

AROCA DEL PINAR SOCIMI, S.A. (Sociedad Unipersonal) and its subsidiaries

2020 Consolidated Annual Accounts and Consolidated Directors' Report

Includes the Audit Report on the Consolidates Annual Accounts

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 SOCIMI, S.A. (Sociedad Unipersonal):

Opinion

We have audited the consolidated annual accounts of AROCA DEL PINAR SOCIMI, S.A. (the Parent company) and its subsidiaries, (the Group), which comprise the consolidated balance sheet at 31 December 2020, 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 2020, 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.

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 2020, the Group has registered under the heading Investments Properties real estate assets amounting to EUR 236,806 thousand, with additions during the year amounting to EUR 130,781 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 2020 financial year under the heading of real estate investments, 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 acquired by the Group during the year 2020, 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. Additionally, we have reviewed the correct capitalization of costs incurred.
- 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.
- 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 information: Consolidated directors' report

Other information comprises exclusively the consolidated directors' report for the 2020 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 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, as well as 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 2020 and its content and presentation meet the requirements of the applicable regulations.

Responsibility of the directors of the 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
ROAC nº 16086

3 June 2021

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

Consolidated Financial Statements and Consolidated Directors' Report for the year ended 31 December 2020

Ji. C

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

CONSOLIDATED BALANCE SHEET AT THE END OF 2020

(In euros)

	Notes	2020	2019
Non-Current Assets		238,889,088.57	110,014,598.83
Investment properties		236,806,351.59	108,932,082.66
Land	6	89,473,573.81	17,374,308.38
Buildings	6	147,332,777.78	91,557,774.28
Non-current financial investments		2,082,736.98	1,082,516.17
Other financial assets	8	2,052,595.79	1,004,315.17
Derivatives	8	30,141.19	78,201.00
Current Assets		9,414,422.95	4,814,866.66
Inventories		872,264.96	59,297.34
Supplier advances	8 and 9	872,264.96	59,297.34
Trade and other receivables		1,147,767.33	29,747.10
Trade receivables for sales and services	8 and 9	1,102,917.59	16,640.78
Other receivables from Public Entities		44,849.74	13,106.32
Current investments in Group companies and associates		379,814.10	279,318.13
Other financial assets	8 and 9	379,814.10	279,318.13
Current accruals	8 and 9	927,821.14	59,744.69
Cash and cash equivalents		6,086,755.42	4,386,759.40
Cash	10	6,086,755.42	4,386,759.40
Total Assets		248,303,511.52	114,829,465.49

Equity		75,826,415.60	34,796,394.48
Shareholders' Equity		75,826,415.60	34,796,394.48
Capital		5,000,187.76	5,000,187.76
Subscribed capital	11.1	5,000,187.76	5,000,187.76
Voluntary reserves	11.3	(877.62)	(877.62)
Consolidation reserve		1,216,940.53	-
Profit/(Loss) for the prior years		(44,481.99)	(2,420.00)
Prior years' losses	11.3	(44,481.99)	(2,420.00)
First consolidation difference		(7,255.57)	(6,612.03)
Other shareholder contributions	11.2	68,003,749.83	28,631,237.83
Profit/(Loss) for the year		3,214,195.33	1,174,878.54
Interim dividend		(1,556,042.67)	-
Non-Current Liabilities		165,429,495.11	77,470,764.74
Non-current payables		140,030,250.69	65,852,049.32
Loans and borrowings	9 and 12	137,541,611.26	64,541,195.18
Other financial liabilities	9 and 12	2,488,639.43	1,310,854.14
Non-current payables to Group companies and associates	9 and 12	25,399,244.42	11,618,715.42
Current Liabilities		7,047,600.81	2,562,306.27
Current payables		3,926,639.00	1,298,839.64
Loans and borrowings	9 and 12	3,060,752.87	563,732.46
Other financial liabilities	9 and 12	865,886.13	322,563.21
Current payables to Group companies and associates	9 and 12	182,558.09	412,543.97
Trade and other payables	9 and 12	2,938,403.72	1,263,466.63
Payables to suppliers	9 and 12	872,435.26	596,851.76
Current provisions	9 and 12	943,674.71	135,328.52
Other payables to Public Entities	13	1,023,645.28	504,128.33
Customer advances	9 and 14	98,648.47	27,158.02

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

CONSOLIDATED BALANCE SHEET AT THE END OF 2020

(In euros)

Total Equity and Liabilities		248,303,511.52	114,829,465.49
-------------------------------------	--	-----------------------	-----------------------

Notes 1 to 21 form an integral part of the attached consolidated annual financial statements.



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

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 December 2020

(In euros)

INCOME STATEMENT		2020	2019
Net turnover		17,586,639.80	4,977,881.85
Sales	14.1	17,586,639.80	4,977,881.85
Other operating expenses		(6,940,769.51)	(1,768,268.31)
Outside services	14.2	(5,870,238.89)	(1,644,801.91)
Taxes	14.2	(1,070,530.62)	(123,466.40)
Depreciation of investment properties		(2,907,115.00)	(826,724.00)
Provision surpluses		7,766.23	-
Other income/(expense)		12,070.70	1,546.26
Profit/(Loss) from Operating Activities		7,758,592.22	2,384,435.80
Finance expenses		(4,364,356.48)	(1,072,958.31)
Payables to Group companies and associates	14.3	(1,470,617.09)	(412,543.97)
Payables to third parties	14.3	(2,893,739.39)	(660,414.34)
Exchange differences		(10,680.60)	-
Change in fair value of financial instruments.	14.3	(169,359.81)	(136,598.95)
Finance Income/(Expense)		(4,544,396.89)	1,174,878.54
Profit/(Loss) Before Taxes		3,214,195.33	1,174,878.54
Income tax	13	-	-
Profit/(Loss) for the year		3,214,195.33	1,174,878.54

Notes 1 to 21 form an integral part of the attached consolidated annual financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31
December 2020

(In euros)

A) CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR
ENDED 31 December 2020

	Notes	2020	2019
Consolidated Profit(Loss) for the year	Note 11	3,214,195.33	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	3,214,195.33	1,174,878.54

Notes 1 to 21 form an integral part of the attached consolidated annual financial statements.



