# Aroca Del Pinar, S.A. (Sociedad Unipersonal)

2019 Consolidated Annual Accounts and report of the Directors

Includes the Audit Report on the Consolidated Annual Accounts

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**INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS**

*(Translation of a report and consolidated annual accounts originally issued in Spanish and prepared in accordance with Spanish generally accepted accounting principles. In the event of a discrepancy, the Spanish-language version prevails)*

To the sole shareholders of Aroca Del Pinar, S.A. (Sociedad Unipersonal)

**Opinion**

We have audited the consolidated annual accounts of Aroca Del Pinar, S.A. (the Parent company) and its subsidiaries, (the Group), which comprise the consolidated balance sheet at 31 December 2019, the consolidated income statement, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated annual accounts for the year then ended.

In our opinion, the accompanying consolidated annual accounts present, in all material respects, a true and fair view of the consolidated equity and the consolidated financial position of the Group at 31 December 2019, and of the consolidated results of its operations and consolidated cash flows for the year then ended, in accordance with the applicable framework of financial reporting standards (which is identified in note 2) to the consolidated annual accounts) and, in particular, in compliance with the accounting principles and criteria contained in that framework.

**Basis for opinion**

We conducted our audit in accordance with the current Spanish standards for auditing accounts. Our responsibilities under those standards are further described in the *Auditor´s responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are applicable to our audit of the consolidated annual accounts in Spain, as required by the regulations governing the auditing of accounts. In this regard, we have not provided any services different to the audit of accounts and no situations or circumstances have arisen that, based on the aforementioned regulations, might have affected the required independence in such a way that it could have been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of matter**

We draw attention to Note 20 of the consolidated annual accounts, which describes the situation regarding the result and effects that the current crisis of COVID 19 could have on the Group's future operations. Our opinion is not modified in respect of this matter.

**Most relevant audit aspects**

The most relevant audit aspects of the audit are those that, in our professional judgement, were considered as the most significant material misstatement risks in our audit of the consolidated annual accounts of the current period. These risks were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

*Registration and valuation of real estate investments*

As detailed in note 6 of the consolidated annual accounts, as of 31 December 2019, the Group has registered under the heading Investments Properties real estate assets amounting to EUR 108,932 thousand.

In the light of the regulatory framework of financial information that is applicable, real estate investments will be valued for their cost at the time of their acquisition, either the purchase price or the cost of production. Subsequently, they will be valued at the acquisition price reduced by the accumulated depreciation and impairment losses experienced. At least at the end of the financial year, the existence of evidence of impairment must be assessed and, where appropriate, the estimation of the recoverable amount, understood as the largest amount between its fair value minus the costs of sale and its value in use, making the necessary valuation corrections, if applicable.

The relevance of the amounts recorded by the Group in the 2019 financial year under the heading of real estate investments and the risk that any real estate investment will deteriorate, as well as the weight that said heading has on the total asset at the end of the financial year, makes us consider the registration and valuation of real estate investments as the most relevant aspect of our audit.

In this regard, we have carried out a series of audit tests, through the application, inter alia, of the following procedures:

- Obtaining supporting documentation regarding the cost of acquiring the properties maintained by the Group companies, verification of the distribution between ground and flight made and the recalculation of their net book value at the closing date of the consolidated annual accounts. We have also verified that it is correct to treat the operation as an acquisition of assets and not as a business combination.

- We have verified that management has applied the requirements set out in the applicable financial reporting framework relating to the realization of estimates of useful lives.

- Verification of the criteria used by the Group to determine whether or not impairment is necessary in investments.

- We have obtained and reviewed the valuation reports of the main real estate investments made by independent experts, to corroborate not impairment is necessary. We have evaluated the independence and competence of the experts obtaining a confirmation and evaluating their recognized prestige.

- We have evaluated if the information disclosed in the consolidated annual accounts is sufficient and adequate in accordance with the applicable financial reporting regulatory framework.

**Other matter**

As indicated in note 2, the Parent company acquired control of the subsidiaries on 21 June 2019 and, therefore, 2019 is the first year in which the companies form the Group and therefore, in accordance with applicable regulations, no comparative information is included, either quantitative or qualitative, for the previous year.

**Other information: Consolidated directors' report**

Other information comprises exclusively the consolidated directors' report for the 2019 financial year. The directors of the Parent company are responsible for preparing this report, which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated directors' report. In accordance with the regulations governing the auditing of accounts, our responsibility regarding the consolidated directors' report includes evaluating and reporting on the consistency of the consolidated directors' report with the consolidated annual accounts, based on the knowledge of the Group obtained during our audit of those accounts, excluding any information different to that obtained as evidence during our audit. Furthermore, our responsibility includes evaluating and reporting on whether the content and presentation of the consolidated directors' report meet the requirements of the applicable regulations. If, as a result of our work, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described in the preceding paragraph, the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for the year 2019 and its content and presentation meet the requirements of the applicable regulations.

**Responsibility of the directors of the Parent company for the consolidated annual accounts**

The directors of the Parent company are responsible for the preparation of the accompanying consolidated annual accounts, so that they show a true and fair view of the consolidated equity, the consolidated financial position and the consolidated results of the Group, in accordance with the framework of financial reporting standards applicable to the Group in Spain and for such internal control that they consider necessary to enable the preparation of consolidated annual accounts that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated annual accounts, the directors of the Parent company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Parent company either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor´s responsibilities for the audit of the consolidated annual accounts**

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the current Spanish regulations for auditing accounts will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with current Spanish regulations for auditing accounts, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures to respond to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Parent company.

- Conclude on the appropriateness of the directors of the Parent company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to this in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors of the Parent company regarding, among other matters, the planned scope and timing of the audit and the significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated to the directors of the Parent company, we determine those risks that were of most significance in the audit of the consolidated annual accounts of the current period and are, therefore, the risks considered most significant.

We describe these risks in our auditor's report unless law or regulation precludes public disclosure about the matter.

Grant Thornton, S.L.P., Sociedad Unipersonal

ROAC nº S0231

Marta Alarcón Alejandre

14 May 2020

# AROCA DEL PINAR, S.A. (Single-member Company) and subsidiaries

## Consolidated annual financial statements and consolidated directors' report at 31 December 2019

**AROCA DEL PINAR, S.A. (Single-member Company) and subsidiaries**

**CONSOLIDATED BALANCE SHEET AT THE END OF 2019**

(In euros)

| | Notes | 2019 |
|---|---|---|
| **Non-Current Assets** | | **110,014,598.83** |
| **Investment properties** | | **108,932,082.66** |
| Land | 6 | 17,374,308.38 |
| Buildings | 6 | 91,557,774.28 |
| **Non-current financial investments** | | **1,082,516.17** |
| Other financial assets | 8 | 1,004,315.17 |
| Derivatives | 8 | 78,201.00 |
| **Current Assets** | | **4,814,866.66** |
| **Inventories** | | **59,297.34** |
| Supplier advances | 8 and 9 | 59,297.34 |
| **Trade and other receivables** | | **29,747.10** |
| Trade receivables for sales and services | 8 and 9 | 16,640.78 |
| Other receivables from Public Entities | | 13,106.32 |
| **Current investments in Group companies and associates** | | **279,318.13** |
| Other financial assets | 8 and 9 | 279,318.13 |
| **Current accruals** | **8 and 9** | **59,744.69** |
| **Cash and cash equivalents** | | **4,386,759.40** |
| Cash | 10 | 4,386,759.40 |
| **Total Assets** | | **114,829,465.49** |

| | | |
|---|---|---|
| **Equity** | | **34,796,394.48** |
| **Shareholders' Equity** | | **34,796,394.48** |
| **Capital** | | **5,000,187.76** |
| Subscribed capital | **11.1** | 5,000,187.76 |
| **Voluntary reserves** | **11.3** | **(877.62)** |
| **Profit/(Loss) for the prior years** | | **(2,420.00)** |
| Prior years' losses | 11.3 | (2,420.00) |
| **First consolidation difference** | | **(6,612.03)** |
| **Other shareholder contributions** | **11.2** | **28,631,237.83** |
| **Profit/(Loss) for the period** | | **1,174,878.54** |
| **Non-Current Liabilities** | | **77,470,764.74** |
| **Non-current payables** | | **65,852,049.32** |
| Loans and borrowings | 9 and 12 | 64,541,195.18 |
| Other financial liabilities | 9 and 12 | 1,310,854.14 |
| **Non-current payables to Group companies and associates** | **9 and 12** | **11,618,715.42** |
| **Current Liabilities** | | **2,562,306.27** |
| **Current payables** | | **1,298,839.64** |
| Loans and borrowings | 9 and 12 | 563,732.46 |
| Other financial liabilities | 9 and 12 | 322,563.21 |
| **Current payables to Group companies and associates** | **9 and 12** | 412,543.97 |
| **Trade and other payables** | **9 and 12** | **1,263,466.63** |
| Payables to suppliers | 9 and 12 | 596,851.76 |
| Current provisions | 9 and 12 | 135,328.52 |
| Other payables to Public Entities | 13 | 504,128.33 |
| Customer advances | 9 and 14 | 27,158.02 |
| **Total Equity and Liabilities** | | **114,829,465.49** |

Notes 1 to 20 form an integral part of the attached consolidated annual financial statements.

**AROCA DEL PINAR, S.A. (Single-member Company) and subsidiaries**

**CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019**

(In euros)

| | Notes | 2019 |
|---|---|---|
| **INCOME STATEMENT** | | |
| **Net turnover** | | **4,977,881.85** |
| Sales | 14.1 | 4,977,881.85 |
| **Other operating expense** | | **(1,768,268.31)** |
| Outside services | 14.2 | (1,644,801.91) |
| Taxes | 14.2 | (123,466.40) |
| **Depreciation and amortisation** | | **(826,724.00)** |
| **Other income/(expense)** | | **1,546.26** |
| **Profit/(Loss) from Operating Activities** | | **2,384,435.80** |
| **Finance expense** | | **(1,072,958.31)** |
| Payables to Group companies and associates | 14.3 | (412,543.97) |
| Payables to third parties | 14.3 | (660,414.34) |
| **Change in fair value of financial instruments.** | 14.3 | **(136,598.95)** |
| **Finance Income/(Expense)** | | **1,174,878.54** |
| | | |
| **Profit/(Loss) Before Taxes** | | **1,174,878.54** |
| Income tax | 13 | - |
| **Profit/(Loss) for the Period** | | **1,174,878.54** |

Notes 1 to 20 form an integral part of the attached consolidated annual financial statements.

**AROCA DEL PINAR, S.A. (Single-member Company) and subsidiaries**

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(In euros)

### A) CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2019

| | Notes | 2019 |
|---|---|---|
| **Consolidated Profit/(Loss) for the year** | **Note 11** | **1,174,878.54** |
| Total income and expense recognised directly in equity (II) | | - |
| Total transfers to the abridged income statement (III) | | - |
| **TOTAL CONSOLIDATED RECOGNISED INCOME AND EXPENSE** | **Note 11** | **1,174,878.54** |

Notes 1 to 20 form an integral part of the attached consolidated annual financial statements.

**AROCA DEL PINAR, S.A. (Single-member Company) and subsidiaries**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019**

(In euros)

**B) CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019**

| | Subscribed capital (Note 11.1) | Shareholder contributions (Note 11.2) | Voluntary reserves (Note 11.3) | Prior years' profit/(loss) (Note 11.3) | First consolidation difference | Profit/(Loss) for the period (Note 11.3) | Total |
|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2018** | **3,500.00** | **-** | **-** | **-** | **-** | **(2,420.00)** | **1,080.00** |
| Total recognised income and expense | - | - | - | - | - | 1,174,878.54 | 1,174,878.54 |
| Other equity movements | 4,996,687.76 | 28,631,237.83 | (877.62) | - | (6,612.03) | - | 33,620,435.94 |
| Appropriation of Profit/(Loss) of the prior year | - | - | - | (2,420.00) | - | 2,420.00 | - |
| **Balance at 31 December 2019** | **5,000,187.76** | **28,631,237.83** | **(877.62)** | **(2,420.00)** | **(6,612.03)** | **1,174,878.54** | **34,796,394.48** |

Notes 1 to 20 form an integral part of the attached consolidated annual financial statements.

