordance with the envisaged timetable, is expected to take place on July 23, 2020) of the number of Rump Shares to be allocated during the Discretionary Allocation Period. The Discretionary Allocation Period, if any, is expected to begin at any time after the end of the Additional Allocation Period (which, according to the envisaged timetable, is expected to be July 23, 2020) and end no later than 11:00 a.m. (CET) on July 27, 2020, without prejudice to the ability of the Company to terminate it prior to such time.

The Company will announce the commencement of the Discretionary Allocation Period through a MAB regulatory information notice.

If there are Rump Shares, the Managers have agreed, subject to the terms and conditions of the Placing Agreement, to use reasonable efforts to procure subscribers for the Rump Shares during the Discretionary Allocation Period.

During the Discretionary Allocation Period, persons who: (i) are in any country of the EEA or in the United Kingdom and have the status of qualified investors, as this term is defined in article 2(e) of the Prospectus Regulation; (ii) are, in Spain only, (a) strategic investors or (b) other private banking clients; or (iii) are outside Spain, the EEA, the United Kingdom and the United States of America and have the status of qualified investors pursuant to the applicable legislation in the relevant country, in any case to the extent that the subscription and payment of the Rump Shares do not require registration or approval of any kind, may submit orders to the Managers to subscribe for Rump Shares.

The subscription orders will be deemed to be firm, unconditional and irrevocable and shall include the number of Rump Shares that each investor is willing to subscribe at the Subscription Price. Orders to take up Rump Shares received during the Discretionary Allocation Period will be deemed to be irrevocable, firm and unconditional and may not be cancelled or modified by investors (except where a supplement to this Prospectus is published, in which case investors who have already agreed to subscribe for Rump Shares will have the right, exercisable within two trading days after publication of such supplement, to withdraw their subscriptions of Rump Shares, provided that the new factor, mistake or inaccuracy to which the supplement refers arises before the Execution Date (which is expected to take place on July 28, 2020).

The Managers receiving orders to subscribe for Rump Shares must communicate to the Company, on behalf of the submitting parties, prior to 8:00 a.m. (CET) on the day corresponding to the end of the Discretionary Allocation Period, the total volume of Rump Shares subscription orders received by them in accordance with the Placing Agreement. The Company shall discretionally determine after consultation with the Managers the definitive allocation of the Rump Shares to subscribers on the basis of their subscription requests notified by the Managers, which shall be communicated

to the Managers and the Agent Bank not later than 8:00 a.m. (CET) on July 27, 2020. In turn, the Managers will communicate the definitive allocation of the Rump Shares to the submitting parties.

The transfer to investors of Rumps Shares allocated during the Discretionary Allocation Period (if any) will be effected by the Pre-Funding Bank (as defined below) by means of one or more “special transactions” (*operación bursátil especial*) (the “**Special Transaction**”). In accordance with the envisaged timetable, and if the case may be, it is expected that the Special Transaction will be executed on July 29, 2020 and settled on July 31, 2020.

If there are Rump Shares once the Additional Allocation Period for additional New Shares has ended, the Company may decide not to open the Discretionary Allocation Period or to close it early.

Promptly after the end of the Discretionary Allocation Period, if any, the Company will publicly announce, via a MAB regulatory information notice, the final results of the Discretionary Allocation Period, specifying the number of New Shares taken up or allocated in such period.

## **Payment**

### ***New Shares subscribed during the Pre-emptive Subscription Period***

Subscribers must make payment in full of the Subscription Price, comprising the nominal value and premium value, at the time of subscription for each New Share subscribed for during the Pre-emptive Subscription Period. Subscribers should make payment to the Participant Entity through which they have filed their subscription orders. Applications for New Shares in exercise of Pre-emptive Subscription Rights for which payment is not received in accordance with the foregoing shall be deemed not to have been made. Pre-emptive Subscription Rights not exercised or sold during the Pre-emptive Subscription Period will lapse automatically and holders will not be compensated.

If an authorized Participant Entity has not received full payment of the Subscription Price for New Shares on or before the expiration date of the Pre-emptive Subscription Period which, in accordance with the envisaged timetable, is expected to be July 19, 2020, the related Pre-emptive Subscription Rights will lapse. Holders of Pre-emptive Subscription Rights that lapse will not be compensated.

The Participant Entity with whom orders for the subscription of New Shares in exercise of Pre-emptive Subscription Rights have been placed, shall pay in an account with the Agent Bank all amounts payable with respect to such New Shares, for same-day value, such that they are received by the Company no later than 10:00 a.m. (CET) on the Execution Date (before the Company declares the share capital increase executed and grants the corresponding capital increase deed before a Spanish public notary).

If any of the Participant Entities, having paid up the amounts corresponding to these subscriptions within the aforementioned period, does not report the list of subscribers to the Agent Bank under the terms envisaged in this Prospectus, the Agent Bank will allocate the New Shares paid on behalf of the aforementioned Participant Entity to such Participant Entity, without the Agent Bank or the Company assuming any liability and without prejudice to any possible liability that may be incurred by the infringing Participant Entity with regard to the holders that have timely placed their subscription orders for New Shares with such Participant Entity.

### ***New Shares subscribed during the Additional Allocation Period***

Full payment of the Subscription Price for each New Share allocated during the Additional Allocation Period will be made by each holder of Pre-emptive Subscription Rights having been allocated additional New Shares, no later than 10:00 a.m. (CET) on the Execution Date (before the Company declares the share capital increase executed and grants the corresponding capital increase deed before a Spanish public notary), via the Participant Entity through which such holder of Pre-emptive Subscription Rights solicited the additional New Shares. Applications for additional New Shares in respect of which payment is not received in accordance with the foregoing will be deemed not to have been made.

Notwithstanding the above, Participant Entities may require that holders of Pre-emptive Subscription Rights requesting additional New Shares fund in advance the Subscription Price of the additional New Shares requested by them at the time of such request. If a requesting holder of Pre-emptive Subscription Rights prefunds and the number of additional New Shares finally allocated to such requesting holder of Pre-emptive Subscription Rights is less than the number of additional New Shares requested and prefunded by the requesting holder, the Participant Entity will return to such holder of Pre-emptive Subscription Rights, without deduction for expenses and fees, the amount corresponding to the excess subscription monies or, as the case may be, the whole Subscription Price for any additional New Share the subject of such a revocation, with a value date of the business day following the end of the Additional Allocation Period, all in accordance with the procedures applicable to such Participant Entity. If a delay in the return occurred, the Participant Entity must pay the late payment interest at the applicable legal rate, which will accrue from the date on which the funds should have been returned until this return effectively takes place.

The Participant Entities receiving requests for additional New Shares shall pay all amounts payable, for same-day value, through the channels made available by Iberclear, such that they are received by the Company in an account with the Agent Bank no later than 11:00 a.m. (CET) on the Execution Date.

If any of the Participant Entities that has made the payment in full of the Subscription Price subsequently fails to confirm to the Agent Bank the list of subscribers on behalf of whom such payment has been made, the Agent Bank shall allocate the New Shares subscribed to such Participant Entity, without any liability whatsoever for the Agent Bank or the Company, without prejudice to any claim the holder of Pre-emptive Subscription Rights(s) in question may have against the defaulting Participant Entity.

#### ***New Shares allocated during the Discretionary Allocation Period***

Full payment of the Subscription Price for each Rump Share allocated during the Discretionary Allocation Period shall be made by the investors that have subscribed for such Rump Shares by no later than the settlement date (which, according to the envisaged timetable, is expected to be July 31, 2020), without prejudice to the pre-funding obligations envisaged in this section.

Managers that receive subscription requests for any Rump Shares may ask investors to provide funds in advance in order to ensure payment for the Subscription Price of any Rump Shares that may be allocated to them, where applicable. If their subscription order is rejected, the corresponding funds provided by such investors must be returned to them, free of any expenses or fees, with a value date of the business day following the end of the Discretionary Allocation Period. If a subscription order is partially rejected, only the funds provided that affect the portion of the subscription order that was rejected will be returned. If there is a delay in returning the funds, the Managers must pay the late payment interest at the applicable legal interest rate, which will accrue from the date on which the funds should have been returned until this return effectively takes place.

For operational purposes, to allow the admission of the New Shares to listing to take place as soon as possible, Banco Santander, S.A. (in such capacity, the “**Pre-Funding Bank**”) has agreed to subscribe for and prefund in full the subscription monies corresponding to the Rump Shares allocated to investors during the Discretionary Allocation Period. Such prefunded subscription monies must be received by the Company, without deduction of any commissions and expenses, by no later than 10:00 a.m. (CET) on July 28, 2020.

This payment must be made all at once on the same value date through a funds transfer order. The total amount corresponding to the payment of the New Shares subject to pre-funding will be deposited by the Pre-Funding Bank in a bank account opened in the name of the Company with the Agent Bank.

#### **Registrations, delivery, admission to trading and commencement of trading in the MAB of the New Shares**

Following receipt of subscription monies due, the Company shall declare the share capital increase executed (fully or partially, as the case may be) and proceed to the granting of the corresponding capital increase deed before a Spanish public notary for its subsequent registration with the Commercial Registry of Madrid.

Registration of the capital increase with the Commercial Registry of Madrid is, in accordance with the envisaged timetable, expected to take place on July 28, 2020. Following registration, the public deed of capital increase will be delivered to the MAB and Iberclear. New Shares issued will be registered with Iberclear as soon as practicable after registration of the public deed of capital increase with the Commercial Registry of Madrid.

The Company will request verification of compliance with the requirements for admission to trading of the New Shares by the MAB (which, in accordance with the envisaged admission timetable is expected to take place on July 29, 2020). Iberclear will notify the Eligible Shareholders and investors of the book-entry references of their respective holdings of New Shares (subscribed during the Pre-emptive Subscription Period and the Additional Allocation Period) via the Participant Entities. Iberclear will also notify the Pre-Funding Bank, on a temporary basis, of the book entry-references of their holdings of New Shares (allocated during the Discretionary Allocation Period), in accordance with its pre-funding obligations. The Pre-Funding Bank will transfer the New Shares subject to pre-funding to the final investors through the execution of the Special Transaction, as these types of transactions are defined in the MAB Circulars.

The Special Transaction described is expected to be executed on July 29, 2020 by the Pre-Funding Bank. In turn, the Managers must send the Agent Bank files with the information on the final successful bidders for the New Shares corresponding to the Discretionary Allocation Period, which must comply with the specifications indicated in the Practical Guide, no later than 5:30 p.m. (CET) on the day it occurs, the date corresponding to the execution of the aforementioned Special Transaction.

Following the transfer of New Shares allocated during the Discretionary Allocation Period from the Pre-Funding Bank to the investors, the Agent Bank will notify Iberclear via the MAB of the information relating to the entities that have been allocated New Shares, so that registration is made in accordance with the information received from the Managers.

The New Shares will be registered with the Iberclear Central Registry once the public deed formalizing the capital increase is registered with the Commercial Registry of Madrid. On the same day as the registration with the Iberclear Central Registry, the Participant Entities will carry out the corresponding registrations in their accounting records in favor of the investors who subscribed the New Shares.

The new shareholders will have the right to obtain the certificates of ownership corresponding to their Shares from the Participant Entities in which the New Shares are registered, in accordance with the provisions of Royal Decree 878/2015, of October 2, 2015 on clearing, settlement and registry of negotiable securities in book-entry form, and transparency requirements for issuers of securities admitted to trading on an official secondary market (*Real Decreto 878/2015, de 2 de octubre, sobre compensación, liquidación y registro de valores negociables representados mediante anotaciones en cuenta, sobre el régimen jurídico de los depositarios centrales de valores y de las entidades de contrapartida central y sobre requisitos de transparencia de los emisores de valores admitidos a negociación en un mercado secundario oficial, “Royal Decree 878/2015”*). Participant Entities must issue these certificates prior to the end of the trading day following that on which they were requested by the subscribers.

### **Announcement of the result of the Offering**

The Company will report the results of the Pre-emptive Subscription Period and the Additional Allocation Period through the publication of the related MAB regulatory information notice on or around July 23, 2020, indicating whether the Discretionary Allocation Period will be opened. If opened, the results of the Discretionary Allocation Period will be reported after the end of the Discretionary Allocation Period (i.e., on or prior to July 27, 2020).

Neither the MAB’s website (<https://www.bolsasymercados.es/mab>) nor any of its contents forms part of or is incorporated into this Prospectus, whether by reference or otherwise, except as otherwise provided herein. The CNMV has not examined nor approved the MAB’s website nor any of its contents.

### **Withdrawal and termination**

No grounds for termination or revocation of the Offering that are the subject matter of this Prospectus are envisaged other than those that may arise from the application of the law or compliance with a court or administrative ruling or with that set forth below.

The termination of the Placing Agreement, or if the pre-funding obligations of the Pre-funding Bank under the Placing Agreement do not come into force as a result of the failure to fulfil or not to waive of any conditions precedent, will be considered a significant factor which requires the publication of a supplement. In such event, holders of Pre-emptive Subscription Rights that have subscribed for New Shares during the Preferential Subscription Period or the Additional Allocation Period will have the right, exercisable within two business days after publication of such supplement, to withdraw their subscriptions or requests, as applicable, if such significant factor arises before the Execution Date. Any amounts funded in advance by the holders of Pre-emptive Subscription Rights which have exercised their Pre-emptive Subscription Rights or that have requested additional New Shares will be returned by the Participant Entity, without deduction for expenses and fees, all in accordance with the procedures applicable to such Participant Entity. Also, in such event, subscribers of Rump Shares will have the right, exercisable within two business days after publication of such supplement, to withdraw their subscriptions or requests, as applicable, if such significant factor arises before the Execution Date.

If a delay in the return occurred, the Participant Entity must pay the late payment interest at the applicable legal rate, which will accrue from the date on which the funds should have been returned until this return effectively takes place. Investors who had acquired Pre-emptive Subscription Rights and revoke such subscriptions will lose such investment.

### **Shareholders resident in certain unauthorized jurisdictions**

No action has been taken, or will be taken, in any jurisdiction other than Spain that would permit a public offering of the Pre-emptive Subscription Rights or the New Shares, or possession or distribution of this Prospectus or other offering or publicity materials issued in connection with this Offering, in any country or jurisdiction where action for that purpose is required.

Accordingly, the New Shares and the Pre-emptive Subscription Rights may not be exercised, offered or sold, directly or indirectly, and neither this Prospectus nor any other offering or publicity materials issued in connection with this Offering may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

In particular, the information included in this Prospectus (i) must not be published or distributed to persons resident in the United States of America, Australia, Canada, Japan, South Africa or any other country in which the distribution of such information is restricted by law; and (ii) does not constitute any offer for sale, nor invitation to subscribe for, securities in the United States of America, Australia, Canada, South Africa nor any other country in which such offer or request is

illegal. The Pre-emptive Subscription Rights and the New Shares have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States of America and will only be offered or sold outside the United States of America in reliance on Regulation S under the Securities Act. Financial intermediaries must not accept any exercise of the Pre-emptive Subscription Rights or applications for subscription of New Shares by clients domiciled in the United States of America. Any envelope containing a subscription application which is transmitted (either physically, by fax or electronically) from the United States of America shall not be accepted and the relevant Subscription Price shall be returned without interest.

### **Interests of persons involved in the Offering**

Certain of the Managers, Agent Bank and legal advisors and their affiliates may from time to time engage in transactions with, and perform services for the Company in the ordinary course of their business. In addition, the Managers and their respective affiliates have performed, and may in the future perform, various financial advisory, investment banking, commercial banking or other services for the Company (including, for the avoidance of doubt, the involvement of certain Managers as global coordinators and joint bookrunners in the Company's share capital increase of May 10, 2019), for which they have received and are likely to continue to receive customary fees and expenses.

In addition, on May 29, 2020, the Company and Securities and Bonds, S.L. entered into a mediation agreement whereby Securities and Bonds, S.L. may introduce potential investors to the Company in order for them to subscribe for New Shares. Securities and Bonds, S.L. would be entitled to receive up to 1.5% of the gross proceeds deriving from the subscription of New Shares by those investors.

Notwithstanding the above, the Company is not aware of any link or significant economic interest between the Company and the entities participating in the Offering (Managers, Agent Bank and legal advisors), except for the strictly professional relationship derived from the advice described therein in relation to the Offering or otherwise disclosed in this Prospectus.



## INFORMATION ABOUT THE COMPANY

The Company's corporate name is Millenium Hotels Real Estate I, SOCIMI, S.A. and its trade name is Millenium.

The Company is a Spanish *sociedad anónima* incorporated in Madrid (Spain) for an indefinite term on June 6, 2017 under the public deed executed before the notary public of Madrid Ms. Isabel Estapé Tous, under number 2,919 of her records, copy of which is available at the Company's registered office. It is registered with the Commercial Registry of Madrid under volume 36,150, sheet 17, page M-649563, first inscription. Millenium holds Spanish tax identification number A-87846028 and its legal entity identifier code (LEI) is 9598000L9L105M8ZYD72. The Company's phone number is +34 91 185 17 10.

The principal legislation under which the Company operates, and under which the existing Shares were created and the New Shares will be created, is the Spanish Companies Law and the regulations made thereunder.

The Company's website is <https://www.milleniumhotelsrealestate.com>. Neither the Company's website nor any of its contents forms part of or are incorporated into this Prospectus, whether by reference or otherwise, except as otherwise provided herein. The CNMV has not examined nor approved the Company's website nor any of its contents.

The Company's corporate purpose is as follows:

- a) The acquisition and development of urban and resort real estate properties for leasing thereof, which includes rehabilitation activities.
- b) Holding interests in the share capital of other SOCIMIs or in other non-Spanish entities with the same corporate purpose as the former, and that are subject to a similar regime as the one foreseen for SOCIMIs in terms of mandatory, legal or statutory policies regarding profit distribution.
- c) Holding interests in the share capital of other entities, whether or not residing in Spain, whose main corporate purpose is the acquisition of urban real estate for leasing, and that are subject to the same regime established for SOCIMIs in terms of mandatory, legal or statutory policies regarding profit distribution and that fulfill the investment requirements referred to in article 3 of the Law 11/2009 of October 26, regulating SOCIMIs (*Ley 11/2009, de 26 de octubre, por la que se regulan las Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario*) (the "SOCIMI Act").
- d) Holding interests in real estate collective investment institutions (*entidades de inversión colectiva inmobiliaria*) regulated in Law 35/2003 of 4 November, on Collective Investment Institutions, as amended from time to time.

In addition, the Company may also conduct other ancillary activities, which jointly represent less than 20% of the Company's income for each tax period (including, without limitation, real estate transactions other than those mentioned in the foregoing paragraph a) to d)) or those that may be considered ancillary in accordance with the applicable law at any time.

The Company is the parent of a group of subsidiaries through which it holds its real estate properties. Below is a diagram of the organizational structure of the Group as of the date of this Prospectus.



The Company holds its core real estate properties through the abovementioned legal entities as follows:

<u>Hotel</u>	<u>Group company name</u>
Hotel Vía Castellana.....	Millenium Hotels C220, S.L.U.
Hotel Lucentum.....	Millenium Hotels Real Estate I, SOCIMI, S.A.
Hotel Radisson Collection Sevilla .....	Varia Pza Magdalena, S.L.U.
Hotel Radisson Collection Bilbao.....	Millenium Hotels Real Estate I, SOCIMI, S.A.
Hotel Alma Sevilla .....	Millenium Hotels Real Estate I, SOCIMI, S.A.
Hotel Plaza Canalejas .....	Millenium Hotels Real Estate I, SOCIMI, S.A.
Hotel Meliá Bilbao .....	Millenium Hotels Real Estate I, SOCIMI, S.A.
Hotel Palacetes de Cordoba.....	Millenium Hotels Real Estate I, SOCIMI, S.A.
Proyecto La Hacienda San Roque.....	MHRE San Roque, S.L.U., Alcaidesa Holding, S.A. and Alcaidesa Golf, S.L. <sup>(1)</sup>

(1) Alcaidesa Golf, S.L. and Alcaidesa Holding, S.A. are expected to merge by no later than September 30, 2020.

The table below includes a list of its significant subsidiaries, including their name, country of incorporation or residence and the proportion of ownership interest and voting power held by the Company in each of them:

<u>Group company name</u>	<u>Country of incorporation or residence</u>	<u>% ownership held by the Company</u>	<u>% voting rights held by the Company</u>
Millenium Hotels C220, S.L.U. ....	Spain	100	100
Varia Pza Magdalena, S.L.U.....	Spain	100	100
MHRE San Roque, S.L.U. ....	Spain	100	100
Alcaidesa Holding, S.A. ....	Spain	100	100
Alcaidesa Golf, S.L.....	Spain	100 <sup>(1)</sup>	100

(1) Indirectly held through Alcaidesa Holding, S.A. which, in turn, holds 100% of the shares of Alcaidesa Golf, S.L.

As stated in the table above, there are no differences between the proportion of ownership interest held and the proportion of voting rights held.

## BUSINESS

### Overview

We are a Spanish real estate group focused on the acquisition and development of hotel buildings in prime locations in established tourist destinations, which we refer to as “strategic destinations”, in Spain and, to a lesser extent and eventually in the future, in certain areas in Portugal, such as Lisbon, Porto and occasionally Algarve.

Our main objective is to generate value for our shareholders by acquiring buildings that can be transformed or repositioned as high-end hotels by taking advantage of the expertise and skills of the members of our Board of Directors and Senior Management, each of whom has significant experience in the Spanish real estate industry. In addition to Mr. Illán, our Senior Management includes Mr. Juan Odériz, Mr. Remigio Iglesias, Mr. Santiago López-Vilas, Ms. María Pardo and Mr. Miguel Torres, who together have an average of 20 years of experience in the real estate, hospitality and financial sectors (see “*Board of Directors and Management*”). We expect to fully leverage the past successes of our Board of Directors and Senior Management in the Spanish real estate industry to develop and grow our business.

As of the date of this Prospectus, our hotel portfolio consists of three fully operational hotels in Alicante, Bilbao and Madrid and six hotels under development in Bilbao, Madrid, Cadiz, Cordoba and Sevilla (two hotels), with 1,217 rooms in total. As of May 31, 2020, our hotel portfolio had an aggregate GAV of approximately €314.5 million—considering the GAV as determined in the Valuation Reports— (€318.64 million as of December 31, 2019) and an aggregate gross leasable area (“GLA”) of approximately 107,510 square meters.

### History and development

The Company was incorporated for an indefinite period of time under the initial name of Millenium Hotels Real Estate I SOCIMI, S.A., by virtue of a public deed granted before the Public Notary of Madrid Ms. Isabel Estapé Tous, on June 6, 2017, under number 2,919 of her official records; recorded at the Commercial Registry of Madrid on July 20, 2017 under Volume 36,150, Sheet 17, Section 8, Page M-649563, Entry 1.

The initial share capital of the Company amounted to €60,000 divided into 60,000 shares of €1.00 of par value each and were fully subscribed by the then sole shareholder of the Company, Mr. Javier Illán Plaza, who paid 25% of their face value (i.e., €15,000). Mr. Javier Illán Plaza, whose business address is Paseo de la Castellana 102. 2ºP, 28046 Madrid, is currently the Chairman of the Board of Directors and CEO of the Company (see “*Board of directors and Management*” for additional information).

On July 25, 2017 the Company notified the Spanish Tax Administration of its decision to apply for the SOCIMI’s special tax regime under the SOCIMI Act.

On December 22, 2017, Millenium acquired 50% of the shares of VPM, the owner of Hotel Radisson Collection Sevilla, for a total consideration of approximately €2.5 million. In addition, on September 6, 2018, Millenium acquired the remaining 50% of the shares of VPM for a total consideration of approximately €3 million. As a result, the Company became the sole shareholder of VPM.

As of December 31, 2017, the Company was under an equity imbalance situation as a consequence of the fact that the net equity of the Company was below 50% of the Company’s share capital as of that date.

On February 16, 2018, Millenium acquired Hotel Lucentum, located in Alicante (Spain), for a total consideration of €22 million (excluding acquisition costs). To finance this acquisition, the Company entered into a mortgage loan agreement for €13.4 million with Banco de Sabadell, S.A.

On March 12, 2018, Mr. Javier Illán, the Company’s sole shareholder at that time, paid the remaining €45,000 outstanding since the incorporation of the Company and approved a share capital increase of €12.59 million through the issuance of 12.59 million new Shares with a par value of €1.00 each, without a share premium and of the same class as the previous Shares.

On May 11, 2018, the General Shareholders Meeting approved a share capital increase through the capitalization of €8.35 million in debt, through the issuance of 8.35 million new Shares with a par value of €1.00 each, without share premium and of the same class as the previous Shares. On the same date, the General Shareholders Meeting approved another capital increase through cash contributions for an amount of €720 thousand, through the issuance of 720 thousand new Shares with a par value of €1.00 each, without share premium, of the same class as the previous Shares of the Company and excluding the pre-emptive subscription right of its existing shareholders.

As a result of the share capital increases of March 12 and May 11, 2018, and in accordance with the Spanish Companies Law, the Company’s equity imbalance situation existing as of December 31, 2017 was resolved.

On July 27, 2018, the General Shareholders Meeting resolved to increase the Company’s share capital in €25.397 million by means of cash contributions and through the issuance of 25.397 million new Shares with a par value of €1.00 each,

without share premium, of the same class as the previous Shares and excluding the pre-emptive subscription right of its existing shareholders.

Between July and October, 2018, Millenium acquired 100% of the shares of C220, the lessee under the capital lease of Hotel Vía Castellana, located in Madrid (Spain), for a total consideration of approximately €19.4 million. On April 29, 2010, La Caixa d'Estalvis i Pensions de Barcelona (“Caixabank”), as lessor, and C220, as lessee, entered into a capital lease agreement to finance the acquisition Hotel Vía Castellana. Under the capital lease agreement, Caixabank is, and will be, the legal owner of Hotel Vía Castellana for the duration of the lease, while C220 has operating control over the property. C220 will become the legal owner of Hotel Vía Castellana upon exercise of the bargain purchase option and payment of the residual value at maturity (see “*Business—General Portfolio overview—Hotel Vía Castellana*” and “*Operating and financial review—Liquidity and capital resources—Borrowings*” for additional information).

On December 28, 2018, the General Shareholders Meeting resolved to increase the Company’s share capital in €11.897 million through cash contributions and the issuance of 11.897 million of new Shares with a par value of €1.00 each, without share premium, of the same class and excluding the pre-emptive subscription right of its existing shareholders.

On March 15, 2019, the General Shareholders Meeting resolved to increase the Company’s share capital in €6.5 million through cash contributions and the issuance of 6.5 million of new Shares with a par value of €1.00 each, without share premium, of the same class. The newly issued Shares were fully subscribed and paid for by new shareholders who entered into the capital structure of the Company. In addition, on March 27, 2019, the General Shareholders Meeting resolved to increase the Company’s share capital in €10 million through cash contributions and the issuance of 10 million of new Shares with a par value of €1.00 each, without share premium, of the same class.

On March 27, 2019, Millenium acquired Hotel Radisson Collection Bilbao, located in Bilbao (Spain), for a total consideration of €23.5 million (excluding acquisition costs). To finance this acquisition, the Company entered into the mortgage loan agreement of €12 million with Banco Santander, S.A. with an annual fix rate of 2.38% and with a maturity date of March 27, 2026.

On April 2, 2019, the General Shareholders Meeting resolved to increase the Company’s share capital in €500 thousand through cash contributions and the issuance of 500 thousand new Shares with a par value of €1.00 each, without share premium, of the same class and excluding the pre-emptive subscription right of its existing shareholders. The newly issued Shares were fully subscribed and paid for by new shareholders who entered into the capital structure of the Company.

On April 4, 2019, Millenium acquired the property “Rioja 26”, located in the corner between Plaza Magdalena Square and Rioja Street in Sevilla (Spain), for a total consideration of €8.5 million (excluding acquisition costs). To finance this acquisition, the Company entered into the mortgage loan agreement for €4.6 million with Banco Santander, S.A. with an annual fix rate of 2.65%, and with a maturity date of June 5, 2025.

On April 26, 2019, Millenium acquired Hotel Alma Sevilla, located in Sevilla (Spain), for a total consideration of €5.7 million (excluding acquisition costs). Such acquisition was financed with Company’s equity.

On May 10, 2019, the General Shareholders Meeting approved, among others, the following resolutions: (i) a share capital reduction of €60.811 million by reducing the par value of the Shares of the Company from €1.00 each to €0.20 each, in order to increase the legal reserves of the Company and create a new reserve that may only be disposed of under the same conditions as a capital reduction; (ii) a reverse split of 1 new Share for every 5 previous Shares to increase the par value of the Shares from €0.20 to €1.00 each and reduce the number of outstanding Shares to 15,202,800, without modifying the share capital of the Company; and (iii) an amendment of the Bylaws to change the corporate name from “Millenium Hotels Real Estate I, S.A.” to “Millenium Hotels Real Estate I, SOCIMI, S.A.” and to change the means of representation of the ordinary Shares of the Company.

Furthermore, the General Shareholders Meeting that took place on May 10, 2019, approved a share capital increase by means of cash contributions of €34.797 million through the issuance of 34.797 million new Shares with a par value of €1.00 each, a share premium of €4.00 per share and with pre-emptive rights.

On July 4, 2019, the Shares of the Company were incorporated to the SOCIMI Segment of the MAB.

On September 5, 2019, the sole shareholder of Varia Pza Magdalena, S.L.U. and Millenium Hotels C220, S.L.U. resolved to apply for the Spanish SOCIMI Regime. The notification to the Spanish tax authorities of such election was made on September 27, 2019.

On September 24, 2019, Millenium acquired the property “Calle Cabezas”, located in Calle Cabezas 19, Cordoba (Spain) for a total consideration of €1.3 million (excluding acquisition costs).

On October 31, 2019, Millenium acquired the properties Carrera San Jerónimo 9 and 11, in Madrid (Spain), for a total consideration of €82 million (excluding acquisition costs). Part of the acquisition price was paid through the assumption of €20.46 million in debt with Banco Santander, S.A., with annual interest rate of 1.5% over the 12 month Euribor rate.

On November 7, 2019, Millenium acquired the property Meliá Bilbao, located at Lehendakari Leizaola, 29 in Bilbao (Spain), for a total consideration of €49.3 million (excluding acquisition costs). Part of the acquisition price was paid through the assumption of €24.66 million in debt with Kutxabank, S.A., with annual interest rate of 1% over the 3 month Euribor rate (€18.2 million) and an annual interest rate of 2% over the 3 month Euribor rate (€6.4 million).

On December 10, 2019, Millenium acquired 100% of the shares of Alcaidesa Holding, S.A. which, in turn, holds 100% of the shares of Alcaidesa Golf, S.L. (see “*Information about the Company*”). In addition, on December 27, 2019, Millenium acquired a plot located in Cadiz (Spain). Millenium paid a total consideration of €33.2 million (excluding acquisition costs) for the referred two transactions that together form Proyecto La Hacienda San Roque.

## **Competitive advantages**

Millenium acquires and creates iconic buildings in the main Spanish cities that meet top quality standards, whether they are hotels or buildings that may become hotels after a refurbishment and repositioning process that generates value.

Millenium focus its efforts in 4 and, especially, 5-stars hotels, with the aim of being managed by best-in-class hotel operators and exposed to a segment of tourism with less elasticity to a change in the economic cycle, as is the luxury, upper upscale or high-income tourists. In this regard, the lease agreements we target are focused on the variable component with a secured minimum percentage (typically, 4-4.5% gross yield on cost<sup>6</sup>) that allows us to generate rental incomes even if the economy is decreasing and allows us to benefit when the economy is growing. In addition to the aforementioned, Millenium benefits from the following advantages:

- Millenium’s target markets are fragmented and underinvested and attract both hotel high quality operators and their clientele;
- growth opportunities, searching for assets with a strong turn-around potential and/or undermanagement situation;
- Iberia currently is the largest tourist destination in Europe;
- unique business model, with a high potential in luxury repositioning;
- best-in-class brands operators and properties (premium locations, iconic properties, etc.); and
- underlying asset value.

The combination of these three factors (i.e., top quality buildings in prime locations, leased to accredited hotel operators and high-income tourists) gives us a competitive advantage that allows us to create value for our shareholders.

## **Strategy**

Our business model consists in identifying and acquiring or creating iconic buildings that meet top quality standards, located in prime districts of the main Spanish cities, occasionally in Portugal, and that can be transformed and repositioned as high value assets. Our strategy is designed to allow us to identify attractive investment opportunities and execute value added and tailored strategies to unlock value. We seek to acquire underinvested and undermanaged hotel properties with operational deficiencies and strong refurbishment potential (what we call “yielding” properties), high quality real estate properties with lodging potential (what we call “turnaround” properties) and selective “greenfield” projects in core and established locations with the potential to offer attractive returns.

Once the asset has been transformed or repositioned, we reinforce our ownership business model with an active management strategy over the assets, which are operated by national and international hotel operators under lease agreements. This allows us to benefit from the increasing trend among hotel operators to pursue an asset-light business model, divesting hotel properties while simultaneously entering into lease or other agreements that allow them to continue with the operation of the hotel business. Also, our lease agreement policy requires us to subscribe lease agreements that have a fixed rent component and a variable rent component that is tied to the hotel’s gross operating profit. This allows us to capture revenue and profit growth while maintaining a relevant downside protection.

As of the date of this Prospectus, the Board of Directors has not resolved to amend our strategy as a consequence of the COVID-19 outbreak.

---

<sup>6</sup> Gross yield on cost is an APM, see “*Additional Information—Alternative performance measures*” for the description of this management measure categorized as an APM.

Through this strategy, our goal is to create and maintain a high quality hotel portfolio with embedded hotel potential and intrinsic value in prime locations situated in strategic destinations. With this purpose in mind, we have developed our operational strategy, which is based in the following three pillars:

(1) Focus on Average Daily Rates and brand value-added strategy

The Spanish and Portuguese hospitality market has historically been based on volume-oriented brands and operators, which compete in the low pricing segment and base their strategy on obtaining high occupancy. Although we believe Spain and, to a lesser extent, Portugal, have the ingredients to become international reference markets in the upper upscale and luxury hospitality segment, historically the focus has been on large, volume-oriented hotels owned and/or operated by local operators. Traditionally, international operators have not been able to enter the Spanish hospitality market due to the dominance of Spanish operators since the boom of tourism in Spain in the late 1960's.

Operators are shifting from their traditional focus on occupancy towards a greater emphasis on ADR optimization. While increases in occupancy are accompanied by increases in most categories of variable operating expenses, increases in ADR typically only result in increases in certain categories of operating costs and expenses, such as hotel management fees, travel agency commissions and credit card processing fee expenses, all of which are based on hotel revenues. Therefore, changes in the ADR generally have a more significant impact on operating profit than changes in occupancy.

Our value-added strategy focuses on (i) undermanaged and underinvested hotels with operational deficiencies and strong refurbishment potential (“yielding” properties); (ii) high-quality real estate properties with lodging turnaround potential and repositioning prospects (“turnaround” properties); and (iii) selective “greenfield” projects in core and established locations with attractive potential returns to develop and conceptualize new hotels.

As a result of our value-added strategy, our hotels provide a favorable platform for ADR optimization, resulting in higher hotel operating profit, which, in turn, would translate into a positive impact on the variable component of our rental income (see “*Business—Strategy—Focus on a risk-mitigating lease strategy*” for additional information).

(2) Focus on prime locations in strategic destinations

We seek to ensure that our hotels are attractive to national and international hotel operators by acquiring hotel properties in prime locations in strategic destinations. We believe that with a portfolio of hotels located in prime locations in strategic destinations we will have a strong negotiating position vis-a-vis national and international hotel operators, thereby potentially enabling us to negotiate more favorable terms and conditions in our lease agreements.

Additionally, properties in prime locations tend to have strong reconversion potential and, despite the illiquid nature of real estate investments, in a downside scenario, in which the hospitality industry is affected, such properties may still be sold or reconverted to other uses, such as offices, residential or retail. This characteristic means that there is less impact on the intrinsic value of properties in prime locations than on the intrinsic value of properties in secondary locations (see “*Risk Factors—Risks related to the Company’s business activities and industry—Real estate investments are relatively illiquid and the Company may dispose of investments at a lower than expected return or at a loss on such investments and may be subject to liability following disposal all of which may materially and adversely affect our business, financial condition and/or results of operations*” for additional information).

Our definition of a prime location varies depending on various factors, including the intended focus of our hotels, the particulars of the destination and guest demands. For instance, for hotels with a stronger focus on leisure, we typically define “prime” as upper upscale areas within walking distance of the main tourist attractions in the destination, whereas hotels with a focus on “bleisure” will be ideally located between the major transport hubs and the central business district of the destination. For coastline destinations, we primarily seek first line waterfront locations as well as proximity to F&B services, shopping areas and other leisure attractions, and only in vacation destinations where there is a substantial presence of international high-quality tourism.

Furthermore, our business model is mainly focused in the following strategic destinations:

- Main Spanish cities with a strong leisure component (e.g., Madrid, Barcelona, Sevilla, Bilbao, Valencia, Cordoba, Granada, San Sebastian and Malaga);
- Coastline Spanish cities combining business and leisure (i.e., “bleisure”) (e.g., Costa del Sol, Costa de la Luz, Alicante and Balearic Islands); and
- To a lesser extent, certain areas in Portugal, such as Lisbon, Porto and occasionally Algarve.

(3) Focus on a risk-mitigating lease strategy

As part of our business strategy, we lease our hotels to renowned international and national hotel operators under lease agreements. Our hotel lease agreement strategy allows us to capture revenue and profit growth while maintaining a downside protection.

In order to maintain a degree of downside protection, we aim to enter into lease agreements with a minimum fixed annual rent that ranges between 4.0% and 4.5% of the total investment incurred to begin operating such hotel (including purchase price, transaction costs, construction or refurbishment costs, licenses, etc.), depending on the location and nature of the hotel.

In order to capture part of the hotel's profitability, we aim to enter into lease agreements where the variable component of the annual rent ranges between 70% and 75% of the hotel's gross operating profit, measured in terms of the difference between the total operating revenues (composed of room revenues, F&B revenues and revenue from other services) and the sum of (i) operating expenses (i.e., mainly, operating supplies and equipment expenses ("OS&E")); (ii) fixed charges (which typically include real estate taxes, insurance, furniture, fixtures and equipment ("FF&E")); and (iii) undistributed operating expenses (which typically comprise administrative and general expenses, sales and marketing expenses, utilities costs, property operation and maintenance costs). Fixed rent payments are subtracted from any amounts payable under the variable component. Although it varies from one hotel to another, operating expenses are estimated to range between 40% and 60% of the operating revenues.

In this regard, and as result of the COVID-19 outbreak and the hotels closures, we are currently discussing with the relevant hotel operators different alternatives to facilitate their monthly payments. However, as of the date of this Prospectus, we have not entered into any specific agreement with the relevant hotel operators (see "*Risk Factors—Risks relating to health, environment, social and economic conditions—The outbreak of COVID-19 and possible similar future outbreaks or any other circumstances that could result in movement restrictions or hotels closures could materially and adversely affect our business, financial condition, results of operations, dividends and/or prospects*" for more information).

We expect annual FF&E of our hotels to range from between 1% and 4% of the total operating revenue generated by the hotel, depending on the characteristics of the hotel and the hotel operator.

We also seek long-term arrangements and seek to ensure the operators' incentives are aligned with our interests throughout the whole term by entering into 20-year leases with "revision" clauses that allow for early termination every five years during the initial term based on the performance of the hotel measured against agreed projections and market benchmarks. In this context, every five years a performance test should be undertaken to confirm compliance with the operator's projections and other market benchmarks that will have been previously agreed between Millenium and the operator. Additionally, the operator will update the projections at the end of every five years factoring in the trends in the upper upscale and luxury hospitality market in the hotel destination and performance of direct competitors of the hotel. As a result, the operator is incentivized to focus on business profitability if it wishes to remain operating the hotel throughout the term of the lease. As our hotel properties are located in prime locations in strategic destinations, this should facilitate operator eviction and rotation in case of underperformance.

Additionally, we have a regular dialogue with other national and international hotel operators, which allows us to be informed of their strategic preferences and to obtain their feedback on specific investment opportunities.

It is important to highlight that Hotel Via Castellana, Hotel Lucentum and Hotel Meliá Bilbao were acquired with established lease agreements that do not fully conform with the Company's strategy. In this regard, Hotel Via Castellana's lease agreement will terminate on February 26, 2024 and, therefore, the Company targets to negotiate a new lease agreement or amend the one currently in force in accordance with our lease strategy. Likewise, Lucentum's lease agreement, which was initially set to expire on August 31, 2020 has been renewed for five years (i.e., until August 31, 2025) under the same terms and conditions (see "*General Portfolio overview—Hotel Lucentum—Lease agreement*"). Additionally, the Company is currently negotiating with the hotel operator of Hotel Meliá Bilbao in order to amend the lease agreement in accordance with our current lease agreement strategy (e.g., both a fixed rent component and a variable rent component).

## **General Portfolio overview**

The table below includes the assets comprising our portfolio as of the date of this Prospectus (collectively, the "**Portfolio**"). Through the recent contributions and acquisitions, we have built a customized hotel portfolio composed of attractive properties selected from some of the largest hotel portfolios in Spain. The selection of properties was conducted under criteria consistent with our investment strategy (see "*Business—Investment Process—Investment Policy*" for additional information). As of the date of this Prospectus, our Portfolio is comprised of three fully operational and six under development hotels, with 1,217 rooms in total, and an aggregate GAV of approximately €319 million, as of December 31, 2019, and an aggregate GLA of approximately 107,510 square meters, as of December 31, 2019. Our Portfolio's GAV as of December 31, 2019 represents an increase of approximately 11% as compared to the acquisition cost —i.e., acquisition price, transaction expenses and capital expenditures invested until December 31, 2019— of the assets comprising the Portfolio.

Property	Acquisition date	Status	Type & Category	N° Rooms	Location	GAV 2020 <sup>(1)</sup>	GAV 2019 <sup>(2)</sup>	GAV 2018 <sup>(3)</sup>
Hotel Lucentum.....	February 2018	Fully operational	Leisure 4*	169	Alicante	27,000,000	28,100,000	23,900,000
Hotel Vía Castellana .....	July 2018	Fully operational	Bleisure 4*	228	Madrid	38,200,000 <sup>(4)</sup>	40,700,000	38,100,000
Hotel Radisson Collection Bilbao.....	March 2019	Under development	Luxury 5*	137	Bilbao	24,000,000	24,800,000	-
Hotel Radisson Collection Sevilla .....	April 2019 <sup>(5)</sup>	Under development	Luxury 5*	89	Sevilla	28,800,000	25,790,000 <sup>(5)</sup>	12,500,000
Hotel Alma Sevilla.....	April 2019	Under development	Luxury 5*	29	Sevilla	6,100,000	6,330,000	-
Hotel Palacetes de Cordoba.....	September 2019	Under development <sup>(6)</sup>	-	-	Cordoba	3,400,000 <sup>(7)</sup>	1,617,000	130,001 <sup>(8)</sup>
Hotel Plaza Canalejas.....	October 2019	Under development	Luxury 5*	144	Madrid	88,700,000 <sup>(9)</sup>	92,000,000 <sup>(10)</sup>	-
Hotel Meliá Bilbao.....	November 2019	Fully operational	Luxury 5*	211	Bilbao	47,900,000	50,000,000	-
Proyecto La Hacienda San Roque <sup>(11)</sup> .....	December 2019	Under development	Luxury 5*	210	Cadiz	50,315,000 <sup>(12)</sup>	49,300,000 <sup>(13)</sup>	-
<b>TOTAL .....</b>		-	-	1,217	-	<b>314,415,000</b>	<b>318,637,000</b>	<b>74,630,001</b>

(1) As of May 31, 2020.

(2) As of December 31, 2019.

(3) As of December 31, 2018.

(4) Does not include 25 parking spaces to be leased.

(5) Refers to the acquisition of Rioja 26, that completes Hotel Radisson Collection Sevilla, while the other building of Hotel Radisson Collection Sevilla was acquired on September 2018 through the acquisition of the remaining share capital of VPM.

(6) As of the date of this Prospectus, the Company has not developed a refurbishment project for Hotel Palacetes de Cordoba.

(7) Refers to the acquisition of two ancillary buildings for Hotel Palacetes de Cordoba.

(8) Corresponds to €130 thousand of down payment.

(9) Includes €1 million of down payments regarding certain commercial premises.

(10) Includes €1 million of down payments regarding certain commercial premises. GAV as of November 27, 2019.

(11) Urbanization project pending to be approved.

(12) Includes two plots and two golf courses that comprise Proyecto La Hacienda San Roque.

(13) This amount refers to the total GAV as of December 7, 2019 and includes two plots and two golf courses that comprise Proyecto La Hacienda San Roque.

## Hotel Lucentum

Hotel Lucentum is located in a prime location in the city center of Alicante, at Avda. Alfonso X El Sabio 11, on the south-east coast of Spain. The hotel is located close to the Mercado Central, to the port and the old quarter, in a good location for visiting the city on foot. It is also well-connected with other points of interest in the city, with a stop on the new metropolitan tramline across the street.

Hotel Lucentum consists of a 16-story building, with 13 floors above ground and three basements. The basement floors feature several technical facilities as well as 21 parking spaces which are currently used as a “back of the house” area since these floors do not meet the required height for parking use.

The hotel has a total of 169 rooms distributed between the first and tenth floors, all of which are exterior with an en-suite bathroom and are fully equipped, heated and air conditioned. Rooms are divided into three categories: standard rooms, executive rooms and junior suites. The size of the rooms ranges from between 15 to 50 square meters. The hotel also has comprehensive facilities, including several rooms for events.

### Property Detail

Location .....	Alicante, Spain	Type of agreement.....	Fixed lease agreement
Location .....	Coastline	Operator .....	Hotusa Group
Current category.....	4-star	Brand.....	Hotel Lucentum
Hotel type.....	Leisure		
Customer profile .....	Adult and families		
Number of rooms .....	169	Strategy.....	“Yielding”
Built area.....	9,790 sqm	Status .....	Open and to be refurbished
Building floors .....	16 (3 below ground)		
Year of construction.....	2006		



## Property Detail

Room type:	Number	Average room size (sqm)	F&B outlets:	Approximate capacity (guests)
Standard .....	141	Nd	restaurant / bar .....	-
Executive.....	18	Nd		
Junior.....	9	Nd		
Presidential Suite.....	1	Nd		
<b>TOTAL.....</b>	<b>169</b>			
Guest amenities:			Meeting spaces:	
Leisure.....	swimming pool, wellness center with gym and spa, and a playground		meeting rooms.....	110
Car parking.....	21 indoor parking spaces			

## Operating structure

Hotel Lucentum is leased under a lease agreement signed on September 26, 2013 between Tiempo Futuro, S.A.U. (former owner of the hotel), as lessor, and Galena Hotels, S.L.U., a subsidiary of the Hotusa Group, as hotel operator. The lease agreement was initially set to expire on August 31, 2015 but on January 18, 2016, the original parties executed an addendum extending the original term and amending other terms and conditions of the lease. Tiempo Futuro, S.A.U. assigned its position as lessor under the lease agreement to the Company in February, 2018. The rent under the lease agreement consists of a fixed rent only.

Given that the lease agreement was entered into by the prior owner of Hotel Lucentum before we acquired it, its terms and conditions are in certain cases inconsistent with the terms and conditions of our lease agreement strategy. For example, the lease agreement provides only for fixed rent payments, as opposed to our strategy based on lease payments with both a fixed rent and a variable component tied to the hotel's gross operating profit. At the time of expiry or termination of this lease agreement, we intend to propose the extension of the lease under revised terms and conditions that are more closely aligned with our lease agreement strategy (see "*Business—Strategy—Focus on a risk mitigating lease strategy*" for additional information).

## Lease agreement

The main terms of the lease agreement, as amended on January 18, 2016, are the following:

- **Term:** the lease was initially set to expire on August 31, 2020, with one renewal term (for five additional years, until August 31, 2025) at the request of the lessee with at least six months' notice prior to the expiration of the initial term. In this regard, the lessee has requested to renew the lease agreement for five additional years, therefore the lease agreement will expire on August 31, 2025.
- **Rent:** the rent under the lease agreement is comprised of fixed rent only, as set forth below:

Period	Annual rent (€ million)	Monthly rent (€ thousand)
September 1, 2019 to August 31, 2020	1.60	133.4

As the lease agreement has been extended, the rent for the following years until its termination will be equal to the previous year's rent increased in line with the Spanish consumer price index ("CPI").

The figures above do not include value added tax (*impuesto sobre el valor añadido*) ("VAT").

- **Payment guarantee:** The Company shall receive from the lessee a promissory note in the amount of the corresponding monthly rent each month, in order for the Company to convert it into cash. The amount of promissory notes held by the Company varies between five and six depending on the moment on which the Company receives the promissory notes and the moment on which it is converted. However, at all times the Company shall have a maximum of six and a minimum of five promissory notes.
- **Maintenance, building alterations, improvements and renewals:** the lessee is required to keep the property in good condition, to undertake any required maintenance works and to return the property in the condition it was at the time the lease was signed (subject to normal tear and wear). In accordance with the lease agreement, the lessor shall only pay the annual real state tax and the property's insurance premium. In addition, the lessor pays for water consumption of the hotel although such amount is passed on to the lessee. All other expenses shall be borne by the lease.
- **Sale of the hotel:** we are limited in our ability to sell our hotel, lease or otherwise transfer the hotel by the requirement that the transferee assumes the hotel lease agreement. The lessee has waived its right of first refusal with respect to the sale of the hotel.
- **Personnel:** we are not responsible for hiring and employing the staff in the hotel.

### Mortgage loan agreement

To finance the hotel acquisition, on February 16, 2018, we entered into a mortgage loan agreement for €13.4 million with Banco de Sabadell, S.A. (see “*Operating and financial review—Liquidity and capital resources—Borrowings*”).

### Hotel Via Castellana

Hotel Via Castellana is located at Paseo de la Castellana, 220, Madrid, Spain’s capital city and one of the main urban tourist destinations in the country, as well as its main corporate hub. The hotel is located at Plaza Castilla and is flanked by the KIO Towers. Emblematic locations such as Santiago Bernabéu Stadium, the Cuatro Torres Business Area complex and the Chamartín train station are within 1.5 km. The hotel is located in the main business and financial area of Madrid, with easy access from the ring roads (M-30 and M-40) and with convenient access to the IFEMA convention center and the airport.

Hotel Via Castellana consists of two adjacent buildings, both featuring 10 floors above the ground. The first building is located at Paseo de la Castellana, 220 and has 174 rooms and the hotel common areas. The second building is located at Paseo de la Castellana, 218, has 54 rooms and was incorporated into the first building in 2002. The first building also has four basement floors, of which only the first floor is operated by the hotel, and 47 parking spaces. Additionally, we own 22 parking spaces located in the second basement floor, which are separate from Hotel Via Castellana’s operations and we currently lease to third parties. Furthermore, we own 25 parking spaces located in Paseo de la Castellana, 218 which as of the date of this Prospectus are separate from Hotel Via Castellana’s operations and will be leased to third parties.

All the rooms located in the first building are exterior and are divided into three main categories: standard rooms, executive rooms and junior suites. The 54 rooms located in the second building are smaller in size and feature different interior design.

#### Property Detail

Location .....	Madrid, Spain	Type of agreement.....	Fixed and variable rent lease agreement
Location .....	Urban	Operator .....	Hotusa Group
Current category.....	4-star	Brand.....	Hotel Via Castellana
Hotel type.....	Bleisure		
Customer profile .....	Adult		
Number of rooms .....	228	Strategy.....	“Yielding”
Built area.....	11,938 sqm	Status .....	Open and to be refurbished
Building floors .....	10		
Year of construction.....	1994		

Room type:	Number	Average room size (sqm)	F&B outlets:	Approximate capacity (guests)
Standard .....	218	15-20	One restaurant / bar.....	25
Executive.....	8	25-30		
Junior.....	2	40	Meeting spaces:	
<b>TOTAL</b> .....	<b>228</b>		9 meeting rooms .....	340

#### Guest amenities:

Leisure .....	swimming pool, wellness center with gym and spa
Car parking.....	47 indoor parking spaces <sup>(1)</sup>

(1) In addition, the property has 22 parking spaces which are leased to third parties for approximately €17 thousand per year and 25 parking spaces to be leased.

### Operating structure

Hotel Via Castellana is leased under a lease agreement signed on February 25, 2014 between C220, as lessor, and Opalo Hotels, S.L.U., subsequently substituted by Argon Hoteles, S.L.U., a subsidiary of the Hotusa Group, as hotel operator. The lease is for a term of 10 years, expiring on February 26, 2024. The rent under the lease agreement has both fixed rent and a variable component tied to the hotel’s annual net operating revenue (i.e., total revenues minus discounts and commercialization fees).

This lease agreement was entered into by C220 before we acquired C220 and its terms and conditions are in certain cases inconsistent with the terms and conditions of our lease agreement strategy. For example, the variable rent component in Hotel Via Castellana’s lease is tied to the hotel’s net operating revenue as opposed to gross operating profit. At the time of expiry or termination of this lease agreement, we intend to propose the extension of the lease under revised terms and conditions that are more closely aligned with our lease agreement strategy (see “*Business—Strategy—Focus on a risk-mitigating lease strategy*” for additional information).

### Lease agreement

The main terms of the lease agreement are described below:

- **Term:** the lease agreement has been entered into for a period of 10 years, expiring on February 26, 2024. The lessee may freely terminate the lease at any time after the first five years of the lease (i.e., from February 25, 2019 onwards), by providing nine months' notice.
- **Rent:** the rent under the lease agreement is composed of both a fixed and a variable component.
  - **Fixed rent:** the fixed annual rent amounts to €1.7 million on 2019 (i.e., €142.38 thousand per month). The fixed rent will be increased every year in line with the CPI. Beginning on the third year of the lease (i.e., from February 25, 2017 onwards), the fixed rent has started being increased by the CPI plus 1%.
  - **Variable component:** in addition to the fixed rent, the lessee must pay a variable rent equal to 35% of the net operating revenue generated by the hotel during the year minus real estate and waste collection taxes and the properties insurance premium. Fixed rent payments will be deducted from any amounts payable under the variable component and the definitive variable rent will be determined at the end of the year. Out of the 35% of net operating revenue payable as variable rent, the lessee must pay 32% directly to us and must deposit the remaining 3% in a reserve for extraordinary expenses. We have the right to perform audits to ensure the accuracy of the hotel operator's calculation and the settlement of the variable component.

The figures above do not include VAT.

- **Payment guarantee:** if the hotel operator fails to pay the rent under the lease agreement, the Company may execute a bank guarantee (*aval bancario*) for up to 12 months of fixed rent.
- **Maintenance, building alterations, improvements and renewals:** the lessee is required to keep the property in good condition, to undertake any required maintenance works (other than in relation to defects in the building structure, rooftop and facade) and to return the property in the condition it was at the time the lease was signed.
- **Sale of the hotel:** we are limited in our ability to sell our hotel, lease or otherwise transfer the hotel by the requirement that the transferee assume the hotel lease agreement. The lessee has a right of first offer, but it does not have a right of first refusal with respect to the sale of the hotel.
- **Termination:** the non-breaching party may terminate the lease as a result of a material breach by the breaching party.
- **Personnel:** we are not responsible for hiring and employing the staff in the hotel.

### Capital Lease Agreement

On April 29, 2010 Caixabank, as lessor, and C220, as lessee, entered into a capital lease agreement to finance the acquisition Hotel Vía Castellana. Under the capital lease agreement, Caixabank will be the legal owner of Hotel Vía Castellana for the duration of the lease, while C220 has operating control over the property (see “*Business—History and development*” for additional information). C220 will become the legal owner of Hotel Vía Castellana upon exercise of the bargain purchase option (valued at €7.8 million) and payment of the residual value at maturity. As of the date of this Prospectus, the outstanding contributions regarding the capital lease agreement amount to approximately €13.9 million. The following table contains the expected payment schedule:

Date	Amount	Outstanding amount
June 30, 2020	95,258.94	13,918,337.00
July 30, 2020	95,390.94	13,822,946.06
August 30, 2020	95,523.14	13,727,422.92
September 30, 2020	95,655.52	13,631,767.40
October 30, 2020	95,788.08	13,535,979.32
November 30, 2020	95,920.83	13,440,058.49
December 30, 2020	96,053.76	13,344,004.73
January 30, 2021	96,186.87	13,247,817.86
February 28, 2021	96,320.17	13,151,497.69
March 30, 2021	96,453.66	13,055,044.03
April 30, 2021	96,587.32	12,958,456.71
May 30, 2021	99,588.17	12,858,868.54
June 30, 2021	99,726.18	12,759,142.36
July 30, 2021	99,864.39	12,659,277.97
August 30, 2021	100,002.78	12,559,275.19
September 30, 2021	100,141.37	12,459,133.82
October 30, 2021	100,280.15	12,358,853.67

<b>Date</b>	<b>Amount</b>	<b>Outstanding amount</b>
November 30, 2021	100,419.12	12,258,434.55
December 30, 2021	100,558.28	12,157,876.27
January 30, 2022	100,697.64	12,057,178.63
February 28, 2022	100,837.19	11,956,341.44
March 30, 2022	100,976.93	11,855,364.51
April 30, 2022	101,116.87	11,754,247.64
May 30, 2022	104,195.66	11,650,051.98
June 30, 2022	104,340.06	11,545,711.92
July 30, 2022	104,484.66	11,411,227.26
August 30, 2022	104,629.46	11,336,597.80
September 30, 2022	104,774.45	11,231,823.35
October 30, 2022	104,919.65	11,126,903.70
November 30, 2022	105,065.06	11,021,838.64
December 30, 2022	105,210.66	10,916,627.98
January 30, 2023	105,356.46	10,811,271.52
February 28, 2023	105,502.47	10,705,769.05
March 30, 2023	105,648.68	10,600,120.37
April 30, 2023	105,795.09	10,494,325.28
May 30, 2023	108,953.83	10,385,371.45
June 30, 2023	109,104.83	10,276,266.62
July 30, 2023	109,256.03	10,167,010.59
August 30, 2023	109,407.44	10,057,603.15
September 30, 2023	109,559.06	9,948,044.09
October 30, 2023	109,710.89	9,838,333.2
November 30, 2023	109,862.93	9,728,470.27
December 30, 2023	110,015.18	9,618,455.09
January 30, 2024	110,167.64	9,508,287.45
February 28, 2024	110,320.32	9,397,967.13

### **Hotel Radisson Collection Bilbao**

Hotel Radisson Collection Bilbao is located in a prime location in the city center, at Gran Vía de Don Diego López de Haro 4, Bilbao. The hotel is located near the main commercial and business avenues of Bilbao, just in front of the city's train station and within a 10 minute and 15 minute walk from the old quarter and the renowned Guggenheim Museum, respectively.

#### **Property Detail**

Location .....	Bilbao, Spain	Type of agreement .....	Fixed and variable rent lease agreement
Location .....	Urban	Operator .....	Radisson
Current category .....	5-star	Brand .....	Hotel Radisson Collection Bilbao
Hotel type .....	Luxury		
Customer profile .....	Adult and families		
Number of rooms .....	137	Strategy	"Turnaround"
Built area .....	11,325 sqm	Status	Under development
Building floors .....	9 floors		
Year of construction .....	2021		

Room type:	Number	Average room size (sqm)	F&B outlets:	Approximate capacity (guests)
Individual .....	14	14		
Double room .....	65	22	1 restaurant / 2 bar .....	-
Double with sitting area .....	28	32		
Suite .....	30	34		
<b>TOTAL .....</b>	<b>137</b>			

#### Guest amenities:

Leisure .....

swimming pool, wellness center with gym and spa, and a playground

#### *Operating structure*

As of the date of this Prospectus, Hotel Radisson Collection Bilbao is under construction as part of our "turnaround" construction strategy. The hotel is scheduled to open during the third quarter of 2021. On March 20, 2019, Millenium and Radisson entered into an agreement governing the terms and conditions of the construction works and the future lease of Hotel Radisson Collection Bilbao.

## Lease agreement

The main terms of the lease agreement are the following:

- **Construction works:** we have agreed to undertake a “turnaround” construction plan, which has been prepared with the collaboration and approval of Radisson, to convert the property into a 5-star hotel with 137 rooms. We or Radisson may terminate the agreement if, as a result of such refurbishment, the total number of rooms decreases by more than 10% or the hotel fails to qualify for a 5-star rating. If we fail to hand over the hotel to Radisson on a timely basis, Radisson will be entitled to request and indemnity, to request the specific performance of the lease agreement or to terminate the lease agreement depending on the characteristics of the delay.
- **Licenses and permits:** we will be responsible for obtaining any required building licenses and permits for performing the construction works in accordance with the construction plan, as well as any required opening licenses and permits for operating the hotel business. We or Radisson may terminate the lease agreement if we fail to obtain such licenses and permits on a timely basis, as long as the failure to obtain such licenses and permits does not arise from a negligent or willful misconduct from our side.
- **Term:** the lease will be for a term of up to 20 years from the date the construction works are finished and the hotel is handed over to Radisson. The lease will have an initial term of five years, with up to four renewal terms (of five additional years each) at the request of the lessee, subject to the satisfaction of the performance tests at the end of the initial term and every renewal term.
- **Rent:** the rent under the lease agreement is composed by both a fixed rent and a variable component.
  - **Fixed rent:** the fixed rent will be payable on a quarterly basis and the amount of the rent will correspond to the number of hotel rooms that are eventually constructed and handed over to the lessee, as set forth in the table below:

<u>Period</u>	<u>Annual rent (€ thousand)</u>
First three years of the initial term	15.69 per room <sup>(1)</sup>
Four year of the initial term and any subsequent extensions	Previous year’s fixed rent, increased by 75% of the year-on-year CPI increase

(1) The lease agreement provides for 76 fixed rent grace days during the first year.

- **Variable component:** in accordance with our lease strategy, in addition to the fixed rent, the lessee will pay variable rent amounting to 75% of the hotel’s adjusted gross operating profit calculated in accordance with our lease strategy (see “*Business—Strategy—Focus on a risk-mitigating lease strategy*”). We have the right to perform compliance audits to ensure the accuracy of the hotel operator’s calculation and settlement of the variable component. The variable component shall be paid quarterly.

The figures above do not include VAT.

- **Payment guarantee:** if the hotel operator fails to pay the rent under the lease agreement, the Company may execute a bank guarantee for up to 12 months of fixed rent.
- **Maintenance, building alterations, improvements and renewals:** the lessee will be required to keep the property in good condition, to undertake any required maintenance works and to return the property in good condition (subject to normal tear and wear).
- **Sale of the hotel:** we are limited in our ability to sell our hotel or assign the lease agreement as it is required the prior written consent of Radisson which shall not be unreasonably withheld. However, Radisson has waived its legal right of first offer and right of first refusal.
- **Termination:** the non-breaching party may terminate the lease as a result of a breach by the other party of any of its obligations under the lease agreement. The breaching party is entitled to a curing period of 15 days, after which the non-breaching party may demand specific performance from the breaching party or terminate the agreement (subject to a 30 days’ notice).
- **Personnel:** we are not responsible for hiring and employing the staff in the hotel.

## Mortgage loan agreement

To finance the acquisition of Hotel Radisson Collection Bilbao, on March 27, 2019 we entered into a mortgage loan agreement for €12 million with Banco Santander, S.A. (see “*Operating and financial review—Liquidity and capital resources—Borrowings*”).

## Hotel Radisson Collection Sevilla

Hotel Radisson Collection Sevilla, which is currently under construction, comprises two buildings located in a prime tourist location in Sevilla’s city center. Both buildings are adjacent to Hotel Radisson Collection Sevilla; one of them facing Plaza de la Magdalena and the other facing the Rioja Street (the “**Magdalena Building**” and “**Rioja 26**”, respectively). Hotel Radisson Collection Sevilla is scheduled to open during the fourth quarter of 2020.

As of the date of this Prospectus, we have obtained building permits and the refurbishment projects are in a preconstruction stage. The building will be fully refurbished to meet the standards of a modern 5-star rated urban hotel, including a complete renovation of the *façade*.

The first, second and third floors of the building will feature an identical layout, with a total of 89 rooms. The common facilities will include the reception, a gym, and a restaurant with a breakfast area and a retail unit. The top floor will include additional rooms, a small outdoor swimming pool with a wellness area and a rooftop bar with a lounge area. Additionally, the building will have a retail unit adjacent to the hotel with direct access from the street, which will be separated from Hotel Radisson Collection Sevilla’s hotel operations and leased to a third party.

### Property Detail

Location .....	Sevilla, Spain	Type of agreement.....	Fixed and variable rent lease agreement
Location .....	Urban	Operator .....	Radisson
Current category.....	5-star	Brand.....	Hotel Radisson Collection Sevilla
Hotel type.....	Luxury		
Customer profile .....	Adult and families	Strategy.....	“Turnaround”
Number of rooms .....	89	Status .....	Under development
	<u>Magdalena</u>	<u>Rioja</u>	
	<u>Building</u>	<u>Building</u>	
Built area.....	4,177 sqm	2,561 sqm	
Building floors .....	4	5	
Year of construction.....	2020		

Room type:	Number	Average room size (sqm)	F&B outlets:	Approximate capacity (guests)
<u>Double room</u>			2 restaurant / 3 bar .....	-
Magdalena Building.....	56	26-34		
Rioja 26.....	12	27-35		
<u>Junior suite</u>				
Magdalena Building.....	4	43-45		
Rioja 26.....	12	32-40		
<u>Presidential Suite</u>				
Magdalena Building.....	5	75		
Rioja 26.....	-	-		
<b>TOTAL.....</b>	<b>89</b>			

### Guest amenities:

Leisure.....	swimming pool, wellness center with gym and spa, and a playground
--------------	---

### Operating structure

As of the date of this Prospectus, Hotel Radisson Collection Sevilla is under construction as part of our “turnaround” construction strategy. The hotel is scheduled to open during the fourth quarter of 2020. On April 26, 2018, VPM and Radisson entered into an agreement governing the terms and conditions of the construction works and the future lease of Hotel Radisson Collection Sevilla.

### Lease agreement

The main terms of the Hotel Radisson Collection Sevilla’s lease agreement are described below:

- **Construction works:** we have agreed to undertake a “turnaround” construction plan, which has been prepared with the collaboration and approval of Radisson, to convert the property into a 5-star hotel with 89 rooms. We or Radisson may terminate the agreement if, as a result of such refurbishments the total number of rooms decreases by more than 10% or the hotel fails to qualify for a 5-star rating. If we fail to hand over the hotel to Radisson on a timely basis, Radisson will be entitled to request and indemnity, to request the specific performance of the lease agreement or to terminate the lease agreement depending on the characteristics of the delay.
- **Licenses and permits:** we will be responsible for obtaining any required building licenses and permits for performing the construction works in accordance with the construction plan, as well as any required opening licenses and permits for operating the hotel business. We or Radisson may terminate the lease agreement if we fail to obtain such licenses and permits on a timely basis, as long as the failure to obtain such licenses and permits does not arise from a negligent or willful misconduct from our side.

- **Term:** the lease will be for a term of up to 20 years from the date the construction works are finished and the hotel is handed over to Radisson. The lease will have an initial term of five years, with up to four renewal terms (of five additional years each) at the request of the lessee, subject to the satisfaction of the performance tests at the end of the initial term and every renewal term.
- **Rent:** the rent under the lease agreement is composed by both a fixed rent and a variable component.
  - **Fixed rent:** the fixed rent will be payable quarterly on the basis of the number of hotel rooms that are eventually constructed and handed over to the lessee, as set forth in the following table:

Period	Annual rent (€ thousand)
First year of the initial term	14.27 per room
Second year of the initial term	14.60 per room
Third year of the initial term	14.91 per room
Fourth year of the initial term	15.09 per room
Fifth year of the initial term and any subsequent extensions	Previous year's fixed rent, increased by 75% of the year-on-year CPI increase

The figures above are related only to rooms and breakfast amenities. In addition, there shall be both fixed and variable rents for F&B amenities.

- **Variable component:** in accordance with our lease strategy, in addition to the fixed rent, the lessee will pay variable rent measured as a percentage of the hotel's gross operating profit. We have the right to perform compliance audits to ensure the accuracy of the hotel operator's calculation and settlement of the variable component. The variable component shall be paid quarterly.

The figures above do not include VAT.

- **Payment guarantee:** if the hotel operator fails to pay the rent under the lease agreement, the Company may execute a bank guarantee for up to 12 months of fixed rent.
- **Subletting of F&B areas:** the lease agreement stipulates that the main F&B outlets of the two buildings will be presumably leased to a third party. These areas include the restaurant and the bar, together with the outdoor terrace, of the Magdalena Building and the restaurant, bar, terrace and rooftop of Rioja 26. The rent and expenses deriving from these F&B areas may be shared between Radisson and the Company pursuant to the lease agreement entered into. However, Radisson could assume all risks deriving from the sublets, in which case the Company would receive both a fixed and a variable rent. In this case, both revenues and expenses from these sublets would not be included in the calculation of the variable rent of the hotel.
- **Maintenance, building alterations, improvements and renewals:** the lessee will be required to keep the property in good condition, to undertake any required maintenance works and to return the property in good condition (subject to normal tear and wear).
- **Termination:** the non-breaching party may terminate the lease as a result of a breach by the other party of any of its obligations under the lease agreement. The breaching party is entitled to a curing period of 15 days, after which the non-breaching party may demand specific performance from the breaching party or terminate the agreement (subject to a 30 days' notice).
- **Personnel:** we are not responsible for hiring and employing the staff in the hotel.

#### *Loan term financing agreements*

On June 5, 2018, we entered into a financing agreement for €5 million with Banco Santander, S.A. Additionally, on April 4, 2019, to finance the acquisition of the property Rioja 26 that sits on the corner of Plaza Magdalena Square and Rioja Street in Sevilla (Spain), we entered into a mortgage loan agreement for €4.6 million with Banco Santander, S.A. (see "Operating and financial review—Liquidity and capital resources—Borrowings").

#### **Hotel Alma Sevilla**

Hotel Alma Sevilla is located at Plaza San Francisco 11 and 12, in Sevilla's city center. Hotel Alma Sevilla is composed of four buildings, Plaza San Francisco 11, Plaza San Francisco 12, calle Álvarez Quintero 34 and Calle Álvarez Quintero 62. The hotel, which is scheduled to open during the fourth quarter of 2021, will benefit from a high visibility location and from its easy access to the main tourist attractions in Sevilla.

As of the date of this Prospectus, we have obtained the mandatory building permits (*licencia de obra mayor*).

