# MILLENIUM HOTELS REAL ESTATE I SOCIMI, S.A. AND SUBSIDIARIES

Interim condensed consolidated financial statements and interim consolidated management report for the six-month period ended
June 30, 2021

# Interim consolidated statement of financial position at June 30, 2021

(In euros)

| ASSETS | Notes | 6/30/2021 | 12/31/2020 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | **376,782,589** | **354,027,732** |
| Property, plant, and equipment | 6 | 11,270,571 | 13,848,592 |
| Investment properties | 7 | 365,369,000 | 338,654,000 |
| Financial investments | 8 | 143,018 | 1,525,140 |
| **CURRENT ASSETS** | | **32,101,882** | **31,415,805** |
| Inventories | | 176,147 | 412,794 |
| Trade and other receivables | | 8,700,722 | 7,816,260 |
| Trade receivables | 8 | 1,428,961 | 3,197,947 |
| Other receivables | | 6,030 | 3,423 |
| Receivable from public administrations | 12 | 7,265,731 | 4,614,890 |
| Financial investments | 8 | 4,216,652 | 2,305,214 |
| Other current assets | | 470,768 | 208,785 |
| Cash and cash equivalents | 9 | 18,537,593 | 20,672,752 |
| **TOTAL ASSETS** | | **408,884,471** | **385,443,537** |

| EQUITY AND LIABILITIES | | | |
|---|---|---|---|
| **EQUITY** | | **275,152,596** | **274,091,958** |
| **Capital and reserves** | | **275,520,038** | **274,534,309** |
| Share capital | 10.1 | 54,601,101 | 54,601,101 |
| Share premium | | 157,593,204 | 157,593,204 |
| Reserves and retained earnings | 10.2 | 63,099,146 | 78,392,525 |
| Shares of the Parent company | 10.3 | (1,016,043) | (1,057,080) |
| Profit (loss) for the period attributed to the Parent company | | 1,242,630 | (14,995,441) |
| **Unrealized gains (losses) reserve** | | **(367,442)** | **(442,351)** |
| **NON-CURRENT LIABILITIES** | | **113,542,235** | **94,054,143** |
| Financial liabilities | | 107,833,513 | 88,345,421 |
| Bank borrowings | 11.1 | 91,945,097 | 69,960,052 |
| Finance lease payables | 11.1 | 12,479,036 | 13,324,592 |
| Derivatives | 11.2 | 252,275 | 442,351 |
| Other financial liabilities | 11.3 | 3,157,105 | 4,618,426 |
| Deferred tax liabilities | | 5,708,722 | 5,708,722 |
| **CURRENT LIABILITIES** | | **20,189,640** | **17,297,436** |
| Provisions | | 128,034 | 53,034 |
| Financial liabilities | | 9,796,557 | 6,797,324 |
| Bank borrowings | 11.1 | 5,667,741 | 4,702,864 |
| Finance lease payables | 11.1 | 1,674,910 | 1,182,071 |
| Derivatives | 11.2 | 115,167 | - |
| Other financial liabilities | 11.3 | 2,338,739 | 912,389 |
| Trade and other payables | | 10,032,686 | 10,376,749 |
| Suppliers and other payables | 11.4 | 8,830,941 | 7,728,955 |
| Employee benefits payable | 11.4 | 249,305 | 550,000 |
| Payables to public administrations | 12 | 807,776 | 1,699,401 |
| Customer advances | 11.4 | 144,664 | 398,393 |
| Other current liabilities | | 232,363 | 70,329 |
| **TOTAL EQUITY AND LIABILITIES** | | **408,884,471** | **385,443,537** |

The accompanying Notes 1 to 17 are an integral part of the interim consolidated statement of financial position at June 30, 2021.

# Separate interim consolidated statement of profit or loss for the six-month period ended June 30, 2021

(In euros)

| | Notes | 6/30/2021 | 6/30/2020 |
|---|---|---|---|
| Continuing operations | | | |
| **Revenue** | | **3,725,450** | **4,016,039** |
| Lease income | 7.3 & 14.1 | 3,189,495 | 3,143,231 |
| Rendering of services | 14.1 | 414,600 | 698,364 |
| Sales income | 14.1 | 121,355 | 174,444 |
| **Cost of sales** | | **(70,559)** | **(84,796)** |
| **Other operating income** | | **29,046** | **38,629** |
| **Employee benefits expense** | **14.2** | **(1,833,107)** | **(1,733,310)** |
| **Other operating expenses** | | **(5,029,862)** | **(3,015,501)** |
| External services | 14.3 | (959,668) | (960,155) |
| Taxes (other than income tax) | 14.5 | (867,851) | (868,697) |
| Impairment losses on receivables | 8.1 | (3,202,343) | (1,186,649) |
| **Change in fair value of investment properties** | **7** | **6,948,388** | **(10,345,259)** |
| **Depreciation and amortization** | **6** | **(346,498)** | **(332,055)** |
| **Impairment losses and gains (losses) on disposal of non-current assets** | **6** | **(1,669,172)** | **-** |
| **OPERATING PROFIT (LOSS)** | | **1,753,686** | **(11,456,253)** |
| **Finance income** | | **1,002** | **-** |
| **Finance costs** | **14.4** | **(505,957)** | **(491,444)** |
| Third-party borrowings | | (505,957) | (491,444) |
| **Foreign exchange gains (losses)** | | **(6,101)** | **(1,042)** |
| **FINANCE PROFIT (LOSS)** | | **(511,056)** | **(492,486)** |
| **PROFIT (LOSS) BEFORE TAX** | | **1,242,630** | **(11,948,739)** |
| Corporate income tax | 12 | - | - |
| **PROFIT (LOSS) FOR THE PERIOD** | | **1,242,630** | **(11,948,739)** |
| **Profit (loss) for the period attributed to the Parent company** | | **1,242,630** | **(11,948,739)** |
| **Profit (loss) for the period attributed to minority interests** | | **-** | **-** |

| | | | |
|---|---|---|---|
| **EARNINGS PER SHARE** | | | |
| **Basic earnings per share** | 5 | **0.02** | **-0.24** |

The accompanying Notes 1 to 17 are an integral part of the separate interim consolidated statement of profit or loss for the six-month period ended June 30, 2021.

# Interim consolidated statement of comprehensive income for the six-month period ended June 30, 2021

(In euros)

| | Notes | 6/30/2021 | 6/30/2020 |
|---|---|---|---|
| **Consolidated profit (loss) for the period (I)** | | **1,242,630** | **(11,948,739)** |
| Income and expense recognized directly in consolidated equity | | | |
| From cash flow hedges | 11.2 | 10,666 | (45,278) |
| From other adjustments | 10.2 | (270,106) | (369,143) |
| Tax effect | | - | - |
| **Total income and expense recognized directly in consolidated equity (II)** | | **(259,440)** | **(414,421)** |
| Amounts transferred to consolidated statement of profit or loss | | | |
| From cash flow hedges | 11.2 | 64,243 | 70,240 |
| Tax effect | | - | - |
| **Total amounts transferred to the consolidated statement of profit or loss (III)** | | **64,243** | **70,240** |
| **Total consolidated income and expense recognized (I+II+III)** | | **1,047,433** | **(12,292,920)** |
| **Total consolidated income and expense recognized and attributed to the Parent company** | | **1,047,433** | **(12,292,920)** |
| **Total consolidated income and expense recognized and attributed to minority interests** | | **-** | **-** |

The accompanying Notes 1 to 17 are an integral part of the interim consolidated statement of comprehensive income for the six-month period ended June 30, 2021.

# Interim consolidated statement of changes in equity for the six-month period ended June 30, 2021

(In euros)

| | Share capital (Note 10.1) | Share premium | Reserves and retained earnings (Note 10.2) | Shares of the Parent company (Note 10.3) | Other equity instruments (Note 10.4) | Profit (loss) for the period attributed to Parent company | Unrealized gains (losses) reserve | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2019** | **50,000,000** | **139,188,800** | **55,705,980** | **(263,946)** | **-** | **22,784,970** | **(517,358)** | **266,898,446** |
| **Consolidated income and expense recognized** | **-** | **-** | **(369,143)** | **-** | **-** | **(11,948,739)** | **24,962** | **(12,292,920)** |
| **Transactions with shareholders or owners:** | **-** | **-** | **(5,562)** | **(979,862)** | **-** | **-** | **-** | **(985,424)** |
| Capital increases (decreases) | - | - | - | - | - | - | - | - |
| Transactions with shares of the Parent company (net) | - | - | (5,562) | (979,862) | - | - | - | (985,424) |
| **Other changes in equity** | **-** | **-** | **22,784,970** | **-** | **3,735,554** | **(22,784,970)** | **-** | **3,735,554** |
| **Balance at June 30, 2020** | **50,000,000** | **139,188,800** | **78,116,245** | **(1,243,808)** | **3,735,554** | **(11,948,739)** | **(492,396)** | **257,355,656** |
| **Balance at December 31, 2020** | **54,601,101** | **157,593,204** | **78,392,525** | **(1,057,080)** | **-** | **(14,995,441)** | **(442,351)** | **274,091,958** |
| **Consolidated income and expense recognized** | **-** | **-** | **(270,106)** | **-** | **-** | **1,242,630** | **74,909** | **1,047,433** |
| **Transactions with shareholders or owners:** | **-** | **-** | **(27,832)** | **41,037** | **-** | **-** | **-** | **13,205** |
| Capital increases (decreases) | - | - | - | - | - | - | - | - |
| Transactions with shares of the Parent company (net) | - | - | (27,832) | 41,037 | - | - | - | 13,205 |
| **Other changes in equity** | **-** | **-** | **(14,995,441)** | **-** | **-** | **14,995,441** | **-** | **-** |
| **Balance at June 30, 2021** | **54,601,101** | **157,593,204** | **63,099,146** | **(1,016,043)** | **-** | **1,242,630** | **(367,442)** | **275,152,596** |

The accompanying Notes 1 to 17 are an integral part of the interim consolidated statement of changes in equity for the six-month period ended June 30, 2021.

# Interim consolidated cash flow statement for the six-month period ended June 30, 2021

(In euros)

| | Notes | 6/30/2021 | 6/30/2020 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Profit (loss) before tax** | | **1,242,630** | **(11,948,739)** |
| **Adjustments to profit** | | **(1,144,318)** | **12,356,449** |
| Depreciation and amortization | 6 | 346,498 | 332,055 |
| Impairment losses | 6 & 8.1 | 4,871,395 | 1,186,649 |
| Changes in provisions | | 75,000 | - |
| Gains (losses) from derecognition and disposals of non-current assets | | 121 | - |
| Finance income | | (1,002) | - |
| Finance costs | 14.4 | 505,957 | 491,444 |
| Foreign exchange gains (losses) | | 6,101 | 1,042 |
| Change in fair value of investment properties | 7 | (6,948,388) | 10,345,259 |
| **Changes in working capital** | | **(4,294,170)** | **157,134** |
| Inventories | | 236,647 | (205,612) |
| Trade and other receivables | | (4,086,805) | (1,088,737) |
| Other current assets | | (261,983) | (194,608) |
| Trade and other payables | | (344,063) | 1,433,269 |
| Other current liabilities | | 162,034 | 212,822 |
| **Other cash flows from operating activities** | | **(404,932)** | **(461,240)** |
| Interest paid | | (405,934) | (461,240) |
| Interest received | | 1,002 | - |
| **Cash flows from (used in) operating activities** | | **(4,600,790)** | **103,604** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| **Payments on investments** | | **(19,335,420)** | **(13,033,721)** |
| Property, plant, and equipment | 6 | (1,987,583) | (6,062) |
| Investment properties | | (16,815,096) | (11,221,635) |
| Other financial assets | | (532,741) | (1,806,024) |
| **Proceeds from disposals** | | **4,319** | **627,335** |
| Property, plant, and equipment | 6 | 894 | - |
| Investment properties | 7 | - | 627,233 |
| Other financial assets | | 3,425 | 102 |
| **Cash flows from (used in) investing activities** | | **(19,331,101)** | **(12,406,386)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| **Proceeds from and payments on equity instruments** | | **(256,901)** | **(1,354,567)** |
| Proceeds from and payments on issuance of equity instruments | 10.1 | (270,106) | (369,143) |
| Acquisition of equity instruments of the Parent company | 10.3 | (97,870) | (1,051,212) |
| Disposal of equity instruments of the Parent company | 10.3 | 111,075 | 65,788 |
| **Proceeds from and payments of financial liabilities** | | **22,059,734** | **(1,654,801)** |
| Issues | | 33,787,194 | 963,719 |
| Bank borrowings | | 33,781,194 | 963,719 |
| Other financial liabilities | | 6,000 | - |
| Repayment and redemption of: | | (11,727,460) | (2,618,520) |
| Bank borrowings | | (11,727,460) | (2,522,198) |
| Other financial liabilities | | - | (96,322) |
| **Cash flows from (used in) financing activities** | | **21,802,833** | **(3,009,368)** |
| Net foreign exchange difference | | (6,101) | - |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **(2,135,159)** | **(15,312,150)** |
| **Cash and cash equivalents at beginning of period** | | 20,672,752 | 46,255,540 |
| **Cash and cash equivalents at end of period** | 9 | 18,537,593 | 30,943,390 |

The accompanying Notes 1 to 17 are an integral part of the interim consolidated cash flow statement for the six-month period ended June 30, 2021.

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

## 1. GENERAL INFORMATION ON THE GROUP

MILLENIUM HOTELS REAL ESTATE I SOCIMI, S.A. ("the Parent" or "Millenium") and subsidiaries ("the Group" or "the Millenium Group") comprise a group of companies whose main activities are as follows:

a. The acquisition and promotion of urban properties for their leasing, including refurbishment activities on buildings on the terms established in Law 37/1992 of December 28, on Value Added Tax;

b. The holding of shares or participation units in the capital of other Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario ("SOCIMI"- Spanish REIT) or in the capital of other non-resident companies in Spain which have the same corporate purpose as the SOCIMIs and are subject to a regime similar to the one established for SOCIMIs as far as legally required or bylaw-stipulated policies regarding distribution of profits are concerned;

c. The holding of shares or participation units in the capital of other resident or non-resident entities in Spain whose main corporate purpose is the acquisition of urban properties for their leasing, and which are subject to the same regime as the SOCIMIs as far as legally required or bylaw-stipulated policies regarding distribution of profits are concerned, and which fulfill the investment requirements established in article 3 of Law 11/2009 of October 26, regulating SOCIMIs (Note 1.1);

d. The holding of shares or participation units in Collective Property Investment Institutions regulated by Law 35/2003 of November 4, or the regulations which replace said law in the future; and

e. Other activities complementary to the above, understood as those which taken as a whole represent less than 20% of the Group's profit in each tax period.

These business activities are at present carried out in Spain.

The Parent was incorporated on June 6, 2017 as a private limited company, under protocol number 2.919. Its registered address is Paseo de la Castellana 102, 28046, Madrid.

In addition, the general shareholder meeting held on September 30, 2021, amongst other matters, agreed upon modifying the corporate name of Millenium, which will be renamed as MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A. once the modification to article 1 of its by-laws has been registered in the Mercantile Registry (Note 17).

On December 22, 2017 the Parent acquired a 50% stake in the share capital of Varia Pza Magdalena, S.L. ("Varia") via subscription of a capital increase. The Parent did not acquire control over said company in said transaction.

On September 6, 2018 the Parent acquired the remaining 50% of Varia share capital, thus acquiring control over said company on that date.

Previously, on July 31, 2018 the Parent acquired 92.86% of the share capital of Millenium Hotels C220, S.L. ("C220"), thus acquiring control over said company. Subsequently, on October 11, 2018 the Parent acquired the remaining 7.14% of C220 share capital.

On December 10, 2019 the Parent acquired all of the shares of Alcaidesa Holding, S.A.U. ("Alcaidesa Holding"), which in turn owned all of the share capital of Alcaidesa Golf, S.L.U. ("Alcaidesa Golf"). Subsequently, in September 2020 Alcaidesa Holding was merged with Alcaidesa Golf by absorption of the later.

