

Árma Real Estate SOCIMI, S.A. and subsidiaries

Independent auditor's report on the consolidated annual accounts
for the year-ended December 31, 2020



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor's report on the consolidated annual accounts

To the shareholders of Árima Real Estate SOCIMI, S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Árima Real Estate SOCIMI, S.A. (the Parent company) and subsidiaries (the Group), which comprise the balance sheet as at December 31, 2020, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at December 31, 2020, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. 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 relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters 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 matters.



Key audit matter	How our audit addressed the key audit matter
<p data-bbox="277 470 691 504"><i>Valuation of investment Properties</i></p> <p data-bbox="277 533 791 902">Investment properties make up 67% of the Group's assets. As described in note 2.7, the Group applies the fair value model in accordance with IAS 40 and has recognised a variation in the fair value of investment property amounting to €15,469 thousand in the consolidated income statement, as indicated in note 6. Total investment properties recognised in non-current assets on the consolidated balance sheet amount to €275,750 thousand at 31 December 2020.</p> <p data-bbox="277 931 798 1301">The Group recognises the value of investment property based on independent expert valuations. Valuations are performed in accordance with the Appraisal and Valuation Standards published by the Royal Institute of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS) published by the International Standards Valuation Committee (ISVC), whose methodology is described in notes 2.4 and 6 to the consolidated financial statements.</p> <p data-bbox="277 1330 798 1514">Valuers consider specific variables such as the lease contracts signed and specifically its rents. Similarly, they apply certain key assumptions such as exit yields, estimated market rent and comparable transactions in order to arrive at a final valuation.</p> <p data-bbox="277 1543 770 1758">The significance of the estimates and judgements involved in these valuations, coupled with a minor difference in percentage terms in the valuation of a property, could result in a material figure, meaning that the valuation of investment property is considered a key audit matter.</p>	<p data-bbox="826 533 1458 658">For acquisitions of investment property, we verified the key supporting documentation, such as contracts and sale-purchase deeds or other documents affecting the price.</p> <p data-bbox="826 687 1425 813">Additionally, we obtained the valuation of property investments carried out by Management's independent experts, on which we performed the following procedures among others:</p> <ul data-bbox="826 842 1474 1435" style="list-style-type: none"><li data-bbox="826 842 1474 967">• Verification of the expert's competence, capacity and independence by obtaining confirmation and corroborating its professional standing in the market.<li data-bbox="826 996 1353 1093">• Verification that the valuations were performed according to accepted methodology.<li data-bbox="826 1122 1474 1274">• Discussion of the principal key assumptions of the valuation through sundry meetings with the expert valuer and management, assessing the consistency of the main assumptions used taking existing market conditions into account.<li data-bbox="826 1303 1465 1435">• Performance of selective tests to corroborate the accuracy of the most relevant data provided by Management to the valuer and used by it in the valuations <p data-bbox="826 1464 1402 1561">Additionally, we assessed the sufficiency of the information disclosed in the consolidated annual accounts.</p> <p data-bbox="826 1590 1444 1686">The results of the procedures performed allowed us to reasonably obtain the audit objectives for which these procedures were designed.</p>

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2020 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.



Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility regarding the consolidated management report, in accordance with legislation governing the audit practice, is to:

- a) Verify only that the statement of non-financial information and certain information included in the Annual Corporate Governance Report, as referred to in the Auditing Act, has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.
- b) Evaluate and report on the consistency between the rest of the information included in the consolidated management report and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2020 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit and control committee for the consolidated annual accounts

The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company's directors 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 aforementioned directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent company's audit and control committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

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 legislation governing the audit practice in Spain 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 legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:



- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive 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 accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company's directors.
- Conclude on the appropriateness of the Parent company's directors' 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 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 annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 Parent company's audit and control committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent company's audit and control committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit and control committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company's audit and control committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

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



Report on other legal and regulatory requirements

Report to the Parent company's audit and control committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent company's audit and control committee dated 25 February 2021.

Appointment period

We were appointed Group auditors for a three-year period as from the year ended 31 December 2018 at the general meeting of shareholders held on 18 October 2018.

Services provided

Non-audit services provided to the Group are described in note 20 to the accompanying consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish by
Rafael Pérez Guerra (20738)

February 25, 2021



This version of the consolidated annual accounts is a free translation from the original, which is prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the consolidated financial statements takes precedence over this translation.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

Consolidated Annual Accounts and at 31 December 2020
and Consolidated Management Report
for the financial year 2020



ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

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Consolidated Management Report for the financial year ended on 31 December 2020.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2020
(Thousand euros)**

ASSETS	Note	At 31 December 2020	At 31 December 2019
NON- CURRENT ASSETS			
Intangible assets		69	-
Property, plant and equipment	5	278	136
Investments properties	6	275,750	221,650
Non-current investments		2,493	842
Loans to third parties	7, 8	1,556	-
Other non-current financial assets	7, 8	937	842
		278,590	222,628
CURRENT ASSETS			
Trade receivables and other receivable accounts		6,530	1,204
Trade receivables for sales and services	7, 8	299	303
Other receivable accounts	7, 8	1,697	322
Personnel	7, 8	-	103
Other credits held with Public Authorities	8, 15	4,534	476
Other current financial assets	7	135	303
Prepayments for current assets	7	232	158
Cash and cash equivalents	9	129,086	153,967
Cash and banks		129,086	153,967
		135,983	155,632
		414,573	378,260

Notes 1 to 22 to the consolidated annual accounts form an integral part of the Consolidated Annual Accounts at 31 December 2020.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2020
(Thousand euros)**

EQUITY AND LIABILITIES	Note	At 31 December 2020	At 31 December 2019
EQUITY			
Share capital	10	284,294	284,294
Share premium	10	5,769	5,769
Reserves	11	5,267	(9,924)
Profit (loss) for the period		13,091	15,359
Other equity instruments	17	-	5,610
Treasury shares	10	(5,082)	(625)
Hedging transactions	11 , 14	(1,486)	(735)
		301,853	299,778
NON CURRENT LIABILITIES			
Bank loans and credits	7 , 12	104,039	72,427
Financial hedging derivatives	7 , 14	1,486	735
Other non-current financial liabilities	7	960	956
		106,485	74,118
CURRENT LIABILITIES			
Bank loans and credits	7 , 12	39	210
Other current financial assets	7	100	250
Trade and other payables	12	6,096	3,804
Commercial creditors and other payables	12	2,251	2,314
Other current debts	12 , 13	1,200	135
Other debts with Public Authorities	15	2,645	1,355
Pre-receivables for current assets		-	100
		6,235	4,364
		414,573	378,260

Notes 1 to 22 to the consolidated annual accounts form an integral part of the Consolidated Annual Accounts at 31 December 2020.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED ON 31

DECEMBER 2020

(Thousand euros)

	Note	Financial year ended 31 December 2020	Financial year ended 31 December 2019
<u>CONTINUED OPERATIONS</u>			
Revenue	13	6,136	5,740
Changes in fair value of investment properties	6	15,469	21,589
Personnel costs	13, 17	(4,424)	(8,609)
Other operating costs	13	(3,020)	(2,543)
Losses on disposal of fixed assets		-	(33)
Amortisation and depreciation	5	(28)	(11)
		14,133	16,133
OPERATING RESULTS			
Financial income		3	-
Financial expenses		(1,045)	(744)
	13	(1,042)	(744)
FINANCIAL RESULT			
		13,091	15,389
PRE-TAX RESULT			
Income tax	15	-	-
	13	13,091	15,389
PROFIT (LOSS) FOR THE FINANCIAL YEAR			
Earnings per share attributable to the parent Company's owners			
(euros per share)			
Basic and diluted earning per share	10	0.47	1.05

Notes 1 to 22 to the consolidated annual accounts form an integral part of the Consolidated Annual Accounts at 31 December 2020.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020

(Thousand euros)

	Note	Financial year ended on 31 December 2020	Financial year ended on 31 December 2019
Profit (Loss) for the financial year	13	13,091	15,389
<u>Other comprehensive income:</u>			
Entries that may subsequently be reclassified to results		(751)	(735)
Other results		-	-
Cash-flow hedges transactions	11, 14	(751)	(735)
Entries that won't subsequently be reclassified to results		-	-
Other comprehensive results for the financial year		(751)	(735)
Total comprehensive income for the financial year		12,340	14,654

Notes 1 to 22 to the consolidated annual accounts form an integral part of the Consolidated Annual Accounts at 31 December 2020.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020 (Thousand euros)