#### **Property Detail**

Location .....	Sevilla, Spain	Type of agreement .....	Fixed and variable rent lease agreement
----------------	----------------	-------------------------	---

## Property Detail

Location .....	Urban	Operator.....	Alma Hoteles
Current category.....	5-star	Brand .....	Hotel Alma Sevilla
Hotel type.....	Luxury		
Customer profile .....	Adult and families		
Number of rooms .....	29	Strategy	“Turnaround”
Built area.....	2,595 sqm	Status	Under development
Building floors .....	3 floors		
Year of construction.....	2021		

Room type:	Number	Average room size (sqm)	F&B outlets:	Approximate capacity (guests)
<i>Plaza San Francisco 11</i>				
Double .....	19	23-36		
Junior Suite.....	3	35-40	1 restaurant / 1 bar.....	-
<i>Plaza San Francisco 12</i>				
Double .....	3	23-36		
Suite.....	3	66-92		
<b>TOTAL.....</b>	<b>29<sup>(1)</sup></b>			

### Guest amenities:

Leisure.....	swimming pool, wellness center with gym and spa, and a playground
Car parking.....	16

(1) 6 double rooms have been designed to be converted into 3 suites, with 56 sqm each. Likewise, there are two rooms which are connected with a small hall.

## Operating structure

On May 14, 2019, Millenium and Alma Hoteles entered into an agreement governing the terms and conditions of the construction works and the future lease of Hotel Alma Sevilla.

### Lease agreement

The main terms of such agreement are described below:

- **Construction works:** we have agreed to undertake a “turnaround” construction plan, which has been prepared with the collaboration and approval of Alma Hoteles, to convert the property into a 5-star hotel with 29 rooms. Any of the parties may terminate the agreement if as a result of such refurbishment the total number of rooms decreases by more than 10% or the hotel fails to qualify for a 5-star rating. If we fail to hand over the hotel to Alma Hoteles on a timely basis, Alma Hoteles will be entitled to request and indemnity, to request the specific performance of the lease agreement or to terminate the lease agreement depending on the characteristics of the delay.
- **Licenses and permits:** we will be responsible for obtaining any required building licenses and permits for performing the construction works in accordance with the construction plan, as well as any required opening licenses and permits for operating the hotel business. We or Alma Hoteles may terminate the lease agreement if we fail to obtain such licenses and permits on a timely basis, as long as the failure to obtain such licenses and permits does not arise from a negligent or willful misconduct from our side.
- **Term:** the lease will be for a term of up to 20 years from the date the construction works are finished and the hotel is handed over to Alma Hoteles. The lease will have an initial term of five years, with up to four renewal terms (of five additional years each) at the request of the lessee, subject to the satisfaction of the performance tests at the end of the initial term and every renewal term.
- **Rent:** the rent under the lease agreement is comprised of both fixed rent and a variable component.
  - **Fixed rent:** the fixed rent will be payable on a quarterly basis and the amount of the rent will correspond to the number of hotel rooms that are eventually constructed and handed over to the lessee, as set forth in the table below:

Period	Annual rent (€ thousand)
First year of the initial term	17.24 per room
Second year of the initial term and any subsequent extensions	Previous year’s fixed rent, increased by the year-on-year CPI increase

- **Variable component:** in accordance with our lease strategy, in addition to the fixed rent, the lessee will pay variable rent measured as a percentage of the hotel’s gross operating profit. Variable rent will be payable on a quarterly basis, on account of the total annual variable amount. The total annual variable amount will be determined at the end of the year and any due or outstanding amounts will be settled at that time. We have the right to perform compliance audits to ensure the accuracy of the hotel operator’s calculation and settlement of the variable component.



The figures above do not include VAT.

- Payment guarantee: if the hotel operator fails to pay the rent under the lease agreement, the Company may execute a bank guarantee for up to 12 months of fixed rent.
- Maintenance, building alterations, improvements and renewals: the lessee will be required to keep the property in good condition, to undertake any required maintenance works and to return the property in good condition (subject to normal tear and wear).
- Personnel: we are not responsible for hiring and employing the staff in the hotel.

### ***Hotel Palacetes de Cordoba***

As of the date of this Prospectus, Hotel Palacetes de Cordoba consists of three buildings located in the city center of Cordoba. The hotel is close to the Mosque and other touristic locations.

As of the date of this Prospectus, the Company has not developed a refurbishment project for Hotel Palacetes de Cordoba. Consequently, and as of the date of this Prospectus, the Company has not entered into a lease agreement with any hotel operator for the management of Hotel Palacetes de Cordoba.

### ***Hotel Plaza Canalejas***

Hotel Plaza Canalejas is composed of two historical buildings located in Carrera de San Jerónimo 9 and 11, in the city center of Madrid. The hotel is close to the main tourist attraction in Madrid and within 5 minutes walking distance from Gran Vía and Puerta del Sol. Hotel Plaza Canalejas is scheduled to open during the first quarter of 2022.

As of the date of this Prospectus, the Company is under negotiations with hotel operators in order to enter into a lease agreement for Hotel Plaza Canalejas.

#### **Property Detail**

Location .....	Madrid, Spain	Strategy .....	“Turnaround”
Location .....	Urban	Status .....	Under development
Current category.....	5-star		
Hotel type.....	Luxury		
Customer profile .....	Adult and families		
Number of rooms .....	144		
Built area.....	11,500 sqm		
Building floors .....	9 floors (7 floors, 1 ground floor and basement)		
Year of construction.....	2022		

Room type:	Number	Average room size (sqm)
Standard .....	3	24.95
Premium .....	46	34.69
Premium with terrace .....	9	35.21
Junior suite .....	15	47.49
Junior with terrace.....	3	48.16
Grand suite .....	4	77.16
Family room .....	64	29.95
<b>TOTAL.....</b>	<b>144</b>	

### ***Mortgage loan agreement***

To finance the acquisition of Hotel Plaza Canalejas, on October 31, 2019 we entered into a mortgage loan agreement for €20.46 million with Banco Santander, S.A. (see “*Operating and financial review—Liquidity and capital resources—Borrowings*”).

### ***Hotel Meliá Bilbao***

Hotel Meliá Bilbao is located in a prime location in the city center, at Lehendakari Leizaola 29, Bilbao. The hotel is located near the main commercial and business avenues of Bilbao, just in front of the city’s Euskalduna Palace and the Ibedrola Tower and right next to the Guggenheim Museum.

#### **Property Detail**

Location .....	Bilbao, Spain	Type of agreement.....	Fixed rent lease agreement
Location .....	Urban	Operator.....	Meliá Hotels
Current category.....	5-star	Brand.....	Hotel Meliá Bilbao
Hotel type.....	Luxury		
Customer profile .....	Adult and families		

## Property Detail

Number of rooms .....	211	Strategy	“Yielding”
Built area.....	19,624 sqm	Status	Open and to be refurbished
Building floors .....	15 floors (4 of which are underground parking lots)		
Year of construction.....	2004		

Room type:	Number	Average room size (sqm)	F&B outlets:	Approximate capacity (guests)
Meliá guestroom .....	91	22	2 restaurants / 1 bar .....	126
Meliá double bed .....	46	25		
Meliá guestroom with view .....	14	22		
Meliá room with view and double bed.....	10	25		
Premium .....	5	45		
Premium with terrace .....	21	28		
Family room .....	9	28		
Junior suite .....	5	45		
Business suite.....	6	45		
Grand suite.....	3	67		
Presidential suite .....	1	120		
<b>TOTAL .....</b>	<b>211</b>			

### Guest amenities:

Leisure .....	swimming pool, wellness center with gym and spa
---------------	---

### Operating structure

Hotel Meliá Bilbao is leased under a lease agreement signed on July 27, 2009 between Hotel Abandoibarra III Milenio, S.L. (former owner of the hotel), as lessor, and Meliá Hotels International, S.A., as hotel operator. The rent under the lease agreement consists on a fixed rent only.

Given that the lease agreement was entered into by the prior owner of Hotel Meliá Bilbao before we acquired it, its terms and conditions are in certain cases inconsistent with the terms and conditions of our lease agreement strategy. For example, the lease agreement provides only for fixed rent payments, as opposed to our strategy based on lease payments with both a fixed rent and a variable component tied to the hotel’s gross operating profit. At the time of termination of this lease agreement or prior to its termination date, we intend to amend such agreement in order to align it with our lease agreement strategy (see “*Business—Strategy—Focus on a risk mitigating lease strategy*” for additional information).

### Lease agreement

The main terms of the lease agreement are the following:

- **Term:** the lease agreement has been entered into for a period of 15 years, expiring on July 26, 2024. The lessee may freely terminate the lease at any time after the first seven and a half years of the lease, by providing six months’ notice and paying a penalty equivalent to 12 months’ rent.
- **Rent:** the rent under the lease agreement is a fixed annual rent that amounts to €2,580,486 (VAT not included) on 2019, to be paid monthly. The fixed rent will be increased every year in line with the CPI.
- **Payment guarantee:** if the hotel operator fails to pay the rent under the lease agreement, the Company may execute a bank guarantee for up to 18 months of rent.
- **Maintenance, building alterations, improvements and renewals:** the lessee is required to keep the property in good condition, to undertake any required maintenance works and to return the property in the condition it was at the time the lease was signed (subject to normal tear and wear).
- **Personnel:** we are not responsible for hiring and employing the staff in the hotel.
- **Sale of the hotel:** Meliá Hotels International, S.A. has a right of first refusal with respect to the sale of the hotel.

In addition to the aforementioned information regarding Hotel Meliá Bilbao, when Hotel Meliá Bilbao was acquired, the following lease agreements were assigned to Millenium:

- **Lease agreement of commercial premise (restaurant):** the rent under the lease agreement approximately amounts to €60 thousand fixed annual rent. The lease agreement will expire on December 31, 2020; and
- **Agreements for the use of space for electrical (antenna) installation purposes:** the aggregate fixed annual rent under the agreements approximately amounts to €41.5 thousand. The lease agreements will expire on December 2022, March 2024 and January 2029.

### *Mortgage loan agreement*

To finance the acquisition of Hotel Meliá Bilbao, on November 7, 2019 we entered into a mortgage loan agreement for €24.66 million with Kutxabank, S.A. (see “*Operating and financial review—Liquidity and capital resources—Borrowings*” for additional information).

### **Proyecto La Hacienda San Roque**

Proyecto La Hacienda San Roque consists of a hotel and two golf courses (Alcaidesa Link and Alcaidesa Heathland), as well as a 50,000 sqm residential urban plot, located in San Roque (Cadiz). The hotel is located just in front of the sea and within 5 minutes driving from Gibraltar. Proyecto La Hacienda San Roque is scheduled to open during the second quarter of 2022 although the urbanization project is pending to be approved.

As of the date of this Prospectus, the Company is under negotiations with hotel operators in order to enter into a lease agreement for Proyecto La Hacienda San Roque.

#### **Property Detail<sup>(1)</sup>**

Location .....	Cadiz, Spain	Strategy .....	“Greenfield”
Location .....	Sea	Status .....	Under development
Current category .....	5-star		
Hotel type .....	Luxury		
Customer profile .....	Adult and families		
Number of rooms .....	210 (150 in the hotel plus 15 villas)		
Built area .....	34,000		
Building floors .....	7 floors		
Year of construction .....	2021		

Room type:	Number	Average room size (sqm)
<i>King rooms</i> .....	90	45
<i>Queen rooms</i> .....	30	47
<i>One-bedroom suite</i> .....	17	90
<i>Two-bedroom suite</i> .....	10	180
<i>Specialty suite</i> .....	3	270
<b>Hotel</b> .....	<b>150</b>	-
<b>Villas<sup>(2)</sup></b> .....	<b>60</b>	-
<b>TOTAL</b> .....	<b>210</b>	

#### Guest amenities:

<i>Leisure</i> .....	2 golf courses
<i>Car parking</i> .....	8,300 sqm
<i>Spa &amp; Fitness area</i> .....	1,600 sqm

(1) Urbanization project pending to be approved.

(2) Further to these villas, the Company has acquired an additional plot for the development of other 38 villas to be acquired by third party individuals thus not to be leased together with the hotel and the aforementioned villas.

### **Investment process**

#### **Investment Policy**

We seek to acquire high quality real estate properties with embedded hotel potential and real estate value in prime locations situated in “strategic destinations”.

We target properties with strong repositioning or refurbishment potential or which offer potential for commercial or operational improvement, where we believe we can provide added value. We also seek that these hotels have the potential of being in the four-star superior to five-star category, following the implementation of our plan for each such hotel.

In the mid-term, we target a GAV of up to €1.3 billion, as well as an annual shareholder return—or TSR (see “*Board of Directors and Management—Compensation—Incentive Plans*”)—of 9%, a maximum LTV ratio of up to 50% and a gross yield on cost of 6.5%, provided that the portfolio is stabilized (i.e., that the hotels are fully operational and procure a sustained profitability for at least two years), which we believe are reasonable and sustainable percentages (see “*Additional Information—Alternative Performance Measures*” for more information on the aforementioned APMs—i.e., GAV, TSR, LTV ratio and gross yield on cost—). Likewise, once the Offering is executed, the refurbishment projects are carried out and the Portfolio is stabilized, we intend to initiate the procedure for the admission to trading of the Shares on the Spanish Stock Exchanges.

On June 17, 2020, the Board of Directors resolved to amend the definition of stabilized portfolio provided for in the Management Policy (as defined below). Pursuant to this amendment, stabilized assets are those assets that procure rents

once included in the Company for at least one year for yielding assets, two years for turnaround assets and three years for greenfield assets. The referred amendment will not be effective until the General Shareholders Meeting ratifies it.

Our investment policy is based on the following key features:

- Type of properties: our asset investment policy is focused exclusively on underinvested and undermanaged hotel properties with operational deficiencies and strong refurbishment potential (“yielding” properties), high quality real estate properties with lodging potential (“turnaround” properties) and selective “greenfield” projects in core and established locations with the potential to offer attractive returns.
- Hotel category: we seek that our hotels have the potential of being in the luxury to upper upscale category, following the implementation of our plan for each such hotel. We also consider investment opportunities in other upper upscale accommodation establishments such as serviced apartments and boutique-hotel concepts in central locations with high real estate value and attractive returns.

Our investment policy allows us to look at (i) “core hotels”, this is, existing and operating hotels that could be refurbished without stopping day-to-day operations and that do not require extensive upgrading; (ii) “value added hotels”, this is, existing and operated hotels that require upgrading that could take between 12 to 18 months; (iii) “promotion hotels”, this is, land plots that may be developed into new hotels and that require heavy investment in capital expenditures; and (iv) other ancillary assets.

- Location and diversification: our acquisition strategy is mainly focused in (i) established prime locations situated in strategic destinations in Spain, which include the main cities in Spain that have a strong leisure component (such as Madrid, Barcelona, Sevilla, Bilbao, Valencia, Cordoba, Granada, San Sebastian and Malaga) and the main coastal cities that have a “bleisure” (business and leisure) component (such as Alicante and the main cities in the Costa del Sol, the Costa de la Luz and the Balearic Islands); and (ii) to a lesser extent, certain areas in Portugal, such as Lisbon, Porto and occasionally Algarve.

Once the initial period of acquisition of the portfolio, expected between 12 and 18 months since the incorporation of our shares in the SOCIMI Segment of the MAB (i.e., July 2019 - January 2021) (the “**Initial Execution Period**”) is completed, we expect our total GAV to be distributed as follows:

- Hotels: 80% or more of our total GAV.
- Other real estate assets: up to a maximum of 20% of our total GAV.

On June 17, 2020, the Board of Directors resolved to remove the definition of Initial Execution Period, which previously referred to the period between 12 and 18 months from the date of incorporation of the Shares in the MAB for acquiring assets. The amendment provides that the initial execution period comprises the period for acquiring assets (investment period) plus the repositioning period of assets. The investment period is expected to extend between 12 and 18 months from the date of incorporation of the Shares in the MAB and, if appropriate, the same terms from the date on which subsequent capital increases. The repositioning period of assets is expected to extend between 12 and 30 months depending on the type of investment (i.e., value added hotel or promotion hotel) plus the stabilization period of such assets (taking into account that stabilized assets are those that procures rents once included in the Company for at least one year for yielding assets, two years for turnaround assets and three years for greenfield assets). The referred amendment will not be effective until the General Shareholders Meeting ratifies it.

### ***Investment Sourcing***

Our goal is to benefit from the market intelligence acquired throughout the years by the members of our Senior Management and to originate off-market deals that offer high upside potential. We have a leading business development team with strong sourcing capabilities because of its extensive network built over many years of experience. Our business development team closely monitors potential opportunities that fit our target profile, benefiting from its unique network of industry players, including financial institutions, international and national hotel operators, independent owners (typically small, family hotel owners), sponsors and distressed sellers and insolvency administrators. Our business development team has extensive experience in the execution of highly complex transactions that, typically, have higher barriers to entry.

Our pool of potential properties generally comes from four main sources:

- Non-core individual hotel owners: our Senior Management’s extensive network and track record provides access to opportunities that are off-market, especially in connection with hotels owned by local owners, families and non-professional real estate investors. We may also seek to acquire hotels from owners whose core business and expertise is not in the hotel and hospitality industry, such as individual owners, family offices or large companies operating in other sectors. This includes single-hotel owners.

- Operators: members of our Senior Management maintain a constant and regular dialogue with national and international hotel operators. In some cases, operators contact us to identify the owner of a specific asset of their interest and to confirm if such owner would be interested in a potential transaction. These chains are increasingly following an asset-light strategy aimed at divesting real estate properties and, simultaneously, entering into hotel management or lease agreements. As a result, these chains are constantly and increasingly seeking for buyers who are willing to enter into buy and leaseback transactions with them, which is consistent with our business model. We have access to these opportunities through our current partnerships with large chains (such as Radisson and Hotusa Group).
- Company’s own research: in some cases, the Company identifies interesting real estate properties serving other uses, such as offices, residential or retail, and undertakes an investigation process (through market research or the Land Registry) to identify the owner of a specific asset and begin conversations regarding a potential acquisition transaction.
- Brokers: both large firms and freelance individuals often approach us with opportunities for us to analyze.

### ***Acquisition Process***

We follow a disciplined approach to complete an acquisition of a selected target. The acquisition process usually comprises the following stages, which are explained in greater detail below:

#### *Origination*

We proactively scrutinize the market to identify potential targets through our extensive network. We usually identify opportunities through one or a combination of the sources indicated in “*Business—Investment Process—Investment Sourcing*” above. We analyze a wide range of projects and typically favor those with a particular complexity in which we are able to identify an opportunity to create value for our shareholders. We also apply certain geographical criteria in analyzing investment opportunities.

#### *Negotiation and financial analysis*

If, based on preliminary contacts, we perceive that it is possible to enter into an agreement, a negotiation phase normally begins and we submit a letter of intent to the potential seller, which gives us the right to access information about the asset and its financial performance. On the basis of this information, we carry out a preliminary analysis of expected investment returns. Our initial analysis is calculated based on various preliminary technical assumptions, together with our internal know-how of the hospitality sector. We also consider input from our conversations with national and international hotel operators that might be interested in operating the hotel. If the results of this initial analysis are positive, we proceed with the due diligence phase.

#### *Full due diligence*

At this stage, which typically takes between 45 and 60 business days, we undertake a due diligence exercise with respect to the relevant asset. Our due diligence process is typically conducted with the support of external advisors (including legal, tax, technical and financial advisors) under the close supervision and involvement of our internal legal team and our business development team.

#### *Structuring of the acquisition and positioning of the asset*

When acquiring a new property, as part of our product differentiation strategy and in parallel with the due diligence process, our business development team evaluates the property’s strategic market positioning and its potential value. We perform an exhaustive assessment of the value levers of the property in order to weigh its potential to unlock value and deliver long-term sustainable returns to our shareholders. To do so, we thoroughly assess the kind of customer experience it should aim to provide, which may require its rebranding or the adoption of other repositioning strategies. We seek to offer differentiated experiences to our customers and identify the best operator for each of our hotels and work closely with the operators of our hotels to identify the best specialized operator for each offered service of our hotels (including F&B, entertainment activities and spa).

As part of our brand value-added strategy, we seek brands and partners that strengthen the profile, market position and operations of each individual hotel. This requires us to maintain a broad network of national and international hotel companies with which we can cooperate. As of the date of this Prospectus, such network includes local and international well-recognized hotel brands such as Radisson, Eurostars, Hotusa Group and Alma Hoteles.

Our branding strategy with respect to each hotel depends on various factors, including the type of property, the prevalent product distribution patterns in the relevant market (including tour operator penetration), location, destination and the hotel’s facilities. We also evaluate the experience of the relevant hotel operator in the relevant region or with respect to comparable hotel propositions.

In addition, in order to offer compelling value propositions to our hotel customers, we work closely with the operators of our hotels to identify the best partners for specific services at our hotels, such as F&B, spa, entertainment, sports and golf. The selection of these specialized operators depends on various factors, including the hotel type category, its location and the regional expertise of the relevant operator.

In this context, the Senior Management takes into considerations the following work streams:

- Financing: assess the leverage capacity of the project and gauge the financing interest of financial institutions.
- Operator survey: identify the best potential operators for the project, which in turn submit a detailed business plan and a term sheet with the preliminary terms and conditions of their role as operators, as well as the main terms and conditions of the lease agreement (taking into account that our lease agreement policy requires us to subscribe lease agreements that have both a fixed rent component and a variable rent component tied to the hotel's gross operating profit). We seek to lease our hotels to a broad base of trusted and established national and international operators with a proven track record and a deep understanding of revenue management and ADRs optimization.
- Technical feasibility: our projects team, together with external professionals from different areas (architects, interior designers, technical experts from different fields, etc.), prepares a detailed cost plan, which includes the estimated capital expenditures to be deployed in the short and medium-term on the basis of comparable executed projects. Our business development team is closely involved in both the technical due diligence and the preparation of this cost plan. Also, in the context of the negotiations, we usually carry out a comprehensive business plan analysis on the asset.
- Construction budgets: we contact renowned contractors to obtain construction budgets and related construction proposals. Contractors are selected through a competitive process that takes into consideration not only the price but also the contractor's solvency, track record and reputation. The relevance of this sub-process varies depending on the nature of the project ("yielding", "turnaround" or "greenfield"). We typically require developers to undertake to provide a cash guarantee to cover potential delays or deviations in the budget and to agree to penalties to ensure the compliance with the established partial milestones and the completion dates.
- Market analysis: we usually engage external experts in the hospitality and tourism sector to perform statistical and market analysis on the project.

### *Completion*

The final step of the process involves the completion of the negotiations regarding the financing terms, the execution of the relevant purchase agreement (typically conditioned upon successful completion of a confirmatory due diligence and no material adverse changes by a certain date) or option agreement and the conclusion of the lease agreement negotiations. We are usually able to complete a transaction between 8 and 16 weeks from the moment an opportunity is identified. The Real Estate Executive Committee is entitled to decide on whether to complete or not the acquisition or divestment on the basis of a final report drafted by the Senior Management, which shall contain the main terms of the transaction, the lease agreement and the terms of the financing, as well as the costs plan and the expected capital expenditures.

### *Business plan execution*

Immediately after the completion of an acquisition, our internal teams prepare, often with external advisors, a detailed property management landing plan, which depends on the type of asset acquired.

In the case of "yielding" properties, this is, outdated hotels with potential for operational improvements, our plan mostly involves deploying capital expenditures to upgrade the hotels' facilities, including FF&E, OS&E and room refurbishment. Since we will often seek to re-position and re-brand such hotels, a key part of our business plan involves selecting an operator that fits the new concept we seek to implement. Capital expenditures per room are in the €30 thousand to €50 thousand range and are usually deployed in a maximum of 12 to 18 months. In these cases, the hotels usually remain open throughout the refurbishment period and, ideally, the work is carried out during the low season to minimize operational impact. Notwithstanding the above, if the property has to be completely refurbished and not only upgraded, capital expenditure and deployment plan figures may be closer to turnaround properties, therefore these hotels shall be considered turnaround projects for the purpose of capital expenditures plans.

In the case of "turnaround" properties, this is, high-quality real estate properties (often residential, office or retail buildings) with lodging potential and that require a complete turnaround to be converted into a hotel, our goal is to create a differentiated product with superior design in rooms and common areas. Capital expenditures per room are usually in the €150 thousand to €200 thousand range and are deployed in a maximum of 18 to 24 months. In these cases, there is usually no yield generation until the hotel opens.

Regarding "greenfield" properties, this is, land plots in locations with a clear supply and demand imbalances where we seek to develop and conceptualize new hotels to fill a gap in a specific location, the new developments usually takes

between 24 to 36 months. These types of projects result in a substantial cash outflow and do not deliver any yield until the hotel is completed and opened. Capital expenditures per room exceed €150 thousand.

As of the date of this Prospectus, the Company's pending capital expenditures plan for the Portfolio amounts approximately to €130 million (excluding capital expenditures plan regarding the 38 villas to be acquired by third party individuals and the sports/congress center (see "*Business—General Portfolio overview—Proyecto La Hacienda San Roque*")) (see "*Operating and financial review—Capital expenditures*"). In this regard, we intend to finance the referred pending capital expenditures plan through new debt and equity (approximately, 75% and 25%, respectively) and to have it deployed by 2022.

Finally, we are conscious of the importance of sustainability and corporate social responsibility and we seek to get environmental certificates (Leed, Bream, among others) for our buildings—which, in turn would lead to lower supply costs—.

## **Pipeline**

As of May, 2020, we had a potential acquisition pipeline with an estimated aggregate GAV of approximately €960 million, including capital expenditure and formalization costs, (representing 19 potential transactions, approximately 2,000 rooms and 19 hotels), of which approximately 38% are under exclusivity agreements, 42% under a due diligence process or under advanced assessment and negotiation and the remaining 20% are structured as competitive processes. We aim to complete the acquisitions of hotels with an aggregate GAV of approximately €130 million (including capital expenditures) within a timeframe of 6 to 12 months.

Furthermore, approximately almost 40% of the pipeline are "yielding" properties, 50% are "turnaround" properties and approximately 10% are considered "greenfield" projects. Likewise, more than 80% of the hotels that comprise the pipeline referred to above are located in urban primary destinations, while the less than 20% are in vacation destinations. In this regard, almost 90% of the pipeline is located in Spain and 10% in Portugal.

We believe our pipeline to be highly visible and well-balanced between the strategic destinations in Spain and Portugal. Such pipeline offers an attractive geographic balance and supports our efforts to reduce seasonality at a portfolio-level. Finally, we believe our pipeline represents compelling investment opportunities with a target gross yield on cost of approximately 6.5% on average once any required refurbishment and repositioning is complete and the hotel is stabilized.

Potential funding sources for new investments are proceeds from offerings of debt securities and ordinary Shares, including the Offering, financing from credit institutions, internally generated cash flow arising from the lease of our hotels or, to a limited extent, the sale of certain of our properties. Furthermore, as of March 31, 2020, we had cash resources of approximately €38.80 million.

As of the date of this Prospectus, the Company is not conducting, or has not committed to make, any material investment.

There can be no assurance that the Company will be able to complete the acquisition of any of the properties abovementioned. Accordingly, investors should not place undue reliance on this information in deciding whether to invest in the Shares. See "*Presentation of financial and other information—Forward-looking statements*".

## **Material contracts**

For a description of the material contracts relating to the Offering, see "*Plan of Distribution*". For a description of the material contracts entered into with related parties, see "*Related Party Transactions*".

## **Insurance**

We maintain comprehensive insurance on each of the hotels in the Portfolio and we intend to maintain comprehensive insurance on any properties that we operate in the future, including liability, fire and damage coverage. Depending on the terms of the lease agreement and the type of insurance coverage, we or our hotel operators will be responsible for maintaining sufficient insurance and/or paying the insurance premiums periodically. In addition, we have entered into construction insurance and related insurance policies in connection with the construction works for Hotel Radisson Collection Sevilla, Hotel Radisson Collection Bilbao and Hotel Plaza Canalejas, for an amount up to €6 million, €8 million and €400 thousand, respectively. All previous mentioned insurance contracts, have been signed with Axa and Generali for one year period, renewable annually.

Additionally, the Company has purchased the following insurance policies: (i) liability insurance (for an amount between €1.2 million and €3 million, depending on each property); and (ii) directors and officers ("**D&O**") insurance.

Under our insurance policies, Millenium may be required to comply with certain obligations, including information undertakings and other customary obligations. Our insurance policies are subject to exclusions and limitations of liability.

Accordingly, we could incur damages that are not covered by our insurance policies, or that exceed the coverage limits of our insurance policies.

## Environmental

We have not made any significant investments in facilities or systems related to the environment other than those required by the applicable environmental regulation. All of our assets must obtain the corresponding Energy Performance Certificate (*Certificado de Eficiencia Energética*) and the air-conditioning, water, electric and garbage disposal systems installed in our buildings must comply with the applicable environmental regulation and be officially approved by the corresponding authorities.

As of the date of this Prospectus, all of our buildings have obtained or are in the process of obtaining the corresponding Energy Performance Certificate.

All of our refurbishments have been carried out with the necessary licenses and permits and all of our projects include the corresponding measures to prevent or correct their environmental impact. Likewise, all of the equipment that has been used to substitute, repair or modify the air-conditioning, water, electric and garbage disposal systems in our buildings complies with the applicable environmental regulation. Also, regarding our refurbishment projects, the Company has requested the Leadership in Energy and Environmental Design certification (LEED), Leed Gold.

We have no expenses or rights deriving from greenhouse gas emissions and we have not received any subsidies for environmental purposes.

## Employees

Our team is centralized in Madrid, where our corporate headquarters are located. The multidisciplinary team is key to the success of the business.

The number of employees of the Group as of December 31, 2019 and 2018, broken down by gender and job category, was as follows:

	As of the date of this Prospectus			As of December 31,								
				2019			2018			2017		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Executive directors .....	2	0	2	2	0	2	1 <sup>(2)</sup>	0	1	1 <sup>(2)</sup>	0	1
Senior Management <sup>(1)</sup> .....	3	1	4	3	1	4	2	1	3	1	0	1
Department managers .....	3	2	5	3	2	5	0	0	0	0	0	0
Other employees .....	35	20	55	35	20	55	0	0	0	0	0	0
<b>Number of employees at period-end .....</b>	<b>43</b>	<b>23</b>	<b>66</b>	<b>43</b>	<b>23</b>	<b>66</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>2</b>	<b>0</b>	<b>2</b>

<sup>(1)</sup> Excluding executive directors.

<sup>(2)</sup> The Company's, at that time, sole director, who was not an employee.

Millenium does not employ any temporary employees.

## Investigation, research and development

The Company does not carry out research and development or investigations activities.

## Legal proceedings

At any given time, Millenium may be a party to litigation or be subject to non-litigated claims arising out of the normal operations of its business. The results of legal, judicial, arbitration and regulatory proceedings cannot be predicted with certainty. We cannot guarantee that the results of future legal, judicial, arbitration and regulatory proceedings or actions will not materially harm the Millenium's business, prospects, results of operations, financial condition and cash flows, nor can we guarantee that we will not incur losses in connection with future legal, judicial, arbitration and regulatory proceedings or actions that exceed any provisions that we may have set aside in respect of such proceedings or actions or that exceed any available insurance coverage, which may have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows.

In this regard, the Company may be required or may consider it prudent to set aside provisions for warranty claims or contingent liabilities in connection with the sale of certain properties. The Company may be required to pay damages, including litigation costs, to a purchaser to the extent that any representations or warranties made by the Company to a purchaser are found to be inaccurate, or if the Company is found to have breached any of its covenants or obligations



contained in the relevant purchase agreement. In certain circumstances, it is possible that representations and warranties incorrectly given could give rise to a right by the purchaser to terminate the relevant purchase agreement in addition to the payment of damages. Further, the Company may become involved in disputes or litigation in connection with its sale of properties. Certain obligations and liabilities associated with the ownership of properties can also continue to exist notwithstanding any sale, such as certain environmental liabilities. Any claims, litigation or continuing obligations arising in connection with sold properties may subject the Company to unanticipated costs and may require the Company to devote considerable time to dealing with them. As a result, any such claims, litigation or obligations may have an adverse effect on the business, financial condition, results of operations and profits of the Company

As of the date of this Prospectus, we are not involved in any ongoing legal, judicial, arbitration and regulatory proceedings that we believe could have a material adverse effect on Millenium. Also, as of the date of this Prospectus, we have not been informed of any claim that we believe could have a material adverse effect on Millenium.

### **Profit forecasts**

Millenium has not published any profit forecast that is current as of the date of this Prospectus.

We consider that the profit forecast for the 2019-2020 financial years included in the information document on admission to the MAB, dated June 7, 2019 (“**June 2019 Forecast**”) is no longer current as of the date of this Prospectus as it does not reflect the effect of transactions committed or completed by Millenium after the date of the June 2019 Forecast. The June 2019 Forecast was included in the information document on admission to the MAB in compliance with MAB Circular 2/2018.

Given the significance of the transactions committed or completed by Millenium after the date of the June 2019 Forecast (this is, the acquisition of Hotel Meliá Bilbao, Hotel Plaza Canalejas and Proyecto La Hacienda San Roque), we consider that the financial metrics included in the June 2019 Forecast are not a current forecast of Millenium’s future results of operations. Furthermore, the June 2019 Forecast was prepared under Spanish GAAP and, therefore, it is neither consistent nor comparable with the consolidated historical financial information included in this Prospectus (which has been prepared under IFRS).

No profit forecasts have been published after the June 2019 Forecast.

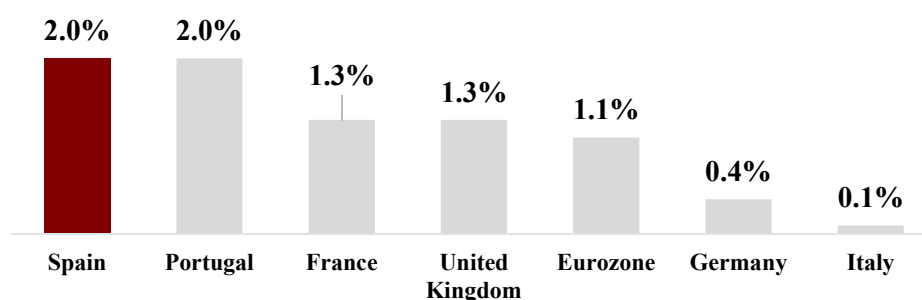
## INDUSTRY OVERVIEW

### Market Summary

All of our properties are located in Spain and since the Company’s incorporation have benefited from the positive growth of the Spanish economy, favorable demographic and real estate trends. During the last few years, Spain has been one of the fastest growing countries of the OECD with solid employment recovery and increasing private consumption, showing the families and corporates deleverage levels. This successful and solid recovery, has been reinforced by, among others, the easing of financing markets and the change of perception of Spain as a source of “systemic risk”.

In 2019, the Spanish economy grew by 2% (Source: INE), outperforming most of its European counterparts. Spanish economic growth was underpinned by more balanced foundations than prior to the economic crisis that started in 2008, with internal and external demand as the primary drivers of growth. According to INE, Spanish GDP grew by approximately 2% in 2019, driven by consumption and investment, despite a decline in the economic growth rate, from 2.4% in 2018 to 2% in 2019, (Source: Bank of Spain, European Commission, INE).

**2019 Real GDP Growth Rates**

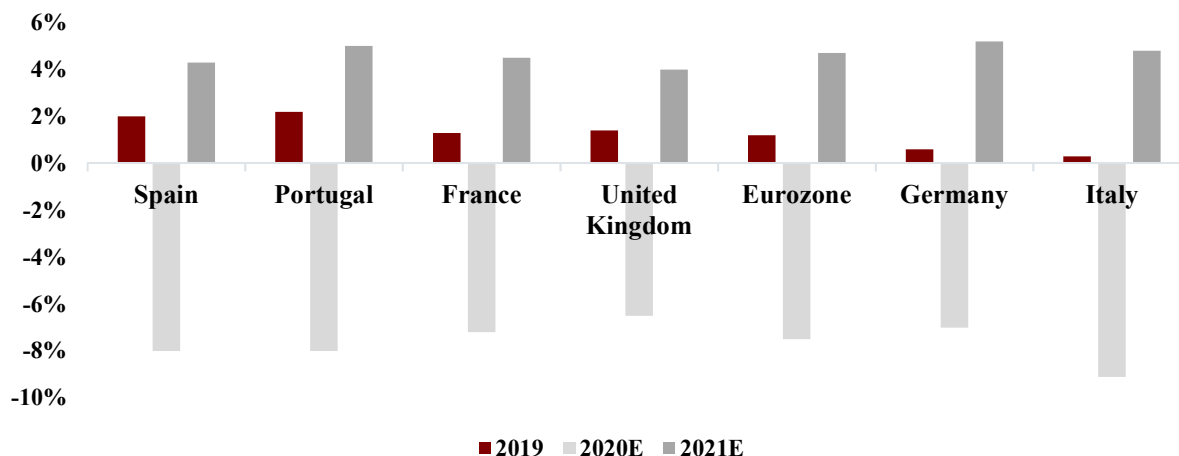


*Source: INE, European Commission and Bank of Spain*

However, due to the material adverse effect of the COVID-19 outbreak, the Spanish GDP is expected to decline significantly during 2020 (see “*Risk Factors—Risks relating to health, environment, social and economic conditions—The outbreak of COVID-19 and possible similar future outbreaks or any other circumstances that could result in movement restrictions or hotels closures could materially and adversely affect our business, financial condition, results of operations, dividends and/or prospects*”).

The worst-case scenario of the estimates published by the Bank of Spain on April 20, 2020 indicates that Spanish GDP may decrease by 13.6% in 2020 and that unemployment may reach 21.7%. The GDP decrease in 2020 has been estimated in up to 8.0% by the IMF. Likewise, almost every country in the world is expected to suffer a decline in terms of GDP during 2020 including, among others, those countries of origin of our customers, such as France, United Kingdom and Germany.

**2019-2021 GDP Growth Rates Forecast (% year-over-year)**



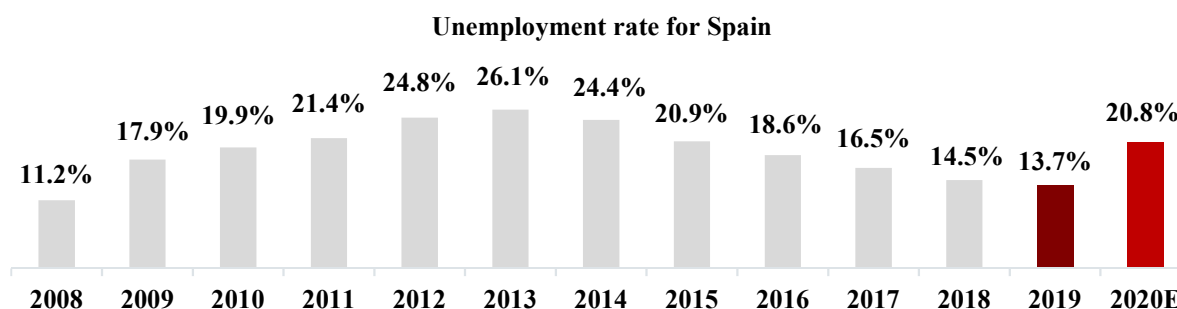
*Source: IMF, World Economic Outlook, April 2020: The Great Lockdown*

Also, it has been estimated that the GDP of the tourism industry (that represented 15% of the Spanish GDP in 2019 and over three million employees) may decline up to 81.4% in 2020, while on January 2020 an increase of up to 1.5% was forecast (source: Exceltur, *Posible Impacto del Covid 19 sobre el sector turístico español*). Moreover, the World Tourism Organization (“WTO”) estimated on March 26, 2020 that in 2020 global international tourist arrivals could decline between 20-30%, down from an estimated growth of 3% to 4% forecast in early January 2020 (source: WTO, *Impact assessment of the COVID-19 outbreak on international tourism*).

Before the COVID-19 health crisis, domestic demand has been the main driver of the economic recovery in Spain and both investment and private consumption levels have recovered over the past several years. For example, private consumption (defined as final consumption expenditure of households and non-profit institutions serving households, which are separate legal entities such as trade unions, professional societies, political parties, churches, charities or sports clubs) grew by 2.4% and 2.1% year-over-year (“YOY”) in 2018 and 2019, respectively (Source: CBRE, Eurostat). Domestic demand has been driven largely by declining unemployment rates and the financial strengthening of Spanish households (Source: INE).

The recovery of the Spanish economy has also translated into a recovery of the labor market. Historically, Spain has suffered from a higher unemployment rate than many of its European peers, with an average unemployment rate of almost 10% between 2002 and 2008. During the downturn, Spain’s unemployment rate increased substantially, peaking at 26.9% in the first quarter of 2013. However, since 2013 the unemployment rate has decreased, amounting to 13.78% as of the end of 2019 (Source: INE), this is below 2009 levels (Source: Bank of Spain).

Notwithstanding the foregoing, due to the outbreak of COVID-19, the Spanish labor market has suffered a significant impact during March and April, when 302,265 and 282,891 employees, respectively, were laid off (Source: Ministry of Labour and Social Economy (*Ministerio de Trabajo y Economía Social*)). In this regard, and as of the date of this Prospectus, the IMF estimates that the unemployment rate will increase up to 20.8% in 2020 (source: IMF, *World Economic Outlook, April 2020: The Great Lockdown*).



Source: Bank of Spain and IMF

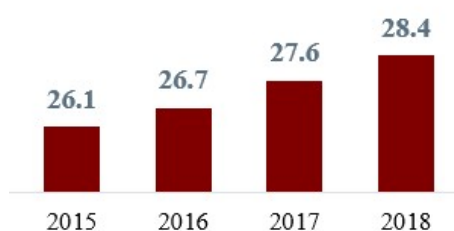
Spain’s labor costs grew higher than inflation, which means that Spaniards’ purchasing power keeps improving while tourism in 2019 maintained its capacity to generate employment (+3.5%; 64,851 new employees have been registered in the Social Security System (*Seguridad Social*)), that is 1.2 points above the rest of economic sectors (+2.3%), (Source: Exceltur).



Source: Jefferies International Limited and Arcano Corporate

Between 2015 and 2018, income per household has developed positively as a result of the economy's growth trend.

#### Evolution of income per household 2015-2018 (€ thousand)



Source: Bank of Spain

The following table contains projections on Spain's main macro magnitudes issued by the IMF on April 14, 2020 thus after the outbreak of COVID-19. However, these figures may not be indicative of the future performance of the Spanish economy and may be updated.

#### Projections of the Spanish economy's main macro magnitudes

	2020	2021
GDP .....	(8.0)%	4.3%
Consumer prices .....	(0.3)%	0.7%
Current account balance.....	2.2%	2.4%
Unemployment .....	20.8%	17.5%

Source: IMF, World Economic Outlook, April 2020: The Great Lockdown

In 2019, Spain was the second most visited country in the world, recording approximately 85 million tourists. Tourism is expected to be one of the COVID-19 crisis most affected industries and its full recovery may take longer than for other sectors. In addition to the expected GDP decrease, economic policies and measures to be implemented by the Spanish authorities will likely result in an increase of public debt and budget deficit. Yet, the future of the Spanish tourism sector during the following years and until COVID-19 does no longer entail a threat to global health will significantly depend on the measures and policies that the Spanish authorities may take in order to overcome this crisis.

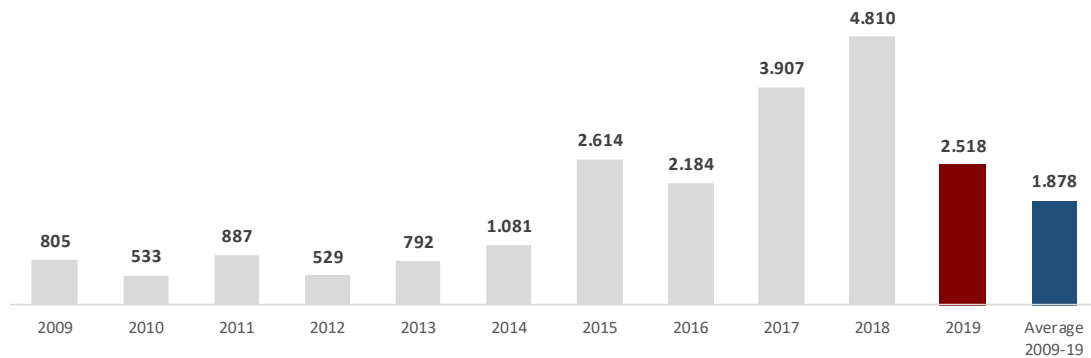
#### Overview of the Spanish hotel real estate market

The Spanish hospitality market has historically been based on volume-oriented brands and operators, which compete in the low pricing segment and base their strategy on obtaining high occupancy. Although we believe Spain and Portugal, have the ingredients to become international reference markets in the upper upscale and luxury hospitality segment, historically the focus has been on large, volume-oriented hotels owned and operated by local operators. Traditionally, international operators have not been able to enter the Spanish hospitality market due to the dominance of Spanish operators since the boom of tourism in Spain in the late 1960's.

Between 2013 and 2014, in the aftermath of the Spanish financial crisis, the market began to see greater international interest compared to 2012. With Spain's GDP growing significantly ahead of other European economies, the hotel real estate market has experienced a strong growth rate between 2015 and 2018, achieving higher investment volumes in each of such years than those recorded in 2006, previously the most liquid year. Institutional investors have gained a considerable market share in the aforementioned period as hotel trading performance registered strong growth. International investment has also grown and domestic investment has remained robust, although many key players in the domestic market, such as Hispania Activos Inmobiliarios SOCIMI, S.A. and Merlin Properties SOCIMI, S.A. are backed by international capital.

Hotel investment in existing hotels, properties and land for developing new hotels amounted to €2.52 billion during 2019, while 128 assets were traded (Source: Colliers International "Hotel investment in 2019"). This placed Spain among the top five hotel investment destinations in Europe. It should be noted that 2018 was not an ordinary year in terms of investments as almost half of the €4.81 billion invested are related to the acquisition of Hispania Activos Inmobiliarios, SOCIMI, S.A. by The Blackstone Group L.P. (approximately €2 billion).

### Total hotel investment volume 2009 - 2019 in Spain (€ million)

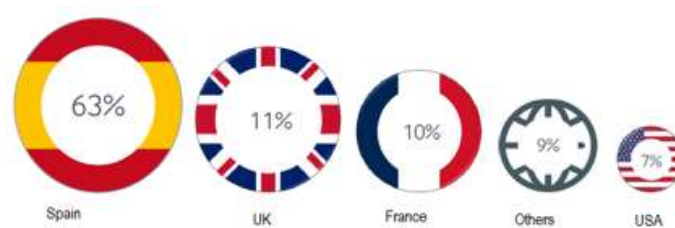


Source: Colliers International "Hotel investment 2019"

However, depending on the type of assets considered, the variation regarding 2018 is uneven: exiting hotel sales registered €2.11 billion, (i.e., 54% less than €4.59 billion of 2018). A total of 99 hotels, representing 16,314 rooms changed hands in 2019. Despite that, transactions regarding real estate for its conversion to hotel use grew by 59.4%, from €152 million in 2018 to €242 million in 2019 in 18 transactions. Finally, the most significant growth is focused on land purchase transactions for hotel development; 11 transactions in 2019 that, with an investment volume of €164 million, more than doubled the previous year figure of €68 million.

The average price of the transacted rooms increased by 11% compared to the previous year, reaching €142 thousand per room. This increase is explained, among other factors, due to the strong investment interest that compressed the yields and the higher number of core transactions to the detriment of value added transactions (Source: Christies & Co).

### Origin of investors

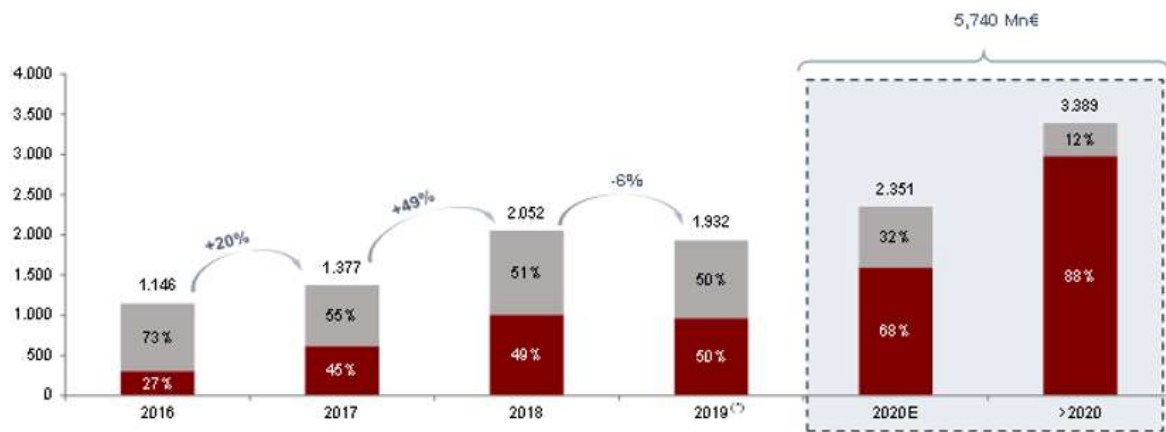


Source: Christies & Co

These figures prove the strategic nature of the tourism sector in Spain, and its clear determination to continue improving the quality of its hotels to retain its leading position as one of the world's top tourist destinations.

In the case of Spain, by the end of 2020 and before the outbreak of COVID-19, the invested amount in hotel refurbishments and construction in Spain was expected to be around €2.3 billion, for the second consecutive year (Source: Colliers International). However, due to the economic impact of COVID-19 and the declaration of the state of emergency by the Spanish government, it can be expected that the invested amount in hotel refurbishments and construction in Spain by the end of 2020 will be lower.

## Real Estate investment (€ billion by sectors —refurbishment and new developments)



Source: Colliers International

### Investment profile by product type

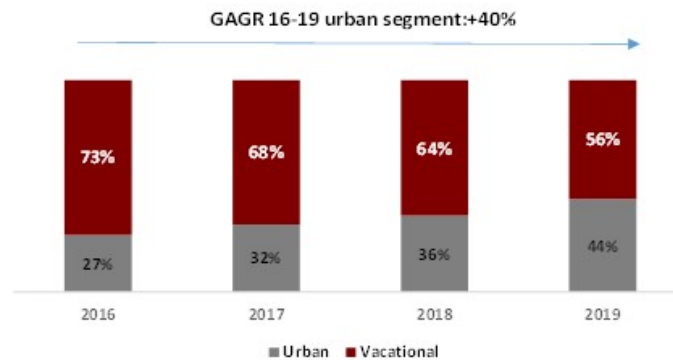
There has been a more balanced distribution of investment in the vacation and urban segments in recent years. The Spanish vacation segment has seen consistent spending on hotel refurbishments for some years now, in order to maintain its strategic position while other competing destinations recover.

The urban segment, meanwhile, has grown mainly because of the entry of international hotel brands, new construction projects outside the city centers and the conversion of office buildings in central areas.

The vacation sector accounted for 56% of the total investment, down from 64% in 2018, mainly due to the recovery of countries in North Africa and elsewhere in the Mediterranean, Brexit and the fallout from the collapse of Thomas Cook and the absence of large portfolio transactions.

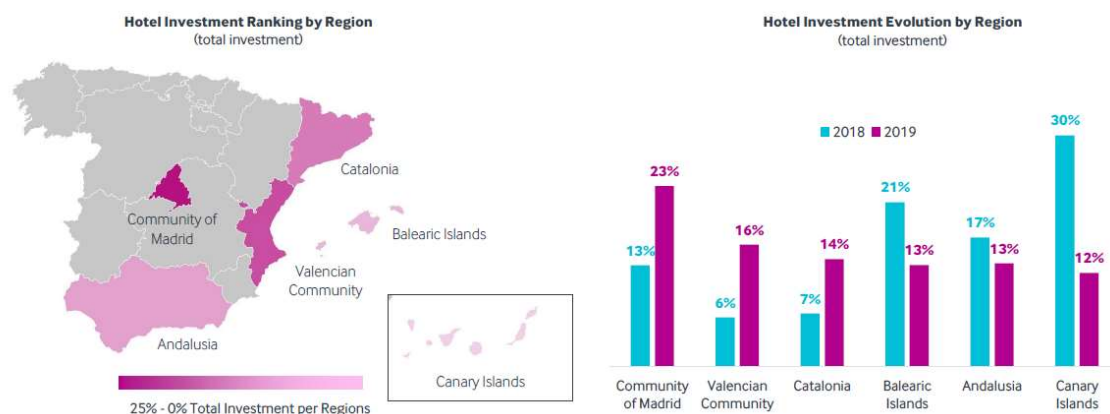
Urban destinations accounted for 44% of the total investment in 2019, up from 36% in 2018, favored by an increase in core assets.

### Real Estate investment by segment (2016-2019)



Source: Colliers International

## Real Estate investment by region (2018-2019)

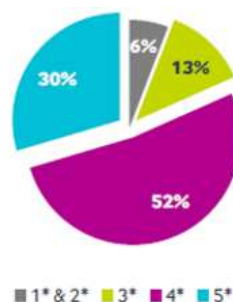


Source: Christies & Co

In 2019, the urban segment surpassed the vacational one, concentrating 59% of the total investment representing an increase of 23% compared to 2018, which meant an obvious change in the trend according to Christies & Co figures. Madrid was the main driver of the urban segment, with a volume of €471 million in 16 transactions, representing 23% of the total investment in Spain and 38% of the investment in urban destinations. The continuous improvement of the operating results, the growing representation of international chains and the incorporation of new luxury projects to the current pipeline are considered the main reasons for the optimum moment that the city is experiencing from an investment point of view (Source: Christies & Co).

4-star hotels were the most transacted assets within the urban segment, representing 52% of the total urban investment, followed by the 5-star hotels (30%). The 3-star category, on the other hand, grew by 7% compared to 2018, representing 13% of the total investment in urban destinations.

### Real Estate investment by hotel category (total investment volume in urban destinations)



Source: Christies & Co

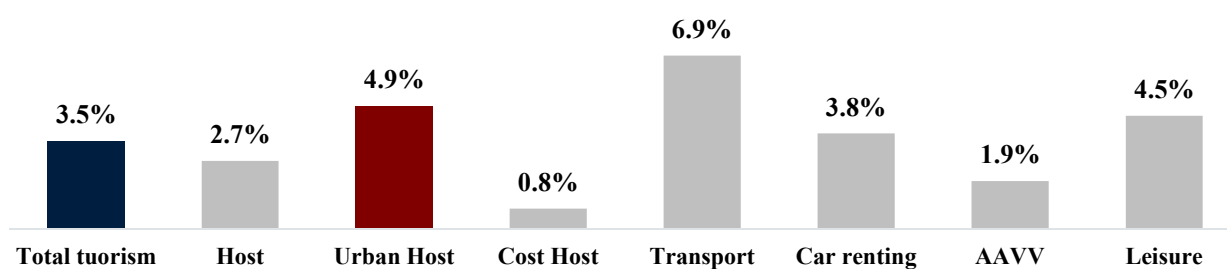
The most relevant transactions in 2019 in the urban segment took place in the main cities, such as Madrid (Hotel Asturias (Carrera de San Jerónimo 9 and 11) acquired by the Company for €82 million plus the planned investment for its conversion and transactions costs), Bilbao (Hotel Meliá Bilbao acquired by the Company for €49.2 million plus transaction costs), Valencia (Hotel Meliá Valencia acquired by Atom Hoteles SOCIMI, S.A. for €42.3 million) and Barcelona (The Gates Barcelona acquired by Ennismore), among others (Source: Christies & Co).

### Main tourism figures

Regarding tourism figures, the sales of tourist companies grew by 3.5% in 2019 and the results increased by 3.3%, with every day more notable differences in favor of companies and destinations that have invested in the differentiation of their product offer and those located in urban destinations, more favored by demand than vacational ones (Source: Exceltur).

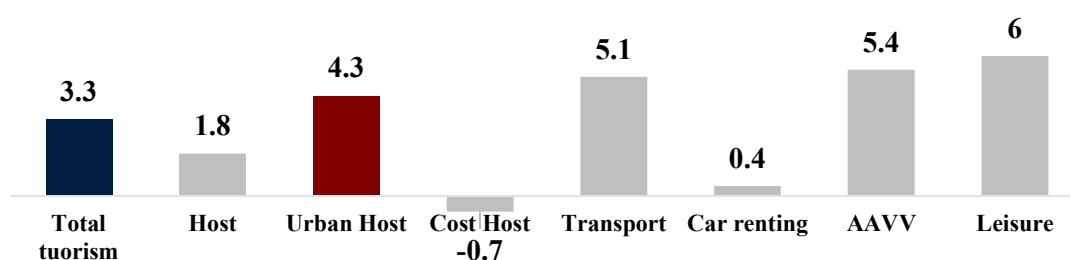
According to Exceltur figures, sales and net profit of urban hotels where the Company is focused increased by 4.9% and 4.3%, respectively, vs 2018 while the total tourism segment increased by 3.5% and 3.3%, respectively, vs 2018. Costs per host increased by 0.8% in sales and decreased by 0.7% in terms of net profit.

### Sales evolution in 2019 by subsector (% var. 2019 vs. 2018)



Source: Exceltur

### Net Income evolution in 2019 by subsector (% var. 2019 vs. 2018)



Source: Exceltur

According to Exceltur, in 2019 urban and inland destinations (with Madrid at the top) reached the best tourist results, versus the sun and beach areas, which show worse results and with special intensity in the Canary Islands.

Seen with perspective, 2019 figures, and those from the previous years, can only be understood taking into consideration that Spain, and especially the vacation hotel sector, has been given investment grade status by institutional investors and international funds that traditionally were not inclined to invest in vacation hotels because they use to consider the vacation hotel business to be volatile, and therefore not offering a decent risk/benefit ratio as other hotel investment options in Europe.

It is also important to understand the market context in which the aforementioned levels of investment have been achieved. Spain closed 2019 with a slight increase in the volume of international arrivals (+1.1% up to 83.7 million) (Source: INE) with respect to the previous year, which, in turn, implies a new record high.

Meanwhile, looking at tourism expenditure, a new all-time high was reached in 2019 after eight years in a row of records, with an annual growth rate of 2.8% up to €92.278 million (Source: INE). This significant upward trend has been fueled by a number of factors including:

- Economic growth in the leading global economies;
- An extremely healthy global tourism industry (with growth rates that outstrip the rate of global economic growth year after year);
- Spain's attractiveness as a tourist destination given the geopolitical instability affecting countries that are clear competitors of Spain in the Mediterranean Basin such as Tunisia, Turkey and Egypt, above all; and
- Its natural resources and cultural heritage.

As tourist flows have grown worldwide, Spain has benefited from circumstances and factors such as:

- The fact that, as a region, Europe is the biggest tourist destination in the world, receiving one of two tourists;
- Spain's unenviable geostrategic position, its configuration as a mainland with two archipelagos, and its pleasant climate; and
- Its tourist and transport infrastructures.

Even though there seems to be uncertainty regarding the foreseen evolution of some of the previous magnitudes, in the eyes of institutional investors, the fundamentals of Spain's touristic sector are very solid and is therefore worthy of the "investment grade" qualification.



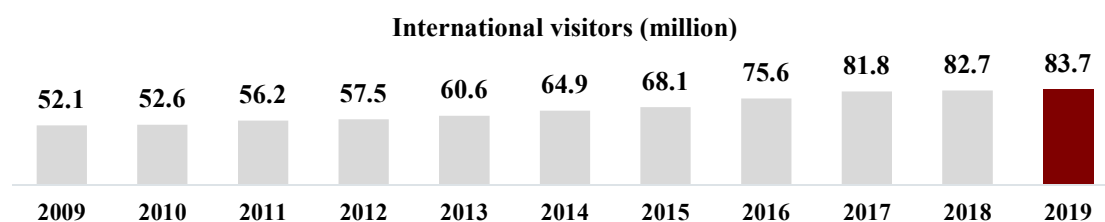
The results of the Exceltur tourist perspective report of January 2020 show that the Spanish tourism entrepreneurs discounted an increase in their sales in 2020 (3.9%), which was supposed to be transferred in 3.1% of them in an improvement of their results, thanks to the expected recovery of prices in the 3% of Spanish tourism companies. However, as of the date of this Prospectus, the different players are likely to have a negative outlook due to the economic impact of COVID-19 (see “*Risk Factors—Risks relating to health, environment, social and economic conditions—The outbreak of COVID-19 and possible similar future outbreaks or any other circumstances that could result in movement restrictions or hotels closures could materially and adversely affect our business, financial condition, results of operations, dividends and/or prospects*”), therefore it can be expected that the figures included below for financial year 2020 will be lower. In this regard, Exceltur estimates that the gross domestic product of the tourism industry may decline up to 81.4% in 2020 (source: Exceltur, *Posible Impacto del Covid 19 sobre el sector turístico español*) while on January 2020 forecast an increase of up to 1.5%.

### **Growth and value consolidation in hotel properties supported by strong tourism sector**

The international tourism context was very positive during 2019. Global tourism growth rate was higher than the global growth rate for the eighth consecutive year, and positioned as the second fastest growing industry according to the World Travel & Tourism Council Report 2019.

Traditionally Spain has been a leading country in terms of tourists, but especially since 2013, year when it became in the second most popular destination of the world. Since 2014 to 2019 Spain grew at a compound growth rate (“CAGR”) of 5.2% in terms of international visitors (Source: Colliers International).

During 2019, the number of international visitors to Spain broke another record. 83.7 million tourists visited Spain, representing an increase of 1.1% (Source: INE) as compared to the previous year. However, due to the outbreak of COVID-19, the WTO estimates that in 2020 global international tourist arrivals could decline between 20-30%, down from an estimated growth of 3% to 4% forecast in early January 2020 (source: WTO, *Impact assessment of the COVID-19 outbreak on international tourism*).



Source: INE

The main reasons for tourists in their trips to Spain during 2019 were leisure, recreation and holidays. 73,126,124 tourists visited Spain for these reasons in 2019, representing an annual increase of 1.3% with respect to 2018. A total of 5,388,120 tourists arrived for business and professional purposes (+7.3% vs 2018 according to INE figures).

### **International tourist arrivals by type of visitors**

	2019		2018	
	Absolute value	Annual change	Absolute value	Annual change
Same day visitor.....	42,364,481	1.7%	41,287,180	3.6%
Tourists .....	83,701,011	1.1%	82,773,156	1.1%
<b>Total .....</b>	<b>126,065,492</b>	<b>1.3%</b>	<b>124,060,336</b>	<b>1.9%</b>

Source: INE

In 2019 international visitor arrivals by length of stay increased by 1.3%. The main length of stay among tourists in 2019 was 4 to 7 nights, with 39,695,090 tourists and an annual increase of 2.3%.

### **International visitor arrivals by length of stay**

	2019		2018	
	Absolute value	Annual change	Absolute value	Annual change
No night.....	42,364,481	1.7%	41,287,180	3.6%
1 night.....	4,211,005	(4.6)%	4,413,428	8.2%
2 - 3 nights .....	15,464,150	5.9%	14,595,727	2.5%
4 - 7 nights .....	39,695,090	2.3%	38,785,045	1.9%

	2019		2018	
	Absolute value	Annual change	Absolute value	Annual change
8 - 15 nights .....	18,911,038	(2.9)%	19,460,562	(1.2)%
More than 15 nights .....	5,419,728	(1.7)%	5,518,394	(4.9)%
<b>Total</b> .....	<b>126,065,492</b>	<b>1.3%</b>	<b>124,060,336</b>	<b>1.9%</b>

Source: INE

65% of them according to INE figures were hosted in a hotel, that means an increase of 3.6% vs 2018. Therefore, staying in a hotel is the preferred option for tourists.

#### International tourist expenditure by main type of accommodation

	2019		2018	
	Absolute value	Annual change	Absolute value	Annual change
Rental housing .....	9,418,301	(3.2)%	9,740,016	0.2%
Hotel accommodation .....	54,724,475	3.6%	52,742,000	2.6%
Rest accommodation .....	4,171,622	0.5%	4,138,291	2.7%
<b>Total market accommodation</b> .....	<b>68,314,398</b>	<b>2.4%</b>	<b>66,620,308</b>	<b>2.3%</b>
Housing property .....	4,915,434	2%	4,797,290	(2.3)%
Housing families and friends.....	9,426,884	(4.8)%	9,928,421	(3.5)%
Non-market rest accommodation .....	1,044,386	(24.9)%	1,427,163	(6.0)%
<b>Non-market accommodation</b> .....	<b>15,386,613</b>	<b>(4.5)%</b>	<b>16,152,848</b>	<b>(3.4)%</b>
<b>Total (*)</b> .....	<b>83,701,011</b>	<b>1.1%</b>	<b>82,773,156</b>	<b>1.1%</b>

(\*) It is distinguished two main groups, depending on whether was a monetary transaction or not, rented accommodation (payment accommodation; hotels, renting accommodation, camping site, rural accommodation and other rented accommodation) or non-rented accommodation (owned, dwelling, family or friends dwellings and other non-rented accommodation)

Source: INE

Overnight stays in hotels also set a new record of 343.2 million, which represents a 16% growth compared to the previous records of 2014 (CAGR of 3.0%) and 0.9% vs 2018 (Source: INE).

From the point of view of the offer, during the last five years offer growth has been much lower than that of overnight stays, 5.4% in 2019 vs 2014 (CAC of 1.1%), (Source: INE).

The positive evolution of tourism has not been translated entirely into an increase in the number of hotel establishments in Spain (+0.5% CAGR 2015-19), especially in the category of 5 stars, in which the Company focuses its strategy.

#### Number of hotels

						CAGR
	2015	2016	2017	2018	2019	15-19 (%)
4 stars.....	1,772	1,809	1,833	1,869	1,928	2.1
5 stars.....	236	244	253	273	287	5
<b>Total(*)</b> .....	<b>12,307</b>	<b>12,449</b>	<b>12,417</b>	<b>12,477</b>	<b>12,559</b>	<b>0.5</b>

(\*) Includes every hotel category

Source: INE

This growth is based not only in the traditional sun and beach-focused tourism that started in the 1970s, but also because Spain now offers a wide variety of possibilities that complement the already strong existing offer, which results in constant average hotel occupancy rates throughout the year. These new tourism activities which keep the demand from being seasonal and now attract a big percentage of inbound tourists include:

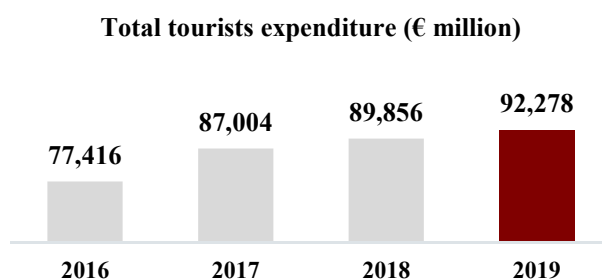
- Culinary and wine tourism: as an international culinary leader, Spain has a large number of Michelin-starred restaurants, renowned wineries, and countless destinations where visitors can enjoy the famed Spanish culture and way of life.
- Cultural tourism: museums such as the Prado, Thyssen-Bornemisza, Picasso and Guggenheim complement the extensive cultural offering, combined with the historical heritage of cities such as Sevilla, Granada, Barcelona, San Sebastián and Toledo.

- Rural tourism: Spain’s impressive biodiversity and the proximity of destinations allow tourists to combine city stays with outdoor activities such as hiking, skiing, hunting and adventure sports.

There are alternative destinations in Europe and the Mediterranean area that compete in attracting international tourism. However, Spain not only has favorable geographic conditions, but also competitive advantages that help ensure its leadership in the tourism sector.

### Total expenditure by international tourist visiting Spain

The total expenditure incurred by non-resident tourists in Spain during 2019 was €92,278 million, an increase of 2.8% compared to 2018 reaching a new historical record. If we compare this figure with the growth in the number of tourists (+1.1%), we can conclude that Spain has improved in terms of tourist quality.



Source: INE

The average expenditure per tourist amounted to €1,102 in 2019, with an annual increase of 1.7%. Meanwhile the average daily expenditure increased by 5.8% to €154.

The expenditure on accommodation increased by 7% vs 2018 according to INE figures, more than twice the global growth (2.8%).

### International tourist expenditure by expenditure categories

	2019		
	Total (€ million)	%	Annual variation
Expenditure on international transport.....	18.660	20.2	2.6%
Expenditure on accommodation.....	14.060	15.2	7%
Expenditure on food and drinks .....	13.958	15.1	2%
Expenditure on activities.....	18.233	19.8	9.3%
Other expenditure .....	8.881	9.6	(3.4)%
Expenditure excluded on tourist package.....	<b>73.792</b>	<b>80</b>	<b>4.1%</b>
Expenditure on tourist package.....	<b>18.486</b>	<b>20</b>	<b>(2.1)%</b>
<b>Total.....</b>	<b>92.278</b>	<b>100</b>	<b>4.1%</b>

Source: INE

64.2% of the total tourist expenditure in 2019 was made by tourists staying at hotels, with an annual increase of 4.4%. On the other hand, expenditure in rest rented accommodations increased by 0.9%. In terms of daily average expenditure by tourist this figure reached €206 (4.7% vs 2018, again twice the global growth of 2.8%).

### International tourist expenditure by main type of accommodation, type of organization and main purpose

	Year 2019					
	Total expenditure (€ million)	Annual variation	Average expenditure by tourist (€)	Annual variation	Daily average expenditure (€)	Annual variation
Rented accommodation.....	77.165	3.6%	1,130	1.1%	182	5.2%
Hotel accommodation.....	59.203	4.4%	1,082	0.8%	206	4.7%
Rest rented accommodation .....	17.962	0.9%	1,322	3%	132	5.4%
Non rented accommodation ...	15.113	(0.9)%	982	3.8%	86	5.2%
<b>Total.....</b>	<b>92.278</b>	<b>2.8%</b>	<b>1,102</b>	<b>1.7%</b>	<b>154</b>	<b>5.8%</b>
Without tourist package .....	65.356	5.5%	1,085	2.2%	147	7.1%
With tourist package .....	26.922	(3.1)%	1,147	0.9%	173	3.7%

	Year 2019					
	Total expenditure (€ million)	Annual variation	Average expenditure by tourist (€)	Annual variation	Daily average expenditure (€)	Annual variation
<b>Total</b> .....	<b>92.278</b>	<b>2.8%</b>	<b>1,102</b>	<b>1.7%</b>	<b>154</b>	<b>5.8%</b>
Leisure .....	80.614	3.2%	1,102	1.9%	157	6.3%
Work.....	6.029	10.7%	1,119	3.2%	217	3.7%
Other motives.....	5.635	(9.4)%	1,087	(1.9)%	100	(2.7)%
<b>Total (*)</b> .....	<b>92.278</b>	<b>2.8%</b>	<b>1,102</b>	<b>1.7%</b>	<b>154</b>	<b>5.8%</b>

(\*): It is distinguished two main groups, depending on whether was a monetary transaction or not, rented accommodation (payment accommodation; hotels, renting accommodation, camping site, rural accommodation and other rented accommodation) or non-rented accommodation (owned, dwelling, family or friends dwellings and other non-rented accommodation).