## AROCA DEL PINAR, S.A. (Single-member Company) and subsidiaries

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

(In euros)

| CASH FLOWS FROM OPERATING ACTIVITIES | NOTES | 2,019 |
|---|---|---|
| Profit/(loss) for the period before taxes | | 1,174,878.54 |
| Adjustments to profit/(loss) | | 1,899,682.31 |
| Amortizations/Depreciations | 6 | 826,724.00 |
| Finance expense | | 1,072,958.31 |
| Changes in working capital | | 1,174,422.19 |
| (Increase)/Decrease in Receivables | 8 and 9 | (29,747.10) |
| Increase/(Decrease) in Payables | | 700,040.96 |
| Increase/(Decrease) in Other current liabilities | | 504,128.33 |
| Other cash flows from operating activities | | (371,778.13) |
| Interest payments | | (312,033.44) |
| Other payments (collections) | | (59,744.69) |
| **Cash flows from operating activities** | | **3,877,204.91** |
| **CASH FLOWS FROM INVESTMENT ACTIVITIES** | | |
| Payments for investments | | (111,120,640.96) |
| Investment properties | 6 | (109,758,806.66) |
| Other assets | 8 | (1,361,834.30) |
| **Cash flows from investment activities** | | **(111,120,640.96)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Collections and payments for equity instruments | 11 | 33,621,515.94 |
| Issue of equity instruments | | 33,621,515.94 |
| Collections and payments for financial liability instruments | | 78,091,179.52 |
| Issue | 9 and 12 | 78,091,179.52 |
| Loans and borrowings | | 64,839,046.75 |
| Receivables from Group companies and associates | | 11,618,715.42 |
| Other receivables | | 1,633,417.35 |
| Repayment and amortization of | | (82,500.01) |
| Loans and borrowings | | (82,500.01) |
| **Cash flows from financing activities** | | **111,630,195.45** |
| | | |
| Effect of changes in exchange rates | | - |
| | | |
| NET INCREASE / DECREASE IN CASH OR CASH EQUIVALENTS | 10 | 4,386,759.40 |

Notes 1 to 20 form an integral part of the attached consolidated annual financial statements.

## 1. GENERAL INFORMATION

### 1.1 Parent Company

Aroca del Pinar, S.A. (hereinafter, the Parent Company) is the parent of a group (hereinafter, the Group), formed by Aroca del Pinar, S.A. and its subsidiaries as detailed in Note 1.2. of these consolidated annual financial statements.

The Parent Company was incorporated on 17 December 2018, for an indefinite period, as a Limited Liability Company, with Tax ID Number A88278403, before the notary Isabel Estape Tous, under her protocol number 5241, entered in the Madrid Companies Register in Tome 38508, Folio 122, Section 8, Sheet number M-684877, entry 1. Its registered offices are located at Nanclares de Oca, 1B, 28022, Madrid.

At incorporation, the Parent Company was fully owned by Mediterranean Search, S.L.U., a company incorporated and existing in accordance with the laws of the Kingdom of Spain, with Spanish Tax ID Number B85478253. By means of the sale-purchase of shares, Mediterranean Search, S.L.U. transferred 100% of its shares to the company Heref V Sub Holding, S.à.r.l., (Luxembourgian company with registered offices in Luxembourg at 8, rue Lou Hemmer, L-1748) on 21 June 2019, by means of the deed granted in Madrid before the notary Carlos de Prada Guaita, under his protocol number 986.

The current period includes the 2019 calendar year.

In keeping with art. 2 of its bylaws, the corporate purpose of the Parent Company is as follows:

- The acquisition and development of urban real estate for lease. The development activity includes the refurbishment of buildings in the terms established in Law 37/1992, of 26 December, on Value Added Tax.

- The holding of shares in the capital of listed real estate investment companies (SOCIMI) or in other companies non resident in Spain with the same corporate purpose and which are subject to a regime similar to the one established for SOCIMIs in relation to the obligatory policy on distribution of dividends stipulated by law or the bylaws.

- The holding of shares in the share capital of other companies resident or non resident in Spain, whose main corporate purpose is the acquisition of urban real estate for lease, which are subject to the regime established for SOCIMIs in relation to the obligatory policy on distribution of dividends stipulated by law or the bylaws and meet the investment requirements referred to in art. 3 of Law 11/2009, of 26 October, on listed real estate investment companies.

- The holding of public or private limited liability shares in collective real estate investment undertakings governed by Law 35/2003, of 4 November, on Collective Investment Undertakings.

The corporate purpose of the company anticipates the occurrence of minor variations.

At 31 December 2019, the Parent Company has no salaried staff.

For the preparation of the consolidated annual financial statements, a group is understood to exist when the parent has one or more subsidiaries over which the parent has control, either directly or indirectly. The principles applied to prepare the consolidated annual financial statements of the Group, as well as the consolidation perimeter, are detailed in Note 1.2.
On 1 July 2019, the Parent Company was re-registered as a Corporation, by means of the public deed granted before the notary José Blanco Losada under his protocol number 3196, and registered in the Madrid Companies Register on 9 July 2019.

On 21 June 2019, the Parent Company acquired 100% of the shares of Ballon Investment, S.L.U. a company incorporated and existing in accordance with the laws of the Kingdom of Spain and with Spanish Tax ID Number B88278346. The transfer was conducted by means of the public deed granted before the notary Carlos de Prada Guaita, under his protocol number 984.

On 21 June 2019, the parent company acquired 100% of the shares of Bilball Centre Investment, S.L.U. a company incorporated and existing in accordance with the laws of the Kingdom of Spain and with Spanish Tax ID Number B88278387. The transfer was conducted by means of the public deed granted before the notary Carlos de Prada Guaita, under his protocol number 985.

- Bilball Centre Investments, S.L.U. (Subsidiary): was incorporated in Spain as a limited liability company on 17 December 2018 under the name of Cetroletus, S.L.U., for an indefinite period. Its registered offices are established at Nanclares de Oca 1B, 28022, Madrid.

  On 21 June 2019, the company changed its registered name to Bilball Investments, S.L.U. by means of a public deed granted before the notary Carlos de Prada Guaita, under his protocol number 991.

  The corporate purpose of that subsidiary consists of the sale-purchase, lease and operation of industrial premises.
  The main activity of the Subsidiary is the lease of a shopping arcade at Avda. Ballonti, 1, in the Ballonti Shopping Complex, Portugalete.

- Ballon Investment, S.L.U. (Subsidiary): was incorporated in Spain as a limited liability company on 17 December 2018 under the name of Barsolein, S.L.U., for an indefinite period. Its registered offices are established at Nanclares de Oca 1B, 28022, Madrid.

  On 21 June 2019, the company changed its registered name to Ballon Investments, S.L.U. by means of a public deed granted before the notary Carlos de Prada Guaita, under his protocol number 989.

  The corporate purpose of that subsidiary consists of the sale-purchase, lease and operation of industrial premises.

  The main activity of the Subsidiary is the lease of a hypermarket and a service station at Avda. Ballonti, 1, in the Ballonti Shopping Complex, Portugalete.

On 5 August 2019 the three companies, parent and subsidiaries, filed a document with the Tax Management Unit of the Madrid Regional Office of the State Tax Administration Agency, for notification of the option for application of the Special Tax Scheme of Listed Real Estate Investment Companies (SOCIMI), regulated by Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December, regulating listed real estate investment companies.

Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December, regulating Listed Real Estate Investment Companies, establishes the following investment requirements in art. 3:

1. The SOCIMI should have invested at least 80 percent of the asset value in urban real estate for lease, in land for the development of urban real estate to be used for such purpose providing that development commences within three years of its acquisition, as well as in shareholdings in the capital or equity of other companies to which art. 2.1 of the aforementioned Law refers.

   This percentage will be calculated on the basis of the consolidated balance sheet if the Company is the parent of a group of companies according to the criteria established in art. 42 of the Code of Commerce, regardless of the place of residence and of the obligation to prepare consolidated annual financial statements. This group will be exclusively composed of the SOCIMIs and the rest of the companies to which art. 2.1 of the Law on SOCIMIs refers.

The asset value will be determined according to the average of the individual balance sheets or, where appropriate, quarterly consolidated balance sheets for the financial year, and the Company may choose to calculate that value by replacing the carrying amount with the market value of the elements comprising those balance sheets, which would be applied to all balance sheets for the financial year.

2. Likewise, at least 80 percent of the income from the tax period corresponding to each financial year, including any deriving from the transfer of the shares or of the property assets assigned to the fulfilment of its main corporate purpose, once the maintenance period to which the following paragraph refers has concluded, should come from the lease of real estate assets and from dividends or profit sharing from those shareholdings.

This percentage will be calculated on the basis of the consolidated profit/(loss) if the Company is the parent of a group of companies according to the criteria established in art. 42 of the Code of Commerce, regardless of the place of residence and of the obligation to prepare consolidated annual financial statements. This group will be exclusively composed of the SOCIMIs and the rest of the companies to which art. 2.1 of the Law on SOCIMIs refers.

3. The real estate comprising the Company assets should remain leased for at least three years. For calculation purposes, the time that the properties have been offered for lease will be added, up to a maximum of one year.

To this regard, the period will be calculated:

a) In the case of real estate in company equity prior to availing to the scheme, as of the date of the start of the first tax period in which the special tax scheme established in this Law is applied, providing that at such date the asset is being leased or offered in lease. Otherwise, the provisions of the following paragraph will apply.

b) In the case of real estate developed or acquired subsequently by the company, as of the date on which they were leased or offered in lease for the first time.

According to art. 4 of Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December, regulating Listed Real Estate Investment Companies, all SOCIMI shares must be listed on a regulated market or multilateral trading system, in Spain or in any other Member State of the European Union or European Economic Area, or on a regulated market in any other country or territory with which tax information is effectively exchanged on a continuous basis, throughout the tax period. The SOCIMI shares should be registered. The intention of the Parent Company is to include its shares among those traded on the alternative market in Euronext Access Paris.

In the case of the public or private limited liability shares of companies to which art. 2.1 of this Law refers, these should remain in the Company assets for at least three years from their acquisition or, where appropriate, as of the start of the first tax period in which the special tax scheme established in this Law is applied.

The SOCIMI scheme also includes other requirements such as that the minimum capital required must be 5 million euros or that its shares must be admitted to trading on a regulated market or multilateral trading system (Note 12).

Additionally, and after fulfilling the corresponding commercial obligations, the Company should distribute the profit obtained in the year to its shareholders, in the form of dividends, and should resolve on this distribution within six months of the end of each year and make the payment within one month of the date of the distribution resolution.

(In euros)

As established in Transitional Provision One of Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December, regulating listed real estate investment companies, it may choose the application of the special tax scheme pursuant to the terms established in art. 8 of that Law even when its requirements are not fulfilled, under the condition that such requirements must be fulfilled within two years of the date of the option to apply that scheme.

In the event of the breach of any of the conditions, the Company would be taxed by the general scheme, providing it does not rectify the deficiency within one year following that of the breach.

### 1.2 Subsidiaries

Subsidiaries are all those entities, including special purpose entities, over which the Group holds or may hold direct or indirect control, with this understood as the power to direct financial and operating policies of a business for the purpose of obtaining economic profit from its activities. The effect of any potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group exercises control over a company. Subsidiaries are consolidated as of the date on which the control is transferred to the Group, and are excluded from consolidation as of the date on which this ceases.

The breakdown of Group subsidiaries at 31 December 2019 is as follows:

| **Year 2019** | | | |
|---|---|---|---|
| **Subsidiaries** | **Activity** | **% Direct and Indirect** | **Share capital (euros)** |
| Ballon Investments, S.L.U. | Lease | 100% | 3,500.00 |
| Bilball Centre Investments, S.L.U. | Lease | 100% | 3,500.00 |

At 31 December 2018, the Parent Company had no shareholding in the subsidiaries.

The reasons for these companies being consolidated correspond to the situations included in art. 2 of the Regulations on Issuing Consolidated Annual Financial Statements, as indicated below:

1. When the Parent Company, in relation to another company (subsidiary), is involved in any of the following situations:

    a) The Parent Company owns the majority of voting rights.

    b) The Parent Company has the power to appoint or dismiss the majority of the members of the board of directors.

    c) The Parent Company may dispose of the majority of voting rights by virtue of agreements entered into with other shareholders.

    d) The Parent Company has used its votes to appoint the majority of the members of the board of directors who hold office at the moment when the consolidated annual financial statements must be drawn up and for the two financial years immediately preceding this. This circumstance will be assumed when the majority of the members of the board of directors of the subsidiary are members of the board of directors or senior executives of the Parent Company or of another of which the latter is the Parent Company.

2. When a Parent Company holds one half or less of the voting rights, even when it barely holds or has no shareholding in another company, or when the managerial power is not

explicitly indicated (special purpose entities), but it participates in the risks and profits of the entity, or has the capacity to participate in its operating or financial decisions.

In compliance with art. 155 of the Spanish Companies Act, the Parent Company has notified all of these companies that, on its own, it holds more than 10% of their share capital.

All subsidiaries end their financial year at 31 December and are included in the consolidation.

## 2 BASIS OF PREPARATION OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 2.1 True and fair view

The consolidated annual financial statements have been prepared from the accounting records of Aroca del Pinar S.A. and its subsidiaries, and include any adjustments and reclassifications necessary for the time and value standardisation with the accounting principles established by the Group.

These 2019 consolidated annual financial statements were obtained on the basis of the accounting records of the Company and subsidiaries at 31 December 2019, have been prepared by the Directors of the Parent Company and are presented in accordance with the standards established in the Spanish Chart of Accounts, approved by Royal Decree 1514/ 2007, of 20 November, and the amendments thereto approved by Royal Decrees 1159/ 2010, of 17 September, and 602/ 2016, of 2 December, so as to provide a true and fair view of the consolidated equity, financial situation and changes in equity, as well as the veracity of cash flows included in the consolidated statement of cash flows.
The Group is regulated by the Spanish Companies Act.

