AROCA del PINAR

AROCA DEL PINAR SOCIMI, S.A.

Calle Nanclares de Oca 1, 1B Madrid (SPAIN).

https://www.arocadelpinarsocimi.es/

INFORMATION DOCUMENT

13 AUGUST 2020

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Ce document peut également être consulté sur le site internet AROCA DEL PINAR SOCIMI, S.A. (www.arocadelpinarsocimi.es) / Copy of this Information Document is available free of charge at AROCA DEL PINAR SOCIMI, S.A.´s website (www. arocadelpinarsocimi.es).

L'opération proposée ne nécessite pas de visa de l'Autorité des Marchés Financiers (AMF). Ce document n'a donc pas été visé par l'AMF. / The proposed transaction does not require a visa from the Autorité des Marchés Financiers (AMF). This document was therefore not endorsed by the AMF.

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Content

The articles of association included in this Information Document have been translated from Spanish into English, and their content has been included for information purposes. In case of any discrepancies, and for legal purposes, the Spanish version registered in the Commercial Registry shall prevail over the English version.

ARMANEXT ASESORES, S.L. urges to read this entire Information Document carefully, including the risk factors, AROCA DEL PINAR SOCIMI, S.A.'s original Spanish language historical financial statements, and the valuation of both the assets and the Company.

COMPANY´S REPRESENTATIVE FOR INFORMATION DOCUMENT

Mr. Roque Rotaeche and Mrs. Carolina Clemente of the Board of Directors, acting for and on behalf **AROCA DEL PINAR SOCIMI, S.A.**, (hereinafter, the "**Company** ", the "**Issuer**" or "**AROCA**") hereby declare, after taking all reasonable measures for this purpose and to the best of their knowledge, that the information contained in this Information Document is in accordance with the facts and that the Information Document makes no material omission.

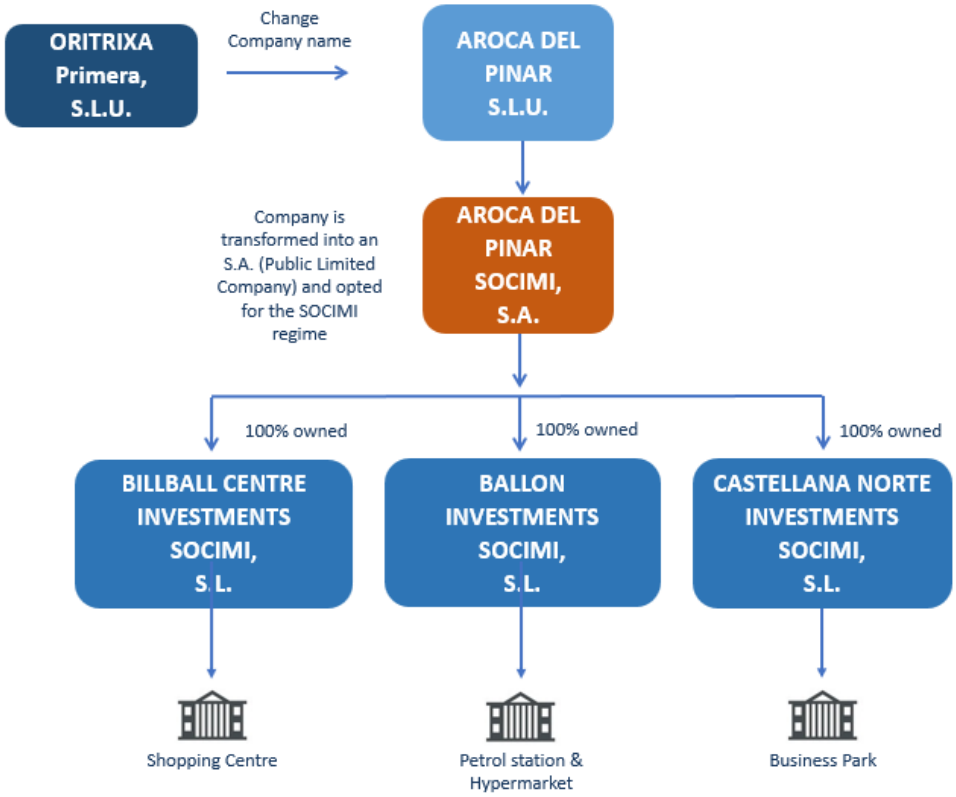
ARMANEXT ASESORES, S.L. declares that, to the best of our knowledge, the information provided in the Information Document is accurate and that, to the best of our knowledge, the Information Document is not subject to any (material) omissions, and that all relevant information is included in the Information Document.

1 GENERAL DESCRIPTION OF AROCA DEL PINAR SOCIMI, S.A.

AROCA DEL PINAR SOCIMI, S.A. with Identification Number A-88278403, is a Spanish company running under the SOCIMI special tax regime (Sociedad Cotizada de Inversión en el Mercado Inmobiliario), equivalent to a REIT (Spanish REIT).

AROCA has its registered office at Calle Nanclares de Oca 1, Madrid (Spain).

The Company was founded on 17 December 2018 under the corporate name of Oritrixa Primera, S.L.U. and later changed its name to AROCA DEL PINAR, S.L.U. before opting for the SOCIMI special tax regime and hence changing its denomination to the current one, AROCA DEL PINAR SOICMI, S.A.



As shown in the graph above, AROCA invests in real estate assets through its three Property Companies (wholly owned subsidiaries) in Spain.

HEREF V Sub Holding S.á.r.l. is a company that indirectly invests in real estate throughout Europe via acquiring any securities and rights through participation, contribution, underwriting firm purchase or option, negotiation or in any other way. The Company may acquire patents and licences, real estate property and other types of property, rights and interest in property to generally hold, manage, develop, lease, sell or otherwise dispose.

There are no Beneficial Owners.

1.1 COMPANY NAME, REGISTERED OFFICE AND REGISTRATION FOR THE SPECIAL TAX REGIME FOR SOCIMI

1.1.1 Company name

The Company´s full legal name is AROCA DEL PINAR SOCIMI, S.A.

1.1.2 Registered office

Calle Nanclares de Oca 1, Madrid (Spain).

1.1.3 Data of Registration with the Commercial Registry

Registered at the Madrid Commercial Registry.

Date	17 December 2018
Book	5241
Sheet	122
Page	M-684877
Entry	1

1.1.4 Registration for the SOCIMI special tax regime

On 5 August 2019, the Company communicated to the Spanish Tax Agency its request to be subject to the SOCIMI special tax regime, established in Law 11/2009. The Sole Shareholder´s resolution in this regard was adopted on this same date.

1.2 DURATION *(ARTICLE 3 OF THE ARTICLES OF ASSOCIATION)*

ARTICLE 3. – DURATION AND COMMENCEMENT OF OPERATIONS

The Company is formed for an indefinite term and it commenced operations on the date on which the incorporation deed was granted.

1.3 COMPANY PURPOSE *(ARTICLE 2 OF THE ARTICLES OF ASSOCIATION)*

ARTICLE 2. – CORPORATE PURPOSE

The corporate purpose of the Company is:

a) *The acquisition and promotion of real estate urban assets for its leasing.*

b) *To hold shares in the share capital of other listed companies of the real estate market ("SOCIMI") or in the share capital of other entities non-resident in Spain that have the* *same corporate purpose and that are subject to similar SOCIMI regulations with respect the mandatory policy, either legal or statutory, for the distribution of profits.*

c) *To hold shares in the share capital of other companies, resident or non-resident in Spain, whose main corporate purpose is the acquisition of real estate urban assets for its lease, and that are subject to similar SOCIMI regulations with respect the mandatory policy, either legal or statutory, for the distribution of profits and that comply with the investment requirements foreseen in the Ley de SOCIMIs.*

d) *To hold shares in the share capital of collective investment institutions incorporated according to Law 35/2003, 4 November ("Instituciones de Inversión Colectiva").*

In addition, the Company may carry out any other complementary activities, meaning those activities where the incomes jointly represent at least 20% of the incomes of the Company on every taxable year (including but not limited to, real estate transactions other than those mentioned in letters a) to d) above), of those that shall be considered as complementary according to the regulations applicable to SOCIMIs from time to time.

The Company shall transfer its assets in the terms and conditions foreseen in the Ley de SOCIMIs or the regulations applicable from time to time.

All those activities that according to the relevant law require the fulfilment by the company of certain preconditions are expressly excluded.

The activities that configure the corporate purpose shall be carried out totally or partially, indirectly, by means of the participation in other companies with the same or similar corporate purpose.

1.4 FISCAL YEAR (ARTICLE 23 OF THE ARTICLES OF ASSOCIATION)

ARTICLE 23. – FISCAL YEAR

1. *The fiscal year shall begin on 1st of January each year and shall conclude on the following 31st of December.*

2. *The first financial year of the Company shall, however, commence on the day the formation deed is executed and shall end on the following 31st of December.*

1.5 PAYMENT OF DIVIDENDS *(ARTICLE 25 bis. - OF THE ARTICLES OF ASSOCIATION)*

ARTICLE 25. bis. – PAYMENT OF DIVIDENDS

The Company shall be obliged to distribute as dividend to its shareholder, once all the relevant corporate duties have been complied with, the benefit obtained in the fiscal year. Such distribution shall be agreed within six months from the end of the fiscal year, as follows:

a) One hundred percent (100%) of the profits arising from dividends or shares in profits which have been distributed by the entities referred to in Article 2 of this By-laws.

b) At least fifty percent (50%) of the profits arising from the transfer of real estate assets and shares referred to in Article 2 of these By-laws which are connected to the corporate purpose, provided these transfer take place according to the provision set forth for such purposes in Law 11/2009. Any non-distributed profit will be reinvested in other real estate assets or shares that are connected to the corporate purpose, within three years following the date of the transfer. In any other case, the profits shall be distributed entirely.

c) *At least eighty percent (80%) of the rest of the profits obtained.*

1.6 ADMINISTRATIVE, MANAGEMENT, AND CONTROLLING BODIES

1.6.1 Board of Directors (ARTICLES 17, 18, 19 AND 20 OF THE ARTICLES OF ASSOCIATION)

ARTICLE 17. – ADMINISTRATIVE BODY FORM AND COMPOSITION

1. *The Company shall be administered and represented by one of the following, to be chosen by the General Shareholders' Meeting that has the right to opt alternatively for any of the different forms of organizing the administration mentioned, without the need for Bylaws modification: a) sole director; b) joint and several directors, with a minimum of two (2) and a maximum of five (5); c) three (3) joint directors, acting jointly at least two (2) of them; d) A board of Directors, comprising a minimum of three (3) and a maximum of twelve (12) members. The General Meeting is responsible for choosing the number of members within the abovementioned limits.*

2. *The area of responsibility of the administrative body, in any of the forms that it adopts pursuant to this article, shall be extended to all acts included in the corporate purpose, as it is envisaged in article 234 of the Capital Companies Act.*

3. *Directors need not be shareholder of the Company.*

4. *The Shareholders' Meeting shall appoint the Director of the Company.*

ARTICLE 18. – DURATION

Directors shall hold office, other than in the event of removal by the General Meeting, for a term of six (6) years, accordingly to the law and to this Bylaws.

ARTICLE 19. – DIRECTORS´ COMPENSATION

The Directors shall not receive compensation for holding office as directors.

ARTICLE 20. – RULES AND REGULATIONS OF THE BOARD OF DIRECTOS

1. *When the administration and representation of the Company is vested in a Board of Directors, this shall be comprised by a minimum of three (3) member and a maximum of twelve (12) members the General Meeting shall stablish the number of member and appoint its members. The Board shall elect a President and Secretary and, if deemed appropriate a Vice-President to replace the President in absences, holidays and illness, provided that such appointments were not made by the General Shareholders' Meeting when the Directors were appointed. Also, the Board shall elect a Secretary that do not need to be member of the board, if this is the case the Secretary shall attend the meeting with voice but without vote. All of them shall act as such until others are appointed to replace them in their position or the Board of Directors decide their removal.*

2. *The Board of Director shall meet as often as required by the interest of the Company and, at least, once (1) per quarter.*

3. *The Board shall be considered validly assembled when at least the majority of its members are present or represented at the meeting. The meeting shall be called by the President or the person acting in his place, either by his own decision or when at least two of the directors request it three (3) days prior to the date of the meeting, this request shall be done through letter with acknowledgement of receipt, telegram, fax, e-mail or by any other written procedure that ensures receipt of the notice sent to all the member of the board at the address recorded in the Commercial Register. However, when urgency reasons advise holding a board meeting, it shall be sufficient for the call to be made at least twenty-four (24) hours of anticipation to the date scheduled for the meeting.*

4. *Notwithstanding the provisions of the preceding paragraph, directors constituting at least one third of the members of the Board may call a meeting of the Board of Directors, indicating the agenda, to be held in the town where the registered office is located, if, upon request to the President, this without just cause has not called a meeting within one month.*

5. *The notice shall include at least the day and time of the meeting and a tentative agenda with the items to be discussed at the meeting, without prejudice to any others that may be raised by the directors during the meeting.*

6. *Notwithstanding the foregoing, the Board shall be validly constituted, without the need for prior notice, when all its members are present or represented and they unanimously decide to hold the meeting.*

7. *The resolutions of the Board of Directors adopted by videoconference or by conference call are valid as long as none of the directors objects to this procedure, and the Board of Directors have the necessary means to do so, and are mutually recognized, which must be expressed in the minutes and certification of the meeting. In this case, the Board meeting shall be considered as a single meeting held at the registered office. The Board shall also be validly held in writing and without meeting, provided that no director opposes this procedure.*

8. *Any Director may confer, in writing, his representation to another Director.*

1.6.2 Composition of the Board of Directors

The Board of Directors of the Company is composed by:

Member	Position
Blueseat Trust Services S.L.U. (represented by Mr. Víctor Salamanca)	President
Mr. Roque Rotaeche	Director – CEO
Mrs. Carolina Clemente	Director – CEO
Mrs. María Lorena Salamanca	Secretary

1.6.3 Directors' trajectory

- **Mr. Víctor Salamanca Cuevas** was a student of Harvard Business School (OPM45). He joined Auxadi in 1997 and is currently the CEO. Back then, the Company had only 15 employees. Víctor specialises in automation and optimization of electronic workflows. He graduated from the University of San Pablo CEU in 1997 and later obtained a postgraduate degree in Tax Audit at Centro de Estudios Financieros in 1999. Further, he obtained a Master´s degree in Tax advisory at IE Business School. Víctor is a member of the Economist´ association in Madrid since 1998. Victor enrolled to the LPSF and BCMC programs in Harvard Business School in 2009 and 2010 respectively. Moreover, he is a Board member of multinational´s subsidiaries and speaks fluently Spanish and English.