Source: INE

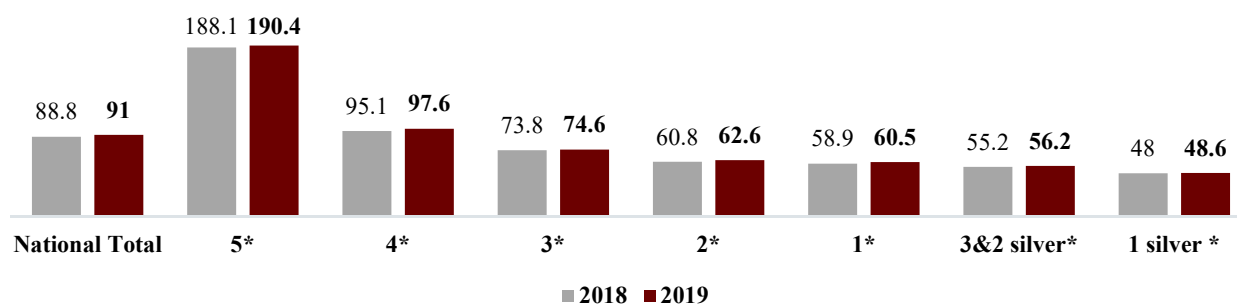
The figures above demonstrate once again the strength of international tourism in Spain, not only from the numerical point of view but also from the point of view of spending, especially in hotel establishments.

### Profitability of the hotel sector

Operators are shifting from their traditional focus on occupancy towards a greater emphasis on ADR<sup>7</sup> optimization. While increases in occupancy are accompanied by increases in most categories of variable operating expenses, increases in ADR typically only result in increases in certain categories of operating costs and expenses, such as hotel management fees, travel agency commissions and credit card processing fee expenses, all of which are based on hotel revenues. Therefore, changes in ADR generally have a more significant impact on operating profit than changes in occupancy.

ADR of hotels amounted to €91 in 2019 (+2.5% vs 2018). On the other hand, revenue per available room (“RevPAR”)<sup>8</sup>, which is conditioned by the occupancy registered in hotel establishments, reached €61.2 on average (+3.2% vs 2018).

ADR by hotel category (€)



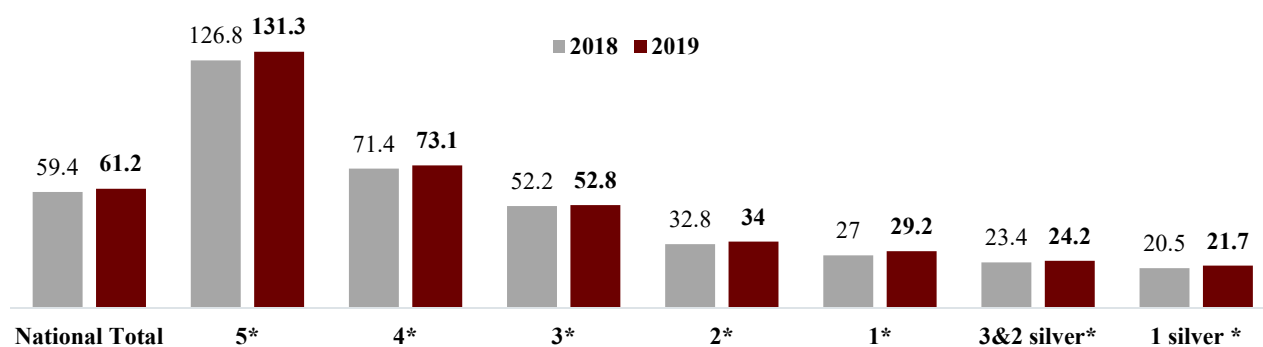
Source: INE

In the case of 5 star hotels, where Millenium's strategy is focused, ADR almost doubles the national average, and shows a growth of 1.4% vs 2018.

<sup>7</sup> ADR is an APM, see “Additional Information—Alternative performance measures” for the description of this management measure categorized as an APM

<sup>8</sup> RevPAR is an APM, see “Additional Information—Alternative performance measures” for the description of this management measure categorized as an APM.

### RevPAR by hotel category (€)



Source: INE

The average daily RevPAR for 5 stars hotels in Spain also doubles the national average reaching €131.3 in 2019, which represents a growth of 3.8%, also higher than the average of the country.

#### Madrid Hotel Market

The following table shows the number of arrivals and overnight stays in Madrid from 2013 through the third quarter of 2019:

	2013	2014	2015	2016	2017	2018	3Q2018 <sup>(1)</sup>	3Q2019 <sup>(2)</sup>
Arrivals (million) .....	7.521	8.384	8.894	9.068	9.409	9.715	7.206	7.303
% Var.....	-	11.5%	6.1%	2.0%	3.7%	3.3%	-	1.3%
Overnight stays (million) .....	14.849	16.520	17.818	18.138	19.331	19.685	14.566	15.388
% Var.....	-	11.3%	7.9%	1.8%	6.5%	1.8%	-	5.6%

(1) Comparative information (%Var) for 3Q2018 is not provided as data for 3Q2017 is not available.

(2) It has been included the last data available to the Company as of the date of this Prospectus.

Source: INE

Hotel demand in Madrid, measured as the number of overnight stays, has been growing since 2013, with Madrid recording a total of approximately 9.7 million arrivals and approximately 19.7 million overnight stays in 2018. These YOY increases are related with the increasing demand from corporate segments and the significant increase of international demand in 2018. The number of hotel overnight stays in the city of Madrid grew at a CAGR of 4.5% over the last five years.

Up to the third quarter of 2019, Madrid recorded a total of approximately 7.3 million arrivals and approximately 15.4 million overnight stays, demonstrating a positive performance when compared to the same period of 2018. These increases are mainly driven by international arrivals and overnight stays (+4.6% and +5.6%, respectively) (Source: CBRE).

Overall hotel bed supply in Madrid grew slowly at a CAGR of 1.4% between 2014 and 2018, which is below the same indicator for demand (+4.5%). During the third quarter of 2019, the total number of beds amounted to 89.25 thousand units (+2.4% vs 2018) distributed among 922 establishments (Source: CBRE).

It should be noted that the hotel moratorium approved in February 2018, which prevented the conversion of residential building into hotels in the central district, was removed in May 2019 thus will probably affect the upcoming supply from 2020 onwards.

Tourism demand in the city of Madrid has historically reflected strong seasonality, with overnight stays peaking during the spring and autumn months and demand decreasing during the winter and summer months due to long Spanish holiday periods and the less favorable weather conditions. However, this pattern has softened over the last few years due to an increase in the number of international business and leisure visitors, many of whom have greater flexibility for travel than domestic leisure visitors.

The following table shows the evolution of occupancy, ADR and RevPAR room from 2013 through the third quarter of 2019:

	2013	2014	2015	2016	2017	2018	3Q2018 <sup>(1)</sup>	3Q2019 <sup>(2)</sup>
Occupancy .....	60.7%	67%	72%	73%	76%	76,8%	75.9%	77.4%

	2013	2014	2015	2016	2017	2018	3Q2018 <sup>(1)</sup>	3Q2019 <sup>(2)</sup>
% Var.....		10.0%	7.5%	1.5%	3.7%	1.6%	-	2%
ADR (€).....	79.4	79.2	83.1	86.8	95.8	95.7	93.4	101.7
% Var.....		(0.3%)	4.9%	4.5%	10.4%	(0.1%)	-	8.9%
RevPAR (€).....	48.2	52.9	59.7	63.3	72.4	73.5	70.9	78.7
% Var.....		9.8%	12.9%	6.0%	14.4%	1.5%	-	11%

(1) Comparative information (%Var) for 3Q2018 is not provided as data for 3Q2017 is not available.

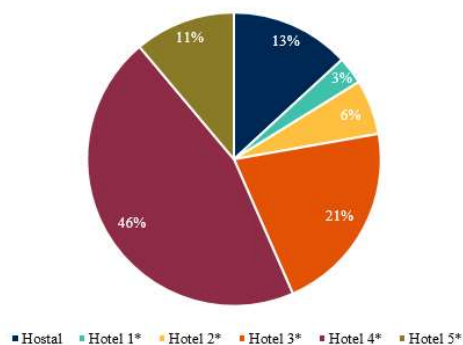
(2) It has been included the last data available to the Company as of the date of this Prospectus.

Source: Exceltur

The positive hotel demand trend registered since 2013, coupled with the containment of supply, has generated a significantly positive impact on Madrid's performance. In 2018, Madrid's occupancy rate increased by 1.6% compared to 2017, reaching an occupancy rate of 76%. This good performance continued during the first nine months of 2019, when occupancy rate stood at 77.4% (+2% vs 3Q2018).

In terms of ADR, Madrid suffered a five-year downward trend between 2009 and 2013 due to the economic crisis. The city's indicators started to recover in 2015, and in 2017 ADR amounted to €95.8 (+10.4% vs 2016). In 2018, ADR amounted to €95.7, representing a minimum decrease of 0.1% compared to 2017. In turn, in 2019, ADR amounted to €101.7, representing a significant increase of 8.9% compared to the third quarter of 2018.

Madrid hotel market is dominated by the 4-star segment, representing 46% of the total hotel room count, followed by the 3-star segment accounting for 21%. The 5-star hotel supply in Madrid represents 11% of the total inventory, followed by the 2-star segment (6%) and 1-star segment (3%) (Source: Savills – Aguirre Newman and Alimarket).



Source: Alimarket

The following table shows the evolution of occupancy, ADR and RevPAR in 4-star hotels in Madrid from 2013 through 2019:

	2013	2014	2015	2016	2017	2018	2019
Occupancy.....	62.8%	68%	72%	74%	76%	77.2%	77.5%
% Var.....		8.0%	6.8%	2.2%	2.8%	1.64%	1.7%
ADR (€).....	79.0	81.3	85.4	88.0	96.4	98.8	103.6
% Var.....		2.9%	5.0%	3.0%	9.5%	2.5%	8.1%
RevPAR (€).....	49.6	55.1	61.8	65.1	73.4	76.3	80.3
% Var.....		11.1%	12.2%	5.3%	12.7%	4%	10%

Source: Exceltur/CBRE

As illustrated above, the occupancy rate for 4-star hotels in Madrid was 77.2% in 2018, representing an increase of 1.64% compared to 2017. In 2019, the occupancy rate for 4-star hotels in Madrid was 77.5%, representing an increase of 1.7% compared to 2018.

The ADR for 4-star hotels in Madrid was €98.8 in 2018, representing an increase of 2.5% compared to 2017. In 2019, the ADR was €103.6, representing an increase of 8.1% compared to 2018. This indicator has increased over recent years, with the CAGR of the ADR between 2013 and 2019 amounting to 4.6% as a result of the good performance of the overall market.

Regarding ADR and occupancy rate of 5-star segment in 2018, ADRs have been consistently fluctuating between €170 and €200, whereas occupancy rate performed between 42.5% in August and 82.1% in October, achieving the highest in the period. According to Savills, after the complete refurbishment that will take place at the Ritz hotel in order to be fully adapted to Mandarin Oriental brand's standards and the arrival of other luxury brands like Four Seasons or Edition and the new JW Hotel to Madrid, the 5-star market expects to see a considerable ADR increase.

#### 5-star hotels ADR and occupancy rate (2018)

	ADR €	Occupancy rate %
January	171.6	61.8
February	180.3	68.1
March	173.8	68.1
April	195.4	72.6
May	188.6	78.2
June	181.2	73.3
July	169.4	68
August	133.1	42.5
September	177.9	77.9
October	199.4	82.1
November	176.0	77.6
December	172.5	59.7
<b>Total</b>	<b>178.6</b>	<b>69.2</b>

Source: Savills Aguirre Newman

#### Alicante Hotel Market

The following table shows the number of arrivals and overnight stays in Alicante from 2013 through the third quarter of 2019:

	2013	2014	2015	2016	2017	2018	3Q2018 <sup>(1)</sup>	3Q2019 <sup>(2)</sup>
Arrivals (million) .....	608	658	695	756	820	811	621	681
% Var.....		8.2%	5.6%	8.8%	8.5%	(0.9%)	-	9.7%
Overnight stays (million) .....	1.508	1.581	1.591	1.740	1.919	1.893	1.484	1.567
% Var.....		4.8%	0.6%	9.4%	10.3%	(1.3%)	-	5.6%

(1) Comparative information (%Var) for 3Q2018 is not provided as data for 3Q2017 is not available.

(2) It has been included the last data available to the Company as of the date of this Prospectus.

Source: INE

Hotel demand in Alicante has been growing since 2013. In 2018, Alicante received approximately 811 thousand arrivals and 1.9 million overnight stays, representing decreases of 0.9% and 1.3%, respectively, compared to 2017. The CAGR of Alicante's overnight stays for the period between 2014 and 2018 amounted to 4.6%.

Up to the third quarter of 2019, demand seems to have recovered from the slight decrease in 2018. During this period, Alicante received a total of 621 thousand arrivals and approximately 1.57 million overnight stays, representing increases of 9.7% and 5.6%, respectively, compared to the third quarter of 2018.

Hotel demand in the city of Alicante has traditionally been balanced between domestic and international visitors, although the weight of international demand has been growing in recent years. In 2019, international visitors have been growing notably, increasing from 53.8% in 2015 to 62.3% in 2018 (Source: CBRE).

Over the last few years, the average overnight stay in Alicante has ranged between 2 and 2.5 nights (source: CBRE). This relatively low figure is the result of the city's good transport connection with other cities inside and outside Spain, including Madrid, thanks to the high speed train (AVE) and low-cost flights.

The following table shows the evolution of occupancy, ADR and RevPAR in Alicante from 2013 through the third quarter of 2019:

	2013	2014	2015	2016	2017	2018	3Q2018 <sup>(1)</sup>	2019 <sup>(2)</sup>
Occupancy .....	57.6%	63%	62%	68%	73%	72.6%	75.3%	77%
% Var.....	-	9.4%	(2.2%)	9.9%	7.2%	0%	-	2.3%
ADR (€).....	60.9	63.3	65.5	69.5	76.7	74.4	77.5	79.4
% Var.....	-	3.9%	3.5%	6.1%	10.4%	(3%)	-	2.5%

	2013	2014	2015	2016	2017	2018	3Q2018 <sup>(1)</sup>	2019 <sup>(2)</sup>
RevPAR (€).....	35.1	39.9	40.3	47.1	55.7	53.9	58.2	61
% Var.....	-	13.7%	1.0%	16.9%	18.3%	(3.1%)	-	4.8%

(1) Comparative information (%Var) for 3Q2018 is not provided as data for 3Q2017 is not available.

(2) It has been included the last data available to the Company as of the date of this Prospectus.

Source: Exceltur/CBRE

Over the last 5 years, the city's occupancy rate has fluctuated considerably, resulting in a CAGR between 2014 and 2018 of 3.6%. In 2018 occupancy reached 72.6% revealing no growth since 2017. The registered occupancy rate as of the third quarter of 2019 shows growth (2.3%) with respect to the same period in 2018, reaching 77%.

Additionally, the city took advantage of ADR's rising until 2017, but it decreased in 2018 to €74.4 (CAGR of 4.1% in 2014-2018). Nevertheless, during the first nine months of 2019, ADR increased by 2.5% vs same period of 2018.

The following table shows the evolution of occupancy, ADR and RevPAR in 4-star hotels in Alicante from 2013 through 2019:

	2013	2014	2015	2016	2017	2018	3Q2018 <sup>(1)</sup>	3Q2019 <sup>(2)</sup>
Occupancy.....	61.0%	65%	67%	72%	74%	73.9%	76.5%	80.6%
% Var.....	-	6.6%	2.3%	8.6%	2.6%	(0.3%)	-	5.4%
ADR (€).....	75.5	80.1	80.2	87.8	98.5	92.9	95.9	104.4
% Var.....	-	6.1%	0.1%	9.5%	12.2%	(5.7%)	-	8.9%
RevPAR (€).....	46.1	52.1	53.3	63.4	73.0	53.9	73.3	84.1
% Var.....	-	13.0%	2.3%	18.9%	15.1%	(26.1%)	-	14.7%

(1) Comparative information (%Var) for 3Q2018 is not provided as data for 3Q2017 is not available.

(2) It has been included the last data available to the Company as of the date of this Prospectus.

Source: Exceltur/CBRE

As illustrated above, the occupancy rate for 4-star hotels in Alicante reached 73.9% in 2018, reflecting no growth compared to 2017. In 2019, the occupancy rate for 4-star hotels in Alicante reached 80.6%, reflecting an increase of 5.4% compared to 2018. This figure was above the city's average for all hotel segments (Source: CBRE).

Regarding RevPAR, the first nine months of 2019 showed a significant increase €84.1 vs €73.3 in 3Q2018, representing an increase of 14.7%

### Sevilla Hotel Market

The following table shows the number of visitors and overnight stays in Sevilla city from 2013 through the third quarter of 2019:

	2013	2014	2015	2016	2017	2018	3Q2018 <sup>(1)</sup>	3Q2019 <sup>(2)</sup>
Arrivals (million) .....	1.917	2.079	2.320	2.535	2.618	2.677	2.001	2.100
% Var.....	-	8.5%	11.6%	9.3%	3.3%	2.3%	-	5%
Overnight stays (million).....	3.718	4.053	4.618	4.996	5.229	5.527	4.113	4.418
% Var.....	-	9.0%	13.9%	8.2%	4.7%	5.8%	-	7.4%

(1) Comparative information (%Var) for 3Q2018 is not provided as data for 3Q2017 is not available.

(2) It has been included the last data available to the Company as of the date of this Prospectus.

Source: INE/CBRE

Hotel demand in the city of Sevilla has shown robust results over the last few years. In 2018, the number of visitors and overnight stays increased by 2.3% and 5.8%, respectively, achieving a record number of more than 5.5 million overnight stays in the city. During the first nine months of 2019, Sevilla received a total of 2.1 million arrivals and approximately 4.4 million overnight stays, representing an increase of 5% and 7.4%, respectively, compared to 3Q2018. The CAGR of overnight stays in Sevilla from 2014 to 2019 amounted to 8.1%.

Although Sevilla's number of overnight stays used to be balanced between national and international visitors, the international demand's importance has been growing at a considerable pace in recent years. More precisely, in 2018 international overnight stays amounted to 62.6% of the total, whereas in 2014 this figure stood at 56.7%.

Hotel demand in the city of Sevilla reflects strong seasonality, with overnight stays peaking during the spring and autumn months and decreasing during the winter and summer months. The average overnight stay in Sevilla has been relatively



stable in recent years, at slightly under two nights, as a result of short business trips, good transportation connections with other cities within and outside of Spain (including AVE and low-cost flights), and its proximity to other tourist destinations in Spain such as Cordoba, Granada and Malaga.

Overall, bed hotel supply in Sevilla grew at a CAGR of 3.2% between 2014 and 2018, which is below the same indicator for demand (+8.1%).

The following table shows the evolution of occupancy, ADR and RevPAR in Sevilla from 2013 to 2019:

	2013	2014	2015	2016	2017	2018	3Q2018 <sup>(1)</sup>	3Q2019 <sup>(2)</sup>
Occupancy .....	58.1%	62%	69%	73%	75%	77.3%	76.9%	79.7%
% Var.....	-	6.9%	10.3%	6.0%	2.6%	3.8%	-	3.6%
ADR (€).....	72.4	74.6	79.1	84.4	90.1	93.1	91.9	95.9
% Var.....	-	3.0%	6.0%	6.7%	6.8%	3.3%	-	4.4%
RevPAR (€).....	42.1	46.3	54.2	61.2	67.1	72	70.7	76.4
% Var.....	-	10.1%	17.1%	12.9%	9.7%	7.3%	-	8.1%

(1) Comparative information (%Var) for 3Q2018 is not provided as data for 3Q2017 is not available.

(2) It has been included the last data available to the Company as of the date of this Prospectus.

Source: Exceltur/CBRE

Increasing tourist demand in Sevilla has led to strong hotel performance. In 2018, Sevilla's occupancy rate increased by a remarkable 3.8% compared to 2017, reaching 77.3% of total hotel room capacity. During the first nine months of 2019, Sevilla's occupancy rate increased by 3.6% compared to 3Q2018, reaching 79.7% of total hotel room capacity.

In 2018, Sevilla's ADR increased by 3.3% compared to 2017, reaching €93.1. During the first nine months of 2019, Sevilla's ADR increased by 4.4% compared to 2018, reaching €95.9. Between 2014 and 2018, Sevilla's ADR increased from €72.4 to €93.1, representing a CAGR of 5.7%.

### **Bilbao Hotel Market**

The following table shows the number of arrivals and overnight stays in Bilbao from 2014 through the third quarter of 2019:

	2014	2015	2016	2017	2018	3Q2018 <sup>(1)</sup>	3Q2019 <sup>(2)</sup>
Arrivals (thousands).....	783	826	898	923	937	713	733
% Var.....	-	5.6%	8.7%	2.8%	1.5%	-	2.8%
Overnight stays (million).....	1.480	1.578	1.660	1.747	1.798	1.365	1.435
% Var.....	-	6.6%	5.2%	5.3%	2.9%	-	5.1%

(1) Comparative information (%Var) for 3Q2018 is not provided as data for 3Q2017 is not available.

(2) It has been included the last data available to the Company as of the date of this Prospectus.

Source: INE/CBRE

Hotel demand in Bilbao has been growing since 2013. In 2018, Bilbao received a total of approximately 937 thousand arrivals and approximately 1.8 million overnight stays, representing an increase of 1.5% and 2.9%, respectively, compared to 2017. The CAGR of Bilbao's overnight stays for the period between 2014 and 2018 amounted to 5%.

During the first nine months of 2019, demand continued to grow. During this period, Bilbao received a total of 733 thousand arrivals and approximately 1.43 million overnight stays, representing an increase of 2.8% and 51%, respectively, compared to 3Q2018.

Hotel demand in the city of Bilbao has traditionally been balanced between domestic and international visitors, although the weight of international demand has been growing in recent years. In 2019, international visitors has grown notably, increasing its share from 40% of the total in 2015 to 48% in 2018 (Source: CBRE).

Overall hotel bed supply in Bilbao grew at a CAGR of 1.8% between 2014 and 2018, which is well below the same indicator for demand (+5%). In 2018, the city's average bed supply remained almost stable (+0.3% YOY) despite the increase in overnight stays in the city (+2.9%). During the first nine months of 2019, 8,207 beds were available in Bilbao, distributed in 79 establishments (Source CBRE).

The following table shows the evolution of occupancy, ADR and RevPAR in Bilbao from 2014 through 2019:

	2014	2015	2016	2017	2018	3Q2018 <sup>(1)</sup>	2019 <sup>(2)</sup>
Occupancy.....	63.5%	68.8%	71.9%	73.6%	74.9%	75.5%	76.9%

	2014	2015	2016	2017	2018	3Q2018 <sup>(1)</sup>	2019 <sup>(2)</sup>
% Var .....	-	8.3%	4.5%	2.4%	1.8%	-	1.9%
ADR (€).....	73	73.6	77	84.2	92.8	93.3	98.9
% Var .....	-	0.8%	4.6%	9.4%	10.2%	-	6%
RevPAR (€).....	46.4	50.6	55.4	61.9	69.4	70.3	76
% Var .....	-	9.2%	9.3%	11.8%	12.1%	-	8.1%

(1) Comparative information (%Var) for 3Q2018 is not provided as data for 3Q2017 is not available.

(2) It has been included the last data available to the Company as of the date of this Prospectus.

Source: Exceltur/CBRE

Over the last 5 years, the city’s occupancy rate has shown a continuous increase due to the higher growth rate of overnight stays compared to the city’s bed supply. In 2018, the occupancy rate reached 74.9% (+1.8% vs 2017). The registered occupancy rate during the first nine months of 2019 grew by 1.9% with respect to the same period in 2018, reaching 76.9%.

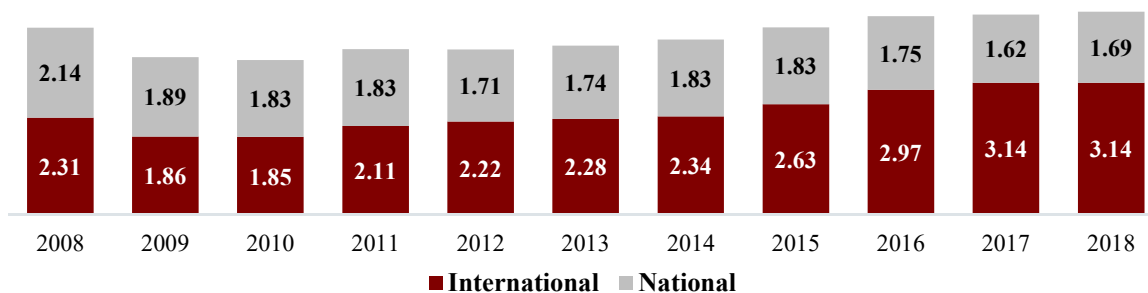
Bilbao’s ADR has also been increasing since 2014, with an average ADR amounting to €92.8 in 2018, showing a large YOY growth of 10.2%. CAGR 2014-2018 stood at 6.2%. Both indicators have been growing during the first nine months of 2019, with the occupancy rate and the ADR increasing by 1.9% and 6% vs 2018, respectively.

### Costa del Sol Hotel Market

Costa del Sol is one of the most important destinations in Spain for tourism, representing 5% of the total national demand. Tourism is the most important industry in Costa del Sol, in fact, Malaga’s airport, with over 19 million passengers in 2018 (+2.1% vs 2017), is the fourth airport in Spain in terms of number of travelers (Source: Savills Aguirre Newman).

The number of visitors in Costa del Sol recorded a peak in 2018 with over 4.8 million travelers (+2% vs 2017). The demand has increased since 2009 —when it was recorded the lowest point regarding number of visitors (3.75 million) due to the economic crisis—. In terms of nationality, in 2018 international visitors represented 68% of the total tourists. According to Savills, total demand in Costa del Sol is expected to exceed previous years’ figures during 2019, taking into account that the data available up to April 2019 indicated an increase of 7% compared to the same period of 2018 (Source: Savills Aguirre Newman).

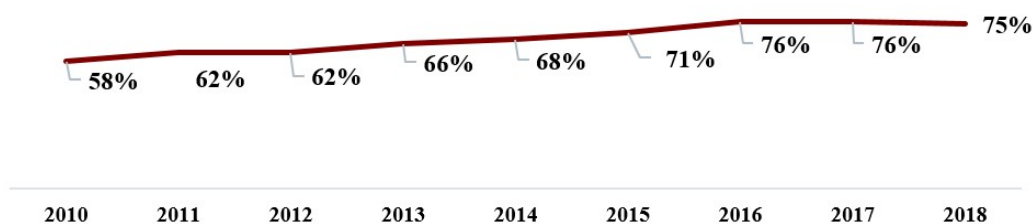
Visitors in Costa del Sol (2008-2018) (million €)



Source : INE/Savills Aguirre Newman

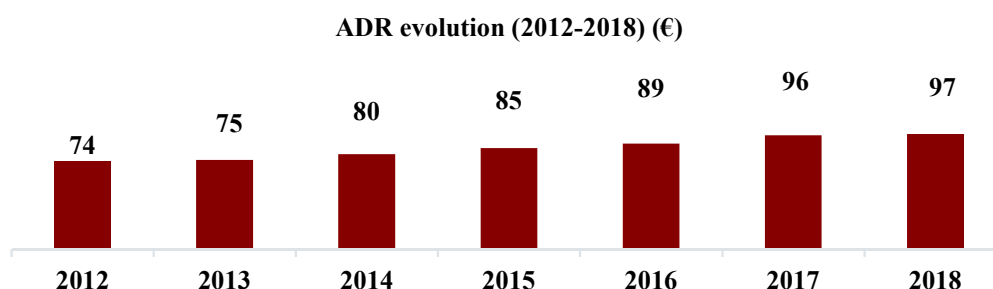
The annual occupancy rate has grown by 17% since 2010, which was the most affected year by the economic crisis. In 2018 this figure reached 75%.

Occupancy evolution (2010-2018)



Source: Exceltur/ Savills Aguirre Newman

From 2012, ADR recovered until 2018, reaching an amount of €96.5 (+0.5 vs 2017 and +24% vs 2010). However, the RevPar in 2018, which amounted to €72, was slightly lower than in 2017, when it reached €73. It can be explained by the fact of a higher occupation rate of 2017.



Source: Exceltur/ Savills Aguirre Newman

## Overview of the Portuguese Hotel Real Estate Market

As of the date of this Prospectus, all of our hotels are located in Spain. Although we expect most of our future hotel acquisitions to be in Spain, we may also consider acquisitions in certain areas in Portugal, such as Lisbon, Porto and occasionally Algarve (see “*Business—Pipeline*”).

Over the last few years, Portugal has experienced robust economic recovery with GDP’s record numbers (+2.1% in 2018, as well as an important decrease of the unemployment rate (-17.1% in 2018) and low inflation (+0.99% in 2018), (Source: Christies and Co). However, the updated forecasts issued by the IMF in April 15, 2020 in light of the outbreak of the COVID-19 estimates Portugal’s growth to decrease by 8.0% in 2020 (source: IMF, *World Economic Outlook, April 2020: The Great Lockdown*).

### Portugal main figures

	<u>Figures<sup>(1)</sup></u>
Population (2018).....	10.3 million
Unemployment rate (Feb 2020).....	6.7%
GDP annual growth (2019E).....	2.2%
GDP per capita (annual 2018; current prices).....	€23,765
CPI (March 2020).....	0.05%

(1) It has been included the last data available to the Company as of the date of this Prospectus.

Source: INE Statistics Portugal and Eurostat

The following table contains projections on Portugal’s main macro magnitudes issued by the IMF on April 14, 2020 thus after the outbreak of COVID-19. However, these figures may not be indicative of the future performance of the Portuguese economy and may be updated.

	<u>2019</u>	<u>2020</u>	<u>2021</u>
GDP.....	2.2%	(8.0)%	5.0%
Consumer prices.....	0.3%	(0.2)%	1.4%
Current account balance.....	(0.1)%	0.3%	(0.4)%
Unemployment.....	6.5%	13.9%	8.7%

Source: IMF, *World Economic Outlook, April 2020: The Great Lockdown*

The tourism sector, which benefits from the instability of its Mediterranean competitors, also registered significant increase in demand, supply and profitability during 2019. The entrance of new players in the market (Minor International and Curio Collection) and international investment have contributed to the professionalization of the sector: Lisbon and Porto are identified as the country prime urban destinations.

Representing 8.2% of the GDP in 2018 vs 5.1% in 2017, tourism in Portugal has driven the recovery following the economic downturn, resulting in a 2.1% GDP increase in 2018 and 17.1% decrease in the unemployment rate, which recorded its lowest ever rate at 6.8%.

## Main figures of Portuguese tourism sector (2018)

	Figures
Total tourism revenue .....	+6% (vs 2017)
Tourism impact on GDP .....	8.2%
Tourism employment .....	6.7%
Airport passengers.....	+9.1% (vs 2017)

(1) It has been included the last data available to the Company as of the date of this Prospectus.

Source: Christies and Co

The continuous growth in demand (+3.7% CAGR 2016-18), led by both the domestic and international segments and the quality improvement of the hotel supply, has sustained overall profitability growth in 2018 (+4% vs 2017) (Source: Christies and Co).

The number of hotels and keys increased by 5.6% and 4.2% in 2018 vs 2017, respectively. Regarding 5-star segment, it is relevant the 18% increase in terms of keys.

### Portugal hotel industry key figures<sup>(1)</sup>



(1) It has been included the last data available to the Company as of the date of this Prospectus.

Source: Christies and Co

### Lisbon Hotel Market

Lisbon is the region with the highest levels of hotel profitability in Portugal, as well as the one with the second highest overnight stays volume, after Algarve. The entrance of new hotel players, mainly focused on the 4 and 5-star segments, has driven the growth of international demand (+5.6% CAGR). Consequently, hotel rates increased, reaching its highest ADR at €103.3 in 2018 (+8.7% vs 2017) while occupancy reached 75.8% in 2018 (Source: Christies and Co). Likewise, RevPAR experienced a robust growth of 7.9% in 2018.

### Lisbon hotel industry key figures<sup>(1)</sup>



(1) It has been included the last data available to the Company as of the date of this Prospectus.

Source: Christies and Co

## Porto Hotel Market

While Lisbon and Algarve are consolidated tourist destinations, Porto is still experiencing significant tourism development, showing the highest growing trends in demand (CAGR +6.9% in 2016-2018), supply of new hotels (CAGR +5.7% in 2016-2018) and profitability in Portugal.

Both ADR and RevPAR rates increased significantly during 2018. According to Christies and Co, ADR reached €71.7 in 2018, representing an increase of 8.7%. Regarding RevPAR, the growth rate in 2018 vs 2017 stood at 9%, reaching an amount of €46.

### Porto hotel industry key figures<sup>(1)</sup>



(1) It has been included the last data available to the Company as of the date of this Prospectus.

Source: Christies and Co

## SPANISH SOCIMI REGIME

### Spanish SOCIMI regime

The following paragraphs are intended as a general guide only and constitute a high-level summary of the Company's understanding of current Spanish law in respect of the current SOCIMI regime (the "**Spanish SOCIMI Regime**"). The Spanish SOCIMI Regime was enacted originally in October 2009 and was amended at the end of 2012. The amendments introduced in 2012 improved the regime and facilitated the incorporation of the first SOCIMI during the second half of 2013. This summary is based on the key aspects of the Spanish SOCIMI Regime as they apply to the Company. Investors should seek their own advice in relation to taxation matters.

The Spanish General Directorate of Taxes (*Dirección General de Tributos*, the "**DGT**") has issued several binding rulings with the aim at facilitating the interpretation of the SOCIMI Regime. This guidance will likely continue to be developed by the DGT in the future as the regime becomes more prevalent.

### Overview

The Spanish SOCIMI Regime is intended to facilitate attracting new sources of capital to the Spanish real estate rental market. It follows similar legislation adopted in the United Kingdom and other European countries, as well as a long-established real estate investment trusts regime in the United States of America. Some of the primary aims of these types of regimes are to minimize tax inefficiency of holding real estate through corporate ownership by removing corporate taxation at the level of the SOCIMI, as well as to promote rental activities and professional management of these types of businesses.

Provided certain conditions and tests are satisfied (see "*Spanish SOCIMI Regime—Qualification as Spanish SOCIMI*"), a SOCIMI generally does not pay Spanish CIT on the profits deriving from its activities—technically, it is subject to a 0% CIT rate—. Instead, profits must be distributed and such income could then be subject to taxation.

Under the Spanish SOCIMI Regime, a SOCIMI will be required to adopt resolutions for the distribution of dividends to shareholders, after fulfilling any relevant Spanish Companies Law requirements, annually within six months following the closing of the fiscal year of: (i) at least 50% of the profits derived from the transfer of real estate properties and shares in Qualifying Subsidiaries and real estate collective investment funds; provided that the remaining profits must be reinvested in other real estate properties or participations within a maximum period of three years from the date of the transfer or, if not, 100% of the profits must be distributed as dividends once such period has elapsed; (ii) 100% of the profits derived from dividends paid by Qualifying Subsidiaries and real estate collective investment funds; and (iii) at least 80% of all other profits obtained (i.e., profits derived from rental and ancillary activities). If the relevant dividend distribution resolution were not adopted in a timely manner, the SOCIMI would lose its SOCIMI status in respect of the year to which the dividends relate.

### Qualification as Spanish SOCIMI

In order to qualify for the Spanish SOCIMI Regime, a SOCIMI must satisfy certain conditions. A summary of the material conditions is set out below.

#### *Trading requirement*

SOCIMIs must be listed on a regulated market or multilateral trading facility in Spain or in other EU or EEA member state uninterruptedly for the entire tax period. This trading requirement must be met during the whole fiscal year (without interruption) in which the special Spanish SOCIMI Regime is applicable. In this regard, the Shares are traded on the MAB.

#### *Purpose of the SOCIMI / Minimum share capital*

SOCIMIs must take the form of a listed public limited company, such as a *sociedad anónima*, with a minimum share capital of €5 million. Furthermore, the SOCIMI's shares must be in registered form, nominative and only one single class of shares is permitted. Since the Shares are represented in nominative book-entry form, this requirement is met.

A SOCIMI must have as its main corporate purpose:

- the acquisition, development and refurbishment of urban real estate for rental purposes;

- the holding of shares of other (a) SOCIMIs; (b) foreign entities that have the same corporate purpose of a SOCIMI and that shall be subject to a similar dividend distribution regime (“**foreign REITs**”), and (c) Spanish and foreign entities whose main corporate purpose is investing in real estate for developing rental activities and that shall be subject to equal dividend distribution regime and investment and income requirements as set out in the Spanish SOCIMI Regime and which share capital is fully owned by SOCIMIs or foreign REITs and that do not hold participations in other companies (“**Qualifying Subsidiaries**”); or
- the holding of shares in real estate collective investment funds.

Qualifying Subsidiaries that are non-resident entities must be resident in countries with which Spain has a treaty or agreement providing for an exchange of tax information.

SOCIMIs are allowed to carry out other ancillary activities that do not fall under the scope of their main corporate purpose. However, such ancillary activities must not exceed 20% of the assets or 20% of the revenues of the SOCIMI in each financial year, in accordance with the minimum qualifying assets and qualifying income tests described below.

#### *Restrictions on investments*

At least 80% of the SOCIMI’s assets must be invested in:

- urban real estate property to be leased;
- land plots acquired for the development of urban real estate property to be leased afterwards, provided that the development of such property starts within three years as from the acquisition date (“**Qualifying Real Estate**” and together with Qualifying Subsidiaries, “**Qualifying Assets**”);
- participations in Qualifying Subsidiaries (see “*Spanish SOCIMI Regime—Qualification as Spanish SOCIMI—Purpose of the SOCIMI / Minimum share capital*”); or
- participations in real estate collective investment funds.

Note that properties engaged in financial leases are not Qualifying Real Estate.

The DGT has confirmed that the assets should be measured on a gross basis, disregarding depreciation or impairments, in accordance with Spanish Royal Decree 1514/2007 of November 16, 2007, approving the Spanish General Accounting Plan (*Real Decreto 1514/2007, de 16 de noviembre, por el que se aprueba el Plan General de Contabilidad*), which sets forth the Spanish generally accepted accounting principles (“**Spanish GAAP**”).

In the event that a SOCIMI has subsidiaries that are deemed to be a part of the same group of companies for Spanish corporate law purposes, the calculation of this 80% threshold will be made on a consolidated basis according to Spanish GAAP. For these purposes, the group of companies would be integrated exclusively by SOCIMIs and other Qualifying Subsidiaries described in “*Spanish SOCIMI Regime—Qualification as Spanish SOCIMI—Purpose of the SOCIMI / Minimum share capital*”.

There are no asset diversification requirements.

#### *Restrictions on income*

At least 80% of a SOCIMI’s net annual income must derive from the lease of qualifying assets (as described in “*Spanish SOCIMI Regime—Qualification as Spanish SOCIMI—Restrictions on investments*”), or from dividends distributed by Qualifying Subsidiaries and real estate collective investment funds and companies.

The DGT considers that the annual income should be measured on a net basis, taking into consideration direct income expenses and a pro rata portion of general expenses. These concepts should be calculated in accordance with Spanish GAAP.

However, in the event that a SOCIMI has subsidiaries that are deemed to be a part of the same group of companies for Spanish corporate law purposes, the calculation of this 80% threshold will be made on a consolidated basis according to Spanish GAAP. For these purposes, the group of companies would be integrated exclusively by SOCIMIs and other Qualifying Subsidiaries described in “*Spanish SOCIMI Regime—Qualification as Spanish SOCIMI—Purpose of the SOCIMI / Minimum share capital*”. Note that lease agreements between related entities would not be deemed a qualifying activity and therefore, the rental income deriving from such agreements cannot exceed 20% of a SOCIMI’s income.

Capital gains derived from the sale of Qualifying Assets are in principle excluded from the 80%/20% net income test. However, if a Qualifying Asset is sold before it is held for a minimum three-year period (as described below), then (i) such capital gain would compute as non-qualifying revenue; and (ii) such gain would be taxed at the standard CIT rate (25%); furthermore, the entire income, including rental income, derived from such asset also would be subject to the standard CIT rate.

#### *Minimum holding period*

Qualifying assets must be held by a SOCIMI for a three-year period from (i) the acquisition of the asset by the SOCIMI; or (ii) the first day of the financial year when the company became a SOCIMI if the asset was held by the Company before becoming a SOCIMI. In case of urban real estate, the holding period requires that these assets are actually rented for at least three years, the period of time during which the asset is on the market for rent (even if vacant) is taken into account up to one year.

In addition, SOCIMIs benefit from the application of a 95% transfer tax (*Impuesto sobre Transmisiones Patrimoniales y Actos Jurídicos Documentados*) (“**Transfer Tax**”) relief in relation to the acquisition of urban real estate properties intended for leasing (or plots of land for the development of urban real estate properties intended for leasing), provided that, in both cases, the minimum holding period of such assets referred to above is complied with.

#### *Mandatory dividend distribution*

Under the current Spanish SOCIMI Regime, a SOCIMI is required to adopt resolutions for the distribution of dividends to shareholders, after fulfilling any relevant Spanish Companies Law requirements, annually within six months following the closing of the fiscal year of: (i) at least 50% of the profits derived from the transfer of real estate properties and shares in Qualifying Subsidiaries and real estate collective investment funds; provided that the remaining profits must be reinvested in other real estate properties or participations within a maximum period of three years from the date of the transfer or, if not, 100% of the profits must be distributed as dividends once such period has elapsed; (ii) 100% of the profits derived from dividends paid by Qualifying Subsidiaries and real estate collective investment funds; and (iii) at least 80% of all other profits obtained (e.g., profits derived from rental and ancillary activities). If the relevant dividend distribution resolution was not adopted in a timely manner, a SOCIMI would lose its SOCIMI status in respect of the year to which the dividends relate.

The SOCIMIs must agree the dividend distributions of a given fiscal year within six months following the closing of the fiscal year, those dividends must be effectively distributed within the month following the distribution agreement.

#### *Other matters*

A SOCIMI is not subject to a specific limitation on indebtedness.

General tax limitations (such as tax deduction of financial expenses and annual depreciation, carrying-forward of tax losses, and tax credits) should have no practical impact provided that the SOCIMI is taxed at a 0% CIT rate if all the Spanish SOCIMI Regime requirements are met.

#### *Sanctions*

The loss of SOCIMI status would trigger adverse consequences for the Company. Causes for such loss of status are:

- delisting;
- substantial failure to comply with its information and reporting obligations, unless such failure is remedied by preparing fully compliant annual accounts which contain certain required information in the following year;
- failure to adopt a dividend distribution resolution or to effectively satisfy the dividends within the deadlines described in “*Spanish SOCIMI Regime—Qualification as Spanish SOCIMI—Mandatory dividend distribution*” above. In this case, the loss of SOCIMI status would have effect in the financial year in which the profits not distributed were obtained;
- waiver of the Spanish SOCIMI Regime by the Company; and
- failure to meet the requirements established in the Spanish SOCIMI Regime unless such failure is remedied within the following fiscal year. However, the failure to observe the minimum holding period of qualifying assets would not give rise to the loss of SOCIMI status but (i) the assets would be deemed non-qualifying assets; and (ii) income derived from such assets would be taxed at the standard CIT rate (currently 25%).



Should the Company lose its SOCIMI status, it would not be eligible to reapply for the Spanish SOCIMI Regime during the following three years. In such case, the Company would have to pay CIT at the standard CIT rate (currently 25%), as from the year on which any of the abovementioned circumstances applies (except in the case of failure to adopt dividend distribution resolution or to effectively satisfy the dividends within the mandatory deadlines, with respect to which the Company must pay CIT at the standard rate as from the year to which the dividends relate). The shareholders in a company that loses its SOCIMI status are expected to be subject to taxes as if the Spanish SOCIMI Regime had not been applicable to the Company.

Furthermore, in the event of non-compliance with information obligations, penalties between €1,500 and €30,000 are established depending on the kind of information not provided.

## USE OF PROCEEDS

The Company expects net proceeds from the Offering of approximately €147 million (gross proceeds of approximately €150 million less total expenses in the amount of approximately €2.2 million comprising the fees payable to the Managers and other expenses related to the Offering in the amount of approximately €0.8 million (assuming placement of all New Shares)).

The Company intends to use the net proceeds from the Offering to partially execute its pipeline of acquisition opportunities of hotel real estate properties, including the capital expenditure plan associated therewith in a way consistent with the Group's current strategy of growth through acquisitions as disclosed in "*Business—Strategy*". Subject to market conditions, the Company expects to invest or commit to invest the net proceeds from the Offering within a maximum period of 18-24 months following the settlement of the Offering.

The Company intends to continue following its investment criteria in the analysis of future acquisitions. As disclosed in "*Business—Pipeline*", as of that date, the Company had identified a number of market opportunities with an estimated aggregate size of approximately €960 million.

In relation to the above, the Company is actively evaluating market opportunities for an estimated aggregate size of approximately €960 million, being such opportunities at different stages. While there are projects in an early stage (origination, auction, competitive process or due diligence phases), there are others being negotiated on an exclusivity basis with advanced documentation in place.

The market opportunities, if definitive agreements are entered into, are also expected to be partially financed with the net proceeds from the Offering and/or debt, which may result in changes to the Company's leverage.

Millenium is committed to assess these market opportunities following the same M&A criteria (see "*Business—Investment Process—Acquisition Process*").

The Company intends to use the net proceeds from the Offering in the acquisition of those assets included in the Company's pipeline whose negotiation is more advanced, prioritizing those which location, quality and potential hotel operator provide for better conservation, higher value creation, greater profitability and a better accredited hotel operator, but also taking into account those assets that contribute to the diversification of the Portfolio both in terms of location and operators.

Pending the Company's use of the net proceeds of the Offering on one or more acquisitions as described herein, the Company plans to hold such proceeds as cash and cash equivalents.

## DIVIDEND POLICY

The Company intends to maintain a dividend policy that accounts for sustainable levels of dividend distribution and which reflects the Company's view on the outlook for sustainable recurring earnings. The Company does not aim to create reserves that are not available for distribution to its shareholders other than those required by law. The Company intends to pay dividends following shareholders' approval at the proposal of the Board of Directors. In any case, the Company is a Spanish SOCIMI and aims to maintain such status. In this regard, under the Spanish SOCIMI Regime, the Company will be required to adopt resolutions for the annual distribution of dividends to shareholders, in compliance with the conditions set out in both the Spanish SOCIMI Regime and the Spanish corporate legislation, within six months following the closing of each fiscal year. For more detail, see "*Spanish SOCIMI Regime—Qualification as Spanish SOCIMI—Mandatory dividend distribution*".

Only those shareholders that are registered in the clearance and settlement system managed by Iberclear at 23:59 hours (CET) on the day of approval of a dividend distribution will be entitled to receive such dividend distribution unless said approval specifies a different date and time for shareholders to be entitled to receive such dividends. Dividends will be received in respect of the Shares owned at such time. Pursuant to the Spanish SOCIMI Regime and the Bylaws, the payment date of the dividends will take place within the month after the dividend distribution is approved by the General Shareholders Meeting or the Board of Directors.

The record date criterion referred to above is intended to allow the Company to timely identify Substantial Shareholders (as defined in section "*Taxation—Taxation of entities qualifying for the Spanish SOCIMI Regime*") before making a dividend distribution to them. According to the Bylaws, any shareholder must give notice to the Board of Directors of any acquisition of Shares which results in such shareholder holding 5% or more of the Company's share capital. In such case, if the dividends to be paid to said Substantial Shareholder are either exempt from tax or subject to tax at a rate lower than the 10% Test (as defined and explained in section "*Taxation—Taxation of entities qualifying for the Spanish SOCIMI Regime*"), the Company is required, under the Spanish SOCIMI Regime, to pay a 19% Spanish CIT of the gross dividends distributed to that Substantial Shareholder. Likewise, the said 19% CIT of gross dividends will also be applied if the Substantial Shareholder fails to provide enough evidence on the compliance with the 10% Test. The payment of such special tax will be deemed as an expense for the Company, to be reduced from the profits to be distributed to shareholders. Additionally, the Bylaws contain indemnity obligations from Substantial Shareholders in favor of the Company designed to discourage the possibility that dividends may become payable to Substantial Shareholders who do not meet the 10% Test.

Pursuant to article 41 of the Bylaws, the Board of Directors is entitled to deduct, if possible, an amount equivalent to the tax expenses the Company incurs on such dividend payment from the amount to be paid to said Substantial Shareholder. However, if it is not possible, for example, because the dividend is fully or partially paid in kind, the Company may agree to deliver goods or securities for an amount equivalent to the full amount of dividend accrued in favor of such shareholder minus the amount corresponding to the indemnification. Alternatively, such shareholder may elect to pay the indemnification in cash, so that the goods or securities received correspond to the full amount of dividend accrued in his or her favor. For more information on the calculation of the indemnification, see "*Description of share capital—Reporting obligations—Reporting obligations regarding the CIT*".

In those cases in which the payment of the dividend is made before the notification deadlines referred to above, the Company may withhold, from those shareholders or holders of economic rights over Shares who have not yet provided the information and documentation required, an amount equivalent to the amount of indemnification that such shareholders should eventually pay. Once the necessary information has been provided, the Company will reimburse the amounts withheld to the shareholder who has no obligation to indemnify the Company.

The Board of Directors may elect not to make these deductions in full or at all from dividend payments to a Relevant Person (as defined in "*Description of share capital—Reporting obligations—Reporting obligations regarding the CIT*") in the event that, as a result of making such deductions, the Company would be in a worse position than if it did not make them.

Dividends distributed by the Company may be subject to Spanish withholding tax, although certain exemptions, reduced tax rates or refunds may be applicable in certain circumstances, as explained in section "*Taxation*".

The Company's ability to pay dividends in the future will also depend on the performance and/or prospects of the Company's business, own capital structure and financing needs, general and capital market conditions, and other factors that the Board of Directors and shareholders may deem relevant at the time, as well as the applicable legal restrictions.

The Company's expectations in relation to dividends, distributable reserves, business performance and market conditions are subject to numerous assumptions, risks and uncertainties, which may be beyond the Company's control. For a discussion of risks faced by the Company's business, see "*Risk Factors—Risks related to the Company's business activities and industry*".

### **Spanish SOCIMI Regime and taxation on dividends under Spanish law**

The Company is a Spanish SOCIMI. Therefore, provided certain conditions and tests are satisfied, as a Spanish SOCIMI, the Company will not pay Spanish corporate taxes on the profits deriving from its activities. These conditions and tests are discussed in section “*Spanish SOCIMI Regime*”.

Under current tax legislation, any distributions made in the future will be subject to tax under Spanish law. See “*Taxation*” for a discussion of certain aspects of taxation of dividends.

### **Dividend payments per Share for each fiscal year corresponding to the historical financial information**

The Company has not distributed dividends during financial years corresponding to the historical financial information as the Company did not obtain profits in such periods.

### **Other information relating to dividends**

Any dividends will be paid in euros. Dividends are declared and paid pro rata according to the number of Shares held by each shareholder. Dividends declared but not yet paid do not bear interest. Dividends paid on the Shares are subject, if this is the case according to the applicable legislation (see “*Taxation*” for further information), to deduction of Spanish withholding tax. Therefore, the amount of dividends paid to shareholders will be reduced in the withholding tax amount that may be applied.

## CAPITALIZATION AND INDEBTEDNESS

The following table sets forth (i) the Company's capitalization and indebtedness as of December 31, 2019; and (ii) the Company's capitalization and indebtedness as of March 31, 2020. The Company believes that its working capital currently available is sufficient to meet the Company's operational ongoing needs for the 12 months following the date of this Prospectus. Other than as disclosed in this Prospectus and in the 2019 Audited Consolidated Financial Statements, no significant change in the financial or trading position of the Company has occurred since December 31, 2019.

	As of December 31, 2019 <sup>(1)</sup>	As of March 31, 2020
	(thousands of €)	
	(audited)	(unaudited)
<b>Liquidity</b>		
Cash and cash equivalents .....	46,255	38,796
<b>Total liquidity</b> .....	<b>46,255</b>	<b>38,796</b>
<b>Financial debt</b>		
<b>Debt with financial institutions</b> .....	<b>92,363</b>	<b>91,055</b>
Guaranteed .....	15,084 <sup>(2)</sup>	14,756 <sup>(2)</sup>
Secured .....	77,279	76,299
Unguaranteed/unsecured .....	-	-
<b>Other financial liabilities</b> .....	<b>2,515</b>	<b>2,270</b>
Guaranteed .....	-	-
Secured .....	-	-
Unguaranteed/unsecured .....	2,515	2,270
<b>Total financial debt</b> .....	<b>94,878</b>	<b>93,325</b>
<b>Total net financial debt</b> <sup>(3)</sup> .....	<b>48,623</b>	<b>54,529</b>
<b>Equity</b>		
Share capital .....	50,000	50,000
Treasury Shares .....	(264)	(445)
Share premium .....	139,189	139,189
Reserves and losses from previous years .....	55,706	78,451
Profit/(loss) for the period .....	22,785	132
Non-controlling interests .....	-	-
<b>Total equity</b> .....	<b>267,416</b>	<b>267,326</b>
<b>Total capitalization and indebtedness</b> <sup>(4)</sup> .....	<b>316,039</b>	<b>321,855</b>

(1) Consolidated financial data from the 2019 Audited Consolidated Financial Statements.

(2) This amount mainly refers to the lease agreement of Hotel Vía Castellana.

(3) Total net financial debt is equal to total financial debt less total liquidity.

(4) Total capitalization and indebtedness is equal to the sum of total net financial debt and total equity.

As of the date of this Prospectus, we do not have any significant contingent or other off-balance sheet liability.

## SELECTED FINANCIAL INFORMATION

The tables below set forth the Company's consolidated statement of financial position, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement as of the dates and for the periods indicated. The below financial information should be read in conjunction with the information set forth under sections "Presentation of financial and other information" and "Operating and financial review", the Financial Statements and the related notes thereto incorporated by reference in this Prospectus.

The 2019 Audited Consolidated Financial Statements includes unaudited restated comparative financial information to reflect the adoption of IFRS on financial year ended December 31, 2018. The columns labeled as "restated" reflect such restatement. See "Presentation of financial and other information—Presentation of financial information".

Other than as disclosed in this Prospectus and in the 2019 Audited Consolidated Financial Statements, no significant change in the financial or trading position of the Company has occurred since December 31, 2019.

### Consolidated statement of financial position

#### Consolidated statement of financial position as of December 31, 2019 and 2018

	As of December 31, 2019	As of December 31, 2018
	(audited)	(unaudited) (restated)
	(thousands of €)	
<b>Assets</b>		
Property, plant and equipment .....	12,229	477
Property investments.....	307,464	74,500
Long-term financial investments.....	240	3
Deferred tax asset.....	-	168
<b>Total non-current assets</b> .....	<b>319,934</b>	<b>75,148</b>
Inventories .....	127	35
Trade and other receivables .....	7,468	875
Trade receivables for sales and services.....	1,646	455
Other credits held with Public Administrations.....	5,822	420
Short-term financial investments .....	646	145
Other current assets.....	70	1,175
Cash and cash equivalents.....	46,255	20,495
<b>Total current assets</b> .....	<b>54,567</b>	<b>22,725</b>
<b>Total assets</b> .....	<b>374,500</b>	<b>97,873</b>
<b>Net equity and liabilities</b>		
Equity .....	267,416	60,039
Share capital.....	50,000	59,014
Share premium.....	139,189	-
Reserves and losses from previous years .....	55,706	(559)
Treasury Shares.....	(264)	-
Profit for the year attributable to the parent company .....	22,785	1,584
Valuation adjustments.....	(517)	(316)
<b>Total net equity</b> .....	<b>266,898</b>	<b>59,723</b>
Long-term debts.....	87,892	32,123
Bank borrowings.....	73,051	16,569
Lease liabilities .....	13,743	14,477
Derivatives.....	517	421
Other liabilities .....	581	656
Deferred tax liabilities.....	5,709	3,503
<b>Total non-current liabilities</b> .....	<b>93,601</b>	<b>35,626</b>

	As of December 31, 2019	As of December 31, 2018
	(audited)	(unaudited) (restated)
	(thousands of €)	
Short-term provisions.....	53	53
Short-term debts.....	6,986	2,127
Bank borrowings.....	4,228	855
Lease liabilities .....	1,341	1,081
Other liabilities .....	1,417	191
Trade and other payables .....	6,930	343
Suppliers and creditors.....	1,613	231
Personnel (pending payments) .....	4,316	-
Debts with Public Administrations.....	557	112
Advanced payments from clients .....	444	-
Other current liabilities .....	32	-
<b>Total current liabilities .....</b>	<b>14,001</b>	<b>2,523</b>
<b>Total net equity and liabilities.....</b>	<b>374,500</b>	<b>97,873</b>

## Consolidated income statement

### Consolidated income statement for the years ended December 31, 2019 and 2018

	For the year ended December 31,	
	2019	2018 <sup>(1)</sup>
	(audited)	(unaudited) (restated)
	(thousands of €)	
Rental income .....	4,268	2,564
Revenue from services rendered .....	220	-
Sales revenue .....	51	-
<b>Net revenue .....</b>	<b>4,539</b>	<b>2,564</b>
<b>Supplies .....</b>	<b>(34)</b>	<b>-</b>
<b>Other operating incomes .....</b>	<b>28</b>	<b>-</b>
<b>Employee benefits .....</b>	<b>(5,751)</b>	<b>(344)</b>
External services .....	(691)	(649)
Taxes other than income tax.....	(344)	(163)
<b>Other operating expenses .....</b>	<b>(1,035)</b>	<b>(812)</b>
<b>Changes in fair value of property investments.....</b>	<b>19,047</b>	<b>1,020</b>
<b>Depreciation of property, plant and equipment.....</b>	<b>(95)</b>	<b>(38)</b>
<b>Impairment of property, plant and equipment.....</b>	<b>-</b>	<b>(404)</b>
<b>Business combinations .....</b>	<b>6,835</b>	<b>-</b>
<b>Other income/(loss) .....</b>	<b>(1)</b>	<b>181</b>
<b>Operating profit .....</b>	<b>23,532</b>	<b>2,167</b>
Financial income.....	-	315
Financial costs.....	(713)	(666)
<b>Financial result .....</b>	<b>(713)</b>	<b>(351)</b>
<b>Profit/(loss) before tax.....</b>	<b>22,819</b>	<b>1,816</b>
Income tax .....	(34)	(232)
<b>Consolidated net profit .....</b>	<b>22,785</b>	<b>1,584</b>
Attributable to non-controlling interests.....	-	(1)
<b>Net profit attributable to the Company.....</b>	<b>22,785</b>	<b>1,585</b>

<sup>(1)</sup> As indicated in note 1 to the 2019 Audited Consolidated Financial Statements, before July 31, 2018 the Company was not part of any group of companies and therefore comparative information corresponds to the five-month period from July 31, 2018 to December 31, 2018.

## Consolidated statement of changes in equity

### Consolidated statement of changes in equity for the years ended December 31, 2019 and 2018

	For the year ended December 31, 2019							
	(thousands of €)							
	Share capital	Share premium	Reserves and losses <sup>(1)</sup>	Treasury shares	Net profit <sup>(2)</sup>	Changes in fair value	Non-controlling interests	Total
	(audited)							
Balance as at January 1, 2019 .....	59,014	-	(559)	-	1,584	(316)	-	59,723
Recognized consolidated income and expenses.....	-	-	(6,135)	-	22,785	(202)	-	16,448
Share capital increase/ (decrease).....	(9,014)	139,189	60,811	-	-	-	-	190,986
Transactions with treasury Shares (net).....	-	-	5	(264)	-	-	-	(259)
<b>Total transactions with owners .....</b>	<b>(9,014)</b>	<b>139,189</b>	<b>60,816</b>	<b>(264)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>190,727</b>
Other changes in equity .....	-	-	1,584	-	(1,584)	-	-	-
<b>Balance as at December 31, 2019 .....</b>	<b>50,000</b>	<b>139,189</b>	<b>55,706</b>	<b>(264)</b>	<b>22,785</b>	<b>(517)</b>	<b>-</b>	<b>266,898</b>

(1) Reserves and losses from previous years.

(2) Net profit attributable to the Company.

	For the year ended December 31, 2018							
	(thousands of €)							
	Share capital	Share premium	Reserves and losses <sup>(1)</sup>	Treasury shares	Net profit <sup>(2)</sup>	Changes in fair value	Non-controlling interests	Total
	(unaudited) (restated)							
Balance as at January 1, 2018 .....	-	-	-	-	-	-	-	-
Recognized consolidated income and expenses.....	-	-	(24)	-	1,584	(91)	(1)	1,468
Share capital increase.....	58,954	-	-	-	-	-	-	58,954
Variation in equity resulting from the business combinations.....	60	-	(375)	-	-	(224)	1,351	812
Non-controlling interests transactions .....	-	-	(161)	-	-	-	(1,350)	(1,511)
<b>Total transactions with owners .....</b>	<b>59,014</b>	<b>-</b>	<b>(536)</b>	<b>-</b>	<b>-</b>	<b>(224)</b>	<b>1</b>	<b>58,255</b>
Other changes in equity .....	-	-	-	-	-	-	-	-
<b>Balance as at December 31, 2018 .....</b>	<b>59,014</b>	<b>-</b>	<b>(559)</b>	<b>-</b>	<b>1,584</b>	<b>(316)</b>	<b>-</b>	<b>59,723</b>

(1) Reserves and losses from previous years.

(2) Net profit attributable to the Company.

## Consolidated cash flow statement

### Consolidated cash flow statement for the years ended December 31, 2019 and 2018

	As of December 31, 2019 (audited)	As of December 31, 2018 (unaudited) (restated)
	(thousands of €)	
<b>Profit for the year before tax .....</b>	<b>22,819</b>	<b>1,816</b>
Depreciation of property, plant and equipment.....	95	38
Impairment adjustments.....	-	404
Financial income.....	-	(315)
Financial costs .....	713	666
Changes in fair value of property investments .....	(19,047)	(1,020)



	<u>As of December 31,</u> <b>2019</b> <b>(audited)</b>	<u>As of December 31,</u> <b>2018</b> <b>(unaudited)</b> <b>(restated)</b>
	(thousands of €)	
Other income and expenses .....	(6,835)	-
<b>Adjustments to profit.....</b>	<b>(25,074)</b>	<b>(227)</b>
Inventories .....	10	(19)
Trade and other receivables .....	(5,544)	(2,031)
Other current assets.....	(39)	-
Trade and other payables .....	5,717	368
Other current liabilities .....	(4)	-
Other non-current assets and liabilities .....	-	3,353
<b>Changes in current assets/current liabilities .....</b>	<b>140</b>	<b>1,670</b>
Interest paid .....	(722)	(720)
Income tax received / (paid) .....	-	(232)
Other payables (receivables).....	-	(284)
<b>Other cash flows from operating activities .....</b>	<b>(722)</b>	<b>(1,236)</b>
<b>Total net cash flows from operating activities .....</b>	<b>(2,838)</b>	<b>2,023</b>
Payments for investments .....	(214,551)	(51,396)
Property, plant and equipment .....	(47)	-
Property investments .....	(199,019)	(22,466)
Other financial assets .....	(442)	(28,930)
Business unit.....	(15,043)	-
Payments for investments .....	4	-
Other financial assets .....	4	-
<b>Total net cash flows from investing activities .....</b>	<b>(214,548)</b>	<b>(51,396)</b>
Issue of equity instruments (capital increase) .....	184,851	58,975
Acquisition of treasury Shares .....	(377)	-
Disposal of treasury Shares.....	118	-
<b>Receivables and (payments) for equity instruments.....</b>	<b>184,592</b>	<b>58,975</b>
Issue of financial liabilities instruments.....	60,919	13,463
Liabilities with financial institutions.....	60,917	13,778
Other liabilities .....	2	(315)
Repayment and redemption of bank borrowings.....	(2,365)	(8,252)
Liabilities with financial institutions.....	(2,276)	-
Other liabilities .....	(89)	(8,252)
<b>Receivables and (payments) for financial liability instruments.....</b>	<b>58,554</b>	<b>5,211</b>
<b>Total net cash flows from financing activities.....</b>	<b>243,146</b>	<b>64,186</b>
<b>Net (decrease) / increase in cash and cash equivalents.....</b>	<b>25,760</b>	<b>14,813</b>
Cash and cash equivalents at beginning of period.....	20,495	5,682
<b>Cash and cash equivalents at end of period .....</b>	<b>46,255</b>	<b>20,495</b>

## OPERATING AND FINANCIAL REVIEW

*You should read the following commentary together with sections “Presentation of financial and other information”, “Business”, “Risk Factors”, “Selected financial information” and “Industry overview”, as well as our Financial Statements.*

*The following commentary contains forward-looking statements that involve risks and uncertainties. The Company’s future results could differ materially from those discussed or implied below. Factors that could cause or contribute to*

*such differences include those discussed below and elsewhere in this Prospectus, particularly under “Risk Factors” and “Presentation of financial and other information—Forward-looking statements”.*

## **Overview**

We are a Spanish real estate company focused on the acquisition, creation and development of hotels located in prime locations in established tourist destinations, which we refer to as “strategic destinations”, in Spain and, to a lesser extent and eventually in the future, certain areas of Portugal, such as Lisbon and Porto. We were incorporated on June 6, 2017, thus we have a limited operating history, and opted for the Spanish SOCIMI Regime under the SOCIMI Act.

For further information on the Company’s business strategy, Portfolio and investment strategy, see “*Business*”.

## **Considerations regarding the comparability of our financial condition and results of operations**

We were incorporated on June 6, 2017 and we acquired a substantial portion of our Portfolio during financial years 2018 and 2019. In particular, the composition and size of our hotel portfolio has significantly changed in 2018 and 2019 as a result of the various acquisitions carried out during such financial years (see “*Business—History and development*”).

The number of hotels in our Portfolio has significantly changed during the reported periods, thus affecting the comparability of our financial condition and results of operations as of and for the financial years discussed in this Prospectus.

Given that the Company was incorporated on June 6, 2017, our limited operating history and the increase in the size of our Portfolio during the financial years covered by the Financial Statements, particularly during financial year ended December 31, 2019, our financial condition and results of operations as of and for the financial periods discussed in this Prospectus are not comparable and may not be indicative of our future business, financial condition or results of operations.

Additionally, Hotel Radisson Collection Sevilla, Hotel Radisson Collection Bilbao, Hotel Alma Sevilla, Hotel Plaza Canalejas, Hotel Palacetes de Cordoba and Proyecto La Hacienda San Roque, six out of the nine properties that comprise the Portfolio, are currently under development (therefore not generating rental income) and incurring construction and refurbishment expenses, which are being capitalized (see “*Operating and financial review—Capital expenditures*”). The magnitude of the changes in the amounts of capital expenditures deployed during the periods covered by the Financial Statements (€7 million and €841 thousand during financial years ended December 31, 2019 and 2018, respectively) and the planned capital expenditures in connection with such works limit the comparability of the financial periods discussed in this Prospectus and their usefulness to assess our future business, financial condition or results of operations.

Further, since we intend to continue expanding our hotel portfolio in the future, the information included herein regarding our current Portfolio may not be indicative of our future business, financial condition or results of operations (see “*Business—Pipeline*”). The completion of potential transactions in the future could further reduce the comparability of the Financial Statements to our future business, financial condition, results of operations and capital expenditures plan. The timing of our acquisition of real estate properties and any delays in when such properties begin to generate rental income may affect our revenue and operating profit, which may make comparisons between periods difficult.

## **Key factors affecting our financial condition and results of operations**

In addition to the various factors affecting, among others, the Company’s business activities and industry (see “*Risk factors*”), our results of operations are affected by a number of factors, including the following:

### ***Impact of interest rate changes and cost of financing***

Changes in interest rates and in risk premium affect the Company’s business in a number of ways. Interest rates and risk premiums affect capitalization and discount rates, which in turn influence the fair value of our properties. In particular, rising interest rates can affect the valuation of our properties, which may require us to recognize a valuation impairment charge that would negatively affect our results of operations. In addition, rising interest rates lead to economically less favorable financing terms and may negatively affect the realization of investment opportunities. Conversely, low interest rates tend to increase demand for properties, resulting in higher acquisition costs but lower interest expenses in connection with future hotel acquisitions. In addition, we depend on the availability of external financing. Accordingly, entering into financing agreements on favorable terms, including for the purpose of eventually refinancing our existing financial obligations, is of considerable importance to us. Changes in interest rates affect our cost of financing and interest rates affect our consolidated expenses. We are exposed to the risk of interest rate volatility, which includes the risk that our interest expenses could fluctuate as a result of changes in the level of interest rates, or that we fix interest rates at a level that is higher than the market interest rate.

As of December 31, 2019, the estimated sensitivity in the Group's financial costs to a 1% change (increase or decrease) in the interest rate is as follows. The amount of the Group's financial costs from fixed gross financial debt remains unchanged. The amount of the Group's financial costs from variable gross financial debt would increase by €21,848 in the event of a 1% interest rate increase in the twelve-month period ended December 31, 2019. The amount of the Group's financial costs from variable gross financial debt in the twelve-month period ended December 31, 2019 would remain unchanged in the event of a 1% interest rate decrease.

As of December 31, 2019, approximately 37% of the Group's bank borrowings are subject to a fixed interest rate (54% as of December 31, 2018). The remaining bank borrowings are indexed to Euribor and, therefore, given the stability of this reference interest rate and the fact that the Hotel Vía Castellana's lease agreement is fully hedged with a derivative financial instrument that converts the floating interest rate into a fixed interest rate, any changes in the interest rates during financial years 2019 and 2018 would not have led to a significant change in our consolidated profit before tax.

Our interest rate risk objectives are to limit the impact of interest rate fluctuations on earnings and cash flows and to lower our overall borrowing costs.

Moreover, our business could be affected by increased inflation in Spain or Portugal (assuming we expand our business into Portugal in the future). Inflation in the past several years in Europe has been modest but recently there have been indications of moderate inflation in the European economy and some market forecasts indicate an expectation of increased inflation in the near to intermediate term (source: ECB). Inflation might cause our costs of equity and debt capital and operating costs to increase, which may result in decreased earnings unless it is offset by increased rental income. While increases in room rates may be implemented rather quickly, competitive pressures may limit our hotel operators' ability to raise rates faster than inflation. A significant portion of Millenium's operating costs could rise as a result of higher inflation. Further, most of Millenium's services contracts are indexed to inflation. As a consequence, Millenium's results of operations could be affected by inflation and/or deflation

For a specific description of the risks derived from the cost of financing on the Company, see *“Risk Factors—Risks related to the Company's financial situation—The Company's investment strategy includes the use of financial leverage and in rem collaterals such as mortgages or pledges, which may expose the Company to risks associated with borrowings and may materially and adversely affect our operating performance and financial condition”*.

Furthermore, while we are not exposed to significant structural exchange-rate risks, as all of our revenues and expenses are denominated in euro, changes in exchange rates could still negatively affect our business. For example, significant appreciation of the euro could negatively affect the attractiveness and competitiveness of Spain or Portugal as global business and leisure destinations and/or the ability of our customers with non-euro currencies to stay at our hotels.