Furthermore, Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December, regulating Listed Real Estate Investment Companies (SOCIMI), is applicable to the Parent Company in relation to the information to be disclosed in the consolidated annual financial statements.

These consolidated annual financial statements issued on 12 May 2020 by the Directors of the Parent Company, will be submitted to the Sole Shareholder for approval; and are expected to be approved without any changes.

### 2.2 Non-mandatory accounting principles

The Parent Company's Board of Directors prepared these consolidated annual financial statements taking into account all the mandatory accounting principles and standards with a significant effect on them. All mandatory accounting principles have been applied.

### 2.3 Key issues in relation to the measurement and estimation of uncertainty

In order to prepare these consolidated annual financial statements, the Group has had to use certain estimates and judgements in relation to the future, that are constantly evaluated and are based on past experience and other factors, including expectations regarding future events that are believed to be reasonable in the circumstances.

By definition, the resulting accounting estimates will rarely perfectly match the actual results. Next, an explanation is provided of the estimates and judgements that pose a significant risk of a material adjustment to the carrying amounts of assets and liabilities in the subsequent reporting period as follows:

*Impairment of non-current assets*

The valuation of non-current assets other than financial assets requires the use of estimates to determine their fair value, in order to measure any potential impairment, especially of investment property.

*Fair value of derivatives or other financial instruments*

These include financial derivatives classified as hedge instruments.

The Parent Company uses derivative financial instruments to hedge any risks to which future cash flows may be exposed for changes in interest rates.

Only those transactions that efficiently eliminate any risk inherent to the element or position hedged for the entire hedge period will be designated as hedge transactions, which means that as of their contracting they are expected to be highly effective (prospective hedge effectiveness) and that sufficient evidence exists that the hedge has been effective throughout the life or position of the hedged element (retrospective hedge effectiveness).

*Fulfilment of the requirements for application of the SOCIMI Scheme:*

Effective 1 January 2019 and with effect as of the 2019 and subsequent years, the Parent Company and two subsidiaries notified the Regional Office of the State Tax Administration Agency corresponding to its registered offices of the option chosen by their Sole Shareholder to apply the special SOCIMI tax scheme.

The compliance with the requirements established by Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December, regulating Listed Real Estate Investment Companies, to which the Parent Company and two subsidiaries are subject as of 1 January 2019, means in practice that in fulfilment of certain requirements they are subject to a 0% tax rate with regard to the Corporate Income Tax. The directors perform a monitoring of the fulfilment of the requirements established in legislation in order to maintain the tax benefits established in it. To this regard, the directors estimate that these requirements will be fulfilled in the terms and periods established.

## 2.4 Comparative information - date of first consolidation

The 2019 Consolidated Annual Financial Statements were prepared in accordance with mercantile legislation in force and the standards established in the Spanish Chart of Accounts to provide a true and fair view of the equity and financial position at 31 December 2019 and results of the operations and consolidated changes in equity of the Group, corresponding to the year ended on that date.

As indicated in Note 1 of this consolidated annual financial statements, the Parent company of the Group acquired the control of the subsidiaries on 21 June 2019; therefore that date is used by the group for first-time consolidation purposes. As mentioned above, that date was taken as the acquisition date in the business combination. Therefore, the consolidated income statement includes Parent Company’s income and expense for the year ended 31 December 2019, and the income and expense of the subsidiaries as of the taking of control by the Parent Company on 21 June 2019.

It does not include quantitative and qualitative information for comparison with the prior year, since 2019 is the first year in which the companies form part of the Group and, therefore, the first year to which consolidation is applicable in keeping with art. 77.1 of the Standards for the Formulation of Consolidated Annual Financial Statements.

## 2.5 Grouping of items

To facilitate the comprehension of the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows, these are grouped together, and any analyses required are contained in the corresponding notes to the consolidated annual financial statements.

## 2.6 Limitations on the distribution of dividends

Given its SOCIMI status for tax purposes, the Parent Company and its subsidiaries are obligated to distribute the profit obtained in the year, in the form of dividends, to its shareholders as follows, after fulfilling any corresponding commercial obligations:

a) One hundred percent of the profits from dividends or profit sharing distributed by the companies to which art. 2.1 of this Law refers.

b) At least 50 percent of the profits from the transfer of real estate and public or private limited liability company shares referenced in art. 2.1 of this Law, performed following the end of the periods to which art. 3.3 of this Law refers, subject to the fulfilment of its main corporate purpose. The remaining profits should be reinvested in other real estate or shares subject to the fulfilment of that purpose, within three years as of the transfer date. Otherwise, these profits should be distributed in their entirety and together with any profits, as appropriate, from the year in which the reinvestment period finalises. If the elements for reinvestment are transferred prior to the maintenance period established in art. 3.3 of this Law, any profits should be distributed in their entirety together with any profits, as appropriate, from the year in which they were transferred.
The distribution obligation does not cover, where appropriate, that part of the profits attributable to years in which the company was not taxed by the special tax scheme established in this Law.

c) At least 80 percent of the rest of the profits obtained.

The dividend should be paid within one month of the date of the distribution resolution.

When the distribution of dividends is made against reserves from profits of a year in which the special tax scheme was not applied, their distribution must be adopted in terms of the resolution referenced in the preceding paragraph.

The Group is obliged to use 10% of the year's profit to set up the legal reserve, until the latter constitutes 20% of share capital. Until this reserve exceeds 20% of share capital, it cannot be distributed to shareholders. The bylaws of these companies may not establish any restricted reserve other than the foregoing one.

## 2.7 Consolidated annual financial statements

Even when the Parent Company is parent of a group of companies, in the sense of Royal Decree 1159/2010, of 17 December, and subject to the obligation to prepare consolidated annual financial statements, since the consolidated annual financial statements do not comply with the minimum limits required as an obligation for consolidation by reason of size described in art. 43 of the Code of Commerce, it is exempt from the preparation of consolidated annual financial statements.

However, these consolidated financial statements have been voluntarily prepared by decision of its directors as a result of the upcoming listing on a multilateral trading system (Euronext Access Paris).

# 3 ACCOUNTING PRINCIPLES

**AROCA DEL PINAR, S.A. (Single-member Company) and subsidiaries**

**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR 2019**

(In euros)

The main accounting policies used by the Group in preparing its consolidated annual financial statements for 2019, in accordance with those established in the Spanish Chart of Accounts and the Regulations on Issuing Consolidated Annual Financial Statements, were as follows:

### 3.1 Subsidiaries

Acquisition of control

Acquisitions by the Parent Company (or other company of the Group) of the control of a subsidiary constitutes a business combination that is recorded in accordance with the acquisition method. This method requires that the acquiring company measure, on the date of acquisition, the identifiable assets acquired and liabilities assumed in a business combination as well as, where appropriate, the corresponding goodwill or negative difference. The subsidiaries are consolidated as of the date on which the control is transferred to the Group, and are excluded from consolidation on the date on which this ceases.

The acquisition cost is determined as the sum of the fair values, on the acquisition date, of the assets delivered, the liabilities incurred or assumed and the equity instruments issued by the acquiring company and the fair value of any contingent consideration that depends on future events or on the fulfilment of certain conditions, which should be recorded as an asset, a liability or as equity in keeping with the nature thereof.

Any expense related to the issue of equity instruments or financial liabilities delivered do not form part of the cost of the business combination, and will be recorded in accordance with the standards applicable to financial instruments (Note 3.7). Any fees paid to legal advisors or other professionals that participate in the business combination are recorded as expense as they are incurred. Neither are any expense generated internally for these concepts included in the cost of the combination, or any incurred, as appropriate, by the acquired entity.

Any excess, on the acquisition date, of the cost of the business combination, above the proportional part of the value of the identifiable assets acquired less the liability assumed representing the share in the capital of the acquired companies is recognised as goodwill.

If the amount of the identifiable assets acquired less the liabilities assumed is greater than the cost of the business combination; this excess must be recorded in the income statement as income. However, the Group has recognised the difference against consolidated equity, since the amount is insignificant (6,000 euros).

Acquisition of control by phases

When the control of a subsidiary is acquired by means of several transactions performed on different dates, the goodwill (or negative difference) is obtained by the difference between the cost of the business combination, plus the fair value on the acquisition date of any prior investment of the acquiring company in the acquired company, and the value of the identifiable assets acquired less that of any liabilities assumed.

Any profit or loss arising as a result of the fair value assessment on the date on which the control is obtained of the prior shareholding of the acquiring company in the acquired company is recognised in the consolidated income statement. If the investment has been previously assessed at its fair value, any valuation adjustments pending recognition in profit/(loss) for the year are transferred to the consolidated income statement.

Consolidation method

The assets, liabilities, income, expense, cash flows and other items of the Group consolidated annual financial statements were included by the full integration method.

This method requires the following:

(i) Time standardisation.

The consolidated annual financial statements are established on the same date and period as the annual financial statements of the company obligated to consolidate. The inclusion of companies whose year-end differs from that is done by interim financial statements referring to the same date and same period as the consolidated financial statements.

(ii) Value standardisation.

The asset and liability elements, the income and expense, and other items of the annual financial statements of the companies of the Group have been valued following uniform methods. Those asset or liability elements, or those income or expense items that have been measured according to non-uniform criteria with respect to those applied in consolidation have been re-valued, performing any necessary adjustments for the sole purposes of the consolidation.

(iii) Aggregation.

The various items of the previously-standardised individual annual financial statements are aggregated by their type.

(iv) Elimination of investment-equity.

The carrying amounts representing the equity instruments of the subsidiaries held directly or indirectly by the Parent Company, are offset by the proportional part of the equity items of the aforementioned subsidiary attributable to those shareholdings, generally on the basis of the values resulting from the application of the acquisition method described above. In consolidations subsequent to the year in which the control is acquired, the excess or absence of the equity generated by the subsidiary as of the acquisition date attributable to the Parent Company is recorded in the consolidated balance sheet in the reserve or valuation adjustments, on the basis of their type. The part attributable to external partners is entered in the “External Partners” heading.

(v) Shareholding of external partners.

The valuation of external partners is made on the basis of their effective shareholding in the equity of the subsidiary, once the above adjustments have been included. The consolidation goodwill is not attributed to the external partners. The excess between the losses attributable to the external partners of a subsidiary and the part of equity that corresponds proportionally to them is attributed to the former, even when this results in a payable for that item.

The Group has no external partners since the subsidiaries are fully-owned by the Parent Company.

(vi) Elimination of intra-group items.

The credits and debts, income and expense and cash flows between companies of the Group are eliminated in their entirety. Likewise, all results of internal transactions are eliminated and deferred until they are carried out with regard to third parties outside the Group.

Change in shareholding without loss of control

Once the control over a subsidiary is obtained, any subsequent transactions that give rise to a change in shareholding of the Parent Company in the subsidiary, without a loss of control, will be considered in the consolidated annual financial statements as a transaction with own equity capital, to which the following rules apply:

- The amount of goodwill or negative difference recognised, as well as other recognised assets and liabilities remain unchanged;

- The profit or loss recognised in the individual annual financial statements is eliminated in consolidation, with the corresponding adjustment to the company reserves whose shareholding is decreased;

- Adjustments are made to the amounts of “valuation adjustments” and of “grants, gifts and legacies” to reflect the shareholding in the capital of the subsidiary maintained by the companies of the Group;

- The shareholding of external partners in the equity of the subsidiary will be shown as a percentage of ownership that third parties outside the Group hold in the subsidiary, once the transaction has been performed, that includes the shareholding percentage in the goodwill recorded in the consolidated financial statement associated with the change that has occurred;

- The resulting necessary adjustment will be recognised in reserves.

Loss of control

When the control of a subsidiary company is lost, the following rules are observed:

- For the purposes of consolidation, the profit or loss recognised in the individual annual financial statement is adjusted;

- If the subsidiary comes to be classified as a jointly controlled company or associate, the equity method is initially applied, considering the fair value of the shareholding retained on that date as its initial measurement;

- The shareholding in the equity of the subsidiary that is retained following the loss of control and that does not belong to the consolidation perimeter will be valued in accordance with criteria applicable to financial assets, with the initial measurement considered to be the fair value on the date on which it ceases to belong to that perimeter;

- An adjustment is recognised in the consolidated income statement to show the shareholding of external partners in the income and expense generated by the subsidiary in the year through the date of the loss of control, and in the transfer to the income statement of the income and expense booked directly in equity.

### 3.2 Investment properties

The heading “Investment properties” of the consolidated balance sheet contains the values of land, buildings and other installations and constructions maintained for operation under a lease to obtain long-term income and that are not occupied by the Group.

The assets in investment property are valued at their cost, which corresponds to their acquisition price.

In addition to the amount invoiced by the seller after deducting any discount or price cut, the acquisition price includes all additional costs incurred and directly attributable to the acquisition through its placement into operating conditions.