Finally, on December 19, 2019 MHRE San Roque, S.L. (sole shareholder company) was incorporated with share capital of 3,000 euros, fully subscribed and paid in by the Parent.

As a consequence, prior to July 31, 2018 the Parent was not a member of a group of companies on the terms established in article 42 of the Commercial Code.

The subsidiaries which together with the Parent form a part of the consolidation scope at June 30, 2021 are broken down as follows:

| Company | Registered address | Activity | Group company owning the interest | % of direct ownership interest | Auditor | Consolidation method | Functional currency |
|---|---|---|---|---|---|---|---|
| Millenium Hotels C220, S.L.U. | Paseo de la Castellana 102, Madrid | (*) | Millenium Hotels Real Estate I SOCIMI, S.A. | 100% | Ernst & Young, S.L. | Full consolidation | Euros |
| Varia Pza Magdalena, S.L.U. | Paseo de la Castellana 102, Madrid | (*) | Millenium Hotels Real Estate I SOCIMI, S.A. | 100% | Ernst & Young, S.L. | Full consolidation | Euros |
| Alcaidesa Holding, S.A.U. | Club de Golf Alcaidesa. Avenida Pablo Cerezo S/N, San Roque, Cádiz | (**) | Millenium Hotels Real Estate I SOCIMI, S.A. | 100% | Ernst & Young, S.L. | Full consolidation | Euros |
| MHRE San Roque, S.L.U. | Paseo de la Castellana 102, Madrid | (*) | Millenium Hotels Real Estate I SOCIMI, S.A. | 100% | Ernst & Young, S.L. | Full consolidation | Euros |

(*) Acquisition and promotion of urban investment properties for leasing activities.
(**) Acquisition, holding, use, and transformation of properties as well as other related activities. All types of transactions relating to urbanization of properties and the organization of appropriate services for such purposes. The performance of those leisure, sports, and recreational activities or the rendering of services which contribute to the commercial development of the aforementioned operations, as well as the construction, holding, administration, management, control, and operation of golf courses, including advisory services.

## Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

It is worth noting that on July 7, 2021 the shareholders in ordinary and extraordinary general meeting authorized the related-party transaction consisting in the sale of C220 to the Board member, Ibervalles, S.A. In accordance with the purchase-sale contract signed with Ibervalles, S.A., the transaction was subject to said approval by the shareholders of Millenium and will be executed on January 31, 2022. An advance payment on account of 3 million euros was received on July 30, 2021 (Note 17).

The subsidiaries included in the consolidation scope together with the Parent at June 30, 2020 are broken down as follows:

| Company | Registered address | Activity | Group company owning the interest | % of direct ownership interest | Auditor | Consolidation method | Functional currency |
|---|---|---|---|---|---|---|---|
| Millenium Hotels C220, S.L.U. | Paseo de la Castellana 102, Madrid | (*) | Millenium Hotels Real Estate I SOCIMI, S.A. | 100% | Unaudited | Full consolidation | Euros |
| Varia Pza Magdalena, S.L.U. | Paseo de la Castellana 102, Madrid | (*) | Millenium Hotels Real Estate I SOCIMI, S.A. | 100% | Ernst & Young, S.L. | Full consolidation | Euros |
| Alcaidesa Holding, S.A.U. | Club de Golf Alcaidesa. Avenida Pablo Cerezo S/N, San Roque, Cádiz | (**) | Millenium Hotels Real Estate I SOCIMI, S.A. | 100% | Pricewaterhose Coopers Auditores, S.L. | Full consolidation | Euros |
| Alcaidesa Golf, S.L.U. | Club de Golf Alcaidesa. Avenida Pablo Cerezo S/N, San Roque, Cádiz | (***) | Alcaidesa Holding, S.A.U. | 100% | Pricewaterhose Coopers Auditores, S.L. | Full consolidation | Euros |
| MHRE San Roque, S.L.U. | Paseo de la Castellana 102, Madrid | (*) | Millenium Hotels Real Estate I SOCIMI, S.A. | 100% | Unaudited | Full consolidation | Euros |

(*) Acquisition and promotion of urban investment properties for leasing activities.
(**) Acquisition, holding, use, and transformation of properties as well as other related activities. All types of transactions relating to urbanization of properties and the organization of appropriate services for such purposes. The realization of those leisure, sports, and recreational activities or the rendering of services which contribute to the commercial development of the aforementioned operations.
(***) Construction, holding, administration, management, control, and operation of golf courses, including advisory services.

The subsidiaries use the same reporting periods as the Parent.

The Parent and all subsidiaries are regulated by Law 11/2009 of October 26, modified by Law 16/2012 of December 27, regulating SOCIMIs (Note 1.1).

Given the Group's activity, it has no environmental expenses, assets, provisions or contingencies that could have a significant effect on its equity, financial position or results. Thus, environmental disclosures are not provided in the accompanying interim condensed consolidated financial statements.

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

The Group's functional currency is the euro as this is the currency of the primary economic area in which the Group companies operate.

## 1.1. SOCIMI regime (Spanish REIT)

On July 25, 2017, the sole shareholder of Millenium until that date, Mr. Francisco Javier Illán Plaza, approved requesting that the Parent be treated under the special tax regime for SOCIMIs, applicable from the moment of its incorporation. Said communication was presented to the tax authorities on July 26, 2017.

On September 5, 2019, the sole shareholder of C220 and Varia decided to approve the inclusion of both companies in the special SOCIMI tax regime, applicable from January 1, 2019, which was communicated to the tax authorities on September 27, 2019 in a timely and correct manner.

Further, on September 4, 2020 and September 24, 2020 the Parent approved the inclusion of Alcaidesa Holding and MHRE San Roque, S.L.U., respectively, in the special SOCIMI tax regime, applicable from January 1, 2020. These decisions were communicated to the tax authorities on September 25, 2020 in a timely and correct manner.

Consequently, at June 30, 2021 the Parent and all the subsidiaries are regulated by Law 11/2009 of October 26, modified by Law 16/2012 of December 27, regulating SOCIMIs ("the SOCIMI Law").

The First Transitional Provision of the SOCIMI Law allows application of the SOCIMI tax regime on the terms established in article 8 of said Law, even when the requirements established therein have not been met at the incorporation date, provided that such requirements be fulfilled within the two years following the decision to opt for said regime. Consequently, the Parent applied the special SOCIMI tax regime from 2017 onwards while the aforementioned subsidiaries started applying it in 2019 and 2020.

Article 3 of the SOCIMI Law establishes the following investment requirements for this type of company:

- The SOCIMIs must invest at least 80% of their assets in urban properties dedicated to rental activities or land dedicated to promotion of properties which will be used for that purpose, provided that the promotion is initiated within the three years following acquisition, or stakes in the share capital or equity of the other entities referred to in section 1 of article 2 of the aforementioned SOCIMI Law.

## Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

The value of the assets shall be determined in accordance with the average of the consolidated quarterly balances of the year. When calculating said amount, the SOCIMI can opt to substitute carrying amounts with the market value of the items making up said balances, applicable to all consolidated balances of the year. For these purposes, this calculation does not include the money or credit rights arising from the transfers of said properties or stakes carried out in the same year or prior years, provided that, in the latter case, the reinvestment period to which article 6 of the SOCIMI Law refers has not elapsed.

- Likewise, at least 80% of income generated during the tax period corresponding to each year, excluding income arising from the transfer of stakes and urban properties dedicated to fulfilling the corporate purpose, once the maintenance period to which the next section refers has elapsed, must arise from property leasing and dividends or shares in profit arising from said stakes.

  This percentage shall be calculated over the consolidated results, should the SOCIMI be the parent of a group as per the criteria established in article 42 of the Commercial Code, regardless of residence and the obligation to prepare consolidated financial statements. Said group will exclusively be made up of SOCIMIs and the other entities to which section 1 of article 2 of the SOCIMI Law refers.

- The investment properties which make up the assets of the SOCIMI must be leased during at least three years. For purposes of calculation, the time periods for which the properties have been offered for leasing will be added up to a maximum of one year. The time period shall be calculated as follows:

  - In the case of investment properties which make up the assets of the SOCIMI before availing itself of the regime, from the date of initiating the first tax period in which the special tax regime will be applied as established in the SOCIMI Law, provided that at said date it is being leased or is being offered for leasing. Otherwise, the following will apply:

  - In the case of investment properties promoted or acquired subsequently by the SOCIMI, from the date on which they were leased or offered for leasing for the first time.

- In the case of shares or participation units in entities to which section 1 of article 2 of the SOCIMI Law refers, they must be maintained as assets of the SOCIMI for at least three years counting from the acquisition date or, if applicable, from the beginning of the first tax period in which the special tax regime established in the SOCIMI Law is applied.

## Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

In addition, the SOCIMI Law establishes the following obligations:

- The shares of the SOCIMI must be admitted to trading on a regulated market or a multilateral trading system (a requisite which is not applicable to a sub-SOCIMI).

- The minimum capital required amounts to 5 million euros, the shares must be bearer shares and there can only be one type of share (a requisite which is not applicable to a sub-SOCIMI).

- The SOCIMI is obliged to distribute profits obtained during the year in the form of dividends to its shareholders, once the corresponding mercantile obligations have been fulfilled, and must agree upon the distribution within six months subsequent to the closing of each reporting period, as indicated in Note 3.

Failure to comply with the requirements established in the SOCIMI Law for applying said regime will result in the SOCIMI filing its tax return under the general regime for companies starting from the tax period in which said non-compliance occurs, unless corrected in the subsequent year. In addition, the SOCIMI is obliged to pay, together with the tax payable for said tax period, the difference between the amount resulting from applying the general tax regime and the amount paid which resulted from applying the special tax regime for previous periods, without prejudice to any late payment interest, surcharges and fines which may be applicable.

The corporate income tax rate for SOCIMIs is fixed at 0%. However, when the dividends distributed by the SOCIMI to its shareholders with a stake greater than 5% are exempt or subject to a tax rate less than 10%, the SOCIMI will be subjected to a special tax rate of 19%, which will be considered the corporate tax payable, on the amount of the dividend distributed to said shareholders. Should it be applicable, this special tax must be settled by the SOCIMI within two months from the date on which the dividends were distributed. In addition, effective for the tax periods starting from January 1, 2021, in accordance with the modification introduced by the Second Final Provision of Law 11/2021, of July 9 (Note 17), the SOCIMI shall be subjected to a special tax rate of 15% on the amount of profits obtained during the year which are not used for distribution, provided that the profits were not taxed at the general corporate income tax rate and were not subject to the regulated reinvestment period in letter b) of section 1 in article 6 of the SOCIMI Law. Said special tax shall be considered as the corporate income tax payable.

At June 30, 2021 the Parent and subsidiaries fulfill the requirements established in the SOCIMI Law.

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

## 2. BASIS OF PRESENTATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 2.1. Financial reporting framework applicable to the Group

The interim condensed consolidated financial statements of the Group for the six-month period ended June 30, 2021 were prepared in accordance with the regulatory framework for financial information as established in:

- The International Financial Reporting Standards (IFRS) and Interpretations of the International Financial Reporting Standards Committee (IFRIC) adopted by the EU, in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and Council and subsequent modifications (together, "the IFRS-EU").
- Law 11/2009 of October 26, which regulates SOCIMIs with respect to disclosure requirements in the explanatory notes.
- Circular 3/2020 of Bolsas y Mercados Españoles (Spanish Exchanges and Stock Markets -"BME" in its Spanish acronym) on "Information to be provided by companies listed on the BME Growth segment of BME MTF Equity".
- The Spanish Commercial Code and remaining applicable Spanish mercantile legislation.

The accompanying interim condensed consolidated financial statements were prepared by the directors of the Parent and reviewed by Ernst & Young, S.L. for their publication in accordance with Circular 3/2020 of the BME on "Information to be provided by companies listed on the BME Growth segment of BME MTF Equity" and the International Accounting Standard (IAS) 34 on Interim Financial Reporting.

In accordance with IAS 34, the interim financial information has been prepared solely for the purpose of providing an update with respect to the last complete set of annual consolidated financial statements issued by the Group and accordingly focuses on new activities, events and circumstances arising in the period. It does not, therefore, duplicate the information previously reported in the annual consolidated financial statements. Thus, the interim condensed consolidated financial statements at June 30, 2021 do not include all the information required for complete consolidated financial statements prepared in accordance with IFRS-EU, so that the accompanying interim condensed consolidated financial statements must be read together with the Group's annual consolidated financial statements for the year ended December 31, 2020, which were audited by Ernst & Young, S.L. and approved by the ordinary and extraordinary general shareholder meeting held on July 7, 2021 (Note 17).

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

## 2.2. Changes in accounting policies

### a) Standards and interpretations approved by the European Union and applied for the first time during the current reporting period

The accounting standards used to prepare the accompanying interim condensed consolidated financial statements are the same as those used to prepare the consolidated financial statements for the year ended December 31, 2020, as none of the standards, interpretations or amendments that are effective for the first time in the current year have had any impact on the Group's accounting policies.

### b) Standards and interpretations issued by the IASB not applicable for the current reporting period since they have not been adopted by the European Union

The Group intends to apply the standards, interpretations, and amendments to standards issued by the IASB when they become effective in the European Union to the extent applicable. Although the Group is at present analyzing the impact of the standards, interpretations, and amendments to standards issued by the IASB, based on the analysis performed to date, it estimates that their initial application will not have a significant impact on its consolidated financial statements.

## 2.3. True and fair view

The interim condensed consolidated financial statements have been prepared based on the auxiliary accounting records of the companies included in the consolidation scope in accordance with prevailing accounting legislation to give a true and fair view of the Group's consolidated equity, consolidated financial position and consolidated results, as well as changes in consolidated equity and consolidated cash flows corresponding to the six-month period ended June 30, 2021.

All figures included in the interim condensed consolidated financial statements are expressed in euros, unless stated otherwise.

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

## 2.4. Critical issues concerning the measurement and estimation of uncertainty

The directors of Millenium have prepared the Group's interim condensed consolidated financial statements using estimates to determine the carrying amounts of certain assets, liabilities, income, and expenses, as well as related disclosures. Those estimates were made on the basis of the best available information at the reporting date. However, given the uncertainty inherent in these estimates and the uncertainty arising from the emergency situation driven by the COVID-19 pandemic (Note 2.8), future events could oblige the Group to modify them in subsequent periods. Any such modifications would be done prospectively, as established in IAS 8.

In addition to other relevant information regarding estimation of uncertainty at the closing date for the period, the key assumptions regarding the future which represent a considerable risk that the carrying amounts of assets and liabilities may require significant adjustments in the next period, are as follows:

- Compliance with the SOCIMI tax regime (Notes 1.1 and 12.2)

- Valuation of investment properties (Note 7)

- Estimating the useful lives of PP&E items.

## 2.5. Comparison of information

In accordance with IFRS-EU, for comparative purposes, it is presented for each of the items included in the interim consolidated statement of financial position the corresponding figures for the year ended December 31, 2020, and for each of the items included in the separate interim consolidated statement of profit or loss, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity, and the interim consolidated cash flow statement, the corresponding figures for the same period in the prior year are also presented.

## 2.6. Consolidation principles

The main consolidation and measurement standards used by the Group to prepare its interim condensed consolidated financial statements are summarized below:

a) The interim condensed consolidated financial statements were prepared based on the accounting records of MILLENIUM HOTELS REAL ESTATE I SOCIMI, S.A. and the companies under its control (subsidiaries), referring to the six-month period ended June 30, 2021 in all cases. Control by the Parent is considered to exist when it has effective control as per point (f) below.