	Capital (Note 10)	Share Premium (Note 10)	Reserves (Note 11)	Accumulated earnings (Note 11)	Other equity instruments (Note 17)	Treasury Shares (Note 10)	Hedging Reserve (Note 11)	TOTAL
BALANCE AT 1 JANUARY 2019	100,063	-	(3,553)	1,124	-	(546)	-	97,088
Profit/(loss) for the financial year	-	-	-	15,389	-	-	-	15,389
Other comprehensive results for the financial year	-	-	-	-	-	-	(735)	(735)
Total comprehensive income for the financial year	-	-	-	15,389	-	-	(735)	14,654
Capital increase	184,231	5,769	(7,572)	-	-	-	-	182,428
Other movements	-	-	1,124	(1,124)	5,610	-	-	5,610
Others results in treasury shares (Note 10)	-	-	77	-	-	(79)	-	(2)
Total transactions with owners, recognised directly in equity and other movements	184,231	5,769	(6,371)	(1,124)	5,610	(79)	-	188,036
BALANCE AT 31 DECEMBER 2019	284,294	5,769	(9,924)	15,389	5,610	(625)	(735)	299,778
BALANCE AT 1 JANUARY 2020	284,294	5,769	(9,924)	15,389	5,610	(625)	(735)	299,778
Profit/(loss) for the financial year	-	-	-	13,091	-	-	-	13,091
Other comprehensive results for the financial year	-	-	-	-	-	-	(751)	(751)
Total comprehensive income for the financial year	-	-	-	13,091	-	-	(751)	12,340
Capital increase	-	-	-	-	-	-	-	-
Other movements	-	-	15,389	(15,389)	(5,610)	-	-	(5,610)
Other results in treasury shares (Note 10)	-	-	(198)	-	-	(4,457)	-	(4,655)
Total transactions with owners, recognised directly in equity and other movements	-	-	15,191	(15,389)	(5,610)	(4,457)	-	(10,265)
BALANCE AT 31 DECEMBER 2020	284,294	5,769	5,267	13,091	-	(5,082)	(1,486)	301,853

Notes 1 to 22 to the consolidated annual accounts form an integral part of the Consolidated Annual Accounts at 31 December 2020.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED ON 31
DECEMBER 2020
(Thousand euros)**

	Note	Financial year ended on 31 December 2020	Financial year ended on 31 December 2019
A) CASH FLOW FROM OPERATING ACTIVITIES			
Pre-tax result for the financial year		13,091	15,389
Adjustments to profit/loss		(14,483)	(15,191)
Depreciation of property, plant and equipment	5	28	11
Financial income		(3)	-
Financial expenses	13	1,045	744
Changes in fair value of investment properties	6	(15,469)	(21,589)
Profit / (losses) on disposal of fixed assets		-	33
Other adjustments to profit/loss		(84)	5,610
Changes in working capital		(6,098)	770
Debtors and other receivables	8	(1,268)	(616)
Other current assets	8	(3,961)	(475)
Creditors and other payables	11	(1,342)	1,419
Other current liabilities		(150)	250
Other non-current assets and liabilities		623	192
Cash flow from operating activities		(7,490)	968
B) CASH FLOW FROM INVESTMENT ACTIVITIES			
Payments on investments		(38,870)	(160,203)
Property, plant and equipment and intangible assets	5	(239)	(116)
Investment properties	6	(38,631)	(160,087)
Cash flow from investment activities		(38,870)	(160,203)
C) CASH FLOW FROM FINANCING ACTIVITIES			
Receivables and payments on equity instruments		(8,655)	182,426
Issue of equity instruments	10	-	182,428
Acquisition of treasury shares	10	(9,569)	(1,487)
Disposal of treasury shares	10	914	1,485
Receivables and payments on financial liabilities		30,134	72,806
Financial borrowings	11	31,793	103,203
Financial payments	11	-	(30,000)
Paid interest		(1,659)	(397)
Cash flow from financing activities		21,479	255,232
NET INCREASE/REDUCTION IN CASH AND CASH EQUIVALENTS		(24,881)	95,997
Cash and cash equivalents at beginning of financial year		153,967	57,970
Cash and cash equivalents at end of financial year	9	129,086	153,967

Notes 1 to 22 to the consolidated annual accounts form an integral part of the Consolidated Annual Accounts at 31 December 2020.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020 (Thousand euros)

1. ACTIVITIES AND GENERAL INFORMATION

Árma Real Estate SOCIMI, S.A. (hereinafter, the “Company” or the “dominant Company”) was incorporated in Spain on 13 June 2018 under the Spanish Capital Companies Act. Its registered office is located at calle Serrano, 47 4^ª planta, 28001 Madrid.

Its corporate purpose is described in Article 2 of its articles of association and consists of:

- The acquisition and development of urban properties intended for lease.
- The ownership of interests in the share capital of other Spanish Real Estate Investment Trusts (*Sociedad Anónima Cotizada de Inversión en el Mercado Inmobiliario*, “SOCIMI”) or other companies that are not resident in Spain, that have the same corporate purpose, and that are governed by rules similar to those governing SOCIMIs as regards the compulsory, legal or statutory policy on profit distribution.
- The ownership of interests in the share capital of other companies that are both resident and non-resident in Spain, whose corporate purpose is the acquisition of urban properties for lease, and which are governed by the same rules that govern SOCIMIs as regards the compulsory, legal or statutory policy on profit distribution, and which meet the investment requirements set out in Article 3 of the Spanish SOCIMI Act.
- The ownership of shares or holdings in Collective Investment Institutions governed by Spanish Collective Investment Institutions Act 35 of 4 November 2003.

The Company may also engage in other ancillary activities, this being understood to mean activities that generate income accounting for less than 20% of the Company’s total income over a single tax period. The Company carries out its activity at calle Serrano, 47 4^ª planta, 28001 Madrid.

Any activity that must by law meet special requirements that are not met by the Company are excluded.

The aforementioned business activities may also be fully or partially engaged in indirectly by the Company through the ownership of interests in another company or companies with a similar corporate purpose.

a) Regulatory regime

The Company is regulated under the Spanish Capital Companies Act.

In addition, on 27 September 2018 the Company informed the Tax Authorities that it wished to opt for application of the rules governing Spanish Real Estate Investment Trusts (SOCIMIs), and is therefore subject to Act 11 of 26 October 2009, with the amendments introduced by Act 16 of 27 December 2012, under which SOCIMIs are governed. Article 3 of Act 11 of 26 October 2009 sets out certain requirements that must be met by this type of company, namely:

- i) They must have invested at least 80% of the value of their assets in urban properties intended for lease, or in land for the development of properties that are to be used for the same purpose, provided that development begins within three years following its acquisition, or in equity investments in other companies, as set out in Article 2 section 1 of the aforementioned Act.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020 (Thousand euros)

ii) At least 80% of the income from the tax period corresponding to each year, excluding the income deriving from the transfer of ownership interests and real estate properties used by the Company to comply with its main corporate purpose, once the retention period referred to in the following paragraph has elapsed, must come from the lease of properties and from dividends or shares in profits associated with the aforementioned investments.

iii) The real estate properties that make up the Company's assets must remain leased for at least three years. Calculation of this term will include the time that the properties have been offered for lease, up to a maximum of one year.

The First Transitional Provision of the SOCIMI Act allows for application of the SOCIMI tax rules under the terms set out in Article 8 of the SOCIMI Act, even when the requirements it contains are not met on the date of incorporation, on the condition that these requirements are met during the two years following the date on which it is decided to opt for application of the said tax rules. In this regard, the Directors of the dominant Company consider that the necessary requirements have already met within the established terms and periods, and they have therefore not entered any income or expense in respect of Corporate Income Tax.

The Company has been listed on the Spanish Stock Market since 23 October 2018, with its tax address at calle Serrano, 47 4ª planta, 28001 Madrid.

On 19 February 2020 the individual annual accounts of Árima Real Estate SOCIMI, S.A. and the consolidated annual accounts of Árima Real Estate SOCIMI, S.A. and subsidiaries at 31 December 2018 were prepared by the Board of Directors and were approved, without modifications, by the share holders on 28 May 2020.

The figures contained in these consolidated interim summary financial statements are expressed in thousands of euros, unless otherwise indicated.

j) Subsidiary companies

As of 31 December 2020 and 31 December 2019, Árima Real Estate SOCIMI, S.A., is the parent company of a Group of companies (hereinafter, the "Group") which is comprised of the next subsidiary:

Name	Address	Activity	Share %
Árima Investigación, Desarrollo e Innovación, S.L.U.	Calle Serrano 47, 4ª planta, 28001 Madrid	Real Estate Business Sustainability projects Exploitation of industrial property rights	100

Árima Investigación, Desarrollo e Innovación, S.L.U. was incorporated on 10 December 2018 as Árima Real Estate Investments, S.L.U. Its trade name was modified on 7 November 2019 to the current Árima Investigación, Desarrollo e Innovación, S.L.U.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020 (Thousand euros)

2. BASES FOR THE PRESENTATION OF THE CONSOLIDATED ANNUAL ACCOUNTS

The main accounting policies adopted in the preparation of the consolidated annual accounts are described below. These policies have been applied uniformly for the period presented, unless otherwise indicated.