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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 December 2020

(In euros)

B) CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Subscribed capital (Note 11.1)	Shareholder contributions (Note 11.2)	Voluntary reserves (Note 11.4)	Legal reserves (Note 11.3)	Prior years' profit/(loss) (Note 11.3)	First consolidation difference	Profit/(Loss) for the year (Note 11.3)	Consolidation reserve	Interim dividend	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
Total recognised income and expense	-	-	-	-	-	-	-	3,214,195.33	-	3,214,195.33
Other equity movements	-	39,372,512.00	-	-	-	-	(643.54)	-	(1,556,042.67)	37,815,825.79
Appropriation of Profit/(Loss) of the prior year	-	-	-	-	1,216,940.53	(42,061.99)	-	(1,174,878.54)	-	-
Balance at 31 December 2020	5,000,187.76	68,003,749.83	(877.62)	-	1,216,940.53	(44,481.99)	(7,255.57)	3,214,195.33	(1,556,042.67)	75,826,415.60

Notes 1 to 21 form an integral part of the attached consolidated annual financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 December 2020

(In euros)

CASH FLOWS FROM OPERATING ACTIVITIES	NOTES	2020	2,019
Profit/(Loss) for the period before taxes		3,214,195.33	1,174,878.54
Adjustments to profit/(loss)		7,271,471.48	1,899,682.31
Amortizations/Depreciations	6	2,907,115.00	826,724.00
Finance expenses		4,364,356.48	1,072,958.31
Changes in working capital		(578,613.97)	1,174,422.19
(Increase)/Decrease in Trade and other receivables	8 and 9	(1,118,020.23)	(29,747.10)
Increase/(Decrease) in Trade and other payables		19,889.31	700,040.96
Increase/(Decrease) in Other current liabilities		519,516.95	504,128.33
Other cash flows from operating activities		(5,732,792.31)	(371,778.13)
Interest payments		(4,864,715.86)	(312,033.44)
Other payments (collections)		(868,076.45)	(59,744.69)
Cash flows from operating activities		4,174,260.53	3,877,204.91
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments for investments		(131,882,100.71)	(111,120,640.96)
Investment properties	6	(130,781,383.93)	(109,758,806.66)
Other assets	8	(1,100,716.78)	(1,361,834.30)
Cash flows from investment activities		(131,882,100.71)	(111,120,640.96)
CASH FLOWS FROM FINANCING ACTIVITIES			
Collections and payments for equity instruments	11	39,371,868.46	33,621,515.94
Issue of equity instruments		39,371,868.46	33,621,515.94
Collections and payments for financial liability instruments		93,677,010.41	78,091,179.52
Issue	9 and 12	93,677,010.41	78,091,179.52
Loans and borrowings		77,852,809.99	64,839,046.75
Receivables from Group companies and associates		13,780,529.00	11,618,715.42
Other receivables		2,043,671.42	1,633,417.35
Repayment and amortization of		(2,085,000.00)	(82,500.01)
Loans and borrowings		(2,085,000.00)	(82,500.01)
Payments for dividends and remuneration from other equity instruments		(1,556,042.67)	-
Dividends		(1,556,042.67)	-
Cash flows from financing activities		129,407,836.20	111,630,195.45
Opening cash balance		4,386,759.40	-
Closing cash balance		6,086,755.42	4,386,759.40
NET INCREASE / DECREASE IN CASH OR CASH EQUIVALENTS	10	1,699,996.02	4,386,759.40

Notes 1 to 21 form an integral part of the attached consolidated annual financial statements.




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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

1. GENERAL INFORMATION

1.1 Parent Company

Aroca del Pinar SOCIMI, S.A. (Single-member Company) (hereinafter, the Parent Company) is the parent of a group (hereinafter, the Group), formed by Aroca del Pinar SOCIMI, S.A. (Single-member Company) 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 Calle Nanclares de Oca, 1B, 28022 Madrid (Spain).

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.

On 26 June 2020, the Parent Company agreed to change its corporate name to Aroca del Pinar SOCIMI, S.A.U. by means of a public deed granted before the notary Jose Blanco Losada, under his protocol number 2103.

The current period includes the 2020 calendar year. The fiscal year for the Parent Company and its subsidiaries ends on 31 December.

In keeping with art. 2 of its bylaws, the Group's corporate purpose 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.

At 31 December 2020 and 2019, the Parent Company has no salaried staff.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

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 public limited company, 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.

On 28 January 2020, the Parent Company acquired 100% of the shares of Castellana Norte Investments, S.L.U. a company incorporated and existing in accordance with the laws of the Kingdom of Spain and with Spanish Tax ID Number B88542618. The transfer was conducted by means of the public deed granted before the notary Fernando Fernandez Medina, under his protocol number 133.

- 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 (Spain).

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.

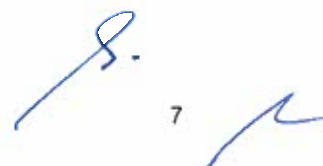
The main activity of the Subsidiary is the lease of a shopping arcade at Avda. Ballonti, 1, in the Ballonti Shopping Complex, Portugalete.

- 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 (Spain).

On 21 June 2019, the company changed its corporate 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

- Castellana Norte Investments, S.L.U. (subsidiary): was incorporated in Spain as a limited liability company on 4 December 2019 under the name of Donely Investments, S.L.U., for an indefinite period. Its registered offices are established at Calle Nanclares de Oca, 1B, 28022 Madrid (Spain).

On 28 January 2020, the company changed its registered name to Castellana Norte Investments, S.L.U. by means of a public deed granted before the notary Fernando Fernandez Medina, under his protocol number 164.

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 business park located at C/ Isabel Colbrand, 22, Madrid (Spain).

On 5 August 2019 the three companies, Parent and two 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 (as of 1 January 2019) of the Special Tax Scheme of Listed Real Estate Investment Companies (SOCIMI), regulated by Law 11/2009, of 26 October, as amended by Law 16/2012, of 27 December, regulating listed real estate investment companies. On 5 August 2019, this scheme was chosen in the General Meeting minutes recording the resolutions of the Sole Shareholder of both subsidiaries.

On 22 July 2020, the subsidiary Castellana Norte Investments, S.L.U. 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 (as of 1 January 2020) of the Special Tax Scheme of Listed Real Estate Investment Companies (SOCIMI), regulated by Law 11/2009, of 26 October, as amended by Law 16/2012, of 27 December, regulating listed real estate investment companies. On 26 June 2020, this scheme was chosen in the General Meeting minutes recording the resolutions of the Sole Shareholder of Castellana Norte Investments, S.L.U.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

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 this Law 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.

The Directors have checked that the first two requirements are met by the Group at the consolidated level:

- The Group has invested 95% of the consolidated asset value in urban properties for lease.
- In relation to the second point, as of 31 December 2020, the 3-year period of remaining leased properties has not yet elapsed.

To this regard, the period will be calculated:

- a) In the case of real estate in subsidiaries 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 article 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 shares of the Parent Company (Aroca del Pinar SOCIMI, S.A.U.) have been listed on the Euronext Access Paris alternative market since 17 August 2020.

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 Parent Company should distribute the profit obtained in the year to its shareholders, in the form of dividends. It 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

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 Group would be taxed by the general scheme, providing it does not rectify the deficiency within one year following that of the breach. In the opinion of the Parent Company's Directors, all conditions established in the SOCIMI Scheme have been fulfilled, and it is expected that they will continue to be fulfilled over the following 12 months.

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 2020 is as follows:

Year 2020			
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
Castellana Norte Investments, S.L.U.	Lease	100%	3,000.00

At 31 December 2019, the Parent Company had no shareholding in the subsidiary Castellana Norte Investments, S.L.U.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

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.U. 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 2020 consolidated annual financial statements were obtained on the basis of the accounting records of the Parent Company and subsidiaries at 31 December 2020, 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 31 March 2021 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

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.

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 Group 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:

On 5 August 2019, the Parent Company and two subsidiaries notified the Regional Office of the State Tax Agency corresponding to its registered offices of the option chosen by their Sole Shareholder to apply the special SOCIMI tax scheme, effective as of 1 January 2019.