### ***Changes in lease agreements***

We expect lease agreements we enter into in the future to largely match the terms of our lease strategy, although specific terms of such leases may vary depending on the asset, the operator and the negotiation process. Our assumption of the prior owner's obligations under these agreements poses several legal risks and could expose us to significant liabilities. At the time of termination of any such inherited lease agreements, we intend to propose the extension of the relevant lease under revised terms and conditions that are more closely aligned with our lease agreement strategy. However our inability to revise the terms and conditions of such lease agreements may have an adverse effect on our business, financial condition and results of operations.

It is important to highlight that Hotel Vía Castellana, Hotel Lucentum and Hotel Meliá Bilbao were acquired with established lease agreements that do not fully conform with the Company's strategy. In this regard, Hotel Vía Castellana's lease agreement will terminate on February 26, 2024 and, therefore, the Company targets to negotiate a new lease agreement or amend the one currently in force in accordance with our lease strategy. Likewise, Lucentum's lease agreement, which was initially set to expire on August 31, 2020 has been renewed for five years (i.e., until August 31, 2025) under the same terms and conditions (see *“General Portfolio overview—Hotel Lucentum—Lease agreement”*). Additionally, the Company is currently negotiating with the hotel operator of Hotel Meliá Bilbao in order to amend the lease agreement in accordance with our current lease agreement strategy (e.g., both a fixed rent component and a variable rent component).

All of the foregoing without prejudice to the potential arrangements to be reached with the hotel operators regarding the impact and consequences of COVID-19 (see *“Risk factors—The outbreak of COVID-19 and possible similar future outbreaks or any other circumstances that could result in movement restrictions or hotels closures could materially and adversely affect our business, financial condition, results of operations, dividends and/or prospects”*).

### ***Intermediaries and trends in technology***

Depending on how stays in our hotels are booked, there may be several layers of intermediaries between end-customers and our hotels, including travel agencies (traditional and online), booking sites and tour operators. Each intermediary will

typically charge fees for its services, and some of them may command substantial market power and have the ability to exert downward pressure on room rates and charge high fees. Such intermediaries, however, may improve the hotel's access to certain customers. The agreements that the operators of our hotels are able to reach with such intermediaries may influence our hotels' ability to generate revenue.

In addition, the increasing use of the Internet to book lodging is progressively affecting traditional distribution channels. The Internet has changed the way travelers book travel and lodging, both by providing them with new ways to buy the same products (mainly through the use of online travel search engines) and by making new products available. Certain Internet travel intermediaries have access to the room inventory from participating hotels. Some of these Internet travel intermediaries are attempting to offer hotel rooms as a commodity by increasing the importance of price and general indicators of quality, such as "four-star downtown hotel," at the expense of brand identification or quality of product or service normally associated with a brand.

### ***Changes in our Portfolio***

The Company has invested, and plans to continue investing, in the acquisition of new properties as well as the refurbishment of properties in its Portfolio. As of the date of this Prospectus, six out of the nine properties of the Portfolio require refurbishment or development activities before they can generate rental income, and there may be delays between the timing of the Company's investments and income being received from such properties. Furthermore, properties that are already generating rental income could experience interruptions in the generation of such income if additional refurbishments or developments were required. The Company's investments in connection with its Portfolio, as well as the contribution to the revenue of its real estate business in the future, may be less or more than the amounts currently expected or described in this Prospectus.

Changes in our Portfolio, including the number of hotels and the size and composition of such hotels (which may be affected by the capital expenditures we undertake) may have a significant effect on our total GAV and financial results. We acquired a substantial part of our hotel portfolio during financial years ended December 31, 2018 and 2019. In addition, as indicated below under "*Operating and financial review—Capital expenditures*", we are in the process of enhancing the value of our Portfolio through the deployment of capital expenditures. We intend to continue to acquire real estate properties fitting our investment criteria that we believe have sustainable competitive advantages to drive long-term value (see "*Business—Strategy*"). We also intend to continue making capital expenditures, both as part of our capital expenditures plan in respect of our Portfolio or that otherwise need to be made with respect to our existing hotels, and with respect to any property we may acquire in the future.

### ***Rental operations start-up costs***

We seek to continue acquiring new properties that fit within our investment strategy. The costs and expenses incurred during the first years of a recently acquired property are typically higher than in subsequent years, especially in the case of "turnaround" and "greenfield" properties. Before an acquired property becomes an income-producing, or lease-ready, hotel, we typically need to renovate, market and lease the property. In addition, the acquisition of hotel properties typically involves the outlay of capital beyond payment of the purchase price, including payments for property inspections, closing costs, title insurance, transfer taxes, recording fees and, in some cases, broker commissions. There could be other one-time start-up costs, such as increased initial marketing costs related to the attraction of operators (especially if the relevant property has been newly constructed or redeveloped).

In addition, as a result of the variable component of our rental income, rents generated by a recently opened hotel may be lower at the beginning of business operations and until the demand for such hotel increases. Moreover, the time and cost involved in preparing new hotels for rental varies significantly depending on a number of variables, including whether the property is a "yielding", "turnaround" or "greenfield" asset, the condition of the property and whether the property was vacant when acquired (see "*Business—Investment process*").

### ***Property operating expenses***

Our rental income derives from the leases of operative hotels in our portfolio. Where a variable component applies, our rental income from a particular hotel in our hotel portfolio is directly affected by the expenses incurred in connection with such property.

These expenses may include, depending on the characteristics of the hotel and the hotel operator and the terms and conditions of the lease, but are not limited to, (i) operating expenses (i.e., OS&E); (ii) fixed charges (which typically include real estate taxes, insurance and FF&E); and (iii) undistributed operating expenses (which typically comprise administrative and general expenses, sales and marketing expenses, utilities costs, property operation and maintenance costs). Therefore, where there is a variable component, these expenses may be partially borne by the Group. For more information on the Company's strategy regarding lease agreements see "*Business—Investment strategy*".

We seek to utilize an efficient management structure to keep operating expenses as low as possible while still maintaining our targeted quality standards. Our business development, finance and administration and legal teams regularly explore new ways of optimizing our cost structure and exploiting our significant economies of scale, including by entering into framework agreements with selected suppliers and leveraging on our increasing bargaining power with service providers.

### ***Depreciation policy***

Our depreciation policy impacts on our results of operations, including by affecting our corporate income tax base. Millenium determines the estimated useful lives and the applicable amortization and depreciation charge for our buildings, machinery, installations, IT equipment and transport elements. The useful lives of these items are estimated based on the period over which they are expected to generate economic profits. Millenium reviews the useful lives of the buildings, machinery, installations, IT equipment and transport elements at the end of each reporting period and, if the new estimates differ from those made previously, the effect of such change is recognized prospectively as from the period in which the change is made.

In particular, we depreciate buildings, machinery, installations, IT equipment and transport elements using the straight-line method, applying annual depreciation rates calculated in accordance with the years of useful life of the respective assets, as follows:

	<u>Years of useful life</u>
Buildings .....	25-50
Machinery.....	5
Installations.....	3.5
IT equipment .....	4
Transport elements.....	5

In this regard, the referred depreciation policy does not apply to assets included in the Portfolio.

### ***Liquidity risk***

We may not be able to access or acquire liquid funds, either in sufficient quantities or at reasonable costs, to meet payments to which we are already committed and/or commitments arising from new investments. We calculate our cash needs using a 36-month cash flow budget.

As of December 31, 2018, Millenium had a total of €20.5 million in cash available while as of December 31, 2019, Millenium had a total of €46.3 million in cash available, as well as a working capital of €20.2 million and €40.6 million, respectively

### **Recent developments**

Hotel Lucentum’s lease agreement was initially set to expire on August 31, 2020, with one renewal term (for five additional years, until August 31, 2025) at the request of the lessee with at least six months’ notice prior to the expiration of the initial term. In this regard, the lessee has requested to renew the lease agreement for five additional years, therefore the lease agreement will expire on August 31, 2025.

### **Critical accounting policies**

The Financial Statements and the accompanying notes contain information that is relevant to the discussion and analysis of our results of operations and financial condition set forth below. The preparation of the Financial Statements requires Directors and the Senior Management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. Estimates are evaluated based on available information and experience. Actual results could differ from these estimates under different assumptions or conditions.

For a detailed description of Millenium’s significant accounting policies, see Note 4 to the 2019 Audited Consolidated Financial Statements. The accompanying notes to the 2019 Audited Consolidated Financial Statements are incorporated by reference in this Prospectus.

The most critical accounting policies, which reflect estimates and judgments from the Directors and members of the Senior Management to determine amounts in our consolidated financial statements are included in Note 2.3 of the 2019 Audited Consolidated Financial Statements and relate to the following:

- Compliance with SOCIMI’s tax regime (see Note 1.1 and 14.3 to the 2019 Audited Consolidated Financial Statements);

- Appraisal of property investments (see Note 4.2 and 7 to the 2019 Audited Consolidated Financial Statements);
- Estimates in relation to property, plant and equipment’s useful life (see Note 4.1 to the 2019 Audited Consolidated Financial Statements);
- Recognition of deferred tax assets (see Note 4.8 and 14.2 to the 2019 Audited Consolidated Financial Statements); and
- Definition of transactions carried out by the Group as a business combination under IFRS 3 or as an acquisition of assets (see Notes 4.16 and 5 to the 2019 Audited Consolidated Financial Statements).

### **Principal statement of financial position line items**

The following is a brief description of certain captions in Millenium’s statement of financial position:

#### ***Property, plant and equipment***

Property, plant and equipment refers to the line item on the statement of financial position that reports the value of certain non-current assets such as buildings, machinery, installations, IT equipment and transport elements.

#### ***Property investments***

Property investments includes non-current assets that are properties held by Millenium to obtain rents, capital gains or both, rather than for use in the production or supply of goods or services, administrative purposes or for sale in the ordinary course of the Group's business.

Land and buildings whose future use is not determined at the time of their acquisition by the Group are also considered property investments. Likewise, property investments include properties that are been refurbished or developed for future use as property investments.

For information on the property investments of Millenium, see “*Business—General Portfolio overview*”.

#### ***Trade and other receivables***

Trade and other receivables refers to the line item on the statement of financial position that reports the value of outstanding receivables and current tax receivables.

#### ***Cash and cash equivalents***

Cash and cash equivalents refers to the line item on the statement of financial position that reports the value of the Company’s assets that are cash or can be converted into cash immediately.

#### ***Bank borrowings***

Bank borrowings refers to the line item on the statement of financial position that reports the value of the debts held by financial institutions against Millenium.

For information on Millenium’s bank borrowings, see “*Operating and financial review—Liquidity and capital resources—Borrowings*”.

#### ***Lease liabilities***

Lease liabilities refers to the line item on the statement of financial position that reports the value of the lease liabilities held against Millenium. Agreements are classified as lease liabilities if, according to its economic terms and conditions, it can be inferred that substantially all risks and benefits deriving from ownership of the assets are transferred to the lessee.

For information on Millenium’s lease liabilities, see “*Operating and financial review—Liquidity and capital resources—Borrowings*”.

#### ***Share capital***

Share capital is reported by a company on its statement of financial position in the equity’s section. For more information on the evolution of Millenium’s share capital, see “*Description of share capital—Pre emptive rights and increases of share capital*”.

## Overview of the consolidated statement of financial position as of December 31, 2019 and 2018

The following is a brief analysis of certain captions of Millenium's consolidated statement of financial position (for more information, see "*Selected financial information—Consolidated statement of financial position*"):

### Property investments

Property investments increased by 313% to 307.46 million for the year ended December 31, 2019 from €74.50 million in the year ended December 31, 2018, due to the acquisitions of properties carried out by the Company during financial year ended December 31, 2019 (see "*Business—History and development*").

The following table presents the details and transactions regarding property investments:

	As of December 31, 2018	Additions	Transfers	Business combinations	Changes in fair value	As of December 31, 2019
	(thousands of €)					
Operating hotels .....	62,000	51,074	-	-	5,726	114,700
Hotels under development.....	12,500	141,486	6,030	13,700	13,321	191,137
Down payments.....	-	7,657	(6,030)	-	-	1,627
<b>Total .....</b>	<b>74,500</b>	<b>200,218</b>	<b>-</b>	<b>13,700</b>	<b>19,047</b>	<b>307,464</b>

### Trade and other receivables

Trade and other receivables increased by 753% to €7.46 million for the year ended December 31, 2019 from €875 thousand in the year ended December 31, 2018, mainly due to the promissory notes received by the Company from Hotel Lucentum's lessee as well as the current tax receivables deriving from certain credits with public administrations regarding VAT for up to €5.822 million.

### Cash and cash equivalents

Cash and cash equivalents increased by 125% to €46.25 million for the year ended December 31, 2019 from €20.49 million in the year ended December 31, 2018, partially due to the various share capital increases carried out by the Company during financial year ended December 31, 2019 (see "*Description of share capital—Pre emptive rights and increases of share capital*").

### Equity

Equity increased by 345% to €267.42 million for the year ended December 31, 2019 from €60.04 million in the year ended December 31, 2018, mainly due to the share premium paid up in the context of the various share capital increases carried out by the Company during financial year ended December 31, 2019 (€139.19 million) (see "*Description of share capital—Pre emptive rights and increases of share capital*") and the voluntary reserve established following the share capital reduction carried out during financial year ended December 31, 2019 for a total amount of €55.71 million.

In addition, on June 13, 2019, the Company acquired 60 thousand Shares for a total amount of €300 thousand while during financial year ended on December 31, 2019 acquired another 14,986 Shares. As of December 31, 2019, the Company owned 52,381 treasury Shares, which at that time represented 0.1% of the Company's share capital.

### Long-term debts

Long-term debts increased by 173% to €87.89 million for the year ended December 31, 2019 from €32.12 million in the year ended December 31, 2018, mainly due to the several long-term financing agreements entered into by the Company and various financial institutions in order to finance the acquisition of the properties carried out during financial year ended December 31, 2019 (see "*Operating and financial review—Liquidity and capital resources—Borrowings*").

In this regard, bank borrowings increased by 340% to €73.06 million for the year ended December 31, 2019 from €16.57 million in the year ended December 31, 2018.

### Trade and other payables

Trade and other payables increased by 1,921% to €6.93 million for the year ended December 31, 2019 from €343 thousand in the year ended December 31, 2018, mainly due to accrual of the Promote Plan (as defined in section "*Board*").

of Directors and Management—Compensation—Compensation of Senior Management—Promote Plan”) in favor of executive directors and members of the Senior Management which has not been paid as of the date of this Prospectus, other compensations pending to be paid (€4.32 million), as well as the liabilities incurred due to the development activities carried out in various under line item suppliers and creditors.

In addition, as of December 31, 2019, the Company had advanced payments from clients deriving from various clients who at that time had already paid the annual ticket corresponding to Proyecto La Hacienda San Roque’s golf courses.

The following table presents, for each of the periods indicated, the breakdown of our trade and other payables by line item, together with the percentage of each of these activities represented over the total:

	As of December 31,			
	2019		2018	
	(audited)		(unaudited)	
			(restated)	
	(thousands of €)			
Suppliers and creditors .....	1,613	23.28%	230	67.29%
Personnel (pending payments).....	4,316	62.28%	-	-
Advanced payments from clients.....	444	6.40%	-	-
Debts with Public Administrations .....	557	8.03%	112	32.71%
<b>Trade and other payables .....</b>	<b>6,930</b>	<b>100%</b>	<b>343</b>	<b>100%</b>

### Principal income statement line items

The following is a brief description of certain captions in Millenium’s income statement:

#### Net revenue

Our net revenue mainly consists of rental income deriving from the leases of operative hotels in our Portfolio. This line item includes revenue from the fixed rent of our lease agreements and, when applicable, revenue from the variable component of our lease agreements.

During financial year ended December 31, 2019, this line item also includes revenues from services rendered by Millenium and from sales of sport materials both related to Proyecto La Hacienda San Roque’s golf courses.

#### Other operating incomes

Other operating incomes refers to the line item on the principal income statement that includes incomes deriving from fees related to the urban development of Proyecto La Hacienda San Roque and government grants.

#### Depreciation of property, plant and equipment

Depreciation consists of depreciation on Millenium’s property, plant and equipment, excluding its property investments properties.

#### Employee benefits

Employee benefits consists of wages, salaries and similar items, including social security costs.

Likewise, for the financial year ended December 31, 2019, this line item includes the compensation accrued by the executive directors and certain members of the Senior Management under the Promote Plan during such financial year (see “Board of Directors and Management—Compensation—Incentive Plans”).

#### Other operating expenses

Other operating expenses mainly consists of external services provided to Millenium (e.g., services of independent professionals —such as accountants, lawyers and financial advisors—, supplies, insurance, transportation, marketing) as well as taxes other than income tax (*tributos*).



### **Changes in fair value of property investments**

Changes in fair value of property investments consists of the change in fair value over a property's purchase price including capitalized expenses or prior-period-end fair value, as applicable.

### **Impairment of property, plant and equipment**

Impairment is recognized if the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value in use.

### **Business combinations**

Business combinations consists in a gain from a bargain purchase resulting from the differences between (i) the fair value of the acquired assets and the assumed liabilities, and (ii) the consideration paid.

### **Financial costs**

Financial costs consist of costs deriving from bank borrowings, derivatives and other financial costs.

### **Overview of results of operations for the financial year ended December 31, 2019 and 2018**

The following is a brief analysis of certain captions of Millenium's results of operations (for more information, see "Selected financial information—Consolidated income statement"):

#### **Net revenue**

Net revenues increased by 77% to €4.539 million for the year ended December 31, 2019 from €2.564 million in the year ended December 31, 2018, mainly due to the acquisition of Hotel Meliá Bilbao, which has been operative since it was acquired on November 7, 2019. Rental income accounted for 94% of the net revenues during financial year ended December 31, 2019.

The following table presents, for each of the periods indicated, the breakdown of our net revenues by activity, together with the percentage of each of these activities represented over the total net revenues:

	For the year ended December 31,			
	2019		2018	
	(audited)		(unaudited)	
			(restated)	
	(thousands of €)			
Rental income .....	4,268	94%	2,564	100%
Revenue from services rendered ...	220	5%	-	-
Sales revenue .....	51	1%	-	-
<b>Net revenue.....</b>	<b>4,539</b>	<b>100%</b>	<b>2,564</b>	<b>100%</b>

As indicated in the table above, during financial year ended December 31, 2019, net revenues includes two more line items (i.e., revenues from services rendered and sales revenue) deriving from the golf courses acquired as part of Proyecto La Hacienda San Roque, that accounted for 6% of the net revenue of Millenium.

The following table presents, for each of the periods indicated, the breakdown of our revenues by geographic market, together with the percentage of each of these markets represented over the total net revenues:

	For the year ended December 31,			
	2019		2018	
	(audited)		(unaudited)	
			(restated)	
	(thousands of €)			
Madrid.....	2,420	53%	1,198	47%

	For the year ended December 31,			
	2019		2018	
	(audited)		(unaudited)	(restated)
	(thousands of €)			
Alicante.....	1,617	36%	1,366	53%
Bilbao.....	231	5%	-	-
Cadiz.....	271	6%	-	-
<b>Net revenue.....</b>	<b>4,539</b>	<b>100%</b>	<b>2,564</b>	<b>100%</b>

### **Employee benefits**

Personnel expenses increased by 1,571% to €5.8 million in the year ended December 31, 2019 from €344 thousand in the year ended December 31, 2018, mainly due to the accrual of the Promote Plan for financial year 2019 in favor of the executive directors and certain members of the Senior Management for an amount of €3.7 million (out of which €3.1 million correspond to the executive directors) and the increase in the NAV (as the remuneration of such employees is indexed, among others, to the NAV (see “Board of Directors and Management—Compensation”).

	For the year ended December 31,			
	2019		2018	
	(audited)		(unaudited)	(restated)
	(thousands of €)			
Wages and salaries.....	1,877	33%	315	92%
Promote.....	3,735	65%	-	-
Social Security contributions paid for by the company.....	131	2%	29	8%
Other personnel expenses.....	8	0%	-	-
<b>Employee benefits .....</b>	<b>5,751</b>	<b>100%</b>	<b>344</b>	<b>100%</b>

### **Other operating expenses**

Other operating expenses increased by 27% to €1.03 million in the year ended December 31, 2019 from €812 thousand in the year ended December 31, 2018, mainly due to the increase in taxes other than income tax (111%) deriving from the acquisition of properties and external services provided to Millenium regarding its operations (€691 thousand).

### **Changes in fair value of property investments**

Changes in fair value of property investments amounted to €19.05 million in the year ended December 31, 2019 due to an increase in the appraised value as of December 31, 2019 of the properties purchased by Millenium compared with their purchase prices (including capitalized expenses) or prior-period-end fair value, as applicable.

In this regard, fair value as of December 31, 2019 is determined based on the valuations as of December 31, 2019 contained in the valuation reports issued by, among others, the Independent Appraisers.

### **Business combinations**

Business combination for financial year ended December 31, 2019 refers to the gain generated by the acquisition of Alcaidesa Holding, S.A. on December of such financial year, which amounted to €6.83 million.

### **Financial costs**

Financial costs increased by 7% to €713 thousand in the year ended December 31, 2019 from €666 thousand in the year ended December 31, 2018. This increase mainly derives from debts with financial institutions as indicated in the following table:

	<b>For the year ended December 31,</b>			
	<b>2019</b>		<b>2018</b>	
	<b>(audited)</b>		<b>(unaudited)</b>	
			<b>(restated)</b>	
	<b>(thousands of €)</b>			
Interests on debts with financial institutions.....	518	73%	474	71%
Interests on derivatives.....	148	21%	188	28%
Other financial expenses.....	47	6%	4	1%
<b>Total .....</b>	<b>713</b>	<b>100%</b>	<b>666</b>	<b>100%</b>

The average effective interest rate regarding debts with financial institutions amounts to 1.7%.

### ***Profit / (loss) before tax***

As a result of the factors described above, we generated a profit before tax of €22.82 million for the year ended December 31, 2019, therefore Millenium's profit before tax increased by 1,156% compared to the previous financial year, mainly due to the increase in changes in fair value of property investments and the gain from the acquisition of Proyecto La Hacienda San Roque.

### ***Income tax***

In the year ended December 31, 2019 we generated a corporate income tax expense of €33,538.

### ***Net profit attributable to the Company***

As a result of the foregoing, net profit attributable to the Company net increased by 1,337% to €22.78 million in the year ended December 31, 2019 from a €1.58 million profit in the year ended December 31, 2018, mainly due to the increase in changes in fair value of property investments and the gain from the acquisition of Proyecto La Hacienda San Roque.

### **Liquidity and capital resources**

Millenium's business is capital-intensive, and Millenium expects to have significant liquidity and investment requirements in order to finance and grow its business.

#### ***Liquidity***

Our known short-term liquidity requirements consist primarily of funds necessary to pay for operating expenses and other expenditures directly associated with our business, including:

- employees payroll and related benefits and the operating costs associated with our management function;
- recurring maintenance and capital expenditures necessary to maintain our hotel properties; and
- interest expense and scheduled principal payments on outstanding indebtedness.

We expect to meet our short-term liquidity requirements generally through net cash provided by rents from our leased hotels and existing cash balances.

Our long-term liquidity requirements consist primarily of the following:

- funds to expand our business through the acquisition of additional properties;
- refurbishments, developments, renovations, expansions and other capital expenditures related to our capital expenditures plan in respect of our existing Portfolio or that otherwise need to be made with respect to our existing hotels or any hotels that we may acquire in the future; and
- scheduled debt payments, at maturity or otherwise.

Historically, we have mainly relied on shareholders contributions and borrowings to meet these liquidity requirements. Following completion of the Offering, we expect to meet our long-term liquidity requirements through various sources of capital, including proceeds from offerings of debt securities and Shares, including the Offering, financing from credit institutions, internally generated cash flow arising from the lease of our hotels or, to a limited extent, the sale of certain of our properties.

As of December 31, 2018, Millenium had a total of €20.5 million in cash available while as of December 31, 2019, Millenium had a total of €46.3 million in cash available, as well as a working capital<sup>9</sup> of €20.2 million and €40.6 million, respectively.

### **Borrowings**

As of December 31, 2019 and December 31, 2018, our financial liabilities amounted to €101.25 million and €34.48 million, respectively.

We believe that our business would sustain an increase in the amount of indebtedness as it grows. We target an LTV Ratio of up to 50%, which we believe is a reasonable and sustainable percentage, while as of December 31, 2019 our LTV ratio was approximately 29%.

The following table presents, for each of the periods indicated, the breakdown of our financial liabilities by category and type:

	<b>Debt with financial institutions</b>		<b>Derivatives and others</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>December 31</b>		<b>2019</b>	<b>2018</b>
	<b>(audited)</b>	<b>(unaudited)</b>	<b>2019</b>	<b>2018</b>	<b>(audited)</b>	<b>(unaudited)</b>
		<b>(restated)</b>	<b>(audited)</b>	<b>(unaudited)</b>	<b>(audited)</b>	<b>(unaudited)</b>
				<b>(restated)</b>		<b>(restated)</b>
	<b>(thousands of €)</b>					
<b>Long-term financial liabilities</b>						
Debts and accounts payable .....	86,794	31,046	581	656	87,375	31,702
Hedging derivatives .....	-	-	517	421	517	421
	<b>86,794</b>	<b>31,046</b>	<b>1,098</b>	<b>1,077</b>	<b>87,892</b>	<b>32,123</b>
<b>Short-term financial liabilities</b>						
Debts and accounts payable .....	5,568	1,936	7,791	422	13,359	2,358
	<b>5,568</b>	<b>1,936</b>	<b>7,791</b>	<b>422</b>	<b>13,359</b>	<b>2,358</b>
<b>Total .....</b>	<b>92,363</b>	<b>32,982</b>	<b>8,889</b>	<b>1,498</b>	<b>101,251</b>	<b>34,481</b>

During financial year ended December 31, 2019, Millenium increased its debt with financial institutions by 180% up to €92.36 million. The referred increase mainly derives from the acquisition of properties carried out during financial year ended December 31, 2019, as the Company has entered into various loan agreements to partially finance such acquisitions.

The different types and categories of financial debt are accounted in the statement of financial position as indicated in the following table.

	<b>As of December 31, 2019</b>	<b>As of December 31, 2018</b>
	<b>(audited)</b>	<b>(unaudited)</b>
		<b>(restated)</b>
	<b>(thousands of €)</b>	
<b>Long-term debt</b>		
Bank borrowings .....	73,051	16,569
Lease liabilities .....	13,743	14,477
Derivatives .....	517	421
Other liabilities .....	581	656
<b>Short-term debt</b>		
Bank borrowings .....	4,228	855
Lease liabilities .....	1,341	1,081
Other liabilities .....	1,417	191
Trade and other payables .....	6,373	231

<sup>9</sup> Working capital is an APM, see “Additional Information—Alternative performance measures” for the description of this management measure categorized as APM.

	As of December 31, 2019 <u>(audited)</u>	As of December 31, 2018 <u>(unaudited)</u> <u>(restated)</u>
	(thousands of €)	
<b>Total</b> .....	<b>101,251</b>	<b>34,481</b>

Below is a description of the main terms and conditions of our most relevant indebtedness agreements.

Capital lease agreement with Caixabank

On April 29, 2010, Caixabank, as lessor, and C220, as lessee, entered into a capital lease agreement to finance the acquisition of Hotel Vía Castellana. Under the capital lease agreement, Caixabank will be the legal owner of Hotel Vía Castellana for the duration of the lease, while C220 has operating control over the property. C220 will become the legal owner of Hotel Vía Castellana upon exercise of the bargain purchase option and payment of the residual value at maturity. As of December 31, 2019, the non-current and current outstanding balance amounted to €13.34 million and €1.13 million, respectively.

The capital lease agreement has a term of 15 years from the date of its execution. The total contractual lease liability (excluding VAT and the price of the bargain purchase option) is €29.27 million, distributed in an initial installment of €10 million (plus VAT) and 180 additional monthly installments. Monthly installments will increase every year as the result of applying a fixed 2.5% growth rate per annum. The interest rate for the installments under the Capital Lease Agreement is updated every month and is calculated as the 12-month Euribor plus 1.25%. C220 may exercise its bargain purchase option upon maturity of the capital lease agreement by paying a residual value of €7.8 million, provided that C220 has fulfilled all of its payment obligations and other obligations under the capital lease agreement.

It should be highlighted that under the capital lease agreement, C220 undertakes not to distribute dividends or any other funds until its obligations under the capital lease agreement for the year are fulfilled. C220 is responsible for all expenses and taxes arising from the execution of the capital lease agreement, the acquisition of Hotel Vía Castellana and in general any other expenses and taxes arising from the ownership and operation of Hotel Vía Castellana.

The capital lease agreement provides for termination events under which Caixabank may elect to accelerate the agreement (and accelerate the payment of all unpaid future amounts) or terminate the agreement (and regain possession of Hotel Vía Castellana and receive certain penalty payments from C220) including, among others, as a result of the: (i) breach of any of C220's obligations and undertakings under the capital lease agreement, (ii) cross-default in connection with any other agreements of C220 with Caixabank, (iii) cross-default in C220's payment obligations vis-a-vis other lenders, and (iv) seizure, expropriation or enforcement of any of C220's assets. In some instances, C220 may "cure" the above breaches and avoid termination by paying any outstanding amounts and expenses.

Mortgage loan agreement with Banco Sabadell

On February 16, 2018, Banco Sabadell, as lender, and the Company, as borrower, entered into a mortgage loan agreement for a principal amount of €13.4 million for the purposes of financing the acquisition of Hotel Lucentum. As of December 31, 2019, the non-current and current outstanding balance amounted to €11.01 million and €843 thousand, respectively.

The Company granted a mortgage on Hotel Lucentum in favor of Banco Sabadell as collateral to secure the following obligations under the mortgage loan agreement: (i) principal payments for up to €13.4 million, (ii) interest payments for up to €452 thousand (i.e., one and a half years of ordinary interests), (iii) default interest payments for up to €1.4 million and (iv) fees and expenses for up to €1.34 million.

The mortgage loan agreement will mature on February 28, 2030. The principal amount will be repaid on a monthly basis throughout the term of the loan, including a balloon principal repayment upon maturity. The annual interest rate under the mortgage loan agreement is 2.25%, payable monthly, and the default interest rate is 5.25% per annum, subject to Spanish statutory limits for default interest. The mortgage loan agreement does not include any financial covenants. We have committed to several undertakings under the mortgage loan agreement, including our commitment to obtain and maintain adequate insurance to cover against fire, lightning, explosions and other damages.

The mortgage loan agreement provides for certain acceleration and termination events, under which Banco Sabadell may accelerate and terminate the agreement, including, among others, as a result of the: (i) default in payment of at least three monthly installments or default in payment during a period equivalent to three months, (ii) breach of certain payment obligations in connection with the property, (iii) damages to the property causing a decrease in value of over 20%, and (iv) the creation of a higher-ranking security interest or lien on the property in favor of a third party.

#### Long-term financing agreement with Banco Santander

On June 5, 2018, Banco Santander, S.A., as lender, VPM, as borrower, and Varia Inversiones Spain, S.L. (“**Varia**”) and the Company, as the shareholders of VPM at the time, entered into a long-term financing agreement for a principal amount of €5 million for the purposes of partially repaying certain loans granted by the Company and Varia’s sole shareholder in favor of VPM for the acquisition of Hotel Radisson Collection Sevilla. Since September 2018, the Company is the sole shareholder of VPM. As of December 31, 2019, the non-current outstanding balance amounted to €5 million.

VPM, the Company and Varia granted the following security package to secure the fulfillment of certain obligations under the long-term financing agreement: (i) a mortgage granted by VPM over Hotel Radisson Collection Sevilla, (ii) a pledge granted by VPM over any credit rights arising from the lease agreement and any other agreements in connection with Hotel Radisson Collection Sevilla, including insurance and construction agreements and the real estate acquisition deed (iii) a pledge granted by VPM over certain bank accounts, and (iv) a pledge granted by the Company (and originally Varia) over the shares of VPM.

The long-term financing agreement will mature on June 5, 2025. Starting on December 5, 2020, VPM will make principal repayments semi-annually and a balloon principal repayment upon maturity. Additionally, the long-term financing agreement provides for certain mandatory early repayment events, including as a result of the (i) failure to obtain building permits or licenses, finish the construction works or obtain opening licenses and permits for operating the hotel business in connection with Hotel Radisson Collection Sevilla within certain deadlines from the date of execution of the long-term financing agreement, (iii) sale, disposition or loss, total or partial, of the property, (iv) change of control of VPM, and (v) early termination of the agreement.

The annual interest rate under the long-term financing agreement is 2.70%, payable quarterly since the date of execution of the agreement, and the default interest rate is equal to the sum of the ordinary interest rate plus 2% per annum, payable monthly.

VPM must comply with certain financial ratios, which are tested semi-annually on the basis of the half-yearly financial statements and the annual financial statements. In particular, the LTV ratio must not exceed 40% and the debt service coverage ratio must be over 1.10x. In case of a breach of any of the financial ratios, VPM may cure such breach within 10 business days. Additionally, VPM is subject to certain positive undertakings, including those relating to: (i) the provision of certain financial information about VPM and the Company, (ii) the provision of certifications and compliance information regarding financial ratios, (iii) the provision of certain other information during the construction and operation of the hotel, (iv) the use of the proceeds from the financing, (v) the repayment of the financing and the payment of interests, (vi) obtaining and maintaining licenses, permits and authorizations, (vii) maintenance of the property, (viii) operations of the hotel and the lease agreement, (ix) construction works, (x) capital expenditures, (xi) site inspections, (xii) insurance, (xiii) regulatory and legal compliance and (xiv) ranking, effectiveness and validity of the guarantees and the security package. VPM is also subject to certain negative undertakings, including those relating to: (i) the use of the property, (ii) merger transactions, joint ventures, corporate reorganizations and acquisition or incorporation of new corporations, (iii) guarantees or any other security over VPM’s assets in favor of third parties, (iv) additional indebtedness, (v) financing in favor of third parties, (vi) acquisitions or transactions over certain thresholds, (vii) settlement of disputes over certain thresholds, (viii) sale and transfer of VPM’s shares and (ix) dividends and other distributions, subject to certain limitations.

The long-term financing agreement also provides for various early termination events under which Banco Santander, S.A. may accelerate and terminate the agreement, including, among others, as a result of the: (i) breach of any principal, interest or any other payment obligations by VPM, (ii) breach of any payment obligations by VPM or the Company in connection with the construction works for Hotel Radisson Collection Sevilla, (iii) failure to maintain the ranking, effectiveness and validity of the guarantees and the security package, (iv) failure to obtain building permits or licenses or to finish the construction works within certain deadlines from the date of execution of the long-term financing agreement, (v) failure to maintain opening licenses and operating permits, (vi) sale, disposition or loss, total or partial, of the property, (vii) breach of the financial ratios, (viii) breach of the lease agreement by VPM, (ix) any material adverse effect on the financial situation of VPM or the Company as long as it affects VPM’s performance under the long-term financing agreement, and (x) change of control of VPM.

#### Mortgage loan agreement with Banco Santander

On March 27, 2019, Banco Santander, S.A. as lender and the Company, as borrower, entered into a long-term financing agreement for a principal amount of €12 million for the acquisition of Hotel Radisson Collection Bilbao. As of December 31, 2019, the non-current outstanding balance amounted to €12 million.

The Company granted the following security package to secure the fulfillment of certain obligations under the long-term financing agreement: (i) a mortgage granted over Hotel Radisson Collection Bilbao, (ii) a pledge granted by the Company over any credit rights arising from the lease agreement and any other agreements in connection with Hotel

Radisson Collection Bilbao, including insurance and construction agreements and the real estate acquisition deed, and (iii) a pledge granted by the Company over certain bank accounts.

The long-term financing agreement will mature on March 27, 2026. Starting on September 27, 2021, the Company will make principal repayments semi-annually and a balloon principal repayment upon maturity. Additionally, the long-term financing agreement provides for certain mandatory early repayment events, including as a result of the (i) any event that may lead to the early termination, termination or ineffectiveness of the lease agreement without replacement, (ii) sale, disposition or loss, total or partial, of the property, and (iii) change of control of the Company.

The annual interest rate under the long-term financing agreement is 2.38%, payable quarterly since the date of execution of the agreement, and the default interest rate is equal to the sum of the ordinary interest rate plus 2% per annum, payable monthly.

The Company must comply with certain financial ratios, which are tested semi-annually on the basis of the half-yearly financial statements and the annual financial statements. In particular, the LTV ratio must not exceed 65% during the entire financing period and the debt service coverage ratio must be over 1.10x after the opening of the hotel. In case of a breach of any of the financial ratios, the Company may cure such breach within 30 days. Additionally, the Company is subject to certain positive undertakings, including those relating to: (i) the provision of certain financial information about the Company, (ii) the provision of certifications and compliance information regarding financial ratios, (iii) the provision of certain other information during the construction and operation of the hotel, (iv) the use of the proceeds from the financing, (v) the repayment of the financing and the payment of interests, (vi) obtaining and maintaining licenses, permits and authorizations, (vii) maintenance of the property, (viii) operations of the hotel and the lease agreement, (ix) construction works, (x) capital expenditures, (xi) site inspections, (xii) insurance, (xiii) regulatory and legal compliance and (xiv) ranking, effectiveness and validity of the guarantees and the security package. The Company is also subject to certain negative undertakings, including those relating to: (i) the use of the property, (ii) merger transactions, joint ventures, corporate reorganizations and acquisition or incorporation of new corporations, (iii) guarantees or any other security over the Company's assets in favor of third parties, (iv) additional indebtedness, (v) financing in favor of third parties, (vi) acquisitions or transactions over certain thresholds, (vii) settlement of disputes over certain thresholds, (viii) sale and transfer of the Company's shares, and (ix) dividends and other distributions, subject to certain limitations.

The financing agreement also provides for various early termination events under which Banco Santander, S.A. may accelerate and terminate the agreement, including, among others, as a result of the: (i) breach of any principal, interest or any other payment obligations by the Company, (ii) breach of any payment obligations by the Company in connection with the construction works for Hotel Radisson Collection Bilbao, (iii) failure to maintain the ranking, effectiveness and validity of the guarantees and the security package, (iv) failure to obtain building permits or licenses or to finish the construction works within certain deadlines from the date of execution of the long-term financing agreement, (v) failure to maintain opening licenses and operating permits, (vi) sale, disposition or loss, total or partial, of the property, (vii) breach of the financial ratios or SOCIMI tax regulation, (viii) breach of the lease agreement by the Company, and (ix) any material adverse effect on the financial situation of the Company as long as it affects its performance under the long-term financing agreement including bankruptcy.

#### Mortgage loan agreement with Banco Santander

On April 4, 2019, Banco Santander, S.A., as lender and VPM, as borrower, entered into a long-term financing agreement for a principal amount of €4.6 million for the acquisition of Rioja 26. As of December 31, 2019, the non-current outstanding balance amounted to €4.60 million.

VPM granted the following security package to secure the fulfillment of certain obligations under the long-term financing agreement: (i) a mortgage granted over Hotel Radisson Collection Sevilla, (ii) a pledge granted by VPM over any credit rights arising from the lease agreement and any other agreements in connection with Hotel Radisson Collection Sevilla, including insurance and construction agreements and the real estate acquisition deed (iii) a pledge granted by VPM over certain bank accounts.

The long-term financing agreement will mature on June 5, 2025. Starting on December 5, 2020, VPM will make principal repayments semi-annually and a balloon principal repayment upon maturity. Additionally, the long-term financing agreement provides for certain mandatory early repayment events, including as a result of the (i) failure to obtain building permits or licenses, finish the construction works or obtain opening licenses and permits for operating the hotel business in connection with Hotel Radisson Collection Sevilla within certain deadlines from the date of execution of the long-term financing agreement, (ii) sale, disposition or loss, total or partial, of the property, (iii) change of control of VPM, and (iv) early termination of the agreement.

The annual interest rate under the long-term financing agreement is 2.65%, payable quarterly since the date of execution of the agreement, and the default interest rate is equal to the sum of the ordinary interest rate plus 2% per annum, payable monthly.

VPM must comply with certain financial ratios, which are tested semi-annually on the basis of the half-yearly financial statements and the annual financial statements. In particular, the LTV ratio must not exceed 55% during the entire

financing period and the debt service coverage ratio must be over 1.10x after the opening of the hotel. In case of a breach of any of the financial ratios, VPM may cure such breach within 10 business days. Additionally, VPM is subject to certain positive undertakings, including those relating to: (i) the provision of certain financial information about VPM and the Company, (ii) the provision of certifications and compliance information regarding financial ratios, (iii) the provision of certain other information during the construction and operation of the hotel, (iv) the use of the proceeds from the financing, (v) the repayment of the financing and the payment of interests, (vi) obtaining and maintaining licenses, permits and authorizations, (vii) maintenance of the property, (viii) operations of the hotel and the lease agreement, (ix) construction works, (x) capital expenditures, (xi) site inspections, (xii) insurance, (xiii) regulatory and legal compliance and (xiv) ranking, effectiveness and validity of the guarantees and the security package. VPM is also subject to certain negative undertakings, including those relating to: (i) the use of the property, (ii) merger transactions, joint ventures, corporate reorganizations and acquisition or incorporation of new corporations, (iii) guarantees or any other security over VPM's assets in favor of third parties, (iv) additional indebtedness, (v) financing in favor of third parties, (vi) acquisitions or transactions over certain thresholds, (vii) settlement of disputes over certain thresholds, (viii) sale and transfer of VPM's shares and (ix) dividends and other distributions, subject to certain limitations.

The long-term financing agreement also provides for various early termination events under which Banco Santander, S.A. may accelerate and terminate the agreement, including, among others, as a result of the: (i) breach of any principal, interest or any other payment obligations by VPM, (ii) breach of any payment obligations by VPM or the Company in connection with the construction works for Hotel Radisson Collection Sevilla, (iii) failure to maintain the ranking, effectiveness and validity of the guarantees and the security package, (iv) failure to obtain building permits or licenses or to finish the construction works within certain deadlines from the date of execution of the long-term financing agreement, (v) failure to maintain opening licenses and operating permits, (vi) sale, disposition or loss, total or partial, of the property, (vii) breach of the financial ratios, (viii) breach of the lease agreement by VPM, (ix) any material adverse effect on the financial situation of VPM or the Company as long as it affects VPM's performance under the long-term financing agreement, and (x) change of control of VPM.

#### *Mortgage loan agreement with Banco Santander*

On October 31, 2019, the Company entered into a mortgage loan agreement for a combined principal amount of €20.46 million (€18.34 million plus €2.12 million) in debt with Banco Santander, S.A., for the purposes of financing the acquisition of Carrera de San Jerónimo, 9-11 building. As of December 31, 2019, the non-current and current outstanding balance amounted to €18.16 million and €1.96 million, respectively.

The Company subrogated in a first mortgage with a principal amount of 18.34 million. The mortgage loan agreement will mature on February 16, 2030. The principal amount will be repaid on a monthly basis throughout the term of the loan and the annual interest rate under the mortgage loan agreement is calculated as the 12-month Euribor plus 1.50%, (1.50% first year) payable monthly. The default interest rate is equal to the sum of the ordinary interest rate plus 4% per annum, payable monthly.

The Company also subrogated in a second loan with a principal amount of 2.12 million. The mortgage loan agreement will mature on May 20, 2026. The principal amount will be repaid on a monthly basis throughout the term of the loan and the annual interest rate under the mortgage loan agreement is calculated as the 12-month Euribor plus 1.50%, (1.50% first year) payable monthly. The default interest rate is equal to the sum of the ordinary interest rate plus 6% per annum, payable monthly.

The Company must have a solvent insurance and provide the bank with certain financial information.

The financing agreement also provides for various early termination events under which Banco Santander, S.A. may accelerate and terminate the agreement, including, as a result of the: (i) breach of any principal, interest or any other payment obligations by the Company, (ii) breach of any payment obligations by the Company in connection with the construction works, (iii) failure to maintain opening licenses and operating permits, (vi) sale, disposition or loss, total or partial, of the property, and (vii) breach of the financial ratios or SOCIMI tax regulation, (viii) breach of the lease agreement by the Company, and (ix) any material adverse effect on the financial situation of the Company as long as it affects its performance under the long-term financing agreement including bankruptcy.

#### *Mortgage loan agreement with Kutxabank*

On November 7, 2019 the Company entered into a mortgage loan agreement for a combined principal amount of €24.66 million (16.91 million plus 1.36 million plus 6.4 million) in debt with Kutxabank, S.A., for the purposes of financing the acquisition of Hotel Meliá Bilbao. As of December 31, 2019, the non-current and current outstanding balance amounted to €23.31 million and €1.35 million, respectively.

The Company subrogated in a first mortgage with a principal amount of 16.91 million. The mortgage loan agreement will mature on May 3, 2036. The Company will make principal repayments quarterly and a balloon principal repayment upon maturity and the annual interest rate under the mortgage loan agreement is calculated as the 3-month Euribor plus 1.00%, payable quarterly. The default interest rate is equal to the sum of the ordinary interest rate plus 3% per annum, payable monthly.



The Company subrogated in a first mortgage with a principal amount of 1.36 million. The mortgage loan agreement will mature on May 3, 2036. The Company will make principal repayments quarterly and a balloon principal repayment upon maturity and the annual interest rate under the mortgage loan agreement is calculated as the 3-month Euribor plus 1.00%, payable quarterly. The default interest rate is 19% per annum.

The Company entered into a mortgage with a principal amount of 6.4 million. The mortgage loan agreement will mature on May 3, 2036. The Company will make principal repayments quarterly and a balloon principal repayment upon maturity and the annual interest rate under the mortgage loan agreement is calculated as the 3-month Euribor plus 2.00% payable quarterly. The default interest rate is equal to the sum of the ordinary interest rate plus 4% per annum, payable monthly.

The Company must have a solvent insurance and provide the bank with certain financial information. Additionally, The Company must comply with a financial ratio during the entire financing period (i.e., the debt service coverage ratio must be over 1.10x).

The financing agreement also provides for various early termination events under which Kutxabank, S.A. may accelerate and terminate the agreement, including, as a result of the: (i) breach of any principal, interest or any other payment obligations by the Company (for this purpose, more than 3 months), (ii) breach of any payment obligations by the Company in connection with taxes, (iii) failure to maintain the property, (iv) sale, disposition or loss, total or partial, of the property, (v) failure to maintain the insurance, (vi) breach of the lease agreement by the Company, and (vii) any material adverse effect on the financial situation of the Company as long as it affects its performance under the long-term financing agreement including bankruptcy.

The following table shows the payment commitments regarding Millenium's financial liabilities as of December 31, 2019, excluding arrangement expenses.

	Current		Non-current				Total non-current	Total
	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years		
	(thousands of €)							
Bank borrowings .....	4,228	4,760	4,998	5,029	5,060	54,233	74,080	<b>78,308</b>
Lease liabilities.....	1,341	1,393	1,418	1,314	1,357	8,261	13,743	<b>15,084</b>
Derivatives .....	-	229	99	88	77	23	517	<b>517</b>
Other financial liabilities ...	1,417	91	93	54	303	39	581	<b>1,998</b>
Trade and other payables ...	6,373	-	-	-	-	-	-	<b>6,373</b>
<b>Total financial liabilities ..</b>	<b>13,359</b>	<b>6,473</b>	<b>6,609</b>	<b>6,486</b>	<b>6,797</b>	<b>62,556</b>	<b>88,921</b>	<b>102,281</b>

Likewise, the following table shows the payment commitments regarding Millenium's financial liabilities as of December 31, 2018, excluding arrangement expenses.

	Current		Non-current				Total non-current	Total
	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years		
	(thousands of €)							
Bank borrowings .....	855	933	1,023	1,023	1,023	12,850	16,854	17,709
Lease liabilities.....	1,081	1,133	1,186	1,241	1,298	9,618	14,477	15,558
Derivatives .....	-	162	71	65	58	65	421	421
Other financial liabilities ...	191	89	91	93	51	332	656	847
Trade and other payables ...	231	-	-	-	-	-	-	231
<b>Total financial liabilities ..</b>	<b>2,358</b>	<b>2,317</b>	<b>2,372</b>	<b>2,422</b>	<b>2,450</b>	<b>22,866</b>	<b>32,407</b>	<b>34,765</b>

During financial years ended December 31, 2019 and 2018, bank borrowings and lease liabilities accrued interest in an amount of €666 thousand and €663 thousand, respectively.

As of the date of this Prospectus, no principal or interest payments under our indebtedness agreements are past due. Likewise, the Company believes that its working capital currently available is sufficient to meet the Company's operational ongoing needs for the 12 months following the date of this Prospectus.

## Cash flow analysis

The following table sets forth Millenium's consolidated cash flow information for the year ended December 31, 2019 and the year ended December 31, 2018.

	As of December 31, 2019	As of December 31, 2018
	(audited)	(unaudited) (restated)
	(thousands of €)	
Cash and cash equivalents at beginning of period .....	20,495	5,682
Total net cash flows from operating activities.....	(2,838)	2,023
Total net cash flows from investing activities .....	(214,548)	(51,396)
Total net cash flows from financing activities.....	243,146	64,186
Cash and cash equivalents at end of period .....	<u>46,255</u>	<u>20,495</u>

### Total net cash flows from operating activities

Total net cash used in operating activities amounted to €2.84 million in the year ended December 31, 2019, mainly due to the increase of VAT credits (€5.2 million), primarily as a result of the acquisition of a residential urban plot located in Cadiz (Spain) on December 27, 2019, that could not be compensated or recovered from Tax Authorities before 2019 ended.

Total net cash used in operating activities amounted to €2.02 million thousand in the year ended December 31, 2018 mainly due to changes in fair value of property investments in the amount of €1.02 million, trade and other receivables amounting to €2.03 million and interest payments that amounted to €719 thousand, partially offset by €3.35 million related to other non-current assets and liabilities.

### Total net cash flows from investing activities

Total net cash flow used in investment activities amounted to €214.55 million in the year ended December 31, 2019 mainly as a result of investments for an amount up to €199.01 million in properties acquired by Millenium during financial year ended December 31, 2019.

Total net cash flow used in investment activities amounted to €51.40 million in the year ended December 31, 2018 mainly as a result of investments for an amount up to €22.47 million and other financial assets amounting to €28.93 million.

### Total net cash flows from financing activities

Total net cash flows from financing activities amounted to €243.15 million in the year ended December 31, 2019 mainly due to the net proceeds of the various share capital increases carried out during such financial year (€185 million) and almost €61 million in connection with the loan and financing agreements entered into for the acquisition of properties during such financial year.

Total net cash flows from financing activities amounted to €64.19 million in the year ended December 31, 2018 mainly due to the net proceeds of the various share capital increases carried out during such financial year (€58.97 million) and approximately €13.5 million in connection with the loan and financing agreements entered into for the acquisition of properties during such financial year.

### Cash and cash equivalents at end of period

As a result of the factors described above, cash and cash equivalents at the end of the year ended December 31, 2019 amounted to €46.25 million.

## Capital expenditures

Our business has significant capital expenditure requirements, which are mainly attributable to the “yielding”, “turnaround” and “greenfield” strategies that we adopt with respect to the properties we acquire (and which may involve their full or partial refurbishment) and the ongoing need for renovations and other capital improvements in our hotels. These capital expenditure requirements include, among others, repositioning and refurbishment expenses, turnaround expenses, greenfield expenses, FF&E and OS&E expenses. See “Operating and financial review—Key factors affecting our financial condition and results of operations—Capital expenditures” and “Operating and financial review—Considerations regarding the comparability of our financial condition and results of operations”.

As described in “*Business—Strategy*”, our business model is significantly based on strategic asset repositioning in order to unlock inherent value in our properties. We believe that asset repositioning is a key lever to reduce asset risk and gives us a competitive advantage, as newly-renovated hotels are better regarded by customers and more likely to be resilient to industry downturns, therefore significant resources has to be deployed.

Our capital expenditures amounted to €7 million and €841 thousand during financial years ended December 31, 2019 and 2018, respectively.

As of the date of this Prospectus, the Company’s pending capital expenditures plan for the Portfolio amounts approximately to €130 million (excluding capital expenditures plan regarding the 38 villas to be acquired by third parties and the sports/congress center (see “*Business—General Portfolio overview—Proyecto La Hacienda San Roque*”) (see “*Operating and financial review—Capital expenditures*”). In this regard, we intend to finance the referred pending capital expenditures plan through new debt and equity (approximately, 75% and 25%, respectively) and to have it deployed by 2022. Once the construction works in connection with Hotel Radisson Collection Sevilla, Hotel Radisson Collection Bilbao, Hotel Alma Sevilla, Hotel Plaza Canalejas and Proyecto La Hacienda San Roque are completed, which are scheduled to conclude on or before the second quarter of 2022, we expect our capital expenditures relating to our current hotel portfolio to remain stable (except for Hotel Palacetes de Cordoba that, as of the date of this Prospectus, has not a refurbishment project).

#### **Contingent and other off-balance sheet liabilities**

As of the date of this Prospectus, we do not have any significant contingent or other off-balance sheet liability.

## BOARD OF DIRECTORS AND MANAGEMENT

Spanish corporate law is mainly regulated by the Spanish Companies Law. In accordance therewith, the Board of Directors, at its meeting held on May 10, 2019, approved (i) the regulations that govern the Board of Directors (the “**Board of Directors Regulations**”), and (ii) the Internal Code of Conduct in the Securities Markets (*Reglamento Interno de Conducta en los Mercados de Valores*) (the “**Internal Code of Conduct in the Securities Markets**”). Additionally, on the same date, the shareholders of the Company approved (i) a new restated text of the bylaws (the “**Bylaws**”), and (ii) the regulations that govern the General Shareholders Meeting (the “**General Shareholders Meeting Regulations**”).

### Board of Directors

Spanish corporate law provides that a company’s board of directors is responsible for the management, administration and representation of a company in all matters concerning the business of the company, subject to the provisions of such company’s bylaws and the powers granted by shareholders’ resolutions.

The Board of Directors is governed by the Bylaws and the Board of Directors Regulations. The Board of Directors Regulations develop the Bylaws and establish the principles for the functioning of the Board of Directors, including the basic rules for its organization and functions and the standards of conduct for the Board of Directors.

The Bylaws and the Board of Directors Regulations provide for a Board of Directors consisting of between five and twelve members. The Board of Directors currently consists of six directors.

Directors are elected by the Company’s shareholders to serve for a term of four years and may be re-elected to serve for an unlimited number of terms. If a director does not serve out his or her term, the Board of Directors may fill the vacancy by appointing a director (among the shareholders) to serve until the next General Shareholders Meeting. Any natural or legal person may serve on the Board of Directors, except for persons specifically prohibited by applicable law. A director may be removed from office by the shareholders at a General Shareholders Meeting even if such removal is not included on the agenda for that General Shareholders Meeting.

The Board of Directors Regulations provide that the Board of Directors shall ordinarily meet at least once every three months. The Chairperson of the Board of Directors may call a meeting whenever he or she considers such a meeting necessary or suitable. The Chairperson is also required to call a meeting at the request of the lower of three directors or one third of the directors. The Vice-Chairperson of the Board, if any, may call the meeting if the Chairperson does not satisfy such request within 15 calendar days and the requesting directors may call the meeting by themselves if the request is not met within one month without cause.

In 2019, the Board of Directors held 9 meetings. Since the beginning of 2020 and until the date of this Prospectus, the Board of Directors has met seven times.

The Bylaws provide that a majority of the members of the Board of Directors (attending in person or represented by proxy by another member of the Board of Directors) constitutes a quorum.

Except as otherwise provided by law or specified in the Bylaws and the Board of Directors Regulations (such as the delegation on a permanent basis of certain functions on the executive committee and other actions that require approval by two thirds of the Board of Directors), resolutions of the Board of Directors are passed by an absolute majority of the directors attending or represented at a Board of Directors’ meeting. In the event of a tie, the Board’s Chairperson shall have a casting vote.

### Directors

The table below shows the composition of the Company’s Board of Directors as of the date of this Prospectus:

Name	Nature	Title	Date of appointment or re-election <sup>(5)</sup>	Term’s expiry
Mr. Javier Illán Plaza.....	Executive	Chairman and CEO	May 10, 2019	May 10, 2023
Ibervalles, S.A. <sup>(1)</sup> .....	Proprietary <sup>(2)</sup>	First Vice-Chairman	July 23, 2019	July 23, 2023
Mr. Remigio Iglesias Surribas .....	Executive	Second Vice-Chairman	May 10, 2019	May 10, 2023
Mr. José María Castellano Ríos <sup>(3)</sup> .....	Proprietary <sup>(4)</sup>	Director	May 10, 2019	May 10, 2023
Ms. Isabel Dutilh Carvajal.....	Independent	Director	May 10, 2019	May 10, 2023
Mr. Jaime Montalvo Correa.....	Independent	Director	May 10, 2019	May 10, 2023

(1) Ibervalles, S.A. is represented by Mr. Enrique Isidro Rincón as its natural person representative (*representante persona física*).

(2) Ibervalles, S.A. directly holds 12,414,538 Shares representing 24.83% of the Company’s share capital on the date of this Prospectus.

(3) Proprietary director representing Alazady España, S.L.

(4) Alazady España, S.L. directly holds 2,800,000 Shares representing 5.60% of the Company’s shares capital on the date of this Prospectus.

(5) Before May 10, 2019, the Company was managed by Mr. Javier Illán Plaza as sole director of the Company.

Mr. Juan Gómez-Acebo Sáenz de Heredia is the Secretary non-director of the Board of Directors.

All directors have identified the Company's registered office (Paseo de la Castellana, 102, 28046, Madrid, Spain) as their business address for the purposes of this Prospectus.

On June 17, 2020, the Board of Directors resolved to submit to the next General Shareholders Meeting a proposal to increase the number of members of the Board of Directors from six to nine —out of which two should be independent directors and one proprietary director at the proposal of Ibervalles, S.A.—. The committees of the Board of Directors shall be adapted to reflect the new composition of the Board of Directors and Ibervalles, S.A., as long as it remains as a member of the Board of Directors, will have the right to be a member of the Real Estate Executive Committee even if its stake in the Company falls below 20%.

### ***Biographical information***

Below is a brief description of the qualifications and professional experience of the Company's directors.

#### *Mr. Javier Illán Plaza*

Mr. Javier Illán is the current Chairman of the Board of Directors and CEO of the Company. He began his career in 1994 when he joined a family business working in construction and real estate development. During that time, he played an active role in the development and construction of 600 homes in A Coruña (Spain) and at Hotel Vilagaros in Spain's leading luxury ski resort, Baqueira Beret. Mr. Illán set up his first company in 1997, focusing on real estate investment initiatives that included repositioning work. Following the success of the business, he founded Millenium Group in 2000 as a real estate investment vehicle (club deal), which included commercial, office and hotel assets located in prime areas in Madrid, with a value proposition based on repositioning these assets for subsequent sale or rental. In addition to the club deal, Mr. Illán launched a residential development division in 2010, thus making Millenium a benchmark in Spain for luxury residential developments, with buildings in central Madrid that included the emblematic Plaza de la Independencia 5 (Edificio Millenium), Hermanos Bécquer 4, Alfonso XII nº 24 and Alfonso XII nº 38. To date, he has taken part in acquiring, repositioning and selling assets valued at approximately €400 million.

#### *Mr. Enrique Isidro Rincón*

Mr. Isidro is graduated in Economics and Business Administration, specializing in Management and Finance, from Universidad Complutense de Madrid. He began his professional career in the audit sector at one of the Big Four, KPMG. He continued his career at the securities company ODDO.

During most of his professional career, Mr. Isidro has been related with Papeles y Cartones de Europa, where its professional experienced evolved. Mr. Isidro hold various positions within Papeles y Cartones de Europa: Factory Manager, Division Manager, Chief Executive Officer and Executive Vice-chairman, until it was acquired by DS Smith in January 2019.

Moreover, Mr. Isidro has demonstrated its commitment with the sustainable development of the paper sector, holding during seven years the positions of Vice-chairman and Chairman of APAPPEL, the national professional association that represents companies within the pulp and paper sectors, as well as member of the Instituto Empresa Familiar.

#### *Mr. Remigio Iglesias Surribas*

Mr. Remigio Iglesias Surribas is an executive director of the Company and a Vice-Chairman of the Board of Directors. He is also the Company's Head of Business Development. For most of his extensive career, Mr. Iglesias has been linked to Banco Santander, S.A., where he was appointed Senior Executive Vice President in 2013 following several top management positions at the bank. From 2013 to the end of 2015, he was Global Director of the Asset Recovery Division for Santander Group. He was also a member of the Board of Directors at Metrovacesa, S.A., SAREB (*Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria*), Santander real estate subsidiary Altamira Asset Management, S.A., Aktua Soluciones Financieras S.L. and Reintegra S.A. During his career, Mr. Iglesias has led and coordinated several real estate transactions, including the restructuring and sale of Metrovacesa, the sale of Metrovacesa's share in Gecina to Blackstone-Ivanhoe and the sale of 85% of the Altamira real estate platform to the Apollo fund. Mr. Remigio graduated in French from the Alliance Française, Paris, and has a Master's degree from IESE Business School.

#### *Mr. José María Castellano Ríos*

Mr. José María Castellano Ríos is a proprietary director of the Company representing Alazady España, S.L. Between 1985 and 2005, he was a member of the Board of Directors at Inditex, S.A. and Vice President and CEO of the group from 1997. Alongside Inditex founder Amancio Ortega, Mr. Castellano is considered to be the architect of Inditex's international growth and consolidation, as well as the company's successful initial public offering in 2001. He was Chairman of the telecommunications company ONO from 2008 to its sale to Vodafone in 2014. He is currently an independent director at Naturhouse Health, S.A. and Sniace, S.A., both of which trade on the Spanish Stock Exchanges. Mr. Castellano has a PhD in Economics and Business Studies from Universidad Complutense de Madrid, he is a

Professor of Financial Economics and Accounting at the University of A Coruña and a member of RACEF, Spain's academy of economic and financial sciences.

*Ms. Isabel Dutilh Carvajal*

Ms. Isabel Dutilh Carvajal is an independent director of the Company. She is a founding partner of Argali Abogados, S.L. a legal firm specializing in mergers and acquisitions, Vice Chair of the Círculo de Empresarios business association and think tank, and an independent member of the Board of Directors of Elecnor, S.A. She is also Non-Board Member Secretary for a range of unlisted companies. She is an advisor for Solcom (which fights for disabled people's rights to integrate into society), works with the Madrid bar association (ICAM), and is a Member of the Board at the ABE Association for Excellence. She previously took on the role of Secretary to the Board of Directors at Prosegur, S.A., High-Tech Hotels & Resorts, S.A., SwiftAir, S.A. and Bodacllick, S.A., among others. Ms. Dutilh has a degree in Law from Universidad San Pablo CEU and two Master's degrees in Maritime Studies from ICADE/IME and Cardiff University, respectively. She also studied on the Leadership in Law Firms programme at Harvard University.

*Mr. Jaime Montalvo Correa*

Mr. Montalvo is and independent director of the Company. He has a PhD in Law from Universidad Complutense de Madrid and has been a Professor of Labor and Social Security Law since 1973.

He has been a member of the board of directors of Mutua Madrileña Automovilística since 2006 and vice president of the company since 2010. He is also a trustee of several organizations, including Fundación Mutua Madrileña, which specializes in health-related research, the Madrid-based Elcano Royal Institute think tank, Universidad Menéndez Pelayo, and the Comillas Foundation, a non-profit that specializes in promoting Hispanic language and culture.

In addition to his work in the private sector, Mr. Montalvo has undertaken significant institutional roles at universities and within the public administration. He has been Chair of CES, which advises the Spanish Government, a Member of the Spanish Council of State, Chair of the Spanish Court of Arbitration, and Chancellor of the Spain's open university, UNED.

**Directors' managerial positions and shareholdings**

The table below sets out all relevant entities in which the directors have been a member of the administrative, management or supervisory bodies or in which they have held partnership positions at any time during the five year period preceding the date of this Prospectus, as reported to the Company by each of them, indicating whether or not they are still a member of the administrative, management or supervisory bodies or partner in any such entities:

<b>Director</b>	<b>Company<sup>(*)</sup></b>	<b>Position</b>	<b>Status</b>
Mr. Javier Illán Plaza.....	Cablecover, S.L.	Director and shareholder	Current
	Elysium Suites, S.L.	Director	Current
	Gestión de Inversiones Millenium, S.L.	Director and shareholder	Current
	Grupo Millenium Investment Partners, S.L.	Director and shareholder	Current
	Inversiones Puente Nuevo Resort, S.L.	Director	Current
	Millenium Ambassador, S.L.	Director	Current
	Millenium Concept House, S.L.	Director	Current
	Millenium Costa del Sol, S.L.	Director	Current
	Millenium Development, S.L.	Director	Current
	Millenium Expansión, S.L.	Director	Current
	Millenium Gestión de Comunidades, S.L.	Director	Current
	Millenium High Street, S.L.	Director	Current
	Millenium Luz Palacio, S.L.	Director	Non-Current
	Millenium Nuevas Promociones, S.L.	Director	Current
	Millenium Puerto de Estepona, S.L.	Director	Current
	Orbiso Gestión, S.L.	Chairman	Current
	Proyecto Empresarial Plenty, S.L.	Director	Current
	Securities and Bonds, S.L.	Director and shareholder	Current
	Tzar Rent a Car, S.L.	Director and shareholder	Current
	Zar Club Properties, S.L.	Director	Current
Zar Luxury Services, S.L.	Director	Current	
Mr. Enrique Isidro Rincón.....	Win Soto, S.A.	Director and shareholder	Current
	Ibervalles, S.A.	Chairman and shareholder	Current
	Norforest, S.L.	Director and shareholder	Current
	IRG10 Servicios Corporativos, S.L.	Director	Current
	Finca La Rinconada, S.L.	Shareholder	Current
	Bosques y Corretaje, S.L.	Director	Current
	Papeles y Cartones de Europa, S.A.	Vice-chairman and Shareholder	Non-Current
	Europa&C Portugal, SGPS, S.A.	Director	Non-current
	Europa&C Recicla Portugal, S.A.	Chairman	Non-current
	Europa&C Energia Viana, S.A.	Chairman	Non-current
Europa&C Kraft Viana, S.A.	Chairman	Non-current	

Director	Company <sup>(*)</sup>	Position	Status
	Embalagem, S.A.	Chairman	Non-current
	LEPE, empresa portuguesa de Embalagens, S.A.	Director	Non-current
	CARTAO OVAR, S.A. (entidade portuguesa)	Chairman	Non-current
	Distribuição da madeira, LDA.	Director	Non-current
	Med Packaging, S.A.R.L.A.U.	Director	Non-current
	ASPAPEL	Chairman	Non-current
Mr. Remigio Iglesias Surribas .....	Surribas Investments, S.L.	Shareholder	Current
	Surribas Cádiz SR6, S.L.	Shareholder	Current
	One million bot, S.L.	Director and shareholder	Current
	Metrovacesa, S.A.	Director	Non-Current
	Altamira Asset Management, S.A.	Director	Non-Current
	Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria, S.A.	Director	Non-Current
Mr. José María Castellano Ríos.....	Naturhouse Health, S.A.	Director and shareholder	Current
	Sniace, S.A.	Director	Current
	Bimba y Lola, S.L.	Director	Current
	Nice Fruit Holding Ltd.	Director	Current
	Puig, S.L.	Director	Non-Current
	ESPRIT Holdings Ltd.	Director	Non-Current
	Lojas Americanas, S.A.	Director	Non-Current
	Nakadama, S.L.	Director and shareholder	Current
	Alazady España, S.L.	Director	Current
	Bosque de Xaz Inmobiliaria, S.L.	Director and shareholder	Current
	Alazady Biotecnológica, S.L.	Director	Current
	Alazady 2007, S.L.	Director and shareholder	Current
Ms. Isabel Dutilh Carvajal.....	Argali Abogados, S.L.	Director and shareholder	Current
	Elecnor, S.A.	Director and shareholder	Current
Mr. Jaime Montalvo Correa.....	Mutua Madrileña Automovilista, Sociedad de Seguros a Prima Fija	Vice-Chairman	Current

<sup>(\*)</sup> The Company considers that the term “company” refers to all types of entities other than family owned asset-holding companies and merely instrumental non-operative companies.

## Board Committees

Pursuant to the Bylaws and the Board of Directors Regulations (and although it is not strictly required for the Company as the Shares are listed on the MAB), the Board of Directors set an Audit and Control Committee and an Appointments and Remuneration Committee on May 10, 2019 which are governed by the Bylaws and the Board of Directors Regulations. Likewise, on June 17, 2019, the Board of Directors approved the creation of the Real Estate Executive Committee and the Investment and Strategy Advisory Committee. Below is a brief description of the principal characteristics of these committees.

### *Audit and Control Committee*

The Board of Directors Regulations provide that the Board of Directors shall create an Audit and Control Committee. Such Committee shall be composed of a minimum of three and a maximum of five members appointed by the Board of Directors. All of the members shall be non-executive directors, the majority of them shall have the status of independent directors and at least one of them shall be appointed taking into account his or her knowledge and experience in accounting, auditing or both. Members of the Audit and Control Committee may only hold their position as members of the committee as long as they are members of the Board of Directors, unless otherwise agreed by the Board of Directors.

On May 10, 2019, the Board of Directors approved the creation of the Audit and Control Committee. As of the date of this Prospectus, its composition is as follows:

Name	Position	Nature
Mr. José María Castellano Ríos .....	Chairman	Proprietary
Ms. Isabel Dutilh Carvajal .....	Member	Independent
Mr. Jaime Montalvo Correa .....	Member	Independent

The Secretary of the Board of Directors is the secretary of the Audit and Control Committee, with no voting rights.

The Board of Directors shall appoint a Chairperson for the Audit and Control Committee from among its members for a four year term and may only be reelected as Chairperson at least one year after his or her removal, without prejudice to his or her continuation as member of the Audit and Control Committee. The Board of Directors shall appoint a Secretary and may also appoint a Vice-Secretary, who may not be members of the Committee.

The Audit and Control Committee shall meet at least once every three months. It shall be convened by its Chairperson if so requested by any of the Committee members, the head of the internal audit department or the Company’s auditor responsible partner or any time the Board of Directors or its Chairperson requests the issue of a report or the adoption of a resolution by the Committee and, in any case, whenever advisable for the proper performance of its functions.

A majority of the members of the Audit and Control Committee (attending in person or represented by proxy by another member of the Committee) constitutes a quorum and resolutions are passed by absolute majority of the members of the Committee (attending in person or represented by proxy by another member of the Committee). In the event of a tie, the Committee's Chairperson shall have a casting vote.

In 2019, the Audit and Control Committee held 3 meetings. Since the beginning of 2020 and until the date of this Prospectus, the Audit and Control Committee has met two times.

The Audit and Control Committee's responsibilities include, among others, reporting to the General Shareholders Meeting on the matters within its competence; proposing to the Board of Directors for submission to the General Shareholders Meeting the selection, appointment, reappointment and removal of the auditors of the Company, supervising that its remuneration does not compromise its independence and ensuring it annually meets with the Board of Directors; monitoring the effectiveness of the Company's internal control systems, verifying the adequacy and integrity of these; supervising the preparation and presentation of the financial information; establishing appropriate relationships and communications with the auditors or external audit firms; issuing an annual report, prior to the issuance of the audit report, stating an opinion on the independence of the auditors; informing the Board of Directors on the financial information that the Company must periodically make public; reporting on any transactions that involve or may involve conflicts of interest; supervising integrity of financial information, ensuring internal audit's independence and setting up an internal mechanism to report irregularities; and monitoring compliance with internal codes of conduct and corporate governance rules.