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

b) The results for the period generated by the subsidiaries are included in the consolidated results from the effective acquisition date or incorporation date.

c) All accounts receivable and payable as well as other transactions between consolidated companies were eliminated upon consolidation.

d) When necessary, the financial statements of the subsidiaries are adjusted in order to ensure standardized accounting policies in line with those applied by the Parent of the Group.

e) Non-controlling interests (minority interests), should there be any, are recognized at the proportionate amount of the fair value of identifiable assets and liabilities recognized. Minority interests in:

- the equity of its investees is presented as "Minority Interests" in the interim consolidated statement of financial position under "Equity";

- profit or loss for the period are presented under "Profit (loss) for the period attributable to minority interests" in the separate interim consolidated statement of profit or loss.

f) The criteria applied to determine the consolidation method for each of the Group companies are shown below:

Full consolidation method

- Subsidiaries, which are entities over which the Group has the power to govern the financial and operating policies, generally accompanied by a shareholding of more than half the voting rights are consolidated under the full consolidation method. When assessing whether the Group controls another entity, the existence and effect of potential voting rights that are exercisable or convertible at the closing date is taken into account.

- The accounting of subsidiaries is performed using the acquisition method. Acquisition cost is the fair value of the assets delivered, equity instruments issued, and liabilities incurred or assumed at the exchange date. Identifiable assets acquired and identifiable liabilities and contingencies assumed in a business combination are initially measured at their fair values as of the acquisition date, regardless of any minority interests. Any excess of the acquisition cost over the fair value of the Group's share of the identifiable net assets acquired is recognized as goodwill. If the acquisition cost is less than the fair values of the net assets of the subsidiary acquired, the difference is recognized directly in the separate interim consolidated statement of profit or loss for the corresponding year.

At June 30, 2021 and 2020 all subsidiaries were consolidated using the full consolidation method (Note 1).

### 2.7. Seasonal nature of Group transactions

Given the nature of the activities performed by the Group companies, the transactions carried out are not especially cyclical or seasonal in nature. Consequently, the notes to the accompanying interim condensed consolidated financial statements for the six-month period ended June 30, 2021 do not include specific seasonality disclosures.

### 2.8. Effects arising from the pandemic generated by COVID-19 in the interim condensed consolidated financial statements

As indicated in Note 2.6 to the consolidated financial statements for FY 2020, the pandemic generated by the corona virus (COVID-19) significantly affected the economy in general, both in our national markets and at a global level.

The tourism sector in general and hotel segment in particular were negatively affected by the pandemic generated by COVID-19 due to both the decrease in hotel occupancy as well as the average daily price per room (Revenue Per Available Room - "RevPar").

Further, during the first half of 2021 the measures taken by the Government of Spain and its autonomous communities to control the appearance of new outbreaks of COVID-19 were still in place, including the limitations to mobility during the night and between communities as well as earlier closing hours in the hotel and restaurant business activities, amongst others.

In light of this unprecedented situation, the activity of the Group was affected in various areas and the directors of the Parent have maintained during the first six-months of 2021 the measures adopted in 2020 to mitigate the effects of the pandemic arising from COVID-19.

Further, in spite of the impossibility of reliably evaluating all the potential effects the pandemic may give rise to in coming months due to the many uncertainties surrounding this extraordinary situation, the directors of the Parent performed an assessment of the impacts, presently known, which the health emergency provoked by COVID-19 has had on the interim condensed consolidated financial statements of the Group, amongst which the following are noteworthy:

- Operating risk: all of the Group's operational hotels have been open to the public since the beginning of this half-year, except for the Hotel Vía Castellana which was reopened in May 2021 after having been medicalized by the Community of Madrid. Likewise, on June 25, 2021 the Hotel Radisson Collection de Sevilla was opened after having finalized the repositioning construction work. An addendum to the lease contract for this hotel was signed on the same date, which, amongst other matters, regulated revenue for FY 2021.

  As previously mentioned, the tourism sector in general and hotel segment in particular were negatively affected by the pandemic generated by COVID-19. In some cases, this situation has led to a worse financial position for the lessees of the hotels, who tried to compensate the decrease in their income by renegotiating the contractual terms of the leases in force and reducing the hotel lease payments. Moreover, the lessee of Hotel Meliá Bilbao filed a lawsuit against Millenium, requesting that, based on current jurisprudence regarding the rebus sic stantibus clause, the rents for the years 2021 to 2024 be reduced due to the adverse effects of the pandemic. A counterclaim was filed requesting that this action be dismissed in its entirety. At the date these interim condensed consolidated financial statements were authorized for issue, the preliminary hearing scheduled for October 21, 2021 has not been set. The Parent's directors consider that, based on the opinion of the Group's legal advisors, it is not necessary to record a provision for this matter at June 30, 2021. In addition, the lessee is current with all rent payments accrued to date.

  Further, the advance of construction work at the properties which are being reconverted or are in development was not affected significantly by the pandemic generated by COVID-19.

  With respect to the golf courses which the Group is temporarily exploiting, employees who had been affected by the administrative temporary layoff procedures ("ERTE" in its Spanish acronym) due to force majeure since March 2020 were reinstated during the first half of 2021. However, the activity was affected by the closing of the golf course called "Links" for its complete refurbishment.

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

- Liquidity risk: the failure to collect certain revenue described in the above section decreased the cash flows projected for the first half of 2021. One of the measures adopted by the Group consisted in extending the grace period for repayment of the loan granted by Bankinter and guaranteed by the ICO for an additional 12 months (Note 11.1).

  At June 30, 2021 the Group presented a loan to value ratio (LTV), defined as financial debt divided by the fair value of the assets, of 29.9% (December 31, 2020: 25.5%) and positive working capital amounting to 11,9 million euros (December 31, 2020: 14.1 million euros), taking into account a balance of 18.5 million euros for cash and cash equivalents (December 31, 2020: 20.7 million euros).

  The directors and Management of the Parent are constantly supervising the changing situation as well as the effects it may have on credit markets and consider that given Group's sound financial position at June 30, 2021 and the funds obtained from the capital increase executed in July 2021, amounting to 89.3 million euros (Notes 10.1 and 17), the Group will be able to maintain its solvency while fulfilling its short-term payment obligations disclosed in the interim condensed consolidated statement of financial position at June 30, 2021 and there is no material uncertainty regarding continuity of the Group's operations.

- Valuation risk for the assets and liabilities recognized in the statement of financial position: during the first half of 2021, as indicated above, the hotel sector was badly affected, which influenced cash flows and consequently the value of the Group's property investments, to which it applies the "Discounted cash flow method" for valuation purposes. The valuation methodology for investment properties was not modified, though it was influenced by the following aspects of the pandemic, amongst other matters:

  - the closing of hotels
  - restricted movement for tourists
  - increase in discount rates or exit yields arising from the uncertainty of the future.

  Consequently, the valuations carried out at June 30, 2021 by the external experts contracted by the Group are affected by this scenario of heightened uncertainty and must be used with caution.

## Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

- Credit risk: one of the implications considered by the Group in light of COVID-19 has been the assessment of client credit risk in the current market environment. To date, the directors of the Parent have assessed the possible impacts in this context, taking the characteristics of the Group's contracts into account together with the guarantees received from the lessees in each case, as well as the agreements reached in 2020 with the lessees of the operational hotels, which were signed with a view to overcoming this difficult moment in the market and facilitating compliance with the contractually established terms. Thus, considering that as of the present date the Group has not collected various monthly rents of 2021 from the lessees of the Hotel Via Castellana and the Hotel Eurostars Lucentum (Hotusa Group companies), as well as other amounts from 2020 relating only to Hotel Via Castellana, applying a simplified approach to impairment and credit risk, the directors of Millenium considered it reasonable to set aside a valuation correction for the pending balances at June 30, 2021, amounting to a total of 3,2 million euros (Note 8.1).

Given the changing circumstances and numerous uncertainties regarding the outlook for the pandemic, the definitive consequences of the pandemic for the Group's operations are uncertain and will to a great extent depend on the rate at which vaccinations advance in coming months as well as the capacity of all affected economic agents to react and adapt. In light of this situation, the directors and Management of the Parent are constantly monitoring the developing situation with a view to successfully dealing with the possible impacts which may arise.

## 3. DISTRIBUTION OF RESULTS AND CAPITAL MANAGEMENT

As indicated in Note 1.1, Millenium and other Group companies are regulated by the special tax regime established in Law 11/2009 of October 26, modified by Law 16/2012 of December 27, which regulates SOCIMIs ("the Law" or "the SOCIMI Law"). In accordance with said Law, the SOCIMIs are obliged to distribute gains obtained during the year to their shareholders in the form of dividends, once the corresponding mercantile obligations have been fulfilled, and must agree upon the distribution within the six months subsequent to the closing of each reporting period, as follows:

a) 100% of the gains arising from dividends or profit-sharing based on interests held in other SOCIMIs or other interests whose main corporate purpose is the acquisition of urban properties.

b) At least 50% of the gains arising from transfer of properties and shares or participation units to which section 1 of article 2 of the SOCIMI Law refers, realized once the deadlines have elapsed to which section 3 of article 3 of this Law refers, relating to compliance with the main corporate purpose. The remaining gains must be reinvested in other properties or interests relating to compliance with said corporate purpose within three years subsequent to the transfer date. In default thereof, said gains must be distributed in their entirety together with the gains, if any, which arise in the year in which the reinvestment period ends. If the items subject to reinvestment are transferred within the holding period, any corresponding gains must be distributed in their entirety together with the gains, if any, which arise from the year in which they were transferred. The obligation to distribute does not affect the portion of those gains attributable to years in which the Group did not file taxes under the special tax regime established in the SOCIMI Law.

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

When the distribution of dividends is performed with a charge against reserves arising from gains obtained during a year in which the special tax regime was applied, the distribution will obligatorily be on the terms referred to in the previous section.

Millenium is obliged to transfer 10% of profit for the year to a legal reserve until this reserve reaches an amount at least equal to 20% of share capital. Unless the balance of the reserve exceeds this amount, it cannot be distributed to shareholders (Note 10.2).

In accordance with the stipulations of the SOCIMI Law, Millenium's bylaws do not establish any other unrestricted reserve apart from the legal reserve.

## 4. CALCULATION OF FAIR VALUE

The Group utilizes the measurement techniques appropriate to the circumstances and with sufficient information available for calculating fair value, maximizing the use of relevant observable variables and minimizing the use of variables that cannot be observed.

All assets and liabilities for which fair value calculations are made or disclosures provided in the financial statements are categorized as per the fair value hierarchy described below, based on the lowest significant value for calculation of fair value taken as a whole:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Measurement techniques for which the lowest significant variable used in the calculation is directly or indirectly observable.

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

- Level 3 - Measurement techniques for which the lowest significant value used in the calculation is not observable.

For assets and liabilities which are recognized at fair value in the interim condensed consolidated financial statements on a recurring basis, the Group determines whether there were any transfers between different hierarchy levels by reviewing their categorization (based on the lowest significant value used in the calculation of fair value taken as a whole) at the end of each reporting period.

The disclosures relating to the fair value of financial instruments and non-financial assets measured at fair value or for which fair value is disclosed, are included in the following notes:

- Investment properties (Note 7)
- Derivative financial instruments (Note 11.2)

The following table shows the fair value hierarchy for the Group's assets and liabilities:

| | | Fair value measurement used (Euros) | | | |
|---|---|---|---|---|---|
| **6/30/2021** | **Valuation date** | **Total** | **Quoted value on active markets (Level 1)** | **Significant observable variables (Level 2)** | **Significant unobservable variables (Level 3)** |
| **Assets measured at fair value** | | | | | |
| Investment properties (Note 7) | | | | | |
| Hotels being operated | 6/30/2021 | 163,300,000 | - | - | 163,300,000 |
| Hotels in development | 6/30/2021 | 199,369,000 | - | - | 199,369,000 |
| Alcaidesa Golf– Club House Restaurant | 6/30/2021 | 2,700,000 | - | - | 2,700,000 |
| **Financial liabilities measured at fair value** | | | | | |
| Derivatives (Note 11.2) | | | | | |
| Interest rate swaps | 6/30/2021 | 367,442 | - | 367,442 | - |

There were no transfers between Levels 1 and 2 during the six-month period ended June 30, 2021.

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

The following table shows the fair value hierarchy for the Group's assets and liabilities:

| | | | Fair value measurement used (Euros) | | |
|---|---|---|---|---|---|
| **12/31/2020** | **Valuation date** | **Total** | **Quoted value on active markets (Level 1)** | **Significant observable variables (Level 2)** | **Significant unobservable variables (Level 3)** |
| **Assets measured at fair value** | | | | | |
| Investment properties (Note 7) | | | | | |
| Hotels being operated | 12/31/2020 | 116,200,000 | - | - | 116,200,000 |
| Hotels in development | 12/31/2020 | 222,454,000 | - | - | 222,454,000 |
| **Financial liabilities measured at fair value** | | | | | |
| Derivatives (Note 11.2) | | | | | |
| Interest rate swaps | 12/31/2020 | 442,351 | - | 442,351 | - |

There were no transfers between Levels 1 and 2 during 2020.

## 5. EARNINGS PER SHARE

*Basic earnings per share*

Basic earnings per share are calculated by dividing profit for the period attributable to the ordinary shareholders of the Parent by the weighted average number of ordinary shares circulating during the period, excluding treasury shares.

| | 6/30/2021 | 6/30/2020 |
|---|---|---|
| Profit (loss) for the period attributable to shareholders of the Parent (euros) | 1,242,630 | (11,948,739) |
| Weighted average number of shares circulating (shares) | 54,375,353 | 49,865,460 |
| **Basic earnings per share (euros)** | **0.02** | **-0.24** |

*Diluted earnings per share*

Diluted earnings per share are calculated by adjusting profit for the period attributable to holders of the Parent's equity instruments and the weighted average number of ordinary shares circulating with all the dilutive effects inherent to potential ordinary shares, that is, as though all potentially dilutive ordinary shares had been converted.

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

As the Parent does not have different classes of potentially dilutive ordinary shares, no diluted earnings per share were calculated.

## 6. PROPERTY, PLANT, AND EQUIPMENT

The balance for this heading at June 30, 2021 and December 31, 2020 mainly corresponds to the PP&E items associated with the golf courses called "Alcaidesa Link" and "Alcaidesa Heathland," which boast a club house, in the municipality of San Roque, Cádiz, and which are being exploited by the Group.

The movements in PP&E during the six-month period ended June 30, 2021 were as follows:

| (Euros) | 12/31/2020 | Additions/ Allowances | Derecognitions | Transfers | 6/30/2021 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Land | 2,443,368 | - | - | - | 2,443,368 |
| Buildings | 8,772,515 | - | - | (2,011,318) | 6,761,197 |
| Machinery | 194,949 | - | (3,092) | - | 191,857 |
| Plant | 42,679 | 1,641 | - | - | 44,320 |
| Furniture | 12,814 | 10,939 | (1,612) | - | 22,141 |
| Data processing equipment | 9,959 | 2,941 | (1,833) | - | 11,067 |
| Transport equipment | 390,668 | - | - | - | 390,668 |
| Right-of-use assets | 3,238,772 | - | - | - | 3,238,772 |
| PP&E under construction | 531,123 | 1,972,062 | - | (609,822) | 1,893,363 |
| | 15,636,847 | 1,987,583 | (6,537) | (2,621,140) | 14,996,753 |
| **Accumulated depreciation** | | | | | |
| Buildings | (309,469) | (140,361) | - | 59,850 | (389,980) |
| Machinery | (85,289) | (37,931) | 3,092 | - | (120,128) |
| Plant | (15,636) | (6,701) | - | - | (22,337) |
| Furniture | (14,884) | (6,916) | 1,612 | 12,251 | (7,937) |
| Data processing equipment | (7,989) | (2,164) | 818 | - | (9,335) |
| Transport equipment | (139,605) | (67,763) | - | - | (207,368) |
| Right-of-use assets | (234,091) | (84,662) | - | - | (318,753) |
| | (806,963) | (346,498) | 5,522 | 72,101 | (1,075,838) |
| **Impairment losses** | | | | | |
| Buildings | (981,292) | (1,669,052) | - | - | (2,650,344) |
| | (981,292) | (1,669,052) | - | - | (2,650,344) |
| **Net carrying amount** | **13,848,592** | | | | **11,270,571** |

The additions mainly correspond to the remodeling work being carried out at the "Alcaidesa Link" golf course. The transfers correspond to items associated with the restaurant located in the club house of the Alcaidesa golf courses, which were transferred to investment properties in May 2021 since it was leased to a specialized operator in the restaurant segment.