2.1 Bases for presentation

These consolidated annual accounts for the year ended 31 December 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the Interpretations of The International Financial Reporting Committee (IFRS) adopted by the European Union (collectively, IFRS-EU), in accordance with Regulation (EC) No 1606/2002 of the Parliament and the European Council and subsequent amendments.

The preparation of these consolidated annual accounts in accordance with the IFRS-EU requires the use of certain critical accounting estimates. It also requires the Management to exercise its judgment in the process of applying the Group's accounting policies. Note 2.4 discloses the areas that imply a higher degree of judgment or complexity or the areas where the hypotheses and estimates are significant for the consolidated annual accounts.

The Group's activity does not have a seasonal nature.

These condensed annual accounts have been prepared by the Board of Directors on 18 February 2021.

2.2 Comparative information

The figures presented in the consolidated financial statements are comparable with each entry in the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows correspond to the financial year ended at 31 December 2020, to the consolidated financial statements for the financial year ended at 31 December 2019.

2.3 IFRS Interpretation Committee and IFRIC modifications

Standards, modifications and mandatory interpretations for all years beginning on January 1, 2020:

- IFRS 3 (Modification) – “Definition of business.”
- IAS 1 (Modification) and IAS 28 (Modification) – “Definition of materiality and relative significance.”
- IFRS 9 (Modification), IFRS 8 (Modification) and IAS 39 (Modification) – “Interest rate benchmark reform.”
- IFRS 16 (Modification) – “COVID-19 related rent concessions.”
- Amendments to the IFRS’ framework.

These amendments on the consolidated annual accounts of the company have not had a significant impact.

Norms, modifications and interpretations to the existing norms that have not come into effect, but which can be adopted in advance for the financial years beginning on January, 1, 2020:

- IFRS 4 (Modification) – “Extension of the temporary exemption from applying IFRS 9.”
- IFRS 9 (Modification), IAS 39 (Modification), IFRS 7 (Modification), IFRS 4 (Modification) and IFRS 16 (Modification) – “Interest rate benchmark reform: Phase 2.”

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The Group has not adopted in advance any of the previous modifications.

Norms, modifications and interpretations to the existing norms that can not be adopted in advance or that have not been adopted by the European Union:

At the date on which these consolidated financial statements are signed, the IASB and the IFRS Interpretations Committee had published the standards, modifications and interpretations detailed below can't be adopted in advance by the Group or that are pending adoption by the European Union.

- IFRS 10 (Modification) and IAS 28 (Modification) – “Sale of contribution of assets between an investor and its associates of joint venture.”
- IFRS 16 (Modification) – “Property, plant and equipment – Revenue before set in motion.”
- IAS 37 (Modification) – “Onerous contracts – Cost of breaching a contract.”
- IFRS 3 (Modification) – “Reference to Conceptual Framework.”
- IAS 1 (Modification) – “Clasification of liabilities as current or non-current.”
- IFRS 17 – “Insurance contract.”
- IFRS 16 (Modification) – “Concessions to rental due to Covid-19.”
- IAS 41 IFRS Annual improvements – Cicle 2018-2020 (May 2020).
- IAS 1 IFRS Annual improvements – Cicle 2018-2020 (May 2020).
- IAS 9 IFRS Annual improvements – Cicle 2018-2020 (May 2020).
- IAS 16 IFRS Annual improvements – Cicle 2018-2020 (May 2020).

If any of the above standards were adopted by the European Union, the Group will apply them with the corresponding effects in its financial statements.

These amendments or interpretations on the consolidated financial statements of the Group will not have a significant impact.

2.4 Use of estimates

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are considered reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, will rarely equal the corresponding actual results. The adjustments that occur when regularizing the estimates will be prospective. Below, we explain the estimates and judgments that have a significant risk of giving rise to a material adjustment in the carrying amounts of the assets and liabilities within the following financial year.

Fair value of real estate investments

The Administrators of the dominant Company carry out an assessment of the fair value of each property taking into account the most recent independent valuations. The Administrators of the dominant Company determine the value of a property within a range of acceptable fair value estimates.

The best evidence of the fair value of investment properties in an active market is the price of similar assets. When making such judgements, the Company uses a series of sources, including:

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- i. The current prices in an active marketplace of different kinds of properties in varying states of repair and different locations, adjusted to reflect differences with the Company's own assets.
- ii. The recent prices paid for properties in other, less active marketplaces, adjusted to reflect changes in economic conditions since the transaction date.
- iii. The discounting of cash flows based on estimates resulting from the terms and conditions contained in current lease contracts and, where possible, evidence of the market prices of similar properties in the same location, through the use of discount rates that reflect the uncertainty of the time factor.

In view of the preparation of these consolidated annual accounts for the financial year ended on 31 December 2020, the Directors have requested valuations carried out by independent experts (Note 6) in order to book their fair value at this date.

Fair value of derivatives and other financial instruments

The fair value of those financial instruments that are not traded in an active market (for example, off-exchange derivatives) is determined using valuation techniques. The Group uses its judgment to select several methods and makes assumptions that are based mainly on the market conditions at each balance sheet. The Group has used a discounted cash flow analysis for several interest rate contracts that are not traded in active markets.

As indicated in Note 3.1, the Group has signed several interest rate swap financial instruments, classified as hedging instruments and registered in accordance with the following registration and valuation policy:

Financial derivatives are measured at fair value both on initial entry and on subsequent measurement. The method used to enter any resulting gains or losses depends on whether the derivative is designated as a hedging instrument or not and, if so, the type of hedging applied.

Hedging instruments are valued and entered according to their characteristics, insofar as they do not provide, or cease to provide, effective coverage. In the case of derivatives that do not qualify for hedge accounting, gains or losses in their fair value are immediately entered in the consolidated income statement.

The Group designates certain derivatives as hedges for a specific risk associated with a recognised asset or liability or with a highly probable forecast transaction (cash flow hedges).

Upon initiating the transaction, the Group documents the relationship between the hedging instruments and hedged items and its risk management objectives and strategy for arranging various hedging transactions. The Group also documents its evaluation, both at the outset and continuously thereafter, as to whether the derivatives being used in the hedging transactions are expected to be highly effective in order to offset changes in fair value or in cash flows from hedged items.

The total fair value of a hedging derivative is entered under non-current assets or liabilities if the time remaining to maturity of the hedged item is more than 12 months and under current assets or liabilities if the time remaining to maturity of the hedged item is less than 12 months. Derivatives held for trading are entered under current assets or liabilities.

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Cash flow hedges

The effective portion of changes in the fair value of a derivative designated as a cash flow hedge is entered under other comprehensive income. The profit or loss on the ineffective portion is entered immediately in the income statement under “other (losses)/gains - net”.

Amounts accumulated in equity are reclassified to the income statement in the periods in which the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). Gains or losses on the effective part of interest rate swaps used to hedge loans at variable rates are entered in the income statement under “financial income/expenses”. However, when the forecast transaction that is being hedged results in the entry of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial valuation of the cost of the asset. The deferred amounts are definitively entered as the cost of the assets sold, in the case of stocks, or as depreciation in the case of property, plant and equipment.

When a hedging instrument matures or is sold or when the requirements for the application of hedge accounting cease to be met, any gains or losses accumulated in equity to that date will remain in equity and will be entered when the forecast transaction is finally entered in the income statement. When it is expected that the scheduled transaction is not going to take place after all, the profit or loss accumulated in the equity is immediately transferred to the income statement under the heading “other net (losses)/profits”.

Income Tax

The company applies the system provided for in Act 11 of 26 October 2009, which governs Spanish Real Estate Investment Trusts (SOCIMIs), which in practice means that, provided that it meets certain requirements, the Company is subject to a Corporate Income Tax rate of 0% (Note 1).

The Directors monitor compliance with the requirements set out in the relevant legislation in order to secure the tax advantages offered. In this regard, the Directors consider that the necessary requirements will be met within the established terms and periods, and they have therefore not entered any income or expense in respect of Corporate Income Tax.

Although the aforementioned criteria are based on rational appreciations and elements of objective analysis, events that may take place in the future may make it necessary to adjust these estimates (upwards or downwards) in coming reporting periods or years. Changes in accounting estimates, if required, would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the consolidated income statements for the periods or years concerned.