These investment property elements are subsequently valued at their acquisition price less cumulative depreciation and, where appropriate, the cumulative amount of impairment adjustments recorded.
The depreciation of these elements is realised systematically and rationally on the basis of the useful life of the assets, in keeping with the depreciation they normally sustain through operation, use and enjoyment, without prejudice to also considering any technical or commercial obsolescence that could affect them. In the case of Group properties, the depreciation percentage is 2% for the constructions.

Any changes that, where appropriate, could take place in the residual value, useful value and depreciation method of an asset will be recorded as changes in accounting estimates, barring error.

Any expenses for the maintenance or repair of the investment property that do not improve future cash flows of the cash-generating unit of which they form a part, or its useful life, will be debited in the expense accounts in the consolidated income statement for the year in which they are incurred.

### 3.3 Impairment of investment property

Investment properties subject to amortisation or depreciation are tested for impairment whenever an event or change in circumstances indicates that their carrying amount might not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount of an asset exceeds its recoverable amount, understood as the fair value less costs to sell or value in use, whichever is greater.

In calculating the value of investment property, the amount that the Group expects to recover through lease is taken into consideration. For this purpose, projections of cash flows generated on the basis of the best estimate of lease payments are used, based on the expectations for each asset and considering any uncertainty that could cause a decrease in cash flows or discount rate.

The value in use of the real estate property need not be identical to its fair value insofar as the former is due to specific factors of the entity, mainly the capacity to impose prices above or below market levels owing to the assumption of various risks or cost contraction (of construction or marketing, in investment properties in progress; of refurbishments; maintenance, etc.) differing from those associated with companies of the sector in general.

The carrying amount of the investment properties of the Group is corrected at the end of each year, recognising the corresponding impairment loss in order to adjust it to the recoverable amount when its fair value less sale costs are less than its carrying amount.

When an impairment loss is subsequently reversed, the carrying amount of the asset increases up to the corrected estimate of its recoverable amount, without the increased carrying amount surpassing the carrying amount that would have been calculated had the impairment loss not been recognised in prior years. The reversal of an impairment loss is recognised in the consolidated income statement.

### 3.4 Leases

Contracts are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. Otherwise they are classified as operating leases.

<u>Operating lease</u>

The income and expense deriving from operating lease contracts are charged to the consolidated income statement in the year in which they accrue on a straight-line basis over the estimated term of the lease.

Likewise, the acquisition of the leased asset is presented on the consolidated balance sheet by type, increased by the amount of directly attributable agreement costs, recognised as an expense in the term of the agreement, applying the same criterion used to recognise lease income.

Any collection or payment that may be made when contracting an operating lease will be treated as a collection or advance payment that will be allocated to profit/(loss) throughout the lease period, as the profits of the leased asset are assigned or received.

### 3.5 Financial instruments

Recognition

The Group recognises a financial instrument when it becomes a party to the agreement or legal transaction in accordance with its provisions.

Debt instruments are recognised as of the date on which the legal right to receive or legal obligation to pay cash arises. Financial liabilities are initially recognised at the contracting date.

Classification and separation of financial instruments

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of financial asset, financial liability or equity instrument.

The Group classifies financial instruments into various categories according to the nature of the instruments and intentions of Parent Company Management on initial recognition.

Offsetting principles

A financial asset and a financial liability are offset only when the Group has the legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

#### 3.7.1 Financial assets

Classification

The financial assets held by the Group are classified into the following categories:

a. Loans and receivables: financial assets arising from the sale of goods or rendering of services for trade transactions of the company, or those that are non-commercial in origin, are not equity instruments or derivatives and whose cash receipts are of fixed or determinable quantity and non-negotiable in an active market.

b. Other financial assets: these include financial assets originated by the deposits received from operating leases. Between 90% and 100% of the deposits received from lessees corresponds to their fair value.

c. Derivative: the derivative financial instruments with favourable valuation for the Company that are neither financial guarantee contracts nor designated as hedge instruments are also included as other financial assets. They are initially recognised at the fair value of the consideration given. The directly attributable transaction costs are reported in the income statement of the year. They are subsequently measured at fair value, charging any changes that may occur directly to the income statement.

Initial measurement

In general, financial assets are recorded initially at the fair value of the consideration given, plus any directly attributable transaction costs.

Subsequent measurement

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets unless they mature in more than 12 months after the reporting date, in which case they are classified as non-current. Loans and receivables are classified as "Trade and other receivables" in the consolidated balance sheet.

These financial assets are initially recognised at fair value, including the transaction costs directly attributable to them, and subsequently at amortised cost, recognising the interest accrued in accordance with the effective interests rate, understood as the update rate that equals the carrying value of the instrument with all its estimated cash flows until maturity. Notwithstanding the foregoing, trade receivables maturing in less than a year are valued, both initially and subsequently, at nominal value, when the effect of not updating the cash flows is not significant.

At least at year-end, the necessary value adjustments due to value impairment are made, should there be objective evidence that not all amounts owed will be collected.

The amount of the loss due to impairment is the difference between the carrying amount of the asset and the updated value of future estimated cash flows, discounted at the interest rate at the time of its initial recognition. Value adjustments, and also reversals, if any, are recognised in the consolidated income statement.

Derecognition of financial assets

Financial assets are derecognised when the right to receive cash flows from them has matured or they have been transferred and the Group has substantially transferred all the risks and rewards incidental to ownership.

The total derecognition of a financial asset entails profit or loss recognition as the difference existing between its carrying amount and the sum of the consideration received, net of transaction costs, including any assets obtained or liabilities assumed and any gain or loss deferred in income and expense recognised in consolidated equity.

### 3.7.2 Financial liabilities

Financial liabilities include the Group’s debits and payables that arose from the purchase of goods and services in the normal course of its business, or non-trade payables that cannot be considered to be derivative financial instruments.

Debits and payables are initially valued at fair value of the consideration received plus any directly attributable transaction costs. Subsequently, these liabilities are valued at amortised cost using the effective interest method. Said effective interest is the update rate equalling the carrying amount of the instrument with the expected flow of payments until maturity.

Notwithstanding the foregoing, trade payables maturing in less than a year and with a contract interest rate are valued, both initially and subsequently, at nominal value, when the effect of not updating the cash flows is not significant.

Other financial liabilities include financial liabilities caused by the deposits received for operating leases, 100% of the amounts of the deposits received from lessees at their fair value.

Should there be any renegotiation of existing payables, no substantial amendments of the financial liability are considered to exist when the lender of the new loan is the same party granting the initial loan and the updated value of cash flows including net fees differs by less than 10% from the updated value of the cash flows pending payment of the original liability, calculated using the same method.

Derecognition of financial liabilities

The Group derecognises a financial liability or part thereof when it has complied with the obligation contained in the liability or is legally released from the fundamental responsibility for the liability either by process of law or the creditor.

### 3.8 Financial derivatives and accounting hedges

Financial derivatives are valued at fair value both on initial measurement and subsequent valuations. The recognition of the resulting gain or loss depends on whether the derivative is designated as a hedge instrument and, if so, the nature of the hedge.

Hedge instruments are recognised and booked in keeping with their nature insofar as they are not, or cease to be, effective hedges.

The Group designates the derivatives it has contracted to hedge a specific risk associated with a recognised liability or highly probable forecast transaction (cash flow hedges).

At the start of the transaction the Group documents the relationship existing between the hedge instruments and the items hedged, as well as its objectives for risk management and the strategy to perform several hedge transactions. The Group also documents its assessment, on initial valuation and on an on-going basis, of whether the derivatives used in the hedge transactions are highly effective for offsetting changes in fair value or in the cash flows of the hedged items.

The Group considers that derivative financial instruments should be treated as speculative and not as hedge instruments, which is why the variations have been recorded at the end of the year in the consolidated income statement.

The entire fair value of a hedging derivative is classified as a non-current asset or liability if the maturity of the remaining hedged item is greater than 12 months, and as a current asset or liability if the maturity of the remaining hedged item is less than 12 months.

### 3.9 Business combination

The assets and liabilities of the companies and sub-groups acquired are recorded in the consolidated balance sheet at their fair value revealing the corresponding deferred taxes. Nevertheless, in accordance with legislation, the aforementioned valuation as well as the assignments to the different asset and liability items made initially may be reviewed within twelve months of the acquisition date, providing new data exists for consideration.

The date of additions to the consolidation perimeter is the one on which effective control occurs, which normally coincides with the acquisition date, which was 21 June 2019.

### 3.10 Cash and cash equivalents

This item of the consolidated balance sheet includes cash, bank current accounts and deposits and temporary purchases of assets that meet all the following requirements:

- They are convertible into cash.
- At the time of acquisition, their maturity did not exceed three months.
- They are not subject to a significant change of value.
- They form part of the normal management of Group's cash and cash equivalents.

### 3.11 Foreign currency transactions

The Euro is the functional and reporting currency of the Group. Consequently, transactions in currencies other than the euro are considered to be denominated in foreign currency and are booked at the rates of exchange prevailing on the dates of the transactions.

At year-end, monetary assets and liabilities denominated in foreign currency are translated using the rate in force at the consolidated balance date. Exchange differences are recognised in the consolidated income statement in the period in which they arise.

### 3.12 Current and deferred tax

Income tax expense or income consist of both current and deferred expense or income. Current tax is the amount of income taxes payable (recoverable) as a result of the income tax settlements for a period. Tax credits and other tax benefits, excluding tax withholdings and payments on account, and tax loss carryforwards effectively utilised in the current period reduce the current income tax expense.

Deferred tax expense or income correspond to the recognition and settlement of deferred tax assets and liabilities. These include the temporary differences, identified as the amounts expected to be payable or recoverable, between the carrying values of assets and liabilities and their tax bases, as well as tax loss carryforwards pending offsetting and unused tax credits. These amounts are recognised by applying to the temporary difference or tax credit the tax rate that is expected to apply when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets or liabilities in a transaction that affects neither the tax gains/(losses) nor accounting profit/(loss) and is not a business combination, as well as those associated with investments in subsidiaries, associates and joint ventures in which the Group may control the time of the reversal and it is probable that no reversal will take place in a foreseeable future.

Deferred tax assets are only recognised to the extent that it is probable that the Group will have future tax gains against which they can be utilised.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised with a balancing entry in equity.

At each balance sheet date the recognised deferred tax assets are reconsidered, making the appropriate corrections to these to the extent that doubts exist on their future recovery. Likewise, deferred tax assets not recognised on the balance sheet are also assessed at each reporting date, and are recognised if it is likely they will be recovered with future tax gains.

As mentioned in Note 2.3, by virtue of Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December, regulating Listed Real Estate Investment Companies, the entities that comply with the requirements defined in legislation and opt for the application of the special tax scheme envisaged in that Law will be taxed at a Corporate Income Tax rate of 0%. If tax losses are generated, art. 25 of the reworded text of the Spanish Corporate Income Tax Act will not be applicable. Therefore, the scheme for tax deductions and bonuses established in Chapters II, III and IV of that legislation will not be applicable. For anything else not envisaged in the SOCIMI Act, the provisions of the reworded text of the Spanish Corporate Income Tax Act will also be applicable.

The entity will be subject to a special rate of 19% on the total amount of dividends or profit sharing distributed to shareholders whose shareholding in the share capital of the entity is equal to or greater than 5%, when those dividends, at their fiscal residences, are exempt or taxed at a rate lower than 10%. This rate will be considered the Corporate Income Tax liability.

### 3.13 Income and expense

Income and expense are recorded on an accruals basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

The recognition of sales income occurs when the significant risks and benefits inherent to the ownership of the asset sold have been transferred to the buyer, and the day-to-day management or the effective control over such asset is no longer maintained.

Lease income is recognised in keeping with accrual criterion, on a straight-line basis over the estimated term of the contract.

Interest received on financial assets is recognised using the effective interest rate method and dividends are recognised when the right of shareholders to receive payment thereof is established. Interest and dividends from financial assets accrued after the date of acquisition are in any case recognised as income in the consolidated income statement.

### 3.14 Provisions and contingencies

In preparing these consolidated annual financial statements, the Directors of the Parent Company distinguish between:

a. Provisions: accounts payable as a result of past events covering present obligations whose cancellation is likely to cause an outflow of resources, but are uncertain as to amount and/or time of cancellation.

b. Contingent liabilities: possible obligations that arise from past events, depending on the occurrence of one or more future events over which the Group does not have control.

The consolidated annual financial statements include all provisions with respect to which it is considered that it is more likely than otherwise that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated annual financial statements, but are instead disclosed in the notes to the consolidated financial statements, insofar as they are not regarded as remote.

Provisions are measured at the present value of the best possible estimate of the amount necessary to settle or transfer the obligation, taking into account the information available on the event and its consequences. Any adjustments made to provisions are recognised as a finance expense on an accrual basis.