- **Mr. Roque Rotaeche** joined HMC's European Real Estate Investment Team in 2007 and is responsible for HMC's activities in Spain and Portugal. He has experience in sourcing, closing, financing properties and setting up joint ventures throughout the region. Mr. Rotaeche has been active in Spanish real estate investment since 2000 involving office, retail, logistics, hotel and residential asset classes. Prior to joining HMC, Mr. Rotaeche worked at CB Richard Ellis where he held the position of Institutional Investment Director for Spain and set up and managed Spain's leading real estate investments group with specialist teams devoted to office, logistics, residential and hotels. During his tenure he led or sourced several deals including the design and structuring of most of the large corporate sale and leaseback transactions which took place in the period 2005 to 2007. He also provided strategic investment advice to several core and private equity funds ranging from acquisition advice to active asset management of their Spanish holdings. Mr. Rotaeche holds a Master of Business Administration degree from Instituto de Empresa and a bachelor's degree in Business Studies from London Metropolitan University. He is fluent in both Spanish and English.

- **Ms. Carolina Clemente** joined HMC's European Real Estate Investment team in June 2015 and is responsible for overseeing the implementation of asset management strategies for investments across Europe.

  Prior to joining HMC, she was Associate Director of Asset Management at AEW Europe, with responsibility over a portfolio of c.€1bn of assets under management in Spain, Italy, Germany, Netherlands, Poland and Czech Republic. She led JV and operating partners to achieve target returns within the private equity funds through active lease, development, investment and sales management.

  Prior to joining AEW, she spent 5 years at Prologis in different roles including Asset and Development Manager for Southern Europe where she managed a portfolio of c.€2bn in France, Italy and Spain. She led the acquisition and development of a 1M square metre mixed-use development where she served as Chairman of the Board.

  She also has significant experience in retail investment, strategy and operations having worked at leading retailer Perimercados and Motion Retail Stores, which she co-founded.

  Ms Clemente holds an MBA from INSEAD, a Master of Industrial Engineering from University of Costa Rica and is a member of the Royal Institution of Chartered Surveyors (RICS). She is fluent in Spanish, English and Italian.

- **Mrs. María Lorena Salamanca** graduated in Law at the University of San Pablo CEU in 1999 besides graduating in Business Administration at the Southbank University, London in 2000. She speaks fluently Spanish and English. María studied a Data Protection´s master's degree in 2009. Other postgraduate studies include:

  - Management Development, Harvard University – 2012
  - Specialization Courses, EU – China School of Law – 2010
  - Business Law Advisory master's degree, ESIC – 2003

  María Lorena has worked for Auxadi for over 13 years. During her time in Auxadi she has led the Legal department since 2003 and has since then incorporated over 100 companies. She is currently a Secretary of the Board for over 20 multinational companies and a Board member of the Oberta´s University in the region of Catalonia. María Lorena has been a member of the Bar association in Madrid since 2000.

1.6.4 Assessment of the Board of Directors related to Bankruptcy, liquidation, and/or fraud related convictions

The Board of Directors declares that neither the company nor its directors, nor its executives are or have been involved in historical (at least in the previous past five years), or on-going, bankruptcy, liquidation or similar procedure and also fraud related convictions or on-going procedures in which any person from the management and/or board of the Issuer have been involved.

2 HISTORY AND KEY FIGURES

2.2 HISTORY OF THE COMPANY

- **17 December 2018**
  - The Company is set up and registered under the name Oritrixa Primera, S.L.U. by public deed granted before the Notary of Madrid, Spain. The initial number of participations on this date was 3,500 with a nominal value of €1 each and its Sole Shareholder was Mediterranean Search, S.L.U.
- **21 June 2019**
  - The Company changed its corporate name to AROCA DEL PINAR, S.L.U. and appoints the members of the Board of Directors. As detailed in section 1.6, subsection 1.6.2 “Composition of the Board of Directors” the members of the Board and positions are the following:
    - Blueseat Trust Services S.L.U. – Represented by Mr. Victor Salamanca Cuevas (President)
    - Mr. Roque Rotaeche (Director)
    - Mrs. Carolina Clemente (Director)
    - Mrs. María Lorena Salamanca (Secretary)
  - Mediterranean Search S.L.U., sells 3,500 Cetroletus, S.L.U. ´s (now Billball Centre Investments SOCIMI, S.L.) social participations to Oritrixa Primera, S.L.U. (now AROCA DEL PINAR SOCIMI, S.A.) at a price of €1 each.
  - Mediterranean Search S.L.U., sells 3,500 Barsolein, S.L.U.´s (now Ballon Investments SOCIMI, S.L.) social participations to Oritrixa Primera, S.L.U. (now AROCA DEL PINAR SOCIMI, S.A.) at a price of €1 each.
  - Mediterranean Search S.L.U., sells 3,500 Oritrixa Primera, S.L.U.´s (NOW AROCA DEL PINAR SOCIMI, S.A..) social participations to Heref V Sub Holding, S.á.r.l at a price of €1 each.
- **1 July 2019:**
  - The Company converted into an S.A. (equivalent to a Public Limited Company) and thus changed its legal name to AROCA DEL PINAR, S.A.
  - The Company increased its capital in €60,187.76, which added to the pre-money €3,500 share capital, leaves AROCA with a total share capital at this stage of €63,687. The capital increase was subscribed by the Sole Shareholder, Heref V Sub Holding, S.á.r.l., and was notarized on 9 July 2019.

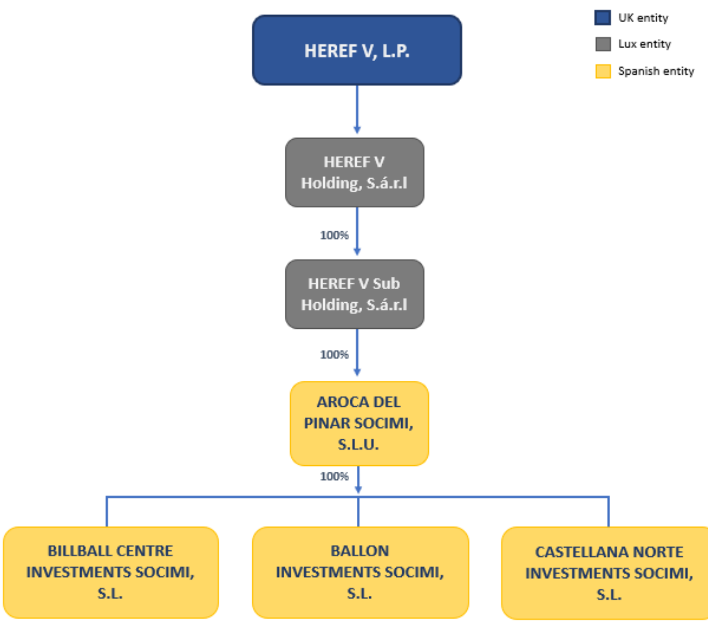
- **23 July 2019:**
  - Capital increase of €4,936,500 by the issuance of 4,936,500 new shares. The increase was subscribed by the Sole Shareholder. The share capital after the increase became €5,000,187.

As a result of the foregoing, the Company´s share capital is the following:

SHAREHOLDER	(€) SHARE CAPITAL	SHAREHOLDING
HEREF V SUB HOLDING, S.á.r.l.	5,000,187	100.00%

- **5 August 2019:**
  - The Sole Shareholder formally requests to be subject to the SOCIMI special Tax Regime
- **28 January 2020:**
  - AROCA acquires all social shares (3,000) of "Donely Investments, S.L.U." (now Castellana Norte Investments, S.L.U.) at €1 each.
- **19 February 2020:**
  - Castellana Norte acquires Castellana Norte Business Park, its only real estate asset, for an amount equal to €126,963,500.

The Company´s shareholding structure is the following:



It must be noted that, to this date, the Company has not implemented a share-based incentive scheme neither for its employees (currently it has no employees), nor its directors.

2.3 SELECTED FINANCIAL DATA

The Company's key figures are presented below:

SELECTED DATA	31/12/2019
PROFIT & LOSS (€)	
Revenues	4,977,881.85
Operating Result	2,384,435.80
Financial Expenses	(1,072,958.31)
Result before Taxes	1,174,878.54
Net Result	1,174,878.54
BALANCE SHEET (€)	
Investment Properties	108,932,082.66
Cash and cash equivalents	4,386,759.40
Equity	34,796,394.48
Liabilities Long-term	65,852,049.32

More detailed financial information of the Company is provided in section 7 of this Information Document, "Financial information for the 2019 fiscal year as at 31 December".

The 2019 Audit report and financial statements as at 31 December in Spanish have been audited by Grant Thornton, S.L.P. Sociedad Unipersonal, hereinafter the "Auditor" or "GT".

Further, an acquisition took place after the accounts closing as at 31 December 2019. More specifically, AROCA acquired all social shares of Castellana Norte on 28 January 2020 for a total of €3,000. Under the ownership of AROCA, Castellana Norte acquired Castellana Norte Business Park for €126,963,500.00 on 19 February 2020. This information has been disclosed in the subsequent event section of the 2019 financial statements. More information regarding the financing of this corporate transaction is provided in section 3.2 "Company Investment Data" of this Information Document.

The financial statements (including the corresponding audit report on such financial year) are available on the Company's website: https://www.arocadelpinarsocimi.es/

3 COMPANY ACTIVITY

3.1 SUMMARY OF THE BUSINESS

The Company´s purpose is to invest in real estate assets intended for lease. More specifically, AROCA has invested in Ballonti Shopping Centre (through its subsidiary Bilball), a hypermarket and its adjacent petrol station (through its subsidiary Ballon) in Bilbao, and in Castellana Norte Business Park in Madrid, through its subsidiary Castellana Norte.

AROCA does not own property assets directly, and instead, owns them through its three subsidiaries (Property Companies):

- Billball Centre Investments SOCIMI, S.L.: company owning Ballonti Shopping centre in Bilbao
- Ballon Investments SOCIMI, S.L.: company owning the petrol station and hypermarket annex to Ballonti Shopping centre
- Castellana Norte Investments SOCIMI, S.L.: company owning Castellana Norte Business Park

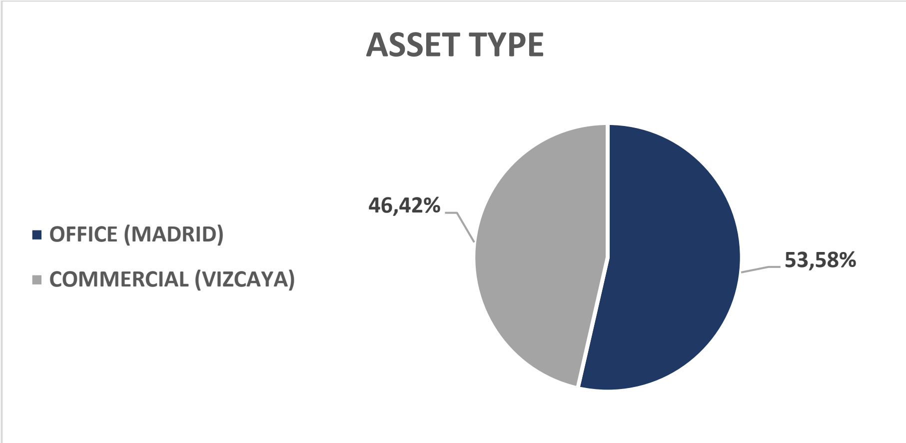
3.2 COMPANY INVESTMENT DATA

On the date of this Document, the Company owns 4 property assets. The shopping centre and the other two adjacent assets (petrol station and hypermarket) are located in Vizcaya, whereas the business park is located in Madrid. The assets´ total market value is €250,080,000.00.

Below, a table will show the assets´ occupancy rate levels and location:

PROPERTY ASSET	OCCUPANCY RATE
Ballonti Shopping Centre – Etorbidea 1, Portugalete, Vizcaya	91.51%
Petrol Station & Hypermarket – Etorbidea 1, Portugalete, Vizcaya	100%
Castellana Norte Business Park – Calle Isabel Colbrand 22, Madrid	89.19%

It should be noted that as a conservative assumption, the Company´s projections include the possibility that a significant tenant may release some space at Castellana Norte Business Park in February 2021. The tenancy agreement does to this date, remains in force and is due to expire in 2024. Not all tenants have surrender clauses before lease end or break that allow them to leave the premises at a reduced rent.



- Mortgages/Debt:

SUBSIDIARY NAME	FINANTIAL ENTITY	START DATE	MATURITY DATE	INTEREST RATE	PRINCIPAL (€)	AMOUNT OUTSTANDING (€)
BILLBALL CENTRE INVESTMENTS, SOCIMI S.L.U.	SOCIETE GENERALE	24/07/2019	24/07/2024	1.85% + EURIBOR	24,717,290.12	24,686,393.51
BILLBALL CENTRE INVESTMENTS, SOCIMI S.L.U.	NOVO BANCO	24/07/2019	24/07/2024	1.85% + EURIBOR	24,717,290.12	24,686,393.51
BALLON INVESTMENTS SOCIMI, S.L.U.	SOCIETE GENERALE	24/07/2019	24/07/2024	1.85% + EURIBOR	8,282,709.88	8,272,356.49
BALLON INVESTMENTS SOCIMI, S.L.U.	NOVO BANCO	24/07/2019	24/07/2024	1.85% + EURIBOR	8,282,709.88	8,272,356.49
TOTAL					**66,000,000.00**	**65,917,500.00**

- Oher financing transactions on 19 February 2020 meant for the acquisition of Castellana Norte Business Park:

    - Castellana Norte entered into a loan agreement with CaixaBank S.A., for an amount equal to €78,000,000 to partly finance Castellana Norte Business Park´s acquisition.

      The loan will have a term maturity of seven years from 19 February 2020. Castellana Norte will pay quarterly instalments, and, in addition, it will pay the outstanding amount of the loan (71.77%) on maturity date. The interest rate will be EURIBOR + 170 basis points.

    - AROCA decides to carry out a cash contribution to Castellana Norte of €39,331,512 to be registered in the account "Contributions of shareholders or owners". Therefore, the contribution did not require the Company´s share capital and the corresponding by-laws to be modified.

    - HEREF V Holding S.à.r.l. as "Lender" and Castellana Norte as "Borrower" entered into a Credit Facility agreement for an amount equal to €13,780,529. Interest rate to be determined by transfer pricing study. Principle and/or interest payable on a quarterly basis.