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

Further, as a result of the valuation carried out by an independent expert with respect to the assets associated with said golf courses, an impairment loss of 1,669 thousand euros was recognized at June 30, 2021.

The movements in PP&E items during FY 2020 are as follows:

| (Euros) | 12/31/2019 | Additions/Allowances | Derecognitions | Transfers | 12/31/2020 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Land | 2,443,368 | - | - | - | 2,443,368 |
| Buildings | 8,772,515 | - | - | - | 8,772,515 |
| Machinery | 194,949 | - | - | - | 194,949 |
| Plant | 41,809 | 870 | - | - | 42,679 |
| Furniture | - | 12,814 | - | - | 12,814 |
| Data processing equipment | 5,386 | 4,573 | - | - | 9,959 |
| Transport equipment | 389,168 | 1,500 | - | - | 390,668 |
| Right-of-use assets | 514,870 | 2,723,902 | - | - | 3,238,772 |
| PP&E under construction | - | 531,123 | - | - | 531,123 |
| | 12,362,065 | 3,274,782 | - | - | 15,636,847 |
| **Accumulated depreciation** | | | | | |
| Buildings | - | (309,469) | - | - | (309,469) |
| Machinery | - | (85,289) | - | - | (85,289) |
| Plant | (2,584) | (13,052) | - | - | (15,636) |
| Furniture | - | (14,884) | - | - | (14,884) |
| Data processing equipment | (786) | (7,203) | - | - | (7,989) |
| Transport equipment | - | (139,605) | - | - | (139,605) |
| Right-of-use assets | (129,622) | (104,469) | - | - | (234,091) |
| | (132,992) | (673,971) | - | - | (806,963) |
| **Impairment losses** | | | | | |
| Buildings | - | (981,292) | - | - | (981,292) |
| | - | (981,292) | - | - | (981,292) |
| **Net carrying amount** | **12,229,073** | | | | **13,848,592** |

The description of these movements is included in Note 6 to the 2020 consolidated financial statements.

**Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021**

## 7. INVESTMENT PROPERTIES

At June 30, 2021 the Group held the following investment properties:

| Investment property | Location | Status |
|---|---|---|
| Hotel Vía Castellana | Paseo de la Castellana 220, Madrid | Being operated |
| Hotel Eurostars Lucentum | Avenida Alfonso X El Sabio 11, Alicante | Being operated |
| Hotel Radisson Collection Sevilla | Plaza de la Magdalena 1 and c/ Rioja 26, Seville | Being operated |
| Hotel Alma Sevilla | Plaza San Francisco 11-12, Seville | In development |
| Hotel Radisson Collection Bilbao | Gran Vía de Don Diego López de Haro 4, Bilbao | In development |
| Hotel JW Madrid | Carrera de San Jerónimo 9-11, Madrid | In development |
| Hotel Meliá Bilbao | Lehendakari Leizaola 29, Bilbao | Being operated |
| Hotel & Vilas Hacienda San Roque | San Roque, Cádiz | In development |
| Hotel Palacetes de Córdoba | Cabezas 19, Cabezas 15, and Caldereros 3, Córdoba | In development |
| Hotel Vista Eder | Miraconcha 32, San Sebastián | In development |
| Alcaidesa Golf - Club House Restaurant | San Roque, Cádiz | Being operated |

The breakdown and movements for investment properties at June 30, 2021 are as follows:

| (Euros) | 12/31/2020 | Additions | Derecognitions | Transfers | Changes in fair value | 6/30/2021 |
|---|---|---|---|---|---|---|
| Hotels being operated | 116,200,000 | (1,579) | - | 45,200,000 | 1,901,579 | 163,300,000 |
| Hotels in development | 222,454,000 | 17,211,322 | - | (45,200,000) | 4,903,678 | 199,369,000 |
| Alcaidesa Golf - Club House Restaurant | - | 7,830 | - | 2,549,039 | 143,131 | 2,700,000 |
| **TOTAL** | **338,654,000** | **17,217,573** | **-** | **2,549,039** | **6,948,388** | **365,369,000** |

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

The breakdown of investment properties and corresponding movements at December 31, 2020 are as follows:

| (Euros) | 12/31/2019 | Additions | Derecognitions | Transfers | Changes in fair value | 12/31/2020 |
|---|---|---|---|---|---|---|
| Hotels being operated | 118,800,000 | 479,560 | (20,463) | - | (3,059,097) | 116,200,000 |
| Hotels in development | 187,037,000 | 42,062,062 | (27,963) | 3,000,000 | (9,617,099) | 222,454,000 |
| Advances | 1,627,233 | 2,000,000 | (627,233) | (3,000,000) | - | - |
| **TOTAL** | **307,464,233** | **44,541,622** | **(675,659)** | **-** | **(12,676,196)** | **338,654,000** |

Description of movements for the six-month period ended June 30, 2021

The balance for additions to hotels being operated corresponds to less expenses incurred, as compared to those foreseen, in the purchase of the 25 parking spaces at the garage of a building where the Hotel Vía Castellana is located (Paseo Castellana 220 in Madrid), acquired over the course of 2020.

The remaining additions mainly correspond to costs capitalized in connection with the construction and refurbishment work for various hotels, amounting to a total of 17,200 thousand euros, of which 1,303 thousand euros were included as finance costs.

The transfers correspond to items associated with the restaurant located in the club house of the Alcaidesa golf courses, which were transferred from PP&E in May 2021 from the inception of its lease to an operator specialized in the restaurant business.

It is worth noting that on July 7, 2021 the ordinary and extraordinary general shareholders meeting authorized the related-party transaction consisting in the sale of the Group company C220, which indirectly represents the sale of the Hotel Via Castellana, to the Board member, Ibervalles, S.A. In accordance with the purchase-sale contract signed with Ibervalles, S.A., the transaction was subject to said approval by the shareholders of Millenium and will be executed on January 31, 2022. An advance payment on account of 3 million euros was received on July 30, 2021 (Note 17).

## 7.1. Other disclosures on investment properties

At June 30, 2021 investment properties had been mortgaged with various financial entities in guarantee of loans which amounted to 98,587,599 euros (December 31, 2020: 74,499,592 euros). In addition, a finance lease was recognized in the amount of 13,862,504 euros (December 31, 2020: 14,108,723 euros) in connection with the Hotel Vía Castellana (Note 11.1).

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

All properties are located outside Spain and are covered by insurance policies for the amount required to reconstruct and refurbish them.

## 7.2. Valuation of investment properties

The fair value indicated for each of the properties at June 30, 2021 corresponds to the estimated market value based on the appraisals performed by independent experts at that date in accordance with the valuation standards published by the Royal Institute of Chartered Surveyors (RICS) in Great Britain. In order to calculate said fair value, discount rates acceptable for a potential investor were used, in line with those applied in the market for assets with similar characteristics and locations. Further, in order to calculate the residual value of an asset for the last year of the forecasts made regarding cash flows, a net exit yield is applied. The valuation model is in accordance with the recommendations of the "International Valuation Standards Committee" and is consistent with the principles established in IFRS 13.

The breakdown of the net exit yields considered and the rate used for discounting projected cash flows is as follows:

| **June 30, 2021** | ***Net exit yields*** | ***Discount rate*** |
|---|---|---|
| Hotels being operated | 5.50% - 6.75% | 7.25% - 8.75% |
| Hotels in development | 4.50% - 7.00% | 7.75% - 13.00% |
| Alcaidesa Golf - Club House Restaurant | 11.00% | 12.00% |

| **December 31, 2020** | ***Net exit yields*** | ***Discount rate*** |
|---|---|---|
| Hotels being operated | 5.50% - 6.75% | 7.25% - 8.75% |
| Hotels in development | 4.50% - 7.00% | 7.25% - 13.00% |

A change of a quarter percentage point in the net exit yield has the following impact on the valuations used by the Group for determining the fair value of the properties it operates:

| **(Euros)** | **Carrying amount** | **-0.25% in net exit yields** | **+0.25% in net exit yields** |
|---|---|---|---|
| Properties being operated at 06/30/2021 | 166,000,000 | 171,050,000 | 161,396,000 |
| Properties being operated at 12/31/2020 | 116,200,000 | 119,400,000 | 113,100,000 |

## Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

In contrast, a change of a quarter percentage point in the estimated construction costs for the hotels under development has the following impact on the valuations used by the Group for determining the fair value of said properties:

| (Euros) | Carrying amount | -2.5% in construction costs | +2.5% in construction costs |
|---|---|---|---|
| Properties in development at 06/30/2021 | 199,369,000 | 203,793,000 | 194,868,000 |
| Properties in development at 12/31/2020 | 222,454,000 | 226,930,000 | 217,878,000 |

### 7.3. Leasing investment properties

Except for certain hotels under development, the investment properties owned by the Group are leased to third parties via operating lease contracts as described below:

- The Hotel Eurostars Lucentum was leased for an initial period finalizing in August 2020. In light of the situation arising from the health crisis related to COVID-19, on June 29, 2020 an addendum to the contract was signed to regulate income for FY 2020, which included deferral of income for a limited period of time and an agreement to increase the duration by 10 additional years, of which the first 5 years (that is, until the month of August 2025) will be obligatory. Revenue from this lease until August 2025 will be fixed and payable over the course of the subsequent period of 5 years, a part of which will be fixed and another part variable, referenced to the revenue invoiced by the leased hotel.

- Lease of the Hotel Radisson Collection Sevilla for an initial obligatory period from June 25, 2021 (delivery date for the hotel) to December 31, 2026, including three automatic renewals for a duration of 5 years each, provided the lessee complies with certain economic metrics at the end of each period. Lease revenue from this hotel is composed of a fixed component scaled progressively and a variable component referenced to the operating results obtained by the leased hotel. These conditions were agreed upon in the addendum to the contract signed on June 25, 2021.

- The Hotel Vía Castellana was leased for an initial period finalizing in February 2024. In light of the situation arising from the health crisis in connection with COVID-19, on November 25, 2020 an addendum to the contract was signed to regulate revenue for 2020 and a part of the current FY 2021, which included rebates and deferred income for a limited period of time, as well as extending the duration of the lease contract by modifying the finalization date from February to December 2024 and establishing the subsequent 4 years of the contract as obligatory for both parties. Revenue from this lease is composed of a fixed part and a variable part referenced to the leased hotel's net invoicing.

## Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

- The Hotel Melía de Bilbao was leased for an initial duration which finalizes in September 2024 plus an automatic extension for a single period of 5 years, should neither of the parties object. Lease income from this contract, in which Millenium was subrogated at the moment of acquiring said property in November 2019, is fixed and referenced to annual CPI. In addition, as a result of the situation created by the health crisis in connection with COVID-19, on June 19, 2020 an addendum to the contract was signed to regulate income for FY 2020, which included a rebate on part of the income for April, May, and June 2020, as well as deferral of the remaining income for 2020, starting in July and payable proportionally during the current FY 2021.

- Leases of the future Hotel Radisson Collection Bilbao and future Hotel Alma Sevilla, both of which will have a duration of 20 years and start accruing income as soon as the finished property is made available to the lessee. Lease revenue from these hotels is composed of a fixed component and a variable component referenced to the operating results obtained by the leased hotel.

- Lease of the future Hotel JW Marriott for a duration of 25 years, starting from the moment the finished property is made available to the lessee and with the first 5 years of the contract established as obligatory for the lessee. Lease revenue from this hotel, to be accrued from the date of delivering the hotel, is composed of a fixed component and a variable component referenced to the operating results obtained by the leased hotel. On February 12, 2021 a second addendum to the lease contract for the future Hotel JW Marriott was signed, including, amongst other matters, a modification relating to certain areas of the hotel, with a view to acquiring and leasing certain premises in the same building.

- Lease of the future Hotel Vista Eder de San Sebastián for a duration of 15 years counting from the hotel's opening date, with the first 5 years of the contract established as obligatory for the lessee and including a maximum of 3 automatic renewals for a duration of 5 years each, if none of the signing parties objects. Lease revenue from this hotel, to be accrued starting from the date on which the hotel opens, is composed of a fixed component and a variable component referenced to the operating results obtained by the leased hotel. In addition, this contract includes a purchase option which can only be exercised by the lessee once the 5-year lease term has elapsed.

- Lease of restaurant space in the building at calle Rioja no. 26 in Seville, where the Hotel Radisson Collection Sevilla is located, for an initial obligatory duration of 5 years and including automatic and successive renewals of 5 years, if none of the signing parties objects. Revenue from this space is composed of a fixed component and a variable component referenced to the operating results obtained by the restaurant.

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

- Lease of the restaurant at the club house of the Alcaidesa golf courses for an initial obligatory duration of 7 years and including an automatic renewal of 5 years, provided that the lessee reaches certain economic targets at the end of the initial term. Revenue from this premise is composed of a fixed component and a variable component referenced to the operating results obtained by the restaurant.

Further, with respect to the building located at calle Rioja no. 26 in Seville, the Group leases commercial premises on the ground floor of the Hotel Radisson Collection Sevilla to a third party. The duration of the lease is 5 years, which can be renewed once for an additional 5 years, provided that none of the signing parties objects. The revenue from this lease agreement is fixed and referenced to annual CPI.

In addition, with respect to the Hotel Melía de Bilbao, Millenium has contracted the following operating lease agreements with third parties, with respect to which it was subrogated upon acquisition of the property:

- Premises to be operated as a restaurant were leased until December 31, 2021 in accordance with the addendum signed on December 29, 2020. The revenue from this lease agreement is fixed and referenced to annual CPI.

- Four contracts ceding use of space on the rooftop terrace of the Hotel Melía Bilbao for the installation of telecommunications antenna, maturing in December 2022, March 2024, and January 2029 for the two remaining contracts. In all cases the revenue agreed upon is fixed and referenced to annual CPI.

Finally, the building where the Hotel Vía Castelanna is located has a garage with 45 parking spaces which are leased to third parties other than than the hotel operator, via monthly contracts which are tacitly renewable and accrue fixed income.

The income from said operating lease contracts amounted to 3,189,495 euros for the six-month period ended June 30, 2021 (3,143,231 euros for the same period in 2020; Note14.1).

The expenses associated with the investment properties that have generated said revenue are broken down as follows:

| (Euros) | 6/30/2021 | 6/30/2020 |
|---|---|---|
| Supplies | 7,608 | 14,864 |
| Other taxes | 333,689 | 632,422 |
| Other operating expenses | 70,542 | 62,758 |
| Impairment losses on accounts receivable (Note 8.1) | 3,202,343 | 1,186,649 |
| **TOTAL** | **3,614,182** | **1,896,693** |

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

The breakdown of future minimum collections from the non-cancelable operating lease contracts (without including the contracts relating to hotels under development as they are not yet in force) is as follows:

| (Euros) | 6/30/2021 | 12/31/2020 |
|---|---|---|
| Within one year | 7,923,486 | 5,665,440 |
| Between one and five years | 25,052,380 | 21,038,501 |
| More than five years | 1,076,695 | 89,124 |
| **TOTAL** | **34,052,561** | **26,793,065** |

## 8. FINANCIAL ASSETS

At June 30, 2021 and December 31, 2020, all of the Group's financial assets are classified under "Financial assets at amortized cost."

### 8.1. Trade receivables

The breakdown of this heading is as follows:

| (Euros) | 6/30/2021 | 12/31/2020 |
|---|---|---|
| Clients | 806,897 | 315,776 |
| Invoices pending issue | 3,020,245 | 2,078,009 |
| Valuation correction for impairment on accounts receivable | (3,204,848) | (2,505) |
| Promissory notes | 806,667 | 806,667 |
| **TOTAL** | **1,428,961** | **3,197,947** |

The balance for invoices pending issue includes provisions for income accrued but yet to be invoiced, mainly associated with the payment deferrals agreed upon with the lessees of the operational hotels due to the health crisis linked to COVID-19 (Note 7.3).