The compensation receivable from a third party upon settlement of the obligation, when the reimbursement is virtually certain, is recognised as an asset, except where there is a legal obligation to outsource the risk discharging the Group of this obligation. In this case, benefits are used to estimate any amount to be recognised as the provision.

### 3.15 Classification of assets and liabilities as current and non-current.

Assets and liabilities are classified in the consolidated balance sheet as current and non-current. Accordingly, assets and liabilities are classified as current when they are associated with the normal operating cycle of the Group and it is expected that they will be sold, consumed, realised or settled during the cycle. These assets and liabilities are different from the previous ones and their maturity, disposal or realisation is expected to take place within one year at the most. They are maintained for trading purposes or are in cash and cash equivalents whose use is not restricted for a period of more than one year.

### 3.16 Related party transactions.

Transactions between Group and related companies, except those related to mergers, spin-offs and non-cash contributions, are recognised at the fair value of the consideration given or received. The difference between this value and the amount agreed is recognised in accordance with the underlying economic substance.

Group companies perform all their related party transactions at market prices.

### 3.17 Segment reporting

The Group does not include a segment reporting note because Management monitors its activities by considering the three leased properties as a single asset.

### 3.18 Equity of the Parent Company.

The share capital of the Parent Company is represented by registered shares.

Expenses incurred in connection with the issuance of new shares or options are recognised directly in net equity as a decrease in reserves.
In the event that the Parent Company acquires treasury shares, the consideration paid, including any directly attributable incremental cost, is deducted from equity until their cancellation, reissuance or disposal. When these shares are sold or reissued at a later date, proceeds received net of directly attributable transaction costs, are included under equity.

### 3.19 Cash flow statement.

The cash flow statement was prepared using the indirect method, using the following terms with the meanings set forth below:

- Operating activities: activities that constitute ordinary income of the company, as well as other activities that are not classified as investment or financing activities.

- Investment activities: activities for acquisition, sale or disposal by other means of non-current assets, and other investments not included in cash and cash equivalents.

- Financing activities: activities that cause changes in size and structure of the assets and liabilities that do not form part of the operating activities.

## 4. FINANCIAL RISK MANAGEMENT

The activities of the Group are exposed to various financial risks: market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The global risk management programme of the Group focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on its financial profitability.

Risk management is controlled by the Financial Department of the Group that identifies, assesses and hedges financial risks in accordance with policies approved by the Board of Directors of the

Parent Company. The Board provides policies for global risk management, as well as for specific areas such as interest rate risk and liquidity risk.

### 4.1 Financial risk management

a) Market risk

Market risk arises from potential losses caused by variations in the fair value or in future cash flows of financial instruments as a result of changes in market prices. Market risk includes interest rate, currency and other price risks.

Interest rate risk

Interest rate risk arises from potential losses due to changes in the fair value or in future cash flows of financial instruments as a result of changes in market interest rates. The Group endeavours to mitigate the risk of changes in interest rates by contracting derivative financial instruments.

Currency risk

The Group is not exposed to the risk of currency exchange rate fluctuations as its transactions are conducted in the euro area, and the euro is its functional currency.

Price risk

The Group is not exposed to any price risk

b) Credit risk

The credit risk is managed at Group level. The Group defines the policy for management and analysis of the credit risk of its new customers prior to offering them normal payment terms and conditions. The credit risk arises essentially from the deposits placed in the corresponding bodies by the lessees, as well as sundry receivables. The Group risk control establishes the credit quality that each lessee should have, considering financial position, past experience and other factors.

The Group considers that it has no significant credit risk concentrations, with this understood as the impact that failed receivables may have on the profit/(loss) account.

c) Liquidity risk

The forecast of cash flows is conducted by the Financial Department of the Group. It monitors future liquidity needs of the Group in order to ensure that there is sufficient cash to comply with the operating needs while maintaining sufficient liquidity reserves at all times so that the Group does not breach the limits or the “financial ratios” established by the financing requirements.

### 4.2. Estimation of fair value

The fair value of financial instruments not listed in an active market is determined using valuation techniques. The Group utilises various different measures and makes assumptions based on market conditions existing at each one of the consolidated balance sheet dates. Non-current payables use listed market prices or broker quotes. To determine the fair value of the rest of the financial instruments, other techniques are used such as discounted estimated cash flows.

It is assumed that the carrying amount of trade payables and receivables is close to their fair value. The fair value of financial liabilities for the purposes of presentation of financial information is estimated by discounting the future cash flow commitments at the current market interest rate available at the time to the Group for similar financial instruments.

(In euros)

## 5. BUSINESS COMBINATION

*a. Ballon Investments, S.L.U.:*

On 21 June 2019, the Group acquired 100% of the share capital of Ballon Investments, S.L.U., a company devoted to the lease of property assets.

On 24 July 2019, Ballon Investments, S.L.U., acquired a hypermarket and a service station at Avda. Ballonti, 1, Portugalete, by means of the public deed granted before the notary Antonio Pérez-Coca Crespo under his protocol number 4088. Both form part of the Ballonti Shopping Complex.

*b. Bilball Centre Investments, S.L.:*

On 21 June 2019, the Group acquired 100% of the share capital of Bilball Centre Investments, S.L.U., a company devoted to the lease of property assets.

On 24 July 2019, Bilball Centre Investments, S.L., acquired a shopping arcade located at Avda. Ballonti, 1, Portugalete, by means of the public deed granted before the notary Antonio Pérez-Coca Crespo under his protocol number 4089. This asset is included in the Ballonti Shopping Complex.

## 6. INVESTMENT PROPERTIES

Movement under this heading of the consolidated balance sheet at 31 December 2019 was as follows:

| | Euros | | |
|---|---|---|---|
| | **Balance at 31/12/2018** | **Additions/ Provisions** | **Balance at 31/12/2019** |
| **Cost:** | | | |
| Land | - | 17,374,308.38 | 17,374,308.38 |
| Buildings | - | 92,384,498.28 | 92,384,498.28 |
| **Total cost** | **-** | **109,758,806.66** | **109,758,806.66** |
| **Accumulated depreciation:** | | | |
| Buildings | - | (826,724.00) | (826,724.00) |
| **Total accumulated depreciation** | **-** | **(826,724.00)** | **(826,724.00)** |
| **Total impairment** | **-** | **-** | **-** |
| **Net investment properties** | **-** | **108,932,082.66** | **108,932,082.66** |

The investment properties included in this heading of the consolidated balance sheet at 31 December 2019 correspond to properties for lease.

In the opinion of the Directors of the Parent Company, these acquisitions are considered as asset acquisitions and not as a business combination.

Details are as follows:

- Ballonti Shopping Complex hypermarket and service station
- Ballonti Shopping Complex Shopping Arcade

There have been no investment property disposals in 2019.

(In euros)

At 31 December 2019, 94% of all Group assets detailed above were under lease, meaning income from leases and services from lessees in an amount of 4,977,881.85 euros (Note 16.1). The operating expense incurred in 2019 amounted to 1,644,801.91 euros (Note 16.2).

a) Fully depreciated assets

At 31 December 2019, there were no fully depreciated property assets.

At 31 December 2019, the Group holds the investment properties listed below (only the construction carrying amounts are listed):

| Investment properties | Cost | Additions | Accumulated depreciation | Net carrying amount |
|---|---|---|---|---|
| Hypermarket and Service Station | 23,028,032.16 | - | (206,193.00) | 22,821,839.16 |
| Shopping Arcade | 69,356,466.12 | - | (620,531.00) | 68,735,935.12 |
| **TOTAL** | **92,384,498.28** | **-** | **(826,724.00)** | **91,557,774.28** |

b) Impairment losses

During 2019 no impairment losses took place in investment properties.

In accordance with Recognition and Measurement Standard #2 of the Spanish Chart of Accounts and the Resolution of 18 September 2013 of the Institute of Accounting and Account Audits, the Group reviews the fair value, useful life and valuation methods of the properties it holds at least at the end of each period.

When the market or any other value of an asset is lower than its depreciated value, adjustments must be made and the corresponding provision for impairment set aside if the impairment is reversible.

At 31 December 2019 no cumulative impairment existed. On 25 March 2020, an appraisal of the Ballonti Shopping Complex was commissioned at 31 December 2019, estimating a total market value of the shopping complex of 116,080,000 euros.

c) Collateral investment properties

At 31 December 2019, a real mortgage right exists on the investment properties reflected in the consolidated balance sheet in favour of Societé Generale -Spanish Branch- and Novo Banco -Luxembourg Branch-, as credit institutions, in an initial amount of 66,000,000.00 euros, signed on 24 July 2019 (Note 12).

d) Insurance

The Group has taken on several insurance policies to cover the risks to which investment properties are exposed. The policies' coverage is considered to be sufficient.

The Directors of the Parent Company consider that the assets included under this heading are adequately covered by insurance policies. In addition there are no fully depreciated elements included under this heading.

## 7. LEASES

At the end of 2019, the Group had contracted with lessees the following minimum operating lease payments under the leases currently in force, not subject to cancellation at 31 December 2019, without considering the impact of common expense, future increases in the CPI or future contractual lease payment revisions.

(In euros)

| (euros) | 2019 |
|---|---|
| Up to one year | 8,070,721.61 |
| From 1 to 5 years | 9,845,344.34 |
| Over 5 years | 3,309,017.85 |
| **Total** | **21,225,083.80** |

This income corresponds to leases of the arcade, service station and hypermarket mentioned in Note 6.

## 8. ANALYSIS OF FINANCIAL INSTRUMENTS.

### 8.1 Analysis by category.

Financial assets

Details of the financial assets at 31 December 2019 are as follows:

| Financial Assets | 2019 | |
|---|---|---|
| | Current | Non-current |
| **Inventories** | **59,297.34** | **-** |
| Supplier advances | 59,297.34 | - |
| **Financial investments** | **279,318.13** | **1,082,516.17** |
| Other financial assets | 279,318.13 | 1,004,315.17 |
| Derivatives | - | 78,201.00 |
| **Current accruals** | 59,744.69 | **-** |
| **Total** | **398,360.16** | **1,082,516.17** |

A) Current and non-current financial investments.

This heading includes security deposits in the various official bodies, amounting to 1,004,315.17 euros received from the lessees whose lease does not expire within twelve months.

Additionally, current items include the deposits received in an amount of 279,170.89 euros, whose agreement expiration is within twelve months.

It furthermore includes a current account with Group companies with the sole shareholder, HEREF V Sub Holding, S.à.r.l., in an amount of 147.24 euros (Note 15).

B) Derivatives

This heading reflects the value of the derivatives subscribed in the subsidiaries discounted at 31 December 2019.

(In euros)

| | Bilball Centre Investments, S.L.U. | Ballon Investments, S.L.U. |
|---|---|---|
| Contracting date | 24/07/2019 | 24/07/2019 |
| Instrument type | CAP | CAP |
| Premium paid | 160,681.00 | 54,118.95 |
| Notional | 44,435,508.00 | 14,890,242.00 |
| Interest rate (25/10/2019 - 25/07/2022) | 3-M Euribor + 0.5 | 3-M Euribor + 0.5 |
| Interest rate (25/07/2022 - 24/07/2024) | 3-M Euribor + 1 | 3-M Euribor + 1 |
| Fair value at 31/12/2019 | 58,573.00 | 19,628.00 |
| Maturity date | 24/07/2024 | 24/07/2024 |

The effect on the consolidated income statement, as illustrated under Change in fair value of financial instruments, was 136,598.95 euros.

<u>Financial liabilities</u>

Details of the financial liabilities at 31 December 2019 are as follows:

| Financial Liabilities | 2019 | |
|---|---|---|
| | Current | Non-current |
| Debits and payables | | |
| Other financial liabilities with third parties | 563,732.46 | 64,541,195.18 |
| Other financial liabilities with Group companies (Note 15) | 412,543.97 | 11,618,715.42 |
| Deposits and guarantees | 322,563.21 | 1,310,854.14 |
| Derivatives | - | - |
| Trade and other payables | 732,180.28 | - |
| Suppliers and creditors | 596,851.76 | - |
| Other payables | 135,328.52 | - |
| Customer advances | 27,158.02 | - |
| **Total** | **2,058,177.94** | **77,470,764.74** |

A) Loans and borrowings:

On 24 July 2019, the subsidiaries signed a mortgage loan with Societe Generale -Spanish Branch- and Novo Banco, S.A. -Luxembourg Branch- in an initial nominal amount of 66,000,000.00 euros (Note 12.a). Additionally, the expense relating to arranging this loan, pending recognition in profit/(loss), amounted to 1,046,304.82 euros. The loan is subject to an interest rate resulting from applying a spread of 1.85 percentage points to the EURIBOR.

The principal drawn and pending repayment at 31 December 2019 amounted to 65,917,500.00 euros. The interest accrued and unpaid during the year was 233,732.46 euros.

B) Payables to Group companies:

On 23 July 2019, the subsidiary Ballon Investments, S.L.U. entered into a loan agreement with HEREF V Holding, S.à.r.l. for an amount of 2,916,195.00 euros maturing on 24 January 2025 and with an applicable interest rate of 8%. At 31 December, the principal pending repayment amounted to 2,916,195.00 euros, while the accrued and unpaid interest amounted to 103,544.91 euros.