- Covenants:

    - The mortgages provided by Société Générale and Novo Banco require the Company to fulfil certain conditions throughout the life of the loan:

- To maintain an DSCR greater than 200%
- To maintain an LTV of less than 65%
- To maintain an DYR greater than 9%

3.3 PAST AND FUTURE INVESTMENTS

Past investments

During the years 2019 and 2020, the Company´s subsidiaries acquired the ownership of 4 property assets leased for commercial and office use in Vizcaya and Madrid (Spain). The total acquiring price was €235,963,500.

Future investments

The Company is a Closed-End Fund. It will carry out new investments in the event that the right risk-return real estate opportunities with characteristics similar to those assets already in its portfolio were to present.

3.4 COMPANY´S FUNCTIONAL ORGANIZATION

As of the date of writing this Information Document, the Company does not have any employees. All day-to-day functions for the smooth running of the business have been outsourced.

3.5 BUSINESS MODEL

The Company´s business consists on the investment of real estate assets intended for lease. In particular, the Company owns four assets in Vizcaya and Madrid through their wholly owned subsidiaries.

As mentioned in section 3.3 above, the Company operates as a Closed-Ended fund. Its main focus is therefore to maximize rental income with its existing assets´ portfolio with the possibility of carrying out further investments were the right opportunities to present.

The Company´s widest powers rest upon the Board of Directors, except for matters out of its purview, in which case would be the Sole Shareholder, the highest governing body of the Company.

The Company is externally managed and works along some of the most reputable advisors, allowing it to effectively manage its existing real estate portfolio and to effectively maximize rental income.

Management

AUXADI CONTABLES & CONSULTORES S.A.

The Company and each of its three subsidiaries entered a service agreement with AUXADI CONTABLES & CONSULTORES S.A. (hereinafter "AUXADI"). More specifically, an agreement between the Company and two of its subsidiaries (i.e Billball and Ballon) was entered with AUXADI on 24 July 2019.

Following Castellana Norte´s acquisition, The Company entered a separate agreement between the subsidiary and AUXADI on 24January 2020.

The AUXADI´s team responsible for providing the services shall, in both cases be, the Finance – Administrative team.

As per the signed agreements the scope of the services covers 5 clearly differentiated areas:

- Start-up services: initial meetings are held, the subsidiaries´ activities are analyzed and the implementation of technical processes in terms of software is set up.
- Regular services
    - Accounting and Reporting
    - Tax Compliance
    - Cash Management
- Yearly services – Accounting and Tax Compliance
- Corporate Secretarial & Legal Services
- Euronext representation (not applicable to subsidiaries)

FEES

SERVICE	AROCA	BILBALL	BALLON	CASTELLANA NORTE
Regular Services´ monthly fee	€ 930	€ 3,550	€ 2,100	€ 1,750
Yearly Services´ fee	€ 4,250	€ 4,250	€ 4,250	€ 2,750
Corporate Secretarial Services´ monthly fee	€ 1,755	€ 780	€ 780	€ 780

Please note that i) start-up costs, extra services and other miscellaneous are not included, and ii) Euronext costs, applicable only to AROCA, stand at €975/month.

CBRE REAL ESTATE, S.A.

Billball and Ballon both entrusted CBRE under separate agreements to manage the assets owned by the subsidiaries on an exclusive basis.

These agreements, signed on 24 July 2019, encompass the following services:

- Property management: coordination, control and supervision of all tasks related to the management of lease agreements.
- Re-letting commercialization of the units of the Shopping Centre, identifying and contacting potential users as well as negotiating leasing conditions with them, all in accordance with the commercial mix approved from time to time by the subsidiaries.

The agreement shall last for a 12-month period and shall continue in force thereafter unless either party gives the other 2-months´ prior written termination notice.

FEES

- Fees for private fit-out works coordination fees (ECOP): one month of the minimum guaranteed rent on the first year of the relevant lease agreement, plus VAT. Discounts shall apply in the case of unit refurbishment of an existing tenant
- Lease management fee: 1.7% on the collected rents, plus VAT
- Re-letting fees (new lease agreements): two months of the minimum guaranteed rent of the relevant lease agreement, plus VAT
- Fees for lease renewals (of pre-existing tenants): 5% of the minimum guaranteed rent of the relevant lease agreement, plus VAT

Fees in consideration for negotiations underway: upon termination of the agreement, CBRE will deliver to the subsidiary a list of all negotiations underway regarding the private areas of the asset. Should any negotiation included in said list eventually become an effective contract during the period of 2 months following on the termination of the agreement, the subsidiary shall pay the above indicated fees.

Castellana Norte entered into a separate agreement with CBRE on February 19 2020 and has an agreement of one year. Once the initial period has elapsed, the agreement will automatically be extended for successive periods of one year unless any of the party communicates to the other its willingness not to extend it, in writing, and at least two months before the expiration period.

CBRE shall offer the services below:

- Property management services – Technical management, insurance, financial-administrative-lease management, reporting
- Experience management service – Dynamization of building
- Service level agreement – Property management and accounting services

CBRE could provide additional services upon Castellana Norte´s request and payment.

In consideration for the provisions of the Services listed above, CBRE will be entitled to the following fees:

- Management fee: 1.20% of the annual collected rents with a minimum invoiceable amount of €30,000, plus VAT
- Experience management fee: €5,000 per year, plus VAT. (The experience management fee has been agreed between both parties considering the coordination of five events/actions per year with an approximate budget of €25,000, plus VAT)

3.6 INVESTMENT STRATEGY AND COMPETITIVE ADVANTAGES

3.6.1 Investment Strategy

HEREF V Holding S.à.r.l. is a Closed-Ended fund, while Aroca is a SOCIMI (Spanish REIT). Aroca is primarily focused on maintaining optimal conditions of the property assets already in its portfolio and maximize rental income. Aroca will be seeking further opportunities with the appropriate risk return profiles.

Typically pursuing investments with equity requirements between €25 million and €100 million, the team looks for properties where value can be added by injecting both capital and development or operational expertise.

Throughout Europe, the fund (Heref V, L.P.) continues to invest with an emphasis on office, light industrial and warehouse, retail/mixed use and residential. In the case of AROCA, real estate consists of a mix of assets destined for office and commercial use.

The investment policy of the Company is heavily determined by the fund, Heref V, L.P. The investment team typically seek:

- Transaction size: typical equity requirements between €25 million and €100 million
- Markets: demonstrating solid infrastructure, economic diversity, and the prospect for growth
- Local operating or development partners: with solid experience and track record in the local market and in the specific sector targeted
- Infill locations: demonstrating high barriers to entry
- Value-add opportunities: including repositioning of existing assets or new development
- Pricing inefficiencies: financially distressed assets or assets in out-of-favor sectors and markets

In addition to the above, and in the case of the Company in particular, the chosen locations (Vizcaya and Madrid) are two with above-average personal income and business activity, which should benefit both, Ballonti Shoping Centre in terms of footfall and spending, as well as demand for office space in Castellana Norte Business Park.

AROCA´s investment restrictions

1. Investments shall not be made in countries other than Spain.
2. Investments will be made in euros.
3. Restrictions derived from the special tax regime of SOCIMI: Any restriction on investments, derived from the application of the SOCIMI regime.

AROCA´s leverage criteria

The Company´s leverage meets the requirements set by its lenders regarding the loans´ covenants. Were the Company to apply for other loans, mortgages, or increase its debt in any other way, it must ensure that lenders are duly informed, and that they accept amendments to the terms of the original contracts were these considered to be necessary.

Besides ensuring that the Company does not go beyond the established leverage level, it must optimize its leverage structure in order to maximize investors´ returns.

3.6.2 *Competitive Advantages*

3.6.2.1 Ballonti Shopping Centre, petrol station and hypermarket

The centre has a strong fashion component with some of the most successful retailers in the Spanish market and also comprises an important hypermarket.

The Ballonti Shopping Centre occupation ratio is high, currently standing at 91.51% and the Petrol Station & Hypermarket Centre occupation ratio is 100%.

Bilbao is a relatively wealthy regional city in Spanish terms. Ballonti is sited next to the A-8 highway which links Portugalete to Bilbao and the north coast.

The shopping centre is the only shopping centre serving Portugalete, Santurtzi, Zierbena and Muskiz. It is the main shopping centre serving the north west area of the city on the western side of the Nervion river.

The Bilbao metropolitan area has a population of 910,578 residents, and Vizcaya 1,155,241. Bilbao is the sixth largest city in Spain in terms of population and one of the wealthiest after Madrid and Barcelona.

The centre opened in 2008 and has consolidated its position in the Bilbao shopping centre market since.

Footfall in the centre reached in 5,917,440 in 2015 then dipped by 1.3% in 2017 before rising again to 1.06% in 2016 and then 3.7% 5,996,636 in 2018 which is a stabilised level for a shopping centre of this size in the Spanish market.

The centre has asset management initiatives that can potentially improve the income such as the letting up of the vacant space, letting of new kiosk units and potential repositioning of the first-floor leisure / restaurant area which has historically proved a cold area for the centre.

There is the possibility of acquiring some of the area of the hypermarket to expand the gallery area.

3.6.2.2 Castellana Norte Business Park

The business park occupation ratio is high, currently standing at 89.19% and is let to three solvent and very successful tenants.

Along with Barcelona, Madrid represents the strongest economic area in Spain. Further, the asset may benefit from an upside potential in rental growth in Madrid´s office market.

Madrid City has a population of 3,266,126 inhabitants (as at 1st January 2019 – INE), this figure represents a 1.38% increase from 2018, following the positive trend shown in the last few years of economic recovery.

The business park is a high-quality building (Grade A) located at a consolidated business area, near the headquarters of other Spanish companies such as BBVA and Telefónica. The asset is currently in the process of obtaining LEED certification. Furthermore, it has excellent access by car both, from the M-40 ring road and from Carretera Fuencarral. Further, the business park has good public transport links; various bus stops are nearby and metro and train stations are within a10-15 minutes walk.

3.7 DESCRIPTION OF REAL ESTATE ASSETS

The Company has indirectly acquired property assets through its subsidiaries BILBALL CENTRE INVESTMENTS SOCIMI, S.L., BALLON INVESTMENTS SOCIMI, S.L. and CASTELLANA NORTE SOCIMI, S.L., as mentioned in section 1 of this Information Document.

On the date of this Information Document, the Company's asset portfolio comprises the following properties in Spain:

- 136 retail units at Ballonti shopping centre – Etorbidea 1, Portugalete, Vizcaya (Spain): acquired on 24 July 2019.
- Petrol station and Hypermarket (annex to Ballonti shopping centre) – Etorbidea 1, Portugalete, Vizcaya (Spain): acquired on 24 July 2019.
- 4 office buildings and 814 parking units at Castellana Norte Business Park – Calle Isabel Coldbrand 22, Madrid (Spain): acquired on 19 February 2020.

PROPERTY ADDRESS	PROPERTY TYPE	LOCATION	LEASABLE SURFACE AREA (sqm)
Etorbidea 1, Portugalete, Vizcaya	Shopping Centre	Vizcaya	39,239
Etorbidea 1, Portugalete, Vizcaya	Petrol Station & Hypermarket	Vizcaya	13,422
Calle Isabel Colbrand 22	Business park	Madrid	44,086

3.7.1 Etorbidea 1, Portugalete, Vizcaya – Ballonti Shopping Centre, Petrol Station and hypermarket

Ballonti is located in the town of Portugalete, which forms part of the Bilbao wider urban area and the province of Vizcaya in the Autonumus Comunnity of the Basque Contry.

Portugalete is approximately located 11.6km or a 17-minute drive to the nort-west of the centre of Bilbao.

Ballonti shopping centre occupies a strategic location with direct access at junction 127 from the A8 motorway which runs along the north coast of Spain connecting the french border and Galicia.

Ballonti opened in 2008 and is a medium-sized shopping centre with a ground floor primarly dedicated to retail while the first floor of the property is the leisure element. In total, the property comprises 136 units, 96 on the ground floor and 40 on the first floor. On the other hand, the gross leasable area of the property is 52,661sqm (ground floor: 37,349.11sqm; first floor: 14,369sqm).

There are currently 28 vacant spaces including retail units, storage, archieves and kiosks accounting for 8.49% of the total gross leasable area.

The average renaining tenure or weighted average unexpired leased term (WAULT) is 4.4 years.

Ground floor – Description

The ground floor retail element is set out around a curved mall leaving Eroski hypermarket in the front area. The Eroski supermarket and Primark are strategically located to the north of the property, encouraging footfall through the centre. Bershka, Pull & Bear and Springfield are located along a central mall area among other retailers to improve footfall, to the west of the property there are larger retail units including H&M, Stradivarius and Lefties. Vertical circulation is provided by 3 travellators, 2 sets of lifts and staircases linking the ground and first floors.

First floor – Description

The first floor leisure element is set out in a rectangular format on the first floor comprising a Cines Doc with 6 screens, a World Fitness Gym along with food offerings including Fosters Hollywood, Burger King, Pomodoro, Nam!, and Krunch. There are toilet facilities on both the ground and first floors which appear in clean and reasonable condition and adequate for the centre.

The centre has a total of circa 2,500 free parking spaces which are distributed between the uncovered parking at ground floor and that at basement level. The car parking ratio is 1 space per 21m² and is an acceptable provision of parking for a centre of this nature.

Location

The closest train station is located in Valle de Trapaga (3 km south of the subject property) and provides a direct service to central Bilbao, La Concordia de Bilbao (FEVE), approximately 21 minutes' drive south east of the subject property. La Concordia de Bilbao (FEVE) runs regular services to both local and national destinations.

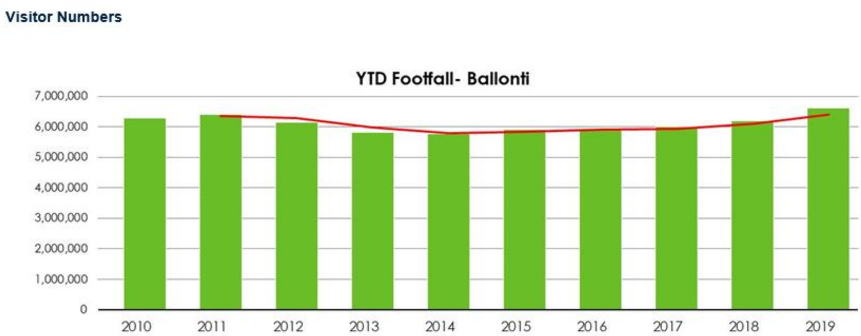
The L2 metro line provides services to Portugalete, Abatxolo, and Penota which are located approximately 800 meters, 1.2 km, and 1.3 km from the subject property.

The A3122 bus service is located directly outside the shopping centre which connects between Ballonti and Abando Geltokia Station.

The immediate surrounding area is residential. There is a training school located directly opposite the centre.