### ***Appointments and Remuneration Committee***

The Board of Directors Regulations provide that the Board of Directors shall create an Appointments and Remuneration Committee. Such Committee shall consist of a minimum of three and a maximum of five members appointed by the Board of Directors based on the proposal of the Board's Chairperson. All of the members shall be non-executive directors, at least two of them shall have the status of independent directors and at least one of them shall be appointed because of his or her knowledge, skills and experience to properly perform his or her duties at the Committee. Members of the Appointments and Remuneration Committee may only hold their position as members of the committee as long as they are members of the Board of Directors, unless otherwise agreed by the Board of Directors.

On May 10, 2019, the Board of Directors approved the creation of the Appointments and Remuneration Committee. As of the date of this Prospectus, its composition is as follows:

<b>Name</b>	<b>Position</b>	<b>Nature</b>
Mr. Jaime Montalvo Correa .....	Chairman	Independent
Mr. José María Castellano Ríos.....	Member	Proprietary
Ms. Isabel Dutilh Carvajal.....	Member	Independent

The Secretary of the Board of Directors is the secretary of the Appointments and Remuneration Committee, with no voting rights.

The Board of Directors shall appoint a Chairman for the Appointments and Remuneration Committee from among its independent members. The Appointments and Remuneration Committee shall appoint a Secretary and may also appoint a Vice-Secretary, who may not be members of the Committee.

The Appointments and Remuneration Committee shall at least meet twice a year. It shall be convened by its Chairperson if so requested by any of the Committee members or any time the Board or its Chairperson requests the issue or a report or the adoption of a resolution by the Committee and, in any case, whenever advisable for the proper performance of its functions.

A majority of the members of the Appointments and Remuneration Committee (attending in person or represented by proxy by another member of the Committee) constitutes a quorum and resolutions are passed by absolute majority of the members of the Committee (attending in person or represented by proxy by another member of the Committee). In the event of a tie, the Committee's Chairperson shall have a casting vote.

In 2019, the Appointments and Remuneration Committee held one meeting. Since the beginning of 2020 and until the date of this Prospectus, the Appointments and Remuneration Committee has met three times.

The Appointment and Remuneration Committee's responsibilities include evaluating the skills, knowledge and experience of the members of the Board of Directors; setting a goal of having female members present on the Board of Directors; submitting to the Board of Directors the proposals for appointment of independent directors to be appointed on an interim basis or for submission to the decision of the General Shareholders Meeting, as well as proposals for re-election or removal of such directors by the General Shareholders Meeting; reporting on proposals for appointment of other directors on an interim basis or for submission to the decision of the General Shareholders Meeting, as well as proposals for re-election or removal of appointments by the General Shareholders Meeting; reporting on proposals for appointment and removal of Senior Management and the basic conditions of their contracts; recommending to the Board



of Directors the remuneration policy for directors and Senior Management; proposing to the Board of Directors the members that should be part of each of the Board committees; and periodically reviewing the remuneration programs, among other responsibilities.

### ***Real Estate Executive Committee***

On June 17, 2019, the Board of Directors approved the creation of the Real Estate Executive Committee. As of the date of this Prospectus, its composition is as follows:

<b>Name</b>	<b>Position</b>	<b>Nature</b>
Mr. Javier Illán Plaza.....	Chairman	Executive
Ibervalles, S.A. <sup>(1)</sup> .....	Member	Proprietary
Mr. Remigio Iglesias Surribas .....	Member	Executive

(1) Ibervalles, S.A. is represented by Mr. Enrique Isidro Rincón as its natural person representative (*representante persona física*).

The Real Estate Executive Committee is a permanent internal committee with powers delegated by the Board of Directors and executive functions within its area of activity. This committee is governed by the law, the Bylaws and the Regulation of the Investment and Strategy Advisory Committee and the Real Estate Executive Committee (the “**Regulation of the Investment and Strategy Advisory Committee and the Real Estate Executive Committee**”).

The Real Estate Executive Committee shall decide on the following matters: the evaluation and approval of the proposals on real estate investment or divestment of the Company submitted by the Senior Management (for this purpose, the investment proposals of the new projects submitted by the Senior Management must include all necessary documentation so they can be assessed appropriately by the Real Estate Executive Committee, specifying the estimated amount for acquisition of the new investments, the associated costs (transactional, technical, etc.), as well as the estimated capital expenditures investment); the proposals for new recruitment of members of the Senior Management by the Company; and the approval of the general capital expenditures policy of the Company (i.e., not only the one linked to each project specifically), the general indebtedness policy of the Company, the monthly monitoring of the financial statements and the projections of the Company, and, on an annual basis, the budget and projections of the Company.

The Real Estate Executive Committee’s decisions on investments or divestments of the Company are not limited in any amount other than those provided by the Law (e.g., by article 160 f) of the Spanish Companies Law in relation to “essential assets”).

Notwithstanding the foregoing, any other task the Board of Directors may entrust to the Real Estate Executive Committee will require the favorable vote of two thirds of the members of the Board of Directors.

The Real Estate Executive Committee will be made up of no less than three and no more than six members who will be proposed by the shareholders who, individually or collectively with other shareholders who voluntarily group their individual shares, hold Shares representing 20% of the Company’s shares or the percentage determined by the Board of Directors in view of the shareholding composition at any given time, and up to a maximum of five members but without requiring that the vacancies to which the shareholders may be entitled to are filled. Additionally, the Chairperson of the Board of Directors will be a permanent member of the Real Estate Executive Committee and will act as Chairman thereof indefinitely.

In case there are one or more vacancies pending to be filled, the Board of Directors may appoint a member of the Real Estate Executive Committee who must be a member of the Board of Directors. The appointments and removals of this member of the Real Estate Executive Committee shall be approved by the Board of Directors following the proposal of the executive Chairman of the Board of Directors. For clarification purposes, the appointment of this member of the Real Estate Executive Committee by the Board of Directors will be effective until there is no longer a vacancy for him or her due to the appointment of the respective representatives by those shareholders who, individually or collectively with other shareholders who voluntarily group their individual shares, hold Shares representing 20% of the Company’s shares.

Notwithstanding the above, the approval of the resolutions appointing the members of the Real Estate Executive Committee shall require the favorable vote of at least two-thirds of the members of the Board of Directors.

### ***Investment and Strategy Advisory Committee***

On June 17, 2019, the Board of Directors approved the creation of the Investment and Strategy Advisory Committee.

The Investment and Strategy Advisory Committee is a permanent internal body, of an informative and consultative nature, without executive functions, with informative and supervisory powers, as well as advising and proposing faculties within its area of activity, which will be governed by the law, the Bylaws and the Regulation of the Investment and Strategy Advisory Committee and the Real Estate Executive Committee.

In particular, the Investment and Strategy Advisory Committee, without prejudice to other tasks entrusted to it by the Board of Directors and other faculties reserved to it by the Regulation of the Investment and Strategy Advisory Committee and the Real Estate Executive Committee, is the body responsible for advising the Board of Directors on investment and strategy matters, in coordination with the Senior Management, and for supporting the CEO and the Real Estate Executive Committee in the exercise of their respective functions. Also, the Investment and Strategy Advisory Committee is an informative body constituted for the benefit of shareholders.

The Investment and Strategy Advisory Committee will be made up of a number of no less than three and no more than twenty-three members. Shareholders who, individually or collectively with other shareholders who voluntarily group their shares, represent at least 5% of the share capital of the Company will have the consideration of “Shareholder Committee Member” and, therefore, shall be entitled to attend any meeting of the Investment and Strategy Advisory Committee as far as they maintain the referred stake in the share capital of the Company.

Shareholders of the Company that, as of the date of this Prospectus, are entitled to attend meetings of the Investment and Strategy Advisory Committee meeting are the following:

<u>Name</u>	<u>Position</u>	<u>Nature</u>
Ibervalles, S.A.....	Member	Proprietary
Siemprelara, S.L. ....	Member	Proprietary
Pelham Capital, Ltd. ....	Member	Proprietary
Alazady España, S.L. ....	Member	Proprietary

In addition to the referred shareholders, the executive directors and the Company’s Investments Director are permanent members of the Investment and Strategy Advisory Committee. In this regard, on June 17, 2019, Mr. Remigio Iglesias, Mr. Javier Illán and Mr. Santiago López-Vilas were appointed members of the Investment and Strategy Advisory Committee. Furthermore, members of the Senior Management may attend as guests non-members of the Investment and Strategy Advisory Committee.

The Board of Directors will appoint a Chairperson, who must be one of the members of the Board of Directors (other than the executive Chairman), ensuring that he or she has the sufficient capacity and availability for the appropriate exercise of his or her functions. The executive Chairperson will be a permanent member of the Investment and Strategy Advisory Committee. In this regard, on June 17, 2019, Mr. Remigio Iglesias was appointed Chairman of the Investment and Strategy Advisory Committee.

As of the date of this Prospectus, permanent members of the Investment and Strategy Advisory Committee are the following:

<u>Name</u>	<u>Position</u>	<u>Nature</u>
Mr. Remigio Iglesias Surribas.....	Chairman	Executive
Mr. Javier Illán Plaza.....	Member	Executive
Mr. Santiago López-Vilas.....	Member	Executive

### ***Executive Committee***

The Board of Directors may appoint an Executive Committee and delegate to that Committee all the Board powers except for those which cannot be delegated by law.

As of the date of this Prospectus, an Executive Committee has not been established.

### **Senior Management**

The Senior Management is composed by the CEO and the people identified below:

<u>Name</u>	<u>Title</u>
Mr. Javier Illán Plaza.....	Chairman and CEO
Mr. Remigio Iglesias Surribas.....	Vice-Chairman
Mr. Juan Odériz San Martín.....	Corporate Director
Mr. Miguel Torres Poza.....	Finance Director
Ms. María Pardo Martínez.....	Director of Investor Relations and Communication
Mr. Santiago López-Vilas Boekhorst.....	Director of Investment

All senior managers have identified the Company’s registered office (Paseo de la Castellana, 102, 28046, Madrid, Spain) as their business address for the purposes of this Prospectus.

Below is a brief description of the qualifications and professional experience of the members of the Company’s Senior Management who do not serve on the Board of Directors.

#### ***Mr. Juan Odériz San Martín***

Mr. Juan Odériz is the Corporate Director of the Company. He has a degree in Economics and Business Studies from ICADE (*Universidad Pontificia de Comillas*) and started his career as an auditor at PwC. He subsequently took on the

role of Finance Director and Assistant to the CEO of Viscofan, S.A., a company listed on the Spanish Stock Exchanges and included within the IBEX 35 index. In 2001, he joined Caja Navarra as Managing Director of the investment vehicle, managing €875 million. He then took on the role of Assistant Managing Director at Caja Navarra with €18 billion in assets. From 2010 to 2012, he worked as Managing Director of Banca Cívica, S.A. during which the bank undertook an initial public offering on the Spanish Stock Exchanges. In 2015, Mr. Odériz became Assistant President at Hotusa Group, playing a role in the group's Strategy, Finance and Development Committee (positions Mr. Odériz no longer holds). Hotusa Group is one of Spain's tourism leaders with approximately 200 hotels under management, 75 of which are owned by the group. Hotusa Group also operates a major booking and distribution platform.

*Mr. Miguel Torres Poza*

Mr. Miguel Torres is the Company's Finance Director. He has a degree in Law from Universidad Complutense de Madrid and two postgraduate qualifications from FUNDESEM Business School, one in Legal Advice for Business and a second in Tax Consultancy. Mr. Torres started out as an independent legal and tax consultant with clients that included Caja de Ahorros del Mediterráneo (CAM) and Aquagest. In 2006, he joined Millenium as a consultant on real estate operations, closing operations valued at €400 million. He was subsequently appointed Group Finance Director in 2008.

*Ms. María Pardo Martínez*

Ms. María Pardo is the Company's Director of Investor Relations and Communication. She has a degree in Economics and Business from CUNEF and a Master's degree in Tax and Fiscal Law from the Centro de Estudios Financieros. She started out as a Corporate Finance consultant at PwC and then worked as an Equity Analyst at Eurosafei S.V., S.A. and Bankinter, S.A. From 2007 to 2018, she worked in several different Investor Relations Director positions, first at Eurocofin, S.L. and Tinkle Communications, S.L., then joining Naturhouse Health, S.A. in 2014 to support the company's listing in 2015. She simultaneously undertook the role of Director of Investment at Kiluva S.A. Ms. Pardo has also been a Visiting Professor on the International MBA programme at Universidad San Pablo CEU and wrote the prologue to the Spanish edition of *Winning Investors Over* by New York University Professor Baruch Lev.

*Mr. Santiago López-Vilas Boekhorst*

Mr. Santiago López-Vilas is the Company's Director of Investment. He has a degree in Law and Economics and Business from ICADE (E-3). Before joining Millenium and between January 2014 and January 2018, he was Director of Business Development and Growth at Obrascón Huarte Lain Desarrollos, S.L., which is the hotel investment subsidiary of Grupo OHL. During that time, he played a role in the division's growth in developing major hotel and real estate projects and in asset rotation (the Mayakoba development at Riviera Maya, Mexico, the Canalejas Development in Madrid and the acquisition of the 250-year lease for the iconic Old War Office development in central London), along with a range of smaller real estate investment and development projects. Mr. López-Vilas started out at investment banking, working in corporate finance and mergers and acquisitions. From January 2009 to January 2014, he worked at investment bank Mediobanca, S.p.A. covering Spain and Latin America, and before that worked at Lehman Brothers Holdings Inc., in the Real Estate Investment Banking division in London, covering the EMEA market.

**Senior Managers' managerial positions and shareholdings**

The table below sets out all relevant entities in which the Senior Managers have been a member of the administrative, management or supervisory bodies or in which they have held partnership positions at any time during the five year period preceding the date of this Prospectus, as reported to the Company by each of them, indicating whether or not they are still a member of the administrative, management or supervisory bodies or partner in any such entities:

<b>Senior Manager</b>	<b>Company<sup>(*)</sup></b>	<b>Position</b>	<b>Status</b>
Mr. Juan Odériz San Martín .....	Thamani Tres, S.L.	Director and shareholder	Current
Mr. Miguel Torres Poza .....	Approaches and Dreams, S.L.	Director and shareholder	Current
	Orbiso Gestion, S.L.	Secretary non-director	Current
	Solinstania, S.L.	Secretary non-director	Non- Current
	Millenium Hotels C220, S.L.U.	Secretary non-director	Non- Current
Mr. María Pardo Martínez .....	-	-	-
Mr. Santiago López-Vilas Boekhorst ...	-	-	-

<sup>(\*)</sup> The Company considers that the term "company" refers to all types of entities other than family owned asset-holding companies and merely instrumental non-operative companies.

**Conflicts of interest**

The Spanish Companies Law and the Board of Directors Regulations generally prohibit directors from taking part in the discussions and casting a vote on any resolution adopted by the Board of Directors or any of its Committees concerning a matter in which they have a direct or indirect interest which conflicts or may conflict with the interests of the Company. Directors may not be counted in the quorum in relation to resolutions on which they are not entitled to vote.

Directors are required to report to the Board of Directors any circumstances that may give rise to a conflict of interest, direct or indirect, with the Company.

Moreover, directors are required to avoid situations which could give rise to a conflict between their duties to the Company and their private or other interests, unless they obtain the Company's consent. In particular, pursuant to articles 228 and 229 of the Spanish Companies Law, directors (and related parties to directors) should abstain from: (i) carrying out transactions with the Company, excluding ordinary transactions, of limited amount and undertaken in standard conditions applicable to all customers; (ii) using the name of the Company or its capacity as director to unduly influence private transactions; (iii) using corporate assets, including confidential information on the Company, for private purposes; (iv) taking advantage of business opportunities of the Company; (v) obtaining advantages or compensations from third parties other than the Company associated with their position unless they are a mere compliment; and (vi) carrying out activities, on their own or on behalf of third parties, which may compete with the Company or which could put the director in a permanent conflict with the interest of the Company.

Nevertheless, the Board of Directors of the Company, prior report of the Audit and Control Committee, may waive the above restrictions on a case-by-case basis. Such authorization shall be granted by the General Shareholders Meeting when it refers to obtaining advantages or compensations from third parties or when the size of the relevant transaction exceeds from 10% of the Company's assets. Likewise, the prohibition to compete with the Company may only be waived by the General Shareholders Meeting when it is not expected to damage the Company or the expected damages may be offset by the expected benefits of the waiver. In event that a situation of conflict of interest may reasonably create a structural and permanent conflict between the involved director and the Company or its subsidiaries (if any), such director will then lack the required suitability and capacity to remain in office and shall therefore resign from office.

Besides his role in Millenium, Mr. Illán currently holds and will hold in the future managerial positions and significant stakes in several investment vehicles and/or real estate development companies (including on a personal basis, in co-investment with other investors or through vehicles owned directly by him or indirectly through one of his investment companies). Mr. Illán is (i) shareholder and director of GrupoMillenium Investment Partners, S.L. (through which it participates in the following companies: Millenium Costa del Sol, S.L., Proyecto Empresarial Plenty, S.L. and Elysium Suites, S.L.); (ii) shareholder and director of Gestión de Inversiones Millenium, S.L. (through which it participates in the following companies: Millenium Expansión, S.L. and Millenium Development, S.L.); and (iii) shareholder and director of Orbiso Gestión, S.L.

In relation to the above, the General Shareholders Meeting held on May 10, 2019 authorized, under item 18 of its agenda, Mr. Javier Illán to perform his managerial duties and hold his personal holdings on the aforementioned real estate companies and to waive Mr. Illán non-compete obligation contained in article 229.1 f) of the Spanish Companies Law and, therefore, allow him to exercise any duties and perform any positions in the Company and the Group.

In this regard, according to Millenium's management policy (the "**Management Policy**") —approved by the General Shareholders Meeting held on May 10, 2019 and ratified on July 24, 2019—, Mr. Illán (individually or through any companies in which he holds a stake or is a member of the management body) is entitled to make investments, including through the direct or indirect acquisition of real estate properties — either hotels, assets associated to hotels or others—, even as a co-investment with the Company and/or in order for those assets to be subsequently transferred, totally or partially, to the Company (e.g., in the case of investment assets that at the time of their acquisition and/or taking into consideration the risk profile of the Company, do not comply with the precise requirements to be acquired directly by the Company, but which acquisition may be analyzed once such assets reach sufficient maturity).

In these cases, no conflict of interest shall exist to the extent that: (i) the aforementioned transactions do not entail effective competition with the Company and/or, in case they are carried out together with the Company, they result in material advantages for the Company deriving mainly from the promptness, swiftness and more favorable conditions under which the Company may execute these transactions and that, otherwise, could result in the Company assuming risks greater than expected or in the loss of a business opportunity by it; (ii) the aforementioned transactions are executed on arm's length basis and at an asset value lower than the maximum value indicated by valuations carried out in the moment of the execution of the relevant transaction; (iii) the relevant assets shall comply with the features indicated in the Company's business plan; (iv) the relevant transaction is approved by the Board of Directors with the abstention of Mr. Illán and with the previous favorable report from the Audit and Control Committee. Finally, the company through which Mr. Illán may carry out the relevant investment is entitled to obtain compensations or advantages from the execution of the referred transactions as long as requirements set out in limbs (i) to (iv) above are complied with and no damages against the Company may arise, and in any case in compliance with the relevant applicable laws.

According to the services agreement entered into between Mr. Illán and the Company, Mr. Illán shall devote as much time as may be necessary for the correct and diligent performance of his duties in the Company.

As of the date of this Prospectus, the activities carried out by Mr. Illán in the abovementioned companies do not entail effective competition with the activities of the Company.

Other than as set out above and in this Prospectus, there are no potential conflicts of interest between any duties owed by the members of the Board of Directors and the Senior Management to the Company and their private interests or other duties. All conflicts of interest involving directors will be disclosed in the financial statements.

Regarding Senior Management, the mechanisms regulating conflicts of interest are mainly based on the obligations established for the persons affected by the Board of Directors Regulations and defined in such regulations. In this regard, pursuant to article 26 of the Board of Directors Regulations, a senior manager shall notify the Board of Directors of any conflict of interest that may arise and refrain from intervening as a representative of the Company on such transaction.

## Corporate governance

The Company is not listed on a Spanish regulated market and therefore is not subject to the provisions related to corporate governance applicable to Spanish companies listed on a regulated market set out in the Spanish Companies Law, neither to the corporate governance recommendations (governed by the comply or explain principle) set out in the Spanish Corporate Governance Code for Listed Companies published by the CNMV in February 2015.

Without prejudice to the above, the Company is committed to follow good governance practices and voluntarily observes a number of recommendations set out in the referred Code (some of which have been included in the Board of Directors Regulations), including recommendations 1, 12, 13, 15, 17, 20, 22, 25, 27, 29, 30, 31, 33, 35, 39, 42, 43, 47, 50, 51, 56 and 57.

On a separate note, the Board of Directors of the Company, at its meeting held on May 10, 2019, approved the Internal Code of Conduct in the Securities Markets that regulates, among other things, the directors' and managers' conduct with regard to the treatment, use and disclosure of the Company's inside information. The Internal Code of Conduct in the Securities Markets applies to, among other persons, all members of the Board of Directors, Senior Management and employees who have regular access to inside information.

The Internal Code of Conduct in the Securities Markets, among other things, (i) establishes the restrictions on, and conditions for, the purchase or sale of the Company's securities or other financial instruments by persons subject to the Internal Code of Conduct in the Securities Markets and by those who possess inside information; and (ii) provides that persons subject to the Internal Code of Conduct in the Securities Markets shall not engage in market manipulation with respect to the Company's securities or other financial instruments.

The Company also has a corporate website ([www.milleniumhotelsrealestate.com](http://www.milleniumhotelsrealestate.com)) through which it informs its shareholders, investors and the market at large of any significant events. Neither the Company's website nor any of its contents form part or is incorporated into this Prospectus, whether by reference or otherwise, except as otherwise provided herein. The CNMV has not examined nor approved the Company's website nor any of its contents.

With respect to members of the administrative, management or supervisory bodies, there are no potential material impacts on the corporate governance, including possible changes in the Board's and Board committees' composition, already decided by the Board of Directors and/or the General Shareholders Meeting.

## Share ownership

The table below sets out the Shares directly or indirectly held by members of the Board of Directors and Senior Management as of the date of this Prospectus.

<b>Director</b>	<b>Number of shares</b>	<b>%</b>
Mr. Javier Illán Plaza .....	834,939 <sup>(1)</sup>	1.67
Ibervalles, S.A. <sup>(2)</sup> .....	12,414,538	24.83
Mr. Remigio Iglesias Surribas .....	100,000 <sup>(2)</sup>	0.2
Mr. José María Castellano Ríos .....	2,800,000 <sup>(3)</sup>	5.60
Ms. Isabel Dutilh Carvajal .....	30,000 <sup>(4)</sup>	0.06
Mr. Jaime Montalvo Correa .....	-	-
<b>Total</b> .....	<b>16,179,477</b>	<b>32.36</b>
<b>Senior Manager</b>	<b>Number of shares</b>	<b>%</b>
Mr. Juan Odériz San Martín .....	-	-
Mr. Miguel Torres Poza .....	-	-
Ms. María Pardo Martínez .....	-	-
Mr. Santiago López-Vilas Boekhorst .....	-	-
<b>Total</b> .....	<b>-</b>	<b>-</b>

- (1) 615,539 Shares are directly held and 219,400 Shares are indirectly held through Gestión de Inversiones Millenium, S.L. (which is controlled by Mr. Javier Illán).
- (2) Indirectly held through Surribas Investments, S.L.
- (3) Indirectly held through Alazady España, S.L.
- (4) The referred shares are owned by Ms. Isabel Dutilh's husband.

As of the date of this Prospectus, no director or member of the Senior Management has been granted options to purchase Shares, nor is there any other director or member of the Senior Management holding Shares, directly or indirectly. See “*Board of Directors and Management—Compensation*” for further information on the remuneration policy of the directors and members of the Senior Management.

## Compensation

### *Compensation of directors*

#### *Compensation of non-executive directors*

In accordance with the provisions of the Bylaws and the Board of Directors Regulations, the remuneration of the Company's non-executive directors shall consist of a fixed annual amount and attendance allowances, which will not exceed the maximum annual aggregate amount approved to this end by the General Shareholders Meeting. The specific determination of the amount corresponding to each director corresponds to the Board of Directors, which must take into account the position, duties and responsibilities of each director, membership on the Board's committees, category of director to which he or she belongs, or special circumstances as agreed by the Board.

On May 10, 2019, the General Shareholders Meeting resolved that the aggregate annual remuneration of non-executive directors in their capacity as such could not exceed €400 thousand. On that same date, the Board of Directors resolved that each non-executive director would be entitled to an annual compensation of €48 thousand with effects from January 1, 2019 but in proportion to the time actually spent on the office. The Board of Directors further resolved that directors would be entitled to attendance allowances of €1,500 per Board meeting and €1,000 per Board's committee meeting.

Compensation for non-executive directors during financial year ended December 31, 2019 amounted to €159.5 thousand. Ibervalles, S.A., Mr. José María Castellano Ríos, Ms. Isabel Dutilh Carvajal and Mr. Jaime Montalvo Correa received €24,500, €45,000, €45,000 and €45,000, respectively.

#### *Compensation of executive directors*

In accordance with the provisions of the Bylaws and the Board of Directors Regulations, executive directors will be entitled to receive remuneration for the executive functions they perform in accordance with the relevant services agreement entered into between the director and the Company. Such remuneration may consist in salary, incentives, bonus, early termination compensation, insurance premium or contributions to pension schemes. The maximum aggregate amount annually payable to executive directors shall be approved by the General Shareholders Meeting. The Board of Directors shall determine the remuneration for the performance of executive duties and the terms and conditions applicable to the agreements entered into by the Company in accordance with the resolutions of the General Shareholders Meeting.

Accordingly, the General Shareholders Meeting held on May 10, 2019 approved the Management Policy, which sets out the terms and conditions of executive directors' remuneration.

Pursuant thereto, executive directors, members of the Senior Management and any other employees are entitled to an annual salary which shall not exceed, in aggregate, (i) an amount equal to 1% of the NAV on December 31 of each year up to a NAV of €400 million; and (ii) an amount of €4 million for a NAV higher than €400 million. Within such limits, the Board of Directors held on May 10, 2019 approved the following salaries for executive directors:

- (i) Mr. Javier Illán is entitled to a salary of €200 thousand for a NAV lower than €150 million; €300 thousand for a NAV equal to or higher than €150 million but lower than €200 million; €600 thousand for a NAV equal to or higher than €200 million but lower than €400 million; or €800 thousand for a NAV higher than €400 million, taking as a reference the NAV on December 31 of the previous financial year and, in 2019, the NAV on the date of the Shares' admission to listing on the MAB.
- (ii) Mr. Remigio Iglesias is entitled to a salary of €100 thousand for a NAV lower than €150 million; €200 thousand for a NAV equal to or higher than €150 million but lower than €200 million; €250 thousand for a NAV equal to or higher than €200 million but lower than €400 million; or €300 thousand for a NAV higher than €400 million, taking as a reference the NAV on December 31 of the previous financial year and, in 2019, the NAV on the date of the Shares' admission to listing on the MAB.

As of December 31, 2019, the NAV amounted to €273.12 million. As of date on which the Shares were admitted to listing on the MAB, the NAV amounted to €255.5 million.

Compensation for executive directors during financial year ended December 31, 2019 amounted to €845.3 thousand (excluding any amounts accrued pursuant to the incentive plans). In this regard, executive directors have accrued a compensation corresponding to the Promote Plan for 2019 amounting to €3.1 million which is pending to be paid (see “*Board of Directors and Management—Compensation—Incentive Plans*” below). No variable remuneration was accrued for the year ended December 31, 2019 for the executive directors.

Moreover, the executive directors are entitled to an annual variable remuneration (bonus) payable only if (i) the NAV at the end of a given financial year reaches or exceeds €400 million; and (ii) during that financial year the Company’s stabilized operating assets portfolio (i.e., those that meet the Group’s yield requirements or that have been delivering profits during at least two years) generate a gross yield on cost of at least 6% annually. Such annual variable remuneration shall not exceed 50% of the executive directors’ respective annual salaries for a NAV lower than €450 million; 75% of their respective annual salaries for a NAV equal to or higher than €450 million but lower than €550 million; or 100% of their respective annual salaries for a NAV higher than €550 million. The Board of Directors shall determine the variable remuneration payable to each executive director, based on the previous proposal of the Appointments and Remuneration Committee, taking into account the maximum variable remuneration payable according to the above, performance of the relevant directors’ duties and achievement of other evaluation parameters notified at the end of the previous year. The annual variable remuneration shall be payable in cash within three months from the end of the financial year during which it accrues. For more information on the calculation of the annual variable remuneration for the Senior Management (including the executive directors) see “*Board of Directors and Management—Compensation—Compensation of Senior Management*”.

On June 17, 2020, the Board of Directors resolved to amend the definition of stabilized portfolio, gross yield on cost and gross rental income provided for in the Management Policy (all of which are related with the calculation of the annual variable remuneration). Pursuant to this amendment, stabilized assets are those assets that procure rents once included in the Company for at least one year for yielding assets, two years for turnaround assets and three years for greenfield assets, while gross yield on cost refers to the gross rents procured by the stabilized portfolio expressed as a percentage of the acquisition and development/ capital expenditure costs. Moreover, pursuant to this amendment, gross rental income refers to the aggregate rents accrued by the Company during the relevant financial year.

Likewise, the Board of Directors resolved that the annual variable remuneration shall amount to the higher of (a) the difference between the aggregate annual amount of the Senior Management’s and employees’ salaries and 7% of the gross rental income as of December 31 of the relevant year; and (b) 1% of the excess of the NAV over €400 million (adjusted for dividends) as of December 31 of the relevant year. In addition, the Board of Directors resolved that the annual variable remuneration paid may not exceed 0.5% of the NAV as of the closing date of the financial year under review. Lastly, the Board of Directors resolved that compliance with individual targets that may be set shall also be taken into account when deciding the distribution of the aggregate variable remuneration. The referred amendments will not be effective until the General Shareholders Meeting ratifies them.

In accordance with the amendments passed by the Board of Directors regarding the Management Policy, gross yield on cost for financial year ended December 31, 2019 amounts to 6,44%. Gross yield on cost cannot be calculated for financial year ended December 31, 2019 in accordance with the current Management Policy as, according to the current definition of stabilized assets, there were no stabilized assets during such financial year.

In addition, the executive directors are beneficiaries of the incentive plans described in section “*Board of Directors and Management—Compensation—Incentive Plans*” below.

#### *Other terms and conditions of the executive directors’ services agreements*

On May 10, 2019, the Company entered into a services agreement with each of its two executive directors. These agreements were executed for an indefinite term and became effective on the date of the Shares admission to listing on the MAB. The agreements set out the remuneration described above as well as the provisions described below.

#### Services agreement of Mr. Javier Illán

The services agreement executed by the Company and Mr. Javier Illán provides for the following clauses:

- *Exclusivity*: Mr. Illán may not invest in, collaborate with or otherwise participate in companies devoted to the management or operation of hotels, except with the previous consent of the Company. Please see “*Board of Directors and Management—Conflicts of interest*”.
- *Termination*: The services agreement may be terminated:
  - (i) By mutual agreement of the parties.
  - (ii) Unilaterally by Mr. Illán without cause with a prior notice of three months (otherwise Mr. Illán shall indemnify the Company in an amount equivalent to the annual fixed salary applicable on the date of termination of the services agreement corresponding to the prior notice period unmet).

In this case, Mr. Illán shall not be entitled to any termination compensation. However, if Mr. Illán terminates the agreement before the end of the minimum permanence period (i.e., the later of: (i) five years since the end of the Initial Execution Period and (ii) five years from the shares admission to listing on the MAB) (the “**Minimum Permanence Period**”), and to the extent that the Board of Directors does not resolve otherwise, upon proposal by the Appointments and Remuneration Committee, he shall be entitled to receive all the Shares he would have been granted under the Promote Plan from the date of his services agreement. If Mr. Illán terminates the agreement after the end of the Minimum Permanence Period, Mr. Illán shall be entitled to keep any Shares he may have received under the Promote Plan.

On June 17, 2020, the Board of Directors resolved to amend the definition of Minimum Permanence Period. Pursuant to this amendment, the minimum permanence period shall be the later of: (i) five years from the admission to listing on the MAB; and (ii) five years from the date of execution of the last capital increase approved by the General Shareholders’ Meeting, unless the General Shareholders’ Meeting agrees another minimum permanence period at the time of approval of such capital increase, in accordance with the stabilization periods of any new asset acquired with the proceeds of such capital increase. The referred amendments will not be effective until the General Shareholders Meeting ratifies them.

- (iii) Upon (a) Mr. Illán’s removal or non-reelection as Chairman or CEO of the Company or revocation of his powers; (b) a structural change of the Company due to a merger; (c) the dissolution or liquidation of the Company; or (d) a change of control of the Company either through a tender offer for securities or a private acquisition of Shares. In cases (b), (c) and (d), Mr. Illán may unilaterally terminate his services agreement within 12 months from the triggering event.

In case (a) or in cases (b), (c) and (d) if the Company —other than due to a willful misconduct or gross negligence— or Mr. Illán terminate the agreement, he shall be entitled to a special compensation payable in cash in an amount of twice the last annual remuneration (i.e., salary and annual variable remuneration) paid to him, and to the part of the Promote Plan granted to him and accrued during the year of termination of the agreement. Moreover, Mr. Illán shall be entitled to another compensation equal to 5% or 4% (if before or after the permanence period ended, respectively) of the higher of (i) the NAV on the closing date of the six-month period closest to the triggering event; (ii) the Company’s liquidation value; or (iii) the Share price offered in the acquisition transaction resulting in the change of control. Also, Mr. Illán shall be entitled to a waiver of any lock-up commitment over any Shares granted to him under the Promote Plan that might be in force on the date of termination.

In case (b), (c) or (d), should the services agreement be terminated by Mr. Illán, the 4% or 5% percentage referred to above, shall be reduced to 3%.

On June 17, 2020, the Board of Directors resolved to amend the events that entitle to terminate the services agreements. Pursuant to such amendment, he shall be entitled to terminate his agreement if, during the course of the Company's ordinary activities, the chief executive officer is removed or any powers delegated to him by the Board of Directors are revoked, whether due to a structural change of the Company due to merger or absorption, approval of the dissolution or liquidation of the Company (except for insolvency liquidation proceedings) or a change in the ownership of the Company's shares that results in a majority acquisition, or a change of control, or as a consequence of a tender offer for securities or a private acquisition. In those cases, and provided that the termination occurs before the end of the minimum permanence period, the chief executive officer would be entitled to receive a special compensation amounting to 3% of the highest of (i) the NAV on the closing date of the six-month period closest to the triggering event; (ii) the Company’s liquidation value; or (iii) the Share price offered in the acquisition transaction resulting in the change of control.

Furthermore, the Board of Directors resolved that the compensation based on the NAV, shall be paid as soon as possible and in any case within the calendar year where termination occurs.

In addition, on June 17, 2020, the Board of Directors resolved to remove termination compensations based on the NAV that pursuant to the current Management Policy applies if the services agreement is terminated after the end of the minimum permanence period in any of the relevant events. In addition to the compensations to receive in such case pursuant to the current Management Policy, an additional compensation equivalent to that which would have corresponded in the twelve months following the date of termination of the agreement (calculated according to the same metrics as the incentive plans) shall be paid. However, such additional compensation shall only be paid if the services agreement is terminated during a financial year following another where the Company achieves the same minimum performance targets provided for the accrual of the Promote Plan (i.e., TSR 9%). If, on the other hand, the Company has not achieved the referred targets, no additional compensation would be paid. This additional compensation shall be paid within three months after drafting the annual accounts corresponding to the financial year following the termination of the agreement.



The referred amendments will not be effective until the General Shareholders Meeting ratifies them.

- (iv) Unilaterally by the Company in the event of willful misconduct or negligence of Mr. Illán in the performance of his duties.

In this case, Mr. Illán shall not be entitled to any termination compensation.

- (v) In the event of death, legal disability (*incapacidad legal*), either total or high permanent disability (*incapacidad permanente total o de grado superior*) or temporal disability for a period of at least 18 months of Mr. Illán.

In this case, Mr. Illán shall not be entitled to any termination compensation.

#### Services agreement of Mr. Remigio Iglesias

The services agreement executed by the Company and Mr. Remigio Iglesias provides for the following clauses:

- *Exclusivity*: Mr. Iglesias may not invest in, collaborate with or otherwise participate in companies devoted to the management or operation of hotels, except with the previous consent of the Company and except for those companies which activities do not require a significant involvement of Mr. Iglesias and do not compete with the Company's business.

- *Termination*: The services agreement may be terminated:

- (i) By mutual agreement of the parties.

- (ii) Unilaterally by Mr. Iglesias without cause with a prior notice of three months (otherwise Mr. Iglesias shall indemnify the Company in an amount equivalent to the annual fixed salary applicable on the date of termination of the services agreement corresponding to the prior notice period unmet).

In this case, Mr. Iglesias shall not be entitled to any termination compensation. However, if Mr. Iglesias terminates the agreement before the end of the Minimum Permanence Period and to the extent that the Board of Directors does not resolve otherwise, upon proposal by the Appointments and Remuneration Committee, he shall be entitled to receive all the Shares he would have been granted under the Promote Plan (as defined in section "*Board of Directors and Management—Compensation— Compensation of Senior Management—Promote Plan*") from the date of his services agreement. If Mr. Iglesias terminates the agreement after the end of the Minimum Permanence Period, Mr. Iglesias shall be entitled to keep any Shares he may have received under the Promote Plan.

- (iii) Unilaterally by the Company at the discretion of the Board of Directors with a prior notice of three months (otherwise the Company shall indemnify Mr. Iglesias in an amount equivalent to the annual fixed salary applicable on the date of termination of the services agreement corresponding to the prior notice period unmet) or upon Mr. Iglesias' removal or non-re-election as director of the Company without prior notice.

In this case, he shall also be entitled to a special compensation payable in cash in an amount of twice the last annual remuneration (i.e., salary and annual variable remuneration) paid to him, and to the part of the Promote Plan granted to him and accrued during the year of termination of the agreement. Mr. Iglesias shall be entitled to a waiver of any lock-up commitment over any Shares granted to him under the Promote Plan that might be in force on the date of termination.

- (iv) Upon (a) removal of CEO of the Company or revocation of his powers; (b) a structural change of the Company due to a merger; (c) the dissolution or liquidation of the Company; or (d) a change of control of the Company either through a tender offer for securities or a private acquisition of Shares, Mr. Iglesias may unilaterally terminate his services agreement within 12 months from the triggering event.

If Mr. Iglesias terminates his agreement, he shall be entitled to a compensation equal to 1% of the higher of (i) the NAV on the closing date of the six-month period closest to the triggering event; (ii) the Company's liquidation value; or (iii) the Share price offered in the acquisition transaction resulting in the change of control.

Should the services agreement be terminated by the Company, other than due to a willful misconduct or gross negligence of Mr. Iglesias, the 1% percentage referred to in the paragraph above shall be increased to 3% if the Minimum Permanence Period is not completed or 2% if it is already completed. Also, he shall be entitled to a special compensation payable in cash in the amount of twice the last annual remuneration (i.e., salary and annual variable remuneration) paid to him, and to the part of the Promote Plan granted to him and accrued during the year of termination of the agreement.

In both cases, Mr. Iglesias shall be entitled to a waiver of any lock-up commitment over any Shares granted to him under the Promote Plan that might be in force on the date of termination.

On June 17, 2020, the Board of Directors resolved to amend the events that entitle to terminate the services agreements. Pursuant to such amendment, he shall be entitled to terminate his agreement if, during the course of the Company's ordinary activities, the chief executive officer is removed or any powers delegated to him by the Board of Directors are revoked, whether due to a structural change of the Company due to merger or absorption, approval of the dissolution or liquidation of the Company (except for insolvency liquidation proceedings) or a change in the ownership of the Company's shares that results in a majority acquisition, or a change of control, or as a consequence of a tender offer for securities or a private acquisition. In addition, if, as a result of any of the aforementioned events, is removed from his duties and/or positions, he will also be entitled, within 12 months from the effective date of the event, to terminate his services agreement and receive an additional compensation equal to 1% of the NAV.

Furthermore, the Board of Directors resolved that the compensation based on the NAV, shall be paid as soon as possible and in any case within the calendar year where termination occurs.

In addition, on June 17, 2020, the Board of Directors resolved to remove termination compensations based on the NAV that pursuant to the current Management Policy applies if the services agreement is terminated after the end of the minimum permanence period in any of the relevant events. In addition to the compensations to receive in such case pursuant to the current Management Policy, an additional compensation equivalent to that which would have corresponded in the twelve months following the date of termination of the agreement (calculated according to the same metrics as the incentive plans) shall be paid. However, such additional compensation shall only be paid if the services agreement is terminated during a financial year following another where the Company achieves the same minimum performance targets provided for the accrual of the Promote Plan (i.e., TSR 9%). If, on the other hand, the Company has not achieved the referred targets, no additional compensation would be paid. This additional compensation shall be paid within three months after drafting the annual accounts corresponding to the financial year following the termination of the agreement.

The referred amendments will not be effective until the General Shareholders Meeting ratifies them.

- (v) Unilaterally by the Company in the event of willful misconduct or negligence of Mr. Iglesias in the performance of his duties.

In this case, Mr. Iglesias shall not be entitled to any termination compensation.

- (vi) In the event of death, legal disability (*incapacidad legal*), either total or high permanent disability (*incapacidad permanente total o de grado superior*) or temporal disability for a period of at least 18 months of Mr. Iglesias.

In this case, Mr. Iglesias shall not be entitled to any termination compensation.

On June 17, 2020, the Board of Directors resolved that in case the Company terminates the services agreement before the end of the minimum permanence period without serious or negligent breach on behalf of Mr. Illán, Mr. Iglesias and Mr. Odériz, respectively, they shall be entitled to receive the annual remuneration (i.e., salary and annual variable remuneration) for the remaining years until the end of the minimum permanence period of the services agreement, taking into consideration the last annual remuneration (i.e., salary and annual variable remuneration) paid to them together with the Promote Plan accrued until termination of the agreement (in this regard, it shall be paid within the calendar year). If the referred termination occurs after the minimum permanence period, they shall be entitled to a special compensation payable in cash in an amount of two times (three times in case of the chief executive officer) the last annual remuneration (i.e., salary and annual variable remuneration) together with the Promote Plan accrued until termination of the agreement (in this regard, it shall be paid within the calendar year). For these purposes, due to the fact that salary raises are restricted once the NAV reaches €400 million, and provided that the NAV exceeds €400 million, the compensations will be calculated based on 1,5 times the last annual remuneration (i.e., salary and annual variable remuneration). The referred amendments will not be effective until the General Shareholders Meeting ratifies them.

The amendments referred to in the previous paragraph will not be effective until the General Shareholders Meeting ratifies them.

In this regard, if the services agreements entered into with the executive directors were terminated by the Company, for example, after the minimum permanence period ends due to a change of control of the Company and taking into account the Company's NAV as of December 31, 2019, additional compensations to be paid by the Company to the executive directors would approximately amount to €18 million (approximately €2.3 million if calculated in accordance with the amendments passed by the Board of Directors on June 17, 2020 regarding the termination compensations).

#### *Previous compensation of the sole director*

Before May 10, 2019, the Company was managed by Mr. Javier Illán as sole director. Mr. Illán did not receive any compensation for his duties as such.

## ***Compensation of Senior Management***

The Management Policy approved by the General Shareholders Meeting held on May 10, 2019 sets out that executive directors, members of the Senior Management and any other employees are entitled to an annual salary which shall not exceed, in aggregate, (i) an amount equal to 1% of the NAV on December 31 of each year up to a NAV of €400 million; and (ii) an amount of €4 million for a NAV higher than €400 million. If, during a given year, the aggregate annual remuneration of the executive directors and Senior Management and other employees does not reach neither of these two limits, the CEO may propose to the Appointments and Remuneration Committee the allocation of the excess among the executive directors and members of the Senior Management and other employees.

On June 17, 2020, the Board of Directors resolved that if, during a given year, the monthly accrued aggregate annual remuneration of the executive directors and Senior Management and other employees does not reach neither of these two limits, the chief executive officer will decide the allocation of the surplus which will be submitted to the Appointments and Remuneration Committee. The referred amendment will not be effective until the General Shareholders Meeting ratifies it.

Fixed remuneration for the year ended December 31, 2019 for members of Senior Management (not including, for the avoidance of doubt, the executive directors) amounted to €714.5 thousand.

Moreover, the members of the Senior Management are entitled to an annual variable remuneration (bonus) payable only if (i) the NAV at the end of a given financial year reaches or exceeds €400 million; and (ii) during that financial year the Company's stabilized operating assets portfolio (i.e., those that meet the Group's yield requirements or that have been delivering profits during at least two years) generate a gross yield on cost of at least 6% annually. Such annual variable remuneration shall amount to the higher of (a) the difference between the aggregate annual amount of the Senior Management's and employees' salaries and 7% of the gross rental income as of December 31 of the relevant year; and (b) 0.75% of the excess of the NAV over €400 million (adjusted for dividends) as of December 31 of the relevant year. Distribution of the aggregate variable remuneration among Senior Management and employees will be made based on their position in the Company, their impact on the Company's development and the scope of their responsibility.

On June 17, 2020, the Board of Directors resolved to amend the definition of stabilized portfolio, gross yield on cost and gross rental income provided for in the Management Policy (all of which are related with the calculation of the annual variable remuneration). Pursuant to this amendment, stabilized assets are those assets that procure rents once included in the Company for at least one year for yielding assets, two years for turnaround assets and three years for greenfield assets, while gross yield on cost refers to the gross rents procured by the stabilized portfolio expressed as a percentage of the acquisition and development/ capital expenditure costs. Moreover, pursuant to this amendment, gross rental income refers to the aggregate rents accrued by the Company during the relevant financial year.

Likewise, the Board of Directors resolved that the annual variable remuneration shall amount to the higher of (a) the difference between the aggregate annual amount of the Senior Management's and employees' salaries and 7% of the gross rental income as of December 31 of the relevant year; and (b) 1% of the excess of the NAV over €400 million (adjusted for dividends) as of December 31 of the relevant year. In addition, the Board of Directors resolved that the annual variable remuneration paid may not exceed 0.5% of the NAV as of the closing date of the financial year under review. Lastly, the Board of Directors resolved that compliance with individual targets that may be set shall also be taken into account when deciding the distribution of the aggregate variable remuneration. The referred amendments will not be effective until the General Shareholders Meeting ratifies them.

In accordance with the amendments passed by the Board of Directors regarding the Management Policy, gross yield on cost for financial year ended December 31, 2019 amounts to 6,44%. Gross yield on cost cannot be calculated for financial year ended December 31, 2019 in accordance with the current Management Policy as, according to the current definition of stabilized assets, there were no stabilized assets during such financial year.

No variable remuneration was accrued for the year ended December 31, 2019 for members of the Senior Management (not including, for the avoidance of doubt, the executive directors).

In addition, the members of the Senior Management are beneficiaries of the incentive plans described in section "*Board of Directors and Management—Compensation—Incentive Plans*" below. In this regard, the compensation accrued by certain members of the Senior Management under the Promote Plan (i.e., €654 thousand) during financial year 2019 is pending to be paid.

According to Senior Management contracts, members of the Senior Management are entitled to termination payments under certain circumstances in the event that their respective contracts are terminated as follows: (i) one of the Senior Management member's contract provides for termination payments similar to those to which Mr. Iglesias is entitled (described above together with the relevant amendments passed by the Board of Directors on June 17, 2020); and (ii) other Senior Management members are entitled to: if the contractual prior notice set forth in their respective contracts is not met, an amount equal to the fixed annual compensation corresponding to the non-observed contractual prior notice; and/or the compensation foreseen in the Spanish Statute of Workers (*Estatuto de los trabajadores*) approved by Royal

Legislative Decree 2/2015, of October 23 (*Real Decreto Legislativo 2/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Estatuto de los Trabajadores*).

In this regard, the services agreement executed by the Company and Mr. Juan Odériz provides that the services agreement may be terminated:

- (i) By mutual agreement of the parties.
- (ii) Unilaterally by Mr. Odériz without cause with a prior notice of three months (otherwise Mr. Odériz shall indemnify the Company in an amount equivalent to the annual fixed salary applicable on the date of termination of the services agreement corresponding to the prior notice period unmet).

In this case, Mr. Odériz shall not be entitled to any termination compensation. However, if Mr. Odériz terminates the agreement before the end of the Minimum Permanence Period and to the extent that the Board of Directors does not resolve otherwise, upon proposal by the Appointments and Remuneration Committee, he shall be entitled to receive all the Shares he would have been granted under the Promote Plan (as defined in section “*Board of Directors and Management—Compensation—Compensation of Senior Management—Promote Plan*) from the date of his services agreement. If Mr. Odériz terminates the agreement after the end of the Minimum Permanence Period, Mr. Odériz shall be entitled to keep any Shares he may have received under the Promote Plan.

- (iii) Unilaterally by the Company with a prior notice of three months (otherwise the Company shall indemnify Mr. Odériz in an amount equivalent to the annual fixed salary applicable on the date of termination of the services agreement corresponding to the prior notice period unmet).

In this case, he shall also be entitled to a special compensation payable in cash in an amount of twice the last annual remuneration (i.e., salary and annual variable remuneration) paid to him, and to the part of the Promote Plan granted to him and accrued during the year of termination of the agreement. Mr. Odériz shall be entitled to a waiver of any lock-up commitment over any Shares granted to him under the Promote Plan that might be in force on the date of termination.

- (iv) Upon (a) removal of CEO of the Company or revocation of his powers; (b) a structural change of the Company due to a merger; (c) the dissolution or liquidation of the Company; or (d) a change of control of the Company either through a tender offer for securities or a private acquisition of Shares, Mr. Odériz may unilaterally terminate his services agreement within 12 months from the triggering event.

If Mr. Odériz terminates his agreement, he shall be entitled to a compensation equal to 1% of the higher of (i) the NAV on the closing date of the six-month period closest to the triggering event; (ii) the Company’s liquidation value; or (iii) the Share price offered in the acquisition transaction resulting in the change of control.

Should the services agreement be terminated by the Company, other than due to a willful misconduct or gross negligence of Mr. Odériz, the 1% percentage referred to in the paragraph above shall be increased to 3% if the Minimum Permanence Period is not completed or 2% if it is already completed. Also, he shall be entitled to a special compensation payable in cash in the amount of twice the last annual remuneration (i.e., salary and annual variable remuneration) paid to him, and to the part of the Promote Plan granted to him and accrued during the year of termination of the agreement.

In both cases, Mr. Odériz shall be entitled to a waiver of any lock-up commitment over any Shares granted to him under the Promote Plan that might be in force on the date of termination.

On June 17, 2020, the Board of Directors resolved to amend the events that entitle to terminate the services agreements. Pursuant to such amendment, he shall be entitled to terminate his agreement if, during the course of the Company's ordinary activities, the chief executive officer is removed or any powers delegated to him by the Board of Directors are revoked, whether due to a structural change of the Company due to merger or absorption, approval of the dissolution or liquidation of the Company (except for insolvency liquidation proceedings) or a change in the ownership of the Company's shares that results in a majority acquisition, or a change of control, or as a consequence of a tender offer for securities or a private acquisition. In addition, if, as a result of any of the aforementioned events, is removed from his duties and/or positions, he will also be entitled, within 12 months from the effective date of the event, to terminate his services agreement and receive an additional compensation equal to 1% of the NAV.

Furthermore, the Board of Directors resolved that the compensation based on the NAV, shall be paid as soon as possible and in any case within the calendar year where termination occurs.

In addition, on June 17, 2020, the Board of Directors resolved to remove termination compensations based on the NAV that pursuant to the current Management Policy applies if the services agreement is terminated after the end of the minimum permanence period in any of the relevant events. In addition to the compensations to receive in such case pursuant to the current Management Policy, an additional compensation equivalent to that

which would have corresponded in the twelve months following the date of termination of the agreement (calculated according to the same metrics as the incentive plans) shall be paid. However, such additional compensation shall only be paid if the services agreement is terminated during a financial year following another where the Company achieves the same minimum performance targets provided for the accrual of the Promote Plan (i.e., TSR 9%). If, on the other hand, the Company has not achieved the referred targets, no additional compensation would be paid. This additional compensation shall be paid within three months after drafting the annual accounts corresponding to the financial year following the termination of the agreement.

The referred amendments will not be effective until the General Shareholders Meeting ratifies them.

Example:

*This is an example only. There are no forecasts on NAV, salaries, gross rental income, shareholders return, etc. There can be no assurance that the amounts referred to in the example can or will be met and they should not be seen as an indication of the Company's expected or actual results or returns. Accordingly, investors should not place any reliance on this example in deciding whether to invest in the Company. In addition, prior to making any investment decision, investors should carefully consider the risk factors described in Section "Risk Factors" of the Prospectus.*

The example below is intended to clarify the calculation of the annual variable remuneration of Senior Management (including, for the avoidance of doubt, the executive directors). For these purposes, it should be noted that, as previously stated, the annual variable remuneration shall be payable only if (i) the NAV at the end of a given financial year reaches or exceeds €400 million; and (ii) during that financial year the Company's stabilized operating assets (i.e., those that meet the Group's yield requirements or that have been delivering profits during at least two years) generate a gross yield on cost of at least 6% annually.

Assuming that:

- (a) the aggregate annual amount of the Senior Management's and employees' salaries amounts to €1 million;
- (b) gross yield on cost during the relevant financial year of the Company's stabilized operating assets amounts to 7%;
- (c) 7% of the gross rental income as of December 31 of the relevant year amounts to €1.2 million;
- (d) NAV of the relevant year amounts to €675 million; and
- (e) 0.75% of the excess of the NAV over €400 million (adjusted for dividends) amounts to €2.06 million,

the Senior Management (including the executive directors) shall be entitled to receive an annual variable remuneration for such financial year of €2.06 million —as 0.75% of the excess of the NAV over €400 million (adjusted for dividends) as of December 31 of the relevant year (i.e., €2.06 million) is higher than the difference between the aggregate annual amount of the Senior Management's and employees' salaries and 7% of the gross rental income as of December 31 of the relevant year (i.e., €200 thousand)—.

Example:

*This is an example only. There are no forecasts on NAV, salaries, gross rental income, shareholders return, etc. There can be no assurance that the amounts referred to in the example can or will be met and they should not be seen as an indication of the Company's expected or actual results or returns. Accordingly, investors should not place any reliance on this example in deciding whether to invest in the Company. In addition, prior to making any investment decision, investors should carefully consider the risk factors described in Section "Risk Factors" of the Prospectus.*

In addition, the example below is intended to clarify the calculation of the annual variable remuneration of Senior Management (including, for the avoidance of doubt, the executive directors) taking into account the aforementioned amendments passed by the Board of Directors on June 17, 2020.

Assuming that:

- (a) the aggregate annual amount of the Senior Management's and employees' salaries amounts to €1 million;
- (b) gross yield on cost during the relevant financial year of the Company's stabilized operating assets amounts to 7%;
- (c) 7% of the gross rental income as of December 31 of the relevant year amounts to €1.2 million;
- (d) NAV of the relevant year amounts to €675 million; and
- (e) 1% of the excess of the NAV over €400 million (adjusted for dividends) amounts to €2.75 million,

the Senior Management (including the executive directors) shall be entitled to receive an annual variable remuneration for such financial year of €2.75 million —as 1% of the excess of the NAV over €400 million (adjusted for dividends) as of December 31 of the relevant year (i.e., €2.75 million) is higher than the difference between the aggregate annual amount of the Senior Management's and employees' salaries and 7% of the gross rental income as of December 31 of the relevant year (i.e., €200 thousand)—.

## *Incentive Plans*

### *IPO MIP*

On May 10, 2019, the Company's General Shareholders Meeting granted its executive directors and Senior Management an incentive plan accruable upon admission to listing of the Company's shares on a regulated market (for the avoidance of doubt, this does not include the MAB), either following an initial subscription or sale offering (the "IPO" or the "IPO MIP").

On June 17, 2020, the Board of Directors resolved to amend the events where the IPO MIP is accrued. Pursuant to such amendment, the IPO MIP shall accrue on the occasion of a liquidity event that generates an additional return for shareholders, either following an IPO or sale or subscription offering. Moreover, the Board of Directors resolved that the beneficiaries of the IPO MIP, if appropriate, shall be the executive directors and Mr. Juan Odériz.

In addition, the Board of Directors resolved that the IPO MIP shall be paid if the liquidity event takes place, whether or not the shareholder decides to participate in such liquidity event. If the liquidity event is not addressed to all Shares, the IPO MIP accrued will be proportional to the share capital that is subject of such liquidity event.

The amendments referred to in the previous paragraphs will not be effective until the General Shareholders Meeting ratifies them.

The aggregate amount payable under the IPO MIP shall amount to 20% of (a) the Company's market value on the date of the IPO (calculated as the IPO price per Share multiplied by the number of Shares before any share capital increase made in the context of the IPO, if any); plus (b) any gross dividends distributed between the Shares' admission to listing on the MAB and the IPO; minus (i) the Company's market value on the date of admission to listing of its shares on the MAB; (ii) the market value of the Shares granted and paid on each date of accrual of the Promote Plan occurred between the Shares' admission to listing on the MAB and the IPO; (iii) gross proceeds (nominal and premium) deriving from any share capital increase carried out between the Shares' admission to listing on the MAB and the IPO; (iv) the total shareholders return corresponding to a TSR (as defined below) of an annual 9% of the NAV as from the date of the Shares' admission to listing on the MAB; and (v) the transaction costs relating to the IPO.

On June 17, 2020, the Board of Directors resolved to amend the calculation of the IPO MIP. Pursuant to this amendment, the aggregate amount payable under the IPO MIP shall amount to 20% of (a) the value of the Company at the time of the liquidity event (i.e., the value or price of the Company or the Shares in the context of the liquidity event (which may occur through any kind of corporate transaction that entails liquidity for its shareholders). In case the liquidity event is carried out through an IPO, this value must be higher than the Company's NAV and the transaction costs of the IPO will be discounted); minus (b) the initial value of the Company (i.e., the value of the Company on the date of admission of the Shares in the MAB —calculated as the price per Share multiplied by the number of Shares on the first trading day on the MAB); minus (c) share capital increases; plus (d) dividends; minus (e) the market value of the Shares granted and paid on each date of accrual of the Promote Plan occurred between the Shares' admission to listing on the MAB and the liquidity event; minus (f) an amount equal to a compound annual rate of 9% of (i) the Company's NAV at the time of admission of the Shares in the MAB and (ii) the subsequent capital increases carried out as of their corresponding execution dates; and (v) the transaction costs relating to the IPO. The referred amendments will not be effective until the General Shareholders Meeting ratifies them.

The distribution of the aggregate amount of the IPO MIP shall correspond to the Board of Directors based on the proposal of the Appointments and Remuneration Committee.

The IPO MIP shall be payable as soon as possible following the IPO. It shall be payable in cash except if the IPO is preceded by a subscription offer, in which case the IPO MIP shall be payable 50% in cash and 50% in Shares. In such case, and provided that a sale offer is carried out in the context of the IPO, the beneficiaries may offer part of the Shares received under the IPO MIP in the amount required to fund taxes payable with relation to the IPO MIP. The remaining Shares shall be subject to a lock-up commitment of 12 months for 50% of the Shares and 18 months for the remaining 50%.

Lastly, on June 17, 2020, the Board of Directors resolved that the IPO MIP shall be payable in cash as soon as possible and within two months from the relevant liquidity event. The referred amendment will not be effective until the General Shareholders Meeting ratifies it.

**Example:**

*This is an example only. There are no forecasts on NAV, shareholders' returns, costs related to the IPO process, etc. There can be no assurance that the amounts referred to in the example can or will be met and they should not be seen as an indication of the Company's expected or actual results or returns. Accordingly, investors should not place any reliance on this example in deciding whether to invest in the Company. In addition, prior to making any investment decision, investors should carefully consider the risk factors described in Section "Risk Factors" of the Prospectus.*

<b>Item</b>	<b>Concept</b>	<b>Assumptions and explanations</b>	<b>Value (€)</b>
1	Company's market value on the date of the IPO	Assuming capitalization value prior to IPO at the end of the third anniversary of the admission to the MAB	507,920,888
2	Company's market value on the date of admission to listing of its shares on the MAB	Capitalization value as of the admission of the Shares in the MAB	250,000,000
3	Share capital increase	Assuming the Offering is fully subscribed	150,000,000
4	Promote Plan	Based on the Promote Plan example below as accumulated at the end of Year 3 (and assuming a share value of €5 per share).	4,602,055
5	Target annual minimum return	Assuming a TSR of an annual 9% of the NAV from admission to listing in the MAB (and excluding any proceeds obtained in any capital increase)	101,972,250
6	Dividends	Based on the Promote Plan example below	18,254,542
7	IPO costs	Assuming 3% of the Company's market value on the date of the IPO	15,237,627
8	Result	Item 1 - Item 2 - Item 3 - Item 4 - Item 5 + Item 6 - Item 7	4,363,499
-	<b>IPO MIP</b>	<b>20% of item 8</b>	<b>872,700</b>

**Example:**

*This is an example only. There are no forecasts on NAV, shareholders' returns, costs related to the IPO process, etc. There can be no assurance that the amounts referred to in the example can or will be met and they should not be seen as an indication of the Company's expected or actual results or returns. Accordingly, investors should not place any reliance on this example in deciding whether to invest in the Company. In addition, prior to making any investment decision, investors should carefully consider the risk factors described in Section "Risk Factors" of the Prospectus.*

The example below is intended to clarify the calculation of the IPO MIP taking into account the aforementioned amendments passed by the Board of Directors on June 17, 2020.

<b>Item</b>	<b>Concept</b>	<b>Assumptions and explanations</b>	<b>Value (€)</b>
1	Company's market value on the date of the IPO	Assuming capitalization value prior to IPO at the end of the third anniversary of the admission to the MAB	505,202,987
2	Company's market value on the date of admission to listing of its shares on the MAB	Capitalization value as of the admission of the Shares in the MAB	250,000,000
3	Net share capital increase	Assuming the Offering is fully subscribed	147,750,000
4	Promote Plan	Based on the Promote Plan example below as accumulated at the end of Year 3	4,644,246
5	Target annual minimum return	Assuming a TSR of an annual 9% of the NAV from admission to listing in the MAB (and excluding any proceeds obtained in any capital increase)	104,222,250
6	Dividends	Based on the Promote Plan example below	18,156,862
7	IPO costs	Assuming 3% of the Company's market value on the date of the IPO	15,156,090

Item	Concept	Assumptions and explanations	Value (€)
8	Result	Item 1 - Item 2 - Item 3 - Item 4 - Item 5 + Item 6 - Item 7	1,587,263
-	<b>IPO MIP</b>	<b>20% of item 8</b>	<b>317,453</b>

### Promote Plan

On May 10, 2019, the Company's General Shareholders Meeting granted its executive directors and Senior Management an incentive plan linked to annual shareholders' return (the "**Promote Plan**").

The Promote Plan shall accrue if, during a given calculation period —i.e. from January 1st to December 31st of each year— (the "**Calculation Period**"):

- (i) the total shareholders' return of the Calculation Period ("**TSR**")<sup>10</sup> exceeds the Company's target shareholders' return (9%), after deducting any accrued variable remuneration paid to executive directors and the Senior Management; and
- (ii) the high water mark of the Calculation Period is lower than the sum of (a) the NAV at December 31 of the Calculation Period minus net proceeds from any issue of shares carried out during the Calculation Period or any previous years since the last year in which the Promote Plan accrued; and (b) total dividends paid during the Calculation Period or any previous years since the last year in which the Promote Plan was accrued.

The high water mark of the Calculation Period is the higher of the NAV as of December 31, 2018 or the NAV at the last date of the last Calculation Period in relation to which the Promote Plan was paid, adjusted for dividends paid during this Calculation Period and excluding any net proceeds from shares' issues made during the Calculation Period.

The TSR, during a Calculation Period, is the Shareholder Return (as defined below) divided by the NAV on the last date of the immediately preceding Calculation Period, expressed as a percentage.

The "**Shareholder Return**"<sup>11</sup> is the sum of (a) the NAV increase during the Calculation Period minus net proceeds deriving from any share issuance during the Calculation Period; and (b) total dividends (or similar distributions) paid during the Calculation Period.

The Promote Plan shall be payable in Shares as soon as possible following the end of the Calculation Period. The aggregate number of Shares payable shall be a percentage of the total number of Shares outstanding on January 1 of the Calculation Period. Such percentage shall be (i) if TSR ranges between 9% and 11%, 20% of the excess of the TSR over 9%; or (ii) if TSR is higher than 11%, 20% of the excess of the TSR over 9%, plus 30% of the excess of the TSR over 11%.

The distribution of the aggregate amount of the Promote Plan shall correspond to the Board of Directors based on the proposal of the Appointments and Remuneration Committee which, in turn, shall be based on the prior proposal of the CEO. The Shares delivered under the Promote Plan shall be subject to a one year period lock-up.

On June 17, 2020, the Board of Directors resolved to amend the Promote Plan. In accordance with the referred amendment, the Promote Plan aims to promote and compensate the Senior Management (including the executive directors) for the additional return obtained by the Company's shareholders every year; provided that a specific performance threshold is reached. Moreover, the Board of Directors set the following definitions for the purpose of calculating the Promote Plan:

- The Calculation Period to be taken into account to calculate the Shareholder Return shall be from January 1 to December 31 of each year. The initial calculation period shall be the period commencing on January 1, 2019 and ending on December 31, 2019.
- Initial NAV means the Company's NAV as of December 31, 2018.

<sup>10</sup> The TSR is an APM, see "*Additional Information—Alternative performance measures*" for the description of this management measure categorized as an APM.

<sup>11</sup> Shareholder Return is an APM, see "*Additional Information—Alternative performance measures*" for the description of this management measure categorized as an APM.



- Final NAV means the Company’s NAV as of the end of each Calculation Period.
- The high-water mark is the higher of (i) the initial NAV; (ii) the final NAV of the previous Calculation Period; and (iii) the final NAV of the most recent Calculation Period for which the Promote Plan was accrued.
- The TSR, during a Calculation Period, is the Shareholder Return divided by, with respect to the initial Calculation Period, the initial NAV and, with respect to subsequent Calculation Periods, the high water mark, expressed as a percentage
- The Shareholder Return is the sum of (a) the NAV increase during the Calculation Period minus net proceeds deriving from any share issuance during the Calculation Period; and (b) total dividends (or similar distributions) paid during such Calculation Period.

For the purposes of correctly weighting such share issuances with regard to the Promote Plan’s formula, during the financial years in which such capital increases are carried out, the following shall be taken into account:

- (i) The weighted capital from the capital increase shall be added to the high water mark. For these purposes, any disposal made by the Company with regards to the proceeds obtained in such share capital increases for the acquisition of assets multiplied by the remaining days until the end of such financial year and divided by 365 days will be considered as weighted capital.
- (ii) The percentage of the weighted capital in relation to the effective amount of all capital increases shall be referred to as the capital weighting percentage.
- (iii) The total costs and expenses of a capital increase multiplied by the capital weighting percentage shall be deducted from each capital increase.
- (iv) The Shareholder Return rate during such Calculation Period shall be the Shareholder Return for such period divided by the high water mark increased by the weighted capital.

Therefore, the Promote Plan shall accrue if the following thresholds are reached during the relevant Calculation Period:

- (a) The TSR for the Calculation Period must be higher than the minimum annual return target set for the Company (i.e., an annual 9%);
- (b) The sum of the Company's NAV on the last day of such Calculation Period less the net proceeds of any issue of shares during such Calculation Period or during any earlier Calculation Period from the most recent Calculation Period in respect of which the Promote was paid, increased by the dividends (or any other kind of compensation or distribution made to shareholders) paid during such Calculation Period or during any earlier Calculation Period from the most recent Calculation Period in respect of which the Promote was paid, shall be higher than the high-water mark.

Thus, only in the event that during the Calculation Period the previously specified thresholds are reached, the Senior Management (including the executive directors) shall be entitled to receive the Promote Plan payable in shares of the Company. The amount to be paid pursuant to the Promote Plan shall be (i) if TSR ranges between 9% and 11% at the end of the Calculation Period, 20% of the excess of the TSR over 9%; plus (ii) if TSR is higher than 11%, 30% of the excess of the TSR over 11% at the end of the Calculation Period. Consequently, the beneficiaries shall be entitled to receive a number of shares equal to the amount of the Promote Plan divided by the NAV per share at the end of the Calculation Period. In addition, the Promote Plan shall be paid as soon as possible and, in any case, within one calendar year following the end of the Calculation Period.

In addition, on June 17, 2020, the Board of Directors resolved that if the Shares accrued under the Promote Plan are not delivered within the relevant term, the Company shall pay to the beneficiaries the economic value of such Shares. For these purposes, such amount shall be equal to the NAV as of the end of the financial year where the Promote Plan was accrued divided by the number of Shares as of that date.

Likewise, the Board of Directors resolved that the chief executive officer shall submit to the Appointments and Remuneration Committee the specific percentage of the accrued Promote Plan to be allocated to each beneficiary, so that the referred committee can, in turn, submit this allocation proposal to the Board of Directors for its approval.

Furthermore, the Board of Directors resolved that the distribution of the aggregate amount of the Promote Plan shall be carried out on the basis of the following factors (a) the essential characteristics of the position held by the beneficiary (such as its relevance in the Company, its impact on the development of the Company and the scope of the responsibilities assumed); (b) the maximum number of potential Shares to be received pursuant to the Promote Plan as disclosed to the beneficiary at the end of the previous year (which, in no case, can be greater than the percentages indicated in the agreements entered into with said beneficiaries); and (c) the beneficiary’s level of compliance with any other criteria and parameters established by the Board of Directors at the proposal of the Appointments and Remuneration Committee as a condition for receiving the Promote Plan in the corresponding financial year as reported to the beneficiary at the end of the previous year. In this regard, the chief executive officer may submit to the Appointments

and Remuneration Committee that the number of Shares that could be granted to one or more beneficiaries for a specific Calculation Period be zero, if he considers that his/ her participation has been unsatisfactory and has not fulfilled the individual duties and targets.