2.5 Consolidation

(a) Subsidiaries

Subsidiaries are all the companies (including structured institutions) over which the Group has control. The Group controls a company or institutions when it obtains, or has the right to obtain, variable returns as the result of its involvement in the subsidiary and also has the ability to use its power over the company in order to influence these returns. Subsidiaries are consolidated from the date on which control is transferred to the Group and deconsolidated on the date on which such control ceases.

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Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Where necessary, amounts presented by subsidiaries have been adjusted to bring them into line with the Group's accounting policies.

(b) Changes to shareholdings held in subsidiaries without any change of control

Transactions involving non-controlling shareholdings that do not result in a loss of control are entered as equity transactions, i.e. as transactions with the owners in their capacity as such. The difference between the fair value of the consideration paid and the corresponding proportion of the book value of the subsidiary's net assets is entered under equity. Any gains or losses resulting from the disposal of non-controlling shareholdings are entered under equity.

(c) Disposal of subsidiary companies

When the Group ceases to have control, any shareholding retained in the company is remeasured at its fair value on the date on which control is lost, and the change is entered in the book value in the income statement. Fair value is the initial book value for the purposes of the subsequent entry of the shareholding maintained as an associate, joint venture or financial asset. In addition, any amount previously entered in respect of the company in question under other comprehensive income is accounted for as if the Group had directly sold the related assets and liabilities. This could mean that the amounts previously entered under other comprehensive income are moved to the income statement.

2.6 Financial information by segment

Information on business segments is reported on the basis of the internal information supplied to the body with ultimate authority to make decisions. The investments committee has been identified as the body with ultimate authority to make decisions, since it is responsible for allocating resources and assessing the performance of operating segments, as well as being in charge of strategic decision-making, with final approval from the Board of Directors.

2.7 Investment properties

Property that is held in order to obtain long-term rent or capital gains or both and is not occupied by Group companies is classified as investment property. Investment properties include office buildings, logistics warehouses and other items owned by the Group. Investment property also includes property that is under construction or being developed for future use as investment property.

Investment properties are initially valued at cost, including related transaction costs and financing costs, if applicable. Following their initial entry, investment properties are accounted for at fair value.

The fair value of investment property reflects, inter alia, income from leasing and other assumptions that market players would take into account when valuing the property under current market conditions. Calculation of the fair value of such items is described in Note 6.

Subsequent expenses are capitalised at the asset's book value only when it is likely that future profits associated with these expenses will flow to the Group and the item's cost may be reliably measured. Any remaining costs are entered in the income statement when they are incurred. When part of an investment property is replaced, the book value of the replaced part is written down.

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Any changes to fair value are entered in the income statement. When the Group disposes of a property at fair value in an arm's-length transaction, the book value immediately prior to the sale is adjusted to the transaction price and the adjustment is entered in the income statement as part of the net gain from the adjustment to the fair value of investment properties.

If an investment property becomes an owner-occupied property, it is reclassified as property, plant and equipment. Its fair value on the date on which it is reclassified becomes its cost for subsequent accounting purposes.

If an owner-occupied property becomes an investment property, due to a change of use, the resulting difference between the book value and fair value of that asset on the transfer date is treated in the same way as a restatement under IAS 16. Any resulting increase in the book value of the property is entered in the income statement, insofar as it reverses a previous loss due to impairment. Any remaining increase is entered under other comprehensive income, directly increasing equity in the revaluation reserve. Any resulting fall in the book value of the property is initially entered under other comprehensive income against any previously entered restatement reserve, and any remaining fall in value is entered in the income statement.

When an investment property is subject to a change of use, as demonstrated by the beginning of development work with a view to its sale, the property is transferred to stocks. The cost allocated to property for subsequent entry under stocks is its reasonable value on the date on which the change of use occurs.

2.8 Property, plant and equipment

Property, plant and equipment items are entered at their acquisition price or production cost, minus accumulated depreciation and the accumulated value of any recognised losses. Subsequent expenses are capitalised at the asset's book value only when it is likely that future profits associated with these expenses will flow to the Group and the item's cost may be reliably measured. Maintenance and repair expenses are charged to the income statement when they are incurred.

The depreciation of property, plant and equipment (except for land, which is not depreciated) is systematically calculated by the straight-line method according to its estimated useful life, taking account of the actual depreciation caused by its operation, use and benefit. Depreciation rate based on estimated useful life figures are as follows:

	<u>Depreciation rate (%)</u>
Other Facilities	10%
Furnishings	10%
Data processing equipment	25%
Transport items	25%
Other fixed assets	10%

The useful life of all property, plant and equipment is reviewed and, where applicable, adjusted on the date of each balance sheet.

When the book value of a fixed asset is higher than its estimated recoverable value, its book value is immediately reduced to its recoverable value.

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2.9 Losses due to the value impairment of non-financial assets

Assets subject to depreciation are subjected to impairment reviews whenever some event or a change in circumstances indicates that the book value may not be recoverable. An impairment loss is entered in the amount by which the asset's book value exceeds its recoverable value. The recoverable value is calculated as either the fair value minus sale costs or the operational value, whichever is higher. In order to assess impairment losses, assets are grouped at the lowest level for which there are generally independent identifiable cash flows (cash generating units). Previous impairment losses on non-financial assets are reviewed for their possible reversal on each financial reporting date. The value of non-financial assets subject to amortisation is not significant.

2.10 Inventories

Inventories arise when there is a change in the use of investment properties, as demonstrated by the beginning of development work with a view to its sale, and the properties are reclassified as stock at attributed cost, which is the fair value on the date on which they are reclassified. These are subsequently valued at either cost price or net realisable value, whichever is the lower. The realisable value is the estimated sale price in the normal course of business, minus the costs incurred in completing the development and sale costs. At year end, the Group did not have any stock.

2.11 Financial assets

Classification

Classification depends on the valuation category on the basis on the business model and the characteristics of the contractual cash flows, and only reclassifies the financial asset when, and only when, its model of business changes to manage those assets.

The Group classified its financial assets in this categories: financial assets at fair value with changes in results, financial assets at fair value with changes in other comprehensive income and financial assets at amortized cost.

Valuation

Acquisitions and disposals of investments are recognized on the trading date, i.e. the date on which the Group undertakes to acquire or sell the asset. Investments are initially recognized at fair value plus transaction costs for all non-fair financial assets with changes in results. Financial assets valued at fair value with changes in results are initially recognized at fair value, and transaction costs are debited to Profitability Analysis. Investments are decommissioned when the rights to receive cash flows from investments have expired or been transferred and the Group has substantially transferred all risks and advantages arising from their ownership.

For assets measured at fair value, gains and losses shall be recorded in results or other comprehensive income. For investments in equity instruments that are not maintained for trading, the Group has made an irrevocable choice at the time of initial recognition to account for all capital investment at fair value with changes in other comprehensive income.

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Financial assets at amortized cost (Loans and receivables)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. They arise when the Group supplies money, goods or services directly to a debtor with no intention of trading with the receivables. They are included in current assets, except for maturities longer than 12 months from the balance sheet date on which they are classified as non-current assets.

In addition, this category includes deposits and bonds granted to third parties. Loans and receivables are then posted for their amortized cost according to the effective interest rate method. Receivables that do not explicitly accrue interest are valued by their nominal, provided that the effect of not financially updating cash flows is not significant. Subsequent valuation, if any, continues to be made at face value.

Financial assets at fair value with changes in other comprehensive income

Assets held for the collection of contractual cash flows and for the sale of financial assets, where cash flows from the assets represent only principal and interest payments, are measured at fair value with changes in other comprehensive income. Movements in book value are taken through another global result, except for the recognition of impairment gains or losses, interest income, and foreign exchange gains and losses that are recognized in profit and loss. Unrealized gains and losses arising from changes in fair value are recognized in the other overall result. When these financial assets are sold or suffer impairment losses, the accumulated fair value adjustments recognized in equity are included in the income statement as profit and loss.

The fair values of the trading investments are based on current purchase prices. If the market for a financial asset is not active (and for non-listed securities), the Group establishes fair value using valuation techniques including the use of recent free transactions between interested parties and duly informed, other substantially equal instruments and the analysis of discounted cash flows. In the event that none of the above techniques can be used to estimate fair value, investments are accounted for at their acquisition cost minus impairment losses, if applicable.

In the case of equity instruments falling into this category, the Group's management has chosen to present the fair value gains and losses of equity instruments in another overall result. There is no subsequent reclassification of fair value gains and losses to results after investment decline. Impairment losses (and reversal of impairment losses) on equity instruments valued at fair value with changes in another overall result are not reported separately from other changes in fair value.

Dividends from such investments continue to be recognized in profit and loss when the Group is entitled to receive payments.