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 Parent Company Board of Directors perform a monitoring of the fulfilment of the requirements established in legislation in order to maintain the tax benefits established in it. In the opinion of the Parent Company's Directors, these requirements were met at the consolidated level at 31 December 2020 and are expected to be met in the 12 months following the end of the year.

Provisions

Provisions are recorded when it is probable that a current obligation, a consequence of past events, may cause an outflow of resources and the obligation may be reliably estimated. Compliance with the requirements of accounting legislation require significant estimates. After assessing all relevant information and events, the Parent Company Directors make estimates on the probability of contingencies, as well as on the amount of contingent liability to be settled in the future.

Information on the COVID-19 impact:

In accordance with Royal Decree 463/2020, of 14 March, a state of emergency was declared for the management of the health crisis caused by COVID-19. It was published in the Official State Gazette (BOE) on the same date, and came into force immediately, as well as its subsequent extensions by Royal Decree 926/2020, of 25 October, and Royal Decree 956/2020, of 3 November.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

The Directors of the Parent Company have assessed the events and their impact. Although it is not considered that this crisis could have an impact on the Group continuity, nor that it could have a significant impact on its financial and equity situation, it should be noted that the activity could suffer while this situation continues, in the form of a reduction in business. To this regard an analysis has been performed of the impacts on the main areas that have been affected, as follows:

- **Debt commitments:** The Group has not been affected since it was able to cover the upcoming payments with cash in banks and lease payments. This trend is expected to continue in the future. In terms of the covenant compliance clauses, they have been 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 Ballonti shopping complex was ordered as of 14 March 2020, whereby lease collection for the month of April was only 23% of the total of shopping complex lease payments. However, it reopened on 25 May, after which collections increased once again. The Hypermarket was classified as an essential activity and remained open. Castellana Norte, acquired in February 2020, has not sustained any material impacts to date. However, during 2020 and the first months of 2021, addenda have been signed with various lessees to agree on rent rebates or discounts. 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 expect a recovery once this situation ends.

Although the volatility resulting from the health crisis makes predictions difficult, on the basis of the above, and even though uncertainties may exist for possible future events that cannot be foreseen, 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.

2.4 Comparative information - date of first consolidation

The 2020 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 2020 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, except as indicated above regarding the subsidiary Castellana Norte Investments, S.L.U.; 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 included 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.

On 28 January 2020, the Parent Company acquired the shares of Castellana Norte Investments, S.L.U.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

Quantitative and qualitative information is included for comparison with the prior year, since 2019 was the first year in which the companies form part of the Group and, therefore, the first year to which consolidation is applicable. Additionally, a significant change took place in 2020, when the subsidiary Castellana Norte Investments, S.L.U. joined the Group, in accordance with art. 77.1 of the Regulations on Issuing 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.

3 ACCOUNTING PRINCIPLES

The main accounting policies used by the Group in preparing its consolidated financial statements for 2020, in accordance with those established in the Spanish Chart of Accounts and the Regulations on Issuing Consolidated Annual Financial Statements, were as follows:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2020**

(In euros)

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 thousand 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 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 consolidation method.

This method requires the following:



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

(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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2020

(In euros)

- 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2020**

(In euros)

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 costs to sell 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.

Operating lease

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2020

(In euros)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2020

(In euros)

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 their 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 impairment corrections are made, should there be objective evidence that not all amounts owed will be collected.

The amount of the impairment loss is the difference between the carrying amount of the asset and the present 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2020

(In euros)

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 present value of cash flows including net fees differs by less than 10% from the present 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 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.

In addition, the Group has hybrid financial instruments, which are those that combine a non-derivative main contract and a financial derivative, known as an embedded derivative, that may not be transferred separately and whose effect is that some cash flows from the hybrid instrument vary similarly to cash flows from the derivative considered separately (i.e. bonds referenced at the price of some shares or to the performance of a stock exchange index).

The Company will recognise, measure and present the main contract and embedded derivative separately, under the following circumstances:

- a) The characteristics and economic risks inherent to the embedded derivative are not closely linked to those of the main contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

- b) A separate instrument with the same conditions as those of the embedded derivative would meet the definition of derivative instrument.
- c) The hybrid instrument is not measured at its fair value through profit or loss.

The embedded derivative will not be recorded as a derivative financial instrument and the main contract will be recorded by type. This assessment will only take place at the time of initial recognition, unless a variation to the terms of the contract takes place that significantly modifies the resulting cash flows, in which case a new assessment should be made.

The Group assesses whether the embedded derivatives should be separated from the main contract upon execution of the main contract or during a later period if any change occurs to the contractual conditions that affect anticipated cash flows.

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. The subsidiaries Ballon and Bilball were added on 21 June 2019.

On 28 January 2020, Castellana Norte Investments, S.L.U. was included in the scope of consolidation with the acquisition of 100% of the shares by the Parent Company.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

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 profits 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.

With regard to the accounting treatment of rent reductions resolved in operating leases for business premises, brought about by the extraordinary measures adopted by the Government to address the effects of the COVID-19 health crisis, according to the Official Gazette of the Spanish

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

Accounting and Audit Institute (BOICAC no. 125/2021 Consultation 1), these contractual discounts, shortages and rebates have not been classified as rental incentives but rather as a temporary adjustment of the rent to this situation.

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.

(In euros)

3.17 Segment reporting

The Group reports segmented information on revenues according to the type of property leased.

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 Consolidated Cash Flow Statement.

The consolidated 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 Group, 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 of Directors 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2020

(In euros)

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 cash flow forecast is conducted by the Financial Department of the Parent Company's shareholder. It monitors future liquidity needs of the Aroca 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

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

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.

c. *Castellana Norte Investments, S.L.U.*

On 28 January 2020, the Group acquired 100% of the share capital of Castellana Norte Investments, S.L.U., a company devoted to the lease of property assets.

On 19 February 2020, Castellana Norte Investments, S.L.U. acquired the Castellana Norte Business Park, located in Madrid, Calle Isabel Colbrand, by means of a public deed granted before the notary Antonio Perez-Coca Crespo, under his protocol number 730.

6. INVESTMENT PROPERTIES

Movement under this heading of the consolidated balance sheet at 31 December 2020 and 2019 was as follows:

	Euros		
	Balance at 31/12/2019	Additions/ Provisions	Balance at 31/12/2020
Cost:			
Land	17,374,308.38	72,099,265.43	89,473,573.81
Buildings	92,384,498.28	58,682,118.50	151,066,616.78
Total cost	109,758,806.66	130,781,383.93	240,540,190.59
Accumulated depreciation:			
Buildings	(826,724.00)	(2,907,115.00)	(3,733,839.00)
Total accumulated depreciation	(826,724.00)	(2,907,115.00)	(3,733,839.00)
Total impairment	-	-	-
Net investment properties	108,932,082.66	127,874,268.93	236,806,351.59

	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 2020 and 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

The breakdown of the assets is as follows:

- Ballonti Shopping Complex hypermarket and service station
- Ballonti Shopping Complex Shopping Arcade
- Castellana Norte Business Park

There have been no investment property disposals in 2020 nor in 2019.