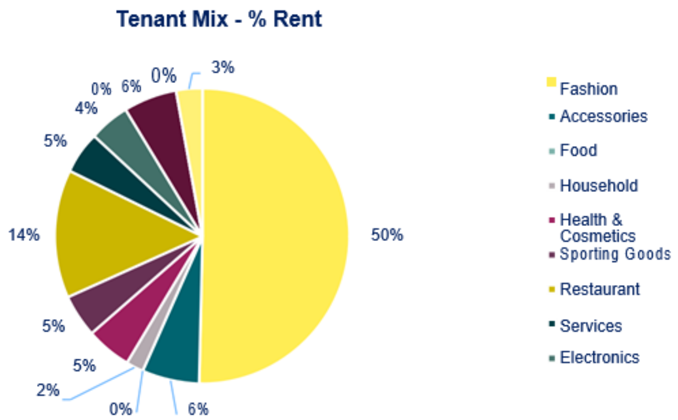
Visitor numbers

Savills has been provided with information on visitor numbers from January 2010 until December 2019. These indicate that while the footfall decreased from 2011 until 2014 reaching a low of 5,773,877 this number has since been increasing up to 6,610,332 in 2019 which is very positive and at historic levels.



Tenant Mix

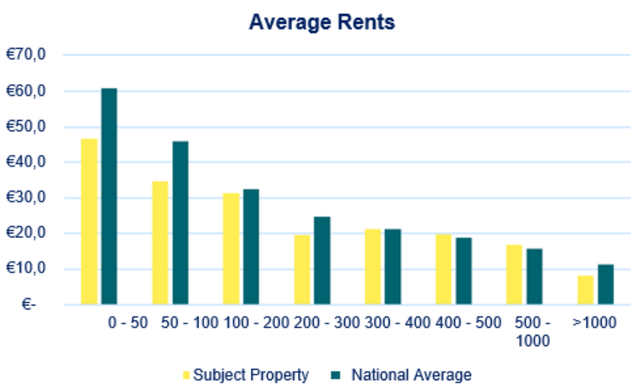
The graph below shows the percentage of area occupied by each of these different types of user for the retail gallery. The figures are based on the total gross leasable area of 39,292 sqm (ie excluding the hypermarket and petrol station). Please note that the following analysis has been carried out for the retail gallery only and does not include the Eroski hypermarket or the petrol station.



Average rent per type of tenant

Type	Average rent €/m²/month	Nº of units
Fashion	16	31
Accessories	37.5	8
Food	NA	0
Household	16.5	1
Health & Cosmetics	30.8	3
Sporting Goods	10.9	2
Restaurant	15.2	30
Services	45.4	8
Electronics	56.4	7
DIY	NA	0
Entertainment/Leisure	3.6	5
Vacant	8.3	33
Other	24.6	5
	14	**133**

Average rent – Comparison



Sales Analysis

The below table summarizes the rental income and sales grouped by activity type:

Retail Use	Total Area	Total Sales (€)	Annual Rent	% of Area	% of Sales	% of Rent	Sales per sqm
Fashion	13,602	38,104,793	2,998,839	39.75%	54.03%	48.07%	2,801
Accessories	930	3,127,211	440,160	2.72%	4.43%	7.06%	3,361
Food	0	0	0	0.00%	0.00%	0.00%	-
Household	581	2,322,557	115,074	1.70%	3.29%	1.84%	3,996
Health & Cosmetics	825	4,219,709	304,869	2.41%	5.98%	4.89%	5,113
Sporting Goods	1,430	1,364,356	186,583	4.18%	1.93%	2.99%	954
Restaurant	4,193	10,196,354	837,807	12.26%	14.46%	13.43%	2,432
Services	286	697,723	142,466	0.84%	0.99%	2.28%	2,437
Electronics	426	2,529,726	287,996	1.24%	3.59%	4.62%	5,943
DIY	0	0	0	0.00%	0.00%	0.00%	-
Entertainment/Leisure	8,737	3,393,975	377,933	25.54%	4.81%	6.06%	388
Vacant	2,407	3,311,965	322,193	7.03%	4.70%	5.16%	1,376

3.7.2 Calle Isabel Colbrand 22, Madrid - Castellana Norte Business Park

Location

The subject property is in the north of Madrid city, in the residential area of Las Tablas. In the past years, this area has consolidated as an important office area, home for many important companies such as Telefónica and BBVA.

The property is very well located and has a good range of transport links, especially for a property located outside the city centre. It is accessed by the M-603, Carretera de Fuencarral.

There are various bus stops nearby (172, 176), whilst the nearest metro station is within a 10-minute walk (Las Tablas, line 10 and ML1). The property is also easily accessed by car as it is close to the M-30 motorway and easily accessible from the M-40 and A-1 motorways. The attractiveness of this micro-market lies in its proximity with the airport (15 minutes by car), as it has direct access through the M-11 road. This is key for numerous companies. Moreover, it is within a 10-minute drive from Chamartin's train station.

Asset description

Castellana Norte is a business park in Calle Isabel Colbrand 22. It has a total built area above ground of 44,085.71sqm and 814 parking units (interior and exterior) comprised in four buildings, each with access flor + 6 office floors. Two of these buildings (A and B) are linked on ground floor, whilst the other two, C and D, are detached.

Built in 2002, this Grade A business park was designed by the prestigious architect Rafael de La-Hoz. The floors benefit from open plan office accommodation with light-filled spaces and provides a large capacity. All of them have raised floor and suspended ceilings, as well as AACC cold/heat. The building has a semi-curtain external façade and currently is in the process to obtain a LEED certification.

Services and amenities

The business park offers 24-hour maintenance service, entrance control and resting areas.

Building area

Floor	Sqm
Building A	14,036.7
Building B	13,988.41
Building C	8,030.3
Building D	8,030.3
TOTAL	**44,085.71**

3.8 THE MARKET

It is considered relevant for the investor to provide current general information on the market in which the Company operates.

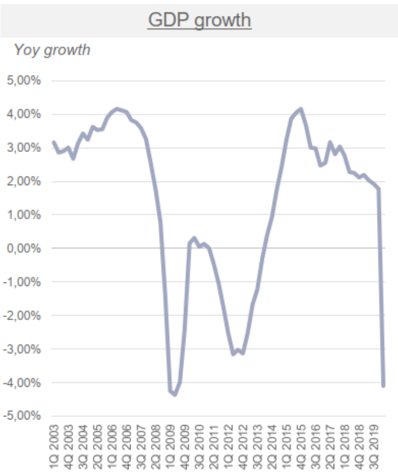
The main variables and factors to be considered are presented to properly understand the macro economic environment and the business itself more specifically.

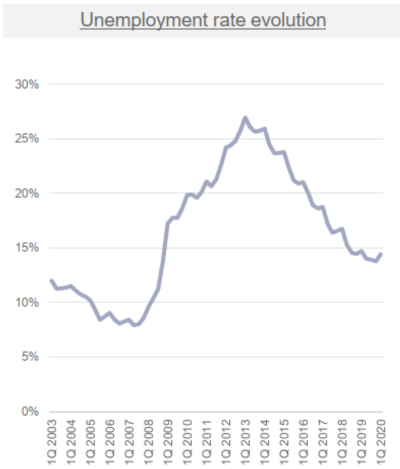
This section content has been taken from SAVILLS Company's Valuation Report.

3.8.1 Main macroeconomic indicators

Following the financial crisis of 2007-2008, the Spanish economy entered into a recession period that started improving in 2013-2014. In 2015, Spanish GDP grew by 4.1%, its highest rate since 2006, and from then it continuously grew at a smaller pace, but always at a higher rate than other countries in the Euro-zone.

Spanish unemployment rate achieved its peak in 2013, with a 26.94%, this rate fell substantially since the recovery started, reaching 14.41% in the first quarter of 2020. In the past few months (Q1 2020) economic indicators have been impacted by COVID-19 with the highest drop in GDP growth since the financial crisis and a rise in unemployment rate that SAVILLS expect to impact 2020 global indicators.





3.8.2 Retail Market

According to SAVILLS, the Spanish retail investment has witnessed a declined in 2019 with a total of €1,425 million (61% fall in y-o-y). The fall is reflective of the continued uncertainty that stalks the market.

While there is unsatisfied appetite for retail investments, what investors are looking for (liquid assets adaptable to changes in the sector) is in scarce supply. This combined with continued uncertainty about e-commerce impact, have limited investment volumes in 2019.

Competition – General

The company has got a range of competitors, namely other core + / Value added funds, such as Orion Capital Managers, Bentall Green Oak or Kennedy Wilson among others.

Competition – Retail

MEGAPARK BAKALARDO RETAIL PARK & OUTLET

Megapark Barakaldo is a retail warehouse park and Factory Outlet Centre developed in 2004 and located 3.9 km south east of Ballonti shopping centre. The centre extends to a total GLA of approximately 128,000 m² including 7,800 car parking spaces. The park is anchored by IKEA, Leroy Merlin, Decathlon, Media Markt, Kiabi and Conforama and is currently owned by Lar España SOCIMI.

The Factory Outlet centre is called Megapark avenue and comprises approximately 70 units including tenants such as Levis, Nike, esigual and Mango with a leisure / restaurant section. Lar have recently (Q2 2018 announced plans to spend 6 million refurbishing the centre).

Considering the type of centre and the anchors (fashion element, hypermarket) in Megapark, Savills is of the opinion that this centre does not represent significant competition to the Ballotini. The centre received more than 10 million visitors in 2017.

BILBONDO

This centre is located in the town of Basauri, in the eastern outskirts of Bilbao. The centre is anchored by an Eroski hypermarket and has a total gross leasable area of 37,834 sqm with exterior parking for 2,700 vehicles. It has a total of 52 retail units and can be classified as a large peripheral centre. It is located on the A-8 highway, which provides its principal access. The centre was opened in 1990.

The centre comprises a hypermarket with a retail gallery, of which the main occupiers are Vit Sec, Artipiel, Mister Minit, Forum, Yves Rocher, Joyerías Gold, Viajes Eroski, Optical and Telyco Shop. There are a number of independent units including McDonalds, Toys 'r' Us, Feu Vert, Forum Sport, and Kiwoko.

The centre is located 19 km or 18 minutes' drive time from Ballonti and as such does not impact on the primary catchment area. The centre forms competition in the secondary catchment area.

MAX CENTRE

The centre is located in the town of Barakaldo, approximately 3km to the south east of Ballonti.

The centre was opened in 1994 and was extended by 13,000 sqm in 2002 comprising a total of 37,269 sqm comprising approximately 140 units specializing in fashion, home goods and services principally. The centre is anchored by an Eroski hypermarket (18,500 sqm) with the main anchor tenants being Zara, Massimo Dutti, Bershka, Pull & Bear, Oysho, Stradivarius, H&M and

Calzedonia. The centre also benefits from a 15-screen cinema "Cinesa" and a bowling alley. The centre will undergo a refurbishment and repositioning programme and Savills understands that there exists the possibility that Primark will open in the centre in the future which would represent serious competition to Ballonti.

The centre is considered as a significant competitor with the subject property due to its proximity and large retail offering.

ZUBIARTE

Zubiarte is located in Bilbao city centre close to the river and the Guggenheim museum. The centre opened in 2004, extends to 20,600 sqm and is anchored by a BM Supermarket, Media Markt, Zara and the Inditex brands, H&M and Springfield. The centre has been improved with the introduction of Media Markt and the Supermarket. The centre has suffered from problems with layout and visibility due to its configuration.

The centre forms part of the city centre retail offer in Bilbao, along with the high street offer and is located 11.6 km south east of Ballonti.

FUTURE RETAIL DEVELOPMENTS

The local government in Vizcaya have stated that currently, no further shopping centre developments will be permitted in the region. This is as a measure of protection towards smaller businesses and the existing retail offer. We are unaware of any future competition.

3.8.3 Office Market

The fourth quarter of 2019 served as another high point in an already good year in the Madrid investment market according to SAVILLS, closing with the highest figure for 2019, €1,007 million.

The boost in investment was partly due to the intense activity of transactions for portfolios: 10 deals in Madrid, compared to four in all 2018. The average volume per asset transacted fell at the notional level precisely due to the portfolio factor. Of the 87 assets transacted during the year, 47 were through portfolios.

3.9 DEPENDENCE ON LICENCES AND PATENTS

The Company is not dependent on any trademark, patent or intellectual property right that affects its business. All properties owned have the relevant licences for their activity.

3.10 INSURANCE CONTRACTS

The Company has various insurance policies:

Insurance Company	Insured party	Insured Events	(€) Insured Amounts
Royal and Sun Alliance	Bilball Centre Investments S.L.	All-risk damages insurance. Loss of rent service charge and civil liability.	Building: €132,636,632 Loss of Rent: €19,481,883 Loss of service charges: €5,605,737 Civil liability: € 50,000,000
	Ballon Investments S.L.		Building: €44,181,575 Loss of Rent: €5,864,652 Loss of service charges: €1,820,337 Civil liability: €50,000,000

Insurance Company	Insured party	Insured Events	(€) Insured Amounts
RSA Luxembourg, S.A. Sucursal en España	Bilball Centre Investments S.L.	Civil liability	Civil liability: € 1,144,350
	Ballon Investments S.L.		

Insurance Company	Insured party	Insured Events	(€) Insured Amounts
Royal and Sun Alliance	Castellana Norte Investments, S.L.	All-risk of physical Loss or Damage. Loss of rent service charge and property owners liability.	Building: €114,685,394 Loss of Rent: €14,648,347 Loss of service charges: €3,607,673 Property Owners Lability: € 50,000,001

3.11 RELATED-PARTY TRANSACTIONS

- Ballon Investments S.L. subscribed a €2,916,195.00 loan with the Company´s Sole Shareholder, HEREF V Holding S.á.r.l on 23 July 2019. The loan´s maturity date is 24 January 2025 and the applicable interest rate is 8%.

- Billball Centre Investments S.L. subscribed a €8,702,520.00 loan with the Company´s Sole Shareholder, HEREF V Holding S.á.r.l on 23 July 2019. The loan´s maturity date is 24 January 2025 and the applicable interest rate is 8%.

- Castellana Norte Investments, S.L. subscribed a €13,780,529 loan with the Company´s Sole Shareholder, HEREF V Holding S.á.r.l on 19 February 2020. The credit was granted for a period of 8 years from date of first drawdown and the applicable interest rate is 4.5%.

4 RISK FACTORS

Set forth below are detailed those certain risks, uncertainties and other factors that may affect the Company's future results.

4.1 RISKS ASSOCIATED WITH THE REAL ESTATE BUSINESS

4.1.1 Cyclical sector

The current property sector is very sensitive to the existing political and economic-financial environment. The revenues derived from the property assets and their valuations depend, in large part, on the supply and demand for properties, inflation, interest rates, the economic growth rate or legislation.