Promissory notes correspond to letters of credit received from the lessee of the Hotel Eurostars Lucentum in guarantee of rental payments.

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

The valuation correction for impairment on accounts receivable is mainly related to the balances with the lessees of the  Hotel Vía Castellana and the Hotel Eurostars Lucentum (Hotusa group companies) since they owe amounts from FY 2020 (only corresponding to Hotel Via Castellana) as well as the current FY 2021 at the date of authorizing the accompanying interim condensed consolidated financial statements. The movements in this provision during the year wear as follows:

| (Euros) | 6/30/2021 | 12/31/2020 |
|---|---|---|
| **Opening balance** | **(2,505)** | **-** |
| Amounts provisioned | (3,202,343) | (1,959,207) |
| Reversals | - | 1,452,720 |
| Amounts applied | - | 503,982 |
| **Closing balance** | **(3,204,848)** | **(2,505)** |

## 8.2. Current and non-current financial investments

The breakdown of these items is as follows:

| (Euros) | 6/30/2021 | 12/31/2020 |
|---|---|---|
| **Non-current financial investments** | | |
| Security deposits | - | 1,413,425 |
| Guarantees | 143,018 | 111,715 |
| **TOTAL** | **143,018** | **1,525,140** |
| | | |
| **Current financial investments** | | |
| Security deposits | 3,496,689 | 1,592,750 |
| Guarantees | 719,963 | 712,464 |
| **TOTAL** | **4,216,652** | **2,305,214** |

The change in "Security deposits" is mainly due to the reclassification of a balance of 1,410,000 euros from non-current to current, corresponding to balances withheld when purchasing the Palacio Vista Eder de San Sebastián in order to cover guarantees relating to compliance with certain obligations, which are expected to mature in the short term.  In addition, a security deposit was set up to guarantee the payment obligation on the mortgage loan associated with the Hotel Radisson Collection Seville. This deposit will be maintained until the income from the lessee of this hotel is collected.

Further, the change in guarantees is related to the work being carried out at some of the hotels in development.

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

## 9. CASH AND CASH EQUIVALENTS

This heading records the current accounts held by the Group, bearing market interest rates. The corresponding balances at June 30, 2021 totaled 18,537,593 euros (December 31, 2020: 20,672,752 euros). There are no restrictions on these balances.

The Group generally places cash and cash equivalents at financial institutions with high credit ratings.

## 10. EQUITY

The breakdown of consolidated equity and related movements are shown in the interim consolidated statement of changes in equity.

### 10.1. Share capital

At June 30, 2021 Millenium's share capital consisted of 54,601,101 shares (December 31, 2020: 54,601,101 shares) with a nominal value of 1 euro each. All the shares are of the same class and confer the same rights and are listed on BME Growth.

The breakdown of shareholders holding ownership interest in the share capital of Millenium greater than 5% is as follows:

| | % of ownership interest | |
|---|---|---|
| **Shareholder** | **6/30/2021** | **12/31/2020** |
| Ibervalles, S.A. (controlled by the Isidro family) | 23.24% | 23.21% |
| Pelham Capital, Ltd. | 9.82% | 9.82% |
| Alazady España, S.L. (controlled by José María Castellano) | 8.22% | 8.22% |
| Siemprelara, S.L. (controlled by Leopoldo del Pino) | 5.13% | 5.13% |

On July 29, 2021 the corresponding deed was granted for the capital increase carried out by Millenium without any preferential rights. It had been approved by the ordinary and extraordinary general shareholders meeting held on July 7, 2021, as filed at the Madrid Mercantile Registry on August 18, 2021. Execution of the first disbursement for said capital increase involved subscription of a total of 22,325,000 new shares at a nominal value of one euro each and with a share premium of 3 euros per share, so that the effective total balance corresponding to said first disbursement amounted to 89,300,000 euros (Note 17).

The costs of this capital increase, accrued during the six-month period ended June 30, 2021, amounted to 270,106 euros (369,143 euros for the same period in 2020), recognized as a lower amount of reserves (Note 10.2).

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

Further, on July 30, 2021 Ibervalles, S.A. notified Millenium that it had sold all the shares of the Parent it held to CL MH Spain S.à.r.l., a company indirectly controlled by Castlelake L.P. (Note 17). Consequently, as reflected in the accounting records of Millenium, CL MH Spain S.à.r.l. became titleholder to approximately 42.5% of its share capital.

### 10.2. Reserves and retained earnings

The breakdown and movements in the items recognized under this heading are as follows:

| (Euros) | Balance at 12/31/2020 | Appropriation of profit | Capital increase expenses (Note 10.1) | Other changes (Note 10.3) | Balance at 6/30/2021 |
|---|---|---|---|---|---|
| Legal reserve | 3,040,560 | - | - | - | 3,040,560 |
| Reserves in consolidated companies | (159,836) | - | - | - | (159,836) |
| Voluntary reserves | 51,517,254 | - | (270,106) | (27,832) | 51,219,316 |
| | 54,397,978 | - | (270,106) | (27,832) | 54,100,040 |
| Retained earnings | 23,994,547 | (14,995,441) | - | - | 8,999,106 |
| **TOTAL** | **78,392,525** | **(14,995,441)** | **(270,106)** | **(27,832)** | **63,099,146** |

| (Euros) | Balance at 12/31/2019 | Appropriation of profit | Capital increase expenses (Note 10.1) | Other changes (Note 10.3) | Balance at 6/30/2020 |
|---|---|---|---|---|---|
| Legal reserve | 3,040,560 | - | - | - | 3,040,560 |
| Reserves in consolidated companies | (159,836) | - | - | - | (159,836) |
| Voluntary reserves | 51,615,679 | - | (369,143) | (5,562) | 51,240,974 |
| | 54,496,403 | - | (369,143) | (5,562) | 54,121,698 |
| Retained earnings | 1,209,577 | 22,784,970 | - | - | 23,994,547 |
| **TOTAL** | **55,705,980** | **22,784,970** | **(369,143)** | **(5,562)** | **78,116,245** |

*Legal reserve*

The balance of this heading corresponds entirely to the Parent. In accordance with the consolidated text of the Corporate Enterprises Act, until the legal reserve exceeds the limit of 20% of share capital, it cannot be distributed to shareholders and can only be used to offset losses, if no other reserves are available for this purpose. This reserve can also be used to increase share capital by the amount exceeding 10% of the new capital after the increase.

*Voluntary reserves*

The balance of these reserves corresponds entirely to the Parent and is freely distributable. However, at June 30, 2021 an amount of 57,770,640 euros is included in this reserve which can only be used under the same conditions required for capital reductions.

### 10.3. Shares of the Parent company

During the six-month period ended June 30, 2021 Millenium acquired 24,134 treasury shares (229,525 treasury shares during the same period in 2020) at an average price of 4.06 euros per share (4.58 euros per share during the same period in 2020) and sold 28,653 treasury shares (14,270 treasury shares during the same period in 2020) at an average price of 3.90 euros per share (4.84 euros per share during the same period in 2020). The difference between the cost price and the sales price for the shares, totaling a net amount of 27,832 euros (5,562 euros for the same period in 2020) was recognized under "Voluntary reserves" (Note 10.2).

At June 30, 2021 the Parent held a treasury share portfolio comprised of 219,283 treasury shares, representing 0.4% of its share capital (December 31, 2020: 223,802 treasury shares, representing 0.4% of its share capital at said date).

## 11. FINANCIAL LIABILITIES

The breakdown of financial liabilities by category is as follows:

| (Euros) | 6/30/2021 | 12/31/2020 |
|---|---|---|
| **Non-current financial liabilities** | | |
| Financial liabilities at amortized cost | 107,581,238 | 87,903,070 |
| Bank borrowings (Note 11.1) | 91,945,097 | 69,960,052 |
| Finance lease payables (Note 11.1) | 12,479,036 | 13,324,592 |
| Other financial liabilities (Note 11.3) | 3,157,105 | 4,618,426 |
| Derivative financial hedging instruments | 252,275 | 442,351 |
| Interest rate swaps (Note 11.2) | 252,275 | 442,351 |
| | 107,833,513 | 88,345,421 |
| **Current financial liabilities** | | |
| Financial liabilities at amortized cost | 18,906,300 | 15,474,672 |
| Bank borrowings (Note 11.1) | 5,667,741 | 4,702,864 |
| Finance lease payables (Note 11.1) | 1,674,910 | 1,182,071 |
| Other financial liabilities (Note 11.3) | 2,338,739 | 912,389 |
| Trade and other payables (Note 11.4) | 9,224,910 | 8,677,348 |
| Derivative financial hedging instruments | 115,167 | - |
| Interest rate swaps (Note 11.2) | 115,167 | - |
| | 19,021,467 | 15,474,672 |
| **TOTAL** | **126,854,980** | **103,820,093** |

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

The breakdown of maturities for financial liabilities at June 30, 2021, without taking into account debt arrangement expenses, is as follows:

| (Euros) | Current | Non-current | | | | | | Total |
|---|---|---|---|---|---|---|---|---|
| | Less than 1 year | Between 1 and 2 years | Between 2 and 3 years | Between 3 and 4 years | Between 4 and 5 years | More than 5 years | Total non-current | |
| Bank borrowings | 5,667,741 | 5,668,429 | 5,950,636 | 21,981,695 | 19,310,405 | 41,093,270 | 94,004,435 | 99,672,176 |
| Finance lease payables | 1,674,910 | 1,662,702 | 1,622,271 | 9,194,063 | - | - | 12,479,036 | 14,153,946 |
| Derivatives | 115,167 | 101,867 | 88,027 | 62,381 | - | - | 252,275 | 367,442 |
| Other financial liabilities | 2,338,739 | 132,146 | 93,954 | 102,579 | 339,186 | 2,489,240 | 3,157,105 | 5,495,844 |
| Trade and other payables | 9,224,910 | - | - | - | - | - | - | 9,224,910 |
| **TOTAL** | **19,021,467** | **7,565,144** | **7,754,888** | **31,340,718** | **19,649,591** | **43,582,510** | **109,892,851** | **128,914,318** |

The breakdown of maturities for financial liabilities at December 31, 2020, without taking into account debt arrangement expenses, is as follows:

| (Euros) | Current | Non-current | | | | | | Total |
|---|---|---|---|---|---|---|---|---|
| | Less than 1 year | Between 1 and 2 years | Between 2 and 3 years | Between 3 and 4 years | Between 4 and 5 years | More than 5 years | Total non-current | |
| Bank borrowings | 4,702,864 | 5,331,201 | 5,363,494 | 5,398,283 | 12,979,637 | 41,757,227 | 70,829,842 | 75,532,706 |
| Finance lease payables | 1,182,071 | 1,711,724 | 1,603,720 | 1,649,775 | 8,359,373 | - | 13,324,592 | 14,506,663 |
| Derivatives | - | 236,480 | 97,974 | 83,423 | 24,474 | - | 442,351 | 442,351 |
| Other financial liabilities | 912,389 | 1,540,404 | 107,540 | 94,091 | 351,532 | 2,524,859 | 4,618,426 | 5,530,815 |
| Trade and other payables | 8,677,348 | - | - | - | - | - | - | 8,677,348 |
| **TOTAL** | **15,474,672** | **8,819,809** | **7,172,728** | **7,225,572** | **21,715,016** | **44,282,086** | **89,215,211** | **104,689,883** |

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

## 11.1. Bank borrowings

The breakdown of bank borrowings at June 30, 2021 is as follows:

| Type of debt | Nominal interest rate | Year of maturity | Pending balance | Non-current | Current |
|---|---|---|---|---|---|
| **Mortgage loans** | | | **98,587,599** | **93,136,615** | **5,450,984** |
| Hotel Eurostars Lucentum | 2.25% | 2030 | 11,424,059 | 10,483,392 | 940,667 |
| Hotel Radisson Sevilla (Tranches A, C and Capex) | 3.37% | 2025 | 18,123,200 | 17,446,400 | 676,800 |
| Hotel Radisson Bilbao (Tranche A) | 2.38% | 2026 | 12,000,000 | 11,568,000 | 432,000 |
| Hotel Radisson Bilbao (Tranche B - Capex) | 2.40% | 2026 | 3,978,047 | 3,836,126 | 141,921 |
| Hotel JW Madrid - Tranche A (2014) | 2.95% | 2030 | 15,740,307 | 14,139,885 | 1,600,422 |
| Hotel JW Madrid - Tranche A (2016) | 2.95% | 2026 | 1,630,508 | 1,323,334 | 307,174 |
| Hotel JW Madrid - Tranche B | 2.95% | 2027 | 10,500,000 | 10,500,000 | - |
| Hotel JW Madrid - Loan guaranteed by ICO | 3.35% | 2027 | 2,556,978 | 2,556,978 | - |
| Hotel Meliá Bilbao - Loan 1 | Euribor +1% | 2036 | 15,527,094 | 14,607,094 | 920,000 |
| Hotel Meliá Bilbao - Loan 2 | Euribor +1% | 2036 | 1,235,406 | 1,155,406 | 80,000 |
| Hotel Meliá Bilbao - Loan 3 | Euribor +2% | 2036 | 5,872,000 | 5,520,000 | 352,000 |
| **Other loans** | | | **931,793** | **867,820** | **63,973** |
| Bankinter | Euribor +1.95% | 2025 | 181,793 | 137,724 | 44,069 |
| Bankinter (ICO Alcaidesa Golf) | 1.50% | 2025 | 750,000 | 730,096 | 19,904 |
| **Finance leases** | | | **14,153,946** | **12,479,036** | **1,674,910** |
| Hotel Vía Castellana | Euribor +1.25% | 2025 | 13,862,504 | 12,367,490 | 1,495,014 |
| Golf buggies | 2.90% | 2022 | 212,357 | 79,371 | 132,986 |
| Golf machinery | 2.90% | 2023 | 55,556 | 30,348 | 25,208 |
| Golf machinery | 2.90% | 2022 | 23,529 | 1,827 | 21,702 |
| **Unpaid accrued interest** | | | **145,577** | **-** | **145,577** |
| **Debt arrangement expenses** | | | **(2,059,338)** | **(2,059,338)** | **-** |
| **Other** | | | **7,207** | **-** | **7,207** |
| **TOTAL** | | | **111,766,784** | **104,424,133** | **7,342,651** |

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

The breakdown of bank borrowings at December 31, 2020 is as follows:

| Type of debt | Nominal interest rate | Year of maturity | Pending balance | Non-current | Current |
|---|---|---|---|---|---|
| **Mortgage loans** | | | **74,499,592** | **70,041,751** | **4,457,841** |
| Hotel Eurostars Lucentum | 2.25% | 2030 | 11,502,448 | 10,953,726 | 548,722 |
| Hotel Radisson Sevilla (Plaza Magdalena 1) | 2.70% | 2025 | 4,910,000 | 4,730,000 | 180,000 |
| Hotel Radisson Sevilla (Rioja 26) | 2.65% | 2025 | 4,517,200 | 4,351,600 | 165,600 |
| Hotel Radisson Bilbao | 2.38% | 2026 | 12,100,000 | 11,884,000 | 216,000 |
| Hotel Carrera de San Jerónimo - Loan 1 | Euribor + 1.5% | 2030 | 16,402,578 | 14,720,759 | 1,681,819 |
| Hotel Carrera de San Jerónimo - Loan 2 | Euribor + 1.5% | 2026 | 1,756,866 | 1,443,166 | 313,700 |
| Hotel Meliá Bilbao - Loan 1 | Euribor + 1% | 2036 | 15,987,094 | 15,067,094 | 920,000 |
| Hotel Meliá Bilbao - Loan 2 | Euribor + 1% | 2036 | 1,275,406 | 1,195,406 | 80,000 |
| Hotel Meliá Bilbao - Loan 3 | Euribor + 2% | 2036 | 6,048,000 | 5,696,000 | 352,000 |
| **Other loans** | | | **953,509** | **788,091** | **165,418** |
| Bankinter | Euribor + 1.95% | 2025 | 203,509 | 159,872 | 43,637 |
| Bankinter (ICO Alcaidesa Golf) | 1.50% | 2025 | 750,000 | 628,219 | 121,781 |
| **Finance leases** | | | **14,506,663** | **13,324,592** | **1,182,071** |
| Hotel Vía Castellana | Euribor +1.25% | 2025 | 14,108,723 | 13,120,767 | 987,956 |
| Golf buggies | 2.90% | 2022 | 277,420 | 146,346 | 131,074 |
| Golf machinery | 2.90% | 2023 | 67,521 | 42,721 | 24,800 |
| Golf machinery | 2.90% | 2021 | 18,857 | - | 18,857 |
| Golf machinery | 2.90% | 2022 | 34,142 | 14,758 | 19,384 |
| **Unpaid accrued interest** | | | **68,960** | **-** | **68,960** |
| **Debt arrangement expenses** | | | **(869,790)** | **(869,790)** | **-** |
| **Other** | | | **10,645** | **-** | **10,645** |
| **TOTAL** | | | **89,169,579** | **83,284,644** | **5,884,935** |

On January 28, 2021 a novation agreement was signed related to the financing granted by Banco Santander for the purchase of the properties which comprise the Hotel Radisson Collection Sevilla (Tranches A and C). The novation included a new loan amounting to 9 million euros for the partial financing of the expenses incurred for adaptation work performed on said properties (Capex tranche of the financing) and subsumed all tranches in a single loan of 18.6 million euros subject to a fixed interest rate of 3.7% while maintaining the amortization schedule for Tranches A and C.