On 19 February 2020, the subsidiary 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". This amount is the most significant addition to investment properties in the 2020 consolidated financial statements.

At 31 December 2019, 94% of the Group's first two 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).

At 31 December 2020, 89.26% of the Group's property "Parque Empresarial Castellana Norte" was under lease, meaning income from leases and services from lessees in an amount of 8,182,782.96 euros (Note 14.1). At 31 December 2020 the Group has leased 93% of the shopping arcades of the Ballonti Shopping Complex, meaning income from leases and services from lessees in an amount of 6,761,921.98 euros (Note 14.1). At 31 December 2020 the Group has leased 100% of the hypermarket and service station of the Ballonti Shopping Complex, which has resulted in income from leases and services from lessees amounting to 2,641,934.86 euros (Note 14.1).

The operating expense incurred in 2020 amounted to 6,894,131.59 euros (Note 16.2).

a) Fully depreciated assets

At 31 December 2020 and 2019, there were no fully depreciated property assets.

At 31 December 2020, 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	298,105.40	(679,472.00)	22,646,665.56
Shopping Arcade	69,356,466.12	880,744.72	(2,047,614.00)	68,189,596.84
Business Park		57,503,268.38	(1,006,753.00)	56,496,515.38
TOTAL	92,384,498.28	58,682,118.50	(3,733,839.00)	147,332,777.78

At 31 December 2019, the details were as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

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 2020 and 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.

On 30 June 2020, an appraisal was carried out of the Castellana Norte Business Park by an independent expert, who estimated it to have a market value of 131,000,000.00 euros. On the same date, an appraisal was carried out by an independent expert of the Ballonti Shopping Complex, who gave it a market value of 110,890,000 euros. In both cases the appraisal value was higher than the net carrying value of the properties.

c) Collateral investment properties

At 31 December 2019, a mortgage right in rem existed on the Ballonti Shopping Complex, which was signed on 24 July 2019 (Note 12). It is reflected in the consolidated balance sheet in favour of Société Générale -Spanish Branch- and Novo Banco -Luxembourg Branch-, as lenders, for an initial amount of 66,000,000.00 euros.

At 31 December 2020, the mortgage right referred to in the preceding paragraph remains in force. In addition, at 31 December 2020 a mortgage right in rem exists on the Castellana Norte Business Park, which was signed on 19 February 2020 (Note 12). It is reflected in the abridged balance sheet in favour of Caixabank, S.A., as lender, for an initial amount of 78,000,000.00 euros.

d) Insurance

The Group has taken on several insurance policies to cover the risks to which investment properties are exposed.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

7. LEASES

At the end of 2020 and 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 2020, without considering the impact of common expense, future increases in the CPI or future contractual lease payment revisions.

(euros)	2020	2019
Up to one year	15,557,363.94	8,070,721.61
From 1 to 5 years	29,016,080.42	9,845,344.34
Over 5 years	16,562,980.34	3,309,017.85
Total	61,136,424.70	21,225,083.80

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

8. ANALYSIS OF FINANCIAL INSTRUMENTS.

8.1 Analysis by category.

Financial assets

Details of the financial assets at 31 December 2020 and 2019 are as follows:

Financial Assets	2020		2019	
	Current	Non-current	Current	Non-current
Inventories	872,264.96	-	59,297.34	-
Supplier advances	872,264.96	-	59,297.34	-
Trade receivables for sales and services	1,102,917.59	-	-	-
Financial investments	379,814.10	2,082,736.98	279,318.13	1,082,516.17
Other financial assets	379,814.10	2,052,595.79	279,318.13	1,004,315.17
Derivatives	-	30,141.19	-	78,201.00
Current accruals	927,821.14	-	59,744.69	-
Total	3,282,817.79	2,082,736.98	398,360.16	1,082,516.17

¡Error! Vínculo no válido. Current and non-current financial investments.

This heading includes security deposits in the various official bodies, amounting to 2,052,595.79 euros received from the lessees whose lease does not expire within twelve months. At 31 December 2019, the deposits amounted to 1,004,315.17 euros.

Additionally, current items include the deposits received in an amount of 285,907.89 euros, whose agreement expiration is within twelve months. At 31 December 2019, current deposits amounted to 279,170.89 euros.

"Other current financial assets" furthermore includes a current account with Group companies with the sole shareholder, HEREF V Sub Holding, S.à.r.l., in an amount of 93,906.21 euros (147.24 euros at 31 December 2019) (Note 15).

B) Derivatives

This heading reflects the value of the derivatives subscribed in the subsidiaries discounted at 31 December 2020.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

	Ballon Investments, S.L.U.	Bilball Centre Investments, S.L.U.	Castellana Norte Investments, S.L.U.
Contracting date	24/07/2019	24/07/2019	19/02/2020
Instrument type	CAP	CAP	CAP
Premium paid	54,118.95	160,681.00	121,300.00
Notional	14,890,242.00	44,435,508.00	76,245,000.00
Interest rate (25/10/2019 - 25/07/2022)	3-M Euribor + 0.5	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	3-M Euribor + 1
Fair value at 31/12/2020	5,283.00	4,340.00	20,518.19
Maturity date	24/07/2024	24/07/2024	19/02/2025

The balance at 31 December 2019 was as follows:

	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 169,359.81 euros at 31 December 2020 (136,598.95 euros in 2019).

C) Customers:

These correspond to amounts receivable from the Group's normal business operations and other insignificant transactions, all with unrelated third parties.

The majority of customer receivables pending collection at year end correspond to receivables from customers with which judicial proceedings are presently underway for claims for rent reductions due to the impact of the COVID-19 pandemic. However, the Parent Company's directors and legal advisors believe that there is no material risk that a significant part of these will not be recovered and could therefore impact these consolidated annual financial statements.

Valuation corrections:

There have been no valuation corrections due to impairment.

D) Prepayments and accruals:

The balance of this heading at 31 December 2020 relates to the prepaid expenses that the Group has paid during the year in respect of the Agency Fee and Structuring Fee linked to the financing that the subsidiaries have agreed with various financial institutions.

At 31 December 2020, unearned Agency Fee expenses of 45,507.88 euros have been paid, while the Structuring Fee expenses amount to 882,313.26 euros.

At 31 December 2020, prepaid expense amounted to 59,744.69 euros.