Financial assets at fair value with changes in results

Assets that do not meet the amortized cost or fair value criteria with changes in other comprehensive income, are measured at fair value with changes in results. Realized and unrealized gains and losses arising from changes in the fair value of the category of financial assets at fair value with changes in results are included in the income statement in the financial year in which they arise.

Impairment

The impairment model requires recognition of impairment provisions based on the expected loss model rather than just the credit losses incurred.

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The Group applies for its customer accounts, receivables and other assets, which correspond for the most part to customers of recognized solvency with which it has extensive experience, the simplified approach, recognizing the expected loss of credit for the entire life of assets.

For receivables and contract assets, provided they do not contain a significant financial component, the Group applies the simplified approach, which requires recognizing a loss allocation based on the expected lifetime loss model asset on each filing date. The Group's model considers internal information, such as the balance exposed in customers, external factors such as customer credit valuations and agency risk ratings, as well as the specific circumstances of customers considering the available information about past events, current conditions and forward-looking items.

2.12 Financial liabilities

Financial liabilities at amortized cost (Loans and receivables)

The financial debt is initially recognized at fair value, net of the transaction costs incurred. Subsequently, financial debts are valued for their amortized cost. Any difference between the income earned (net of transaction costs) and the repayment value is recognized in results over the life of the debt according to the effective interest rate method. The fees paid for obtaining loans are recognized as costs of the loan transaction to the extent that part or all of the line is likely to be available. In this case, the commissions are deferred until the provision occurs. To the extent that there is no evidence that all or part of the credit line is likely to be available, the commission is capitalized as an advance payment for liquidity services and amortized in the period to which the credit availability relates.

Financial debt is removed from the balance sheet when the obligation specified in the contract has been paid, canceled, or expired. The difference between the carrying amount of a financial liability that has been cancelled or transferred to another party and the consideration paid, including any assigned assets other than the cash or liabilities assumed, is recognized in the outcome of the financial year as others income or financial expenses.

Financial debt is classified as current liabilities unless the Group has an unconditional right to defer its liquidation for at least 12 months after the balance sheet date.

Financial liabilities at fair value with changes in results

Liabilities that are acquired for the purpose of selling them in the short term. Derivatives are considered in this category unless they are designated as hedging instruments (Note 14). These financial liabilities are measured, both at the initial and subsequent valuations, at fair value, allocating changes in that value to the Consolidated Income Statement for the financial year.

2.13 Offsetting financial instruments

Financial assets and financial liabilities are offset and are shown in the net amount on the balance sheet when there is a legally enforceable right to offset the amounts recognised and the Group intends to settle them for the net amount or realise the asset or cancel the liability simultaneously. The legally enforceable right should not be contingent on future events and should be enforceable in the normal course of business and in the event of a breach or the insolvency or bankruptcy of the company or counterparty.

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2.14 Share capital, basic earnings and diluted earnings per share

The share capital consists of ordinary shares.

The costs of issuing new shares or options are entered directly in equity as a reduction in reserves.

In the event that the Company acquires treasury shares, the consideration paid including any incremental cost that is directly attributable, is deducted from equity until the shares are redeemed, issued again or otherwise disposed of. When treasury shares are subsequently sold or reissued, any amount received is moved to equity, net of any directly attributable incremental costs.

Basic earnings per share are calculated by dividing the profit attributable to the company's owners, excluding any cost of servicing equity other than ordinary shares, among the average number of ordinary shares outstanding during the year, adjusted for incentives in ordinary shares issued during the year and excluding treasury shares.

For diluted earnings per share, the figures used in determining basic earnings per share are adjusted, taking account of the effect after income tax of interest and other financial costs associated with potential ordinary shares with dilutive effects and the weighted average number of additional ordinary shares that would have been in circulation, assuming the conversion of all potential ordinary shares with dilutive effects.

2.15 Current and deferred income tax

In accordance with the SOCIMI tax rules, the Parent company is subject to a Corporate Income Tax rate of 0%.

As established in Article 9.2 of Act 11 of 26 October 2009, with the amendments incorporated via Act 16 of 27 December 2012, the Company shall be subject to a special rate of 19% on the overall sum of the dividends or profit distributions received by shareholders whose stake in the share capital of the Company is equal to or greater than 5%, when those dividends, in the possession of its shareholders, are exempt from or have a tax rate of less than 10% (to this effect, the tax due will be taken into consideration under the Non-Resident Income Tax Act).

However, that special rate will not apply when the dividends or profit shares are received by entities whose purpose is the ownership of interests in the share capital of other SOCIMIs or other companies that are not resident in Spain, that have the same corporate purpose, and that are governed by rules similar to those governing SOCIMIs as regards the compulsory, legal or statutory policy on profit distribution, with respect to companies that have a share that is equal to or greater than 5% of the share capital of the SOCIMIs and that pay tax on those dividends or profit shares at a rate of at least 10%.

For each Company in the Group that does not form part of the aforementioned tax rules, the income tax expense (income) is the sum that, for this concept, accrues in the financial year and comprises the expense (income) related to both current tax and deferred tax.

Both the current tax expense and deferred tax expense (income) is entered in the income statement. However, the tax effect related to entries that are directly registered in the equity have been entered in equity.

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The assets and liabilities related to current tax will be valued at the amounts expected to be paid or recovered from the tax authorities, in line with the legislation in force or approved and pending publication at the end of the financial year.

Deferred taxes are calculated, in accordance with the liability method, on the time-period differences arising between the tax bases for assets and liabilities and their book values.

However, the deferred taxes will not be entered if they arise from the initial entry of an asset or liability in a transaction that is not a combination of businesses which, at the time of transaction, does not affect the accounting result or the tax base. The deferred tax is determined by applying the regulation and tax rates approved or about to be approved at the date of the balance sheet, and that are expected to be applied when the relevant deferred tax asset is realised or the deferred tax liability is paid.

As regards assets due to deferred taxes, these are only recognised to the extent that it is probable that the company will earn future taxable profits that will allow these time-period differences to be offset.

2.16 Leases

a) When the Group is the lessee

Until financial year 2018, leases for fixed assets (offices) were classified as operating leases. As of 1 January 2019, leases are recognized as an asset, by right of use and the corresponding liability, on the date the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially valued on a current value basis.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including fixed payments in essence), minus any lease incentives to be receivable
- variable lease payments that depend on an index or rate, initially valued according to the index or rate on the start date
- amounts expected by the group to pay for residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain that it will exercise that option, and
- lease termination penalty payments, if the lease term reflects the exercise by the group of that option.

Lease payments to be made under reasonably certain extension options are also included in the liability valuation.

Lease payments are deducted using the interest rate implied in the lease.

After the analysis carried out by the Directorate and taking into account that the Group only acts as a tenant in the contract in which it rents the offices where it carries out its activity and the terms of it (duration square meters rented, extensions, amounts, etc.) has concluded that the impact of the recognition of the asset and liability discounted at the implied interest rate is not significant based on its consolidated balance sheet structure and financial obligations included in the financings. Minimum total future payments for non-cancellable leases are 224 thousand euros at 31 December 2020 (389 thousand euros at December 2019).

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b) When the Group is the lessor

Properties let out under operating lease are included with investment property on the balance sheet. Income earned from the leasing of property is entered on a straight-line basis over the lease period.

2.17 Employee benefits

a) Share based payments

On 26 September 2018, the Annual General Shareholders Meeting approved a new remuneration plan based on the Company's own shares, granted to the Árima Real Estate team. That plan will be in effect for 6 years and the right to receive shares as an incentive will accrue when, for each calculation period (a period of one year, between 1 July and 30 June of the following year), the terms established in the plan are met.

These terms mainly require the total return for shareholders to be in excess of a specific percentage. This return is measured as the sum of the total dividends distributed plus revaluation of the Net Asset Value, excluding any share capital increase that may have occurred during the calculation period. This payment is therefore focused on the return generated for the shareholder through active management of the portfolio, and not on the size of the portfolio.

In order for this incentive to take effect, shareholders must obtain a return in excess of 10%. When the return exceeds this threshold, the incentive corresponds to 20% of any amount by which is exceeded.

The right to receive this incentive is accrued on an annual basis (from 1 June to 30 June of the following year) and its liquidated by the delivery of shares. The team may dispose of the shares received after the following periods: one third of the shares after twelve months, other third of the shares after eighteen months and the last third of the shares after twenty-four months.

b) Short term obligations and bonus

Wage and wage liabilities, which are expected to be settled within twelve months of the end of the financial year in which employees provide the corresponding services, are recognized in the reporting financial year and valued at the amounts expected to be paid when liabilities are settled. Liabilities are presented on the consolidated balance sheet as current obligations for employee benefits.

2.18 Provisions

Provisions are set aside: when the Group has a present legal or implied obligation as a result of past events; when it is likely that an outflow of resources will be required to settle the obligation; and when the amount has been reliably estimated. No provisions are set aside for future operating losses.