On February 12, 2021 a novation agreement was signed relating to the financing granted by Banco Santander for the purchase of the properties which comprise the future Hotel JW Marriott (Tranche A). The novation included two new loans, one for an amount of 10.5 million euros (Tranche B) to finance the cost of acquiring said properties and the premises located on their ground floor, and another loan guaranteed by the ICO for a maximum amount of 32 million euros (Tranche C) to be used for financing the costs incurred in the adaptation work performed on said properties, which will be utilized to the extent the invoices corresponding to said work are settled. Tranches A and B bear a fixed interest rate of 2.95% and Tranche C bears a fixed interest rate of 3.35%. Tranches B and C were granted for a period of 6 years, including a 3-year grace period while maintaining the previous amortization schedule for the Tranche A loans.

In addition, on June 17, 2021 the novation agreement signed on May 10, 2021 was ratified by public deed with the contractual terms of the loan amounting to 750,000 euros granted by Bankinter and guaranteed by the ICO thus being modified. The changes included an extension of the maturity by 36 months with a grace period of 12 additional months.

During the six-month period ended June 30, 2021, borrowings from credit entities for mortgage loans and finance leasing accrued interest amounting to 1,679 thousand euros (861 thousand euros during the same period in 2020), of which 1,303 thousand euros were capitalized in connection with hotels in development (471 thousand euros during the same period in 2020; see Note 7) and 376 thousand euros were recognized in the separate interim consolidated statement of profit or loss (390 thousand euros during the same period in 2020; see Note 14.4).

The mortgage loans related to the Hotel Radisson Collection Sevilla, the Hotel Radisson Collection Bilbao, and the Hotel Melía Bilbao include the obligation to comply with a series of financial ratios in some cases, applicable once the corresponding hotel becomes operational. The loans can be called ahead of maturity in the event of failure to meet the ratios. At June 30, 2021 the Group was in compliance with the financial ratios applicable at that date (at December 31, 2020 the Group was also in compliance with said ratios).

### 11.2. Derivative financial hedging instruments

At June 30, 2021 the Group had contracted an interest rate swap to cover the nominal pending amount on the finance lease contract for the Hotel Via Castellana (Note 11.1), fixing the interest rate applicable to the main transaction at 0.97% plus a spread of 1.25% and a floor at 0%. This interest rate swap matures on April 30, 2025.

The swap was designated as a cash flow hedge to cover interest rate risk associated with said finance lease. Since the conditions for the hedging instrument and the hedged items are the same, the hedge is considered to be effective.

The Group valued the hedging derivative at an amount of 367,442 euros at June 30, 2021 (December 31, 2020: 442,351 euros), recognizing the unrealized gains (losses), net of the tax effect, under consolidated equity.

In addition, during the six-month period ended June 30, 2021 the Group transferred a negative amount of 64,243 euros (70,240 euros for the same period in 2020) from equity to the separate interim consolidated statement of profit or loss due to the effect of the interest rate hedge. These amounts were recognized under "Finance cost" together with the hedged item (Note 14.4).

### 11.3. Other financial liabilities

The breakdown of these items is as follows:

| (Euros) | 6/30/2021 | 12/31/2020 |
|---|---|---|
| **Other non-current financial liabilities** | | |
| Security deposits received | 282,999 | 1,186,999 |
| Lease liabilities | 2,874,106 | 2,931,427 |
| Other | - | 500,000 |
| **TOTAL** | **3,157,105** | **4,618,426** |
| **Other current financial liabilities** | | |
| Security deposits received | 2,216,667 | 806,667 |
| Lease liabilities | 113,850 | 97,500 |
| Other | 8,222 | 8,222 |
| **TOTAL** | **2,338,739** | **912,389** |

The changes in these items are mainly due to the reclassification of a balance of 1,410,000 euros from non-current to current, corresponding to balances withheld when purchasing the Palacio Vista Eder de San Sebastián in order to cover guarantees relating to compliance with certain obligations, which will mature in the short term.

### 11.4. Trade and other payables

The breakdown of financial liabilities included under this heading is as follows:

| (Euros) | 6/30/2021 | 12/31/2020 |
|---|---|---|
| Suppliers and other payables | 8,830,941 | 7,728,955 |
| Remuneration pending payment to employees | 249,305 | 550,000 |
| Customer advances | 144,664 | 398,393 |
| **TOTAL** | **9,224,910** | **8,677,348** |

The increase for "Suppliers and other payables" is mainly due to the performance of refurbishment work at various hotels and in the golf courses.

Customer advances correspond entirely to payments received in advance from clients of the golf courses at La Alcaidesa in connection with subscription fees for each year.

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

## 12. TAX SITUATION

The breakdown of tax assets and tax liabilities is as follows:

| (Euros) | 6/30/2021 | 12/31/2020 |
|---|---|---|
| **Tax credits** | | |
| Other receivables from public administrations | | |
| VAT | 7,189,140 | 4,605,250 |
| Social security | 63,674 | - |
| Withholdings on corporate income tax | 12,917 | 9,640 |
| **TOTAL** | **7,265,731** | **4,614,890** |
| **Tax liabilities** | | |
| Deferred tax liabilities | 5,708,722 | 5,708,722 |
| Other payables to public administrations | | |
| VAT | - | 33,276 |
| Withholdings | 429,448 | 1,607,291 |
| Provision for property tax | 330,000 | - |
| Social security | 48,328 | 58,834 |
| **TOTAL** | **6,516,498** | **7,408,123** |

Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by the tax authorities or until the four-year inspection period has expired. The Group companies are open to inspection of all taxes to which they are liable for the last four years, except for the VAT of the year 2020 of Millenium and Varia on which, as of June 30, 2021, there are limited verification actions open by the Tax Agency. In relation to these actions, on July 27, 2021, a certificate of conformity regarding Varia VAT was received, therefore, on August 9, 2021, the VAT refund for fiscal year 2020 requested was collected, for an amount of 1,715,309 euros plus interest (Note 17). Millenium's directors and Group's tax advisors consider that, in the event of a tax inspection, no significant tax contingencies would arise as a result of varying interpretations of the tax legislation applicable to transactions carried out by Group companies.

### 12.1. Corporate income tax

As stated in Note 1.1, on June 30, 2021 the Parent and its subsidiaries are subject to the special tax regime established in Law 11/2009 of October 26 for SOCIMIs. In accordance with said special tax regime for the SOCIMIs, the returns generated by their activities which fulfill the stipulated requirements are exempt from taxation.

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

The breakdown of income tax expense (income) is as follows:

| | 6/30/2021 | | 6/30/2020 | |
|---|---|---|---|---|
| **(Euros)** | **Consolidated statement of profit or loss** | **Recognized directly in consolidated equity** | **Consolidated statement of profit or loss** | **Recognized directly in consolidated equity** |
| Current income tax | - | - | - | - |
| Change in deferred taxes | - | - | - | - |
| **TOTAL** | **-** | **-** | **-** | **-** |

The breakdown of tax loss carryforwards pending application is the following:

| Arising in | 6/30/2021 | 12/31/2020 |
|---|---|---|
| 2016 | 202,296 | 202,296 |
| 2017 | 20,936 | 20,936 |
| 2018 | 27,192 | 27,192 |
| 2019 | 21 | 21 |
| **TOTAL** | **250,445** | **250,445** |

The Group did not recognize the deferred tax asset corresponding to tax loss carryforwards pending application as the directors of the Parent consider it unlikely that sufficient future taxable profits will be generated for their application under the special SOCIMI tax regime (Note 1.1).

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

### 12.2. Disclosure requirements arising from the condition of SOCIMI for certain Group companies. Law 11/2009, modified by Law 16/2012 ("the SOCIMI Law")

In accordance with the provisions of article 11 of the SOCIMI Law, information is provided below with respect to the Group companies availing themselves of the special tax regime established in said law:

a) *Reserves arising from years prior to application of the tax regime established in Law 11/2009, modified by Law 16/2012.*

| Company | Reserves (euros) | | | |
|---|---|---|---|---|
| | Share Premium | Legal reserve | Voluntary reserves | Total |
| Millenium Hotels Real Estate SOCIMI, S.A. | - | - | - | - |
| Varia Pza Magdalena, S.L.U. | 4,494,600 | - | - | 4,494,600 |
| Millenium Hotels C220, S.L.U. | 9,146,257 | 79,460 | 1,878,947 | 11,104,664 |
| MHRE San Roque, S.L.U. | - | - | - | - |
| Alcaidesa Holding, S.A.U. | 15,744,227 | 2,513,400 | 25,814,174 | 44,071,801 |

b) *Reserves arising from years in which the tax regime established in this Law was applied, differentiating the part which arises from revenue subject to a 0% tax rate or a 19% tax rate with respect to those which, if applicable, were subjected to the general tax rate.*

| Company | Reserves (euros) | | | |
|---|---|---|---|---|
| | Share Premium | Legal reserve | Voluntary reserves | Total |
| **Revenue subject to 0% or 19%** | | | | |
| Millenium Hotels Real Estate SOCIMI, S.A. | 157,593,204 | 3,040,560 | 41,543,155 | 202,176,919 |
| Varia Pza Magdalena, S.L.U. | - | - | - | - |
| Millenium Hotels C220, S.L.U. | - | - | 18,649 | 18,649 |
| MHRE San Roque, S.L.U. | - | - | - | - |
| Alcaidesa Holding, S.A.U. | - | - | - | - |
| | | | | |
| **Revenue subject to general rate** | | | | |
| Millenium Hotels Real Estate SOCIMI, S.A. | - | - | - | - |
| Varia Pza Magdalena, S.L.U. | - | 26,139 | - | 26,139 |
| Millenium Hotels C220, S.L.U. | - | - | 714,993 | 714,993 |
| MHRE San Roque, S.L.U. | - | - | - | - |
| Alcaidesa Holding, S.A.U. | - | - | - | - |

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

The reserves of Millenium Hotels Real Estate SOCIMI, S.A. do not arise from income subject to no tax rate but rather arise mainly from the capital increase and capital reduction carried out during 2019 and the capital increase carried out during 2020, both years in which said company was already under the SOCIMI regime.

c) *Dividends distributed with a charge to profits for each year in which the tax regime established in this Law was applicable, differentiating the part which arises from revenue subject to a 0% tax rate or a 19% tax rate with respect to those which, if applicable, were subjected to a general tax rate.*

| Company | Revenue subject to 0% or 19% | Revenue subject to general rate | Total |
|---|---|---|---|
| **Dividends charged against 2019 profit** | | | |
| Millenium Hotels C220, S.L.U. | 74,594 | - | 74,594 |
| **Dividends charged against 2020 profit** | | | |
| Millenium Hotels C220, S.L.U. | 280,854 | - | 280,854 |

d) *Should dividends be distributed against reserves, designation of the year in which the reserve applied arose, disclosing whether a 0% tax rate, a 19% tax rate, or the general tax rate was applied.*

The Group companies subject to the special tax regime of the SOCIMI Law have not distributed dividends with a charge to reserves since they availed themselves of said tax regime.

e) *Date of the agreement for distribution of dividends to which the above letters c) and d) above refer.*

| Company | Date of agreement |
|---|---|
| **Dividends charged against 2019 profit** | |
| Millenium Hotels C220, S.L.U. | 6/29/2020 |
| **Dividends charged against 2020 profit** | |
| Millenium Hotels C220, S.L.U. | 6/30/2021 |

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

f) *Acquisition date of the properties used for leasing which generate returns that are treated under this special regime:*

| Acquisition date | Date of applying tax regime | Classification of the asset | Identification | Address | Use |
|---|---|---|---|---|---|
| 4/29/2010 | 1/1/2019 | Asset held under finance lease by the group company Millenium Hotels C220, S.L.U. | Building - Hotel Vía Castellana | Paseo de la Castellana nº 220, Madrid | Hotel business |
| 2/16/2018 | 2/16/2018 | Asset owned by Millenium | Building - Hotel Eurostars Lucentum | Avenida Alfonso X El Sabio, nº 11, Alicante | Hotel business |
| 11/7/2019 | 11/7/2019 | Asset owned by Millenium | Building - Hotel Eurostars Lucentum | Lehendakari Leizaola 29, Bilbao | Hotel business |
| 7/17/2017 4/4/2019 | 1/1/2019 | Asset owned by the group company Varia Pza Magdalena, S.L.U. | Building – Hotel Radisson Collection Sevilla | Plaza de la Magdalena 1 and c/ Rioja 26, Seville | Hotel business |
| 5/13/2021 (*) | 5/13/2021 (*) | Asset owned by the group company Alcaidesa Holding, S.A.U. | Premises – Restaurant at the Club House | Club de Golf Alcaidesa. Avenida Pablo Cerezo S/N, San Roque, Cádiz | Commercial |

(*) This date corresponds to the beginning of the lease contracted for said property. Given that the asset was previously classified under PP&E and was subsequently leased, its use was modified as a consequence and the lease inception date was used as the acquisition date and the date of inclusion in this regime, even though the asset was already held previously.

g) *Acquisition date of the interests held in the share capital of entities to which section 1 of article 2 of this Law refers.*

| Company | Acquisition/ incorporation date | Year for which SOCIMI regime was applied |
|---|---|---|
| Varia Pza Magdalena, S.L.U. | September 6, 2018 | 2019 |
| Millenium Hotels C220, S.L.U. | July 31, 2018 | 2019 |
| Alcaidesa Holding, S.A.U. | December 10, 2019 | 2020 |
| MHRE San Roque, S.L.U. | December 19, 2019 | 2020 |

h) *Identification of the assets which are eligible for the 80% referred to in section 1 of article 3 of this Law*

Information included in Note 7.

i) *Reserves arising from years in which the special tax regime established in this Law was applicable, which were utilized during the tax period for purposes other than distribution or offsetting losses, indicating the year in which said reserves arose.*

None of the Group companies availing themselves of the special SOCIMI tax regime applied any reserves during the six-month period ended June 30, 2021.

## 13. SEGMENT INFORMATION

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed, discussed, and assessed by the Group's chief operating decision maker in order to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Group management has categorized its activity in accordance with the business segments described below, based on the type of assets acquired and managed:

- Leasing of hotels: investment activities relating to properties leased for hotel and accessory businesses.

- Other activities: this segment includes the golf course business activity.

Income and expenses which cannot be attributed to a business segment or which affect the Group in general are attributed to the Parent, as the "Corporate Unit."