If the Company's asset portfolio were to suffer a decline in value requiring a provision with respect to the carrying value, this would have an impact on the profit, the financial situation, and the valuation of the Company.

4.1.2 Risks derived from the possible fluctuation in the demand for properties and their consequent decrease in rental prices

The Company leases its properties to various clients. Said contractual relationships are documented and signed by both parties. In the event that said clients decide not to renew their contracts or insist on renegotiating rent prices downwards, this would have a negative impact on the financial situation, profits, or valuation of the Company.

4.1.3 Degree of liquidity of investments

Real estate investments are characterised as being more illiquid than investments in movable property. Therefore, in the event that the Company wants to disinvest part of their portfolio of real estate assets, its ability to sell may be limited in the short term.

4.1.4 Risk of lack of occupation or activity licence

For the operation of real estate assets, the Company must obtain the necessary municipal occupation licences. Given that the obtainment of such licences is usually subject to a long administrative procedure, the Company may be prevented from using the property within the period initially set which could cause a substantial adverse effect on the activities, profits and financial situation of the Company.

4.2 OPERATING RISKS

4.2.1 Risks associated with the valuation of assets

At the time of valuing the real estate assets, Savills Aguirre Newman and CBRE made certain assumptions, among others, concerning the occupancy rate of the assets, the future updating of the rents, the estimated profitability or the discount rate used, with which a potential investor many not agree. If said subjective elements were to evolve negatively, the valuation of the Company's assets would be lower and could consequently affect the Company's financial situation, profit or valuation.

4.2.2 Geographical concentration of product and market

Currently the Company has invested in two Spanish locations only, Vizcaya and Madrid, thus giving place to large exposure to these areas. However, as a mitigating factor, we can highlight the fact that Vizcaya and Madrid areas with above average business activity and macroeconomic indicators. Moreover, the areas where the assets are located are well-established and hence the Company is not exposed, in general, to great risks in this sense.

In case of specific modifications to the urban plans in the autonomous communities or local authorities, or due to changes of the economic conditions in the area, the financial position, results or valuation of the Company, this could be negatively affected.

4.3 LEGAL AND REGULATORY RISKS

4.3.1 Risks related to regulatory changes

The Company's activities are subject to legal and regulatory provisions of a technical, environmental, fiscal and commercial nature, as well as planning, safety, technical and consumer protection requirements, among others. The local, autonomic, and national administrations may impose sanctions for non-compliance with these standards and requirements. The sanctions may include, among other measures, restrictions that may limit the performance of certain operations by the Company. In addition, if the non-compliance is significant, the fines or sanctions may have a negative impact on the Company's profits and financial situation.

A significant change to these legal and regulatory provisions or a change affecting the way in which these legal and regulatory provisions are applied, interpreted or met, may force the Company to change its plans, projections or even properties and, therefore, assume additional costs, which could negatively impact the Company's financial situation, profit or valuation.

4.3.2 Changes in tax legislation (including changes in the tax regime of SOCIMI)

Any change (including changes of interpretation) in the Law of SOCIMI or in relation to the tax legislation in general, in Spain or in any other country in which the Company may operate in the future or in which the shareholders of the Company are residents, including but not limited to:

(i) The creation of new taxes, and,

(ii) The increase of the tax rates in Spain or in any other country where the Company may operate, could have an adverse effect on the activities of the Company, its financial conditions, its forecasts or results of operations.

Furthermore, the non-compliance with the requirements established in the Law of SOCIMI would determine the loss of the special tax regime applicable to AROCA (except in those cases in which the regulations allow its correction within the next immediate fiscal year).

The loss of the SOCIMI regime (i) would have a negative impact for the Company in terms of both direct and indirect taxes, (ii) could affect the liquidity and financial position of AROCA, as long as it is required to regularize the indirect taxation of certain acquisitions of real estate assets, as well as the direct taxation of those income obtained in previous tax periods going to tax in accordance with the general regime and the general rate of taxation of Corporate Income Tax, and (iii) would determine that AROCA could not opt again for the application of the same SOCIMI special tax regime until at least three years from the conclusion of the last tax period in which said regime would have been applicable. All this could therefore affect the return that investors obtain from their investment in the Company.

4.3.3 Application of special tax regime

It should be noted that AROCA will be subject to a special tax of 19% on the full amount of the dividends or profit sharing distributed to the partners whose participation in the share capital of the entity is equal to or greater than 5% when the dividends paid out to these shareholders are either tax exempt or taxed at a rate lower than 10%.

This tax will be considered as a Corporate Income Tax fee. Shareholders who cause the accrual of the special tax of 19% shall indemnify the Company in an amount equivalent to the Corporate Income Tax expense that would arise from making the dividend payment that serves as the basis for the calculation of the aforementioned special tax.

4.3.4 Loss of the SOCIMI tax regime

On 5 August 2019, the Sole Shareholder opted for the Legal and Tax regime applicable to Real Estate Investment Trust (SOCIMI). The application of said special tax regime is subject to compliance with the requirements set out in “Law 11/2009”, of 26 October, regulating Real Estate Investment Trust and later modified by “Law 16/2012”. Lack of compliance with any of said requirements would mean that the Company would be taxed under the general Corporation Income Tax regime for the year in which said non-compliance occurred. If this risk were to materialize, the Company may be asked, where appropriate, to clear in subsequent tax periods the difference between Corporation Tax paid (0%) and the application of the general regime, without prejudice to late payment interest, surcharges and penalties that may be appropriate, as the case may be. The loss of said SOCIMI special tax regime could negatively affect the Company’s financial situation, operating results, cash flows or valuation.

4.3.5 Litigation risk

Currently there are not litigation risks impacting the Company's results.

4.3.6 Lack of liquidity for the payment of dividends

All dividends and other distributions paid by the Company will depend on the existence of profits available for distribution, and sufficient cash. In addition, there is a risk that the Company generates profits but does not have sufficient cash to meet, monetarily, the dividend distribution requirements set out in the SOCIMI tax regime. If the Company does not have sufficient cash, it may be required to cover dividends in kind or to implement a system of reinvesting dividends in new shares.

As an alternative, the Company may request additional funding, which would increase its financial costs, reduce its capacity to ask for funding for making new investments and it may have an adverse material effect on the Company's business, financial conditions, operating results and forecasts.

4.4 FINANCIAL RISKS

4.4.1 Risk relating to debt management and the associated interest rate

As detailed in section 3.2 of this Information Document, the Company holds a debt with Société Générale and Novo Bank for an amount equal to €66,000,000 at an interest rate of 1.85% + EURIBOR.

The Company must comply with the conditions established by its two lenders for the whole life of the loan. These conditions, which will be detailed again below for the avoidance of doubt, came into force on 24 July 2019 and will remain in place for the 5-year life of the loan, that is, until 24 July 2024.

The conditions to be fulfilled by the Company are the following:

- To maintain an DSCR greater than 200%
- To maintain an LTV of less than 65%
- To maintain an DYR greater than 9%

As at December 31, 2019, the Company considers that all conditions set by its lenders are being met and that they will continue to be met for the duration of the loan. In case of non-compliance, the lenders could demand the loan to be repaid in full, hence risking the Company´s viability.

Derivatives

Potential upwards variations in the interest rates could result in an increase in financial costs for the Company, which may in turn cause a substantial adverse effect on the business, profit, and financial situation of the Issuer.

In order to mitigate the risk derived from rising interest rates, the Company has signed interest rate caps through two of its subsidiaries; Bilball Centre Investments, SOCIMI S.L.U, and Ballon Investments SOCIMI, S.L.U. The details of these transaction are shown below:

ITEM	BILBALL CENTRE INVESTMENTS, SOCIMI, S.L.U.	BALLON INVESTMENTS SOCIMI, S.L.U
AGREEMENT DATE	24/07/2019	24/07/2019
DERIVATIVE TYPE	CAP	CAP
PAID PREMIUM	160,681.00	54,118.95
NOTIONAL	44,435,508.00	14,890,242.00
INTEREST RATE (25/10/2019 - 25/07/2022	Euribor 3M + 0.5	Euribor 3M + 0.5
INTEREST RATE (25/07/2022 - 24/07/2024	Euribor 3M + 1	Euribor 3M + 1
FAIR VALUE AS AT 31/12/2019	58,573,000	19,628
EXPIRY DATE	24/07/2024	24/07/2024

4.4.2 Risk arising from the effect of COVID-19

The pneumonia of unknown cause detected in Wuhan (China) was first reported to the World Health Organization (WHO) on 31 December 2019. The outbreak was declared a Public Health Emergency by the WHO on 30 January 2020 and later became known as COVID-19. Since then, the virus has spread across most world's countries, being Spain one of the worst affected. This led the Spanish Government to implement a state of alarm on 13 March 2020. The country has been under strict lockdown measures aimed at containing the spread by following social distancing guidelines and is at the time of writing the Information Document slowly starting to phase out these measures and reopening the country.

It is to this date unknown if new virus waves could affect Spain in the near future, which could force businesses to temporarily stop their activity, leading to an unfavourable economic performance, employment, consumption and the state of the economy in general.

The above mentioned could have an adverse material effect in AROCA, its financial results, the balance sheet and the Company´s working capital which to this date, is difficult to estimate, as it will depend largely on the extent and duration of the outbreak. The Company continues to monitor the situation on an ongoing basis as of the time of writing and has to this date, not experienced any material impact.

5 INFORMATION CONCERNING THE OPERATION

5.1 ADMISSION ON EURONEXT ACCESS

Admission procedure: Admission to trading of ordinary shares on Euronext Access Paris through technical admission.

ISIN: ES0105486007

Euronext Ticker: MLARO

Number of shares to be listed: 5,000,187 shares

Nominal price per share: €1

Reference price per share: €14.60

Market capitalisation: €73,002,730.2

Initial listing and trading date: 17/08/2020

Listing Sponsor: ARMANEXT ASESORES S.L.

Agent Bank: BNP Paribas Securities Services

Central Securities Depositary: EUROCLEAR FRANCE

5.2 OBJECTIVES OF THE LISTING PROCESS

This transaction is carried out within the framework of a procedure for admission to trading on the Euronext Access Market operated by Euronext Paris S.A., through technical admission. The proposed transaction does not require a visa from the Autorité des Marchés Financiers (AMF).

The registration in the Euronext Access Market will allow the Company to acquire notoriety and to adapt to the operation of financial markets before a possible transfer to a larger market that enables to continue its development.

Additionally, in order to keep the SOCIMI's special tax regime, the Company must be listed in a European Market or in a Market of any other country where there exists an effective communication exchange between Tax Agencies.

5.3 COMPANY'S SHARE CAPITAL *(ARTICLE 5 OF THE ARTICLES OF ASSOCIATION)*

Article 5 of the articles of association sets out the Company's share capital.

ARTICLE 5. – SHARE CAPITAL OF THE COMPANY

The Company's share capital is established at FIVE MILLION AND ONE HUNDRED EIGHTY SEVEN EUROS (€5,000,187), divided into 5,000,187 shares represented by means of account entries ("anotaciones en cuenta"), which are equal, cumulative and indivisible, each having a nominal value of one (1) Euro fully subscribed, and denominated in Euro. All the shares are of the same call and award its bearers the same rights.

5.4 EVOLUTION OF THE SHARE CAPITAL, INCREASES AND REDUCTIONS

- Oritrixa Primera, S.L.U. was set up in Madrid on 17 December 2018 with a €3,500 share capital, paid in cash.

  The social shares of €1 each and number consecutively 1-3,500 both inclusive, were subscribed by the Sole Shareholder, Mediterranean Search, S.L.U. legally represented by Mr. Álvaro Tomás Hernández.

SHAREHOLDER	(€) SHARE CAPITAL	SHAREHOLDING
MEDITERRANEAN SEARCH, S.L.U.	3,500	100.00%
Total	**3,500**	**100.00%**

- The ownership of Oritrixa Primera, S.L.U. is transferred to Heref V Sub Holding S.á.r.l., represented by Víctor Salamanca on 21 June 2019. Thus, on this date Heref V Sub Holding S.á.r.l. becomes the Sole Shareholder.

  The transfer was recorded by public deed before the notary of Madrid at a price of €1 per share.

SHAREHOLDER	(€) SHARE CAPITAL	SHAREHOLDING
HEREF V SUB HOLDING S.á.r.l.	3,500	100.00%
Total	**3,500**	**100.00%**

- On 1 July 2019 and with the purpose of transforming the Company into an S.A., the Sole Shareholder decides to increase the Company´s share capital in €60,187, through the issuance of 60,187 social shares, hence leaving the total share capital in €63,687.

SHAREHOLDER	(€) SHARE CAPITAL	SHAREHOLDING
HEREF V SUB HOLDING S.á.r.l.	63,687	100.00%
Total	**63,687**	**100.00%**

- On 23 July 2019, the Sole Shareholder issues 4,936,500 new social shares at a price of €1 each, which leaves the total share capital €5,000,187.