On 23 July 2019, the subsidiary Bilball Centre Investments, S.L.U. entered into a loan agreement with HEREF V Holding, S.à.r.l. for an amount of 8,702,520.00 euros maturing on 24 January 2025 and with an applicable interest rate of 8%. At 31 December, the principal pending repayment amounted to 8,702,520.00 euros, while the accrued and unpaid interest amounted to 308,999.06 euros.

C) Deposits and guarantees

(In euros)

This heading reflects the amount of additional deposits and guarantees received at 31 December 2019 from the lessees of the Ballonti Shopping Complex (shopping arcade, hypermarket and service station).

### 8.2 Analysis by maturity.

At 31 December 2019, the amounts of financial assets with determinate or determinable maturities by year of maturity are as follows:

The heading of other financial assets includes the amount of the deposits placed with official bodies according to the maturity date of the lease contract to which they refer.

| | Financial assets (euros) | | | | | |
|---|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** | **Subsequent Years** | **Total** |
| Supplier advances | 59,297.34 | - | - | - | - | **59,297.34** |
| Other financial assets | 279,318.13 | - | - | - | 1,004,315.17 | **1,283,633.30** |
| Derivatives | - | - | - | - | 78,201.00 | **78,201.00** |
| Current accruals | 59,744.69 | - | - | - | - | **59,744.69** |
| Trade receivables | 16,640.78 | - | - | - | - | **16,640.78** |
| **TOTAL** | **398,360.16** | **-** | **-** | **-** | **1,004,315.17** | **1,497,517.11** |

At 31 December 2019, the amounts of financial liabilities with determinate or determinable maturities by year of maturity are as follows:

| | Financial liabilities (euros) | | | | | |
|---|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** | **Subsequent Years** | **Total** |
| Loans and borrowings | 563,732.46 | 330,000.00 | 412,500.00 | 742,500.00 | 63,056,195.18 | **65,104,927.64** |
| Other financial liabilities with Group companies (Note 17) | 412,543.97 | - | - | - | 11,618,715.42 | **12,031,259.39** |
| Deposits and guarantees | 322,563.21 | - | - | - | 1,310,854.14 | **1,633,417.35** |
| Trade and other payables | 732,180.28 | - | - | - | - | **732,180.28** |
| Customer advances | 27,158.02 | - | - | - | - | **27,158.02** |
| **TOTAL** | **2,058,177.94** | **330,000.00** | **412,500.00** | **742,500.00** | **75,907,563.74** | **79,528,942.68** |

The Group provides the details of loans and borrowings maturities at their amortised cost amount, allocating the amortised cost in the subsequent years column. The Directors of the Parent Company consider that this amount is not relevant at 31 December 2019.

## 9. LOANS AND RECEIVABLES

Details of loans and receivables at 31 December 2019 are as follows:

(In euros)

| | 2019 |
|---|---|
| **Non-current loans and receivables:** | 1,004,315.17 |
| Other financial assets | 1,004,315.17 |
| **Total** | **1,004,315.17** |
| **Inventories:** | 59,297.34 |
| Supplier advances | 59,297.34 |
| **Trade and other receivables** | 16,640.78 |
| Trade receivables for sales and services | 16,640.78 |
| **Current loans and receivables:** | 279,318.13 |
| Other financial assets | 279,318.13 |
| **Current accruals** | 59,744.69 |
| **Total** | **415,000.94** |

“Other non-current and current financial assets” corresponds to the deposits from the premises to which Note 6 of this consolidated annual financial statements refers, regarding the investment properties.

The carrying amount of the deposits does not differ significantly from their fair value. Maturity of the non-current deposits is similar to that of the lease contract entered into with each one of the lessees.

The Directors of the Parent Company have not set aside any impairment whatsoever since all of the loans and receivables are considered recoverable.

## 10. CASH AND CASH EQUIVALENTS

This heading includes cash and cash equivalents of the Group in banks. The carrying amount of these assets is equivalent to their fair value.

At 31 December 2019, the balance of the heading “Cash and cash equivalents” amounted to 4,386,759.40 euros, which are fully available.

## 11. SHAREHOLDERS' EQUITY

### 11.1 Share Capital

On 17 December 2018, the Parent Company was incorporated with an initial capital of 3,500.00 euros, divided into 3,500 registered, indivisible and cumulative shares with a par value of one euro each, fully subscribed and paid up, and numbered consecutively from 1 to 3,500 inclusive.

On 1 June 2019, HEREF V Sub Holding, S.à.r.l. acquired 100% of the shares of Mediterranean Search, S.L.U.

On 26 July 2019, the Sole Shareholder passed the resolution to re-register the Parent Company as a public limited company. To do so, it increased the share capital by 59,687.76 euros.

On 26 July 2019, the Sole Shareholder passed the resolution to increase the share capital of the Parent Company, set at the quantity of 63,187.76 euros, by means of the creation of new shares up to the figure of 5,000,187.76 euros. In other words, to increase the share capital of the Parent Company by 4,937,000.00 euros.

At 31 December 2019, the Sole Shareholder of the Parent Company was as follows:

(In euros)

| Shareholder | Number of shares | Numbering | % Share Capital |
|---|---|---|---|
| HEREF V Sub Holding, S.à.r.l. | 5,000,187 | 1 to 5,000,187 | 100% |
| **TOTAL** | **5,000,187** | **1 to 5,000,187** | **100%** |

### 11.2. Shareholder contributions

On 26 July 2019, the Parent Company received a cash contribution from its Sole Shareholder, HEREF V Sub Holding, S.à.r.l., in an amount of 28,631,237.83 euros.

At 31 December 2019, Parent Company shareholder contributions amounted to 28,631,237.83 euros.

### 11.3 Reserve and profit/(loss) for the prior years

a) Legal reserve

The legal reserve will be allocated in compliance with art. 274 of the Spanish Companies Act, which requires that companies in all cases transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of the share capital.

The legal reserve is not distributable and if it is used to offset losses, if no other reserves are available, it must be replenished with future profits.

At 31 December 2019, the legal reserve had not been constituted.

b) Voluntary reserves

In accordance with Recognition and Measurement Standard #9 contained in the Spanish Chart of Accounts, any expense associated with the incorporation of companies is to be booked against equity as a change in shareholders' equity.

c) Proposal for the appropriation of profit/(loss) of the Parent Company

The proposal for the appropriation of 2019 profit/(loss) of the Parent Company to be submitted to the Sole Shareholder is as follows:

| | Aroca | Ballon | Bilball |
|---|---|---|---|
| **Basis of Allocation** | | | |
| Income (Profit/(Loss)) | (42,061.99) | 355,132.44 | 861,808.09 |
| **TOTAL** | **(42,061.99)** | 355,132.44 | 861,808.09 |
| **Appropriation** | | | |
| Voluntary reserve | - | 887.14 | 884.89 |
| Legal reserve | | 700.00 | 700.00 |
| Prior years' losses | (42,061.99) | 2,420.00 | 2,420.00 |
| To dividends | - | 351,125.30 | 857,803.20 |
| **TOTAL** | **(42,061.99)** | **355,132.44** | **861,808.09** |
| **Total Basis of Allocation = Total Appropriation** | **-** | **-** | **-** |

d) Limitations on the distribution of dividends

(In euros)

Aside from legal ones, neither the Parent Company nor the subsidiaries are subject to limitations on the distribution of dividends.

By virtue of Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December, regulating Listed Real Estate Investment Companies, the Parent Company will be subject to a special rate of 19% on the total amount of dividends or profit sharing distributed to shareholders whose shareholding in the share capital of the entity is equal to or greater than 5%, when those dividends, at their fiscal residences, are exempt or taxed at a rate below 10%. This rate will be considered the Corporate Income Tax liability.

e) Contribution to consolidated profit/(loss)

The contribution of each company of the Group included in the consolidation perimeter to consolidated profit/(loss) is as follows:

| | **2019** |
|---|---|
| Aroca del Pinar, S.A. | (42,061.99) |
| Bilball Centre Investments, S.L. | 355,132.44 |
| Ballon Investments, S.L. | 861,808.09 |
| **Total** | **1,174,878.54** |

## 12 DEBITS AND PAYABLES

Details of debits and payables at 31 December 2019 are as follows:

| | **2019** |
|---|---|
| Other financial liabilities (Deposits and guarantees) | 1,310,854.14 |
| Non-current loans and borrowings | 64,541,195.18 |
| Payables to Group companies and associates (Note 15) | 11,618,715.42 |
| **Total** | **77,470,764.74** |
| Payables to suppliers | 608,713.88 |
| Other financial liabilities (Deposits and guarantees) | 322,563.21 |
| Current loans and borrowings | 563,732.46 |
| Other financial liabilities with Group companies (Note 15) | 412,543.97 |
| Customer advances | 27,158.02 |
| **Total** | **1,934,711.54** |

a) Loans and borrowings:

The details of Loans and borrowings at 31 December 2019 were as follows:

| **Group Company** | **Entity** | **Start Date** | **Maturity date (Note 9.2)** | **Interest Rate** | **Principal Limit** | **Nominal pending at 31 December 2019** |
|---|---|---|---|---|---|---|
| Bilball Centre Investments, S.L.U. | Société Générale, | 24/07/2019 | 24/07/2024 | 1.85% + Euribor | 24,717,290.12 | 24,686,393.51 |
| Bilball Centre Investments, S.L.U. | Novo Banco | 24/07/2019 | 24/07/2024 | 1.85% + Euribor | 24,717,290.12 | 24,686,393.51 |
| Ballon Investments, S.L.U. | Société Générale, | 24/07/2019 | 24/07/2024 | 1.85% + Euribor | 8,282,709.88 | 8,272,356.49 |
| Ballon Investments, S.L.U. | Novo Banco | 24/07/2019 | 24/07/2024 | 1.85% + Euribor | 8,282,709.88 | 8,272,356.49 |
| **Total owed at 31 December 2019** | | | | | **66,000.00.00** | **65,917,500.00** |

The balance pending at 31 December 2019 appears lower in the consolidated balance sheet by the expense relating to arranging the loan, pending recognition in profit/(loss), in the amount of 1,046,304.82 euros.

This loan is divided between the two subsidiaries:

- Drawn by Ballon Investments, S.L.U., group subsidiary, in an amount of 16,565,419.76 euros for the purchase of the service station and hypermarket that the company has in the Ballonti Shopping Complex.

- Drawn by Bilball Centre Investments, S.L.U., group subsidiary, in an amount of 49,434,580.24 euros for the purchase of the shopping arcade that the company has in the Ballonti Shopping Complex.

The term of the agreement it holds with both entities is 5 years from 24 July 2019 through 24 July 2024, date on which the Group shall have paid the entirety of the quantities owed for any concept.

The mortgage loan received entails a series of financial obligations for fulfilment by the Group. These obligations are as follows:

- To maintain throughout the life of the loan a DSCR amounting at least to two hundred percent (200%).

- To maintain throughout the life of the loan an LTV ratio not exceeding sixty-five percent (65%)

- To maintain throughout the life of the loan a DYR exceeding 9 percent (9%)

The Directors of the subsidiaries consider that at 31 December 2019 and for the 12 months following the end of the year, all of the above obligations are and will be fulfilled.

This debt accrues ordinary interest for the amount pending repayment of the drawdown of each one of the tranches made by the borrowers. This interest will accrue daily and will be calculated on the basis of a 360-day year and on the number of days that has elapsed. For the purpose of determining the interest rate applicable to each drawdown, 3-month interest periods have been established as of the formalisation of the debt agreement through its final maturity. The applicable interest rate will be the result of adding the Euribor for each interest period and applicable spread determined by the borrower.

The payment of interest will take place at the end of each interest period.

At the year-end date, the debt drawn had accrued a total interest amount of 545,765.80 euros, of which 233,732.45 euros are pending payment at 31 December 2019. In addition, the Group has allocated the amount of 251,247.49 euros to the consolidated income statement as amortised cost and change in fair value of derivative financial instruments (Note 14.1b).

Likewise, in 2019 principal was repaid in the amount of 82,500 euros.

b) Payables to related companies

The balances included in the heading "Payables to group companies and associates" and "Other financial liabilities with group companies" consist of a single drawdown on a loan from its sole shareholder, as well as the interest accrued and unpaid at the end of the period, respectively (Note 15).

c) Information on deferral of payments to suppliers

(In euros)

The following are the details of disclosures required by Additional Provision Three of Act 15/2010, of 5 July, prepared in accordance with the ICAC Resolution of 29 January 2016, on the disclosures to be included in the notes to the annual financial statements regarding the average payment period to suppliers in trade transactions.