Provisions are valued at the current value of the payments that are expected to be required to settle the obligation, using a pre-tax rate that reflects the current market assessment of the time value of money and the specific risks of the obligation. The adjustments to provisions as the result of their restatement are entered as a financial expense as they accrue.

Provisions that mature in one year or less and have non-significant financial effects are not discounted. When it is expected that a portion of the payment necessary to cancel the provision will be reimbursed by a third party, this reimbursement is entered as an independent asset, provided that its receipt is practically certain.

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2.19 Revenue recognition

Income is stated at the fair value of the consideration to be received and it represents the amounts to be collected for the services rendered during the ordinary course of the Group's activities, minus returns, discounts, rebates and VAT.

Rendering of services

The Group provides leasing services. The income received from the leasing of property is entered as it accrues, and profits are distributed on a straight-line basis with regard to incentives and initial lease agreement costs. When the Group offers incentives to its tenants, the cost of the incentive is entered during the lease period on a linear basis, as a reduction in rental income. The costs associated with each rental payment are entered as an expense.

Interest income

Interest income is entered using the effective interest method.

2.20 Dividend distribution

The payment of dividends to the Company's shareholders is entered as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. The parent company falls into the special category of SOCIMI (Spanish Real Estate Investment Trust), and is thus governed by the special tax rules established under Act 11 of 26 October 2009, with the amendments introduced by Act 16 of 27 December 2012, under which SOCIMIs are governed. They are required to distribute the profits they obtain over the course of the year to their shareholders in the form of dividends, after complying with the relevant corporate obligations. Distribution must be approved within the six months following the year end, in the following way:

- a) 100% of the profits resulting from dividends or profit shares received from the companies referred to in Article 2.1 of this Act.
- b) At least 50% of the profits earned from the transfer of the property, shares or ownership interests referred to in Article 2.1. of the Act, where this occurs after the deadlines referred to in Article 3.3 of the Act have expired, when the property, shares or interests are used to comply with the Company's primary corporate purpose. The remainder of these profits must be reinvested in other property or investments related to the performance of this corporate purpose within three years of the transfer date. Otherwise, these profits must be distributed in full together with any profit earned, where applicable, in the year in which the reinvestment period expires. If the items in which the reinvestment has been made are transferred prior to the end of the holding period, profits must be distributed in full, together, where applicable, with the part of the profits attributable to the years in which the Company was not taxed under the special tax scheme provided for in the aforementioned Act.
- c) At least 80% of the remaining profits obtained.

The dividend must be paid within one month of the distribution agreement.

When dividends are distributed with a charge to reserves originating from profits for a year in which the special tax rules were applied, the distribution must compulsorily be approved by means of the resolution referred to above.

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2.21 Cash and cash equivalents

Cash and cash equivalents include cash holdings, instantly accessible deposits with credit institutions, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

3. FINANCIAL RISK MANAGEMENT

The Company's activities are exposed to various financial risks: market risk (including interest rate risk), credit risk, liquidity risk, tax risk and other risks. The Company's risk management programme focuses on uncertainty in financial markets and seeks to minimise any potential adverse impact on its financial profitability.

Risk management is overseen by the Company's Finance Department, which identifies, evaluates and hedges financial risks in accordance with the policies approved by the Board of Directors of the dominant Company. The Board provides policies for overall risk management and policies covering specific areas such as interest rate risk, liquidity risk, the use of derivatives and non-derivatives and investing excess liquidity.

3.1 Financial risk factors

a) Market risk

The Group's interest rate risk arises from the financial debt. Loans issued at variable rates expose the Group to interest rate risk of cash flows. During the financial year ended at 31 December 2020, the Group has signed a long-term financing agreement with prestigious financial institution at a variable market interest rate, from the first year of effect, with mortgage guarantee (Note 6 and Note 12). The loans are remunerated at an interest rate referenced to EURIBOR plus a spread between 1.40% and 1.70%. As of 31 December 2020, the amount drawn down in nominal terms from this variable rates financial agreements amounts to 63,644 thousand euros.

The Group analyzes exposure to interest rate risk dynamically. Several scenarios are simulated taking into account the alternatives of financing and coverage. Based on these scenarios, the Group calculates the impact on the result for a given change in the interest rate (scenarios are used only for liabilities that represent the most significant positions subject to interest rates).

These analyzes take into account:

- Economic environment in which it carries out its activity: design of different economic scenarios modifying the key variables that may affect the group (interest rates, share price,% occupancy of real estate investments, etc.).
- Identification of those interdependent variables and their level of linkage.
- Temporary framework in which the evaluation is being carried out: the time frame for the analysis and its possible deviations will be taken into account.

Based on the simulation carried out, the Group manages the cash flow interest rate risk through variable to fixed interest rate swap. These interest rate swaps have the economic effect of converting loans at variable interest rates into loans at fixed interest rates. Generally, the Group obtains foreign long-term resources with variable interest and exchanges them for a fixed interest rate lower than those that would be available if the Group had obtained the external resources directly at fixed interest rates. Under interest rate swaps, the

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Group undertakes with third parties to exchange, on a regular basis, the difference between the fixed interest and the variable interest based on the principal notionals contracted.

b) Credit risk

Credit risk is managed at the Group level. The Group defines the credit risk management and analysis policy of its new clients before proceeding to offer them the usual payment terms and conditions. Credit risk originates, mainly from customers for sales and services, as well as from various debtors.

The Group's risk control establishes the credit quality that the client must possess, taking into account its financial position, past experience and other factors. The Group considers that it does not have significant concentrations of credit risk, this being understood to refer to the possible impact that a default on receivables could have on the income statement.

The Group maintains its cash and other equivalent liquid assets in entities with the best credit quality.

c) Liquidity risk

Cash flow predictions are carried out by the Group's Finance Department. This Department monitors forecasts of the Group's liquidity requirements in order to ensure that it has sufficient cash to meet its operational needs while maintaining sufficient available liquidity at all times to ensure that the Group continues to comply with its financing limits and covenants (Note 12).

d) Tax risk

As mentioned in Note 1, the Company is subject to the special tax regime of the rules governing Spanish Real Estate Investment Trusts (SOCIMIs). It is therefore subject to Act 11 of 26 October 2009, with the amendments introduced by Act 16 of 27 December 2012, under which SOCIMIs are governed. Article 3 of Act 11 of 26 October 2009 sets out certain requirements that must be met by this type of company. The companies that have opted for said regime are obliged to distribute dividends to its shareholders, once the pertinent mercantile obligations have been fulfilled, the benefit obtained in the year, having to arrange their distribution within the six months following the end of each year and be paid within the month following the date of the agreement of distribution.

In the event that the Shareholders' Meeting of such companies does not approve the distribution of dividends proposed by the Board of Directors, which has been calculated in accordance with the requirements set forth in the aforementioned law, they would not be complying with it, and therefore they should be taxed under the general tax regime and not the one applicable to the SOCIMIs.

e) Other risk

The appearance of the Coronavirus COVID-19 in China and its recent global expansion to a large number of countries, has led to the viral outbreak being classified as a pandemic by the World Health Organization since last March 11.

This situation is significantly affecting the global economy, and most sectors of the economy are facing challenges due to the economic situation.

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In this context, the Group Management and the Board of Directors have carried out an evaluation of the current situation, according to the best information available, in these consolidated financial statements which describes as follows:

- Operational and business Risk

In general terms, although at the moment of this consolidated financial statements approval, the coronavirus crisis has not significantly affected the Group activity, which has demonstrated resilient financial performance, it could be observed a trend towards some stabilization of rents in the areas where the Group has investments properties, which could have impacted in their fair value. Real estate investments have remained open and accessible to tenants during this financial year, with all available services and enhanced measures for cleaning, disinfection and air filtration; and the evolution of the business has followed a favorable path, without significant impacts that have led to the adoption of extraordinary measures. On the other hand, rehabilitation projects have run their course without significant delays and without altering the Group's strategy. In addition, the Group has a high quality tenant base that has not altered the rental collection periods. The Board of Directors continue to monitor the possible impacts that the pandemic may have on the course of the ongoing works of certain real estate investments and the rental contracts of current and future tenants.

- Liquidity risk

The Board of Directors monitors liquidity needs to ensure that it has the necessary financial resources to meet its needs. The Group is in a very robust position as it has cash and cash equivalents in the amount of 129,086 thousand euros, the level of leverage is not high (Note 3.2) and the maneuvering fund amounts to 129,748 thousand euros. In addition, 95% of the debt service facing the Group will take place in 2025 and subsequent years.