Financial liabilities

Details of the financial liabilities at 31 December 2020 and 2019 are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

Financial Liabilities	2020		2019	
	Current	Non-current	Current	Non-current
Debits and payables				
Loans and borrowings	3,060,752.87	137,541,611.26	563,732.46	64,541,195.18
Other financial liabilities with Group companies (Note 14)	182,558.09	25,399,244.42	412,543.97	11,618,715.42
Deposits and guarantees	865,886.13	2,488,639.43	322,563.21	1,310,854.14
Trade and other payables	1,769,472.05	-	732,180.28	-
Suppliers and creditors	872,435.26	-	596,851.76	-
Other payables	943,674.71	-	135,328.52	-
Customer advances	98,648.47	-	27,158.02	-
Total	6,023,955.53	165,429,495.11	2,058,177.94	77,470,764.74

A) Loans and borrowings:

On 24 July 2019, the subsidiaries Ballon and Bilball signed a mortgage loan with Société Générale -Spanish Branch- and Novo Banco, S.A. -Luxembourg Branch- in an initial nominal amount of 66,000,000.00 euros (Note 12). Additionally, the expense relating to arranging this loan, pending recognition in profit/(loss), amounted to 942,953.02 euros (1,046,304.82 euros at 31 December 2019). 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 2020 amounted to 65,587,500.06 euros (65,917,500.00 euros at 31 December 2019). The outstanding balance at year-end at amortised cost amounted to 64,644,547.02 euros. The interest accrued and unpaid during the year was 225,812.91 euros (233,732.46 euros at 31 December 2019).

On 19 February 2020, the subsidiary Castellana Norte Investments, S.L.U. signed a mortgage loan with Caixabank S.A., for an initial nominal amount of 78,000,000.00 euros. Additionally, the expense relating to arranging this loan, pending recognition in profit/(loss), amounted to 677,935.72 euros. The loan is subject to an interest rate resulting from applying a spread of 1.70 percentage points to the EURIBOR.

The principal drawn and pending repayment at 31 December 2020 amounted to 76,245,000.00 euros. The outstanding balance at year-end at amortised cost amounted to 75,732,004.20 euros. The interest accrued and unpaid during 2020 was 164,939.92 euros.

B) Payables to Group companies:

On 23 July 2019, the company Ballon Investments, S.L.U. entered into a loan agreement with HEREF V Holding, S.à.r.l. for an amount of 2,916,195.42 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 27,484.14 euros (103,544.91 euros in 2019).

On 23 July 2019, the company 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 82,018.26 euros (308,999.06 euros in 2019).

On 19 February 2020, the company Castellana Norte Investments, S.L.U. entered into a loan agreement with HEREF V Holding, S.à.r.l. for an amount of 13,780,529.00 euros maturing on 19 February 2028 and with an applicable interest rate of 4.50%. At 31 December, the principal pending repayment amounted to 13,780,529.00 euros, while the accrued and unpaid interest amounted to 73,055.69 euros.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

C) Deposits and guarantees

This heading reflects the amount of additional deposits and guarantees received at 31 December 2020 from the lessees of the Ballonti Shopping Complex (shopping arcade, hypermarket and service station) and Castellana Norte Business Park.

D) Derivatives

The loans executed with the financial institutions contain clauses with Floor and Cap interest rates. The Floor rate is set at 0% if the Euribor is lower. The directors assess these Floor rates as an embedded derivative and they are therefore treated as hybrid financial instruments. However, the embedded derivative does not meet the conditions for separation from the main loan agreement. Therefore the directors have recorded the embedded derivatives together with the principal of the loans.

8.2 Analysis by maturity.

At 31 December 2020 and 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) - 31/12/2020					
	2021	2022	2023	2024	Subsequent Years	Total
Supplier advances	872,264.96	-	-	-	-	872,264.96
Other financial assets	379,814.10	590,045.72	-	428,864.50	1,033,685.57	2,432,409.89
Derivatives	-	-	-	9,623.00	20,518.19	30,141.19
Current accruals	927,821.14	-	-	-	-	927,821.14
Trade receivables	1,102,917.59	-	-	-	-	1,102,917.59
TOTAL	3,282,817.79	590,045.72	-	438,487.50	1,054,203.76	5,365,554.77

	Financial assets (euros) - 31/12/2019					
	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 2020 and 2019, the amounts of financial liabilities with determinate or determinable maturities by year of maturity are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

	Financial liabilities (euros) - 31/12/2020					
	2021	2022	2023	2024	Subsequent Years	Total
Loans and borrowings	3,060,752.87	2,934,896.41	4,181,794.57	66,794,724.76	63,630,195.52	140,602,364.13
Other financial liabilities with Group companies (Note 14)	182,558.09	-	-	-	25,399,244.42	25,581,802.51
Deposits and guarantees	865,886.13	655,606.36	-	476,516.30	1,356,516.77	3,354,525.56
Trade and other payables	1,816,109.97	-	-	-	-	1,816,109.97
Customer advances	98,648.47	-	-	-	-	98,648.47
TOTAL	6,023,955.53	3,590,502.77	4,181,794.57	67,271,241.06	90,385,956.71	171,453,450.64

	Financial liabilities (euros) - 31/12/2019					
	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 significant at 31 December 2020 and 2019.

9. LOANS AND RECEIVABLES

Details of loans and receivables at 31 December 2020 are as follows:

	2020	2019
Non-current loans and receivables:	2,052,595.79	1,004,315.17
Other financial assets	2,052,595.79	1,004,315.17
Total	2,052,595.79	1,004,315.17
Inventories:	872,264.96	59,297.34
Supplier advances	872,264.96	59,297.34
Trade and other receivables	1,102,917.59	16,640.78
Trade receivables for sales and services	1,102,917.59	16,640.78
Current loans and receivables:	379,814.10	279,318.13
Other financial assets	379,814.10	279,318.13
Current accruals	927,821.14	59,744.69
Total	3,282,817.79	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 agreement entered into with each one of the lessees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

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 2020, the balance of the heading "Cash and cash equivalents" amounted to 6,086,755.42 euros (4,386,759.40 euros at 31 December 2019), which are fully available. Only the common restrictions pertaining to financing agreements are applicable, in the sense that in the event of a breach of the terms of debt repayment, the bank may have access to the cash obtained from the leases appearing in the bank accounts created specifically for this purpose.

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 2020 and 2019, the Sole Shareholder of the Parent Company was as follows:

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.

On 19 February 2020, the Parent Company received a cash contribution from its Sole Shareholder, HEREF V Sub Holding, S.à.r.l., in an amount of 39,372,512.00 euros.

Consequently, at 31 December 2020, the consolidated balance sheet included shareholder contributions in the amount of 68,003,749.83 euros (28,631,237.83 euros at 31 December 2019).

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

a) Legal reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

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 2020 and 2019, the legal reserve was not fully 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 2020 profit/(loss) of the Parent Company to be submitted to the Sole Shareholder is as follows:

	Aroca
Basis of Allocation	
Income (Profit/(Loss))	2,122,927.25
TOTAL	2,122,927.25
Appropriation	
Voluntary reserve	-
Legal reserve	212,292.73
Prior years' losses	44,481.99
To interim dividend	1,556,042.67
To dividends	310,109.86
TOTAL	2,122,927.25
Total Basis of Allocation = Total Appropriation	-

On 18 August 2020, the Parent Company resolved to distribute an interim dividend of 937,589.67 euros charged to the profit for 2020:

(euros)	
Cash on hand at 14 August 2020	1,272,659.89
Cash flow forecast before payment of interim dividend	1,446,209.89
Dividend payment, net of withholding tax	937,589.67
Cash flow forecast after payment of interim dividend	508,620.22
Projected collections until 31 December 2020	-
Projected payments until 31 December 2020	-164,742.40
Liquidity forecast at 31 December 2020	343,877.82