In accordance with that act, the average supplier payment period that is within the legal maximum period applicable to the Group is 60 days, depending on whether these are suppliers and subcontractors for construction agreements or for other trade transactions. These terms are applicable to agreements signed after 7 July 2010.
The disclosure obligation exclusively affects trade payables included under the heading of “suppliers and other payables” under current liabilities of the consolidated balance sheet. Therefore, the legislation does not apply to creditors or suppliers that do not fulfil that condition, such as fixed asset suppliers or finance lease payables.

The calculation of the average payment period is calculated considering the invoice date of the supplier and the payment date.

The details of the average supplier payment period in 2019 for the Group is as follows:

| | |
|---|---|
| Average Payment Period | 130.84 days |

| | |
|---|---|
| Payments Made | 111,039,416.16 euros |
| Payments pending | 589,591.76 euros |

## 13 INCOME TAX AND TAX POSITION

Details of the balances with Public Entities at 31 December 2019 is as follows:

| | **31/12/2019** |
|---|---|
| **Assets** | **13,106.32** |
| Tax Authority. Corporate Income Tax Receivable | 13,106.32 |
| **Liabilities** | **504,128.33** |
| Personal Income Tax Payable to Tax Authority | 714.60 |
| Non-Resident Income Tax Payable to Tax Authority | 8,437.50 |
| VAT Payable to Tax Authority | 494,976.23 |

The reconciliation between net income and expense for the period and the taxable profit for income tax purposes is as follows:

| | **Aroca del Pinar, S.A.** | **Ballon Investments, S.L.U.** | **Bilball Centre Investments, S.L.U.** |
|---|---|---|---|
| **Corporate Income Tax** | **31/12/2019** | **31/12/2019** | **31/12/2019** |
| **Profit/(loss) before taxes** | **(42,061.99)** | **355,132.44** | **861,808.09** |
| **Differences:** | **-** | **-** | **-** |
| **Previous taxable income** | **(42,061.99)** | **355,132.44** | **861,808.09** |
| **Tax loss carryforwards** | **-** | **-** | **-** |
| Rate 25% | - | - | - |
| **Net tax payable** | **-** | **-** | **-** |
| **Partial payments** | **-** | **-** | **(13,106.32)** |
| **To be paid/(returned)** | **-** | **-** | **(13,106.32)** |

(In euros)

In accordance with Law 11/2009, of 26 October, with the amendments thereto approved by Law 16/2012, of 27 December, regulating the SOCIMIs, the taxable profit for Corporate Income Tax is taxed at a rate of 0%.

As established by legislation in force, taxes cannot be deemed as definitively settled until the tax returns filed have been audited by tax authorities or until the 4-year statute of limitations has concluded. The Directors of the Parent Company deem that the settlements of the aforementioned taxes have been appropriately undertaken whereby, even if discrepancies arise over the existing regulatory interpretation of the tax treatment given to the transactions, any possible resulting liabilities, should they materialise, would not have a significant impact on these consolidated annual financial statements.

All periods as of the incorporation of the companies, both parent and subsidiaries, are currently open to audit.

## 14 INCOME AND EXPENSE.

### 14.1 Net turnover.

Details of net turnover in 2019 are as follows:

| | 2019 |
|---|---|
| Lease income and re-invoicing of expense | 4,977,881.85 |
| **Total** | 4,977,881.85 |

This income corresponds to lease income and re-invoicing of supply expense to the lessees of the properties included in the Ballonti Shopping Complex (shopping arcade, hypermarket and service station).

### a. Other operating expense.

Details of this heading of the consolidated income statement during 2019 are as follows:

| | 2019 |
|---|---|
| Repair and upkeep | 87,019.24 |
| Community expenses | 1,084,632.71 |
| Independent professional services | 270,223.42 |
| Insurance premium | 33,136.89 |
| Advertising | 76,440.79 |
| Bank services and similar | 3,913.31 |
| Utilities | 63,714.70 |
| Other expense | 25,720.85 |
| Taxes | 123,466.40 |
| **Total** | **1,768,268.31** |

Under the heading “Independent professional services”, the Group booked expense for legal counsel and tax advice, asset valuation and management with several independent professionals for an amount of 270,223.42 euros, detailed as follows:

(In euros)

| | 2019 |
|---|---|
| Legal Services | 79,197.37 |
| Accounting Services | 56,425.34 |
| Advisory Fees | 79,094.67 |
| External Consultancy | 5,601.98 |
| CBRE Services Fee (1.7% per collected) | 34,684.68 |
| ECOP CBRE | 8,099.85 |
| CBRE Brokerage/Agency Fees | 7,119.53 |
| **Total** | **270,223.42** |

At 31 December 2019, the Group had no employees whereby no information whatsoever is included on the average number of individuals employed during the period.

### b. Finance income/(expense)

Details of this heading of the consolidated income statement during 2019 are as follows:

| | 2019 |
|---|---|
| **Finance expense** | **(1,072,958.31)** |
| Payables to Group companies and associates (Note 15) | (412,543.97) |
| Payables to third parties | (660,414.34) |
| **Change in fair value of financial instruments** | **(136,598.95)** |
| **Total** | **(1,209,557.26)** |

The breakdown of the item on finance expense for payables to third parties is as follows:

| | 2019 |
|---|---|
| Interest on loans and borrowings | (545,765.80) |
| Repayment of arrangement expense | (114,648.54) |
| **Total** | **(660,414.34)** |

## 15 RELATED PARTY TRANSACTIONS AND BALANCES

The related parties with whom the Group conducted transactions in 2019, and the nature of the relationship, are as follows:

| Company | Nature of the relationship |
|---|---|
| HEREF V Sub Holding, S.à.r.l. | Sole Shareholder |

Under the heading of non-current payables to Group companies and associates, the subsidiaries booked a loan received from the ultimate Shareholder “HEREF V Holding, S.à.r.l.”. This loan was signed on 23 July 2019.

At the end of 2019, the quantity owed comes to 11,618,715.42 euros, applying a fixed annual interest rate of 8%. The Directors of the Parent Company consider this to be a market interest rate.

The interest accrued on this loan, booked in the consolidated income statement at the end of 2019 amounted to 412,543.97 euros.

Furthermore, the Parent Company, Aroca del Pinar, S.A., has a current account with group companies of its Sole Shareholder. At 31 December 2019, the Parent Company maintained a balance in its favour of 147.24 euros (Note 9.1).

**a. Remunerations to Directors and Senior Management.**

At 31 December 2019, the Directors of the Parent Company did not receive any remuneration whatsoever in the form of salary, expenses or shares in profits or issue premiums. Neither did they receive shares or stock options in those years, and they did not exercise any options and did not have any options pending exercise.

The Group has no employees, whereby the Board of Directors exercises Senior Management.

Likewise, at 31 December 2019, no contributions were made to funds or pension schemes on behalf of the Directors.

**b. Detail of holdings in companies with similar activities and performance of similar activities by the Directors of the Parent Company on their own behalf or on behalf of third parties:**

The directors that have held offices on the Board of Directors of the Parent Company have no other matter on which to report in relation to the obligations of loyalty, prevention of conflicts of interest and non-competition with the Group, as established in art. 229 through 231 of the Spanish Companies Act.

Additionally, the directors of the Parent Company are not involved in any conflict of interest situation about which they should report in compliance with the provisions of art. 229.1 of the Spanish Companies Act.

The disclosure of this information in the notes to the consolidated annual financial statements of Aroca del Pinar, S.A. and subsidiaries responds to the analysis performed of the communications received from the Directors of the Parent Company in keeping with the teleological interpretation of art. 229 through 231 of the Spanish Companies Act.

## 16 OTHER INFORMATION

### a) Contingencies

The Group is not subject to any contingency during this period.

### b) Commitments

The Group has not formalised commitments or guarantees during this period.

## 17 ENVIRONMENTAL INFORMATION AND GREENHOUSE GAS EMISSION ALLOWANCES

In view of the business activities carried out by the Group, the Group does not have any environmental liability, expense, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these consolidated annual financial statements.

## 18 ENVIRONMENTAL INFORMATION

At 31 December 2019, there are no assets devoted to the protection and improvement of the environment, nor have there been any relevant expense of this type during the period.

During the year ended 31 December 2019, no subsidies in connection with the environment were received.

## 19 REPORTING REQUIREMENTS DERIVING FROM SOCIMI STATUS. LAW 11/2009

On 5 August 2019, the Parent Company and its subsidiaries requested the Spanish Tax Office for inclusion in the special tax scheme of listed real estate investment companies, regulated by Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December, regulating listed real estate investment companies.

In compliance with the provisions of art. 11 of Law 11/2009, the information required is detailed in Annex I to these consolidated annual financial statements.

## 20 SUBSEQUENT EVENTS

At the date of presentation of these consolidated annual financial statements, the following relevant events have taken place:

On 28 January 2020, the Parent Company acquired the shares of Castellana Norte Investments, S.L.U., formerly known as Donely Investments, S.L.U. for an amount of 3,000.00 euros.

On 19 February 2020, Castellana Norte Investments, S.L. acquired the ownership of a business park by means of a public deed granted before the notary Antonio Perez-Coca Crespo, under his protocol number 730. The properties, acquired for 126,963,500.00 euros, are located in Madrid, at C/Isabel de Colbrand no. 22 and are known as "Parque Empresarial Castellana Norte".

Furthermore on the same date a certificate of the sole shareholder of Castellana Norte Investments, S.L.U., Aroca del Pinar, S.A.U., was executed, approving a financing contract with a credit institution in the amount of 78,000,000 euros.

On 19 February 2020, a contract was signed between Heref V Holding, S.a.r.L. and Castellana Norte Investments, S.L. agreeing to a loan for an amount of 13,780,529 euros, for 8 years as of the first drawdown date.

Furthermore, on 19 February 2020, a certificate of resolutions of the sole shareholder (Aroca del Pinar) of Castellana Norte was executed, indicating the decision to make a monetary contribution of 39,331,512 euros to the Company.

**Information on the COVID-19 impact:**

At the time of presentation of these consolidated annual financial statements, Spain, like other countries, is in a difficult situation caused by the infection with Coronavirus (COVID-19). Since the report of the first case of Coronavirus infection (COVID-19) in the city of Wuhan (China) at the end of December 2019, the outbreak spread rapidly to a large number of cities in that country and on to several countries worldwide, including Spain.

In accordance with the regulatory financial reporting framework applicable to the Group, and regarding the consolidated annual financial statements for the year ended 31 December 2019, the consequences of COVID-19 are considered a subsequent event that does not require an adjustment to the consolidated annual financial statements for the year 2019 for failure to reveal circumstances that already existed at the end of the year, without prejudice to the fact that these should be disclosed in the annual financial statements on the basis of their significance.

The Directors of the Parent Company have assessed the events described and of their impact on the Group. To this regard an analysis has been performed of the impacts on the main areas that could be affected, as follows:

- Debt commitments: This is not expected to affect the Group since it will be able to cover the upcoming payments with cash in banks and future lease payments. The aggregate bank account balances in the Group entities would be sufficient to cover at least the next 3 quarterly payments of bank interest, supposing there is no more income in the shopping complex (which would of course be the worst case scenario). In terms of the covenant compliance clauses, the Directors consider that they are capable of complying with them or, if necessary, of negotiating with the financial institution for temporary flexibility with these conditions (or obtaining a waiver).
- Valuation of property assets: While a specific asset may experience some stress if the state of emergency continues, it is not expected to have a material impact based on the most recent asset appraisals performed by an independent expert.
- Impact on the generation of income and collectability: The close of the shopping complex was ordered as of 14 March, whereby lease collection for the month of April was only 23% of the total of shopping complex lease payments. However, it is expected to reopen on 25 May, after which collections are expected to increase. They Hypermarket was classified as an essential activity and remained open. Castellana Norte, acquired in February 2020, has not sustained any material impacts to date. There is some uncertainty as to how the crisis will affect lessees and their savings and employment levels if the state of emergency persists, but the Directors believe that it will recover once this situation ends.

On the basis of the above, and even though uncertainties may exist for possible future events that cannot be foreseen to date, the Directors of the Parent Company consider that current and potential impacts will not adversely affect the ability of the Group to continue as a going concern.