SHAREHOLDER	(€) SHARE CAPITAL	SHAREHOLDING
HEREF V SUB HOLDING S.á.r.l.	5,000,187	100.00%
Total	**5,000,187**	**100.00%**

5.5 MAIN CHARACTERISTICS OF THE SHARES *(ARTICLES 6 AND 8 Bis OF THE ARTICLES OF ASSOCIATION)*

ARTICLE 6. – SHARES

1. *The shares shall be represented by means of nominative account entries registered the relevant accounting registry.*

2. *Shareholders' rights may be exercised provided that the shares are duly registered with the accounting entity, which presumes the legitimate ownership and entitles the registered owner to request that the Company acknowledges its condition as shareholder. This entitlement may be evidenced by means of the exhibition of the relevant certificates, issued by the entity in charge of keeping the accounting records.*

3. *If the Company performs any action in favor of the person who appears as owner in accordance with the accounting registry, the Company shall be released from the relevant obligation vis-à-vis such owner, even if the former is not the actual beneficiary of the action, provided that this is performed in good faith and without gross negligence or misconduct.*

4. *If the person who appears duly registered with the accounting registry acts in a fiduciary capacity or in its capacity as financial intermediary acting for the account of its clients or through any other analogous title or condition, the Company may request such person to reveal the identity of the beneficial owners of the shares, as well as any acts of disposal and encumbrance over the shares.*

ARTICLE 8.-Bis – ANCILLARY OBLIGATIONS

The shares of the Company are subject to the performing and fulfillment of certain ancillary obligations which are described hereafter. These obligations, that will not imply any remuneration by the Company in favor of the shareholder concerned, are the following:

1. Shareholders holder of a significant stake.

a) *Any shareholder that (i) holds a number of shares of the Company that represents 5% of more of the share capital of the Company or the percentage established by section 9.2 of the Ley de SOCIMIs or the regulation that may substitute it, for the accrual by the*

*Company of the special levy according to the Corporate Income Tax (the "**Significant Stake**"), or (ii) acquires a number of shares of the Company which implies that, together with those that it already holds, it reaches a Significant Stake. This shareholder shall notify the governing body this event in a term of four (4) business days from the moment it had become holder of a Significant Stake, unless this circumstance had already been notified according with article 8 of these Bylaws.*

b) *Likewise, any shareholder which has become holder of a Significant Stake shall inform the governing body about any subsequent acquisition in a term of four (4) business days, without regards to the number of shares acquired, unless this event has already been notified, according to article 8 of these Bylaws.*

c) *Any person that holds economic rights over 5% or a higher percentage of the share capital or over a certain percentage that, for the accrual by the Company of the special levy according to the Corporate Income Tax, is foreseen in section 9.2 of the Ley de SOCIMIs of the regulation that may substitute it, shall give the same notice provided in sections a) and b) above.*

d) *Together with the notification set forth in the previous sections, the shareholder or the holder of the economic rights shall deliver to the governing body of the Company: (i) a certificate of residency for the purposes of the relevant personal income tax issued by the authorities of its country of residence. In those cases where the shareholder is resident in a country with which Spain has entered into a treaty to avoid the double taxation regarding those taxes that levy the personal incomes, the certificate of residency shall have the content provided for in the relevant treaty for the implementation of its benefits. (ii) A certificate issued by someone with enough powers of attorney to prove the tax rate to which the shareholder is subject to regarding the distribution of dividends. The shareholder or the holder of economic rights shall deliver this certificate in a term of ten (10) calendar days after the general shareholders meeting or, when applicable, the meeting of the governing body, agrees on the distribution of dividends or any other similar funds.*

e) *If the obliged to inform does not comply with its obligations foreseen in sections a) to d), the governing body may assume that the dividend is exempt of taxation or that it is levied by a rate lower that the rate foreseen in section 9.2 of the Ley de SOCIMIs, or in the regulation that may substitute it. Alternatively, the governing body may request any reputable law firm in the country of residence of the shareholder to issue a legal report at the expenses of the dividend that corresponds to the shareholder in order to determine if the dividends to be distributed in favor of the shareholder are subject to any tax. The costs borne by the Company shall be enforceable the previous day of the date of the payment of the dividend or the similar fund corresponding to the shares hold by the shareholder or the holder of economic rights, in the terms set forth in article 27 ter of these Bylaws. In case that the distribution of dividends or any similar funds is carried out before the terms foreseen for the fulfillment of the ancillary obligation, and in case of failure to comply with the ancillary obligations, the Company may withhold the payment* *of the relevant amount to be distributed in favor of the shareholder or the holder of economic rights involved, in the terms set forth in article 27 ter of these Bylaws.*

f) The stake of 5% referred to in section a) above shall be (i) automatically modifies in case the percentage foreseen in section 9.2 of the Ley de SOCIMIs or the regulation that may substitute it is modified and, (ii) replaced by the percentage foreseen in said regulations.

2. Shareholders subject to special regimes.

a) Any shareholder of the Company which, as an investor, is subject in its home jurisdiction to any special law in terms of pension funds or benefit plans shall inform the governing body about this circumstance.

b) Likewise, any shareholder shall inform the governing body about any subsequent acquisition or transfer, regardless of the number of shares acquired or transferred.

c) Any person that holds economic rights over the share capital of the Company, including in any case indirect holders of shares of the Company through financial intermediaries that appear as shareholders by virtue of the accounting registry when those financial intermediaries act on behalf of those indirect holders shall give the same notice provided in sections a) and b) above.

*d) The Company, by means of a written information request, (a "**Information Request**"), may require from any shareholder or any other third party with a known or apparent interest over the shares of the Company that it provides any information that the Company may require and that is known by the shareholder or any other third party, in relation to the effective ownership of the shares at hand or the interest over them (and, if the Company requires so, together with a formal or notarial statement and/or independent evidences), including (regardless of the general grounds of the foregoing) any information that the Company may deem necessary or convenient in order to determine if the shareholders or the third parties are capable of being in the position described in section a) above. The Company may make the Information Request at any time and may send one or more Information Requests addressed to the same shareholder or any other third party regarding the same shares or the same interests over the same shares.*

e) Regardless of the obligations set forth in this article 9, the Company may monitor the acquisitions and transfers of shares that may be carried out and may adopt the relevant measures that may be deemed necessary to avoid any injuries that may arise for the Company or its shareholders from the application of the current regulations regarding pension funds or benefit plans that may be applicable in their respective jurisdiction.

5.6 CONDITIONS FOR THE TRANSFER OF SHARES

5.6.1 Transferability of the shares (ARTICLES 7, 8, AND 8 Ter OF THE ARTICLES OF ASSOCIATION)

ARTICLE 7. – TRANSFER OF SHARES

a) <u>Free transfer of the shares:</u> the shares and all the economic rights that result from them, including the preemptive rights and free assignment, may be freely transferred by any means admitted in right, without the need of prior authorization from the governing body of the shareholders meeting. Any shares of new creation shall not be transferred until the relevant share capital increase has been registered with the Commercial Registry.

b) <u>Transfer of shares in case of change of control:</u> Notwithstanding the foregoing, the person (shareholder or not) which may acquire a share in the capital higher than 50% shall make, at the same time and under the same terms and offer to buy all the shares of the company.

Likewise, after a shareholder receives from another shareholder or from another third party an offer to buy its shares, and when according to the circumstances it is reasonable to infer that a potential acquirer is going to hold a stake in the share capital higher than 50%, the potential seller shall confirm whether the potential acquirer has offered the rest of the shareholders the acquisition their shares in the same terms and conditions.

ARTICLE 8. – NOTICES INFORMING ABOUT A SIGNIFICANT PARTICIPATION IN THE SHARE CAPITAL AND SHAREHOLDERS AGREEMENT

The shareholders shall give notice to the Company about any acquisition or transfer of shares by any means which implies that its participation in the share capital of the Company is, direct or indirectly, higher or lower than 5% (or subsequent multiples) of the share capital of the Company. If the shareholder of the Company is a director or a manager of the company, said shareholder shall give notice when its participation in the share capital of the Company is, direct or indirectly, 1% of the share capital of the Company (or subsequent multiples). The notices shall be addressed to the governing body or to the person appointed by the Company for these purposes in a maximum term of four (4) business days from the day when the relevant event has taken place.

Likewise, the shareholders shall notify the Company the execution, amendment, extension or termination of any shareholders agreement that limits the free transfer of its shares or alters the voting rights derived from said shares. The notices shall be addressed to the governing body or to the person appointed by the Company for these purposes in a maximum term of four (4) business days from the day when the relevant event has taken place.

Considering that it listed on EURONEXT ACCESS PARIS, the Company shall make public the notices received as described in this article according to EURONEXT ACCESS PARIS regulations applicable from time to time.

ARTICLE 8-Ter. – EXCLUSION FROM NEGOTIATION IN EURONEXT ACCESS PARIS

Article 8-Ter.- Exclusion from negotiation in EURONEXT ACCESS PARIS.- In case that the Company is listed on EURONEXT ACCESS PARIS for trading, and said listing is not supported and approved by all the shareholders of the Company, the shareholders meeting shall adopt an agreement for the delisting of the Company in EURONEXT ACCESS PARIS, and the Company shall offer those shareholders who have not voted in favor of the listing of the Company the acquisition of their shares at the price resulting from the application of the relevant regulations in force for a takeover bid on shares for cases of exclusion from trading.

The Company shall not be subject to the obligation set forth in the previous paragraph when its shares are admitted for trading in an official secondary Spanish trading market at the same time as the delisting from EURONEXT ACCESS PARIS.

6 COMPANY VALUATION AND FINANCIAL FORECASTS

6.1 COMPANY VALUATION

The Issuer has entrusted SAVILLS AGUIRRE NEWMAN, S.A. (hereinafter "**SAVILLS**") with an independent valuation of 100% of its shares. The delivery of this report, agreed with the Company on 22 January 2020, establishes a range of values as of 31 December 2019 and as of 19 February 2020 given subsequent events in relation to the acquisition already detailed in this Information Document.

The purpose of this company valuation is to provide independent expert opinion as to the fair value of the company regarding its situation according to the most recent available information.

This valuation is understood to have been carried out in accordance with internationally recognised criteria. Its ultimate purpose is to determine the Company´s fair value, defined as "The price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between market participants at the measurement date".

SAVILLS will also consider the applicable standards contained in the Red book de RICS (Royal Institution of Chartered Surveyors).

6.1.1 Methodology

In accordance with the information available to SAVILLS and their understanding of the characteristics and activities carried out by the Company, SAVILLS has considered that the most appropriate method for the valuation and estimation of a range of possible values of the totality of the Company is the method of Triple Net Asset Value or Triple NAV. Said method consists of calculating the value of the real estate company from the sum of the market value of its assets, deducting the amount of the financial debt, the net fiscal liabilities derived from the theoretical recognition of the market value of said assets, and other adjustments to the fair value of assets and liabilities.

The Triple NAV methodology is based on the company in operation hypothesis, assuming, according to the usual practice in the sector, the continuity in the nature of the assets currently in the portfolio. In this way, at the time of the sale of an asset, it would in any case be replaced by new assets destined for the same purpose.

Procedures

The market value of the assets has been estimated taking as a reference the valuation report of the assets as of AROCA DEL PINAR made by Savills Aguirre Newman Valoraciones y Tasaciones S.A.U.

In order to provide a range of values, SAVILLS has performed a sensitivity analysis to a variation in the Market Value of the assets provided by Savills Aguirre Newman, Valuations and

Valuations, S.A.U. of +/- 3%, with the lower range standing at €112 million and the upper range at €119 million.

AROCA DEL PINAR has mortgage financing at an interest rate of EURIBOR +1,85% with a term of 5 years with full repayment at maturity. After making an assessment of the debt, no adjustment has been made since it is at market levels.

An adjustment was made for the structural costs of the Company, costs that cover concepts not included in the valuation of the Company's assets but which are essential for its management, as well as for the Company's usual operations and are, as such, necessary for the realization of latent capital gains.

Due to AROCA DEL PINAR acceptance under the special tax regime of SOCIMI on 5 August 2019, its corporate tax rate has been set at 0%. Said tax rate, coupled with the long term asset tenancy philosophy of the company, leads SAVILLS to conclude that the gross capital gains, arising from the difference between the book value and market value of the asset, will not have impact in the valuation (€7,147,914) given the SOCIMI regime. SAVILLS understands that the potential capital gains should be analysed by the investor. It is market standard not to apply a fiscal rate in these cases, rendering unnecessary its adjustment for this concept.

Based on AROCA DEL PINAR rental business philosophy and aim of long term tenancy of its assets, we have proceeded with an analysis of the potential adjustment from municipal taxes on unrealized gains in land value, concluding that its impact would not be material and would in any case be within the range of values provided in the global valuation.

Valuation of the assets as of 31 December 2019 – Billball and Ballon subsidiaries

- Savills Aguirre Newman Valoraciones y Tasaciones S.A.U. was the company in charge of issuing the valuation report of the assets of AROCA DEL PINAR, made under RICS regulations.
- The total gross value of the assets amounts to €117,647,080.
- The valuation was made using the discounted cash flow method in all the assets.
- The period over which the cash flows have been calculated is 10 years.
- The discount rate applied is 8.50%.
- The "exit yield" applied is 6.50%.
- The period of commercialization after the loss of a tenant has been considered based on the characteristics of each unit.
- Acquisition costs amount to 0.55% of the gross value of the asset

- SAVILLS have considered marketing expenses ("letting fees") corresponding to 12% of the annual rent in the changes of tenants.

- The selling costs are estimated in 1.35% of the exit value calculated in the DFC ("Discounted Cash flow").

- The total net value of the assets amounts to €116,080,000

Subsequent event – Castellana Norte subsidiary

- CBRE Valuation Advisory, S.A. was the company in charge of issuing the valuation report of Castellana Norte Business Park, (acquired by AROCA DEL PINAR the 19 February 2020), made under RICS regulations.

- The valuation was made using the discounted cash flow method in all the assets.

- The period over which the cash flows have been calculated is 10 years.

- The discount rate applied is 7.25%.

- The “exit yield" applied is 5.25%.

- Acquisition costs are estimated in 2.57%.

- The period of commercialization after the loss of a tenant has been considered based on the characteristics of each unit.

- SAVILLS has considered marketing expenses ("letting fees") corresponding to 5% of the annual rent for new leases and 10% of the annual rent for tenant renewal.

- The selling costs are estimated in 0.5% of the exit value calculated in the DFC ("Discounted Cash flow").

- The total net value of the assets amounts to €134,000,000.

Triple NAV Methodology

SAVILLS has performed a valuation following the Triple NAV Methodology, taking as starting point the consolidated balance sheet of the Company for 31 December 2019, and the net present value of each of the assets in the portfolio. Thus, the components used in this valuation method are the following:

To the net asset value of the assets SAVILLS subtracts, the structure costs necessary for its operations and if applicable SAVILLS adjust for deferred capital gains. In the case of AROCA DEL PINAR there are no adjustments given that they have been bought under the SOCIMI regime.

As already mentioned, relevant events have taken place after 31 December 2019, so the following events have been taken into account:

- 28 January 2020: AROCA DEL PINAR acquire 100% of the shares of Castellana Norte Investments, S.L.U., previously called Donely Investments S.L.U. for €3,000.
- 19 February 2020: Castellana Norte Investments S.L. acquires Castellana Norte Business Park, located in Madrid, in the street Isabel de Colbrand number 22 for €126,963,500.
- In the same date, a financing agreement subscribed by CAIXABANK for the amount of 78,000,000 € is approved by AROCA DEL PINAR, as well as a group debt from HEREFV Holding, S.à.r.l. for the amount of €13,780,529.
- Heref V Holding, S.à.r.l. carried out a shareholder contribution to AROCA DEL PINAR for the amount of €39,372,512.
- 19 February 2020: AROCA DEL PINAR carries out a contribution to Castellana Norte Investments S.L. of 39,331,512 € to be registered in the account number 118 “Contributions of shareholder or owners” of the Spanish General Accountancy Plan. The shareholder’s contribution does not modify the Company’s share capital.
- CBRE has carried out the RICS valuation of Castellana Norte Business Park being the market value €134,000,000.