- Risk of valuation of assets and liabilities of the consolidated balance sheet:

There have been no significant increases in risks from default or deterioration in the tenants' financial position. In addition, the Group counts at fair value real estate investments based on valuations made by the independent expert whose assumptions already reflect potential impacts of COVID-19. With respect to the remaining assets and liabilities of the consolidated balance sheet, no significant value changes related to the potential effects of the pandemic have been detected. With regard to all other assets and liabilities in the consolidated balance sheet, no significant value changes have been detected related to the possible effects of the pandemic.

With regard to the formulation of these consolidated annual accounts, the Board of Directors have assessed and concluded that the Group's financial resources continue to allow the implementation of the operating company principle.

Due to the rapid and frequency of changes in the events and the potential evolution of the pandemic in the coming months (potential mitigating impacts and actions), significant estimates and judgments from the Board of Directors could be affected. Therefore, developing in these circumstances a reasonable estimate of the potential impact of COVID-19 on future operations and cash flows is difficult, because markets and economic operators may react unexpectedly to an unforeseen evolution of the pandemic.

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Finally, emphasize that the Administrators and the Board of Directors are constantly monitoring developments, in order to successfully address any financial and non-financial impacts that may occur.

3.2 Capital management

The main objectives of the Group's capital management are to ensure financial stability in the short and long term, the positive performance Árima Real Estate SOCIMI, S.A.'s share and the appropriate financing of investments. The financial leverage ratios, calculated as: (Financial debt / (Financial debt + Net equity)) as of 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Financial debt	104,078	72,637
Equity	301,853	299,778
Leverage	25.64%	19.50%

The Board of Directors consider the Group's level of indebtedness as low. At 31 December 2020, the leverage amounted to 25.64% (19.50% at 31 December 2019).

3.3 Estimation of fair value.

In accordance with IFRS 13, the hierarchical level at which an asset or liability is classified in its entirety (Level 1, Level 2 or Level 3) is determined based on the relevant input data used in the lowest valuation within the hierarchy of fair value. In case the input data used to measure the fair value of an asset or liability can be classified within the different levels, the fair value measurement is classified in its entirety at the same level of the fair value hierarchy as the data input level that is significant for the value measurement.

- Level 1: Quoted prices (unadjusted) in active markets for assets or liabilities identical to those that the entity can access on the date of valuation.
- Level 2: Distinguished data of quoted prices included in Level 1 that are observable for assets or liabilities, directly or indirectly through valuation techniques that use observable market data.
- Level 3: Input data not observable in the market for the asset or liability.

The above levels are specified in IFRS 13 Value Measurement. These valuations have a subjective component as they are made based on the valuer's assumptions, which may not be accurate. For this reason, and in accordance with EPRA's recommendations, we have classified the valuations of real estate investments at Level 3, as established in IFRS 13.

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The following table shows the financial assets and financial liabilities of the Group valued at fair value:

31 December 2020

	Thousand euros			
Assets	Level 1	Level 2	Level 3	Total
- Investment property (Note 6)	-	275,750	-	275,750
Total assets	-	275,750	-	275,750
Liabilities	Level 1	Level 2	Level 3	Total
- Financial hedging instruments (Note 14)	-	1,486	-	1,486
Total liabilities	-	1,486	-	1,486

31 December 2019

	Thousand euros			
Assets	Level 1	Level 2	Level 3	Total
Long Term financial investments				
- Investment properties (Note 6)	-	221,650	-	221,650
Total assets	-	221,650	-	221,650
Liabilities	Level 1	Level 2	Level 3	Total
Financial hedging instruments				
- Financial hedging instruments (Note 14)	-	735	-	735
Total liabilities	-	735	-	735

The fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on estimated interest rate curves.

Neither the financial year ended at 31 December 2020 nor the financial year ended at 31 December 2019, there were level transfers.

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4. FINANCIAL INFORMATION BY SEGMENT

The Investments Committee, together with the Board of Directors of the dominant Company, are the highest level of decision-making in operations. The Management has defined the operating segments, based on the information reviewed by these bodies in order to assign resources and evaluate the Group's performance. The management identifies three segments that must be reported: offices, logistics and corporate.

All the assets are located in the Community of Madrid, so the segments are not disaggregated by geographical area.

31 December 2020	Thousand euros			
	Offices	Logistics	Corporate	Total
Net amount of turnover	4,438	1,698	-	6,136
Changes in the estimated fair value of investment properties	14,946	523	-	15,469
Operating costs	(1,272)	(155)	(6,017)	(7,444)
Losses on disposal of fixed assets	-	-	-	-
Fixed assets amortization	-	-	(28)	(28)
Operating Results	18,112	2,066	(6,045)	14,133
Financial income	-	-	3	3
Financial expenses	(802)	(233)	(10)	(1,045)
Financial Result	(802)	(233)	(7)	(1,042)
Pre-tax result	17,310	1,833	(6,052)	13,091
Income tax	-	-	-	-
Profit (loss) for the period	17,310	1,833	(6,052)	13,091

31 December 2019	Thousand euros			
	Offices	Logistics	Corporate	Total
Net amount of turnover	4,519	1,221	-	5,740
Changes in the estimated fair value of investment properties	16,138	5,451	-	21,589
Operating costs	(1,295)	(108)	(9,749)	(11,152)
Losses on disposal of fixed assets	-	-	(33)	(33)
Fixed assets amortization	-	-	(11)	(11)
Operating Results	19,362	6,564	(9,793)	16,133
Financial income	-	-	-	-
Financial expenses	(608)	-	(136)	(744)
Financial Result	(608)	-	(136)	(744)
Pre-tax result	18,754	6,564	(9,929)	15,389
Income tax	-	-	-	-
Profit (loss) for the period	18,754	6,564	(9,929)	15,389

100% of the income corresponds to transactions carried out in Spain.

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The amounts that are provided to the Investment Committee and the Board of Directors in respect of the total assets and liabilities are valued in accordance with criteria that are uniform to those applied in the Consolidated Financial Statements. These assets and liabilities are allocated on the basis of segment activities.

31 December 2020	Thousand euros			
	Offices	Logistics	Corporate	Total
Non-current assets	253,121	23,536	1,933	278,590
Investments properties	252,550	23,200	-	275,750
Other non-current assets	571	336	1,933	2,840
Current assets	25,543	10,839	99,601	135,983
Non-current liabilities	96,785	9,700	-	106,485
Current liabilities	1,944	65	4,226	6,235

31 December 2019	Thousand euros			
	Offices	Logistics	Corporate	Total
Non-current assets	199,627	22,836	165	222,629
Investments properties	199,150	22,500	-	221,650
Other non-current assets	477	336	165	978
Current assets	2,769	403	152,460	155,632
Non-current liabilities	73,744	374	-	74,118
Current liabilities	2,620	8	1,736	4,364

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5. PROPERTY, PLANT AND EQUIPMENT

The following table contains a breakdown of the entries shown for “Property, plant and equipment” and the relevant movements:

	Thousand euros	
	Property, plant and equipment	Total
Balance at 1 January 2019	63	63
Cost	65	65
Accumulated depreciation	(2)	(2)
Net Book value	63	63
Added	121	121
Sales	(40)	(40)
Allocation to depreciation	(11)	(11)
Reduction of depreciation charge	3	3
Balance at 31 December 2019	136	136
Cost	149	149
Accumulated depreciation	(13)	(13)
Net book value	136	136
Added	190	190
Sales	(23)	(23)
Allocation to depreciation	(28)	(28)
Reduction of depreciation charge	3	3
Balance at 31 December 2020	278	278
Cost	316	316
Accumulated depreciation	(38)	(38)
Net book value	278	278

a) Losses due to impairment

During 2020 and 2019, no entries were made or reversed in respect of value correction for impairment in relation to any property, plant and equipment item.

b) Fully depreciated property, plant and equipment

No item had been fully depreciated at 31 December 2020 neither at 31 December 2019.

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6. INVESTMENT PROPERTIES

Investment properties include office buildings and other items owned by the Company that are held to obtain long-term rental income and are not occupied by the Company.

Movement and breakdown of investment properties are shown below:

	<u>Thousand euros</u>
	<u>Investment properties</u>
Balance at 1 January 2019	39,975
Added	158,471
Subsequent capitalised disbursements	1,615
Gain / (loss) net of adjustments at fair value	21,589
Balance at 31 December 2019	221,650
Added	28,207
Subsequent capitalised disbursements	10,424
Gain / (loss) net of adjustments at fair value	15,469
Balance at 31 December 2020	275,750

In the financial year 2019, the Group formalized the acquisition of five office buildings and one logistic facility for a total amount of 158,471 thousand euros. Offices buildings are located in the most consolidated business areas of Madrid: on the urban axis M30-A2, in the business park of Cristalia, in María de Molina street, Ramírez de Arellano street and Vía de los Poblados. The logistic facility is located in San Agustín de Guadalix.