The Management Team is responsible for taking decisions and monitors the operating results of its business units separately so as to be able to make decisions regarding allocation of resources and performance evaluation. Segment performance is evaluated based on profit or loss before taxes and is measured consistently with profit or loss before taxes in the interim condensed consolidated financial statements. However, taxes on profits are managed at the Group level and are not assigned to operating segments.

The transfer prices between operating segments are similar to those applied to transactions with third parties.

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

Information by segment is provided below for the period:

| | Hotel leases | | Other activities | | Corporate unit | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenue | 3,189,495 | 3,143,231 | 535,955 | 872,808 | - | - | 3,725,450 | 4,016,039 |
| Cost of sales | - | - | (70,559) | (84,796) | - | - | (70,559) | (84,796) |
| Other operating income | - | 550 | 29,046 | 33,579 | - | 4,500 | 29,046 | 38,629 |
| Employee benefits expense | - | - | (583,932) | (691,683) | (1,249,175) | (1,041,627) | (1,833,107) | (1,733,310) |
| Other operating expenses | (2,914,314) | (2,083,436) | (462,627) | (479,699) | (1,652,921) | (452,366) | (5,029,862) | (3,015,501) |
| Change in fair value of investment properties | 6,948,388 | (10,345,259) | - | - | - | - | 6,948,388 | (10,345,259) |
| Depreciation and amortization | (84,662) | - | (252,956) | (279,030) | (8,880) | (53,025) | (346,498) | (332,055) |
| Impairment losses on non-current assets | - | - | (1,669,172) | - | - | - | (1,181,397) | - |
| **OPERATING PROFIT (LOSS)** | **7,138,907** | **(9,284,914)** | **(1,474,245)** | **(628,821)** | **(2,910,976)** | **(1,542,518)** | **1,753,686** | **(11,456,253)** |
| Finance income and expenses (net) | (500,872) | (477,391) | (10,184) | (10,648) | - | (4,447) | (511,056) | (492,486) |
| **PROFIT (LOSS) BEFORE TAX** | **6,638,035** | **(9,762,305)** | **(2,484,429)** | **(639,469)** | **(2,910,976)** | **(1,546,965)** | **1,242,630** | **(11,948,739)** |

| | Hotel leases | | Other activities | | Corporate unit | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| **Total assets** | **379,840,076** | **317,948,485** | **8,956,250** | **11,789,046** | **20,088,145** | **31,325,785** | **408,884,471** | **361,063,316** |
| **Total liabilities** | **127,796,123** | **98,842,822** | **5,064,127** | **4,184,747** | **871,626** | **680,091** | **133,731,875** | **103,707,660** |
| **Other disclosures** | | | | | | | | |
| Acquisitions of PP&E | - | - | 1,972,061 | 3,140 | 15,522 | 2,922 | 1,987,583 | 6,062 |
| Acquisitions of investment properties | 17,217,573 | 11,274,987 | - | - | - | - | 17,217,573 | 11,274,987 |

## 14. INCOME AND EXPENSES

### 14.1. Revenue

The amount recognized under this heading mainly corresponds to revenue received from leasing the hotels owned by the Group, amounting to 3,189,495 euros (2020: 3,143,231 euros; Note 7.3). During the six-month period ended June 30, 2021 additional income was obtained from the rendering of services, amounting to 414,600 euros (698,364 euros during the same period in 2020), and from sales in the restaurant segment and sales of sports articles, amounting to a total of 121,355 euros (174,444 euros during the same period in 2020), all of which was related to the operation of two golf courses (Note 6).

The distribution of Group revenue by geographical markets is as follows:

| (Euros) | 6/30/2021 | 6/30/2020 |
|---|---|---|
| Madrid | 983,005 | 976,866 |
| Alicante | 838,465 | 820,694 |
| Bilbao | 1,293,024 | 1,345,671 |
| Cádiz | 566,703 | 872,808 |
| Seville | 44,253 | - |
| **TOTAL** | **3,725,450** | **4,016,039** |

### 14.2. Employee benefits expense

The breakdown of this heading is as follows:

| (Euros) | 6/30/2021 | 6/30/2020 |
|---|---|---|
| Wages and salaries | 1,648,345 | 1,518,390 |
| Social security payable by the company | 170,874 | 199,787 |
| Other employee benefits expense | 13,888 | 15,133 |
| **TOTAL** | **1,833,107** | **1,733,310** |

The increase in employee benefits expense is mainly due to the greater number of Board members during the six-month period ended June 30, 2021 even though a large part of the workforce associated with operation of the golf courses were affected by an ERTE due to force majeure (Note 2.8).

The breakdown by category of the Group's employees is as follows:

| | Number of persons employed at end of period | | | Average number of persons employed during the period | Average number of persons with disability >33% employed during the period |
|---|---|---|---|---|---|
| **Categories** | **Men** | **Women** | **Total** | | |
| **6/30/2021** | | | | | |
| Chief Executive Officer | 1 | - | 1 | 1 | - |
| Remaining Management Team | 4 | 1 | 5 | 5 | - |
| Department directors | 4 | 2 | 6 | 5 | - |
| Other employees | 23 | 10 | 33 | 35 | - |
| **TOTAL** | **32** | **13** | **45** | **46** | **-** |

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

| Categories | Number of persons employed at end of period - Men | Women | Total | Average number of persons employed during the period | Average number of persons with disability >33% employed during period |
|---|---|---|---|---|---|
| **6/30/2020** | | | | | |
| Chief Executive Officer | 1 | - | 1 | 1 | - |
| Remaining management team | 4 | 1 | 5 | 5 | - |
| Department directors | 4 | 2 | 6 | 6 | - |
| Other employees | 37 | 20 | 57 | 56 | - |
| **TOTAL** | **46** | **23** | **69** | **68** | **-** |

### 14.3. External services

The breakdown of this heading is as follows:

| (Euros) | 6/30/2021 | 6/30/2020 |
|---|---|---|
| Leases and royalties | 5,235 | 11,194 |
| Repairs and maintenance | 149,995 | 154,142 |
| Independent professional services | 483,538 | 443,376 |
| Transportation | 8,553 | 4,911 |
| Insurance premiums | 81,672 | 66,955 |
| Banking and similar services | 10,942 | 10,044 |
| Publicity, advertising, and public relations | 46,678 | 73,103 |
| Supplies | 132,390 | 156,489 |
| Other services | 40,665 | 39,941 |
| **TOTAL** | **959,668** | **960,155** |

### 14.4. Finance costs

The breakdown of this heading is as follows:

| (Euros) | 6/30/2021 | 6/30/2020 |
|---|---|---|
| Interest on borrowings from credit entities (Note 11.1) | 376,380 | 390,023 |
| Interest on derivative instruments (Note 11.2) | 64,243 | 70,240 |
| Other finance costs | 65,334 | 31,181 |
| **TOTAL** | **505,957** | **491,444** |

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

### 14.5. Other taxes

This heading mainly includes the property tax on the real estate assets owned by the Group. The corresponding expense is recognized in the separate interim consolidated statement of profit or loss in accordance with IFRIC 21 - Levies. Consequently, the separate interim consolidated statement of profit or loss includes recognition of the entire expense for the year corresponding to said tax.

## 15. TRANSACTIONS WITH RELATED PARTIES

Related parties with which the Group carried out transactions during the six-month period ended June 30, 2021, and the nature of the relationship, are as follows:

| Related party | Nature of the relationship |
|---|---|
| Grupomillenium Investment Partners, S.L. | Entity related to Board members |
| Tzar Rent a Car, S.L. | Entity related to Board members |
| Members of the Board of Directors of Millenium | Directors |
| Chairman and CEO of Millenium | Senior management |
| Second vice-president of Millenium | Senior management |

The related party transactions correspond to normal Group business operations and are carried out on an arm's length basis in a manner similar to transactions with unrelated parties.

### 15.1. Related parties

The breakdown of transactions carried out with related parties during the six-month period ended June 30 is as follows:

| | Entities related to Board members | |
|---|---|---|
| **(Euros)** | **6/30/2021** | **6/30/2020** |
| Leases | 30,000 | 30,000 |
| Transportation | 5,450 | 2,550 |
| **TOTAL** | **35,450** | **32,550** |

The Parent has leased its offices in Madrid to Grupomillenium Investment Partners, S.L. until March 31, 2023. Subsequently, this contract will automatically be renewed for one-year periods unless the lessee expressly states otherwise.

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

The breakdown of balances with related parties is as follows:

| | Entities related to Board members | |
|---|---|---|
| **(Euros)** | **6/30/2021** | **12/31/2020** |
| Other payables | 1,150 | - |
| **TOTAL** | **1,150** | **-** |

### 15.2. Directors and senior management

At June 30, 2021, Millenium's Board of Directors consisted of 10 members: 7 men together with a company represented by a man and two women (same situation as at December 31, 2020).

On July 29, 2021 the Board of Directors agreed upon presenting the shareholders in meeting with the proposal to reduce the number of Board members. In addition, at said date, the following Board members resigned from the Board of Directors and all committees in which they participated: Ibervalles, S.A., Mr. Remigio Iglesias, Mr. J. Ignacio Aranguren, and Mr. Jorge Sanz. Consequently, the Board of Directors appointed the following Board members via the co-optation system: Mr. Eduardo D'Alessandro, Ms. Leticia Fusi, and Mr. Isaiah Toback, all of whom are proprietary directors. Subsequently, the extraordinary general shareholder meeting held on September 30, 2021 agreed upon, amongst other matters, reducing the number of Board members to 9 and ratifying the appointment by co-optation of Ms. Leticia Fusi, Mr. Eduardo D'Alessandro, and Mr. Isaiah Toback (Note 17).

Thus, Millenium's Board of Directors at present consists of 9 members: 6 men and 3 women.

The breakdown of remuneration earned by members of the Millenium Board of Directors and senior management during the six-month period ended June 30, 2021 is as follows:

| **(Euros)** | **6/30/2021** | **6/30/2020** |
|---|---|---|
| Directors | | |
| Salaries | 192,000 | 96,000 |
| Per diems | 61,000 | 51,000 |
| | **253,000** | **147,000** |
| Senior management | | |
| Salaries | 674,998 | 424,998 |
| | **674,998** | **424,998** |
| **TOTAL** | **927,998** | **571,998** |

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

The Group had not contracted any commitments for pension plans for its directors or senior management at June 30, 2021 or December 31, 2020.

At June 30, 2021 and December 31, 2020, the Group had not granted any loans or advances to Board members or senior management, nor had it pledged any guarantees on their behalf.

During the six-month period ended June 30, 2021 the Group settled a balance of 57,055 euros corresponding to civil liability insurance premiums on behalf of its directors to cover potential damages caused in the course of carrying out their duties (2020: 26,516 euros). Likewise, during said period, a life insurance premium was settled in favor of senior management, amounting to 9,598 euros (2020: 8,003 euros).

## 16. RISK MANAGEMENT POLICIES

The Group manages its capital and financial structure with a view to ensuring it can meet current payment obligations, investment commitments, and debts, while maximizing returns generated for its shareholders.

The management policies for financial risk within the sector in which the Group operates are fundamentally determined by the analysis of investment projects, management of building occupancy, and the situation of financial markets:

- Credit risk: the Group's credit risk mainly arises from the risk of non-payment of rental installments by the tenants of their properties. The Group manages said risk by careful selection of tenants and requesting security deposits or guarantees in the contracts to be signed. At June 30, 2021, considering the current market environment as a result of COVID-19 and that as of the present date the Group has not collected various monthly rents of 2021 from the lessees of the Hotel Via Castellana and the Hotel Eurostars Lucentum (Hotusa Group companies), as well as other amounts from 2020 relating only to Hotel Vía Castellana, the directors of Millenium consider it reasonable to set aside a valuation correction for the pending balances at June 30, 2021, amounting to a total of 3,202 thousand euros (Note 8.1).

## Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

- Liquidity risk: this risk reflects the possibility that the Group will have insufficient funds or lack access to sufficient funds at an acceptable cost to meet its payment obligations at any point in time. At June 30, 2021 the Group recognized positive working capital in the amount of 11,9 million euros (December 31, 2020: 14.1 million euros), with cash in hand amounting to 18.5 million euros (December 31, 2020: 20.7 million euros). In addition, the Group reached an agreement to extend the grace period by an additional 12 months for repayment of the loan granted by Bankinter and guaranteed by the ICO (Note 11.1). Thus, when taking into account the financial position at June 30, 2021 as well as the funds obtained from the capital increase executed in July 2021 in the amount of 89.3 million euros (Notes 10.1 and 17), the directors consider that the Group will be able to settle its short-term payment obligations.

- Market risks: this represents one of the main risks to which the Group is exposed as a consequence of low property occupancy or downward renegotiation of expiring lease agreements. Materialization of this risk would decrease Group revenue and negatively affect the valuation of assets. Based on the situation of the properties, the duration of the lease agreements (Note 7.3), and the low financing/asset value ratio (29.9% at June 30, 2021), the directors consider this risk to be moderate.

- Interest rate risk: at June 30, 2021 approximately 68% of the debt held by the Group with credit entities is subject to a fixed interest rate (December 31, 2020: 38%). The remaining debt with credit entities is referenced to the Euribor rate, so that given the stability of this reference rate and the fact that the finance lease of the Hotel Vía Castellana is covered by a derivative financial hedging instrument which converts variable rates to fixed rates (Note 11.2), the directors consider this risk to be moderate.

### 17. EVENTS AFTER THE REPORTING DATE

The following significant events took place between June 30, 2021 and the date of authorization for issue of the accompanying interim condensed consolidated financial statements:

- In July 27, 2021, a certificate of conformity was received from the Tax Agency relating to VAT for the year 2020 of Varia, therefore, on August 9, 2021 the Group received the reimbursement of VAT of fiscal year 2020 which was requested from the tax authorities, amounting to 1,715,309 euros plus interest.

# Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021

- The ordinary and extraordinary general shareholders meeting held on July 7, 2021 agreed upon the following, amongst other matters:
    - Approval of the individual and consolidated annual financial statements of Millenium corresponding to the year ended December 31, 2020
    - Authorization for the related-party transaction consisting in the sale of the Group company Millenium Hotels C220, S.L.U., titleholder to the Hotel Vía Castellana, to the Board member Ibervalles, S.A.
    - Approval of the capital increase for a maximum nominal amount of 62,500,000 euros via the issue and circulation of a maximum 62,500,000 new ordinary shares at a nominal value of one euro each, a share premium to be determined by the Board of Directors, which will be subscribed and fully paid in with a charge against monetary contributions, excluding the right to preferential subscription, and expecting an incomplete subscription.

- On July 11, 2021 the BOE published Law 11/2021, of July 9, the second final provision of which modified the SOCIMI Law, effective for the tax periods starting from January 1, 2021. In accordance with the modification introduced, SOCIMIs shall be submitted to a special tax rate of 15% on the amount of profits obtained during the year which are not distributed, to the extent that the revenue was not taxed at the general corporate income tax rate or not subject to the regulated reinvestment period established in letter b) of section 1 in article 6 of the SOCIMI Law. Said tax rate shall be considered as the corporate income tax rate.

- On July 29, 2021 the corresponding deed was granted for the capital increase carried out by Millenium without any preferential rights and which had been approved by the ordinary and extraordinary general shareholders meeting of Millenium held on July 7, 2021, as filed at the Madrid Mercantile Registry on August 18, 2021. Execution of the first disbursement for said capital increase involved subscription of a total of 22,325,000 new shares at a nominal value of one euro each, so that the effective total balance corresponding to said first disbursement amounted to 89,300,000 euros.

- On July 29, 2021 the Board of Directors agreed upon presenting the shareholders in meeting with the proposal to reduce the number of Board members for Millenium. In addition, at said date, the following Board members resigned from the Board of Directors and all committees in which they participated: Ibervalles, S.A., Mr. Remigio Iglesias, Mr. J. Ignacio Aranguren, and Mr. Jorge Sanz. Consequently, the Board of Directors appointed the following Board members via the co-optation system: Mr. Eduardo D'Alessandro, Ms. Leticia Fusi, and Mr. Isaiah Toback, all of whom are proprietary directors.

**Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2021**

- On July 30, 2021 Ibervalles, S.A. notified Millenium that it had sold all the shares it held in the Parent to CL MH Spain S.à.r.l., a company indirectly controlled by Castlelake L.P.

- On July 30, 2021 an advance payment on account of 3 million euros was received from Ibervalles, S.A. in connection with the sale of the Group company Millenium Hotels C220, S.L.U. In accordance with the purchase-sale contract, this transaction was subject to approval by the shareholders of Milleniuim (approved in July 7, 2021) and will be executed on January 31, 2022.

- The extraordinary general shareholders meeting held on September 30, 2021 agreed upon the following, amongst other matters:
  - Reducing the number of Millenium Board members to 9 and ratifying the appointment by co-optation of Mr. Eduardo D'Alessandro, Ms. Leticia Fusi, and Mr. Isaiah Toback, all of whom are proprietary directors.
  - Modifying the corporate name of Millenium, which will be renamed as MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A. once the modification to article 1 of its by-laws has been registered in the Mercantile Registry.

# Interim consolidated management report for the six-month period ended June 30, 2021

## Situation of the market in which the Group performs its activity

The tourism sector in general and hotel segment in particular were negatively affected by the pandemic generated by corona virus (COVID-19) due to both the decrease in hotel occupancy as well as the average daily price per room (RevPar). In some cases, this situation has led to a worse financial position for the lessees of the hotels, who tried to compensate the decrease in their income by renegotiating the contractual terms of the leases in force and reducing the hotel lease payments.

Further, during the first half of 2021 the measures taken by the Government of Spain and its autonomous communities to control the appearance of new outbreaks of COVID-19 were still in place, including the limitations to mobility during the night and between communities as well as earlier closing hours in the hotel and restaurant business activities, amongst others.

In light of this unprecedented situation, the activity of the Group was affected in various areas and the directors of the Parent have maintained the measures adopted in 2020 to mitigate the effects of the pandemic arising from COVID-19.

## Business performance and situation of the Group

In this unprecedented context and with the accompanying great uncertainty, during the first half of 2021 the Group obtained a positive result of 1.2 million euros, in spite of the fact that only four of its hotels were being operated as the rest of its real estate assets are in the transformation and repositioning stage. Furthermore, this result was generated thanks to the positive change in the fair value of the property investments (a profit of 7 million euros), while also being affected by impairment losses on the golf courses amounting to 1.7 million euros and the impairment losses on accounts receivable in the amount of 3.2 million euros due to the effects which the crisis generated by COVID-19 is exceptionally having on the lessees of the Hotel Vía Castellana and the Hotel Eurostars Lucentum.

In spite of the effects arising from the pandemic caused by COVID-19, the Group's hotel leasing activity showed signs of recovery and has generated positive results, which represents evidence of the resilience of Millenium's asset portfolio and business model.

All of the Group's operational hotels have been open to the public since the beginning of this half-year, except for the Hotel Vía Castellana which was reopened in May 2021 after having been medicalized by the Community of Madrid. Likewise, on June 25, 2021 the Hotel Radisson Collection de Sevilla was opened after having finalized the construction works for its repositioning. On the same date the Group signed an appendix to the lease agreement, where, among others, the rents of 2021 have been regulated.

# Interim consolidated management report for the six-month period ended June 30, 2021

During the six-month period of 2021, the lessee of Hotel Meliá Bilbao filed a lawsuit against Millenium, requesting that, based on current jurisprudence regarding the rebus sic stantibus clause, the rents for the years 2021 to 2024 be reduced due to the adverse effects of the pandemic. A counterclaim was filed requesting that this action be dismissed in its entirety. At the date these interim condensed consolidated financial statements were authorized for issue, the preliminary hearing scheduled for October 21, 2021 has not been set. The Parent's directors consider that, based on the opinion of the Group's legal advisors, it is not necessary to record a provision for this matter at June 30, 2021. In addition, the lessee is current with all rent payments accrued to date.

Further, the advance of construction work at the properties which are being reconverted or are in development was not affected significantly by the pandemic generated by COVID-19.

With respect to the golf courses which the Group is temporarily exploiting, employees who had been affected by the administrative temporary layoff procedures ("ERTE" in its Spanish acronym) due to force majeure since March 2020 were reinstated during the first half of 2021. However, the activity was affected by the closing of the golf course called "Links" for its complete refurbishment. This activity has generated losses amounting to 2,5 million euros (considering the impairment of 1,7 million euros mentioned previously).

The gross asset value (GAV) of the Group's real estate portfolio at June 30, 2021, though affected by the pandemic generated by COVID-19, amounts to 373.7 million euros (of which 8.3 million euros correspond to the Alcaidesa golf courses accounted for as PP&E), having made investments during the first half of the year in work which affects all real estate assets in a total amount of 19,2 million euros.

The Net Asset Value of the Group at June 30, 2021, calculated as per the recommendations of the European Public Real Estate Association ("EPRA") published in November 2016 ("EPRA NAV"), amounts to 281 million euros, which corresponds to 5.15 euros per share, broken down as follows:

| **(Euros)** | **6/30/2021** | **12/31/2020** |
|---|---|---|
| **EQUITY** | **275,152,596** | **274,091,958** |
| Adjustments: | | |
| Fair value of derivative financial instruments | 367,442 | 442,351 |
| Deferred tax related to investment properties | 5,708,722 | 5,708,722 |
| **EPRA NAV** | **281,228,760** | **280,243,031** |
| Total shares circulating | 54,601,101 | 54,601,101 |
| **EPRA NAV / share** | **5.15** | **5.13** |

# Interim consolidated management report for the six-month period ended June 30, 2021

In addition, on July 29, 2021 the corresponding deed was granted for the capital increase carried out by Millenium without any preferential rights and which had been approved by the ordinary and extraordinary general shareholders meeting held on July 7, 2021, as filed at the Madrid Mercantile Registry on August 18, 2021. Execution of the first disbursement for said capital increase involved subscription of a total of 22,325,000 new shares at a nominal value of one euro each and a share premium of 3 euros each, so that the effective total balance corresponding to said first disbursement amounted to 89,300,000 euros.

The main objective of the Millenium Group for the coming months is to complete its work in progress so as to make its entire portfolio of assets currently held fully profitable over the next 18-24 months, as well as to carry out new acquisitions with the funds obtained from the capital increase performed in July 2021.

**Description of the main risks and uncertainties facing the Group**

The risk factors which can affect the Group, as well as the policies implemented to mitigate them, are described below:

- Credit risk: the Group's credit risk mainly arises from the risk of non-payment of rental installments by the tenants of their properties. The Group manages said risk by careful selection of tenants and requesting security deposits or guarantees in the contracts to be signed. At June 30, 2021, considering the current market environment as a result of COVID-19 and that as of the present date the Group has not collected various monthly rents of 2021 from the lessees of the Hotel Via Castellana and the Hotel Eurostars Lucentum (Hotusa Group companies), as well as other amounts from 2020 relating only to Hotel Vía Castellana, the directors of Millenium considered it reasonable to set aside a valuation correction for the pending balances at June 30, 2021, amounting to a total of 3,202 thousand euros.

- Liquidity risk: this risk reflects the possibility that the Group will have insufficient funds or lack access to sufficient funds at an acceptable cost to meet its payment obligations at any point in time. At June 30, 2021 the Group recognized positive working capital in the amount of 11,9 million euros (December 31, 2020: 14.1 million euros), with cash in hand amounting to 18.5 million euros (December 31, 2020: 20.7 million euros). In addition, the Group reached an agreement to extend the grace period by an additional 12 months for repayment of the loan granted by Bankinter and guaranteed by the ICO. Thus, when taking into account the financial position at June 30, 2021 as well as the funds obtained from the capital increase executed in July 2021 in the amount of 89.3 million euros, the directors consider that the Group will be able to settle its short-term payment obligations.

# Interim consolidated management report for the six-month period ended June 30, 2021

- Market risks: this represents one of the main risks to which the Group is exposed as a consequence of low property occupancy or downward renegotiation of expiring lease agreements. Materialization of this risk would decrease Group revenue and negatively affect the valuation of assets. Based on the situation of the properties, the duration of the lease agreements, and the low financing/asset value ratio (29.9% at June 30, 2021), the directors consider this risk to be moderate.

- Interest rate risk: at June 30, 2021 approximately 68% of the debt held by the Group with credit entities is subject to a fixed interest rate (December 31, 2020: 38%). The remaining debt with credit entities is referenced to the Euribor rate, so that given the stability of this reference rate and the fact that the finance lease of the Hotel Vía Castellana is covered by a derivative financial hedging instrument which converts variable rates to fixed rates, the directors consider this risk to be moderate.

Given the changing environment and numerous uncertainties regarding the ongoing pandemic, the directors and Management of the Parent are constantly monitoring the developing situation with a view to successfully dealing with the possible impacts which may arise.

**Research and development activities**

The Group did not conduct any R&D activities during the six-month period ended June 30, 2021.

**Treasury shares**

During the six-month period ended June 30, 2021 Millenium acquired 24,134 treasury shares (229,525 treasury shares during the same period in 2020) at an average price of 4.06 euros per share (4.58 euros per share during the same period in 2020) and sold 28,653 treasury shares (14,270 treasury shares during the same period in 2020) at an average price of 3.90 euros per share (4.84 euros per share during the same period in 2020). The difference between the cost price and the sales price for the shares, totaling a net amount of 27,832 euros (5,562 euros for the same period in 2020) was recognized under "Voluntary reserves."

At June 30, 2021 the Parent held a treasury share portfolio comprised of 219,283 treasury shares, representing 0.4% of its share capital (December 31, 2020: 223,802 treasury shares, representing 0.4% of its share capital at said date).

# Interim consolidated management report for the six-month period ended June 30, 2021

## Use of financial instruments

The Group carries out cash flow hedging transactions for the loans received at variable interest rates (see Note 11.2 to the accompanying interim condensed consolidated financial statements).

## Events after the reporting date

No additional significants events occurred after the reporting date other than those disclosed in Note 17 to the interim condensed consolidated financial statements.

## Authorization of the interim condensed consolidated financial statements and interim consolidated management report for the six-month period ended June 30, 2021

At the meeting of the Board of Directors of MILLENIUM HOTELS REAL ESTATE I SOCIMI, S.A., held on September 30, 2021, its members authorized the interim condensed consolidated financial statements together with the interim consolidated management report of MILLENIUM HOTELS REAL ESTATE I SOCIMI, S.A. and subsidiaries for the six-month period ended June 30, 2021, consisting of the documents attached above, initialed by the Secretary of the Board of Directors for purposes of identification, with all of the members of the Board of Directors signing this last page.

**F. Javier Illán Plaza**
Chairman and Chief Executive Officer

**Eduardo D'Alessandro Cishek**
Board member

**Leticia Fusi Aizpurua**
Board member

**José María Castellano Ríos**
Board member

**Isaiah Toback**
Board member

**María Isabel Dutilh Carvajal**
Board member

**Macarena Sainz de Vicuña Primo de Rivera**
Board member

**Javier Martínez-Piqueras Barceló**
Board member

**Jaime Montalvo Correa**
Board member

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

Financial information (Interim balance sheet and Interim statement of profit or loss) on stand-alone basis for the six-month period ended June 30, 2021

# Interim balance sheet at June 30, 2021

(In euros)

| ASSETS | 06/30/21 (*) | 12/31/20 |
|---|---|---|
| **NON-CURRENT ASSETS** | **314,422,351** | **300,459,916** |
| Property, plant, and equipment | 50,552 | 43,911 |
| Investment properties | 226,224,213 | 214,494,058 |
| Investments in group companies | 88,004,569 | 84,400,232 |
| Financial investments | 143,017 | 1,521,715 |
| **CURRENT ASSETS** | **27,722,671** | **27,629,473** |
| Inventories | 54,165 | 130,929 |
| Trade and other receivables | 4,860,587 | 4,229,334 |
| Trade receivables | 1,135,370 | 2,303,398 |
| Other receivables | 6,030 | 2,929 |
| Receivable from public administrations | 3,719,187 | 1,923,007 |
| Investments in group companies | 4,066,609 | 804,429 |
| Financial investments | 3,463,730 | 2,050,586 |
| Other current assets | 366,785 | 174,842 |
| Cash and cash equivalents | 14,910,795 | 20,239,353 |
| **TOTAL ASSETS** | **342,145,022** | **328,089,389** |

| EQUITY AND LIABILITIES | | |
|---|---|---|
| **EQUITY** | **255,858,835** | **256,018,878** |
| **Capital and reserves** | **255,858,835** | **256,018,878** |
| Share capital | 54,601,101 | 54,601,101 |
| Share premium | 157,593,204 | 157,593,204 |
| Reserves | 54,259,875 | 54,557,813 |
| Shares of the company | (1,016,043) | (1,057,080) |
| Retained earnings | (9,676,160) | (5,431,747) |
| Profit (loss) for the period | 96,858 | (4,244,413) |
| **NON-CURRENT LIABILITIES** | **74,079,116** | **61,655,128** |
| Financial liabilities | 74,079,116 | 61,655,128 |
| Bank borrowings | 74,065,784 | 60,231,796 |
| Other financial liabilities | 13,332 | 1,423,332 |
| **CURRENT LIABILITIES** | **12,207,071** | **10,415,383** |
| Financial liabilities | 7,092,739 | 4,980,293 |
| Bank borrowings | 4,876,072 | 4,173,626 |
| Other financial liabilities | 2,216,667 | 806,667 |
| Trade and other payables | 5,109,746 | 5,421,340 |
| Suppliers | 3,300,067 | 2,946,152 |
| Other payables | 1,195,956 | 357,869 |
| Employee benefits payable | 250,209 | 550,000 |
| Payables to public administrations | 363,514 | 1,567,319 |
| Other current liabilities | 4,586 | 13,750 |
| **TOTAL EQUITY AND LIABILITIES** | **342,145,022** | **328,089,389** |

(*) Non audited

# Interim statement of profit or loss for the six-month period ended June 30, 2021

(In euros)

| | 06/30/21 (*) | 06/30/20 (*) |
|---|---|---|
| Continuing operations | | |
| **Revenue** | **2,131,489** | **2,166,365** |
| Lease income | 2,131,489 | 2,166,365 |
| **Other operating income** | **23,562** | **16,500** |
| **Employee expense** | **(1,249,175)** | **(1,041,627)** |
| Salaries and wages | (1,165,372) | (995,581) |
| Employee benefits expense | (83,803) | (46,046) |
| **Other operating expenses** | **(2,446,328)** | **(725,038)** |
| External services | (591,012) | (499,753) |
| Taxes (other than income tax) | (253,497) | (225,285) |
| Impairment losses on receivables | (1,601,819) | - |
| **Depreciation and amortization** | **(483,255)** | **(481,651)** |
| **Impairment losses and gains (losses) on disposal of non-current assets** | **824,119** | **(2,578,736)** |
| **OPERATING PROFIT (LOSS)** | **(1,199,588)** | **(2,644,187)** |
| **Finance income** | **463,803** | **322,981** |
| From marketable securities & other financial instruments | 463,803 | 322,981 |
| **Finance costs** | **(1,141,416)** | **(650,301)** |
| Third-party borrowings | (1,141,416) | (650,301) |
| **Impairment losses and gains (losses) on disposal of financial instruments** | **1,136,114** | **-** |
| **Foreign exchange gains (losses)** | **(6,102)** | **(1,042)** |
| **Finance costs capitalized in fixed assets** | **844,047** | **332,288** |
| **FINANCE PROFIT (LOSS)** | **1,296,446** | **3,926** |
| **PROFIT (LOSS) BEFORE TAX** | **96,858** | **(2,640,261)** |
| Corporate income tax | - | - |
| **PROFIT (LOSS) FOR THE PERIOD** | **96,858** | **(2,640,261)** |

(*) Non audited