The following table shows the results obtained for the company AROCA DEL PINAR, taking into account the above subsequent events:

COMPANY VALUATION	(€) LOW	(€) MEDIUM	(€) HIGH
Market value of portfolio	242,577,600	250,080,000	257,582,400
Net Financial position	(59,356,334)	(59,356,334)	(59,356,334)
19/02/2020 adjustments	(91,780,529)	(91,780,529)	(91,780,529)
Other Assets & Liabilities	(14,779,354)	(14,779,354)	(14,779,354)
Structural costs	(3,779,599)	(3,779,599)	(4,021,255)
NET ASSET VALUE	**72,921,784**	**84,286,643**	**87,664,928**

Value of AROCA DEL PINAR:	€72,921,784 - €87,644,928
Price per Share:	€ 14.58 - €17.53

Following SAVILLS´s valuation report, the Board of Directors unanimously agreed on 15 July 2020 the value of 100% of its shares to be €73,002,7300.2 hence establishing a price per share of €14.60.

6.2 REAL ESTATE VALUATION

The Issuer has entrusted SAVILLS with an independent valuation of its assets Complying with said mandate, SAVILLS issues a valuation report for the Company's assets with the valuation date being 31 December 2019.

Following the subsequent event, the Company entrusted CBRE with an independent valuation of Castellana Norte Business Park.

Valuation Methodology – Etorbidea 1, Portugalete, Vizcaya – Ballonti Shopping Centre & Petrol Station

In arriving at the opinion of Market Value for the subject property, Savills has applied a DCF approach having regard to the rental income over a 10-year period. They have taken the passing rents for the current leases' length and used market assumptions.

On the current vacant units in the centre, Savills has applied void periods of between 6 to 24 months after considering the specific location of each vacant unit within the shopping centre, the total area, and the display of unit. Savills has also taken account of the future business plans proposals for the centre and their incorporation of currently vacant units where relevant.

Additionally, Savills has considered several kiosks and storages as structural vacancy. The expiry void period of the currently occupied units varies from 1 to 6 months except those contracts which they expect to be renewed due to strong effort ratios. On the other hand, those tenants with heightened effort ratios we considered that the break options will be exercised.

Non-recoverable costs have been deducted from the gross income which results in a running yield of 6.55% in the first year.

Savills applied the following growth parameters in their DCF calculations:

- Annual inflation of 0.90% in Years 1, 1.3% Year 2, 1.50% in Year 3, 1.90% in Year 4 and 2.00% in Year 5 and thereafter (average based on inflation forecasts by leading economic institutes).
- Rental growth according to annual inflation.

The exit yield is calculated by benchmarking against the most recent sales transactions available to Savills in the market, then adjusting this yield to reflect the property specific and non-specific risks associated with the subject property. Savills has capitalised the income from the property in 10 years' time by applying a 6.50% exit yield to produce and then deducting the costs associated with the sale to produce a net exit value for the property at the time of issuing the report.

Based on the above assumptions, and after estimating the income stream for the 10 year period, including the exit value (a hypothetical sales price at the end of the period of the cash flow), Savills has discounted the cash flow to the valuation date by applying a 8.50% discount rate to reflect the targeted return that a potential purchaser would request for an investment product with the subject property's risk profile.

From the Gross amount Savills deducted standard purchasers' costs to arrive at the Net value - the Market Value.

PRINCIPAL VALUATION CONSIDERATION

Strengths

- The centre is well let and has a strong fashion component with some of the most successful retailers in the Spanish market (Primark, H&M, Bershka, Pull & Bear, Springfield, Intimissimi) and also comprises an Eroski hypermarket.

- Bilbao is a relatively wealthy regional city in Spanish terms. Ballonti is sited next to the A-8 highway which links Portugalete to Bilbao and the north coast.

- The Bilbao metropolitan area has a population of 910,578 residents, and Viscaya 1,155,241. Bilbao is the sixth largest city in Spain in terms of population and one of the wealthiest after Madrid and Barcelona.

- The centre opened in 2008 and has consolidated its position in the Bilbao shopping centre market since.

- Footfall in the centre reached in 5,917,440 in 2015 then dipped by 1.3% in 2017 before rising again to 1.06% in 2016 and then 3.7% 5,996,636 in 2018 which is a stabilised level for a shopping centre of this size in the Spanish market.

Weaknesses

- Portugalete is one of the lower income areas of the wider Bilbao area and as such the centre doesn't perform as well as some of the others in the city. For example, Max Center, Zubiarte and Artea are all located in higher income, stronger areas.

- The centre is now 10 years old and although it has been generally well maintained, will need a programme of maintenance works to maintain its competitiveness and its position within the local market.

- The centre lost C&A as tenant.

- The local shopping centre offer is strong with the principal competition being formed by the offer in Barakaldo. Max Center, Megapark and The Fashion Outlet centre form strong competition which when combined with Zubiarte, Artea, and Bilbondo, together with Bilbao city centre. Notwithstanding this, Ballonti is a well-established and consolidated centre in the north western area of the city.

- The centre currently has a relatively high vacancy rate of 7.8% (2,969 sqm, 29 units and storage). This is in part due to the introduction of new kiosks.

Market Value

Savills is of the opinion that the Market Value of the equivalent freehold interest in the Retail Gallery part of the property, as at the date of valuation, is:

€86,940,000

(Eighty-Six Million Nine Hundred and Forty Thousand Euros)

Savills is of the opinion that the Market Value of the equivalent freehold interest in the Hypermarket and Petrol Station part of the property, as at the date of valuation, is:

€29,140,000

(Twenty-Nine Million One Hundred and Forty Thousand Euros)

Savills is of the opinion that the total Market Value of the equivalent freehold interest in the Retail Gallery, Hypermarket and Petrol Station, as at the date of valuation, is:

€116,080,000

(One Hundred and Sixteen Million Eighty Thousand Euros)

Valuation Methodology – Calle Isabel Colbrand 22, Madrid

CBRE has adopted the discounted cash flow (DCF) approach of valuation to determine the Market Value of the Property, having performed a cross-check with the traditional income/investment method of valuation.

The principal components of the DCF valuation are detailed as follows:

- Acquisition costs: estimated to be 2.57%. Deducted from the gross cost in order to arrive at the net value for the property.

- Market rent: As a result of our market study, and following adjustments for location, size, and quality, we are of the opinion that the appropriate Market Rent (core income) for the subject asset is €14.00/sqm/month for the office space and €110/unit/month for the interior parking units and €90/unit/month for the exterior units. For the antenna, we have considered as ERV the same current rent. The total estimated gross market rent is € 8,434,558 per annum.

The above market rent is the headline rental level and does not reflect any rent-free periods, stepped rents or other incentive. For the purposes of the valuation, we have considered 5-year contracts for vacant space with a rent free of 5 months.

- Required Rate of Return: CBRE adopts a target rate of 7.25%, which provides a reasonable "risk premium" to reflect the risk of the property.
- Exit yield: CBRE assumed that the appropriate exit yield at the date of disposal would be in the order of 5.25%.
- CapEx: no CapEx has been assumed.
- CPI: 1.63%, 1.70%, 1.63%, 1.72% for the years 2021, 2022, 2023 and 2024. 2% in perpetuity.
- No-recoverable costs:
    - Contingencies: 2% of rental revenue.
    - Service charge:
        - Building A: €3.23 sqm/month.
        - Building B: €4.26 sqm/month.
        - Building C: €3.45 sqm/month.
        - Building D: €3.18 sqm/month.
    - Structural vacancy: 5.65% of the Rental Value; 5.92% of total area.
    - Letting fees: 5% of rental value at lease end date for new leases and 10% for renewal.

Strenghts

- High quality building.
- Adapted to tenant: can be either single or multitenant.
- High number of parking units.
- Excellent access by car from the M40 and Carretera de Fuencarral.
- Subway within a 12-minute walking distance and Cercanias within 15-minutes.

Weaknesses

- Building D in need of refurbishment.
- Located in a consolidated office area, however, in the rear end of Las Tablas, in the area known as Fuencarral-Maria Tubau.
- Sabadell currently paying for a vacant unit.
- Controversies regarding Huawei, a company suffering restrictions with regard to its operations in EEUU, and which may see its operations in Europe affected too.

Market Value

CBRE is of the opinion that the Market Value of the equivalent freehold interest in Castellana Norte Business Park, as at the date of valuation, is:

€134,000,000(One Hundred and Thirty-Four Million Euros)

PROPERTY ADDRESS	PROPERTY TYPE	LOCATION	LEASABLE SURFACE AREA (sqm)	NET MARKET VALUE
Etorbidea 1, Portugalete, Vizcaya	Shopping Centre, Petrol Station & Hypermarket	Vizcaya	39,239	€86,940,000
Etorbidea 1, Portugalete, Vizcaya	Petrol Station & Hypermarket	Vizcaya	13,422	€29,140,000
Calle Isabel Colbrand 22	Business park	Madrid	44,086	€134,000,000
Total				€250,080,000

6.3 BUSINESS PLAN

Below the is the Profit and Loss forecast for the years ending 2020, 2021, and 2022 is shown, which has been prepared using criteria comparable to those used in the preparation of the Company's Financial Statements and considering the assumptions explained below:

PROFIT AND LOSS ACCOUNT	2020E	2021E	2022E
Net turnover	**12,996,734**	**18,705,869**	**16,020,294**
Sales	12,996,734	18,705,869	16,020,294
Other Operating Expenses	**(1,746,157)**	**(1,528,802)**	**(1,202,120)**
Depreciation and amortisation	**(3,686,762)**	**(3,944,593)**	**(3,994,168)**
RESULTS FROM OPERATING ACTIVITIES	**7,563,815**	**13,232,474**	**10,824,007**
Finance expense	**(3,701,088)**	**(3,975,835)**	**(3,923,845)**
Payable to Group companies and associates	(1,388,848)	(1,480,718)	(1,480,718)
Payable to third parties	(2,312,239)	(2,495,117)	(2,443,127)

PROFIT AND LOSS ACCOUNT	2020E	2021E	2022E
NET FINANCE INCOME/(EXPENSE)	(3,701,088)	(3,975,835)	(3,923,845)
PROFIT/(LOSS) BEFORE INCOME TAX	3,862,727	9,256,639	6,900,162
Income Tax	-	-	-
PROFIT/(LOSS) FOR THE PERIOD / YEAR	3,862,727	9,256,639	6,900,162

The Company continues to monitor the situation on an ongoing basis and to this date, it has not experienced any material impact, nor will it expect effects on coming years. Please see section 4.4, subsection 4.4.2 "Risk arising from the effect of COVID-19".

The information of these starting hypothesis is detailed below:

Net turnover

- In 2021 the increase in sales income year on year is primarily due to lease surrender premium income of €4.7m to be received by Banco Sabadell within the Castellana asset. The remaining increase in 2021 of €1m is due to a mixture of leasing of new tenants to occupy vacant areas and improving existing lease terms of tenants across Ballonti and Castellana assets to increase rental income.

  In 2022 the decrease in sales income year on year is due to the one-off lease surrender premium income to be received in 2021. Excluding this one-off premium income, the rental income increase of €2m is due to a mixture of leasing of new tenants to occupy vacant areas and improving existing lease terms of tenants across Ballonti and Castellana assets to increase rental income. This includes letting of the vacant space previously surrendered by Banco Sabadell to a new tenant under improved terms following capital expenditure to improve the surrendered units.

Other operating expenses

- The decrease year on year is primarily due to the decrease in void space costs covered by the landlord due to increase in occupancy (see Sales commentary).

Depreciation and amortisation

- In the case of the group properties the depreciation percentage is 2% for the construction element of the Investment Properties. Depreciation is on a straight-line basis.
- The amortisation relates to the capitalised bank loan fees which are amortised over the loan term through the Income statement under the effective interest rate method

Financial expenses

- The finance expenses are lower in 2020 due to the fact that Castellana Norte Business Park was acquired part way through 2020 (in Febrary).

- Third party interest expense is slightly lower in 2022 due to the effect of partial repayments of loan principals every quarter.

Tax

- The Company is a SOCIMI and as such, is subject to 0% corporation tax

The business plan data have been prepared using criteria comparable to that used for the historical financial information

The Profit and Loss forecast reflected in this section has been prepared by using accounting criteria consistent with those used for the preparation of the Financial Statements, described in section 8 of this Informational Document.

The Profit and Loss forecast presented above has not been subject to audit review or any type of assurance by independent auditors.

Main assumptions and factors that could substantially affect compliance with the forecasts or estimates

The main assumptions and factors, which could substantially affect the fulfilment of the forecasts or estimates, are detailed in point 5 of this Informational Document. In addition to those mentioned in the section indicated above, a series of factors are listed below which, although not including all possible factors are those which could substantially affect the fulfilment of the forecasts

- Risk of inaccurate estimation of the market rents
- Default risk higher than that estimated in the invoiced rents
- Risk of lack of occupancy in the leased properties
- Risk of non-occupancy of the new properties acquired
- Risk of increase in third-party costs (marketing, insurers, utilities, and professional services suppliers)
- Risk of increase in the estimated CapEx and OpEx levels

6.4 COMPANY'S FINANCIAL RESOURCES FOR AT LEAST TWELVE MONTHS AFTER THE FIRST DAY OF TRADING

Working Capital 12 months (€)	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21
Total Cash Inflows	**1,291,690**	**1,265,895**	**1,265,895**	**1,264,855**	**1,264,855**	**1,264,855**	**1,279,278**	**5,907,698**	**1,199,538**	**1,205,462**	**1,160,357**	**1,160,357**	**1,141,388**	**1,133,535**	**1,133,535**
Property Management fee	(13,138)	(13,138)	(13,138)	(13,342)	(13,342)	(13,342)	(13,587)	(13,587)	(13,587)	(13,688)	(13,688)	(13,688)	(13,588)	(13,588)	(13,588)
Non-recoverable costs	(22,439)	(22,439)	(22,439)	(32,654)	(32,654)	(32,654)	(17,873)	(17,873)	(17,873)	(26,465)	(80,090)	(80,090)	(71,322)	(230,477)	(230,477)
Void rate & service charge	(48,581)	(48,649)	(48,649)	(46,943)	(47,012)	(47,012)	(46,668)	(68,890)	(68,890)	(68,707)	(61,676)	(61,676)	(60,476)	(38,291)	(38,291)
Annual Opex and maintenance	(36,037)	(2,703)	(2,703)	(2,703)	(2,703)	(2,703)	(2,703)	(2,703)	(2,703)	(2,703)	(32,476)	(32,476)	(32,476)	(56,239)	(56,239)
Capital expenditures	(112,444)	(196,359)	(196,359)	(196,359)	(196,651)	(196,651)	(196,651)	(571,333)	(571,333)	(571,333)	(507,583)	(507,583)	(507,583)	(48,694)	(48,694)
Financing expenses	(443,035)	(442,206)	(442,206)	(436,746)	(435,917)	(435,917)	(435,790)	(434,961)	(434,961)	(434,834)	(434,005)	(434,005)	(439,211)	(438,383)	(438,383)
Corporate costs	(49,583)	(29,583)	(29,583)	(29,583)	(29,583)	(29,583)	(29,583)	(29,583)	(29,583)	(29,583)	(29,583)	(29,583)	(29,583)	(29,583)	(29,583)
Total Cash Outflows	**(848,650)**	**(878,472)**	**(878,472)**	**(881,724)**	**(881,257)**	**(881,257)**	**(866,250)**	**(1,262,325)**	**(1,262,325)**	**(1,270,707)**	**(1,282,495)**	**(1,282,495)**	**(1,277,633)**	**(978,649)**	**(978,649)**
Net cash flow	**443,040**	**387,423**	**387,423**	**383,131**	**383,598**	**383,598**	**413,028**	**4,645,373**	**(62,787)**	**(65,246)**	**(122,138)**	**(122,138)**	**(136,245)**	**154,886**	**154,886**
Cash at the beginning of each month	**6,041,477**	**6,484,517**	**6,871,940**	**7,259,363**	**7,642,494**	**8,026,092**	**8,409,690**	**8,822,718**	**13,468,091**	**13,405,304**	**13,340,059**	**13,217,921**	**13,095,783**	**12,959,539**	**13,114,425**
Cash at the end of each month	**453,040**	**6,871,940**	**7,259,363**	**7,642,494**	**8,026,092**	**8,409,690**	**8,822,718**	**13,468,091**	**13,405,304**	**13,340,059**	**13,217,921**	**13,095,783**	**12,959,539**	**13,114,425**	**13,269,311**

The Board of Directors declared at their Board of Directors´ meeting held on 23 June 2020 at the Company´s registered office, that the Company has sufficient capital to meet all its short-term liabilities for the 12-month following its admission to listing on Euronext Access Paris.