Additionally, the Board of Directors resolved to amend the date of accrual of the Promote Plan. Pursuant to this amendment, the Promote Plan will be accrued on December 31 of the relevant financial year. Moreover, the Board of Directors resolved to amend the lock-up commitment regarding the Promote Plan. Pursuant to this amendment, the beneficiaries of the Promote Plan may dispose 1/3 of the shares accrued under the Promote Plan after 12 months from the date on which they would have been entitled to receive the shares accrued in a specific Calculation Period, 1/3 of the shares accrued under the Promote Plan after 18 months from the date on which they would have been entitled to receive the shares accrued in a specific Calculation Period and 1/3 of the shares accrued under the Promote after 24 months from the date on which they would have been entitled to receive the shares accrued in a specific Calculation Period. Lastly, the Board of Directors resolved that the lock-up shall not apply in the following events: (i) disposal of shares to pay any tax liability arising in connection with the acquisition of the Shares accrued under the Promote Plan; and (ii) disposal of shares accrued under the Promote Plan in the event of an offer to purchase or sell the Company endorsed by the Board of Directors or if the beneficiary is required by law to dispose such shares. Despite the lock-up, beneficiaries shall be entitled to receive the dividends corresponding to the Shares accrued.

The amendments referred in the two preceding paragraphs will not be effective until ratified by the General Shareholders Meeting.

**Example:**

*This is an example only. There are no forecasts on NAV, shareholders' return, etc. There can be no assurance that the amounts referred to in the example can or will be met and they should not be seen as an indication of the Company's expected or actual results or returns. Accordingly, investors should not place any reliance on this example in deciding whether to invest in the Company. In addition, prior to making any investment decision, investors should carefully consider the risk factors described in Section "Risk Factors" of the Prospectus.*

Item	Concept	Assumptions and explanations	Year 1	Year 2	Year 3
1	NAV at the beginning of the Calculation Period	An initial NAV of €250,000,000 has been assumed for the initial Calculation Period. The NAV at the beginning of the subsequent Calculation Period will be equivalent to the NAV at the end of the previous Calculation Period.	€250,000,000	€427,506,849	€465,982,466
2	Increase of the NAV	It is the variation of the NAV during a Calculation Period. It is assumed a 10% for the initial Calculation Period, plus 10% of a capital increase since October 31.	€27,506,849	€38,475,616	€41,938,422
3	Dividends paid	For the initial Calculation Period, a dividend equivalent to €0 has been assumed. For the subsequent Calculation Periods, a 1% and 3%, respectively, of Item 1 have been assumed.	€0	€4,275,068	€13,979,474
4	Proceeds obtained from share capital increases	Assuming the Offering is fully subscribed and no further capital increases are carried out during this term.	€150,000,000	€0	€0
5	NAV at the end of the Calculation Period	Items 1 + 2 + 4	€427,506,849	€465,982,466	€507,920,888
6	NAV at the end of the Calculation Period (adjusted)	Items 5 + 3 - 4	€277,506,849	€470,257,534	€521,900,362
7	Relevant high-water mark	The higher of (i) 250,000,000 (the Initial NAV) and (ii) Item 6 of the most recent Calculation Period that led to the payment of the Promote Plan. For the initial Calculation Period, it will be the Initial NAV.	€250,000,000	€277,506,849	€470,257,534
8	Shareholders return	Items 2 + 3	€27,506,849	€42,750,685	€55,917,896
9	TSR	Item 8 / Item 1	11%	10%	12%

Item	Concept	Assumptions and explanations	Year 1	Year 2	Year 3
		Sum of (A) + (B), being:			
10	TSR surplus	(A) the excess of Item 9 over the threshold of the 9% objective return, and (B) the excess of Item 9 over the threshold of 11% return	2%	1%	3%
11	Relevant high-water mark exceedance condition	Item 6 - Item 7	€27,506,849	€192,750,685	€51,642,827
12	Promote Plan accrued	Achieved if Item 10 is positive and Item 11 is fulfilled	Yes	Yes	Yes
13	Number of shares corresponding to the accrued Promote Plan	It will be the sum of (i) 20% of Item 10 (A); and (ii) 30% of Item 10 (B), expressed in percentage	0.40%	0.20%	0.70%
-	Number of shares	Assuming 50,000,000 shares on the first Calculation Period and 80,000,000 on the second and third Calculation Periods	<b>200,411</b>	<b>160,000</b>	<b>560,000</b>

In this regard, the compensation accrued by the executive directors and certain members of the Senior Management under the Promote Plan (i.e., €3.735 million out of which €3.081 million correspond to executive directors) during financial year 2019 is pending to be paid. The Company expects to pay the referred pending amount within 2020 through the delivery of Shares previously acquired by the Company.

The aforementioned amount accrued during financial year 2019 under the Promote Plan would amount to €3.2 million if the amendments passed by the Board of Directors on June 17, 2020 were in place during such financial year.

#### Example:

*This is an example only. There are no forecasts on NAV, shareholders' return, etc. There can be no assurance that the amounts referred to in the example can or will be met and they should not be seen as an indication of the Company's expected or actual results or returns. Accordingly, investors should not place any reliance on this example in deciding whether to invest in the Company. In addition, prior to making any investment decision, investors should carefully consider the risk factors described in Section "Risk Factors" of the Prospectus.*

The example below is intended to clarify the calculation of the Promote Plan taking into account the aforementioned amendments passed by the Board of Directors on June 17, 2020. This example assumes that a share capital increase has been carried out during the first calculation period.

Item	Concept	Assumptions and explanations	Year 1	Year 2	Year 3
1	NAV at the beginning of the Calculation Period	An initial NAV of €250,000,000 has been assumed for the initial Calculation Period. The NAV at the beginning of the subsequent Calculation Period will be equivalent to the NAV at the end of the previous Calculation Period.	€250,000,000	€425,219,247	€463,488,979
2	Net proceeds obtained from share capital increases	It is assumed that the share capital increase is carried out in July 31 of the first Calculation Period for an amount of 30 million shares	€150,000,000	-	-
3	Weighted capital	It is assumed that the share capital increase is carried out in the first Calculation Period for €150 million, and the proceeds are used for the acquisition of an asset on 31 October 2020 (weighted 61 days over 365)	€25,068,493	-	-
4	Percentage of weighted capital	Item 3 / Item 2	16.71%	-	-
5	Costs	It is assumed a 1.5% of Item 2	€2,250,000	-	-
6	Weighted capital net of costs	Item 3 - (Item 4 x Item 5)	€24,692,466	-	-
7	Dividends	For the initial Calculation Period, it has been assumed a €0 dividend. For the second and third Calculation Period a 1% and 3% over Item 1 dividend has been assumed.	-	€4,252,192	€13,904,669

Item	Concept	Assumptions and explanations	Year 1	Year 2	Year 3
8	NAV at the beginning of the Calculation Period plus weighted capital	Item 1 + Item 6	€274,692,466	€425,219,247	€463,488,979
9	NAV at the end of the Calculation Period	Items 1 + 2 – 5 – 7 + 10	€425,219,247	€463,488,979	€505,202,987
10	Shareholders return	It is assumed a TSR of 10%, 9% and 9% over Item 8 + Item 7	€27,469,247	€42,521,925	€55,618,677
11	TSR	Item 10 / Item 8	10%	10%	12%
		Sum of (A) + (B), being:			
12	TSR surplus	(A) the excess of Item 10 over the threshold of the 9% objective return, and (B) the excess of Item 10 over the threshold of 11% return	1%	1%	3%
13	Promote Plan amount	It will be the sum of (i) 20% the TSR surplus between 9% and 11%; and (ii) 30% of the TSR surplus over 11%	€549,385	€850,438	€3,244,423
-	Number of shares	<b>Item 13/ NAV per share at the end of the Calculation period</b>	<b>103,360</b>	<b>146,789</b>	<b>513,761</b>

### ***D&O insurance policy***

As of the date of this Prospectus, the Company has a D&O insurance in place that protects directors and members of the Senior Management of the Company from liabilities incurred as a result of actions taken in their respective capacities, up to an aggregate limit of €24 million.

### ***Pension benefit obligations***

The Company's directors and members of the Senior Management are not entitled to any pension, retirement or similar benefit on the date of this Prospectus, nor were they during financial years 2018 and 2019.

### ***Family relationships***

There are no family relationships and no "close relatives" (as this term is defined in applicable regulations for related party transactions and, in particular, in Order EHA/3050/2004, of September 15, 2004, on information to be disclosed by listed companies regarding related party transactions (*Orden EHA/3050/2004, de 15 de septiembre, sobre la información de las operaciones vinculadas que deben suministrar las sociedades emisoras de valores admitidos a negociación en mercados secundarios oficiales*)) among the directors, the directors and other members of the Company's Senior Management or the members of the Company's Senior Management.

### ***No convictions and other negative statements***

To the best of the Company's knowledge, none of the directors or members of the Senior Management have, in the five years preceding the date of this Prospectus: (i) been convicted in relation to fraudulent offenses; (ii) acted as directors of entities affected by bankruptcy, receivership or liquidation (except for Ms. Isabel Dutilh who at the time of the bankruptcy of Bultaco Motors, S.L. was a member of the board of directors of Mille Miglia Invest, S.L. (holding company of Bultaco Motors, S.L.)); (iii) been publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies); or (iv) been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer of securities or from acting in the management or conduct of the affairs of any issuer.

## PRINCIPAL SHAREHOLDERS

As of the date of this Prospectus, the Company's share capital amounts to €50,000,000, consisting of 50,000,000 Shares of €1.00 nominal value each.

The following table sets forth public available information of the Company's principal shareholders with respect to the beneficial ownership of voting rights in the Company as of the date of this Prospectus.

Owner	Total voting rights (%)	
	Direct	Indirect
Ibervalles, S.A .....	24.83%	-
Pelham Capital, Ltd. ....	9.93%	-
Mr. Leopoldo del Pino <sup>(1)</sup> .....	-	5.60%
Mr. José María Castellano Ríos <sup>(2)</sup> .....	-	5.60%
<b>Total</b> .....	<b>45.959%</b>	

(1) Indirectly through Siemprelara, S.L.  
(2) Indirectly through Alazady España, S.L.

The amounts and percentages of Shares beneficially owned by Ibervalles, S.A., Pelham Capital, Ltd., Mr. Leopoldo del Pino and Mr. José María Castellano Ríos are reported on the basis of MAB rules governing the determination of beneficial ownership, and the information is not necessarily indicative of beneficial ownership for other purposes. The Company's share capital is represented by a single class of Shares, with the same voting rights. Each Share gives the right to one vote. Consequently, shareholders have no different voting rights. Further details relating to the Shares are set out in "*Description of Share Capital*".

As of the date of this Prospectus none of the principal shareholders, whether individually or together, controls the Company.

For a description of certain transactions between the Company and its principal shareholders see "*Related Party Transactions*".

### Statutory lock-up

Ibervalles, S.A., Pelham Capital, Ltd., Alazady España, S.L. and Siemprelara, S.L., which hold 45.95% of the Company's share capital as of the date of this Prospectus, and directors Mr. Javier Illán Plaza and Mr. Remigio Iglesias, are committed not to sell Shares and not to perform any transactions equivalent to the sales of Shares within one year following the Shares' admission to listing on the MAB (i.e., July 4, 2020) pursuant to article 1.7 of MAB Circular 2/2018, except those that are the subject of an offer to sell, whether or not is considered a public offer.

### Change of control

The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

Moreover, in accordance with MAB Circular 2/2018, the Bylaws set out that if any shareholder receives a Shares' purchase offer based on which conditions it may be reasonably inferred that, upon completion of the Shares' purchase, the offeror will obtain a shareholding higher than 50% of Company's share capital, the shareholder may only accept the offer if the offeror proves it has extended the purchase offer to the remaining shareholders in the same conditions. This provision may have an effect of delaying, deferring or preventing a change of control of the Company.

## RELATED PARTY TRANSACTIONS

The following table contains information regarding related party transactions carried out by the Company during financial years ended December 31, 2019 and 2018:

Related party	Nature of the relation	Transaction	Amount (thousands of €)
<b>Financial year ended December 31, 2019</b>			
Corporación Oudaloi, S.L.....	Entity related to Directors <sup>(1)</sup>	Shares placing services	955
Gestión de Inversiones Millenium, S.L.U. <sup>(2)</sup> .....	Entity related to Directors	Professional services	19
Grupo Millenium Investment Partners, S.L. <sup>(2)</sup> .....	Entity related to Directors	Leasing	60
Securities and Bonds, S.L. <sup>(2)</sup> .....	Entity related to Directors	Shares placing services	2,200
Tzar Rent a Car, S.L. <sup>(2)</sup> .....	Entity related to Directors	Transports	7
Directors.....	Directors	Remuneration	159
Chairman and CEO.....	Senior Management	Remuneration	597 <sup>(3)</sup>
Second vice-Chairman.....	Senior Management	Remuneration	249 <sup>(3)</sup>
<b>Financial year ended December 31, 2018</b>			
Gestión de Inversiones Millenium, S.L.U. <sup>(2)</sup> .....	Entity related to Directors	Professional services	46
Grupo Millenium Investment Partners, S.L. <sup>(2)</sup> .....	Entity related to Directors	Leasing	45
(1)	Entity related with Mr. José Miguel Isidro Rincón, former natural person representing Ibervalles, S.A. in the Company's Board of Directors.		
(2)	Mr. Javier Illán controls and is a director of the company.		
(3)	This amount does not include compensations accrued under the Incentive Plan.		

Transactions with related parties relate to normal Group transactions and are carried out at market prices, which are similar to those applied to unrelated parties.

The following table contains information regarding related party transactions carried out by the Company with directors' related entities during financial years ended December 31, 2019 and 2018:

	2019	2018
	(thousands of €)	
Leasings.....	60	45
Professional services.....	19	46
Shares placing services.....	3,155	-
Transports.....	7	-
<b>Total.....</b>	<b>3,241</b>	<b>91</b>

Related party transactions carried out by the Company with directors' related entities during financial years 2019 and 2018 amounted to €3.24 million and €91 thousand, respectively, representing 71% and 3.5% of Millenium's net revenue for each financial year, respectively. Almost 97.3% of the referred amounts are related with the various share capital increases carried out during financial year ended December 31, 2019.

On December 2, 2018, Group's companies signed a contract with Gestión de Inversiones Millenium, S.L.U. with the purpose of delegating the ordinary management of the Group. The term of the contract was one year. This contract relates to the professional services indicated in the table above. On May 27, 2019 the referred contract was terminated by mutual agreement between the parties, as the Group had sufficient personnel to carry out these tasks.

On April 1, 2018 Millenium signed a contract with Grupo Millenium Investment Partners, S.L. to lease the premises where Millenium's offices are located until March 31, 2023. Subsequently, this contract will automatically be renewed for one-year periods unless the lessee expressly states otherwise. The lease payments made in connection with said contract amounted to €60 thousand for the year ended December 31, 2019 and €45 thousand for the year ended December 31, 2018.

Since June 2019 Millenium has engaged Tzar Rent a Car, S.L. for transportation services, which are invoiced by such company on a monthly basis based on the number of travels performed during each month. The transportation services accrued during the year ended December 31, 2019 amounted to €6.5 thousand.

In addition, on May 29, 2020, the Company and Securities and Bonds, S.L. entered into a mediation agreement whereby Securities and Bonds, S.L. may introduce potential investors to the Company in order for them to subscribe for New Shares. Securities and Bonds, S.L. would be entitled to receive up to 1.5% of the gross proceeds deriving from the subscription of New Shares by those investors.

The agreement entered into between the Company and Securities and Bonds, S.L. in the context of the share capital increases carried out during financial year ended December 31, 2019 is no longer in force.

For more information on related party transactions, see Note 17 to the 2019 Audited Consolidated Financial Statements.

## DESCRIPTION OF SHARE CAPITAL

The following summary provides information concerning the Company's share capital and briefly describes certain significant provisions of the Bylaws and Spanish corporate law, including the restated text of the Spanish Companies Law, the restated text of the Securities Market Law and Royal Decree 878/2015.

This summary does not purport to be complete and is qualified in its entirety by reference to the Bylaws and other internal regulations, the Spanish Companies Law as well as other applicable laws and regulations. Copies of the Bylaws are available in Spanish at the Company's registered office and on the Company's website (<https://www.millenniumhotelsrealestate.com/estatutos-y-reglamentos/>). Neither the Company's website nor any of its contents forms part of or is incorporated into this Prospectus, whether by reference or otherwise, except as otherwise provided herein. The CNMV has not examined nor approved the Company's website nor any of its contents.

### General

As of the date of this Prospectus, the Company's issued share capital amounts to €50,000,000, divided into a single class and series of 50,000,000 Shares of €1.00 nominal value each.

The Shares have been allocated by the Spanish National Agency for the Codification of Securities (*Agencia Nacional de Codificación de Valores Mobiliarios*), an entity dependent upon the CNMV, the ISIN code ES0105407003. All of the Shares are fully subscribed and paid-up. Non-residents of Spain may hold Shares and vote, subject to the restrictions described in "*Restrictions on Foreign Investment*".

The Shares are represented by book-entries, the entity responsible for maintaining the corresponding accounting records being Iberclear, with registered office at Plaza de la Lealtad, 1, 28014 Madrid, Spain.

### Pre-emptive rights and increases of share capital

Pursuant to the Spanish Companies Law and the Bylaws, shareholders have pre-emptive rights to subscribe for any new Shares issued by the Company by means of monetary contributions and for any new bonds convertible into Shares. Such pre-emptive rights may be waived under special circumstances by a resolution passed at a General Shareholders Meeting or by the Board of Directors (when the Company delegates to the Board of Directors the right to increase the share capital or issue convertible bonds and waive pre-emptive rights), in accordance with articles 308 and 417 of the Spanish Companies Law. As of the date hereof, the Company has no convertible or exchangeable bonds outstanding and has not issued any warrants over its Shares. Also, holders of Shares have the right of free allotment recognized in the Spanish Companies Law in the event of capital increase against reserves.

Furthermore, pre-emptive rights, in any event, will not be available in an increase in share capital to meet the requirements of a convertible bond issue, a merger in which Shares are issued as consideration or where the contribution to be made is in kind. Pre-emptive rights are transferable, may be traded on the MAB and may be of value to existing shareholders because new Shares may be offered for subscription at prices lower than prevailing market prices.

The Company was incorporated on June 6, 2017 with a share capital amounting to €60,000, divided into 60,000 shares with a par value of €1.00 each.

On March 12, 2018, Mr. Javier Illán Plaza, the Company's sole shareholder at that time, resolved to increase the share capital of the Company by €12.59 million through the issuance of 12.59 million new Shares with a par value of €1.00 each. The newly issued Shares were fully subscribed and paid up by means of monetary contributions and new shareholders entered into the ownership structure of the Company. The capital increase was authorized by the public notary of Madrid Ms. Isabel Estapé Tous on March 12, 2018, under number 1,072 of her records. The public deed was registered with the Commercial Registry of Madrid on April 11, 2018 under Volume 36,150, Sheet 26, Section 8, Page M-649563, Entry 3.

On May 11, 2018, the General Shareholders Meeting resolved to increase the Company's share capital through the capitalization of €8.35 million in debt, through the issuance of 8.35 new Shares with a par value of €1.00 each. The newly issued Shares were fully subscribed and paid up through compensation of credits by different creditors of the Company without any share premium. Following the capital increase, the share capital of the Company amounted to €21 million, divided into 21 million Shares with a par value of €1.00 each. On the same date, the General Shareholders Meeting resolved to increase the share capital through the issuance of 720 thousand Shares with a par value of €1.00 each and excluding pre-emptive rights. The newly issued Shares were fully subscribed and paid up by means of monetary contributions without any share premium. Following the capital increase, the share capital of the Company amounted to €21.720 million divided into 21.720 million Shares each with a par value of €1.00 each.

Both capital increases were notarized by the public notary of Madrid Ms. Isabel Estapé Tous on May 11, 2018, under number 1,910 of her records. The public deed was registered with the Commercial Registry of Madrid on June 22, 2018 under Volume 36,150, Sheet 28, Section 8, Page M-649563, Entry 6.



On July 27, 2018, the General Shareholders Meeting resolved to increase the Company's share capital through the issuance of 25.397 million new Shares with a par value of €1.00 each and excluding pre-emptive rights. The newly issued Shares were subscribed and fully paid up by means of monetary contributions without any share premium. Following the capital increase, the share capital of the Company amounted to €47.117 million, divided into 47.117 million Shares with a par value of €1.00 each. The capital increase was notarized by the public notary of Madrid Ms. Isabel Estapé Tous on July 27, 2018, under number 3,515 of her records. The public deed was registered with the Commercial Registry of Madrid on August 29, 2018 under Volume 36,150, Sheet 29, Section 8, Page M-649563, Entry 7.

On December 28, 2018, the General Shareholders Meeting resolved to increase the Company's share capital through the issuance of 11.897 million new Shares with a par value of €1.00 each and excluding pre-emptive rights. The newly issued Shares were subscribed and fully paid up by means of monetary contributions without any share premium. Following the capital increase, the share capital of the Company amounted to €59.014 million, divided into 59.014 million Shares with a par value of €1.00 each. The capital increase was notarized by the public notary of Madrid Ms. Isabel Estapé Tous on December 28, 2018, under number 5,421 of her records. The public deed was registered with the Commercial Registry of Madrid on January 21, 2019 under Volume 36,150, Sheet 30, Section 8, Page M-649563, Entry 8.

On March 15, 2019, the General Shareholders Meeting resolved to increase the Company's share capital in €6.5 million through cash contributions and the issuance of 6.5 million of new Shares with a par value of €1.00 each, without share premium, of the same class. The newly issued Shares were fully subscribed and paid for by new shareholders who entered into the capital structure of the Company. In addition, on March 27, 2019, the General Shareholders Meeting resolved to increase the Company's share capital in €10 million through cash contributions and the issuance of 10 million of new Shares with a par value of €1.00 each, without share premium, of the same class. The newly issued Shares were fully subscribed and paid for by new shareholders who entered into the capital structure of the Company. The capital increases referred to in this paragraph were notarized by means of a public deed granted before the Public Notary of Madrid, Ms. Isabel Estapé Tous, on March 28, 2019, under number 1,141 of her official records and registered with the Commercial Registry of Madrid on April 22, 2019 under Volume 36,150, Sheet 31, Section 8, Page M-649563, Entry 10.

On April 2, 2019, the General Shareholders Meeting resolved to increase the Company's share capital through the issuance of 500 thousand new Shares with a par value of €1.00 each and excluding pre-emptive rights. The newly issued Shares were subscribed and fully paid up by means of monetary contributions without any share premium and new shareholders entered into the ownership structure of the Company. Following the capital increase, the share capital of the Company amounted to €76.014 million, divided into 76.014 million Shares with a par value of €1.00 each. The capital increase was notarized by the public notary of Madrid Ms. Isabel Estapé Tous on April 4, 2019, under number 1,234 of her records. The public deed was registered with the Commercial Registry of Madrid on April 24, 2019 under Volume 36,150, Sheet 32, Section 8, Page M-649563, Entry 11.

On May 10, 2019, the General Shareholders Meeting resolved to reduce the Company's share capital by way of reducing the par value of the Company's shares from €1.00 to €0.20 each and, on the same meeting, to increase the par value of the Shares from €0.20 to €1.00 each through a reverse split, without modifying the share capital of the Company. Following the referred resolutions, the share capital of the Company amounted to €15,202,800 divided into 15,202,800 Shares with a par value of €1.00 each. The capital reduction, and the subsequent capital increase, were notarized by the public notary of Madrid Ms. Isabel Estapé Tous on May 14, 2019, under number 1,795 of her records. The public deed was registered with the Commercial Registry of Madrid on May 23, 2019 under Volume 36,150, Sheet 32, Section 8, Page M-649563, Entry 12.

On May 10, 2019, the General Shareholders Meeting further resolved to increase the Company's share capital through the issuance of new Shares with a par value of €1.00 each and with a share premium of €4.00 each. 34.797 million new Shares were subscribed and fully paid up by means of monetary contributions and new shareholders entered into the ownership structure of the Company. Following the capital increase, the share capital of the Company amounted to €50 million divided into 50 million Shares with a par value of €1.00 each. The capital increase was notarized by the public notary of Madrid Ms. Isabel Estapé Tous on June 20, 2019, under number 2,523 of her records. The public deed was registered with the Commercial Registry of Madrid on June 21, 2019 under Volume 39,025, Sheet 146, Section 8, Page M-649563, Entry 14.

The summary table below outlines these main changes in our share capital since our incorporation:

<u>Date (*)</u>	<u>Corporate action</u>	<u>Par value (€)</u>	<u>Aggregated Share premium (€)</u>	<u>Number of issued/ redeemed Shares</u>	<u>Total amount (€)</u>	<u>Number of resulting Shares</u>	<u>Resulting share capital (€)</u>
June 6, 2017 .....	Incorporation	1.00	N/A	60,000	60,000	60,000	60,000
March 12, 2018.....	Capital Increase	1.00	N/A	12,590,000	12,590,000	12,650,000	12,650,000

Date (*)	Corporate action	Par value (€)	Aggregated Share premium (€)	Number of issued/ redeemed Shares	Total amount (€)	Number of resulting Shares	Resulting share capital (€)
May 11, 2018 .....	Capital Increase	1.00	N/A	8,350,000	8,350,000	21,000,000	21,000,000
May 11, 2018 .....	Capital increase	1.00	N/A	720,000	720,000	21,720,000	21,720,000
July 27, 2018.....	Capital increase	1.00	N/A	25,397,000	25,397,000	47,117,000	47,117,000
December 28, 2018 .....	Capital increase	1.00	N/A	11,897,000	11,897,000	59,014,000	59,014,000
March 15, 2019.....	Capital increase	1.00	N/A	6,500,000	6,500,000	65,514,000	65,514,000
March 27, 2019.....	Capital increase	1.00	N/A	10,000,000	10,000,000	75,514,000	75,514,000
April 2, 2019 .....	Capital increase	1.00	N/A	500,000	500,000	76,014,000	76,014,000
May 10, 2019.....	Capital reduction / Reverse share split	1.00	N/A	N/A	N/A	15,202,800	15,202,800
May 10, 2019.....	Capital increase	1.00	4.00	34,797,200	173,986,000	50,000,000	50,000,000

(\*) Date of approval of the corresponding resolution.

On May 10, 2019, the General Shareholders Meeting authorized the Board of Directors to issue, within five years from the date of said resolution, new Shares up to 50% of the Company's share capital and, subject to the Shares' admission to listing on the Spanish Stock Exchanges, to exclude any pre-emptive subscription rights attached to new shares representing 20% of the Company's share capital.

Likewise, on the same meeting referred to in the previous paragraph, the General Shareholders Meeting authorized the Board of Directors to acquire shares of the Company, directly by the Company or indirectly by the Company's affiliates, within five years from May 11, 2019, in the maximum amount permitted by the applicable legislation (i.e., 20% of the share capital, including the Shares already held by the Company).

In addition, the General Shareholders Meeting, on December 18, 2019 passed a resolution approving a share capital increase excluding pre-emptive subscription rights of the Company's shareholders for up to 50 million Shares and for an effective amount of €250 million. The referred General Shareholders Meeting also authorized the Board of Directors to execute this capital increase, in accordance with article 297.1.a), within one year.

As of June 16, 2020, the Company owns 268,665 treasury Shares, which represent 0.54% of the Company's share capital before the Offering.

See "*The Offering*" for information on the corporate resolutions the Company's governing bodies have adopted in connection with the Offering.

### General Shareholders Meetings and voting rights

Pursuant to the Bylaws, the General Shareholders Meeting Regulations and the Spanish Companies Law, the annual ordinary General Shareholders Meeting shall be held during the first six months of each financial year on a date set by the Board of Directors. However, Royal Decree-Law 8/2020 of 17 March on urgent extraordinary measures to address the social and economic impact of COVID-19 ("**Royal Decree-Law 8/2020**") approved in the context of the outbreak of COVID-19, has exceptionally extended the deadline for Spanish companies to hold the annual ordinary General Shareholders Meeting. In accordance with the provisions of Royal Decree-Law 8/2020 Spanish companies may hold the annual ordinary General Shareholders Meeting within three months after the end of the term to draw up the annual accounts which, according to Royal Decree-Law 8/2020, is three months from the date the state of emergency ends.

Extraordinary General Shareholders Meeting may be called by the Board of Directors whenever it deems appropriate or at the request of shareholders representing at least 5% of the Company's share capital. Notices of all General Shareholders Meeting shall be published on the Company's website. General Shareholders Meetings must generally be called at least one month before the date on which such meeting is to be held.

Action is taken at General Shareholders Meetings on the following matters: the approval of the management carried out by the directors, the approval of the financial statements from the previous fiscal year, and the application of the previous fiscal year's income or loss. All other matters can be considered at either an extraordinary meeting or at an ordinary General Shareholders Meeting if the matter is within the authority of the meeting and is included on the agenda (with certain exceptional items that do not need to be included on the agenda to be validly passed, such as the dismissal of directors or the decision to bring the liability action against the Company's directors). Liability actions against the directors shall be brought by the Company pursuant to a General Shareholders Meeting decision, which may be adopted at the request of any shareholder even if it is not included on the agenda. The Bylaws cannot require qualified majority for the adoption of such resolution. The decision to bring an action or reach a settlement shall entail the removal of the relevant directors. The approval of the financial statements shall not preclude action for liability nor constitute a waiver of the action agreed or brought.

According to the Spanish Companies Law —and in addition to the matters referred to in the previous paragraph and any other matters as provided by law, the Bylaws or the General Shareholders Meeting Regulations—, the following matters fall within the authority of the General Shareholders Meeting: (a) the appointment and removal of directors, the Company's liquidators and the Company's auditors, as well as the exercise of corporate action for liability against any of them; (b) the amendment of the Bylaws; (c) the increase or reduction of the share capital —or granting authority to the Board of Directors to increase the share capital—; (d) the exclusion or limitation of shareholders' pre-emptive rights; (e) the transformation, merger, spin-off or global assignment of the Company's assets and liabilities, moving the Company's registered offices abroad; (f) the dissolution of the Company and the approval of transactions that have the effect of winding up the Company; (g) the approval of the final winding up balance sheet; and (h) the acquisition, disposal or transfer of core assets to another company.

Also, according to the Spanish Companies Law, the General Shareholders Meeting shall vote separately on substantially independent matters. Even if included in the same item on the agenda, the following shall be voted separately: (i) the appointment, re-election, ratification or separation of directors; and (ii) in resolutions to amend the Bylaws, each substantially independent article or group of articles.

Each Share entitles the holder to one vote and there is no limit as to the maximum number of voting rights that may be held by each shareholder or by companies of the same group. Shareholders registered as holding any number of Shares with voting rights are entitled to attend the General Shareholders Meeting with the right to speak and vote. The notice calling the General Shareholders Meeting shall indicate the date on which Shares must be held by a shareholder in order for the latter to participate in a general meeting and to vote in respect of his or her Shares. Notwithstanding the foregoing, only holders of Shares duly registered in the book-entry records maintained by Iberclear and its member entities, at least five days prior to the day on which a General Shareholders Meeting is scheduled, and in the manner provided in the notice for such meeting, may attend and vote at such meeting.

Any shareholder having the right to attend a General Shareholders Meeting may also be represented by a proxy. Proxies must be granted in writing or in electronic form in the manner provided for in the notice for such meeting and the internal regulations of the Company. Proxies are valid for a single General Shareholders Meeting. Proxies may be given to any person, whether or not a shareholder, and may be revoked, either expressly or by attendance by the shareholder at the meeting. In the event of a conflict of interest, an except specific voting instructions were granted or otherwise indicated by the proxy grantor, it shall be understood that the proxy was granted to the chair of the General Shareholders Meeting and, if he or she was conflicted, to the secretary of the General Shareholders Meeting.

Notwithstanding the above, in certain circumstances mandatory restrictions on voting may be applicable to the Shares to the extent the holders thereof may be affected by certain conflicts of interest as provided for under article 190.1 of the Spanish Companies Law.

The Bylaws provide that, on the first call of an ordinary or extraordinary General Shareholders Meeting, the presence in person or by proxy of shareholders representing at least 25% of its voting capital will constitute a quorum. If on the first call a quorum is not present, the meeting can be reconvened by a second call which, according to the Spanish Companies Law, requires no quorum. However, according to the Spanish Companies Law, a resolution in a General Shareholders Meeting to increase or decrease the share capital or otherwise modify the Bylaws, issue bonds and securities whose competence is not legally attributed to any other corporate body of the Company, suppress or limit the pre-emptive rights over new shares, transform, merge, spin off, globally assign the Company's assets and liabilities, or transfer the Company's registered office abroad, requires attendance in person or by proxy of shareholders representing at least 50% of the Company's voting capital on first call, and attendance in person or by proxy of shareholders representing at least 25% of the Company's voting capital on second call. In case of attendance in person or by proxy of shareholders representing more than 50% of the voting capital, an absolute majority shall suffice to pass the aforementioned resolutions. On second call, and in the event that less than 50% of the voting capital of the Company attends personally or by proxy, such resolutions may only be passed upon the vote of shareholders representing two-thirds of the Company's capital in attendance at such meeting. Resolutions in all other cases are passed by a simple majority of the votes corresponding to the share capital present or represented at such meeting.

Due to the outbreak of COVID-19, and exceptionally during the state of emergency, Royal Decree-Law 8/2020 provides that shareholders can attend General Shareholders Meeting and vote remotely, even if such possibility is not contemplated in the Company's bylaws and General Shareholders Meeting Regulations.

Under the Spanish Companies Law, shareholders who voluntarily aggregate their Shares, so that the share capital so aggregated is equal to or greater than the result of dividing the total share capital by the number of directors, have the right, provided there are vacancies on the Board of Directors, to appoint a corresponding proportion of the members of the Board of Directors (disregarding the fractions). Shareholders who exercise this right may not vote on the appointment of other directors.

A resolution passed at a General Shareholders Meeting is binding on all shareholders, although a resolution which is (i) contrary to Spanish law, the Bylaws or the General Shareholders Meeting Regulations; or (ii) prejudicial to the interest of the Company and beneficial to one or more shareholders or third parties, may be contested. Damage to company's interest is also caused when the resolution, without causing damage to corporate assets, is imposed in an abusive manner by the majority. An agreement is understood to have been imposed in an abusive manner when, rather than responding reasonably to a corporate need, the majority adopts the resolution in their own interests and to the unjustifiable detriment of the other shareholders. The required fraction of the company's share capital needed to be able to contest is 1%. The right to contest would apply to those who were shareholders at the time when the resolution was adopted, directors and interested third parties. In the event of resolutions contrary to public order, the right to contest would apply to any shareholders (even if they acquired such condition after the resolution was adopted), and any director or third-party.

In certain circumstances (such as change or significant amendment of the corporate purpose, transformation or transfer of registered office abroad), the Spanish Companies Law gives dissenting or absent shareholders (including non-voting shareholders) the right to withdraw from the company. If this right were exercised, the Company would be obliged to purchase the relevant shares at the price of the shares that is agreed between the Company and the relevant shareholder or, in absence of such agreement, at the price that is calculated by an independent expert appointed by the relevant Commercial Registry. However, Royal Decree-Law 8/2020 regulates that shareholders may not exercise their right to withdraw from the company while the state of emergency declared as a consequence of the outbreak of COVID-19 is in effect.

### **Shareholder information rights**

From the publication of the notice of the General Shareholders Meeting until seven days before the meeting, shareholders may request the Board of Directors to provide any information or explanations that they deem appropriate regarding the items on the agenda of the General Shareholders Meeting, and may submit in writing, questions they deem relevant also on matters regarding the items on the agenda of the General Shareholders Meeting. The directors shall provide the requested information in writing on or before the day of the General Shareholders Meeting.

During the course of the General Shareholders Meeting, shareholders may verbally request information or clarifications they deem necessary regarding the items on the agenda. If it were not possible to provide the requested information during the meeting itself, directors must provide the requested information in writing within seven days from the celebration of the General Shareholders Meeting.

Directors will not be obliged to provide the requested information (i) if it is deemed unnecessary for the recognition of the requesting shareholder's rights; (ii) if there are objective reasons to consider that the information will be used in detriment of the interests of the Company or that providing the requested information may harm the Company or related companies; (iii) if the requested information is not related with the items on the agenda; and (iv) in cases where there is a legal or regulatory provision or judicial resolutions that provides so. The requested information may not be withheld when the request is upheld by shareholders representing at least 25% of the share capital.

### **Dividend and Liquidation Rights**

Holders of Shares have the right to participate in distributions of the Company's profits and proceeds from liquidation, proportionally to their paid-up share capital. However, there is no right to receive a minimum dividend or minimum liquidation proceeds.

Under the Spanish SOCIMI Regime, companies are required to adopt resolutions for the annual distribution of dividends to its shareholders, subject to both the requirements under the Spanish SOCIMI Regime and the conditions set out in the Spanish corporate legislation, as described below. For a more comprehensive description of the dividends' policy the Company is subject to, see "*Dividend Policy*".

In accordance with the Spanish Companies Law, payment of dividends is proposed by the Board of Directors and must be approved by the shareholders at a General Shareholders Meeting. Holders of Shares shall participate in such dividends from the date agreed by the General Shareholders Meeting. Dividends paid by the Company are required to follow the distribution rules set out in the Spanish SOCIMI Regime. Additionally, interim dividends (*dividendos a cuenta*) may also

be distributed among shareholders directly upon approval by the Board of Directors provided that: (i) there is sufficient liquidity to pay the interim dividend; and (ii) the amount distributed does not exceed the amount resulting from deducting from the earnings booked since the end of the previous year, the sum of previous years' losses, the amounts earmarked for the legal or bylaws' reserves, and the estimated tax due on the aforesaid earnings. The Spanish Companies Law requires each company to allocate at least 10% of its net income each year to a legal reserve until the balance of such reserve is equivalent to at least 20% of such company's issued share capital. A company's legal reserve is not available for distribution to its shareholders except upon such company's liquidation. As of December 31, 2019, the Company's legal reserve amounted to €3.04 million, above the minimum legal threshold.

According to the Spanish Companies Law, dividends may only be paid out of profits or distributable reserves (after the compulsory allocation to mandatory reserves, including the legal reserve) if the value of the Company's net worth is not, and as a result of distribution would not be, less than the Company's share capital. The Bylaws do not establish any other reserve that is not available for distribution to its shareholders.

In addition, no profits may be distributed unless the amount of distributable reserves is at least equal to the amount of the research and development expenses recorded as an asset on the Company's balance sheet.

In accordance with article 947 of the Spanish Commercial Code, the right to a dividend lapses and reverts to the Company if it is not claimed within five years after it becomes payable.

The Company is not aware of any restriction on the collection of dividends by non-resident shareholders. All holders will receive dividends through Iberclear and its member entities, without prejudice to potential withholdings on account of the Non-resident Income Tax, approved by Royal Legislative Decree 5/2004 of March 5, 2004, (*Real Decreto Legislativo 5/2004, de 5 de marzo, por el que se aprueba el texto refundido de la Ley del Impuesto sobre la Renta de no Residentes*) as amended that may apply.

In the event of the Company's liquidation, the Company's shareholders would be entitled to receive proportionately any assets remaining after payment of the Company's debts and all applicable taxes and expenses.

Without prejudice to duties that apply to the Company under the Spanish SOCIMI Regime, the Company's ability to pay dividends or repurchase Shares will depend on the availability of distributable reserves which, in turn, will depend on the Company's results and other factors such as the Company's profitability and cash flow generation. As of December 31, 2019, the Company had voluntary reserves and share premium (distributable reserves) amounting to €51.61 million and €139.18 million, respectively. Accordingly, the Company's ability to make a distribution to shareholders will depend on the Company's ability to generate net profits in future periods in order to achieve sufficient distributable reserves.

The Company's ability to distribute dividends in the near future will depend on a number of circumstances and factors including, but not limited to, the amount of net profit attributable to the Company in any financial year, any limitations to the distribution of dividends included in the Company's financing agreements and the Company's growth strategy. For further details, see "*Dividend Policy*" above. As a result of such or other circumstances and factors, the Company may modify its dividend policy from time to time.

## **Reporting obligations**

### ***Shareholders' reporting obligation***

Pursuant to MAB Circular 6/2018, issuers shall immediately inform the MAB of the purchases or transfers of shares by any shareholder by any means, whether directly or indirectly, if, as a result of such transaction, its stake in the company's share capital reaches, exceeds or falls below 10% and successive multiples. In the case of SOCIMIs, this obligation shall refer to the percentage of 5% of the share capital and successive multiples.

Likewise, according to the Bylaws, shareholders shall inform the Company of the purchases or transfers of shares by any shareholder by any means, whether directly or indirectly, if, as a result of such transaction, its stake in the Company's share capital reaches, exceeds or falls below 5% and successive multiples. The shareholder must serve the notification within four trading days from the date on which the transaction was entered into.

### ***Directors' reporting obligation***

Pursuant to MAB Circular 6/2018, issuers, to the extent that they are aware of them, shall immediately communicate to the MAB all transactions carried out by directors and senior managers of the company relating to the issuer's shares if, as a result of such transaction, its stake in the company's share capital reaches, exceeds or falls below 1% and successive multiples.

Likewise, according to the Bylaws, directors and senior managers of the Company shall inform the Company of the purchases or transfers of shares by any means, whether directly or indirectly if, as a result of such transaction, its stake in

the Company's share capital reaches, exceeds or falls below 1% and successive multiples. The director or senior manager must serve the notification within four trading days from the date of the transaction.

Moreover, pursuant to Regulation (EU) 596/2014 of April 16 of the Parliament and of the Council on market abuse ("**Regulation 596/2014**"), directors and senior managers of the Company must disclose any transaction relating to the Shares provided that the aggregate amount of transactions conducted within the ongoing calendar year, without netting transactions, exceeds €20,000. Such notices shall be submitted within three business days from the date of the transaction.

### ***Reporting obligations regarding the CIT***

In addition to the reporting obligations provided for above, the Bylaws requires that any shareholder that (i) holds a percentage of Shares that is equal to or higher than 5% of the share capital, or the percentage of participation that, for the accrual by the Company of the special corporate tax rate, foreseen at any time by the regulation currently in force, in substitution or as a modification of article 9.2 of the SOCIMI Act; or (ii) acquires Shares that, along with those already held, enable the shareholder to reach the share percentage referred to in subparagraph (i) above in the share capital of the Company (in both cases, a "**Relevant Shareholder**"), must communicate these circumstances to the Board of Directors. Likewise, such Relevant Shareholder must notify the Board of Directors of any subsequent acquisitions, irrespective of the number of Shares acquired.

The notification obligation stipulated in the paragraph above must also be facilitated by any person who holds economic rights over Shares representing a percentage referred to in subparagraph (i) above, including in any case those indirect holders of Shares through financial intermediaries that are formally legitimized as shareholders by virtue of the accounting record but that act on behalf of the indicated holders (a "**Holder of Economic Relevant Rights**" and together with a Relevant Shareholder, a "**Relevant Person**").

Furthermore, together with this obligation notice, such Relevant Person must provide the Company, within ten calendar days after approval of a distribution of dividends or any other similar amount, with the following documents:

- A certificate of residence for the purposes of the corresponding personal income tax issued by the competent authorities of their country of residence. In those cases in which the Relevant Person resides in a country with which Spain has entered into a treaty to avoid double taxation levied on income, the certificate of residence must meet the characteristics provided for under the relevant treaty for the benefits to be applicable.
- A certificate issued by a person with sufficient power of attorney attesting the tax rate to which the dividend distributed by the Company is subject for the Relevant Person, along with a declaration that the Relevant Person is the actual beneficiary of such dividend.

If a dividend or similar payment is to be made to a Relevant Person that had not complied with the aforementioned information obligation, the Board of Directors may presume that the amount to be distributed (dividend or similar) is exempt or that it is levied at a tax rate lower than that provided for under the Spanish SOCIMI Regime, or the regulation that replaces it. Alternatively, the Board of Directors may request a legal report drafted by a reputable law firm in the country of the Relevant Person that will be charged to the amount of dividend or distribution corresponding to the securities of the Relevant Person, so that the report expresses their legal opinion in relation to the taxation obligations of the distribution.

Furthermore, the Company may be entitled to deduct an amount equal to the CIT liability levied on any dividend distribution paid to it, increased in the amount that, once such CIT is deducted, offsets the CIT expense derived for the Company under the Spanish SOCIMI Regime, from the amount to be paid to such Relevant Person.

In any event, the compensation amount shall be equal to the CIT expense derived for the Company from the dividend payment, which is the taxable base for the accrual of the special tax, plus the amount which, after deducting the income tax levied on the total compensation amount, compensates for the expense derived from the special tax and the relevant compensation.

By way of an example, the compensation has been calculated below for two different cases (assuming a 19% special tax rate), showing that the compensation has no effect whatsoever on the Company's profits and losses account in either cases:

- Assuming a gross dividend of 100, a special CIT of 19% and a CIT rate of 0% for the income obtained by the Company, the compensation would be calculated as follows:

Dividend: 100

Special tax:  $100 \times 19\% = 19$

Special CIT expense ("**GISge**"): 19 Compensation ("**I**"): 19

Taxable CIT base for the compensation ("**BII**"): 19

CIT expense related to the compensation (“GISi”): 0 Effect on the company:  $I - GIS_{ge} - GIS_i = 19 - 19 - 0 = 0$

- Assuming a gross dividend of 100, a special CIT of 19% and a CIT rate of 10% for the income obtained by the Company, the compensation, rounded to the nearest cent, would be calculated as follows:

Dividend: 100

Special tax:  $100 \times 19\% = 19$

Special CIT expense (“GISge”): 19

Compensation (“I”):  $19 + 19 \times 0.1(1 - 0.1) = 21.1119$

Taxable CIT base for the compensation (“BIi”): 21.11

CIT expense related to the compensation (“GISi”):  $21.11 \times 10\% = 2.11$

Effect on the company:  $I - GIS_{ge} - GIS_i = 21.11 - 19 - 2.11 = 0$

The Bylaws include provisions for this calculation in case of an eventual amendment of the CIT rate applicable to SOCIMIs. In this event, the indemnity amount to be deducted from the amount to be paid to the Relevant Person will be calculated taking into account its effect on the income statement of the Company (i.e., the amount of the indemnity to be paid would be increased to reflect the taxation of the indemnity or any other cost for the purposes of the Company CIT).

The purpose of providing the Company with the right to make these deductions is to offset any adverse impact resulting from the distribution of dividends to a Relevant Person.

The Board of Directors may elect not to make these deductions in full or at all from dividend payments to a Relevant Person in the event that, as a result of making such deductions, the Company would be in a worse position than if it did not make them.

The DGT has confirmed that any indemnity payment received from a Relevant Person will compute towards the Spanish SOCIMI Regime requirement that at least 80% of the Company’s net annual income must derive from rental income and from dividends or capital gains in respect of certain specified assets.

See “Taxation” for a description of the tax regime applicable to the Company’s shareholders.

### Shareholder Actions

Under the Spanish Companies Law, directors are liable to the Company, shareholders and creditors for their acts or omissions that are illegal or violate the Bylaws and for failure to carry out their legal duties with diligence.

Subsequent ratification or approval of any such act or omission by the shareholders in a General Shareholders Meeting does not forego directors’ liability. Under Spanish law, liability of the directors is joint and several (*solidaria*), except to the extent any director can demonstrate that he or she did not participate in the decision-making process related to the relevant act or omission, was unaware of its existence or if being aware of it, he or she used his or her best efforts to mitigate any damages to the Company or if he or she expressly disagreed with the decision-making relating to such act or omission.

Shareholders must generally bring actions against the directors as well as any other actions against the Company or challenging corporate resolutions before the courts of the judicial district in of the Company’s registered office (currently Madrid, Spain).

### Registration and Transfers

The Shares are in registered book-entry form and indivisible. Joint holders of one Share must designate a single person to exercise their rights, but they are jointly and severally (*solidariamente*) liable to the Company for all the obligations arising from their status as shareholders. Iberclear, which manages the Spanish clearance and settlement system of the Spanish Stock Exchanges, maintains the central registry reflecting the number of shares held by each of its member entities. Each member entity, in turn, maintains a registry of the owners of such shares.

The Shares are freely transferable in accordance with the Spanish Companies Law, the Securities Market Law and any implementing regulation. Nevertheless, the Bylaws set out that if any shareholder receives a Shares’ purchase offer based on which conditions it may be reasonably inferred that, upon completion of the Shares’ purchase, the offeror will obtain a shareholding higher than 50% of Company’s share capital, the shareholder may only accept the offer if the offeror proves it has extended the purchase offer to the remaining shareholders in the same conditions. See “Principal Shareholders—Change of control”.

New shares may not be transferred until the corresponding capital increase has been registered in the relevant Commercial Registry.

As a general rule, transfers of shares quoted on the MAB requires the participation of a Spanish official stockbroker, broker-dealer or other entity authorized under Spanish law (i.e., brokerage firms, or dealer firms, Spanish credit entities, investment services entities authorized in other EU member states and investment services entities authorized by their relevant authorities and in compliance with the Spanish regulations). See “*Market Information*”. Transfer of shares quoted on the MAB may be subject to certain fees and expenses.

### Shareholders’ agreements

Pursuant to MAB Circular 6/2018, issuers, to the extent that they are aware of them, shall immediately communicate to the MAB, the agreement, extension or termination of any shareholder agreements that restrict the transfer of shares or affect in any way the voting rights of shareholders.

In this regard, on June 10, 2019, Ibervalles, S.A. and the Company entered into the Subscription Agreement (see “*Risk Factors—Risks related to the Offering—The Company has not entered into an underwriting agreement but into a placing agreement, therefore the New Shares may not be subscribed, fully or partially, and Eligible Shareholders and investors who exercise their Pre-emptive Subscription Rights or who request additional New Shares during the Pre-emptive Subscription Period will not be able to cancel their requests*”). By virtue of the Subscription Agreement, the Company undertook to convene and hold a General Shareholders Meeting to approve the appointment of one representative of Ibervalles, S.A. This representative was appointed on July 23, 2019 (see “*Board of Directors and Management—Directors*”).

### Restrictions on Foreign Investment

Exchange controls and foreign investments are regulated under Law 19/2003, of July 4 (“**Law 19/2003**”), as amended pursuant to Royal Decree-Law 8/2020. Foreign investments were generally liberalized until article 7 bis of Law 19/2003 was enacted in March 2020.

Article 7 bis of Law 19/2003 establishes a screening mechanism for certain investments made by non-EU and non-EFTA residents, based on public order, public health and public security reasons (the “**Screening Mechanism**”). The Screening Mechanism aligns part of the Spanish foreign investment legal framework with Regulation (EU) 2019/452 of March 19, 2019 establishing a framework for the screening of foreign direct investments into the European Union. Certain provisions of Regulation (EU) 2019/452 —such as the list of sectors affecting public order and public security or the definition of state-owned enterprises and other similar investors— are mirrored in the regulations establishing the Screening Mechanism. That said, Regulation (EU) 2019/452 will not be applicable until October 11, 2020, and once it is in force, adjustments to the Screening Mechanism could be required to comply with EU mandatory standards.

The Screening Mechanism can be summarized as follows:

- Under the ordinary procedure, prior authorization from the Spanish Council of Ministers (*Consejo de Ministros*) is required to close foreign direct investments subject to it. The legal term to issue a decision is six months.
- On a transitional basis, until the Screening Mechanism is further developed, a fast-track 30-day procedure, whose resolution is to be issued by a lower-tier authority (the General Directorate for International Trade and Investments —*Dirección General de Comercio Internacional e Inversiones*—), applies for investments (i) agreed but not closed prior to 18 March 2020; or (ii) for an amount below €5 million. Investments below €1 million are not subject to the Screening Mechanism.
- Under both the ordinary and fast-track procedures, the investment will be deemed unauthorized if the relevant authority does not respond to the authorization request within the corresponding legal term.

For the purposes of the Screening Mechanism, the following persons are deemed to be “foreign investors”:

- non-EU and non-EFTA residents; and
- EU or EFTA residents beneficially owned by non-EU and non-EFTA residents. This occurs when non-EU and non-EFTA residents ultimately possess or control, directly or indirectly, more than 25% of the share capital or voting rights of the investor, or otherwise exercise control, directly or indirectly, over the investor.

Foreign direct investments are:

- investments that result in a foreign investor reaching a stake of at least 10% of the share capital of a Spanish company; and
- any corporate transaction, business action or legal transaction which enables effective participation in the management or control of a Spanish company.

Not all foreign direct investments are subject to the Screening Mechanism, as this will depend on: (i) the sector in which the target carries out its business; and (ii) the personal circumstances of the foreign investor, regardless of the business of the target.



Foreign direct investments in the following sectors are subject to the Screening Mechanism:

- Critical infrastructure, whether physical or virtual, including energy, transport, water, health, communications, media, data processing or storage, aerospace, defence, electoral or financial infrastructure, and sensitive facilities, as well as land and real estate crucial for the use of such infrastructure.
- Critical technologies and dual use items as defined in point 1 of Article 2 of Council Regulation (EC) No 428/2009, including artificial intelligence, robotics, semiconductors, cybersecurity, aerospace, defence, energy storage, quantum and nuclear technologies as well as nanotechnologies and biotechnologies.
- Supply of critical inputs, including energy or raw materials, as well as food security.
- Sectors with access to sensitive information, including personal data, or the ability to control such information.
- Media.
- Other sectors designated by the Spanish government from time to time that may affect public security, order or health (currently none).

Foreign direct investments by the following foreign investors are also subject to the Screening Mechanism, regardless of the business of the target:

- Investors directly or indirectly controlled by the government, including state bodies or armed forces, of a non-EU/EFTA country.
- Investors that have already made an investment affecting national security, public order or public health in another EU Member State, including an investment in any of the above-mentioned sectors.
- Investors subject to ongoing judicial or administrative proceedings for engaging in illegal or criminal activities.

Gun-jumping the Screening Mechanism will render the transaction invalid and without any legal effect, until the required authorization is obtained. In addition, fines up to the value of the investment could be imposed.

In addition, Royal Decree 664/1999, of April 23 establishes that non-Spanish foreign investors who are not resident in a tax haven are required to file a notification with the Spanish Registry of Foreign Investments following an investment or divestiture, if any, solely for statistical, economic and administrative purposes. Where the investment or divestiture is made in shares of Spanish companies listed on any of the Spanish Stock Exchanges, the duty to provide notice of a foreign investment or divestiture lies with the relevant entity with whom the shares (in book-entry form) have been deposited or which has acted as an intermediary in connection with the investment or divestiture.

If the foreign investor is a resident of a tax haven, as defined under Spanish law (Royal Decree 1080/1991, of July 5), notice must be provided to the Registry of Foreign Investments prior to making the investment, as well as after consummating the transaction. However, prior notification is not necessary in the following cases:

- investments in listed securities, whether or not trading on an official secondary market;
- investments in participations in investment funds registered with the CNMV; and
- foreign shareholdings that do not exceed 50% of the capital of the Spanish company in which the investment is made.

Additional regulations to those described above apply to investments in some specific industries, including air transportation, mining, manufacturing and sales of weapons and explosives for civil use and national defense, radio, television, telecommunications and gambling. These restrictions do not apply to investments made by EU residents, other than investments by EU residents in activities relating to the Spanish defense sector or the manufacturing and sale of weapons and explosives for non-military use.

### **Exchange Control Regulations**

Pursuant to Royal Decree 1816/1991, of December 20, relating to economic transactions with non-residents as amended by Royal Decree 1360/2011 of October 7, and Council Directive 88/361/EEC of June 24, 1988, charges, payments or transfers between non-residents and residents of Spain must be made through a registered entity, such as a bank or another financial institution registered with the Bank of Spain and/or the CNMV (*entidades registradas*), through bank accounts opened abroad with a foreign bank or a foreign branch of a registered entity, in cash or by check payable to bearer. All charges, payments or transfers which exceed €6,010 (or its equivalent in another currency), if made in cash or by check payable to bearer, must be notified to the Spanish exchange control authorities.

### **Net short positions**

In accordance with Regulation (EU) No 236/2012 of the European Parliament and of the Council of March 14, 2012 on short selling and certain aspects of credit default swaps (as further supplemented by several delegated regulations regulating technical aspects necessary for its effective enforceability and to ensure compliance with its provisions)

(“**Regulation 236/2012**”), net short positions on shares listed on a multilateral trading facility equal to, or in excess of, 0.2% of the relevant issuer’s share capital and any increases or reductions thereof by 0.1% are required to be disclosed to the CNMV.

If the net short position reaches 0.5%, and also at every 0.1% above that, the CNMV will disclose the net short position to the public. Such Regulation also restricts uncovered short sales in shares, providing that a natural or legal person may enter into a short sale of a share admitted to trading on a trading venue only where one of the conditions established in article 12 of the referred Regulation has been fulfilled.

The notification or disclosure mentioned above shall be made not later than at 15:30 (CET) on the following trading day.

Notification is mandatory even if the same position has been already notified to the CNMV in compliance with transparency obligations previously in force in that jurisdiction.

The information to be disclosed is set out in Table 1 of Annex I of Delegated Regulation 826/2012, according to the format approved as Annex II of this Regulation. The information will be published, where appropriate, on a web page operated or supervised by the CNMV.

Moreover, pursuant to Regulation 236/2012, where the CNMV considers that (i) there are adverse events or developments that constitute a serious threat to financial stability or to market confidence; and (ii) the measure is necessary and will not be disproportionately detrimental to the efficiency of financial markets in view of the advantages sought, it may, following consultation with the European Securities and Markets Authority, take any one or more of the following measures:

- impose additional notification obligations by either (a) reducing the thresholds for the notification of net short positions in relation to one or several specific financial instruments; and/or (b) requesting the parties involved in the lending of a specific financial instrument to notify any change in the fees requested for such lending; and
- restrict short selling activity by either prohibiting or imposing conditions on short selling.

In addition, according to Regulation 236/2012, where the price of a financial instrument has fallen significantly during a single trading day in relation to the closing price on the previous trading day (10.0% or more in the case of a liquid share), the CNMV may prohibit or restrict short selling of financial instruments for a period not exceeding the end of the trading day following the trading day on which the fall in price occurs.

Finally, Regulation 236/2012 also vests powers to the European Securities and Markets Authority in order to take measures similar to the ones described above in exceptional circumstances, when the purpose of these measures is to deal with a threat affecting several EU member states and the competent authorities of these member states have not taken adequate measures to address it.

## **Share repurchases**

Pursuant to the Spanish Companies Law, the Company may only repurchase its own Shares within certain limits and in compliance with the following requirements:

- the repurchase must be authorized by the General Shareholders Meeting in a resolution establishing the maximum number of Shares to be acquired, the titles for the acquisition, the minimum and maximum acquisition price and the duration of the authorization, which may not exceed five years from the date of the resolution;
- the repurchase, including the Shares already acquired and currently held by the Company, or any person or company acting in its own name but on the Company’s behalf, must not bring the Company’s net worth (*patrimonio neto*) below the aggregate amount of the Company’s share capital and legal or non-distributable bylaws’ reserves. For these purposes, net worth means the amount resulting from the application of the criteria used to draw up the financial statements, subtracting the amount of profits directly allocated to such net worth, and adding the amount of share capital subscribed but not called and the subscribed share capital par value and issue premium recorded in the Company’s accounts as liabilities;
- the aggregate value of the Shares directly or indirectly repurchased, together with the aggregate par value of the Shares already held by the Company or its affiliates, must not exceed 20% of the Company’s share capital; and
- Shares repurchased for valuable consideration must be fully paid-up. A repurchase shall be considered null and void if (i) the shares are partially paid-up, except in the case of free repurchase; or (ii) the shares entail ancillary obligations.

Treasury shares do not have voting or economic rights (for example, the right to receive dividends and other distributions and liquidation rights). Such economic rights except the right to receive bonus Shares, will accrue proportionately to all of the Company’s shareholders. Treasury shares are counted for purposes of establishing the quorum for General Shareholders Meetings as well as majority voting requirements to pass resolutions at a General Shareholders Meetings.

Regulation 596/2014 establishes rules in order to ensure the integrity of EU financial markets and to enhance investor confidence in those markets. This regulation maintains an exemption from the market manipulation rules regarding share buy-back programs by companies listed on a multilateral trading facility in an EU member state. Commission Delegated Regulation (EU) 2016/1052, of March 8, 2016, implements Regulation 596/2014 with regard to the regulatory technical standards for the conditions applicable to buy-back programs and stabilization measures. According to the provisions included in the referred Delegated Regulation, in order to benefit from the exemption, an issuer implementing a buy-back program must comply with the following requirements:

- (a) Prior to the start of trading in a buy-back program, the issuer must ensure the adequate disclosure of the following information:
  - The purpose of the program. According to article 5.2 of Regulation 596/2014, the buy-back program must have as its sole purpose (a) to reduce the capital of the issuer; (b) to meet obligations arising from debt financial instruments convertible into equity instruments; or (c) to meet obligations arising from share option programs, or other allocations of shares to employees or to members of the administrative, management or supervisory bodies of the issuer or of an associate company;
  - The maximum pecuniary amount allocated to the program;
  - The maximum number of shares to be acquired; and
  - The period for which authorization for the program has been granted.
- (b) The issuer must ensure that the transactions relating to the buy-back program meet the conditions included on article 3 of the aforementioned Delegated Regulation. Specifically, that the purchase price is not higher than the higher of the price of the last independent trade and the highest current independent purchase bid on the trading venue where the purchase is carried out. Furthermore, issuers must not purchase on any trading day more than 25% of the average daily volume of shares on the corresponding trading venue.
- (c) Issuers shall not, for the duration of the buy-back program, engage on (a) selling of own shares; (b) trading during the closed periods referred to in article 19.11 of Regulation 596/2014; and (c) trading where the issuer has decided to delay the public disclosure of inside information.

On April 26, 2017, the CNMV approved Circular 1/2017 on liquidity contracts entered into by issuers with financial institutions for the management of its treasury shares. This regulation entered into force on July 10, 2017. It repealed and replaced the CNMV's Circular 3/2007 and introduced new specific rules, limits and mechanisms for liquidity agreements to constitute an accepted market practice and, therefore, be able to rely on a safe harbor for the purposes of market abuse regulations. Likewise, on December 20, 2017, the MAB approved MAB Circular 7/2017 that provides certain requirements regarding liquidity contracts in relation with shares of SOCIMIs listed on the MAB. The provisions set forth in MAB Circular 7/2017 are in line with the aforementioned Circular 1/2017 of the CNMV.

In addition, on July 18, 2013, the CNMV published certain guidelines for securities issuers and financial intermediaries acting on their behalf regarding the “discretionary transactions with treasury shares” (outside of the buy-back program regulation). These guidelines are in line with the buy-back program regulation in respect of price, limits and volumes and include certain restricted periods and a rule of separated management of the trading activity.

Moreover, pursuant to Spanish Companies Law, the audited financial statements of a company must include a reference to any treasury shares.

In this regard, on May 10, 2019, the General Shareholders Meeting authorized the Board of Directors to acquire shares of the Company, directly by the Company or indirectly by the Company's affiliates, within five years from May 11, 2019, in the maximum amount permitted by the applicable legislation (i.e., 20% of the share capital, including the Shares already held by the Company).

As of June 16, 2020, the Company owns 268,665 treasury Shares, which represent 0.54% of the Company's share capital before the Offering.

## MARKET INFORMATION

The Shares are currently admitted to trading on the segment for real estate investment companies (*segmento SOCIMI*) of the MAB. Pursuant to the resolutions adopted by the General Shareholders Meeting of the Company held on December 18, 2019, the Company will apply to list the Pre-emptive Subscription rights and the New Shares on the MAB (see “*The Offering—General*”).

### MAB’s trading system

The MAB is a multilateral trading facility for securities operated and managed by Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A., a holding company which holds a 100% interest in each of the Spanish official secondary markets and settlement systems.

The Shares are traded on the MAB under the *fixing* modality. The principal feature of the system is that there are two auction periods per trading session, one from 8:30 a.m. to 12:00 p.m. (CET) and another one from 12:00 p.m. to 16:00 p.m. (CET), during which orders may be introduced, modified or cancelled but not carried out. Each auction period ends within a random period of 30 seconds in which a single trading price is set (fixing). Such price is that which enables the higher number of units to be traded. Trading of Shares may only take place at the end of each auction and at its resulting single price.

Moreover, at the commencement of each trading session, a benchmark price equal to the closing price of the previous session (set in accordance with the above) is set. Trade orders may only be introduced within a given range from such benchmark price. The Company’s range as of the date of this Prospectus is 5%, except for those orders introduced by the Liquidity Provider, which are restricted to a 2% range.

### Clearance and settlement system

The Spanish clearing, settlement and recording system was adapted by Law 11/2015, of June 18, 2015, on the recovery and resolution of credit institutions and investment firms (*Ley 11/2015, de 18 de junio, sobre recuperación y resolución de entidades de crédito y empresas de servicios de inversión*) and Royal Decree 878/2015, to the provisions set forth in Regulation (EU) No 909/2014 of the European Parliament and of the Council of July 23, 2014, on improving securities settlement in the EU and on central securities depositories, amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012. Following the implementation of this reform, in the Spanish clearing, settlement and registry procedures of securities transactions allows the connection of the post-trading Spanish systems to the European system Target 2 Securities.

Shares of companies listed on the MAB are represented in book-entry form. Iberclear and its Participant Entities are responsible for keeping records in book-entry form. The recording system is a 2-tier level registry: the keeping of the central record corresponds to Iberclear and the keeping of the detail records corresponds to the Participant Entities in Iberclear.

Only Participant Entities of Iberclear are entitled to use it, and access to become a Participant Entity is restricted to authorized members of the Spanish Stock Exchanges, the Bank of Spain (when an agreement, approved by the Spanish Ministry of Economy and Business, is reached with Iberclear) and, with the approval of the CNMV, other brokers not members of the Spanish Stock Exchanges, banks, savings banks and foreign settlement and clearing systems. Iberclear is owned by Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.

Iberclear manages the central registry, which reflects: (i) one or several proprietary accounts which shows the balances of the Participant Entities’ proprietary accounts; (ii) one or several general third-party accounts that shows the overall balances that the Participant Entities hold for third parties; (iii) individual accounts opened in the name of the owner, either individual or legal person; and (iv) individual special accounts of financial intermediaries which use the optional procedure of settlement of orders. Each Participant Entity maintains the detail records of the owners of such shares.

As a result of the above, Spanish law shall consider the owner of the shares to be:

- the Participant Entity appearing in the records of Iberclear as holding the relevant shares in its own name;
- the investor appearing in the records of the Participant Entity as holding the shares; or
- the investor appearing in the records of Iberclear as holding shares in a segregated individual account.

Obtaining legal title to shares of a company listed on the MAB requires the participation of a Spanish official stockbroker, broker-dealer or other entity authorized under Spanish law to record the transfer of shares. To evidence title to shares, at the owner’s request the relevant Participant Entity must issue a certificate of ownership. If the owner is a Participant Entity, Iberclear is in charge of the issuance of the certificate with respect to the shares held in the Participant Entity’s name.

BME Clearing is the central counterparty (“CCP”) in charge of the clearing of transactions closed on the MAB. BME Clearing interposes itself on its own account as seller in every stock purchase and as buyer in every stock sale. It calculates buy and sell positions vis-à-vis the participants designated in such buy or sell instructions. The CCP then generates and sends to Iberclear the relevant settlement instructions. The settlement and registration platform managed by Iberclear (operating under the trade name of ARCO), receives the settlement instructions from BME Clearing and forward them to the relevant Iberclear Participant Entities involved in each transaction. ARCO operates under a “T+2 Settlement Standard”, by which any transactions must be settled within two trading days following the date on which the relevant transaction was completed.

## **Euroclear and Clearstream**

Shares deposited with depositories for Euroclear Bank, S.A./N.V., as operator of the Euroclear System (“**Euroclear**”), and Clearstream Banking, *société anonyme* (“**Clearstream**”) and credited to the respective securities clearance account of purchasers in Euroclear or Clearstream against payment to Euroclear or Clearstream will be held in accordance with the Terms and Conditions Governing Use of Euroclear and Clearstream, the operating procedures of the Euroclear System, as amended from time to time, the Management Regulations of Clearstream and the Instructions to Participants of Clearstream as amended from time to time, as applicable. Persons on whose behalf accounts at Euroclear or Clearstream are maintained and to which shares have been credited (“investors”) shall have the right to receive the number of shares equal to the number of shares so credited, upon compliance with the foregoing regulations and procedures of Euroclear or Clearstream.

With respect to the shares that are deposited with depositories for Euroclear or Clearstream, such shares will be initially recorded in the name of Euroclear or one of its nominees or in the name of Clearstream or one of its nominees, as the case may be. Thereafter, investors may withdraw shares credited to their respective accounts if they wish to do so, upon payment of the applicable fees described below, if any, and upon obtaining the relevant recording in the book-entry registries kept by the members of Iberclear.

Under Spanish law, only the record holder of the shares according to the registry kept by Iberclear is entitled to receive dividends and other distributions and to exercise voting, pre-emptive and other rights in respect of such shares. Euroclear or its nominee or Clearstream or its nominee will be the sole record holder of the shares that are deposited with the depositories for Euroclear and Clearstream, respectively, until such time as investors exercise their rights to withdraw such shares and cause them to obtain the recording of the investor’s ownership of the shares in the book-entry registries kept by the members of Iberclear.

Cash dividends or cash distributions, as well as stock dividends or other distributions of securities, received in respect of the shares that are deposited with the depositories for Euroclear and Clearstream will be credited to the cash accounts maintained on behalf of the investors at Euroclear and Clearstream, as the case may be, after deduction for applicable withholding taxes, in accordance with the applicable regulations and procedures of Euroclear and Clearstream. See “*Taxation*”.

Each of Euroclear and Clearstream will endeavor to inform investors of any significant events of which they have notice affecting the shares recorded in the name of Euroclear or its nominees and Clearstream or its nominees and requiring action to be taken by investors. Each of Euroclear and Clearstream may, at its discretion, take such action as it shall deem appropriate in order to assist investors to direct the exercise of voting rights in respect of the shares. Such actions may include (i) acceptance of instructions from investors to execute or to arrange for the execution of, proxies, powers of attorney or other similar certificates for delivery to the Company, or the Company’s agent or (ii) voting of such shares by Euroclear or its nominees and Clearstream or its nominees in accordance with the instructions of investors.

If the Company offer or cause to be offered to Euroclear or its nominees and Clearstream or its nominees, as the record holders of the shares that are deposited with the depositories for Euroclear and Clearstream, respectively, any rights to subscribe for additional shares or rights of any other nature, each of Euroclear and Clearstream will endeavor to inform investors of the terms of any such rights issue of which it has notice in accordance with the provisions of its regulations and procedures referred to above. Such rights will be exercised, insofar as practicable and permitted by applicable law, according to written instructions received from investors, or such rights may be sold and, in such event, the net proceeds will be credited to the cash account maintained on behalf of the investor with Euroclear or Clearstream.

## **Tender offers**

There are no tender offer regulations applicable to shares admitted to listing on the MAB.

However, the bylaws of companies whose shares are listed on the MAB, as do the Bylaws, must include a provision pursuant to which if any shareholder receives a shares’ purchase offer based on which conditions it may be reasonably inferred that, upon completion of the shares’ purchase, the offeror will obtain a shareholding higher than 50% of company’s share capital, the shareholder may only accept the offer if the offeror proves it has extended the purchase offer to the remaining shareholders in the same conditions. This provision actually obliges an investor interested in taking

control of the Company by acquiring more than 50% of the Shares to launch an offer to all the Company's shareholders on the same terms.