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

Balance at 18 August 2020	1,091,190.73
Estimated profit to be allocated to legal reserve	109,119.07
Estimated profit to be allocated to other reserves required by law or by the bylaws	-
Estimated profit to be used to offset prior years' losses	44,481.99

Furthermore, on 25 November 2020, the Parent Company resolved to distribute an interim dividend of 618,453.00 euros charged to the profit for 2020:

(euros)	
Cash on hand at 25 November 2020	357,164.25
Cash flow forecast before payment of interim dividend	975,617.19
Dividend payment, net of withholding tax	618,453.00
Cash flow forecast after payment of interim dividend	357,164.19
Projected collections until 31 December 2020	-
Projected payments until 31 December 2020	-192,510.28
Liquidity forecast at 31 December 2020	164,653.91

Balance at 25 November 2020	2,002,703.47
Estimated profit to be allocated to legal reserve	200,270.35
Estimated profit to be allocated to other reserves required by law or by the bylaws	-
Estimated profit to be allocated to voluntary reserve	877.62
Estimated profit to be used to offset prior years' losses	44,481.99

d) Limitations on the distribution of dividends

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:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

	2020	2019
Aroca del Pinar SOCIMI, S.A.U.	-379,776.28	-42,061.99
Castellana Norte Investments, S.L.	2,866,711.55	0.00
Bilball Centre Investments, S.L.	263,956.31	355,132.44
Ballon Investments, S.L.	463,303.75	861,808.09
Total	3,214,195.33	1,174,878.54

f) Consolidated reserves

At 31 December 2020, the consolidated balance sheet of the Parent Company reports reserves in fully consolidated companies for the amount of 1,216,940.53 euros, according to the following breakdown:

	2020
Bilball Centre Investments, S.L.	858,688.09
Ballon Investments, S.L.	352,012.44
Total	1,210,700.53

Additionally there are consolidation reserves in an amount of 6,240.00 euros generated by the consolidation adjustments of shareholders' equity from the subsidiaries.

12 DEBITS AND PAYABLES

Details of debits and payables at 31 December 2020 and 2019 are as follows:

	2020	2019
Other financial liabilities (Deposits and guarantees)	2,488,639.43	1,310,854.14
Non-current loans and borrowings	137,541,611.26	64,541,195.18
Payables to Group companies and associates (Note 15)	25,399,244.42	11,618,715.42
Total	165,429,495.11	77,470,764.74
Payables to suppliers	1,816,109.97	732,180.28
Other financial liabilities (Deposits and guarantees)	865,886.13	322,563.21
Current loans and borrowings	3,060,752.87	563,732.46
Other financial liabilities with Group companies (Note 15)	182,558.09	412,543.97
Customer advances	98,648.47	27,158.02
Total	6,023,955.53	2,058,177.94

a) Loans and borrowings:

The detail of Loans and borrowings at 31 December 2020 and 2019 was the following:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

Group Company	Entity	Start Date	Maturity date (Note 9.2)	Interest Rate	Principal Limit	Outstanding balance at 31/12/2020
Bilball Centre Investments, S.L.	Société Générale,	24/07/2019	24/07/2024	1.85% + Euribor	24,717,290.12	24,562,807.08
Bilball Centre Investments, S.L.	Novo Banco, Luxembourg	24/07/2019	24/07/2024	1.85% + Euribor	24,717,290.12	24,562,807.08
Ballon Investments, S.L.	Société Générale,	24/07/2019	24/07/2024	1.85% + Euribor	8,282,709.88	8,230,942.95
Ballon Investments, S.L.	Novo Banco, Luxembourg	24/07/2019	24/07/2024	1.85% + Euribor	8,282,709.88	8,230,942.95
Castellana Norte Investments, S.L.	Caixabank, S.A.	19/02/2020	19/02/2027	1.70% + Euribor	78,000,000.00	76,245,000.00
Total owed at 31/12/2020						141,832,500.06

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

At 31 December 2020 the balance was 141,832,500.06 euros (65,917,500.00 euros at 31 December 2019). This amount is related to the acquisition of the properties of the three subsidiaries, divided between the acquisition of the Ballonti Shopping Complex and the Castellana Norte Business Park.

At 31 December 2020 the outstanding balance of the loan granted by Société Générale and Novo Banco is reduced in the consolidated balance sheet by the expense relating to arranging the loan, pending recognition in profit(loss), in the amount of 942,953.02 euros (1,046,304.82 euros at 31 December 2019).

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

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 2020 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 end of the current financial year, the drawdown amount from the loan granted by Société Générale and Novo Banco, has accrued a total interest of 1,236,300.70 euros (545,765.80 euros at 31 December 2019), of which 225,812.91 euros are pending payment at 31 December 2020 (233,732.46 euros pending payment at 31 December 2019). In addition, the Group has allocated the amount of 268,351.80 euros to the consolidated income statement as amortised cost and 68,578 euros as change in fair value of derivative financial instruments (a total of 251,247.49 euros at 31 December 2019) (Note 14.1b).

On 19 February 2020, the subsidiary Castellana Norte signed a mortgage loan with Caixabank S.A. for an initial nominal amount of 78,000,000.00 euros. Additionally, the expense relating to arranging this loan, pending recognition in profit/(loss), amounted to 677,935.72 euros. The loan is subject to an interest rate resulting from applying a spread of 1.70 percentage points to the EURIBOR. The principal drawn and pending repayment at 31 December 2020 amounted to 76,245,000.00 euros. At year-end, the amount pending repayment totalled 75,732,004.20 euros at amortised cost. This loan accrued a total interest amount of 1,245,514.82 euros, of which 164,939.92 euros are pending payment at 31 December 2020.

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

- To maintain throughout the life of the loan a minimum DSCR amounting at least to one point one (1.10x)
- To maintain throughout the life of the loan an LTV ratio not exceeding sixty percent (60%)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

The Board of Directors of the Parent Company considers that at 31 December 2020 there have been no defaults on the obligations that would cause the mortgage loan to fall due and payable, nor will there be any defaults in the next 12 months.

b) Payables to related companies

The balances included under "Payables to Group companies and associates" and "Other financial liabilities with Group companies" consist of a single drawdown for each one of the three loans from its sole shareholder, as well as accrued and unpaid interest at the end of the period, respectively (Note 15).

c) Information on deferred payments to suppliers

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 duty of disclosure 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 2020 for the Group are as follows:

Average Payment Period	13.14 days
Payments Made	135,945,440.82 euros
Payments pending	806,492.88 euros

At 31 December 2019 the average payment period to suppliers was:

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 2020 and 2019 are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