7 FINANCIAL INFORMATION FOR THE 2019 FISCAL YEAR AS OF 31 DECEMBER 2019

The financial statements set out in this Information Document have been prepared in accordance with accounting principles referred to in section 7.3, and the selected financial data included have been derived from the Limited Review on financial statements for the financial year as of 31 December 2019, contained in the respective report, so they should be read in conjunction with the financial statements and notes included therein.

The Spanish language financial statements have been audited by GT.

The financial statements (including the report on such financial years) are available on the Company's website: https://www.arocadelpinarsocimi.es/

The selected financial data of the financial statements included in this Information Document have been translated into English from the Spanish version of the audited financial statements, and their content appears for information purposes. In case of any discrepancies, the information included in the Spanish version of the audited financial statements shall prevail.

The financial statements as of 31 December 2019 together with the auditors' report are attached as **Appendix I**.

7.1 CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2019

ASSETS	31/12/2019 (€)
NON-CURRENT ASSETS	**110,014,598.83**
Investment property	**108,932,082.66**
Land	17,374,308.38
Buildings	91,557,774.28
Non-Current Investments	**1,082,516.17**
Other financial assets	1,004,315.17
Derivatives	78,201.00
CURRENT ASSETS	**4,814,866.66**
Inventory	**59,297.34**
Commercial debtors and other trade receivables	**29,747.10**
Customer receivables for sales and services	16,640.78
Other credit with public institutions	13,106.32
Intragroup investments	**279,318.13**
Other financial assets	279,318.13
Short-term accruals	**59,744.69**
Cash and bank balances	**4,386,759.40**
Cash and bank balances	4,386,759.40
TOTAL ASSETS	**114,829,465.49**

EQUITY AND LIABILITIES	31/12/2019 (€)
EQUITY	**34,796,394.48**
Shareholders´ equity	34,796,394.48
Share Capital	**5,000,187.76**
Subscribed capital	5,000,187.76
Voluntary reserves	**(877.62)**
Results from previous years	**(2,420.00)**
Difference on first-time consolidation	**(6,612.03)**
Other shareholders´ contribution	**28,631,237.83**
Financial period´s earnings	**1,174,878.54**
NON CURRENT LIABILITIES	**77,470,764.74**
Long-term debt	**65,852,049.32**
Bank borrowings	64,541,195.18
Other financial liabilities	1,310,854.14
Debt with related parties	**11,618,715.42**
CURRENT LIABILITIES	**2,562,306.27**
Short-term debt	**1,298,839.64**
Bank borrowings	563,732.46
Other financial liabilities	322,563.21
Short-term debt with related parties	412,543.97
Trade and other payables	**1,263,466.63**
Providers	596,851.76
Short-term provisions	135,328.52
Other debt with public institutions	504,128.33
Customer advances	27,158.02
TOTAL EQUITY AND LIABILITIES	**114,829,465.49**

7.2 INCOME STATEMENT AS OF 31 DECEMBER 2019

Below is the consolidated income statement for the Company corresponding to 2019 as of 31 December 2019.

PROFIT AND LOSS ACCOUNT	31/12/2019 (€)
Net revenues	**4,977,881.85**
Sales	4,977,881.85
Other operating expenses	**(1,768,268.31)**
External services	(1,644,801.91)
Local taxes	(123,466.40)
Depreciation of fixed assets	**(826,724.00)**
Other results	**1,546.26**
OPERATING PROFIT/LOSS	**2,384,435.80**
Financial expenses	**(1,072,958.31)**
Debt with related parties	(412,543.97)
Debt with third parties	(660,414.34)
Change in value of financial instruments	**(136,598.95)**
FINANCIAL PROFIT/LOSS	**1,174,878.54**
PROFIT/LOSS BEFORE TAX	**1,174,878.54**
FINANCIAL PERIOD´S EARNINGS	**1,174,878.54**

7.3 PRINCIPLES, RULES AND ACCOUNTING METHODS

The financial statements are prepared using the accounting records of AROCA.

The Directors of the company are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results, in accordance with Spanish GAAP, and in according with Law 16/2007 of 4 July, 2007 concerning the reform and adaptation of the commercial legislation in terms of accounting for its international harmonisation based on European Union legislation, Royal Decree 1514/2007 of 16 November, 2007 approving the General Accounting Plan, and Royal Decree 1159/2010 of 17 September, 2010 approving the standards for the preparation of annual accounts, in all that does not expressly oppose that set out in the commercial reform mentioned with the aim of presenting a true image of the equity, financial situation and results of the group as well as the accuracy of the cash flows included in the cash flow statement.

7.4 SCHEDULED DATE FOR FIRST SHAREHOLDER'S GENERAL MEETING, AND FIRST PUBLICATION OF EARNINGS FIGURES

The Company will hold its first Shareholder's General Meeting as a listed company in May 2021, although the scheduled date had not been determined at the time of writing.

Publication of the Company's earnings figures following the listing admission will be in 30 June 2021.

8 LISTING SPONSOR

ARMANEXT ASESORES, S.L.

Paseo de la Castellana 56, Bajo Derecha, 28046 Madrid (Spain)

Phone number: +34 911 592 402

www.armanext.com

APPENDIX I: FINANCIAL STATEMENTS AT 31 DECEMBER 2019, AND AUDITORS' REPORT

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

2019 Consolidated Annual Accounts and report of the Directors

Includes the Audit Report on the Consolidated Annual Accounts

Grant Thornton
Paseo de la Castellana, 81
28046 Madrid
T. +34 91 576 39 99
F. +34 91 577 48 32
www.GrantThornton.es

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

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

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

Opinion

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

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

Basis for opinion

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

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

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

Emphasis of matter

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

GrantThornton

Most relevant audit aspects

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

Registration and valuation of real estate investments

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

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

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

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

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

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

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

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

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

Other matter

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

Other information: Consolidated directors' report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ROAC nº S0231

Marta Alarcón Alejandre

14 May 2020

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

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

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

CONSOLIDATED BALANCE SHEET AT THE END OF 2019

(In euros)

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

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

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

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

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

(In euros)

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

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

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

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

(In euros)

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

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

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

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

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

(In euros)

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

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

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

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

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

(In euros)

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

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

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR 2019

(In euros)

1. GENERAL INFORMATION

1.1 Parent Company

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

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

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

The current period includes the 2019 calendar year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

To this regard, the period will be calculated:

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

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

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

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

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

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

(In euros)

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

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

1.2 Subsidiaries

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2 BASIS OF PREPARATION OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

2.1 True and fair view

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

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

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

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

2.2 Non-mandatory accounting principles

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

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

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

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

Impairment of non-current assets

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

Fair value of derivatives or other financial instruments

These include financial derivatives classified as hedge instruments.

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

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

Fulfilment of the requirements for application of the SOCIMI Scheme:

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

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

2.4 Comparative information - date of first consolidation

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

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

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

2.5 Grouping of items

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

2.6 Limitations on the distribution of dividends

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

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

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

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

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

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

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

2.7 Consolidated annual financial statements

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

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

3 ACCOUNTING PRINCIPLES

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

3.1 Subsidiaries

Acquisition of control

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

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

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

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

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

Acquisition of control by phases

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

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

Consolidation method

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

This method requires the following:

(i) Time standardisation.

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

(ii) Value standardisation.

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

(iii) Aggregation.

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

(iv) Elimination of investment-equity.

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

(v) Shareholding of external partners.

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

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

(vi) Elimination of intra-group items.

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

<u>Change in shareholding without loss of control</u>

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

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

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

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

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

- The resulting necessary adjustment will be recognised in reserves.

<u>Loss of control</u>

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

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

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

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

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

3.2 Investment properties

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

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

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

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

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

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

3.3 Impairment of investment property

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

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

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

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

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

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

3.4 Leases

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

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

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

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

3.5 Financial instruments

Recognition

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

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

Classification and separation of financial instruments

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

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

Offsetting principles

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

3.7.1 Financial assets

Classification

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

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

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

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

Initial measurement

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

Subsequent measurement

Loans and receivables

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

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

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

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

Derecognition of financial assets

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

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

3.7.2 Financial liabilities

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

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

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

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

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

Derecognition of financial liabilities

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

3.8 Financial derivatives and accounting hedges

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

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

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

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

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

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

3.9 Business combination

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

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

3.10 Cash and cash equivalents

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

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

3.11 Foreign currency transactions

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

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

3.12 Current and deferred tax

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

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

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

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

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

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

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

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

3.13 Income and expense

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

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

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

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

3.14 Provisions and contingencies

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

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

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

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

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

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

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

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

3.16 Related party transactions.

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

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

3.17 Segment reporting

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

3.18 Equity of the Parent Company.

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

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

3.19 Cash flow statement.

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

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

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

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

4. FINANCIAL RISK MANAGEMENT

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

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

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

4.1 Financial risk management

a) Market risk

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

Interest rate risk

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

Currency risk

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

Price risk

The Group is not exposed to any price risk

b) Credit risk

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

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

c) Liquidity risk

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

4.2. Estimation of fair value

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

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

(In euros)

5. BUSINESS COMBINATION

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

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

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

b. Bilball Centre Investments, S.L.:

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

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

6. INVESTMENT PROPERTIES

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

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

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

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

Details are as follows:

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

There have been no investment property disposals in 2019.

(In euros)

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

a) Fully depreciated assets

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

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

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

b) Impairment losses

During 2019 no impairment losses took place in investment properties.

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

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

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

c) Collateral investment properties

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

d) Insurance

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

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

7. LEASES

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

(In euros)

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

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

8. ANALYSIS OF FINANCIAL INSTRUMENTS.

8.1 Analysis by category.

Financial assets

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

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

A) Current and non-current financial investments.

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

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

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

B) Derivatives

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

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR 2019

(In euros)

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

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

Financial liabilities

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

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

A) Loans and borrowings:

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

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

B) Payables to Group companies:

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

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

C) Deposits and guarantees

(In euros)

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

8.2 Analysis by maturity.

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

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

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

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

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

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

9. LOANS AND RECEIVABLES

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

(In euros)

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

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

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

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

10. CASH AND CASH EQUIVALENTS

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

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

11. SHAREHOLDERS' EQUITY

11.1 Share Capital

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

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

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

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

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

(In euros)

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

11.2. Shareholder contributions

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

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

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

a) Legal reserve

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

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

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

b) Voluntary reserves

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

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

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

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

d) Limitations on the distribution of dividends

(In euros)

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

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

e) Contribution to consolidated profit/(loss)

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

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

12 DEBITS AND PAYABLES

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

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

a) Loans and borrowings:

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

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

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

This loan is divided between the two subsidiaries:

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

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

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

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

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

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

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

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

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

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

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

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

b) Payables to related companies

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

c) Information on deferral of payments to suppliers

(In euros)

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

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

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

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

Average Payment Period	130.84 days

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

13 INCOME TAX AND TAX POSITION

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

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

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

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

(In euros)

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

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

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

14 INCOME AND EXPENSE.

14.1 Net turnover.

Details of net turnover in 2019 are as follows:

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

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

a. Other operating expense.

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

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

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

(In euros)

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

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

b. Finance income/(expense)

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

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

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

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

15 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

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

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

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

a. Remunerations to Directors and Senior Management.

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

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

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

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

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

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

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

16 OTHER INFORMATION

a) Contingencies

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

b) Commitments

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

17 ENVIRONMENTAL INFORMATION AND GREENHOUSE GAS EMISSION ALLOWANCES

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

18 ENVIRONMENTAL INFORMATION

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

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

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

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

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

20 SUBSEQUENT EVENTS

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

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

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

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

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

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

Information on the COVID-19 impact:

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

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

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

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

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

(In euros)

Annex I

Information relative to AROCA DEL PINAR, S.A.

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

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

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

CONSOLIDATED DIRECTORS' REPORT FOR 2019

1.- Business performance and situation of the Group companies

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

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

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

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

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

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

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

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

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

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

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

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

2.- Foreseeable performance of Group companies.

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

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

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

3.- Research and development activities.

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

4.- Acquisitions of treasury shares.

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

5.- Significant events subsequent to year-end

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

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

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

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

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

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

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

These ratios are:

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

6.- Derivative financial instruments

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

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

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

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

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

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

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

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

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

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

Average Payment Period	130.84 days

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

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

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

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

9.- Key Indicators

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.

CONSOLIDATED DIRECTORS' REPORT FOR 2019

Commercial situation

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

10.- Group activity

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

11.- Economic and Financial Reporting

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

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

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

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

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

12.- Information on the average number of employees.

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

13.- Information on the COVID-19 impact.

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

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

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

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

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

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

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

PRESENTATION OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR 2019

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

Madrid, 12 May 2020

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Mr Roque Roateche Ozores Managing Director	Ms Carolina Clemente Managing Director	Mr Víctor Salamanca Cuevas Board Member