## TAXATION

### Spanish tax considerations

The following section is a general description of the tax regime applicable under Spanish legislation in effect (and in force implementing regulations) at the date of approval of this Prospectus, to the acquisition, ownership and, as the case may be, subsequent disposition of the New Shares.

This analysis does not constitute tax advice and does not address all of the potential tax consequences of the aforementioned transactions, or the regime applicable to all categories of investors, some of whom (such as, financial institutions, collective investment undertakings, pension funds cooperatives and look-through entities, etc.) may be subject to special rules. In addition, this description does not consider regional tax regimes in force applicable in the Historical Territories of the Basque Country and the Historical Autonomous Region of Navarre (“*Concierto*” and “*Convenio Económico*”, respectively) or the regulations adopted by the different Spanish Autonomous Regions (*Comunidades Autónomas*) that may apply to investors regarding particular taxes.

This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date. As a result, this description is subject to any changes in such laws or interpretations that may be made on such legislation by the Spanish tax authorities occurring after the date hereof, including changes having retroactive effect. In particular, the applicable rules are set forth in: (i) Law 35/2006, of November 28, on the Personal Income Tax and on the partial amendment of the Corporate Income Tax, Non-resident Income Tax and Wealth Tax Law (the “**PIT Law**”) and its implementing regulations, as approved by Royal Decree 439/2007, of March 30; (ii) the amended consolidated text of the Non-resident Income Tax Law (the “**NRIT Law**”) approved by Royal Legislative Decree 5/2004, of March 5, and its implementing regulations, as approved by Royal Decree 1776/2004, of July 30; (iii) Law 27/2014, of November 27 on Corporate Income Tax (the “**CIT Law**”); and (iv) Royal Decree 634/2015, of July 10, approving the regulations for the CIT Law.

Investors are advised to consult their tax advisors or lawyers concerning the specific tax consequences in light of their particular circumstances under the tax laws of the country of which they are resident for tax purposes and the tax laws of Spain of acquiring, holding and disposing of Shares.

Also, potential investors should note that the appointment by an investor in the New Shares, or any person through which an investor holds the New Shares, of a custodian, collection agent or similar person in relation to such shares in any jurisdiction may have tax implications. Shareholders should consult their own tax advisors in relation to the tax consequences for them of any such appointment.

### Taxation of entities qualifying for the Spanish SOCIMI Regime

SOCIMIs and Spanish-resident Qualifying Subsidiaries may elect to apply the Spanish SOCIMI Regime. The election to apply the Spanish SOCIMI Regime must be adopted by the entity’s shareholders, and the Spanish tax authorities must be notified of such election prior to the last quarter of the financial year when the Spanish SOCIMI Regime is expected to apply. Such election will remain applicable until the Company waives its applicability. The Company applied for the Spanish SOCIMI Regime pursuant to the General Shareholders Meeting resolution of July 25, 2017 through proper notification to the Spanish tax authorities of such election. Likewise, Varia Pza Magdalena, S.L.U. and Millenium Hotels C220, S.L.U. applied for the Spanish SOCIMI Regime pursuant to the corresponding resolutions of their sole shareholder of September 5, 2019 through proper notification to the Spanish tax authorities of such election on September 27, 2019.

An entity eligible for the legal regime applicable to SOCIMIs may apply for the special tax regime even if when the election is made such entity does not meet some of the eligibility requirements, provided that it meets such requirements within two years (as from the date the corresponding election is approved by the General Shareholders Meeting). However, in accordance with the criteria of the Spanish tax authorities, there are some requirements that must be met at the time of opting for the application of the Spanish SOCIMI Regime, in particular those relating to the mandatory dividend distribution, the main corporate purpose and the nominative nature of the shares. In addition, such entity will have a one-year grace period to cure any non-compliance with certain eligibility requirements.

### Corporate Income Tax

Generally, all income received by a SOCIMI is taxed under CIT at a 0% rate. Nevertheless, rental income and capital gains stemming from qualifying assets being sold prior to the end of the minimum holding period (three years) would be subject to the standard CIT rate (currently 25%).

Furthermore, a special levy regime applies to dividends paid by the SOCIMI to domestic or foreign Substantial Shareholders (as defined below). The SOCIMI must assess and pay a 19% Corporate Income Tax in respect of gross dividends distributed if the beneficiary of the dividends: (i) holds at least 5% of the shares of the SOCIMI, and is either exempt from any tax on the dividends or subject to tax on the dividend received at a rate lower than 10% (a “**Substantial Shareholder**”); or (ii) if the Substantial Shareholder does not timely provide the SOCIMI with the information necessary to verify whether the relevant shareholder is subject to tax on the dividend received at a rate equal to or higher than 10%

taxation on dividends distributed by the SOCIMI (the “10% Test”). The DGT issued two binding rulings (CV3308-14 and CV0323-15) indicating that the 10% Test to be carried out in order to identify Substantial Shareholders shall be focused on the tax liability arising from the dividend income considered individually, taking into account (a) exemptions and tax credits affecting the dividends received by the shareholder; and (b) those expenses incurred by the shareholder which are directly linked to the dividend income (e.g., fees paid in relation to the management of the shareholding in the relevant SOCIMI distributing the dividends, or financial expenses (interest) deriving from the financing obtained to fund the acquisition of the shares of the relevant SOCIMI). According to these rulings, the tax treatment applicable to other items of income that may be obtained by the shareholder should not be taken into account. In addition, the DGT has confirmed that the withholding tax levied on a dividend payment (including any Non-Resident Income Tax liability) should also be taken into consideration by the shareholder for assessing this 10% threshold.

The above-mentioned special levy will be considered an expense for the Company thus reducing the profits distributable to Shareholders.

The Bylaws contain information and indemnity obligations applicable to Substantial Shareholders (as defined in this Prospectus) designed to minimize this possibility and mitigate its potential consequences for the Company. In such a case, if a dividend payment is made to a Substantial Shareholder, the Company will be entitled to deduct an amount equivalent to the tax expenses incurred by the Company on such dividend payment from the amount to be paid to such Substantial Shareholder (the Board of Directors will maintain certain discretion in deciding whether to exercise this right if making such deduction would put the Company in an unfavorable position). These measures may not be effective. If these measures are ineffective, the payment of dividends to a Substantial Shareholder may generate an expense for the Company (since it may have to pay a 19% CIT on such dividend) and, thus, may result in a loss of profits for the rest of the shareholders. See “*Description of Share Capital—Reporting obligations regarding the CIT*”.

### **Indirect taxation on the acquisition and disposition of the New Shares**

The subscription and, as the case may be, subsequent disposition of the New Shares is exempt from Transfer Tax, Stamp Duty (*impuesto de timbre*) and VAT.

### **Direct taxation on the ownership and subsequent disposition of the New Shares**

#### ***Shareholders resident in Spanish territory***

This section considers the tax treatment applicable to investors considered resident in the Spanish territory for tax purposes. In general, and without prejudice to the provisions of the double taxation treaties entered into by Spain, investors considered to be resident in Spain for these purposes include entities resident in Spain pursuant to article 8 of the CIT Law and individuals whose permanent available home is in Spain, as defined in article 9.1 of the PIT Law, together with those resident abroad who are members of Spanish diplomatic missions, Spanish Consuls and other official bodies, as set down in article 10.1 thereof. Likewise, investors considered resident in Spain for tax purposes also include individuals with Spanish nationality who, while ceasing their tax residency in Spain, demonstrate their new tax residency to be in a tax haven, during the tax period in which the change of residence takes place and the following four periods, pursuant to article 8.2 of the PIT Law.

Individuals who acquire tax residency in Spain as a result of moving to Spanish territory may opt to pay Personal Income Tax (“PIT”) or NRIT during the period in which the change of residency takes place, and the five subsequent years, providing the requirements set forth in article 93 of the PIT Law are met.

#### **Spanish resident individuals**

##### ***Personal income tax***

##### **Capital income**

Pursuant to article 25 of the PIT Law, capital income shall be considered to include dividends, shares in profits, considerations paid for attending at shareholders’ meetings, income from the creation or assignment of rights of use or enjoyment of the New Shares and, in general, the participation in the Company’s profits, and any other income received from the entity in his or her position as shareholder of the Company.

Gross capital income obtained by the shareholder as a result of ownership of the New Shares shall be deducted by any administration and custody expenses from the gross income received, but not by those discretionary or individualized portfolio management expenses. This net amount shall be included in the taxable base for capital income of the year in which it is due, taxed at a fixed rate of 19% (for the first €6,000 of capital income obtained by the individual); 21% (for income of between €6,000.01 and €50,000); or 23% (for income in excess of €50,000).

In addition, shareholders shall, in general, be liable for a PIT withholding at a rate of 19% on the full amount of profit distributed in the 2020 tax year. This withholding shall be creditable from the PIT payable. If the amount of PIT payable



is less than the PIT withholding, it shall give rise to the refund provided for in article 103 of the PIT Law. As an exception, PIT withholding is not applied on distributions of share premium.

#### Capital gains and losses

Any change in the value of the assets owned by PIT taxpayers resulting from any alteration in such assets may give rise to capital gains or losses which, in the event of the transfer of New Shares for valuable consideration, shall be calculated as the negative or positive difference between the acquisition value of the securities and their transfer value, determined by: (i) the listed value of the shares as of the transfer date; or (ii) the agreed transfer price, when this exceeds the listed value of the shares.

Where the PIT taxpayer owns other securities of the same kind, the acquisition price of the transferred shares is based on the principle that those acquired first are sold first (FIFO).

Both the acquisition and transfer values are increased or reduced, respectively, by the costs and taxes inherent to such transactions borne by the acquirer or transmitter, respectively.

Capital gains or losses derived from the transfer of the New Shares shall be included and offset in the savings taxable base of the tax period in which the transfer takes place, being taxed in the 2020 tax year at a rate of 19% for the first €6,000 of investment income obtained by the individual; 21% for income of between €6,000.01 and €50,000; and 23% for income in excess of €50,000.

Capital gains derived from transfer of the New Shares are not subject to withholding tax on account of PIT. Finally, certain losses derived from the transfer of the New Shares will not be treated as capital losses when identical securities are acquired during the two months prior or subsequent to the transfer date which originated that loss. In such cases, capital losses shall be included in the taxable base upon the transfer of the remaining shares of the taxpayer.

#### Pre-emptive Subscription Rights

Distributions to Spanish shareholders of the Pre-emptive Subscription Rights to subscribe for New Shares made with respect to the Shares are not treated as income under Spanish tax law. The exercise of Pre-emptive Subscription Rights is not considered a taxable event under Spanish law.

The proceeds obtained from the transfer of Pre-emptive Subscription Rights of the Shares received by a Company's shareholder shall be regarded as capital gains for the transferor corresponding the tax period in which the transfer takes place, being subject to withholding on account of PIT at the current rate of 19%. This withholding on account of PIT is levied by the depositary entity or, in the absence thereof, by the financial intermediary or notary public that intervenes in the transfer.

Such capital gain derived from transfer of subscription rights corresponding to the New Shares shall be included and offset in the savings taxable base, being taxed in the 2020 tax year at a fixed rate of 19% for the first €6,000 of investment income obtained by the individual; 21% for income between €6,000.01 and €50,000; and 23% for income in excess of €50,000.

#### *Wealth Tax*

Individual shareholders who are resident in the Spanish territory shall be subject to Wealth Tax on their total net wealth at December 31, irrespective of where their assets might be located or rights might be exercised.

This taxation shall be imposed pursuant to Law 19/1991, of June 6, on Wealth Tax (*Ley 19/1991, de 6 de junio, del Impuesto sobre el Patrimonio*) (the “**Wealth Tax Law**”) which, for these purposes, sets a minimum tax-free allowance of €700,000, in accordance with a tax scale with marginal rates ranging between 0.2% and 2.5%, without prejudice to specific rules that may have been approved by the Spanish Autonomous Regions.

Individuals resident for tax purposes in Spain who acquire the New Shares and who are required to file Wealth Tax returns must declare the New Shares they hold at December 31, of each year, which shall be valued using the average trading price in the last quarter of the year. The Ministry of Finance (*Ministerio de Hacienda*) publishes annually this average trading price for the Wealth Tax purposes.

Pursuant to Article 3 of Royal Decree-Law 18/2019, of 27 December, adopting certain measures in tax, cadastral and social security matters (*Real Decreto-ley 18/2019, de 27 de diciembre, por el que se adoptan determinadas medidas en materia tributaria, catastral y de seguridad social*) as from year 2021, a full exemption on Spanish Wealth Tax would apply (*bonificación del 100%*), and therefore from year 2021 and onwards, individuals resident in Spain would be released from formal and filing obligations in relation to Wealth Tax unless the application of this full exemption is postponed or revoked.

#### *Inheritance and Gift Tax*

The transfer of shares by inheritance or gift in favor of individuals who are resident in Spain is subject to Inheritance and Gift Tax (“**IGT**”) in accordance with Law 29/1987, of December 18, on Inheritance and Gift Tax (*Ley 29/1987, de 18 de*

*diciembre, del Impuesto sobre Sucesiones y Donaciones*). The acquirer of the securities is liable for this tax as taxpayer. The tax rate applicable to the taxable base ranges from 7.65% to 34%; the effective tax rate would depend on specific factors, such as the wealth of the taxpayer and the degree of their kinship with the deceased or the donor, subject to the specific rules approved in each Spanish Autonomous Region and, as a result, the effective tax rate may vary from between 0% to 81.6%.

#### *Spanish Transfer Tax*

Subscription, acquisition and transfers of Shares will be exempt from Transfer Tax (*Impuesto sobre Transmisiones Patrimoniales*) and Value Added Tax. Additionally, no Stamp Duty is levied on such subscription, acquisition and transfers.

#### Corporate resident shareholders

##### *Corporate income tax*

##### Dividends

CIT taxpayers and NRIT taxpayers who act in Spain for these purposes through permanent establishments shall include the gross amount of dividends or interest in profits received as a result of ownership of the securities acquired, and the costs inherent to this interest, in their taxable base, in accordance with article 10 and onwards of the CIT Law. The general tax rate applicable to this income is 25%.

In addition, in the 2020 tax year, CIT taxpayers shall be subject to a withholding tax of 19% on the total profit distributed, unless any of the withholding exemptions set forth in prevailing regulations apply, in which case, no withholding tax shall be made.

This withholding shall be creditable from the CIT payable and, should the latter be insufficient, it shall give rise to the refund provided for in article 127 of the CIT Law.

No tax credits or participation exemption for the avoidance of double taxation may apply, due to the application of the SOCIMI regime by the Company.

##### Pre-emptive Subscription Rights

The allocation of Pre-emptive Subscription Rights and their subscription as New Shares will not generate any income for CIT purposes.

Proceeds obtained from the transfer of Pre-emptive Subscription Rights are not subject to CIT withholding. The accounting income obtained from the transfer of Pre-emptive Subscription Rights is included in the taxable base, and taxed pursuant to general CIT rules.

No tax credits or participation exemption for the avoidance of double taxation may apply, due to the application of the SOCIMI Regime by the Company.

##### Income derived from transfers of the New Shares

Any gain or loss derived from the transfer of the New Shares, whether for valuable consideration or not, shall be included in the taxable base of CIT (or of NRIT for those taxpayers acting, for these purposes, through a permanent establishment in Spain), in accordance with article 10 and onwards of the CIT Law. The general tax rate applicable to this income is 25%. No participation exemption for the avoidance of double taxation may apply, due to the application of the SOCIMI regime by the Company. However, the deductibility of any losses that may be originated by the transfer of the New Shares may be subject to temporary or permanent restrictions. Investors are advised to consult their tax advisors or lawyers about the application of such restrictions in their particular case.

Income derived from the transfer of the New Shares shall not be subject to CIT withholding.

##### *Wealth Tax*

CIT taxpayers are not subject to Wealth Tax.

##### *Inheritance and Gift Tax*

CIT taxpayers are not subject to IGT, and income obtained through a gift is taxed pursuant to CIT rules.

#### *Spanish Transfer Tax*

Subscription, acquisition and transfers of shares will be exempt from Transfer Tax (*Impuesto sobre Transmisiones Patrimoniales*) and Value Added Tax. Additionally, no Stamp Duty is levied on such subscription, acquisition and transfers.

### ***Shareholders not resident in Spanish territory***

This section analyzes the tax treatment applicable to shareholders who are not resident in Spanish territory and are beneficial owners of the New Shares. Non-resident shareholders are individuals who are not PIT taxpayers and entities not resident in Spanish territory, pursuant to article 6 of the NRIT Law.

The tax regime described herein is general in nature, and the specific circumstances of each taxpayer should be considered in the light of the applicable double taxation treaties.

#### Non-resident income tax

(i) Non-resident shareholders acting through a permanent establishment in Spain

Ownership of the New Shares by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

If the New Shares form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the NRIT rules applicable to income deriving from such New Shares are the same as those for Spanish CIT taxpayers (set out above).

(ii) Non-resident shareholders non-acting through a permanent establishment in Spain

#### *Capital income*

Dividends and other income from interest in the equity of an entity obtained by non-resident individuals and entities that are not resident in Spain and that do not act through a permanent establishment in the Spanish territory shall be subject to NRIT taxation in the 2020 tax year at the general rate of 19% of the gross income obtained.

This standard rate can be reduced or eliminated as per the application of the EU Parent-Subsidiary Directive. Spanish tax authorities have considered (binding ruling CV2138-14) that dividends distributed by a SOCIMI are eligible for the exemption. However, the matter is not a clear cut issue in view of judgment C-448/15 of the ECJ, (Belgium State vs Wereldhave Belgium et al), under which the ECJ considers that Dutch entities that are entitled to a 0% tax rate for all its profits, provided that such profits are distributed to its shareholders, do not satisfy the requirement of being subject to, without the possibility of being exempt from, corporation tax, under the EU Parent Subsidiary Directive and hence, are not entitled to the EU Parent-Subsidiary Directive exemption.

Under the EU Parent-Subsidiary Directive exemption, no Spanish withholding taxes should be levied on the dividends distributed by a Spanish subsidiary to its EU parent company, to the extent that the following requirements are met:

- (i) the EU parent company maintains a direct or indirect holding in the share capital of the Spanish subsidiary of at least 5% or its acquisition cost exceeding €20 million. The holding must have been maintained uninterruptedly during the year prior to the date on which the distributed profit is due or, failing that, be maintained for the time required to complete such period (in the latter case, the withholding tax must be levied, although it would be refundable once the year has been completed);
- (ii) the EU parent company is incorporated under the laws of an EU Member State, under one of the corporate forms listed in Annex I, Part A, of the EU Parent-Subsidiary Directive, and is subject to a Member State Corporate Income Tax (as listed in Annex I, Part B, of the EU Parent-Subsidiary Directive), without the possibility of being exempt; and
- (iii) the dividends distributed do not derive from the subsidiary's liquidation.

This exemption shall also apply to profits distributed by subsidiaries resident in the Spanish territory to parent companies resident in member states of the EEA, and the permanent establishments of such parent companies located in other member states, provided that the requirements set forth in the NRIT Law are met.

This exemption does not apply if the dividend is obtained through a territory which qualifies as a tax haven. The exemption does not apply either if the majority of the voting rights of the parent company are held, directly or indirectly, by legal entities or individuals who are not resident in EU member states or the EEA with which Spain has an effective exchange of taxation information, pursuant to section 4 of the first additional provision of Law 36/2006, of November 29, on measures for the prevention of fiscal fraud (*Ley 36/2006, de 29 de noviembre, de medidas para la prevención del fraude fiscal*), except when the constitution and operation of such parent company is due to valid economic reasons and substantive business purposes.

As a general rule, the Company will apply NRIT withholding of 19% on dividend payments. Distributions of share premiums are not subject to withholding on account of NRIT.

Shareholders resident in certain countries may be entitled to the benefits of a convention for the avoidance of double taxation (“DTC”), in effect between Spain and their country of tax residence. Such shareholders may benefit from a reduced tax rate under an applicable DTC with Spain, subject to the satisfaction of any conditions specified in the

relevant DTC, including providing evidence of the tax residence of the shareholder by means of a certificate of tax residence duly issued by the tax authorities of the country of tax residence of the Shareholder or, as the case may be, the equivalent document specified in the Spanish Order which further supplements the applicable DTC.

#### *Spanish Quick Refund Procedure*

According to the Order dated April 13, 2000 of the Ministry of Economy and Finance, upon distribution of a dividend, the Company, directly or through its paying agent, will withhold from the dividend an amount equal to the tax required to be withheld according to the general rules set forth in relation to NRIT (i.e., applying the current general withholding tax rate of 19%) and will transfer the net dividend to the custodian entities.

The custodian entities are the financial institutions with which the non-resident shareholders have entered into a custodian or management agreement with respect to the New Shares. If the custodian is resident, domiciled or represented in Spain and it timely provides the Company with evidence of the non-resident shareholders' right to obtain the DTC reduced rate or exemption in the manner set out in the Order dated 13 April 2000 of the Ministry of Economy and Finance, the Company will immediately transfer, directly or through its paying agent, to the custodian entity the surplus amount withheld in respect of such Shareholder. For these purposes, the non-resident shareholders must provide the custodian before the tenth day following the end of the month in which the dividends were paid with a certificate of tax residence issued by the relevant tax authorities of the non-resident shareholders' country of residence stating that the non-resident shareholder is, for tax purposes, a resident of such country within the meaning of the relevant DTC or, if applicable, an equivalent document provided for in the Order applicable to such DTC. This tax certificate is, as a general rule, valid only for a period of one year from the date of issue or if it refers to a specific period, it will only be valid for that period.

If this certificate of tax residence or, if applicable, the equivalent document referred to above, is not provided within this time period or if the depository of the non-resident shareholder is not resident, domiciled or represented in Spain, the non-resident shareholders may subsequently obtain a refund of the excess amount withheld from the Spanish tax authorities, following the Standard Refund Procedure established by Royal Decree 1776/2004, dated July 30, 2004, and an Order dated December 17, 2010, as described below.

#### *Spanish Standard Refund Procedure*

If the certificate of tax residence or, if applicable, the equivalent document referred to above, is not provided within this time period or if the custodian entity of the non-resident shareholders is not resident, domiciled or represented in Spain, the non-resident shareholders may subsequently obtain a refund from the Spanish tax authorities of the excess amount withheld, following the standard refund procedure established by Royal Decree 1776/2004, of July 30, 2004, and an Order dated December 17, 2010.

For this purpose, the non-resident shareholders should file:

- the applicable Spanish tax form (i.e., currently Form 210);
- the certificate of tax residence or equivalent document referred to above;
- documentary evidence of the Spanish tax withheld by the Company; and
- documentary evidence of the bank account in which the excess amount withheld should be paid.

For the purposes of this standard refund procedure, a non-resident shareholders would need to file a Form 210 (together with the corresponding documentation) from February 1<sup>st</sup> following the year in which the NRIT was withheld, and up to the four-year period after the end of the corresponding filing period in which the Company reported and paid such withholding taxes. The Spanish tax authorities must make the refund within the six-month period after the filing of the refund claim. If such period elapses without the non-resident shareholders receiving the corresponding refund, the non-resident shareholders would be entitled to receive interest for late payment on the amount of the refund claimed.

For further details, Shareholders should consult their tax advisors.

#### *Capital gains and losses*

Pursuant to the NRIT Law, capital gains derived from transfer of the New Shares, or any other capital gain related to such securities by legal entities or individuals who do not act through a permanent establishment in Spain shall be subject to NRIT, being the tax payable calculated, generally, in accordance with the rules set forth in PIT Law. In particular, capital gains derived from transfer of the shares shall be subject to NRIT at the rate of 19% in the 2020 tax year.

However, capital gains realized by non-Spanish tax resident Shareholders who benefit from a DTC ratified between their country of tax residence and Spain that provides for taxation of such capital gains only in such non-resident shareholders' country of residence will not be subject to taxation in Spain.

The capital gain or loss shall be calculated and taxed separately for each transfer. Offsetting of gains and losses from different transfers is not permitted. The tax shall be calculated applying the rules set out in article 24 of the NRIT Law.

Distributions to non-Spanish tax resident shareholders of the Pre-emptive Subscription Rights to subscribe for the New Shares made with respect to the Shares are not treated as income under Spanish NRIT Law. The exercise of the Pre-emptive Subscription Rights is not considered a taxable event under Spanish NRIT Law. Proceeds obtained from the transfer of Pre-emptive Subscription Rights related to the New Shares shall be regarded as capital gains for the transferor in the tax period in which the transfer takes place, and shall be taxed according to the criteria set out above.

Pursuant to the NRIT Law, capital gains obtained by non-residents who do not act through a permanent establishment are not subject to withholding on account of NRIT.

Non-resident shareholders shall be obliged to file a tax return, calculating and paying, as applicable, the resulting NRIT due. This tax return may also be filed, and the NRIT paid, by the taxpayer's tax representative in Spain, the depository or the manager of the shares, applying the procedure and the tax return set out in Order EHA/3316/2010, of December 17, 2010.

In the event that the benefits of a DTC apply, the non-resident investor must provide evidence of his/her/its right by providing a certificate of tax residency in a timely manner duly issued by the tax authorities of his/her/its country of residence (which must state, as the case may be, that the investor is resident in that country within the meaning of the applicable double taxation treaty) or the form stipulated in the Order implementing the applicable double taxation treaty. Such tax residency certificates are generally valid for one year from the date of issue for these purposes, and must refer to the tax period in which the capital gain is made.

#### Wealth Tax

Unless an applicable DTC provides otherwise, the assets and rights of individuals whose permanent residency is not in Spanish territory pursuant to article 9 of the PIT Law, and who own assets and rights that can be exercised or have to be met in Spanish territory on December 31, of each year shall be subject to Wealth Tax. However, taxpayers may deduct the minimum allowance of €700,000, being applicable the general scale for the tax, which ranges from 0.2% to 2.5% in 2020.

The Spanish tax authorities consider that the shares of Spanish companies are assets located in Spain for tax purposes.

If subject to Wealth Tax, the tax on New Shares admitted to trading on an official Spanish secondary market owned by non-resident natural persons shall be calculated using the average trading price in the last quarter of each year. The Ministry of Finance publishes annually this average trading price for tax purposes.

Pursuant to Article 3 of Royal Decree-Law 18/2019, of 27 December, adopting certain measures in tax, cadastral and social security matters (*Real Decreto-ley 18/2019, de 27 de diciembre, por el que se adoptan determinadas medidas en materia tributaria, catastral y de seguridad social*) as from year 2021, a full exemption on Spanish Wealth Tax would apply, and therefore from year 2021 and onwards, individuals resident in Spain would be released from formal and filing obligations in relation to Wealth Tax unless the application of this full exemption is postponed or revoked.

Individuals resident in a EU member state or the EEA shall be entitled to apply the specific rules adopted by the Spanish Autonomous Region in which the assets or rights with more value and subject to the tax are located. Investors are advised to consult their tax advisors or lawyers to determine the effects of these rules.

Finally, entities that are not resident in Spain are not subject to this tax.

#### Inheritance and Gift Tax

Without prejudice to the provisions of double taxation treaties, acquisitions through by inheritance or gift by individuals who are not resident in Spain, irrespective of the residency of the transferor, shall be subject to IGT, when the acquisition involves assets located in Spanish territory or rights that can be exercised or have to be complied with in this territory. The Spanish tax authorities consider that the shares of Spanish companies are assets located in Spain for tax purposes.

Generally, non-Spanish tax resident individuals are subject to Spanish IGT in accordance with the rules set forth in the state IGT law. However, if either the deceased or the donee is resident in a EU or EEA member state, the applicable rules will be those corresponding to the relevant autonomous regions in accordance with the law. As such, prospective investors should consult their tax advisors. Likewise, in its recent Judgments of February 19, March 21 and March 22, 2018, the Spanish Supreme Court, based on the European right to the free movement of capital, has declared that the application of the regional rules corresponding to the relevant autonomous community according to the law should be extended in some circumstances to deceased heirs or donees who are resident outside of the EU or the EEA. Investors are advised to consult their tax advisors or lawyers.

Companies that are not resident in Spain are not subject to this tax. The income they obtain by gifts is generally taxed as capital gains, pursuant to the NRIT Law previously described, without prejudice to any applicable double taxation treaty.

Non-resident shareholders are advised to consult their tax advisors about the terms in which IGT applies in each case.

*Spanish Transfer Tax*

Subscription, acquisition and transfers of shares will be exempt from Transfer Tax (*Impuesto sobre Transmisiones Patrimoniales*) and Value Added Tax. Additionally, no Stamp Duty is levied on such subscription, acquisition and transfers.

**Indication as to the issuer assumes responsibility for the withholding of taxes at source**

The Company, as the issuer and payer of income that may result from ownership of the New Shares, undertakes to make withholdings on account of taxes in Spain pursuant to prevailing regulations.

## PLAN OF DISTRIBUTION

### Placing Agreement

On June 17, 2020, the Company and the Managers entered into the Placing Agreement governed by Spanish law. The Placing Agreement provides that, subject to certain conditions, each Manager, acting severally and not jointly, has agreed to use reasonable efforts to procure subscribers for the New Shares, net of committed Shares (the “**Placing Shares**”), at the Subscription Price, and during the Pre-Emptive Subscription Period to promote the acquisition of Pre-emptive Subscription Rights for the subscription of Placing Shares.

### *Fees and expenses*

In consideration of the Managers entering into the Placing Agreement and providing the services agreed thereunder, the Company has agreed to pay to the Managers certain commissions which the Company will range from 0.75% or 1.5% — depending on the type of investor that subscribes for Placing Shares— of the gross proceeds corresponding to the New Shares subscribed and paid up by shareholders or investors whose decision to subscribe for New Shares has been procured by such Managers.

The Company has also agreed to pay all reasonably and properly incurred costs, charges, fees and expenses in connection with or incidental to the placing of the Placing Shares with a cap of €5,000 per Manager.

### *Pre-funding commitments*

In order to expedite the registration and listing of the New Shares, it is expected that the Pre-funding Bank (i.e., Banco Santander, S.A.) will subscribe and pay for the New Shares allocated during the Discretionary Allocation Period, net of committed Shares (the “**Prefunded Shares**”) on or about July 28, 2020.

Payment for the Prefunded Shares by the Pre-funding Bank is expected to be made to the Company in the Company’s account and the Prefunded Shares will come into existence once registered at the Commercial Registry of Madrid and recorded in book-entry form with Iberclear. The Prefunded Shares will be delivered to the Pre-funding Bank following their registration and thereafter transferred by the Pre-funding Bank to final investors.

Payment by the subscribers shall be made at the Subscription Price in euro in immediately available funds, no later than the second business day after the execution of the Special Transactions, expected to be on July 31, 2020.

The obligation of the Pre-funding Bank to subscribe and pay for the Prefunded Shares is subject to certain conditions precedent that must be complied with which are customary in this kind of transactions, including the announcement of the Offering in the BORME and the subscription commitments not having been terminated nor the Placing Agreement.

In consideration of the Pre-funding Bank providing the pre-funding services, the Company has agreed to pay to the Pre-funding Bank Euro Overnight Index Average (EONIA) with a zero-floor plus a margin of 0.45% per annum in respect of the amount corresponding to the Prefunded Shares for the period between the time of pre-funding and the settlement date.

### Lock-up period

The Company has agreed that, without the prior written consent of the Global Coordinators, during a period commencing the date of execution of the Placing Agreement and ending 90 days following the admission of the New Shares on the MAB, neither the Company nor any member of the Group nor any other person acting on its or their behalf will:

- (i) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, lend or otherwise transfer or dispose of any Shares or other shares in the Company, or any securities convertible into or exercisable or exchangeable for Shares;
- (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Shares or other shares in the Company; or
- (iii) enter into any transaction with the same economic effect as items (i) and (ii) above, or agree to do or announce or otherwise publicize the intention to do any of the foregoing,

whether any such swap or transaction described in items (i), (ii) and (iii) above is to be settled by delivery of Shares or any securities convertible into or exercisable or exchangeable for Shares, in cash or otherwise.

The foregoing shall not apply to: (a) the issue of the Pre-emptive Subscription Rights and the New Shares; (b) the grant or exercise of options or other rights to acquire Shares or rights related to Shares under the Company’s employees’ share and incentive schemes, in each case as disclosed in this Prospectus; (c) the issue, acquisition or transfer of Shares in

connection with any employee benefit or incentive plan implemented by the Company, to the extent described in this Prospectus; (d) the execution of any of the transactions described in items (i), (ii) and (iii) in the context of the admission to trading of the Shares on the Spanish Stock Exchanges; (e) the sale of treasury shares under the existing Liquidity Agreement; and (f) the issue of the Subsequent Offering Shares.

### **Termination of the Placing Agreement**

The Global Coordinators (on behalf of the Managers) may, acting unanimously, terminate the Placing Agreement, by written notice to the Company, at any time from and including the date of execution of the Placing Agreement and until the granting of the notarial deed relating to the Offering, if there shall have occurred any of the following:

- (i) any of the warranties contained in the Placing Agreement was untrue, inaccurate, incorrect or misleading as of the date it was given in any material respect, or has ceased to be true, accurate or correct in any material respect since the date it was given;
- (ii) there has been a material breach by the Company of any of the undertakings contained in the Placing Agreement or of any provisions of the Placing Agreement;
- (iii) there has been a Material Adverse Change (as this term is defined in the Placing Agreement) which, in the good faith opinion of the Global Coordinators (acting jointly and on behalf of the Managers), makes it impracticable or inadvisable to proceed with the Offering;
- (iv) any moratorium on or suspension of commercial banking activities shall have been declared by competent authorities in the European Union, Spain, the United States of America, the State of New York or any member of the EEA, or a material disruption in commercial banking activities, securities settlement, payment or clearance services in the European Union, Spain, the United States of America, the State of New York or any member of the EEA;
- (v) the CNMV, the MAB or any other relevant authority suspends or revokes any necessary approval for the Offering or admission to listing of the New Shares;
- (vi) there has occurred:
  - a. a suspension or material limitation in trading in the securities of the Company or the securities generally on any of the MAB, the London Stock Exchange, the New York Stock Exchange or any of the five main regulated equity markets within the EEA on a market capitalization basis as of the date of the suspension or material limitation in trading (including in any case, the Spanish Stock Exchanges), or any material disruption in commercial banking or securities settlement or clearance services in Spain, the United Kingdom or the United States;
  - b. any material adverse change or any development involving an actual change in the national or international financial, political, monetary, economic or market conditions, any financial markets or any currency exchange rates or controls;
  - c. an outbreak or escalation of hostilities or acts of terrorism or a declaration of a national emergency or war or martial law; or
  - d. any other calamity, crisis or event;provided that the effect of any such event, individually or together with any other such event, in the good faith judgment of the Global Coordinators (acting jointly and on behalf of the Managers), is so material and adverse as to make it impracticable or inadvisable to proceed with the placing of the Placing Shares or the delivery of the New Shares on the terms and in the manner contemplated in this Prospectus;
- (vii) any new law or regulation or any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting Spain, any relevant member state of the EEA and/or the United States of America, in the good faith judgment of the Global Coordinators (on behalf of the Managers): (i) is materially adverse to, or is likely to materially and prejudicially affect, the business or financial or trading position or prospects of the Company or the Group; (ii) makes, or is likely to make, it impracticable or inadvisable to market the New Shares or enforce contracts for the sale of the New Shares; or (iii) is likely to result in the successful completion of the placing of the Placing Shares being prejudiced or is likely to be otherwise materially adverse in the context of the Offering or admission to listing of the New Shares.

In addition, the Placing Agreement shall terminate automatically in the event that admission of the New Shares has not been completed by December 31, 2020 (or, in any case, such later dates as may be agreed in writing by the Company and the Global Coordinators (on behalf of the Managers)).



The termination of the Placing Agreement due to any of the circumstances referred to above, or if the placing and pre-funding obligations of the Managers and the Pre-funding Bank, respectively, under the Placing Agreement do not come into force as a result of the failure to fulfil or not to waive of any conditions precedent, will be considered a significant factor which requires the publication of a supplement. In such event, holders of Pre-emptive Subscription Rights who exercise their Pre-emptive Subscription Rights or request for additional New Shares to be allocated during the Additional Allocation Period will have the right, exercisable within two business days after publication of such supplement, to withdraw their subscriptions or requests, as applicable, made before the publication of the supplement provided that the new factor, mistake or inaccuracy to which the supplement refers arises before the Execution Date.

In addition, termination of the Placing Agreement due to any of the circumstances referred to above, or if the placing and pre-funding obligations of the Managers and the Pre-funding Bank, respectively, under the Placing Agreement do not come into force as a result of the failure to fulfil or not to waive of any conditions precedent, will be considered a significant factor which requires the publication of a supplement. In such event, subscribers of Rump Shares will have the right, exercisable within two business days after publication of such supplement, to withdraw their subscriptions or requests, as applicable, made before the publication of the supplement provided that the new factor, mistake or inaccuracy to which the supplement refers arises before the Execution Date).

### ***Governing law and jurisdiction***

The Placing Agreement and any non-contractual obligations arising out of or in connection with it is governed by and construed in accordance with Spanish law. The courts of the city of Madrid have exclusive jurisdiction to settle any disputes (including claims for set-off and counter-claims) in connection with the Placing Agreement.

### **Relationships between the Company and the Managers**

From time to time certain of the Managers and their respective affiliates may have provided the Company or their affiliates with investment banking, commercial banking (including the granting of loans) and other advisory services. They may provide the Company or their affiliates with similar or other services, and engage in similar activities, in the future. In connection with the Offering, each Manager and any affiliate acting as an investor for its own account may take up New Shares and in that capacity may retain, purchase or sell such New Shares (or related investments), for its own account and may offer or sell such New Shares (or other investments) otherwise than in connection with the Offering.

### **Other agreements related to the Offering**

In addition, on May 29, 2020, the Company and Securities and Bonds, S.L. entered into a mediation agreement whereby Securities and Bonds, S.L. may introduce potential investors to the Company in order for them to subscribe for New Shares. Securities and Bonds, S.L. would be entitled to receive up to 1.5% of the gross proceeds deriving from the subscription of New Shares by those investors (see “*Related Party Transactions*” for more information).

### **Commitments from shareholders, directors and members of the Senior Management**

Mr. José María Castellano Ríos, Mr. Javier Illán Plaza and Mr. Remigio Iglesias Surribas which, as of the date of this Prospectus, indirectly hold 5.6%, 1.67% and 0.2%, of the Company’s share capital, respectively, have informed the Company about their intention to participate in the Offering. In addition, Pelham Capital, Ltd. and Siemprelara, S.L., which, as of the date of this Prospectus, directly hold 9.93% and 5.60% of the Company’s share capital, respectively, have informed the Company about their intention to participate in the Offering. Notwithstanding the foregoing, the referred shareholders have not informed the Company whether they will exercise their pre-emptive subscription rights fully or partially. Regarding the other significant shareholder (Ibervalles, S.A.), it has notified the Company that it has not taken a decision yet regarding the exercise of its pre-emptive subscription rights in the Offering.

Likewise, the following shareholders, Biandrina Mercantil, S.L., Vicareca, S.L. and Phervicu, S.L. which, as of the date of this Prospectus, hold, 0.2%, 0.2% and 0.2%, of the Company’s share capital, respectively, have informed the Company about their intention to participate in the Offering. Notwithstanding the foregoing, the referred shareholders have not informed the Company whether they will exercise their pre-emptive subscription rights fully or partially.

The remaining members of the Senior Management and members of the Board of Directors not referred to above (who in aggregate have a 0% stake in the Company’s share capital) have not informed the Company of their intentions regarding the Offering.

## TRANSFER AND SELLING RESTRICTIONS

### Restrictions on the exercise of Pre-emptive Subscription Rights and acquisition and resale of New Shares

*Because of the following restrictions, prospective investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the New Shares.*

#### Selling restrictions

##### *United States of America*

The New Shares and/or the Pre-emptive Subscription Rights have not been and will not be registered under the Securities Act or with any securities regulatory authority or any state or other jurisdiction in the United States of America, and may not be exercised (as it relates to the Pre-emptive Subscription Rights), offered, sold, pledged or otherwise transferred within the United States of America except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws.

##### *Spain*

The Offering is being conducted in Spain as a public offering in compliance with the requirements set forth in the Prospectus Regulation, as amended from time to time. This Prospectus in respect of this Offering has been filed and registered by the Company with the CNMV and, accordingly, public offerings of the New Shares and the Pre-emptive Subscription Rights will be conducted in Spain.

##### *European Economic Area*

In relation to each member state of the EEA (each, a “**Member State**”) other than Spain, each Manager has severally represented, warranted and agreed that it has not made and will not make an offer to the public of the New Shares and the Pre-emptive Subscription Rights in that Member State, except that it may make an offer to the public in that Member State of any of the New Shares or Pre-emptive Subscription Rights at any time under the following exemptions under the Prospectus Regulation:

- (a) an offer of securities addressed solely to qualified investors as defined in the Prospectus Regulation;
- (b) an offer of securities addressed to fewer than 150 natural or legal persons per Member State, other than qualified investors; or
- (c) at any time in any other circumstances falling within article 1(4) of the Prospectus Regulation,

provided that no such offer of New Shares or Pre-emptive Subscription Rights shall result in a requirement for the Company or any Manager to publish a prospectus pursuant to article 3 of the Prospectus Regulation.

Each person in a Member State other than Spain who receives any communication in respect of, or who acquires any New Shares and/or the Pre-emptive Subscription Rights under the offering contemplated in the Prospectus will be deemed to have represented, warranted and agreed to and with each Manager and the Company that:

- (a) in the case of offers of securities addressed solely to qualified investors as defined in the Prospectus Regulation, it is a qualified investor within the meaning of the Prospectus Regulation; and
- (b) in the case of any New Shares and/or the Pre-emptive Subscription Rights acquired by it as a financial intermediary, as that term is used in article 5 of the Prospectus Regulation, (i) the New Shares and the Pre-emptive Subscription Rights acquired by it in the Offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Member State other than qualified investors, as that term is defined in the Prospectus Regulation, or in circumstances in which the prior consent of the Managers has been given to the offer or resale; or (ii) where New Shares and/or the Pre-emptive Subscription Rights have been acquired by it on behalf of persons in any Member State other than qualified investors, the offer of those New Shares and/or the Pre-emptive Subscription Rights to it is not treated under the Prospectus Regulation as having been made to such persons.

The Managers and the Company and their affiliates, and others will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

For the purposes of this selling restriction, the expression an “offer to the public” in relation to any securities in any Member State means a communication to persons in any form and by any means, presenting sufficient information on the terms of the offer and the securities to be offered, so as to enable an investor to decide to purchase or subscribe for those securities. This definition also applies to the placing of securities through financial intermediaries.

## ***United Kingdom***

Each Manager has severally represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) to: (A) persons who are outside the United Kingdom or (B) in the United Kingdom, persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the Order or (ii) who are high net worth entities, and other persons to whom it may lawfully be communicated, falling within article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”); and
- (b) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the New Shares and/or the Pre-emptive Subscription Rights in, from or otherwise involving the United Kingdom.

## ***Australia***

This Prospectus (a) does not constitute a prospectus or a product disclosure statement under the Corporations Act 2001 of the Commonwealth of Australia (“**Corporations Act**”); (b) does not purport to include the information required of a prospectus under Part 6D.2 of the Corporations Act or a product disclosure statement under Part 7.9 of the Corporations Act; has not been, nor will it be, lodged as a disclosure document with the Australian Securities and Investments Commission (“**ASIC**”), the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and (c) may not be provided in Australia other than to select investors (“**Investors**”) who are able to demonstrate that they (i) fall within one or more of the categories of investors under section 708 of the Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Corporations Act and (ii) are “wholesale clients” for the purpose of section 761G of the Corporations Act.

The New Shares and/or the Pre-emptive Subscription Rights may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for, or buy, the New Shares may be issued, and no draft or definitive Prospectus, advertisement or other offering material relating to any shares may be distributed, received or published in Australia, except where disclosure to investors is not required under Chapters 6D and 7 of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the shares of common stock, you represent and warrant to the Company that you are an Exempt Investor.

As any offer of New Shares and/or the Pre-emptive Subscription Rights under this document supplement or the accompanying prospectus or other document will be made without disclosure in Australia under Parts 6D.2 and 7.9 of the Corporations Act, the offer of those shares for resale in Australia within 12 months may, under the Corporations Act, require disclosure to investors if none of the exemptions in the Corporations Act applies to that resale. By applying for the New Shares you undertake to the Company that you will not, for a period of 12 months from the date of issue of the New Shares, offer, transfer, assign or otherwise alienate those shares to investors in Australia except in circumstances where disclosure to investors is not required under the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

## ***Japan***

The New Shares and the Pre-emptive Subscription Rights offered hereby have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “**Financial Instruments and Exchange Act**”). Accordingly, no Shares will be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

## ***Canada***

The Pre-emptive Subscription Rights may be exercised, and the New Shares may be subscribed, by investors in Canada so exercising or subscribing as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are also permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any sale or resale of the Pre-emptive Subscription Rights or New Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Any person in Canada wishing to exercise Pre-emptive Subscription Rights to subscribe for New Shares must execute and deliver an investor letter (in the form of Canadian investment letter separately provided by the Company) to the

Company to the effect that such person is an accredited investor and permitted client and satisfies certain other requirements. Requests to obtain a copy of the form of Canadian investment letter may be directed to the Company at [mariapardo@mhre.es](mailto:mariapardo@mhre.es). Purchasers of New Shares during the Discretionary Allocation Period in Canada will not be required to provide an investor letter.

### ***Mexico***

The Shares and/or the New Shares have not been and will not be registered with the Mexican National Securities Registry (*Registro Nacional de Valores*) maintained by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria de Valores* or “**CNBV**”) and therefore, the New Shares and/or the Pre-emptive Subscription Rights may not be publicly offered, sold nor otherwise be the subject of brokerage activities (*intermediación*) in the United Mexican States (“**Mexico**”). Additionally, this Prospectus does not constitute, nor has it been prepared in the context of an offer of New Shares or Pre-emptive Subscription Rights in compliance with the provisions of the Mexican Securities Market Law (*Ley del Mercado de Valores* or “**LMV**”) and regulations thereunder. The New Shares and/or the Pre-emptive Subscription Rights may only be offered and sold in Mexico to investors that qualify as institutional (*institucionales*) and qualified (*calificados*) solely on a private placement basis, pursuant to the exemptions set forth in Article 8 of the LMV. This Prospectus and any other materials related with the Offering are the exclusive responsibility of the Company, have not been reviewed or authorized by the CNBV and may not be publicly distributed in Mexico.

### ***Information to distributors***

Solely for the purposes of the MiFID II Product Governance Requirements, and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Securities have been subject to the Target Market Assessment. Notwithstanding the Target Market Assessment, distributors should note that: the price of the Securities may decline and investors could lose all or part of their investment; the Securities offer no guaranteed income and no capital protection; and an investment in the Securities is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other advisor) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Managers will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Securities.

Each distributor is responsible for undertaking its own Target Market Assessment in respect of the Securities and determining appropriate distribution channels.

### **ENFORCEMENT OF CIVIL LIABILITIES**

As of the date of this Prospectus, the Company is a Spanish company and its and the Group's assets are located in Spain. In addition, all of its directors and senior managers reside or are located in Spain. As a result, investors may not be able to effect service of process outside Spain upon the Company or these persons or to enforce judgments obtained against the Company or these persons in foreign courts predicated solely upon the civil liability provisions of U.S. securities laws.

Furthermore, there is doubt that a lawsuit based upon U.S. federal or state securities laws, or the laws of any non-Spanish jurisdiction, could be brought in an original action in Spain and that a foreign judgment based upon such laws would be enforceable in Spain.

## **LEGAL MATTERS**

The validity of the New Shares and certain matters governed by Spanish law will be passed on for the Company by Uría Menéndez Abogados, S.L.P., the Company's Spanish counsel, and for the Managers by Allen & Overy, Spanish counsel to the Managers.

Certain other matters governed by U.S. federal law will be passed on for the Company by Mayer Brown International LLP, the Company's U.S. counsel, and for the Managers by Allen & Overy LLP, U.S. counsel to the Managers.

## INDEPENDENT AUDITORS

Ernst & Young, S.L. was appointed Company's auditor on December 29, 2017 for the financial year ended December 31, 2017. Likewise, it was appointed auditor of the Company and its group on November 1, 2018 for the financial year ended December 31, 2018. On May 10, 2019, EY was re-appointed auditor of the Company and its Group for financial years 2019, 2020 and 2021.

EY is domiciled at calle de Raimundo Fernández Villaverde, 65, 28003 Madrid (Spain), holder of Spanish tax identification number B-78970506 and registered with the Official Registry of Auditors (*Registro Oficial de Auditores de Cuentas* or R.O.A.C.) with number S0530 and with the Commercial Registry of Madrid at Volume 9,364, General 8,130, Section 3, Page 68 and Sheet 87690-1.

EY has audited the Financial Statements which have been incorporated by reference in this Prospectus together with their corresponding audit reports.

## INDEPENDENT APPRAISERS

CBRE Valuation Advisory, S.A. and Savills Aguirre Newman, S.A.U. are the appointed independent appraisers of the Company.

CBRE Valuation Advisory, S.A. is domiciled at Paseo de la Castellana 202, 28046 Madrid (Spain) and holder of Spanish tax identification number A-85490217.

Savills Aguirre Newman, S.A.U. is domiciled at Paseo de la Castellana 81, 28046 Madrid (Spain) and holder of Spanish tax identification number A-78909900.

CBRE Valuation Advisory, S.A. and Savills Aguirre Newman, S.A.U. were engaged to issue each of the Valuation Reports.

The Valuation Reports prepared by CBRE and Savills are included in **Annex 1** (Valuation Reports) of this Prospectus.



## DOCUMENTATION INCORPORATED BY REFERENCE

The following documentation is incorporated by reference in this Prospectus:

- the 2019 Audited Consolidated Financial Statements, which have been audited by EY and are available on the Company’s website <https://www.millenniumhotelsrealestate.com/en/annual-reports/>;
- the 2019 Audited Individual Financial Statements, which have been audited by EY and are available on the Company’s website <https://www.millenniumhotelsrealestate.com/en/annual-reports/>;
- the 2018 Audited Consolidated Financial Statements, which have been audited by EY and are available on the Company’s website <https://www.millenniumhotelsrealestate.com/en/annual-reports/>;
- 2018 Audited Individual Financial Statements, which have been audited by EY and are available on the Company’s website <https://www.millenniumhotelsrealestate.com/en/annual-reports/>; and
- 2017 Audited Individual Financial Statements, which have been audited by EY and are available on the Company’s website <https://www.millenniumhotelsrealestate.com/en/annual-reports/>

The Financial Statements are accompanied by their respective directors’ reports including all of their respective annexes, and by their respective auditors’ reports, which are all incorporated by reference in this Prospectus.

## ADDITIONAL INFORMATION

### Documents on display

Copies of the following documents are available on the Company's website:

- (i) the Bylaws (<https://www.millenniumhotelsrealestate.com/en/by-laws-regulation/>); and
- (ii) the Valuation Reports issued by CBRE and Savills (<https://www.millenniumhotelsrealestate.com/en/valuation-reports/>)

Neither the Company's website nor any of its contents forms part of or is incorporated into this Prospectus, whether by reference or otherwise, except as otherwise provided herein. The CNMV has not examined nor approved the Company's website nor any of its contents.

### Alternative performance measures

In addition to financial information presented or incorporated by reference herein, this Prospectus contains (i) management targets which are used to evaluate the potential performance of the Company and its current pipeline, such as: "LTV Ratio", "gross yield on cost", "Shareholder Return", "TSR", "ADR", and "RevPAR", and (ii) management measures, which are used to evaluate the Company's overall performance, such as: "GAV", "NAV", "NAV per Share" and "Working capital".

These APMs are not audited or reviewed by the Group's independent auditors and are not measurements required by, or presented in accordance with, IFRS-EU. These APMs are not measurements of the Group's financial performance under IFRS-EU and should not be considered as alternatives to the information that the Group included in the Financial Statements or to any performance measures prepared in accordance with IFRS-EU. Many of these APMs are based on the Group's estimates, assumptions, calculations and expectations of future results of the Group, and there can be no guarantee that these results will actually be achieved. Furthermore, these APMs, as defined and calculated by the Company, may not be comparable to other similarly titled measures used by other companies. Investors should not consider such information in isolation, as alternatives to the information calculated in accordance with IFRS-EU, as indications of operating performance or as measures of the Company's profitability or liquidity. Such financial information must be considered only in addition to, and not as a substitute for or superior to, financial information prepared in accordance with IFRS-EU.

Investors are advised to review them in conjunction with the Financial Statements incorporated by reference in this Prospectus. Accordingly, investors are cautioned not to place undue reliance on these APMs. Likewise, the Company believes that the description of these APMs follows and complies with the ESMA Guidelines.

The APMs included in the Prospectus, which the Company believes are in accordance with the ESMA Guidelines are defined and explained below:

### Management targets

#### LTV Ratio

Loan-to-value is the ratio between the outstanding gross debt with financial institutions regarding an asset of the Company and the gross value of such asset, expressed as a percentage.

$$LTV = \frac{\text{Outstanding gross debt with financial institutions}}{\text{Asset's GAV}}$$

	For the year ended December 31, 2019	For the year ended December 31, 2018
	(millions of €)	(millions of €)
Outstanding gross debt with financial institutions.....	92.36	32.98
Asset's GAV.....	319	75
<b>LTV Ratio .....</b>	<b>29%</b>	<b>44%</b>

### Gross yield on cost

Gross yield on cost is a measure of return on a stabilized asset calculated as the income generated by such asset expressed as a percentage of the total investment in the asset, including costs. For this purpose, hotels are considered stabilized once they are fully operational and procure a sustained profitability for at least two years.

$$GYoC = \frac{\sum_{T=1}^n Q_n}{Total\ investment}$$

For the purpose of this formula, once the asset is considered to be stabilized,  $Q_n$  refers to the cash flows generated following the moment when the stabilization is achieved ( $T=1$ ) to the end of the period  $n$  ( $T=n$ ).

On June 17, 2020, the Board of Directors resolved to amend the definition of gross yield on cost and stabilized assets provided for in the Management Policy. Pursuant to these amendments, gross yield on cost refers to the gross rents procured by the stabilized portfolio expressed as a percentage of the acquisition and development/ capital expenditure costs, while stabilized assets are those assets that procures rents once included in the Company for at least one year for yielding assets, two years for turnaround assets and three years for greenfield assets. The referred amendments will not be effective until the General Shareholders Meeting ratifies them.

The following table shows the calculation of the gross yield on cost for financial year ended December 31, 2019 taking into account the amendments passed by the Board of Directors on June 17, 2020 regarding the Management Policy.

	<b>For the year ended December 31, 2019</b>
	<b>(thousands of €)</b>
Gross acquisition price .....	61,728
Capital expenditures plan.....	165
<b>Total investment</b> .....	<b>61,892</b>
<b>Rental income</b> .....	<b>3,986</b>
<b>Gross yield on cost</b> .....	<b>6.44%</b>

Gross yield on cost cannot be calculated for financial year ended December 31, 2019 pursuant to the current Management Policy as, according to the current definition of stabilized assets, there were no stabilized assets during such financial year. Likewise, gross yield on cost has not been calculated for financial year ended December 31, 2018 as there were no stabilized assets during such financial year.

### Shareholder Return

Shareholder Return, during a specific period, is calculated as the sum of the NAV increase during such specific period — minus the net proceeds deriving from any share issuance carried out during the referred specific period— and total dividends (or similar distributions) paid during the specific period.

$$Shareholder\ return = (NAV\ increase - Net\ proceeds\ of\ share\ issuances) + Dividends$$

	<b>For the year ended December 31, 2019</b>
	<b>(thousands of €)</b>
NAV increase .....	209,580
Net proceeds of share issuances.....	(190,986)
Dividends .....	-
<b>Shareholder return</b> .....	<b>18,594</b>

Calculation of Shareholder return for financial year ended December 31, 2018 is not included because NAV as of January 1, 2018 is not available as no valuation reports were issued at that time.

### TSR

TSR, during a specific period, is the Shareholder Return divided by the NAV on the last date of the immediately preceding period, expressed as a percentage.

$$TSR = \frac{Shareholder\ Return}{NAV}$$

	<b>For the year ended December 31, 2019</b>
	<b>(thousands of €)</b>
Shareholder return .....	18,594
NAV .....	63,544
<b>TSR</b> .....	<b>29.26%</b>

Calculation of TSR for financial year ended December 31, 2018 is not included because Shareholder return for that period is not available as indicated above.

### ADR

Average daily rate represents the total hotel room revenues divided by the total number of rooms sold in a given period (excluding house use and complimentary rooms).

$$ADR = \frac{\text{Rooms revenue}}{\text{Number of rooms sold}}$$

Calculation of ADR for financial years ended December 31, 2019 and 2018 is not included as the information regarding rooms revenue and number of rooms sold is not based on the Financial Statements but derives from each hotel.

### RevPAR

RevPar is the product of ADR and occupancy and is calculated by dividing rooms revenue by the total number of room available to guests for a given period.

$$RevPAR = \frac{\text{Rooms revenue}}{\text{Rooms available}}$$

Calculation of RevPAR for financial years ended December 31, 2019 and 2018 is not included as the information regarding rooms revenue and rooms available is not based on the Financial Statements but derives from each hotel.

### **Management measures**

#### GAV

GAV is the total gross asset value of the properties forming part of the Portfolio and is intended to be calculated semi-annually by the Company in accordance with applicable market standard methodologies (such as IFRS-EU or EPRA NAV) based on the most recent valuation of the Company's real estate properties which, as of the date of this Prospectus, is included in the Valuation Reports as indicated below.

As of May 31, 2020, the Company's GAV was approximately €314.5 million, while as of December 31, 2019, the Company's GAV was approximately €319 million, and as of December 31, 2018, the Company's GAV was approximately €75 million. In this regard, the Valuation Reports contain valuations on the basis of the market value of the Portfolio as of such dates, except as otherwise stated therein.

No material change has occurred in the Company's properties that were the subject of such valuations that may justify a new valuation as of the date of this Prospectus. The Valuation Reports issued by CBRE and Savills are included in **Annex 1** (Valuation Reports) of this Prospectus.

#### NAV

NAV is the net asset value of the Company's portfolio to be calculated semi-annually by the Company as per the the European Public Real Estate Association's ("EPRA") recommendations and based on the most recent valuation of the Company's real estate properties.

The following table shows the calculation of NAV as of December 31, 2019 and 2018:

	<b>For the year ended December 31, 2019</b>	<b>For the year ended December 31, 2018</b>
	<b>(thousands of €)</b>	<b>(thousands of €)</b>
<b>Total net equity</b> .....	<b>266,898</b>	<b>59,723</b>
Financial derivatives .....	517	316
Deferred tax liabilities .....	5,709	3,505 <sup>(1)</sup>
<b>NAV</b> .....	<b>273,124</b>	<b>63,544</b>

- (1) Corresponds to deferred tax liabilities related to property investments. The balance for the year ended December 31, 2018 indicated in the consolidated statement of financial position includes consolidation adjustments amounting approximately to €2 thousand,

#### NAV per Share

NAV per share is the NAV (€273.12 million and €63.65 million as of December 31, 2019 and 2018, respectively) at a specified date divided by the number of shares outstanding as of such date (50,000,000 shares and 59,014,000 as of December 31, 2019 and 2018, respectively), resulting in a NAV per share of €5.46 and €1.07 as of December 31, 2019 and 2018, respectively.

#### Working capital

Working capital is the amount of a company's total current assets minus the amount of its total current liabilities.

$$\text{Working capital} = \text{Total current assets} - \text{Total current liabilities}$$

	<b>For the year ended December 31, 2019</b>	<b>For the year ended December 31, 2018</b>
	<b>(thousands of €)</b>	<b>(thousands of €)</b>
Total current assets .....	54,567	22,725
Total current liabilities .....	14,001	2,523
<b>Working capital</b> .....	<b>40,566</b>	<b>20,202</b>

## SPANISH TRANSLATION OF THE SUMMARY

### TRADUCCIÓN AL CASTELLANO DE LA NOTA DE SÍNTESIS

*Redactada de conformidad con el artículo 7 del Reglamento (UE) 2017/1129 del Parlamento Europeo y del Consejo, de 14 de junio de 2017, sobre el folleto que debe publicarse en caso de oferta pública o admisión a cotización de valores en un mercado regulado y por el que se deroga la Directiva 2003/71/CE.*

#### 1. INTRODUCCIÓN Y ADVERTENCIAS

**EL PRESENTE RESUMEN DEBE LEERSE COMO INTRODUCCIÓN AL FOLLETO. TODA DECISIÓN DE INVERTIR EN LAS NUEVAS ACCIONES Y/O EN LOS DERECHOS DE SUSCRIPCIÓN PREFERENTE DE MILLENIUM HOTELS REAL ESTATE I, SOCIMI, S.A. (LA “SOCIEDAD” Y, JUNTO CON SUS FILIALES, “MILLENIUM” O EL “GRUPO”) DEBIERA BASARSE EN LA CONSIDERACIÓN DEL FOLLETO EN SU CONJUNTO POR PARTE DEL INVERSOR. EL INVERSOR PUEDE PERDER LA TOTALIDAD O PARTE DEL CAPITAL INVERTIDO.**

**SI SE PRESENTARA ANTE UN TRIBUNAL CUALQUIER DEMANDA RELACIONADA CON LA INFORMACIÓN CONTENIDA EN EL PRESENTE FOLLETO O INCORPORADA POR REFERENCIA AL MISMO, ES POSIBLE QUE EL INVERSOR DEMANDANTE, EN VIRTUD DEL DERECHO ESPAÑOL, TENGA QUE ASUMIR LOS GASTOS DERIVADOS DE LA TRADUCCIÓN DEL FOLLETO ANTES DE LA APERTURA DE DICHO PROCEDIMIENTO JUDICIAL.**

**SOLO HABRÁ LUGAR A LA RESPONSABILIDAD CIVIL DE LAS PERSONAS QUE HAYAN PRESENTADO ESTA NOTA DE SÍNTESIS, INCLUIDA SU TRADUCCIÓN, Y ÚNICAMENTE CUANDO DICHO RESUMEN FUERA ENGAÑOSO, INEXACTO O INCOHERENTE EN RELACIÓN CON LAS DEMÁS PARTES DEL FOLLETO, O SI, LEÍDO CONJUNTAMENTE CON EL RESTO DEL FOLLETO, OMITIÉRESE INFORMACIÓN FUNDAMENTAL PARA AYUDAR A LOS INVERSORES A DECIDIR SI DEBEN INVERTIR O NO EN LAS ACCIONES Y EN LOS DERECHOS DE SUSCRIPCIÓN PREFERENTE DE LA SOCIEDAD.**

La dirección y número de teléfono de la Sociedad (código identificador de entidad jurídica (LEI): 9598000L9L105M8ZYD72) son: Millenium Hotels Real Estate I, SOCIMI, S.A., Paseo de la Castellana, 102, 28046 Madrid, España, y +34 91 185 17 10, respectivamente.

El código ISIN asignado a las Acciones es el ES0105407003, mientras que los Derechos de Suscripción Preferente tienen el código ISIN provisional ES0605407909 y las Nuevas Acciones tienen el código ISIN provisional ES0105407011.

El Folleto fue aprobado y registrado por la Comisión Nacional del Mercado de Valores (“CNMV”) con fecha 18 de junio de 2020. Los inversores pueden ponerse en contacto con la CNMV en el siguiente número de teléfono +34 900 535 015.

El Folleto está disponible en la página web de la CNMV ([www.cnmv.es](http://www.cnmv.es)) y de la Sociedad ([www.milleniumhotelsrealestate.com](http://www.milleniumhotelsrealestate.com)). Ni la página web de la Sociedad ni su contenido forman parte o están incorporados a este Folleto, ya sea por referencia o de cualquier otra forma, salvo que expresamente se prevea. La CNMV no ha examinado ni aprobado la página web de la Sociedad ni su contenido.

Los términos en mayúsculas no definidos en la Nota de Síntesis tienen los significados indicados en otras partes del Folleto.

#### 2. INFORMACIÓN FUNDAMENTAL SOBRE EL EMISOR

##### 2.1. ¿Quién es el emisor de los valores?

La denominación social del emisor es Millenium Hotels Real Estate I, SOCIMI, S.A. El nombre comercial del emisor es “**Millenium**”. La Sociedad está constituida como sociedad anónima en España de conformidad con la Ley de Sociedades de Capital. Tiene su domicilio social en Paseo de la Castellana, 102, 28046, Madrid, España, y cuenta con código identificador de entidad jurídica (LEI): 9598000L9L105M8ZYD72 y con número de teléfono +34 91 185 17 10. La Sociedad se constituyó por plazo indefinido y su número de identificación fiscal es A-87846028. La Sociedad es una Sociedad Anónima Cotizada de Inversión en el Mercado Inmobiliario (“**SOCIMI**”).

La actividad de la Sociedad consiste en la identificación y adquisición o creación de edificios emblemáticos que cumplan los más altos estándares de calidad, situados en las mejores zonas de las principales ciudades de España, ocasionalmente en Portugal, que puedan ser transformados y reposicionados como activos de alto valor y celebrar contratos de arrendamiento con operadores hoteleros para su gestión. Nuestra estrategia está diseñada para que podamos identificar oportunidades de inversión atractivas y ejecutar estrategias de valor añadido y adaptadas para generar valor. Procuramos adquirir propiedades hoteleras que carezcan de suficiente inversión y estén mal gestionadas, con deficiencias funcionales y un fuerte potencial de rehabilitación (lo que denominamos propiedades “*yielding*”), propiedades de alta calidad con potencial para el alojamiento (propiedades “*turnaround*”) y proyectos nuevos en zonas principales y consolidadas que cuenten con el potencial de ofrecer rendimientos interesantes (propiedades “*greenfield*”).

Una vez el activo ha sido transformado o reposicionado, reforzamos nuestro modelo de negocio en relación con la titularidad de las propiedades mediante una estrategia de gestión activa de los activos, los cuales son gestionados por operadores nacionales e internacionales a través de contratos de arrendamiento. El objetivo de esta estrategia es crear y mantener una cartera de hoteles de alta calidad con gran potencial hotelero y valor intrínseco que estén situados en las mejores zonas de destinos estratégicos.

Desde la constitución de la Sociedad, su actividad se ha limitado a la adquisición de las propiedades que actualmente conforman el Portafolio. Las principales adquisiciones de la Sociedad han sido el Hotel Vía Castellana, Hotel Lucentum y uno de los edificios del Hotel Radisson Collection Sevilla en 2018 y el Hotel Radisson Collection Bilbao, Hotel Alma Sevilla, Hotel Meliá Bilbao, Hotel Palacetes de Córdoba, Hotel Plaza Canalejas, Proyecto La Hacienda San Roque y el otro edificio del Hotel Radisson Collection Sevilla en 2019. A 31 de mayo de 2020, el valor bruto de los activos (“**GAV**”) de la Sociedad ascendía aproximadamente a 314,5 millones de euros (318,64 millones de euros a 31 de diciembre de 2019).

La siguiente tabla recoge la información pública disponible emitida de conformidad con la Circular 6/2018 respecto de los principales accionistas (esto es, cuando cualquier accionista alcanza, supera o desciende del 5% del capital social y sus sucesivos múltiplos) de la Sociedad a la fecha del presente Folleto.

Accionista	Total de derechos de voto (%)	
	Directo	Indirecto
Ibervalles, S.A.....	24,83%	-
Pelham Capital, Ltd.....	9,93%	-
D. Leopoldo del Pino <sup>(1)</sup> .....	-	5,60%
D. José María Castellano Ríos <sup>(2)</sup> .....	-	5,60%
<b>Total</b> .....	<b>45,959%</b>	

(1) Indirectamente a través de Siemprelara, S.L.  
(2) Indirectamente a través Alazady España, S.L.

A la fecha del presente Folleto, los administradores de la Sociedad son los seis miembros del Consejo de Administración: D. Javier Illán Plaza (Presidente y Consejero Delegado), D. Enrique Isidro Rincón (Vicepresidente, consejero dominical en representación de Ibervalles, S.A.), D. Remigio Iglesias Surribas (Vicepresidente ejecutivo), D. José María Castellano Ríos (consejero dominical), Dña. Isabel Dutilh Carvajal (consejera independiente) y D. Jaime Montalvo Correa (consejero independiente).

Ernst & Young, S.L., con domicilio social en la calle Raimundo Fernandez Villaverde, 65, 28003 Madrid (España), con número de identificación fiscal B-78970506 e inscrito en el Registro Oficial de Auditores de Cuentas ("R.O.A.C.") con número S0530 y en el Registro Mercantil de Madrid en el Tomo 9.364, General 8.130, Sección 3, Folio 68, Hoja 87690-1, es el auditor independiente de la Sociedad. Fue nombrado auditor de la Sociedad el 29 de diciembre de 2017 para el ejercicio cerrado el 31 de diciembre de 2017. Asimismo, fue nombrado auditor de la Sociedad y de su grupo el 1 de noviembre de 2018 para el ejercicio cerrado el 31 de diciembre de 2018. El 10 de mayo de 2019 fue reeligido auditor de la Sociedad y de su grupo para los ejercicios 2019, 2020 y 2021.

## 2.2. ¿Cuál es la información financiera fundamental relativa al emisor?

### Información seleccionada del estado de situación financiera consolidado

	A 31 de diciembre de 2019 (auditado)	A 31 de diciembre de 2018 (no auditado) (reexpresado)
	(en miles de €)	
Total activo.....	374.500	97.873
Fondos propios.....	267.416	60.039
Deuda financiera neta.....	48.623	13.755

### Información seleccionada de la cuenta de resultados consolidada

	Para el ejercicio cerrado el 31 de diciembre de 2019 (auditado)	2018 (no auditado) (reexpresado)
	(en miles de €)	
Importe neto de la cifra de negocios.....	4.539	2.564
<b>Resultados de explotación</b> .....	<b>23.532</b>	<b>2.167</b>
<b>Resultado del ejercicio atribuido a la Sociedad Dominante</b> .....	<b>22.785</b>	<b>1.585</b>
Crecimiento interanual de los ingresos netos.....	77%	-

### Información seleccionada del estado de flujos de efectivo consolidado

	A 31 de diciembre de 2019 (auditado)	A 31 de diciembre de 2018 (no auditado) (reexpresado)
	(en miles de €)	
<b>Flujos de efectivo de las actividades de explotación</b> .....	<b>(2.838)</b>	<b>2.023</b>
<b>Flujos de efectivo de las actividades de inversión</b> .....	<b>(214.548)</b>	<b>(51.396)</b>
<b>Flujos de efectivo de las actividades de financiación</b> .....	<b>243.146</b>	<b>64.186</b>

La Sociedad se constituyó el 6 de junio de 2017 y optó por el régimen español SOCIMI de conformidad con la Ley SOCIMI. La Sociedad elabora información financiera consolidada desde el ejercicio 2018. Debido a que una parte sustancial de nuestro Portfolio ha sido adquirida durante los ejercicios 2018 y 2019, tenemos un historial operativo limitado y el Portfolio no es comparable de forma interanual. Por lo tanto, nuestra situación financiera y los resultados de las operaciones a fecha de y para los ejercicios financieros mencionados en el presente Folleto no son comparables y pueden no ser indicativos de nuestro negocio, situación financiera o resultados de operaciones futuros.