	31/12/2020	31/12/2019
Assets	44,849.74	13,106.32
Corporate Income Tax receivable from Tax Authorities	44,849.74	13,106.32
Liabilities	1,023,645.28	504,128.33
Personal income tax payable to Tax Authorities	2,968.50	714.60
Non-Resident Income Tax Payable to Tax Authorities	155,604.25	8,437.50
VAT payable to Tax Authorities	865,072.53	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 Socimi, S.A.U.	Ballon Investments, S.L.U.	Bilball Centre Investments, S.L.U.	Castellana Norte Investments, S.L.U.
Corporate Income Tax	31/12/2020	31/12/2020	31/12/2020	31/12/2020
Profit/(Loss) before taxes	2,122,927.25	463,303.75	263,956.31	2,866,711.55
Consolidation adjustments	(2,502,703.53)	-	-	-
Temporary differences	-	-	-	229,938.60
Permanent differences	-	150.00	150.00	-
Previous taxable income	379,776.28	463,453.75	264,106.31	3,096,650.15
Tax loss carryforwards	-	-	-	-
Rate 25%	-	-	-	-
Net tax payable	-	-	-	-
Partial payments/Withholdings	-	-	31,743.42	-
To be paid/returned	-	-	-	-

The consolidation adjustments in the Parent Company include the amount received as interim dividends from the 3 subsidiaries in the amount of 173,550.00 euros (from Ballon), 183,971.00 euros (from Bilball) and 934,482.00 euros (from Castellana Norte), as well as the amount received as dividends for the consolidated profit for financial year 2019 in the amount of 1,210,700.53 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 2020 and 2019 are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

	2020	2019
Lease income and re-invoicing of expense	17,586,639.80	4,977,881.85
Total	17,586,639.80	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) and Castellana Norte Business Park.

a. Other operating expense.

Details of this heading of the consolidated income statement during 2020 and 2019 are as follows:

	2020	2019
Repair and upkeep	649,751.55	87,019.24
Community expenses	3,312,711.29	1,084,632.71
Independent professional services	1,423,455.02	270,223.42
Insurance premium	92,087.32	33,136.89
Advertising	8,813.45	76,440.79
Bank services and similar	15,171.32	3,913.31
Utilities	237,730.29	63,714.70
Other expense	130,518.65	25,720.85
Taxes	1,070,530.62	123,466.40
Total	6,940,769.51	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 1,423,455.02 euros (270,223.42 euros at 31 December 2019), detailed as follows:

	2020	2019
Legal Services	232,961.93	79,197.37
Accounting Services	264,879.75	56,425.34
Advisory Fees		756.25
	214,973.72	
Security	339,698.90	78,338.42
Other services	85,551.73	5,601.98
CBRE Services Fee	285,388.99	49,904.06
Total	1,423,455.02	270,223.42

At 31 December 2020 and 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 2020 and 2019 are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

	2020	2019
Finance expenses	(4,364,356.48)	(1,072,958.31)
Payables to Group companies and associates (Note 15)	(1,470,617.09)	(412,543.97)
Payables to third parties	(2,893,739.39)	(660,414.34)
Change in fair value of financial instruments	(169,359.81)	(136,598.95)
Exchange differences	(10,680.60)	-
Total	(4,544,396.89)	(1,209,557.26)

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

	2020	2019
Interest on loans and borrowings	(2,481,815.52)	(545,765.80)
Repayment of arrangement expense	(411,923.87)	(114,648.54)
Total	(2,893,739.39)	(660,414.34)

15 RELATED PARTY TRANSACTIONS AND BALANCES

The related parties with whom the Group conducted transactions in 2020, 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 Ballon Investments, S.L.U. and Bilball Centre Investments, S.L.U. 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 2020, 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 2020 amounted to 932,043.80 euros (412,543.97 euros at 31 December 2019). The interest accrued and unpaid was 109,502.40 euros.

On 19 February 2020, the subsidiary Castellana Norte Investments, S.L.U. entered into a loan agreement with the ultimate Shareholder "HEREF V Holding, S.à.r.l." for an amount of 13,879,399.00 euros maturing on 24 January 2027 and with an applicable interest rate of 4.500%. At 31 December 2020, the principal pending repayment amounted to 13,780,529.00 euros, while the accrued and unpaid interest amounted to 73,055.69 euros. The interest accrued on this loan, booked in the consolidated income statement at the end of 2020 amounted to 538,573.29 euros.

Furthermore, the Parent Company, Aroca del Pinar SOCIMI, S.A.U., has a current account with Group companies with its Sole Shareholder. At 31 December 2020, the Parent Company maintained a credit balance of 93,906.21 euros (147.24 euros at 31 December 2019) (Note 9.1).

a. Remunerations to Directors and Senior Management.

At 31 December 2020 and 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.

(In euros)

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

Likewise, at 31 December 2020 and 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.

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 2020 and 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 years ended 31 December 2020 and 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 Ballon Investments, S.L.U. and Bilball Centre Investments, S.L.U. 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.

On 22 July 2020 the subsidiary Castellana Norte 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).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

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 SEGMENT REPORTING

	Ballon Investments, S.L.U.	Bilball Centre Investments, S.L.U.	Castellana Norte Investments, S.L.U.
Net turnover	2,641,934.86	6,761,921.98	8,182,782.96
- External customers	2,641,934.86	6,761,921.98	8,182,782.96
- Inter-segment customers	-	-	-
Other operating expenses	(1,076,920.43)	(3,163,294.34)	(2,320,778.46)
Staff costs	-	-	-
Amortisation/Depreciation	(473,279.00)	(1,427,083.00)	(1,006,753.00)
Provision surpluses	7,766.23	-	-
Other income/(expense)	(121.14)	12,191.84	-
Loss, impairment and changes in provisions	-	-	-
- Current	-	-	-
- Non-current	-	-	-
Profit/(Loss) from operating activities	1,099,380.52	2,183,736.48	4,855,251.50
Finance income	-	-	-
Finance expenses	(636,076.77)	(1,919,780.17)	(1,988,539.95)
Profit/(Loss) from discontinued operations	-	-	-
Profit/(Loss) before taxes	463,303.75	263,956.31	2,866,711.55
Segment assets	28,406,799.65	84,800,671.63	133,972,208.76
Segment liabilities	28,406,799.65	84,800,671.63	133,972,208.76

The Group reports segmented information on revenues according to the type of property assets it leases.

At 31 December 2020 the Group's lease income was 17,586,639.80 euros.

The company Bilball Centre Investments, S.L.U. received income from the lease of the shopping arcade in the Ballonti Shopping Complex in the amount of 6,761,921.98 euros.

The company Ballon Investments, S.L.U. received income from the lease of the shopping arcade of the Ballonti Shopping Complex in the amount of 2,641,934.86 euros.

The company Castellana Norte Investments, S.L.U. received income from the lease of the Castellana Norte Business Park amounting to 8,182,782.96 euros.

21 SUBSEQUENT EVENTS

There are no subsequent events occurring after the reporting period that affect the consolidated financial statements at 31 December 2020 or that require further disclosure in the notes to the consolidated financial statements.