**AROCA DEL PINAR, S.A. (Single-member Company) and subsidiaries**

**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR 2019**

(In euros)

***Annex I***

***Information relative to AROCA DEL PINAR, S.A.***

| ***Description*** | **31/12/2018** |
|---|---|
| a) Reserves from financial years prior to the application of the tax scheme established in Law 11/2009, amended by Law 16/2012, of 27 December. | Voluntary reserves exist in a negative amount of 877.72 euros from years prior to the application of the SOCIMI tax scheme. |
| b) Reserves from each period in which the special tax scheme established in that Law was applicable | |
| • Profits from income subject to the general tax rate | Not applicable |
| • Profits from income subject to the 19% tax rate | Not applicable |
| • Profits from income subject to the 0% tax rate | In 2019, the Company received a profit of 1,174,878.54 euros. |
| c) Dividends distributed against profits from each period in which the tax scheme established in this Law was applicable | |
| • Dividends from income subject to the general tax rate | Not applicable |
| • Dividends from income subject to the 18% (2009) and 19% (2010 through 2012) tax rate | Not applicable |
| • Dividends from income subject to the 0% tax rate | Not applicable |
| d) Dividends distributed against reserves | |
| • Distribution against reserves subject to the general tax rate | Not applicable |
| • Distribution against reserves subject to the 19% tax rate | Not applicable |
| • Distribution against reserves subject to the 0% tax rate | Not applicable |
| e) Date of the resolution for distribution of the dividends to which letters c) and d) above refer | Not applicable |
| f) Date of acquisition/disposal of the properties for lease that produce income subject to this special scheme | The Ballonti Shopping Complex was acquired by the company on 24 July 2019. |
| g) Date of acquisition of the shares in the capital of the entities to which art. 2.1 of this Law refers. | Not applicable |
| h) Identification of the asset that is calculated within the 80% referenced in art. 3.1 of this Law | The Ballonti Shopping Complex |

| | |
|---|---|
| i) Reserves from financial years in which the special tax scheme established in this Law was applicable, utilised during the tax period for purposes other than their distribution or to offset losses. The financial year corresponding to these reserves should be identified. | Not applicable. |

**AROCA DEL PINAR, S.A. (Single-member Company) and subsidiaries**

**CONSOLIDATED DIRECTORS' REPORT FOR 2019**

## 1.- Business performance and situation of the Group companies

Aroca del Pinar, S.A. was incorporated on 17 December 2018, for an indefinite period, as a Limited Liability Company, with Tax ID Number A88278403, before the notary Isabel Estape Tous, under her protocol number 5241, entered in the Madrid Companies Register in Tome 38508, Folio 122, Section 8, Sheet number M-684877, entry 1. Its registered offices are located at Nanclares de Oca, 1B, 28022, Madrid.

On 21 June 2019, the Parent Company acquired 100% of the shares of Ballon Investment, S.L.U. a company incorporated and existing in accordance with the laws of the Kingdom of Spain and with Spanish Tax ID Number B88278346. The transfer was conducted by means of the public deed granted before the notary Carlos de Prada Guaita, under his protocol number 984.

Ballon Investment, S.L.U. (Subsidiary): was incorporated in Spain as a limited liability company on 17 December 2018 under the name of Barsolein, S.L.U., for an indefinite period. Its registered offices are established at Nanclares de Oca 1B, 28022, Madrid.

On 21 June 2019, the company changed its registered name to Ballon Investments, S.L.U. by means of a public deed granted before the notary Carlos de Prada Guaita, under protocol number 989.

The corporate purpose of that subsidiary consists of the sale-purchase, lease and operation of industrial premises. The current activity of the company coincides with its corporate purpose.

The main activity of the Subsidiary is the lease of a shopping arcade at Avda. Ballonti, 1, in the Ballonti Shopping Complex, Portugalete.

On 21 June 2019, the parent company acquired 100% of the shares of Bilball Centre Investment, S.L.U. a company incorporated and existing in accordance with the laws of the Kingdom of Spain and with Spanish Tax ID Number B88278387. The transfer was conducted by means of the public deed granted before the notary Carlos de Prada Guaita, under his protocol number 985.

Bilball Centre Investments, S.L.U. (Subsidiary): was incorporated in Spain as a limited liability company on 17 December 2018 under the name of Cetroletus, S.L.U., for an indefinite period. Its registered offices are established at Nanclares de Oca 1B, 28022, Madrid.

On 21 June 2019, the company changed its registered name to Bilball Investments, S.L.U. by means of a public deed granted before the notary Carlos de Prada Guaita, under protocol number 991.

The corporate purpose of that subsidiary consists of the sale-purchase, lease and operation of industrial premises. The current activity of the company coincides with its corporate purpose.

The main activity of the Subsidiary is the lease of a hypermarket and a service station at Avda. Ballonti, 1, in the Ballonti Shopping Complex, Portugalete.

The consolidated financial statements as well as this directors' report correspond to the year ended 31 December 2019.

## 2.- Foreseeable performance of Group companies.

The Group intends to continue with its activities, obtaining income from its two subsidiaries corresponding to the lease of assets described in Notes 8 and 9 of the notes to the consolidated annual financial statements.

The forecast of future income estimated by the managers of the properties owned by the subsidiaries is as follows:

| (euros) | 2019 |
|---|---|
| Up to one year | 8,070,721.61 |
| From 1 to 5 years | 9,845,344.34 |
| Over 5 years | 3,309,017.85 |
| **Total** | **21,225,083.80** |

## 3.- Research and development activities.

The Group has not conducted any research and development activities during the financial year ended 31 December 2019.

## 4.- Acquisitions of treasury shares.

We hereby certify that the Parent Company and its subsidiaries do not hold any treasury shares and neither have it acquired own shares or shares in its Parent Company.

## 5.- Significant events subsequent to year-end

At the date of presentation of these consolidated annual financial statements, the following relevant events have taken place:

On 28 January 2020, the Parent Company acquired the shares of Castellana Norte Investments, S.L.U., formerly known as Donely Investments, S.L.U. for an amount of 3,000.00 euros.

On 19 February 2020, Castellana Norte Investments, S.L. acquired the ownership of a business park by means of a public deed granted before the notary Antonio Perez-Coca Crespo, under his protocol number 730. The properties, acquired for 126,963,500.00 euros, are located in Madrid, at C/Isabel de Colbrand no. 22 and are known as "Parque Empresarial Castellana Norte".

Furthermore on the same date a certificate of the sole shareholder of Castellana Norte Investments, S.L.U., Aroca del Pinar, S.A.U., was executed, approving a financing contract with a credit institution in the amount of 78,000,000 euros.

On 19 February 2020, a contract was signed between Heref V Holding, S.a.r.L. and Castellana Norte Investments, S.L. agreeing to a loan for an amount of 13,780,529 euros, for 8 years as of the first drawdown date.

Furthermore, on 19 February 2020, a certificate of resolutions of the sole shareholder (Aroca del Pinar) of Castellana Norte was executed, indicating the decision to make a monetary contribution of 39,331,512 euros to the Company.

The Group has performed an analysis of compliance with the ratios required by the credit institution with which it holds a mortgage loan, confirming their fulfilment.

These ratios are:

- Debt Service Coverage Ratio (DSCR)
- Debt Yield Ratio (DYR)
- Loan-to-Value Ratio (LTV)

## 6.- Derivative financial instruments

The Group utilises derivative financial instruments to hedge the risks to which the interest rates are exposed.

In 2019, the Group contracted a hedge financial instrument with an initial nominal amount of 214,799.95 euros and an annual interest rate of 0.5%.

At the end of 2019, this instrument was valued at 78,201.00 euros, obtaining a loss of 136,598.95 euros as reflected in the consolidated income statement.

**7.- Note on deferred payments to suppliers in trade transactions**

The following are the details of disclosures required by Additional Provision Three of Act 15/2010, of 5 July, prepared in accordance with the ICAC Resolution of 29 January 2016, on the disclosures to be included in the notes to the annual financial statements regarding the average payment period to suppliers in trade transactions.

In accordance with that act, the average supplier payment period that is within the legal maximum period applicable to the Group is 60 days, depending on whether these are suppliers and subcontractors for construction agreements or for other trade transactions. These terms are applicable to agreements signed after 7 July 2010.

The disclosure obligation exclusively affects trade payables included under the heading of "suppliers and other payables" under current liabilities of the consolidated balance sheet. Therefore, the legislation does not apply to creditors or suppliers that do not fulfil that condition, such as fixed asset suppliers or finance lease payables.

In accordance with the provisions of that resolution, only those companies located in Spain are included in the calculation, with the understanding that their payment agreements are subject to legislation in force in Spain.

The calculation of the average payment period is calculated considering the invoice date of the supplier and the payment date.

The details of the average supplier payment period in 2019 for the Group is as follows:

| | |
|---|---|
| Average Payment Period | 130.84 days |

| | |
|---|---|
| Payments Made | 111,039,416.16 euros |
| Payments pending | 589,591.76 euros |

The average payment period to suppliers in 2019 comes to 131 days calculated pursuant to the provisions of Additional Provision Three of Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, and the Resolution dated 29 January 2016 of the Spanish Institute of Accounting and Account Audits. Payments made outside the maximum legal period correspond mainly to transactions performed with Spanish companies for the contracting of services regarding Group operations. The Group will apply the measures necessary in the following year to reduce this, in compliance with the standards of the sector to this respect.

**8.- The Group's exposure to price, credit, liquidity and cash flow risks**

There are no risks other than those described in Note 4 to these consolidated annual financial statements.

**9.- Key Indicators**

**<u>Economic situation</u>**

The directors of the Parent Company and its subsidiaries do not expect significant changes with respect to the commercial conditions under which the companies operate.

**AROCA DEL PINAR, S.A. (Single-member Company) and subsidiaries**

**CONSOLIDATED DIRECTORS' REPORT FOR 2019**

**Commercial situation**

The directors of the Parent Company and its subsidiaries expect to maintain and extend the agreements in force at the date of presentation of these consolidated annual financial statements, and are open to new lease opportunities.

### 10.- Group activity

The main activity of the Group is the following: lease of industrial premises.

### 11.- Economic and Financial Reporting

Insofar as 2019 was the first year of its investment in Spain, Aroca del Pinar, S.A. heads of a group of companies that operate investment properties in the Spanish territory.

The transactions focus on that area and are therefore affected by the ups and downs of the Spanish economy.

It ended the 2019 financial year with a consolidated profit of 1,174,878.54 euros.

We justify these expectations by: Growth of leased units and re-valuation of the lease contracts.

On the basis of these expectations, the policy of the Group will be to optimise its costs and maintain an on-going control of its fund flow.

### 12.- Information on the average number of employees.

At 31 December 2019, the Group had no employees whereby no information whatsoever is included on the average number of individuals employed during the period.

### 13.- Information on the COVID-19 impact.

At the time of presentation of these consolidated annual financial statements, Spain, like other countries, is in a difficult situation caused by the infection with Coronavirus (COVID-19). Since the report of the first case of Coronavirus infection (COVID-19) in the city of Wuhan (China) at the end of December 2019, the outbreak spread rapidly to a large number of cities in that country and on to several countries worldwide, including Spain.

In accordance with the regulatory financial reporting framework applicable to the Group, and regarding the consolidated annual financial statements for the year ended 31 December 2019, the consequences of COVID-19 are considered a subsequent event that does not require an adjustment to the consolidated annual financial statements for the year 2019 for failure to reveal circumstances that already existed at the end of the year, without prejudice to the fact that these should be disclosed in the annual financial statements on the basis of their significance.

The Directors of the Parent Company have assessed the events described and of their impact on the Group. To this regard an analysis has been performed of the impacts on the main areas that could be affected, as follows:

- Debt commitments: This is not expected to affect the Group since it will be able to cover the upcoming payments with cash in banks and future lease payments. The aggregate bank account balances in the Group entities would be sufficient to cover at least the next 3 quarterly payments of bank interest, supposing there is no more income in the shopping complex (which would of course be the worst case scenario). In terms of the covenant compliance clauses, the Directors consider that they are capable of complying with them or, if necessary, of negotiating with the financial institution for temporary flexibility with these conditions (or obtaining a waiver).

- Valuation of property assets: While a specific asset may experience some stress if the state of emergency continues, it is not expected to have a material impact based on the most recent asset appraisals performed by an independent expert.
- Impact on the generation of income and collectability: The close of the shopping complex was ordered as of 14 March, whereby lease collection for the month of April was only 23% of the total of shopping complex lease payments. However, it is expected to reopen on 25 May, after which collections are expected to increase. They Hypermarket was classified as an essential activity and remained open. Castellana Norte, acquired in February 2020, has not sustained any material impacts to date. There is some uncertainty as to how the crisis will affect lessees and their savings and employment levels if the state of emergency persists, but the Directors believe that it will recover once this situation ends.

On the basis of the above, and even though uncertainties may exist for possible future events that cannot be foreseen to date, the Directors of the Parent Company consider that current and potential impacts will not adversely affect the ability of the Group to continue as a going concern.

**AROCA DEL PINAR, S.A. (Single-member Company) and subsidiaries**

**PRESENTATION OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR 2019**

In accordance with mercantile legislation and regulations in force and in compliance with the requirements established in art. 253 of the Spanish Companies Act, and of art. 44 of the Spanish Code of Commerce, the Board of Directors of the Parent Company hereby presents on 12 May 2020, the Consolidated Annual Financial Statements of Aroca del Pinar, S.A. (Single-member Company) and its subsidiaries and the consolidated directors' report of the year ended 31 December 2019, which are composed of the appendices preceding this statement.

Madrid, 12 May 2020

| | | |
|---|---|---|
| DocuSigned by: 3F723C8EE24A4B4... | DocuSigned by: Carolina Clemente CE0D3C47A54F43A... | DocuSigned by: 7347B9B81C54417... |
| Mr Roque Roateche Ozores<br>Managing Director | Ms Carolina Clemente<br>Managing Director | Mr Víctor Salamanca Cuevas<br>Board Member |