Se advierte a los inversores que no deben inferir conclusiones de los Estados Financieros y/u otros datos financieros incluidos en el presente documento, dado el limitado historial operativo de la Sociedad y el hecho de que, a la fecha del presente Folleto, varias propiedades del Portfolio están en desarrollo y, por lo tanto, no generan ingresos por alquileres e incurrirán en gastos de construcción y remodelación que se capitalizarán. Los resultados futuros de la Sociedad dependerán de su capacidad para renovar con éxito el Portfolio que está actualmente en desarrollo y suscribir contratos de arrendamiento con reconocidos operadores, con el fin de obtener valor de las propiedades adquiridas hasta el momento y de sus futuras inversiones, así como del impacto del COVID-19 en la economía global, el entorno económico español y su industria de alojamiento y turismo, así como de otros factores descritos en otras partes del Folleto.

## 2.3. ¿Cuáles son los principales riesgos específicos del emisor?

Los factores de riesgo específicos más importantes del emisor son los siguientes:

- **Riesgos relativos a las condiciones sanitarias, medioambientales, sociales y económicas**
  1. El brote de COVID-19 así como posibles brotes similares en el futuro o cualesquiera otras circunstancias que pudieran dar lugar a restricciones de movimientos o al cierre de hoteles podría afectar material y adversamente nuestro negocio, situación financiera, dividendos, resultados operativos y/o perspectivas.
  2. Un deterioro de las condiciones económicas en España y, en general, la UE podría afectar material y adversamente nuestro negocio, situación financiera, resultados operativos y/o perspectivas incluyendo cualquier deterioro derivado de la incertidumbre política en España y la UE, incluso como consecuencia del Brexit.
- **Riesgos relativos a la situación financiera de la Sociedad**
  3. La estrategia de inversión de la Sociedad incluye apalancamiento y garantías reales como hipotecas o prendas, lo que podría suponer para la Sociedad riesgos asociados con préstamos y afectar material y adversamente a nuestro rendimiento operativo y a nuestra situación financiera.
- **Riesgos relacionados con las actividades comerciales y la industria de la Sociedad**
  4. El valor neto de los activos de la Sociedad puede variar a lo largo del tiempo y los Informes de Valoración y/o otros adicionales que en la actualidad o en el futuro puedan emitirse pueden estimar incorrectamente el valor de las propiedades de la Sociedad y no reflejar el valor de mercado actual de las propiedades de la Sociedad, por tanto, afectar material y adversamente nuestro negocio, situación financiera, resultados operativos y/o perspectivas.
  5. El historial operativo de la Sociedad es limitado y la Sociedad puede no tener éxito en la adquisición de futuras propiedades, perjudicando su rendimiento y la capacidad de ejecutar su estrategia de inversión.
  6. Las rentas recibidas de un número reducido de operadores hoteleros representan, y en el futuro pueden representar, una parte significativa de los ingresos totales de la Sociedad.
  7. El negocio de la Sociedad puede verse afectado material y adversamente por una serie de factores inherentes a los sectores del alquiler de hoteles y alojamiento, entre ellos la alta competencia, la construcción excesiva de hoteles, las propiedades vacías, los cambios en la ocupación y el ADR, los aumentos de los gastos de explotación y de otro tipo y los gastos de capital.
  8. Dependemos del rendimiento de terceros operadores hoteleros y podríamos vernos material y adversamente afectados si dichos terceros no gestionan nuestros hoteles en nuestro mejor interés.
- **Riesgos relativos al gobierno corporativo**
  9. Las posibles repercusiones derivadas de la política salarial de la Sociedad, incluidos los planes de incentivos y los pagos por terminación de los contratos de los consejeros ejecutivos, pueden hacer necesario que la Sociedad suscriba acuerdos adicionales de financiación que afecten material y adversamente nuestra situación financiera y/o resultados operativos.
  10. La Sociedad depende del rendimiento y experiencia de ciertos miembros clave del Senior Management para implementar la estrategia de inversión de la Sociedad y su rendimiento histórico no garantiza el rendimiento futuro de la Sociedad.
- **Riesgos legales y regulatorios**
  11. Riesgos relativos a la pérdida del Régimen SOCIMI y el consiguiente pago del tipo estándar del impuesto de sociedades español, así como cambios fiscales, legales y regulatorios relativos a bienes inmuebles, podrían afectar material y adversamente nuestro negocio, situación financiera, resultados operativos y/o perspectivas.

### 3. INFORMACIÓN FUNDAMENTAL SOBRE LOS VALORES

#### 3.1. ¿Cuáles son las principales características de los valores?

Las 29.996.668 Nuevas Acciones a emitir en virtud de la Oferta son acciones ordinarias de la Sociedad con un valor nominal de 1,00 euro cada una, todas de la misma clase y serie que las acciones existentes de la Sociedad. Las Nuevas Acciones estarán denominadas en euros. Las Nuevas Acciones serán acciones ordinarias y sus titulares gozarán de los mismos derechos económicos y de voto que las acciones ordinarias existentes en la Sociedad, los cuales se recogen en la Ley de Sociedades de Capital y en los Estatutos Sociales. No existen restricciones a la libre transmisibilidad de las Acciones en los Estatutos Sociales.

Las 29.996.668 Nuevas Acciones a emitir en virtud de la Oferta se crearán de conformidad con la Ley de Sociedades de Capital, tendrán igualdad de rango en todos los sentidos con las Acciones existentes anteriormente, incluyendo en lo que respecta al derecho de voto y el derecho a percibir dividendos y otras distribuciones que se acuerden, hagan o paguen en relación con el capital social de la Sociedad y están subordinadas a cualquier deuda de la Sociedad. Cada Acción existente, incluidas las Nuevas Acciones, tiene un voto en la Junta General de Accionistas de la Sociedad. No existen restricciones sobre los derechos de voto de las Acciones.

Los titulares de las Acciones gozan de los derechos y están sujetos a las obligaciones establecidas en los Estatutos Sociales, en particular los siguientes derechos inherentes a la condición de socio en la Sociedad:

- Derecho a asistir a las Juntas Generales de accionistas con derechos de voto.
- Derechos de suscripción preferente en ampliaciones de capital mediante aportaciones dinerarias y en relación con bonos convertibles en Acciones, así como derechos de asignación gratuita en aumentos de capital con cargo a reservas.
- Derecho a ejercer las acciones que le corresponden en su condición de accionista.
- Derechos de información.
- Dividendos y derechos de liquidación.

La Sociedad tiene intención de mantener una política de dividendos que apueste por niveles sostenibles de distribución de dividendos y que refleje la previsión futura de la Sociedad de obtención de beneficios. La Sociedad no tiene intención de crear reservas indisponibles más allá de las legalmente necesarias. La Sociedad pretende pagar dividendos tras la aprobación por la Junta General de la propuesta de distribución realizada por el Consejo de Administración. En cualquier caso, la Sociedad se encuentra acogida al Régimen SOCIMI y aspira a mantener tal condición. En ese sentido, de conformidad con el Régimen SOCIMI, en los seis meses siguientes al término de cada ejercicio, la Sociedad estará obligada a adoptar acuerdos para la distribución anual a los accionistas del beneficio obtenido, en cumplimiento de las condiciones establecidas en el Régimen SOCIMI y en la legislación mercantil española.



En virtud del Régimen SOCIMI, una SOCIMI estará obligada a, una vez cumplidos los requisitos aplicables de la Ley de Sociedades de Capital, adoptar acuerdos para la distribución a los accionistas con una periodicidad anual dentro de los seis meses siguientes al cierre del ejercicio social de: (i) al menos el 50% de los beneficios derivados de la transmisión de inmuebles y acciones de Filiales Cualificadas y fondos de inversión colectiva inmobiliaria; siempre que los beneficios restantes deban reinvertirse en otros inmuebles o participaciones dentro de un plazo máximo de tres años a partir de la fecha de la transmisión o, de no ser así, el 100% de los beneficios deben distribuirse en forma de dividendos una vez transcurrido dicho plazo; (ii) el 100% de los beneficios derivados de los dividendos pagados por las Filiales Cualificadas y fondos de inversión colectiva inmobiliaria; y (iii) al menos el 80% de cualesquiera otros beneficios obtenidos (es decir, beneficios derivados de alquileres y actividades complementarias). Si no se adoptara oportunamente el correspondiente acuerdo de distribución de dividendos, la SOCIMI perdería su condición de SOCIMI con respecto al ejercicio al que se refieren los dividendos.

El número de Acciones de la Sociedad tras la Oferta, asumiendo que la suscripción es completa, ascenderá a 80.000.000.

Inmediatamente tras la Admisión, las Nuevas Acciones serán libremente transmisibles de acuerdo con los Estatutos Sociales. No obstante, los accionistas podrán estar sujetos a las restricciones de venta y transmisión que deriven de cualesquiera requisitos legales o reglamentarios que puedan ser de aplicación en sus jurisdicciones. Las Acciones, incluyendo las Nuevas Acciones, están representadas mediante anotaciones en cuenta y se mantienen a través del sistema de compensación y liquidación gestionado por Iberclear.

Los Estatutos Sociales contienen ciertas obligaciones de información e indemnización aplicables a los Accionistas Significativos destinadas a minimizar la posibilidad de que se paguen dividendos a los Accionistas Significativos y mitigar sus posibles consecuencias para la Sociedad. En tal caso, si se realiza un pago de dividendos a un Accionista Significativo, la Sociedad tendrá derecho a deducir un importe equivalente a los gastos fiscales en los que haya incurrido la Sociedad por dicho pago de dividendo del importe que se pague a dicho Accionista Significativo (el Consejo de Administración mantendrá cierta discreción para decidir si ejerce este derecho si la realización de dicha deducción colocaría a la Sociedad en una posición desfavorable).

### 3.2. ¿Dónde se negociarán los valores?

Las Acciones cotizan en el Mercado Alternativo Bursátil español (“MAB”) y se negocian en el sistema *fixing* y bajo el código “YMHRE”. La Sociedad prevé que los Derechos de Suscripción Preferente coticen en el MAB y se negocien desde el 6 de julio de 2020 hasta el 10 de julio de 2020, ambos inclusive. La Sociedad solicitará la admisión a cotización de las Nuevas Acciones en el Mercado Alternativo Bursátil.

### 3.3. ¿Hay alguna garantía vinculada a los valores?

No aplicable.

### 3.4. ¿Cuáles son los principales riesgos específicos de los valores?

Los factores de riesgo específicos más importantes del emisor son los siguientes:

- **Riesgos relativos a la Oferta y a la admisión a cotización de las Nuevas Acciones y los Derechos de Suscripción Preferente en el MAB**
  1. La liquidez de las Acciones y los Derechos de Suscripción Preferente es limitada debido a que cotizan en el MAB en el sistema *fixing* y sus respectivos precios de mercado pueden variar como consecuencia de varios factores, la mayoría de los cuales no están bajo nuestro control.
  2. La Sociedad no ha suscrito un contrato de aseguramiento sino un contrato de colocación. Consecuentemente, las Nuevas Acciones pueden no ser suscritas, total o parcialmente, y los Accionistas Elegibles e inversores que ejerciten sus Derechos de Suscripción Preferente o soliciten Nuevas Acciones adicionales durante el Período de Suscripción Preferente no podrán cancelar sus solicitudes.
  3. El precio de las Acciones puede disminuir materialmente como resultado de la Oferta.
- **Riesgos relativos a la naturaleza de las Nuevas Acciones**
  4. La emisión de las Nuevas Acciones podría diluir la participación de los accionistas en la Sociedad si los actuales accionistas no suscriben Nuevas Acciones. Asimismo, la Sociedad en el futuro puede emitir más Acciones o valores convertibles, lo que podría diluir en mayor medida la participación de los accionistas en la Sociedad.

## 4. INFORMACIÓN FUNDAMENTAL SOBRE LA OFERTA PÚBLICA DE VALORES

### 4.1. ¿En qué condiciones y plazos puedo invertir en este valor?

En el marco de la Oferta, la Sociedad ha otorgado Derechos de Suscripción Preferente a los titulares de Acciones adquiridas no más tarde del 19 de junio de 2020, inclusive, y cuyas operaciones sean liquidadas en Iberclear no más tarde del 23 de junio de 2020, inclusive (los “**Accionistas Elegibles**”) para la suscripción de un máximo de 29.996.668 de Nuevas Acciones. Cada Acción titularidad de los Accionistas Elegibles da derecho a su titular a recibir un Derecho de Suscripción Preferente. El ejercicio de 63 Derechos de Suscripción Preferente da derecho al titular que los ejerce a 38 Nuevas Acciones mediante el pago al contado del Precio de Suscripción. El Precio de Suscripción es de 5,00 euros por cada Nueva Acción y deberá ser abonado en euros.

Los Accionistas Elegibles que no participen en la Oferta verán diluida su participación accionarial tras su ejecución. Asumiendo que (i) ninguno de los actuales accionistas de la Sociedad suscribe Nuevas Acciones derivadas de sus Derechos de Suscripción Preferente, y (ii) las Nuevas Acciones fueran totalmente suscritas por terceros, la participación accionarial de los actuales accionistas de la Sociedad representaría un 62,50% del número total de Acciones tras la ejecución de la Oferta, lo que conllevaría una dilución del 37,50%.

La Sociedad espera obtener unos ingresos netos de la Oferta de aproximadamente 147 millones de euros (ingresos brutos de aproximadamente 150 millones de euros menos unos gastos totales por un importe aproximado de 2,2 millones de euros que comprenden las comisiones a pagar a los Managers así como otros gastos relacionados con la Oferta por un importe aproximado de 0,8 millones de euros (asumiendo la colocación de todas las Nuevas Acciones).

#### Suscripción de las Nuevas Acciones

- **Período de Suscripción Preferente:** El período durante el cual los Accionistas Elegibles pueden ejercitar sus Derechos de Suscripción Preferente tendrá una duración de un mes a partir del primer día natural siguiente a la publicación del anuncio de la Oferta en el BORME. De acuerdo con el calendario previsto, este período comenzará el 20 de junio de 2020 y durará hasta el 19 de julio de 2020 (ambos inclusive). Durante el Período de Suscripción Preferente, los Accionistas Elegibles, o aquellos que adquieran Derechos de Suscripción Preferente, podrán ejercitar sus Derechos de Suscripción Preferente total o parcialmente. Alternativamente, los Accionistas Elegibles, o los adquirentes de Derechos de Suscripción Preferente, podrán vender sus Derechos de Suscripción Preferente en el MAB desde el 6 de julio de 2020 hasta el 10

de julio de 2020, en los mismos términos que las Acciones de las que ellos derivan. Aquellos que hubiesen ejercitado íntegramente sus Derechos de Suscripción Preferente podrán confirmar su intención de suscribir Nuevas Acciones adicionales que excedan de su derecho de prorrateo.

- **Período de Asignación Adicional:** Si al finalizar el Período de Suscripción Preferente quedan Nuevas Acciones sin suscribir, la Sociedad las asignará a los titulares de Derechos de Suscripción Preferente que hayan ejercitado la totalidad de sus Derechos de Suscripción Preferente y hayan indicado, en el momento de dicho ejercicio, su intención de suscribir Nuevas Acciones adicionales que excedan de las Nuevas Acciones correspondientes a sus Derechos de Suscripción Preferente. Se espera que esto tenga lugar no más tarde de las 5:00 p.m. (CET) del cuarto día bursátil inmediatamente posterior a la finalización del Período de Suscripción Preferente (que, de acuerdo con el calendario previsto, se espera que sea el 23 de julio de 2020).
- **Período de Asignación Discrecional:** Si tras el Período de Suscripción Preferente y el Período de Asignación Adicional quedan Nuevas Acciones sin suscribir, el Banco Agente comunicará a los Managers, no más tarde de las 5:00 p.m. (CET) del cuarto día bursátil siguiente a la finalización del Período de Suscripción Preferente (que, de acuerdo con el calendario previsto, se espera que tenga lugar el 23 de julio de 2020), el número de Acciones Sobrantes a asignar durante el Período de Asignación Discrecional. El Período de Asignación Discrecional, si lo hubiera, se prevé que comience en cualquier momento tras la finalización del Período de Asignación Adicional (que, de acuerdo con el calendario previsto, se espera que sea el 23 de julio de 2020) y finalice no más tarde de las 11:00 a.m. (CET) del 27 de julio de 2020, sin perjuicio del derecho de la Sociedad a terminarlo antes de ese momento.

Durante el Período de Asignación Discrecional, las personas que: (i) se encuentren en cualquier país del EEE o en el Reino Unido y tengan la condición de inversor cualificado, tal y como este término se define en el artículo 2(e) del Reglamento de Folletos; (ii) sean, únicamente en España, (a) inversores estratégicos u (b) otros clientes de banca privada; o (iii) se encuentren fuera de España, del EEE, del Reino Unido y de los Estados Unidos de América y tengan la condición de inversor cualificado de acuerdo con la legislación aplicable en el país correspondiente, en todo caso en la medida en que la suscripción y el pago de las Acciones Sobrantes no requieran registro o aprobación de ningún tipo, podrán cursar órdenes a los Managers para suscribir Acciones Sobrantes.

La tabla resumen incluida debajo lista ciertas fechas importantes en relación con la Oferta:

<b>Hito principal</b>	<b>En o alrededor del</b>
Aprobación del Folleto por la CNMV .....	18 de junio de 2020
Comunicación al MAB del hecho relevante anunciando el registro del Folleto por la CNMV y la fecha estimada del inicio y final del Período de Suscripción Preferente.....	18 de junio de 2020
Publicación del anuncio de la Oferta en el BORME y última día de cotización de las Acciones “con derechos” .....	19 de junio de 2020
Inicio del Período de Suscripción Preferente y del período de solicitud de Nuevas Acciones adicionales para su asignación, en su caso, durante el Período de Asignación Adicional.....	20 de junio de 2020
Primera día de cotización de las Acciones “sin derechos” ( <i>ex-date</i> ) .....	22 de junio de 2020
Fecha de corte (fecha en la que aquellas personas o entidades registradas en Iberclear como accionistas se consideran Accionistas Elegibles) ( <i>record date</i> ) .....	23 de junio de 2020
Primer día de cotización de los Derechos de Suscripción Preferente.....	6 de julio de 2020
Último día de cotización de los Derechos de Suscripción Preferente (día de participación garantizada).....	10 de julio de 2020
Finalización del Período de Suscripción Preferente y del período para solicitar Nuevas Acciones adicionales para su asignación, en su caso, durante el Período de Asignación Adicional.....	19 de julio de 2020
Período de Asignación Adicional (en su caso) .....	23 de julio de 2020
Comunicación al MAB del hecho relevante anunciando los resultados del Período de Suscripción Preferente y del Período de Asignación Adicional (en su caso) .....	23 de julio de 2020
Inicio del Período de Asignación Discrecional (en su caso).....	23 de julio de 2020
Finalización del Período de Asignación Discrecional (en su caso).....	27 de julio de 2020
Comunicación al MAB del hecho relevante anunciando los resultados del Período de Asignación Discrecional (en su caso).....	27 de julio de 2020
Desembolso al Banco Agente por las Entidades Participantes de las Nuevas Acciones suscritas durante el Período de Suscripción Preferente y el Período de Asignación Adicional (en su caso).....	28 de julio de 2020
Desembolso (pre-funding) por el Banco Prefinanciador de las Nuevas Acciones suscritas durante el Período de Asignación Discrecional (en su caso).....	28 de julio de 2020
Aprobación del acuerdo de cierre y ejecución de la Oferta .....	28 de julio de 2020
Otorgamiento de la escritura pública de aumento de capital de la Oferta ante notario (Fecha de Ejecución) .....	28 de julio de 2020
Inscripción de la escritura pública de aumento de capital de la Oferta en el Registro Mercantil .....	28 de julio de 2020
Comunicación al MAB del hecho relevante anunciando la inscripción de la escritura pública de aumento de capital de la Oferta en el Registro Mercantil .....	28 de julio de 2020
Inscripción de las Nuevas Acciones emitidas en Iberclear .....	28 de julio de 2020
Admisión a cotización de las Nuevas Acciones emitidas en el MAB por BME .....	29 de julio de 2020
Ejecución de la Operación Bursátil Especial para la transmisión de las Acciones Sobrantes asignadas durante el Período de Asignación Discrecional (en su caso).....	29 de julio de 2020
Día de inicio de cotización estimado en el MAB de las Nuevas Acciones emitidas .....	30 de julio de 2020
Fecha de liquidación de la Operación Bursátil Especial para la transmisión de las Acciones Sobrantes asignadas durante el Período de Asignación Discrecional (en su caso).....	31 de julio de 2020

En caso de que surjan nuevos factores significativos, errores o inexactitudes materiales que afectasen al Folleto entre la fecha del presente Folleto y la fecha en la que las Acciones sean admitidas a negociación en el MAB, la Sociedad tendrá la obligación de publicar un suplemento al Folleto.

#### Compromisos de accionistas, consejeros y miembros de la Alta Dirección

D. José María Castellano Ríos, D. Javier Illán Plaza y D. Remigio Iglesias Surribas que, a fecha del presente Folleto, son titulares indirectamente del 5,6%, 1,67% y 0,2%, del capital social de la Sociedad, respectivamente, han informado a la Sociedad sobre su intención de participar en la Oferta. Además, Pelham Capital, Ltd. y Siemprelara, S.L., que, a fecha del presente Folleto, son titulares directos del 9,93% y 5,6%, del capital social de la Sociedad, respectivamente, han informado a la Sociedad sobre su intención de participar en la Oferta. Sin perjuicio de lo anterior, los referidos accionistas no han informado a la Sociedad de si ejercerán total o parcialmente sus derechos de suscripción preferente. En cuanto al otro accionista significativo (Ibervalles, S.A.), ha informado a la Sociedad de que no ha tomado una decisión todavía sobre el ejercicio de sus derechos de suscripción preferente en la Oferta.

Asimismo, los siguientes accionistas, Biandrina Mercantil, S.L., Vicareca, S.L. y Phervicu, S.L. que, a la fecha del presente Folleto, son titulares del 0,2%, 0,2% y 0,2% del capital social de la Sociedad respectivamente, han informado a la Sociedad sobre su intención de participar en la Oferta. Sin perjuicio de lo anterior, los referidos accionistas no han informado a la Sociedad de si ejercitarán total o parcialmente sus derechos de suscripción preferente.

Los restantes miembros del Senior Management y del Consejo de Administración no referidos en los párrafos anteriores (que de forma agregada tienen una participación del 0% en el capital social de la Sociedad) no han informado a la Sociedad de sus intenciones en relación con la Oferta.

#### **4.2. ¿Quién es el oferente?**

El oferente de las Nuevas Acciones es el Emisor (véase la Sección 2 del presente Resumen en relación con la información clave sobre el Emisor).

#### **4.3. ¿Por qué se ha elaborado este folleto?**

El presente Folleto ha sido elaborado en relación con la oferta de Nuevas Acciones de conformidad con el Reglamento de Folletos. El presente Folleto ha sido aprobado como folleto por la CNMV como autoridad competente en virtud del Reglamento de Folletos y sus medidas de desarrollo en España para la Oferta y la admisión de las Nuevas Acciones en el MAB. Una vez se ejecute la Oferta, los proyectos de reacondicionamiento hayan sido realizados y el Portfolio esté estabilizado (se espera que el Portfolio actual esté completamente estabilizado durante el segundo trimestre del ejercicio cerrado a 31 de diciembre de 2025), pretendemos iniciar el procedimiento para la admisión de las Acciones en las Bolsas de Valores Españolas.

La Sociedad espera ingresos netos de la Oferta de aproximadamente 147 millones de euros (asumiendo la colocación de todas las Nuevas Acciones). La Sociedad tiene la intención de utilizar los ingresos netos de la Oferta para ampliar su Portfolio existente de forma coherente con la estrategia actual de la Sociedad y mejorarlo mediante inversiones de capital.

A mayo de 2020, teníamos un plan de adquisiciones potencial con un valor bruto agregado de los activos estimado de aproximadamente 960 millones de euros (que representan 19 operaciones potenciales, aproximadamente 2.000 habitaciones y 19 hoteles), de los cuales aproximadamente el 38% cuentan con acuerdos de exclusividad, el 42% están en fase de *due diligence* o en una fase avanzada de análisis y negociación, mientras que el restante 20% están estructurados como procesos competitivos. Esperamos poder completar las adquisiciones de hoteles con un valor bruto agregado de los activos de aproximadamente 130 millones de euros (incluyendo inversiones de capital) en un plazo de entre 6 y 12 meses.

El 17 de junio de 2020, la Sociedad y los Managers suscribieron el Contrato de Colocación en relación con la Oferta. El Contrato de Colocación está sujeto a la legislación española. Como contraprestación por la suscripción del Contrato de Colocación por parte de los Managers y por la prestación de los servicios acordados en el mismo, la Sociedad ha acordado el pago de ciertas comisiones a los Managers. Asimismo, el 29 de mayo de 2020, la Sociedad y Securities and Bonds, S.L. suscribieron un contrato de mediación en virtud del cual Securities and Bonds, S.L. podrá poner en contacto a potenciales inversores con la Sociedad a fin de que estos suscriban Nuevas Acciones. Securities and Bonds, S.L. tendrá derecho a recibir hasta un 1,5% de los ingresos brutos derivados de la suscripción de Nuevas Acciones por parte de dichos inversores.

Algunos de los Managers, el Banco Agente y los asesores legales y sus filiales, pueden, ocasionalmente, participar en operaciones con la Sociedad y prestarle servicios en el curso ordinario de sus negocios. Además, los Managers y sus respectivas filiales han realizado, y podrán realizar en el futuro, diversos servicios de asesoramiento financiero, banca de inversión, banca comercial u otros servicios para la Sociedad (incluyendo, para evitar dudas, la participación de ciertos Managers como coordinadores globales y agentes colocadores en el aumento de capital social de la Sociedad del 10 de mayo de 2019), por el cual han recibido, y es probable que continúen recibiendo, los habituales honorarios y gastos.

**Registered office of the Company**

Millenium Hotels Real Estate I,  
SOCIMI, S.A.  
Paseo de la Castellana, 102  
28046 Madrid  
Spain  
Telephone: +34 91 185 17 10

**Global Coordinators**

**Banco Santander, S.A.**  
C/ Juan Ignacio Luca de Tena, 11  
28027 Madrid  
Spain

**Citigroup Global Markets Limited**  
33 Canada Square, Canary Wharf  
London E14 5LB  
United Kingdom

**Banco de Sabadell, S.A.**  
C/ Isabel Colbrand, 22  
28050 Madrid  
Spain

**Joint Bookrunners**

**JB Capital Markets, Sociedad de Valores, S.A.U.**  
Plaza Manuel Gómez Moreno, 2  
28020 Madrid  
Spain

**Société Générale**  
29 Boulevard Haussmann  
75009 Paris  
France

**Co-leads**

**Banca March, S.A.**  
Avinguda Alexandre Rosselló, 8  
07002 Palma, Islas Baleares  
Spain

**Renta 4 Banco, S.A.**  
Paseo de la Habana, 74  
28036 Madrid  
Spain

**GBS Finance, S.A.**  
C/ Velázquez 53, 6º  
28001 Madrid  
Spain

**Rentamarkets S.V., S.A.**  
Plaza Manuel Gómez Moreno, 2  
planta 17-A  
28020 Madrid  
Spain

**Legal Advisors to the Company**

*As to U.S. law:*

Mayer Brown International LLP  
201 Bishopsgate  
London EC2M 3AF  
United Kingdom

*As to Spanish law:*

Uría Menéndez Abogados, S.L.P.  
C/ Príncipe de Vergara, 187  
Plaza de Rodrigo Uría  
28002 Madrid  
Spain

**Legal Advisors to the Managers**

*As to U.S. law:*

**Allen & Overy LLP**  
One Bishop Square  
London E1 6AD  
United Kingdom

*As to Spanish law:*

**Allen & Overy**  
C/ Serrano, 73  
28006 Madrid  
Spain

**Independent Auditors**

Ernst & Young, S.L.  
Raimundo Fernández Villaverde, 65,  
28003 Madrid,  
Spain

## **ANNEX 1: VALUATION REPORTS**

# SAVILLS AGUIRRE NEWMAN Short Report

Millenium Hotels Real Estate | SOCIMI S.A.

June 2020





## Index

1. <b>Instructions and Terms of Reference</b> .....	3
2. <b>Valuation Advice</b> .....	7
3. <b>General Assumptions, Conditions to Valuations, Special Assumptions</b> .....	11

11 June 2020

**Millenium Hotels Real Estate I SOCIMI S.A.**

Paseo de la Castellana 102  
28046 Madrid  
NIF-A 87846028

**Savills Aguirre Newman  
S.A.U.**  
Paseo de la Castellana, 81  
28046 Madrid

Tel: + 34 (91) 310.10.16  
Fax: + 34 (91) 310.10.24

[www.savills.es](http://www.savills.es)

For the attention of Mr. Juan Odériz

**ADDRESSEES:** Millenium Hotels Real Estate I SOCIMI S.A., Banco Santander, S.A., Citigroup Global Markets Limited, Banco de Sabadell, S.A., Société Générale, Capital Markets, Sociedad de Valores, S.A.U., Banca March, S.A., Renta 4 Banco, S.A., GBS Finance, S.A. and Rentamarkets S.V, S.A.

**PROPERTY:** Property Portfolio of properties located across Spain: Plot Hacienda San Roque H3, Plot R1-H1 plus two golf courses in La Alcaidesa (Cádiz) and hotel project in Carretera de San Jerónimo 9 y 11 (Madrid).

Dear Mr. Odériz

In accordance with the terms and conditions contained in our proposal letter dated 21<sup>st</sup> May 2020, we are pleased to provide you with a market update valuation and appraisal report in relation to the above named property. We understand you require this valuation for accounting purposes. The valuation date are the following:

- Hotel project in Carretera de San Jerónimo 9 y 11 (Madrid): 31 May 2020
- Plot Hacienda San Roque H3 and Plot R1-H1 plus two golf courses in La Alcaidesa: 31 May 2020

We draw your attention to our accompanying Report together with the General Assumptions and Conditions upon which our Valuation has been prepared, details of which are provided at the rear of our report.

We trust that our report meets your requirements, but should you have any queries, please do not hesitate to contact us.

Yours faithfully,

For and on behalf of Savills Aguirre Newman Valoraciones y Tasaciones SAU.



Sandra López MRICS  
RICS Registered Valuer  
Hotels Director  
Savills Aguirre Newman S.A.U.



Eduardo Martins Pimenta MRICS  
RICS Registered Valuer  
Associate Director Advisory & Valuation  
Savills Aguirre Newman S.A.U.



# 1. INSTRUCTIONS AND TERMS OF REFERENCE



savills



AGUIRRE  
NEWMAN

### 1.0 Instructions & Terms of Reference

In accordance with our Terms of Engagements signed 21<sup>st</sup> May 2020, we have valued the properties listed at Section 2, in order to provide you with our opinion of their Market Value. The valuation date is **31 May 2020** for Hotel project in Carretera de San Jerónimo 9 y 11 (Madrid), for Plot Hacienda San Roque H3 and for Plot R1-H1 plus two golf courses in La Alcaidesa.

#### 1.1.1 Instructions

You have instructed us to provide our opinions of value on the following bases:

- We are not aware of any conflict of interest, either with the Property, the Assets, or with the client, preventing us from providing you with an independent valuation of the Property in accordance with the Red Book.
- We will be acting as External Valuers, as defined in the Red Book.
- We have no material connection either with the client or with the properties.
- We confirm that we will not benefit (other than from the receipt of the valuation fee) from this valuation instruction.
- We confirm that Savills Aguirre Newman S.A.U. carry sufficient Professional Indemnity Insurance for possible claims. According with the Terms of Engagement Letter, in case of responsibility for our advice, compensation is limited to the amount of the fees provided for carrying out the work.
- We have a Complaints Handling Procedure.
- That we have the knowledge, skills and ability to act on your behalf in respect of this instruction.
- And, that all information provided in respect of this instruction will be kept confidential and will not be disclosed to any un-authorised third party.
- You have also instructed us to comment on specific issues concerning the properties.

Our valuations are prepared on an individual basis and the portfolio valuations reported are the aggregate of the individual Market Values, as appropriate. Our opinions of value is **31 May 2020** for Hotel project in Carretera de San Jerónimo 9 y 11 (Madrid), for Plot Hacienda San Roque H3 and for Plot R1-H1 plus two golf courses in La Alcaidesa.

The valuations have been carried out by qualified MRICS Registered Valuers, with the knowledge, skills and ability required to perform this valuation report competently.

We confirm that our valuations will all be reported in Euros.

### 1.2. Basis of Valuation

The valuation has been prepared in accordance with Royal Institution of Chartered Surveyors ("RICS") Valuation Professional Standards January 2020 (the "RICS Red Book") published in November 2019 and effective from January 2020, in particular in accordance with the requirements of VPS 3 entitled.

Red Book Valuation Standard VS 3.2 relates to the basis of value, and, in accordance therewith, you have instructed us to value the property on the basis of Market Value, the definition is defined as follows:

*"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."*

Our report and valuations in accordance with these requirements are set out below.

#### 1.2.1. General Assumptions and Conditions

All our valuations have been carried out on the basis of the General Assumptions and Conditions set out in the relevant section towards the rear of this report.

#### 1.2.2. Date of Valuation

Our opinions of value is **31 May 2020** for Hotel project in Carretera de San Jerónimo 9 y 11 (Madrid), for Plot Hacienda San Roque H3 and for Plot R1-H1 plus two golf courses in La Alcaidesa. The importance of the date of valuation must be stressed as property values can change over a relatively short period.

#### 1.2.3. Purpose of Valuation

The Valuation is required for required for the capital increase prospectus to be published in the Spanish National Securities Market. It is important that the Report is not used out of context or for the purposes for which it was not intended. We shall have no responsibility or liability to any party in the event that the Report is used outside of the purposes for which it was intended, or outside of the restrictions on its use.

#### 1.2.4. Conflicts of Interest

We are not aware of any conflict of interest, either with yourselves or with the properties, preventing us from providing independent valuation advice, and therefore we are pleased to accept your instructions. We will be acting as External Valuers, as defined in the Red Book.

#### 1.2.5. Valuer Details and Inspection

The due diligence enquiries referred to below was undertaken by Sandra López. The valuations have also been reviewed by Eduardo Martins Pimenta MRICS.



The properties have been inspected by Sandra López from the Hotels Valuations Department. The inspections has been carried out externally and internally, but limited to those areas that were easily accessible or visible.

All those above with MRICS or FRICS qualifications are also RICS Registered Valuers. Furthermore, in accordance with VS 6.1(r), we confirm that the aforementioned individuals have the knowledge, skill and understanding to undertake the valuation competently.

### 1.2.6. Liability Cap

Our letter confirming instructions and the Addendum dated on 28 May 2020 include our aggregate liability due to or under and/or arising out of or in connection with the Report, to any one or more or all the addressees, in tort (including negligence), breach of contract, misrepresentation, breach of statutory duty or otherwise whatsoever shall not exceed 10% of the properties total value (save in respect of matters where we cannot limit or exclude our liability by law).

### 1.2.7. RICS Compliance

This report has been prepared in accordance with Royal Institution of Chartered Surveyors' ("RICS") Valuation – Professional Standards 2020 (the "RICS Red Book") published in November 2019 and effective from January 2020, in particular in accordance with the requirements of VPS 3 entitled Valuation reports and VPGA 2 Valuations secured lending, as appropriate.

Our report in accordance with those requirements is set out below.

### 1.2.8. Verification

This report contains many assumptions, some of a general and some of a specific nature. Our valuations are based upon certain information supplied to us by others. Some information we consider material may not have been provided to us. All of these matters are referred to in the relevant sections of this report.

### 1.2.9. Confidentiality and Responsibility

Finally, in accordance with the recommendations of the RICS, we would state that this report is provided solely for the purpose stated above. It is confidential to and for the use only of the parties to whom it is addressed only, who can rely on it, and no responsibility is accepted to any third party for the whole or any part of its contents. Any such third parties rely upon this report at their own risk.

Neither the whole nor any part of this Report or any reference to it may be included now, or at any time in the future, in any published document, circular or statement, nor published, referred to or used in any way without our written approval of the form and context in which it may appear.

It is our recommendation that prior to entering into a financial transaction based on this report the validity of all information as well estimates should be checked.

## 2. VALUATION ADVICE



savills

AGUIRRE  
NEWMAN

### 1.3. Valuation

Having carefully considered the matter, we are of the opinion that the aggregated Market Value, as at our valuation date, of the respective freehold interests of the properties portfolio owned by Millenium Hotels Real Estate I SOCIMI S.A which is comprised by Plot Hacienda de San Roque H3, Plot R1-H1 in La Alcaidesa, two golf courses in La Alcaidesa and Hotel project in Carretera de San Jerónimo 9 y 11 is:

**€ 138,015,000**

**(ONE HUNDRED THIRTY-EIGHT MILLION, FIFTEEN THOUSAND EUROS)**

Each property has been valued individually and no allowance has been made, either positive or negative, should it form part of a larger disposal. The total stated is the aggregate of the individual Market Values.

We confirm that we have valued the subject property on a 100% ownership basis, and have reflected the apportioned value based on the percentage share of the SPV held by Millenium Hotels Real Estate I SOCIMI S.A. No account has been taken of any premium or discount to reflect any corporate structure or tax implications which may arise from the ownership structure of any of the Properties.

### **3. GENERAL ASSUMPTIONS, CONDITIONS TO VALUATIONS & SPECIAL ASSUMPTIONS**



savills

AGUIRRE  
NEWMAN



### 1.4. General Assumptions, Conditions to Valuation & Special Assumptions

Since the valuation date the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Whilst at the valuation date transaction volumes provided a sufficient amount of up-to-date comparable market evidence upon which to base opinions of value, as at the date of this report in Spain market activity is now being impacted across all sectors. If we were requested to undertake a valuation of these assets as at the date of this Short Report we do not consider that we would be able to place the same degree of reliance upon the available comparable market evidence and may therefore arrive at a different conclusion. Given the unknown future impact that COVID-19 might have on the real estate market we recommend that you keep the valuation of these assets under frequent review.

Accordingly, please be advised that such circumstances exist and that we have advised you in the context above. It follows that notwithstanding this wider uncertainty in the financial markets, we necessarily assume debt finance is available in the market and on reasonable and acceptable commercial terms

In any case, we would wish to point out that our valuation is a snapshot of the market as at the date of valuation.

Despite the lack of recent open market transactions, we consider our valuations reflect current market conditions. We are of the opinion that they are well supported by reference to the constant interaction with our transaction teams and external market participants. Through this, we can evaluate current asking and offering prices and make appropriate adjustments to reflect current market conditions. Finally, we consider our opinions of value as detailed below can be reported with a reasonable degree of confidence.

#### 1.4.1. General Assumptions

Our valuations have been carried out on the basis of the following General Assumptions. If any of them are subsequently found not to be valid, we may wish to review our valuation, as there may be an impact on it. We have assumed:

1. That the Freehold interest is not subject to any unusual or especially onerous restrictions, encumbrances or outgoings that we are unaware of. We have not made any enquiries at the local Register Office, and, therefore, should future enquiries reveal that there are any mortgages or charges, we have assumed that the Asset would be sold free of them.
2. That we have been supplied with all information likely to have an effect on the value of the Asset, and that the information supplied to us is both complete and correct. We do not accept responsibility for any errors or omissions in information and documentation provided to us.
3. That the buildings have been constructed and is used in accordance with all statutory and bye-law requirements, and that there are no breaches of planning control. Likewise, that any future construction or use will be lawful (other than those points referred to above).



4. That the properties are not adversely affected, nor is likely to become adversely affected, by any highway, town planning or other schemes or proposals, and that there are no matters adversely affecting value that might be revealed by a local search or normal solicitors' enquiries, or by any statutory notice (other than those points referred to above).
5. That the buildings are structurally sound, and that there is no structural, latent or other material defects, including rot and inherently dangerous or unsuitable materials or construction techniques, whether in parts of the building we have inspected or not, that would cause us to make allowance by way of capital repair (other than those points referred to above). Our inspection of the property and this report do not constitute a building survey.
6. That the properties are connected, or capable of being connected without undue expense, to the public services of gas, electricity, water, telephones and sewerage.
7. That in the construction or alteration of the buildings, no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, wood wool slabs used as permanent shuttering and the like (other than those points referred to above). We have not carried out any investigations into these matters.
8. That the ownership and possible exploitation of mineral substances and/or gases present in the subsoil have not been considered.
9. That the properties have not suffered any land contamination in the past, nor is it likely to become so contaminated in the foreseeable future. We have not carried out any soil tests or made any other investigations in this respect, and we cannot assess the likelihood of any such contamination.
10. That there are no adverse site or soil conditions, that the ground does not contain any archaeological remains, nor that there is any other matter that would cause us to make any allowance for exceptional delay or site or construction costs in our valuation.
11. That all fixed plant and machinery and the installation thereof complies with the relevant legislation. No allowance has been made for rights, obligations or liabilities arising as a result of defective premises.
12. That the tenants are capable of meeting their obligations, and that there are no undisclosed arrears of rent or breaches of covenant. For valuation purposes it is assumed that the tenants comply their obligations, and that there will be no delays in the payment of rent or undisclosed contractual breaches.
13. That the occupational leases are drawn on terms acceptable to your solicitors including provisions for repair and indexation.
14. In the event that Millenium Hotels Real Estate I SOCIMI S.A. has not approved the different assets analyzed, and in accordance with the assumptions applied in the description of the different valuations, the different phases of Planning, Management and Development Discipline to build the properties according to the planned promotion, it has been

taken into account that the approval of different development phases will be obtained until the licenses of work has been acquired, according to regular times of approval in normal market situations, and with an active approach for the client to obtain the corresponding approvals.

### 1.4.2. General Conditions

Our valuation has been carried out on the basis of the following general conditions:

1. Our valuation(s) are exclusive of VAT (if applicable).
2. We have made no allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the property(ies).
3. No allowance has been made for any expenses of realisation.
4. Excluded from our valuation(s) is any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupier.
5. In all cases, our valuation report includes facilities that are normally transferred with the property, such as boilers, heating and air conditioning, lighting and ventilation, sprinklers, etc., while the equipment that is normally removed before the sale has been excluded from our opinion of value.
6. It has been assumed that all fixed plant and machinery and the installation thereof complies with the relevant EEC legislation.
7. Output prices of different products are those with whom will go on sale at the market uses different delivery date. To estimate the value a basis comparable are taken to the valuation date.
8. Each property has been valued individually and no allowance has been made, either positive or negative, should it form part of a larger disposal.

### 1.4.3. Special Assumptions

According to RICS, only special cases can be established if they are reasonably achievable, relevant and valid in relation to the special circumstances of the valuation. Appendix 4 of Red Book defines and gives examples of Special Assumptions.

In this valuation we have not considered any Special Assumptions.

**Sandra López, MRICS**  
Hotels Director  
SAVILLS AGUIRRE NEWMAN

**Eduardo Martins Pimenta, MRICS**  
Director Valoraciones  
SAVILLS AGUIRRE NEWMAN





# VALUATION REPORT

MILLENIUM PORTFOLIO, 7 Hotels in Spain

MILLENIUM HOTELS REAL ESTATE I, SOCIMI S.A.

Paseo de la Castellana 102, 2º, 28046, Madrid, Spain

&

Banco Santander, S.A.

Citigroup Global Markets Limited

Banco de Sabadell, S.A.

Société Générale

JB Capital Markets, Sociedad de Valores, S.A.U.

Banca March, S.A.

Renta 4 Banco, S.A.

GBS Finance, S.A.

Rentamarkets S.V, S.A.

Valuation Date: 31 May 2020

Report Issue Date: 11 June 2020





Millenium Portfolio

## LEGAL NOTICE AND DISCLAIMER

This valuation report (the "Report") has been prepared by CBRE Valuation Advisory, S.A. ("CBRE") exclusively for Millenium Hotels Real Estate I, SOCIMI S.A. ("the Company") and Banco Santander S.A, Citigroup Global Markets Limited, Banco Sabadell, Societ  Generale, JB Capital Markets, Sociedad de Valores, S.A.U, Banca March, S.A, Renta 4 Banco, S.A, GBS Finance, S.A, Rentamarkets, S.V, S.A (the "Banks"), collectively referred to as the "Addressees" in accordance with the terms of engagement entered into between CBRE and the Addressees dated 27 May 2020 ("the Instruction"). The Report is confidential to the Addressees, who should not disclose the Report unless expressly permitted to do so under the Instruction.

Where CBRE has expressly agreed (by way of a reliance letter) that persons other than the Client or the Addressees can rely upon the Report (a "Relying Party" or "Relying Parties") then CBRE shall have no greater liability to any Relying Party than it would have if such party had been named as a joint client under the Instruction.

CBRE's maximum aggregate liability to the Client, Addressees and to any Relying Parties howsoever arising under, in connection with or pursuant to this Report and/or the Instruction together, whether in contract, tort, negligence or otherwise shall not exceed  20 million (Twenty Million Euro).

Subject to the terms of the Instruction, CBRE shall not be liable for any indirect, special or consequential loss or damage howsoever caused, whether in contract, tort, negligence or otherwise, arising from or in connection with this Report. Nothing in this Report shall exclude liability which cannot be excluded by law.

If you are neither the Client, an Addressee nor a Relying Party then you are viewing this Report on a non-reliance basis and for informational purposes only. You may not rely on the Report for any purpose whatsoever and CBRE shall not be liable for any loss or damage you may suffer (whether direct, indirect or consequential) as a result of unauthorised use of or reliance on this Report. CBRE gives no undertaking to provide any additional information or correct any inaccuracies in the Report.

If another CBRE Group entity contributes to the preparation of the Report, that entity may co-sign the Report purely to confirm its role as contributor. The Client, Relying Party or any other Addressees named herein acknowledge that no duty of care, whether existing under the Instruction or under the Report, shall extend to such CBRE Group entity and the Client, Relying Party or any other Addressees named herein hereby waive any right or recourse against such CBRE Group entity whether arising in contract, tort, negligence or otherwise. CBRE shall remain solely liable to the client in accordance with the terms of the Instruction.

None of the information in this Report constitutes advice as to the merits of entering into any form of transaction.

If you do not understand this legal notice then it is recommended that you seek independent legal advice.

# CONTENTS

## **1. Valuation Report**

Valuation Report

Scope of Work & Sources of Information

Valuation Assumptions

---

# 1

## Valuation Report

---



---

**VALUATION REPORT**

---

<b>Report Date</b>	11 June 2020
<b>Addressees</b>	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A. Paseo de la Castellana 102, 2º 28046, Madrid, Spain For the attention of the Directors. And; Banco Santander, S.A. Citigroup Global Markets Limited Banco de Sabadell, S.A. Société Générale JB Capital Markets, Sociedad de Valores, S.A.U. Banca March, S.A. Renta 4 Banco, S.A. GBS Finance, S.A. Rentamarkets S.V, S.A.
<b>The Properties</b>	The properties listed below.

# Valuation Report

## Property Description

Portfolio of 7 properties comprising three trading hotels and four hotel developments in Spain.:

Table of Hotel Properties held for Investment

PROPERTY	CLASS	CATEGORY	N. ROOMS	LOCATION	
A	Vía Castellana	TRADING HOTEL	4*	228	Madrid
B	Eurostars Lucentum	TRADING HOTEL	4*	169	Alicante
C	Melia Bilbao	TRADING HOTEL	5*	211	Bilbao
Total			608		

Source: CBRE Hotels & MILLENIUM HOTELS REAL ESTATE I SOCIMI, S.A.

Table of Hotel Properties held for Development

PROPERTY	CLASS	CATEGORY	N. ROOMS	LOCATION	
D	Proposed Radisson Bilbao	DEVELOPMENT	5*	137	Bilbao
E	Proposed Radisson Seville	DEVELOPMENT	5*	89	Seville
F	Proposed Alma Seville	DEVELOPMENT	4*/5*	29	Seville
G	Proposed Boutique Hotel Cordoba	DEVELOPMENT	4*/5	47	Cordoba
Total			302		

Source: CBRE Hotels & MILLENIUM HOTELS REAL ESTATE I SOCIMI, S.A.

## Ownership Purpose

Investment & Development

## Instruction

To value the unencumbered Freehold interest in the Properties on the basis of Market Value as at the valuation date in accordance with the terms of engagement entered into between CBRE Valuation Advisory S.A. and the addressees dated 27 May 2020.

## Valuation Date

31 May 2020

## Capacity of Valuer

External Valuer, as defined in the current version of the RICS Valuation – Global Standards.

## Purpose of Valuation

Regulated Purposes: IPO/Capital Increase

## Market Value

€175,400,000 (ONE HUNDRED SEVENTY-FIVE MILLION FOUR HUNDRED THOUSAND EUROS) excluding VAT.

We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

Where a property is owned by way of a joint tenancy in a trust for sale, or through an indirect investment structure, our valuation represents the relevant apportioned percentage of ownership of the value of the whole property, assuming full management control. Our valuation does not necessarily represent the 'Market Value' (as defined in the Red Book) of the interests in the indirect investment structure through which the property is held.

Our opinion of Market Value is based upon the Scope of Work and Valuation Assumptions attached, and has been primarily derived using the discounted cashflow methodology as well as the income capitalisation approach and comparable recent market transactions on arm's length terms.

## Novel Coronavirus

Material Valuation Uncertainty due to Novel Coronavirus (COVID-19): The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuations are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of these Properties under frequent review. For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuations cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuations.

## Report Format

This is a condensed Valuation Report. A Valuation Report including detailed Property Reports has been issued on behalf of the Addressee.

We acknowledge the need to revise the Valuation Report for a full understanding of our valuation assumptions.



## Valuation Methodology for Properties in the course of development

In the case of properties that are in the course of development, we should draw your attention to the fact that the residual method of valuation is very sensitive to changes in key inputs. Small changes in variables such as sales volumes or build costs will have a disproportionate effect on land value. Site values can therefore be susceptible to considerable variances as a result of changes in market conditions.

## Compliance with Valuation Standards

The valuation has been prepared in accordance with the version of the RICS Valuation – Global Standards (incorporating the International Valuation Standards) and the relevant RICS national or jurisdictional supplement (“the Red Book”) current as at the valuation date.

The valuations are compliant with the International Valuations Standards and in accordance with paragraphs 128 to 130 of the ESMA update (ESMA/2011/81) of the Committee of European Securities Regulators’ (CESR) recommendations for the consistent implementation of the European Commission regulation (EC) n. 809/2004 implementing the Prospectus Directive where applicable, and in accordance with the Spanish Stock Exchange requirements.

We confirm that we have sufficient current local and national knowledge of the Property markets involved, and have the skills and understanding to undertake the valuation competently.

Where the knowledge and skill requirements of the Red Book have been met in aggregate by more than one valuer within CBRE Valuation Advisory, S.A., we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of the Red Book.

This Valuation is a professional opinion and is expressly not intended to serve as a warranty, assurance or guarantee of any particular value of the subject Properties. Other valuers may reach different conclusions as to the value of the subject Properties. This Valuation is for the sole purpose of providing the intended user with the Valuer’s independent professional opinion of the value of the subject Properties as at the valuation date.

## Assumptions

The Property details on which the valuations are based are as set out in this report. We have made various assumptions as to tenure, letting, taxation, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.

If any of the information or assumptions on which the valuation is based is subsequently found to be incorrect, the valuation figure may also be incorrect and should be reconsidered.

# Valuation Report

## Special Assumptions

Special assumptions have been applied to calculate the Gross Development Value (GDV) or value as if complete of four of the assets.

In the case of the development in Cordoba, the GDV is subject to the additional special assumption that as at Valuation Date, the property is leased to a reasonably efficient operator under market facing terms.

Additionally, special assumptions have been applied to the three trading assets subject to the rental renegotiation agreements reached between lessor and lessee which are related to the current Covid-19 pandemic – namely Eurostars Lucentum, Vía Castellana, and Melia Bilbao.

Lastly, special assumptions have been made in the case of two of the trading properties (Melia Bilbao and Eurostars Lucentum) regarding the adopted operating structure upon expiration of their current leases.

Please refer to individual property reports for more details.

We have received written confirmation from the Client that we are permitted to make special assumptions in reaching our valuations regardless of the external use of this report. In addition, we are of the opinion that Market Values without special assumptions will be aligned with Market Values reported herein as all assumptions are reasonable as at the Valuation Date.

## Variation and/or Departures from Standard Assumptions

None.

## Verification

We recommend that before any financial transaction is entered into based upon these valuations, you obtain verification of any third party information contained within our report and the validity of the assumptions we have adopted.

We would advise you that whilst we have valued the property reflecting current market conditions, there are certain risks which may be, or may become, uninsurable. Before undertaking any financial transaction based upon this valuation, you should satisfy yourselves as to the current insurance cover and the risks that may be involved should an uninsured loss occur.

## Trading Potential

The bases of valuation, together with our comments and assumptions adopted for the Valuation – including trade related Valuations – are detailed under Valuation Assumptions below

When providing valuations of trade related properties, the RICS Valuation-Professional Standards normally requires the Valuer to provide an indication of the effect of the closure of the business on the property. In the event that the property referred to in this report was closed and the authorisations were not in place, the value would be based upon a potential purchaser's projections of the achievable trade that differ materially from the current market expectations or a value for alternative use. Accordingly, there may be a material difference between the value expressed in this report and those that would be reported in the event of business failure.

## Valuer

The Properties have been valued by valuers who are qualified for the purpose of the valuation in accordance with the Red Book.

## Independence

The total fees, including the fee for this assignment, earned by CBRE Valuation Advisory, S.A. (or other companies forming part of the same group of companies within Spain) from the Addressee (or other companies forming part of the same group of companies) is less than 5.0% of the total Spanish revenues.

It is not anticipated this situation will vary in the financial year to 31 December 2020.

## Previous Involvement and Conflicts of Interest

We confirm that we have previously valued the assets included in the portfolio, for the "Company" as stated below:

- Since December 2018 we have been valued all the properties forming the portfolio, with the corresponding additions, every semester (31 December and 30 June) for accounts purpose;
- In July 2019, we provided an opinion of pricing for the Melia Bilbao prior to its acquisition for internal management purposes;
- The proposed Alma Seville was valued for internal management purposes as of 30 April 2019;
- The proposed Radisson Seville was valued for internal management purposes as of 31 March 2019;
- The proposed Radisson Bilbao was valued for internal management purposes as of 31 December 2018;
- The Via Castellana Hotel was valued for internal purposes as of April 2017;
- The Eurostars Lucentum was valued for internal purposes as of June 2017.

Copies of our conflict checks have been retained within our working folders.



# Valuation Report

## Reliance

The contents of this Report may only be relied upon by:

- a) Addressees of the Report; and
- b) Parties who have received prior written consent from CBRE in the form of a reliance letter;

With reference to our Standard Terms of Business 5.5 and 5.6, CBRE Valuation Advisory, S.A acknowledges that no liability cap applies to the valuations in respect of third parties to the extent imposed by Spanish law or required by the Spanish securities market regulator (CNMV).

## Publication

Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

Such publication of, or reference to this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the Red Book or the incorporation of any special assumptions referred to herein.

Notwithstanding the above, CBRE Valuation Advisory, S.A. is aware that that this document, which is a condensed version of the Valuation Report, will be published in compliance with the requirements of the CNMV.

# Valuation Report

Yours faithfully,



**Blanca Martín Alonso MRICS**

**Director**

**RICS Registered Valuer**

For and on behalf of CBRE Valuation Advisory  
S.A.

T: +34 91 514 39 07

E: [blanca.martin@cbrehotels.com](mailto:blanca.martin@cbrehotels.com)

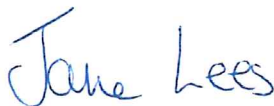
CBRE Valuation Advisory S.A. | Edificio Castellana 200 | Paseo  
de la Castellana 202, Planta 8ª | 28046 | Madrid | Spain

Switchboard +34 91 514 19 00

W: [www.cbrehotels.com](http://www.cbrehotels.com)

Project Reference: VH20-0020V

Signed for and on behalf of CBRE Hotels Limited



**Name: Jane Lees MRICS**

**RICS Registered Valuer**

**Position: Executive Director**

For the avoidance of doubt, and pursuant to the terms of the Legal Notice and Disclaimer, CBRE Hotels Limited has co-signed this Report purely to confirm its role as contributor. Consequently, the Client, Relying Party or any other Addressees named herein acknowledge that no duty of care, whether existing under the Instruction or under the Report, shall extend to CBRE Hotels Limited and the Client, Relying Party or any other Addressees named herein hereby waive any right or recourse against CBRE Hotels Limited whether arising in contract, tort, negligence or otherwise.



# Valuation Report

## SCOPE OF WORK & SOURCES OF INFORMATION

### Sources of Information

We have carried out our work based upon information supplied to us as outlined below, which we have assumed to be correct and comprehensive.

The table below outlines the information we have been provided with:

INFORMATION	SOURCE
<b>All assets (except for the Proposed Cordoba Hotel)</b>	
Floor Plans	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Land Registry Extracts	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Operating Licenses & Certificates	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Fixed Charges (Property Tax, Insurance, Community, etc.)	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Current Operating Agreements and its addendums where applicable	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
<b>Vía Castellana</b>	
Cadastral Certificates	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Asset management reports prepared by Magma Hospitality Consulting	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Appraisal ("Tasación") prepared by Tinsa	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Capex for 2017 and 2018	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Calculation of the Variable Rent until December 2019	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Historic Accounts (2015-2019)	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
List of parking tenants	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Rental Invoice 1 December 2019	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Rent Deferment Structure for Hotel and Parking Lease Agreements	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S. A
<b>Eurostars Lucentum</b>	
Energy Performance Certificate	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Legal Due Diligence	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Historic Accounts (2016-2017)	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Deed of Sale	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Rental Invoice 1 December 2019	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Rent Deferment Structure for Hotel Lease Agreement	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A
<b>Melia Bilbao</b>	
Deed of Sale	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Rental Invoice 1 December 2019	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
ECO Appraisal Report	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Lease agreement	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Fixed Charges	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Rent Deferment Structure for Hotel and Restaurant Lease Agreements	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.

## Valuation Report

INFORMATION	SOURCE
<b>Proposed Radisson Bilbao</b>	
Business Plan prepared by Radisson (2020-2024)	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Cultural Heritage Commission Decision	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Initial Concept Design Project ("Proyecto Básico")	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Signed Lease Agreement Radisson	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Proposed Development Costs and costs incurred as at the valuation date	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Deed of Sale	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Building Permit	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
<b>Proposed Radisson Sevilla</b>	
Energy Performance Certificate of Magdalena building	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Urbanism Report of Magdalena building	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Business Plan prepared by Radisson	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Deed related to the acquisition of 50% participation of Magdalena building	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Technical Design Project ("Proyecto de Ejecución")	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Building Permit for both Magdalena and Rioja building	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Demolition project	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Proposed Development Costs and costs incurred as at the valuation date	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Title Deed for Rioja Building	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Food & Beverage proposed concepts brochure	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Food & Beverage Projections	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
<b>Proposed Alma Sevilla</b>	
Proposed Floor Plans	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Town Planning Feasibility Study	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
State of Repair Assessments	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Lease agreement with Alma Hotels	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Business Plan prepared by Alma Hotels	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Design Project ("Proyecto Básico")	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Proposed Development Costs and costs incurred as at the valuation date	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Building Permit	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
<b>Proposed Cordoba Hotel</b>	
Deed of Sale for all Premises	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Business Plan prepared by Millenium	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Preliminary Design Project ("Anteproyecto")	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Proposed Development Costs	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Preliminary proposed Floor Plans	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Insurance Policies for three Premises	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Title Deed for Cabezas 19 Premises	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Title Deed for Cabezas 15 Premises	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Title Deed for Caldereros 3 Premises (House no. 1)	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.
Title Deed for Caldereros 3 Premises (House no. 7&9)	MILLENNIUM HOTELS REAL ESTATE I SOCIMI, S.A.



# Valuation Report

In the event of a future change in the trading potential or actual level of trade from that identified by the financial information provided (for example as a result of the conduct of trade at the Properties) the values reported herein could materially vary.

## The Properties

Our report contains a brief summary of the Properties details on which our valuation has been based.

## Inspections and Personnel

Due to the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, it has not been possible to carry out an internal inspection of the properties. As instructed, we have valued the properties subject to external inspections, adopting the assumptions concerning the state of the property as set out within this report. Our valuations are therefore reported on the basis of ‘material valuation uncertainty’ as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.” Our opinion of value is subject to review, following an internal inspection. For the avoidance of doubt, the inclusion of the ‘material valuation uncertainty’ declaration above does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation.

In the case of development valuations, we would draw your attention to the fact that, even in normal market conditions, the residual method of valuation is very sensitive to changes in key inputs, with small changes in variables (such as the timing of the development, finance/construction costs and sales rates) having a disproportionate effect on land value. Consequently, in the current extraordinary market conditions – with construction costs increasing, supply and timing issues, fluctuating finance rates, uncertain marketing periods and a lack of recent comparables – it is inevitable that there is even greater uncertainty, with site values being susceptible to much more variance than normal.

## Valuation Report

The Properties have been externally inspected by the following surveyors as listed below.

With the exception of the asset in Cordoba, which was recently acquired, and government-imposed confinement measures did not allow for a full inspection, all of the properties were fully inspected by RICS qualified surveyors for previous valuations for account purposes, as summarised below:

PROPERTY	INTERNAL INSPECTION DATE	VALUERS
Via Castellana Hotel	20 April 2017	Sandra Rubio MRICS and Blanca Martín MRICS
Eurostars Lucentum	25 April 2018	Sandra Rubio MRICS and Blanca Martín MRICS
Proposed Radisson Bilbao	18 September 2018	Sandra Rubio MRICS and Blanca Martín MRICS
Proposed Radisson Seville	08 February 2018 and 25 April 2019	Blanca Martín MRICS
Proposed Alma Seville	25 April 2019	Blanca Martín MRICS
Melia Bilbao	09 January 2020	Josefina Graglia and Blanca Martín MRICS
Proposed Cordoba Hotel	-	-

Notwithstanding, all properties have been externally inspected for the purposes of this valuation, as shown below:

PROPERTY	EXTERNAL INSPECTION DATE	VALUERS
Via Castellana Hotel	16 May 2020	Blanca Martín MRICS
Eurostars Lucentum	19 May 2020	Carmen María Soto Hernández
Proposed Radisson Bilbao	13 May 2020	Jorge Lleyda MRICS
Proposed Radisson Seville	14 May 2020	Carlos Blanco Delgado MRICS
Proposed Alma Seville	14 May 2020	Carlos Blanco Delgado MRICS
Melia Bilbao	13 May 2020	Jorge Lleyda MRICS
Proposed Cordoba Hotel	26 May 2020	Rocío Tortosa

### Areas

We have not measured the Properties but have relied upon the floor areas provided to us, as set out in this report, which we have assumed to be correct and comprehensive. Hotels are generally valued by reference to trading potential rather than floor area.

### Environmental Matters

We have not undertaken, nor are we aware of the content of, any environmental audit or other environmental investigation or soil survey which may have been carried out on the Properties and which may draw attention to any contamination or the possibility of any such contamination.

We have not carried out any investigations into the past or present uses of the Properties, nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.

# Valuation Report

## Services and Amenities

We understand that all main services including water, drainage, electricity and telephone are available to the Properties.

None of the services have been tested by us.

## Repair and Condition

We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Properties. We are unable, therefore, to give any assurance that the Properties are free from defect.

We have revised Technical Due Diligence prepared by third parties when available and commented thereon in our reports.

## Town Planning

We have made verbal and online Planning enquiries only. Information supplied to us by planning officers is given without liability on their part. We cannot, therefore, accept responsibility for incorrect information or for material omissions in the information supplied to us.

## Titles, Tenures and Lettings

Details of title/tenure under which the Properties are held and of lettings to which it is subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser.

We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.



---

## VALUATION ASSUMPTIONS

---

### Capital Values

The valuation has been prepared on the basis of "Market Value", which is defined as:

"The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

The valuation represents the figure that would appear in a hypothetical contract of sale at the valuation date. No adjustment has been made to this figure for any expenses of acquisition or realisation - nor for taxation which might arise in the event of a disposal.

Investment Value is defined in the Red Book as:

"The value of an asset to an owner or a prospective owner for individual investment or operational objectives."

The valuation prepared on the basis of Investment Value reflects the benefits received by an entity from holding the asset and, therefore, does not necessarily involve a hypothetical exchange. The Investment Value reflects the circumstances and financial objectives of the entity for which the valuation is being produced.

No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charge.

No account has been taken of the availability or otherwise of capital based Government or European Community grants.

No account has been taken of capital allowances that may be available to the purchaser.

### Trade Related Valuations

We have had regard to the RICS Valuation Practice Guidance Application (VGPA) 4 on the Valuation of individual trade related properties. Key considerations are set out below.

The essential characteristics of properties that are normally sold on the basis of their trading or underlying trading potential is that they are designed, or adapted, for a specific use and the resulting lack of flexibility usually means that the value of the property interest is intrinsically linked to the trading potential of the property.

The valuation of the operational entity usually includes:

- a) the legal interest in the land and buildings;
- b) the trade inventory, usually comprising all trade fixtures, fittings, furnishings and equipment; and
- c) the market's perception of the trading potential, together with an assumed ability to obtain/renew existing licences, consents, certificates and permits.

The valuation excludes consumables and stock in trade and any antiques, fine art and chattels.

The valuation includes trade items and equipment that are essential to the running of the operational entity but which either are owned separately from the land and buildings or are leased – see under Trading Properties heading below.

Unless we state otherwise, our valuation is based on an estimate of the maintainable level of trade (fair maintainable turnover) and future profitability (fair maintainable operating profit) a competent operator of a business conducted on the premises acting in an efficient manner would expect to achieve. The concept involves estimating the trading potential of the property having regard to its inherent characteristics and prevailing market conditions rather than the actual level of trade under the existing ownership. Therefore, personal goodwill that is created by the present owner or management is excluded.

The goodwill that is included in the valuation is generally considered to include value which attaches to the property and runs with the property by virtue of circumstances such as its location, design, planning permission, property-specific name and reputation, customer patronage, licence and occupation for its particular use (known as transferable goodwill or inherent goodwill).

This is differentiated from personal goodwill, which is created by the current operator and is the value of profit generated over and above market expectations, and which would be extinguished upon sale of the trade related property, together with financial factors related specifically to the current operator of the business. Personal goodwill is not expected to remain with the business in the event of the property being sold, but to be extinguished upon sale, and we exclude it from our valuation of the property.

FMT (Fair Maintainable Trade) assumes that the Property is properly equipped, repaired, maintained and decorated. FMOP (Fair Maintainable Operating Profit) is stated prior to depreciation and finance costs relating to the asset itself, and any rent if leasehold. In valuing leasehold property, we reflect the rent liabilities.

## Valuation Report

A new owner will expect to assume the benefit of the income from the existing owners of the property and the forward-bookings, which are an important part of the ongoing business. Generally, the purchaser will be obliged to take over the employment of existing staff, whose statutory and service-related employment rights will be maintained. Certain activities can only be carried on under licences or other statutory consents, approvals and certificates and their continuance or grant on the date of transfer or renewal is an explicit assumption in our valuation.

As with all properties valued by reference to trading potential, valuations are vulnerable to external influences and the introduction of competition. The trading valuation is inextricably linked to the performance of the national economy.

Unless stated otherwise within this report, our valuation assumes that the Property is open for business and trading at the valuation date. The valuation of the Property is as a fully-equipped operational entity having regard to trading potential on the assumption that there will be a continuation of trading. Where the property is empty through cessation of trade, or it is a new property with no existing trade to transfer and/or there is no trade inventory, different assumptions and/or Special Assumptions apply as set out in this report. The valuation is of the empty property having regard to trading potential subject to those assumptions/Special Assumptions.

Unless stated otherwise within this report, where provided, vacant possession valuations are of the Property on the basis that it continues to trade, save that the existing operator is no longer involved.

### Rental Values

Rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes, nor do they necessarily accord with the definition of Market Rent.



## Trading Properties

Items of plant and machinery normally considered as landlord's fixtures such as lifts, escalators, air conditioning, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuation.

Furthermore, a number of items that normally might be regarded as tenant's fixtures and fittings - such as trade appliances, furniture and equipment - as well as soft goods considered necessary to generate the turnover and profit, are included in our valuation of the properties. The vacant possession valuation assumes that Properties are available for sale including all fixtures and fittings. We understand that fixtures, machinery and equipment are either owned, leased or under contract. We have made no adjustment to reflect the net present value of meeting any existing lease contracts in respect of the equipment. Unless stated otherwise within this report, we have assumed that any such leasing costs are reflected in the trading figures supplied to us, and that all trade fixtures and fittings essential to the running of the properties as an operational entity would be capable of transfer as part of a sale of the building, and any necessary third-party consents obtained.

All measurements, areas and ages quoted in our report are approximate.

## Environmental Matters

In the absence of any information to the contrary, we have assumed that:

- (a) the Properties are not contaminated and is not adversely affected by any existing or proposed environmental law;
- (b) any processes which are carried out on the Properties which are regulated by environmental legislation are properly licensed by the appropriate authorities;
- (c) the Properties possess current energy performance certificates as required under government directives;
- (d) the Properties are either not subject to flooding risk or, if they are, that sufficient flood defences are in place and that appropriate building insurance could be obtained at a cost that would not materially affect the capital value.

## Repair and Condition

In the absence of any information to the contrary, we have assumed that:

- (a) there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the Properties;
- (b) the Properties are free from rot, infestation, structural or latent defect;
- (c) no currently known deleterious or hazardous materials or suspect techniques have been used in the construction of, or subsequent alterations or additions to, the properties; and
- (d) the services, and any associated controls or software, are in working order and free from defect.

## Valuation Report

We have otherwise had regard to the age and apparent general condition of the Properties. Comments made in the property details do not purport to express an opinion about, or advise upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

### **Title, Tenure, Lettings, Planning, Taxation, and Statutory & Local Authority requirements**

Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that:

- (a) the Properties possess a good and marketable title free from any onerous or hampering restrictions or conditions;
- (b) all buildings have been erected either prior to planning control, or in accordance with planning permissions, and have the benefit of permanent planning consents or existing use rights for their current use;
- (c) the Properties are not adversely affected by town planning or road proposals;
- (d) all buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations;
- (e) only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each Property to comply with the provisions of the relevant disability discrimination legislation;
- (f) there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;
- (g) tenants will meet their obligations under their leases;
- (h) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;
- (i) where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required; and
- (i) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy.

---

**Javier Illán Plaza**

Presidente y Consejero Delegado