Annex I

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

Information relative to AROCA DEL PINAR SOCIMI, S.A.U. in compliance with the provisions of art. 11 of Law 11/2009, amended by Law 16/2012:

Description	31/12/2020
<p>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.</p>	<p>Voluntary reserves exist in a negative amount of 877.72 euros from years prior to the application of the SOCIMI tax scheme.</p>
<p>b) Reserves from each period in which the special tax scheme established in that Law was applicable</p> <ul style="list-style-type: none"> • Profits from income subject to the general tax rate • Profits from income subject to the 19% tax rate • Profits from income subject to the 0% tax rate 	<p>Not applicable</p> <p>Not applicable</p> <p>In 2020, the Parent Company registered a profit of 3,361,615.06 euros.</p>
<p>c) Dividends distributed against profits from each period in which the tax scheme established in this Law was applicable</p> <ul style="list-style-type: none"> • Dividends from income subject to the general tax rate • Dividends from income subject to the 18% (2009) and 19% (2010 through 2012) tax rate • Dividends from income subject to the 0% tax rate 	<p>Not applicable</p> <p>Not applicable</p> <p>The Parent Company distributed dividends against the 2020 profit amounting to 937,589.67 euros at 18 August 2020 and 618,453.00 euros at 25 November 2020.</p>
<p>d) Dividends distributed against reserves</p> <ul style="list-style-type: none"> • Distribution against reserves subject to the general tax rate • Distribution against reserves subject to the 19% tax rate • Distribution against reserves subject to the 0% tax rate 	<p>Not applicable</p> <p>Not applicable</p> <p>Not applicable</p>
<p>e) Date of the resolution for distribution of the dividends to which letters c) and d) above refer</p>	<p>See section c</p>
<p>f) Date of acquisition/disposal of the properties for lease that produce income subject to this special scheme</p>	<p>The Ballonti Shopping Complex was acquired by the company on 24 July 2019.</p> <p>The Business Park was acquired on 19 February 2020.</p>
<p>g) Date of acquisition of the shares in the capital of the entities to which art. 2.1 of this Law refers.</p>	<p>Not applicable</p>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In euros)

h) Identification of the asset that is calculated within the 80% referenced in art. 3.1 of this Law	The Ballonti Shopping Complex and the Castellana Norte Business Park
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.



CONSOLIDATED DIRECTORS' REPORT FOR 2020

1.- Business performance and situation of the Group companies

Aroca del Pinar, S.A.U. 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 (Spain).

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 (Spain).

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 Cetroietus, S.L.U., for an indefinite period. Its registered offices are established at Nanclares de Oca, 1B, 28022 Madrid (Spain).

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.

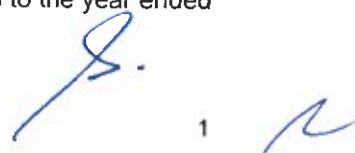
The main activity of the Subsidiary is the lease of a hypermarket and a service station at Avda. Ballonti, 1, in the Ballonti Shopping Complex, Portugalete.

Castellana Norte Investments, S.L.U. (subsidiary): was incorporated in Spain as a limited liability company on 4 December 2019 under the name of Donely Investments, S.L.U., for an indefinite period. Its registered offices are established at Nanclares de Oca, 1B, 28022 Madrid (Spain).

On 28 January 2020, the subsidiary changed its registered name to Castellana Norte Investments, S.L.U. by means of a public deed granted before the notary Fernando Fernandez Medina, under his protocol number 164.

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 business park located at C/ Isabel Colbrand, 22, Madrid (Spain).

The consolidated financial statements as well as this directors' report correspond to the year ended



CONSOLIDATED DIRECTORS' REPORT FOR 2020

31 December 2020.

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.

(euros)	2020
Up to one year	15,557,363.94
From 1 to 5 years	29,016,080.42
Over 5 years	16,562,980.34
Total	61,136,424.70

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

3.- Research and development activities.

The Group has not conducted any research and development activities during the financial year ended 31 December 2020.

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 preparation of these consolidated annual financial statements, no relevant events have taken place.

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 2020, this instrument was valued at 9,623.00 euros, obtaining a cumulative loss of 205,176.95 euros as reflected in the consolidated income statement.

In 2020, the Group contracted a new hedge financial instrument with an initial nominal amount of 121,300.00 euros and an annual interest rate of 0.5%.

At the end of 2020, this instrument was valued at 20,518.19 euros, obtaining a cumulative loss of 100,781.81 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.

CONSOLIDATED DIRECTORS' REPORT FOR 2020

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 duty of disclosure 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 2020 for the Group are as follows:

Average Payment Period	13.14 days
Payments Made	135,945,440.82 euros
Payments pending	806,492.88 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

Economic situation

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.

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

CONSOLIDATED DIRECTORS' REPORT FOR 2020

Insofar as 2019 was the first year of its investment in Spain, Aroca del Pinar, S.A. heads 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 2020 financial year with a consolidated profit of 3,361,615.06 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 2020, 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.

Information on the COVID-19 impact:

In accordance with Royal Decree 463/2020, of 14 March, a state of emergency was declared for the management of the health crisis caused by COVID-19. It was published in the Official State Gazette (BOE) on the same date, and came into force immediately, as well as its subsequent extensions by Royal Decree 926/2020, of 25 October, and Royal Decree 956/2020, of 3 November.

The Directors of the Parent Company have assessed the events and their impact. Although it is not considered that this crisis could have an impact on the Group continuity, nor that it could have a significant impact on its financial and equity situation, it should be noted that the activity could suffer while this situation continues, in the form of a reduction in business. To this regard an analysis has been performed of the impacts on the main areas that have been affected, as follows:

- **Debt commitments:** The Group has not been affected since it was able to cover the upcoming payments with cash in banks and lease payments. This trend is expected to continue in the future. In terms of the covenant compliance clauses, they have been 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 2020, whereby lease collection for the month of April was only 23% of the total of shopping complex lease payments. However, it reopened on 25 May, after which collections increased once again. The Hypermarket was classified as an essential activity and remained open. Castellana Norte, acquired in February 2020, has not sustained any material impacts to date. However, during 2020 and the first months of 2021, addenda have been signed with various lessees to agree on rent rebates or discounts. 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 expect a recovery once this situation ends.

CONSOLIDATED DIRECTORS' REPORT FOR 2020

Although the volatility resulting from the health crisis makes predictions difficult, on the basis of the above, and even though uncertainties may exist for possible future events that cannot be foreseen, 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.

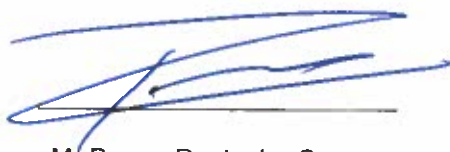


AROCA DEL PINAR, S.A. (Single-member Company) and subsidiaries

**PRESENTATION OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR 2020**

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 31 March 2020, the Consolidated Annual Financial Statements of Aroca del Pinar SOCIMI, S.A. (Single-member Company) and its subsidiaries and the Consolidated Directors' Report of the year ended 31 December 2020, which are composed of the appendices preceding this statement.

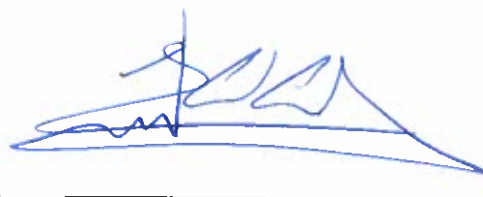
Madrid, 31 March 2021



Mr Roque Roateche Ozores
CEO



Ms Carolina Clemente
CEO



Mr Víctor Salamanca Cuevas
Board Member