In 2020, the Group has made disbursements worth 28,207 thousand euros for the acquisition of two real estate assets in Madrid: an office building located in the district of Chamartin with a buildability of 6,535 sqm, and an asset that will have an office building of 12,000 sqm in Manoteras street, 28.

At 31 December 2020 a mortgage was constituted on Guadalix and Vía de los Poblados properties as a guarantee of the granted financing in the financial year. At 31 December 2019 the financed buildings corresponded to the offices of María de Molina, Habana, América, Cristalia and Ramírez de Arellano.

a) Income and expenses on investment properties

The following income and expenses on investment properties have been detailed in the income statement:

	<u>Thousand euros</u>	
	<u>31.12.2020</u>	<u>31.12.2019</u>
Rental income (Note 13)	6,136	5,740
Expenses for the operations resulting from investment properties that generate rental income	(1,204)	(1,352)
Expenses for the operations resulting from investment properties that do not generate rental income	(223)	(50)
	4,709	4,338

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b) Operating leases

The total amount of future minimum receivables from non-cancellable operating leases is as follows:

	Thousand euros	
	31.12.2020	31.12.2019
Less than one year	4,791	4,896
Between one and two years	2,812	4,558
Between two and three years	1,823	2,744
Between three and four years	1,858	1,727
Between four and five years	570	1,759
More than five years	-	590
	11,854	16,274

c) Insurances

The Company sign all the insurance policies necessary to cover any possible risk that might affect any aspect of its investment properties. The coverage in these policies is deemed to be sufficient.

d) Liabilities

At the close of the period, the Group does not have contractual obligations for the acquisition, construction or development of real estate investments, or for repairs, maintenance or insurance, in addition to those already included in the Note.

e) Valuation process

The cost and fair value of the real estate investments as of 31 December 2020 and 31 December 2019 are detailed below:

	Thousand euros			
	31 December 2020		31 December 2019	
	Net book value	Fair value	Net book value	Fair value
Investment properties	232,467	275,750	196,689	221,650

The valuations of these real estate assets have been carried out using "market value" hypothesis, these valuations being made in accordance with the Professional Standards of assesment by the Royal Institution of Chartered Surveyors of July 2017 – ‘Red Book’. The “market value” of the Group’s properties has been determined on the basis of evaluation carried out by independent expert valuers (CBRE Valuation Advisory, S.A.).

The "Market Value" is defined as the estimated amount for which an asset should be able to be exchanged at the valuation date, between a willing seller and a willing buyer, after a reasonable sales marketing period, and in which both parties have acted with knowledge, prudence and without any coercion.

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The valuation methodology adopted by the independent appraisers in relation to the determination of fair value was basically the 10-year discount cash flow method and the income capitalization method (reflecting net income, capitalized expenses, etc.), besides comparing the information with comparables. The residual amount at the end of year 10 is calculated by applying a rate of return (Exit yield or cap rate) of the projections of net income for year 11. Cash flows are discounted at an internal rate of return for reach the current net value. This internal rate of return is adjusted to reflect the risk associated with the investment and the assumptions adopted. The key variables are, therefore, the income and the the exit yield.

The estimated yields depend on the type and age of the properties and their location. The properties have been valued individually, considering each one of the lease agreements in force at the end of the year and, if applicable, the foreseeable ones, based on the current market rents for the different areas, supported by comparables and transactions carried out for your calculations.

As provided in Note 2.4, the Directors requested an assessment on 31 December 2020 of all real estate investments. Derived from this valuation, there has been a change in the fair value of the investment properties in the consolidated income statement of 15,469 thousand euros (21,589 thousand euros at 31 December 2019).

Based on the simulations performed on these valuations, the recalculated impact on the fair value of the properties in the portfolio at 31 December 2020, of a variation of 0.25% in the exit yield, would produce:

- in the event that the yield was reduced by 0.25%, the market value of these properties would be 288,400 thousand euros.
- in the case that the yield was increased by 0.25%, the market value of these properties would be 264,450 thousand euros.

The effect of a variation of 10% on the income increases considered in the valuations of these assets has the following impacts on the consolidated asset and, by difference with the fair value of the asset, on the summarized interim consolidated income statement, with regarding real estate investments:

- in the event that the market rents increased by 10%, the market value of these properties would be 307,550 thousand euros.
- in the case that the market rents were reduced by 10%, the market value of these properties would be 243,900 thousand euros.

As of 31 December 2019, the following simulations were carried out, in yields and market income increases, on the valuations of the same, as well as the recalculated impact on the fair value of properties acquired from a variation of 0.25% in the exit yield, would produce:

- in the event that the yield was reduced by 0.25%, the market value of these properties would be 230,215 thousand euros.
- in the case that the yield was increased by 0.25%, the market value of these properties would be 213,910 thousand euros.

The effect of a variation of 10% on the income increases considered in the valuations of these assets has the following impacts on consolidated assets with respect to real estate investments,

- in the event that the market rents increased by 10%, the real estate investments would amount to 244,090 thousand euros.

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- in the event that market rents were reduced by 10%, real estate investments would amount to 199,150 thousand euros.

As of 31 December 2020, the exit yields used in the valuations of offices located in the prime area would be 4.25% and for those that are decentralized the yields would be 4.75% (4.25% and 5.25% respectively in December 2019). The discount rates used would be between 6.50% and 7.25% (between 6.50% and 7.50% in December 2019).

As of 31 December 2020, the exit yields used in the logistical valuations located in the prime area would be 5.25% and for those that are decentralized the yields would be 6.00%. (5.25% and 6.50% respectively in December 2019). The discount rates used would be around 7.75% (8.50% in December 2019)

The valuation of real estate investments has been framed within level 3 according to the definition described in Note 3.3 above. In this sense, the fair value of the investment properties has been carried out by independent valuation experts through the use of valuation techniques observable in the market and that are available based to a lesser extent on specific estimates of the entities.

7. FINANCIAL INSTRUMENTS ANALYSIS
a) Analysis by category

The book value of each of the categories of financial instruments, excluding cash and cash equivalents, is as follows:

	Thousand euros					
	Non-current financial assets					
	Fair value with changes in comprehensive income		Amortized cost		Fair value with changes in the income statement	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Loans to third parties	-	-	1,556	-	-	-
Other long-term financial liabilities	-	-	937	842	-	-
Total long-term financial liabilities	-	-	2,493	842	-	-
	Current financial assets					
	Fair value with changes in comprehensive income		Amortized cost		Fair value with changes in the income statement	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Trade receivables for sales and services and other assets	-	-	2,363	1,189	-	-
Total short-term financial assets	-	-	2,363	1,189	-	-

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	Thousand of euros					
	Non-current financial liabilities					
	Debts with credit entities		Debentures and other marketable securities		Financial hedging instruments and other liabilities	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Debts and other financial liabilities (Note 12)	104,039	72,427	-	-	2,446	1,691
Total non- current financial liabilities	104,039	72,427	-	-	2,466	1,691
	Current financial liabilities					
	Debts with credit entities		Debentures and other marketable securities		Financial hedging instruments and other liabilities	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Debts and other payables (Note 12)	39	210	-	-	3,551	2,699
Total current financial liabilities	39	210	-	-	3,551	2,699

b) Analysis by maturity date

At 31 December 2020 and 31 December 2019, the value of financial instruments with a specific maturity date or with a maturity date falling within a specific year was as follows:

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	Thousand euros						
	Financial assets						
	2021	2022	2023	2024	2025	Subsequent years	Total
Trade receivables:							
- Trade receivables	1,996	-	-	-	-	-	1,996
Non-current investments:							
- Loans to third parties	-	-	-	1,556	-	-	1,556
- Other financial assets	367	561	29	-	337	10	1,304
	2,363	561	29	1,556	337	10	4,856
	Financial liabilities						
	2021	2022	2023	2024	2025	Subsequent years	Total
Debts:							
- Debts with credit entities	39	376	376	4,693	13,891	86,458	105,833
- Financial hedging instruments	-	-	-	352	-	1,134	1,486
Trade payables:							
- Trade and other payables	3,451	-	-	-	-	-	3,451
- Other financial liabilities	100	520	31	-	397	12	1,060
	3,590	896	407	5,045	14,288	87,604	111,830

At 31 December 2019

	Thousand euros						
	Financial assets						
	2020	2021	2022	2023	2024	Subsequent years	Total
Trade receivables:							
- Trade receivables	625	-	-	-	-	-	625
- Other financial assets	564	205	-	50	-	587	1,406
	1,189	205	-	50	-	587	2,031
	Financial liabilities						
	2020	2021	2022	2023	2024	Subsequent years	Total
Debts:							
- Debts with credit entities	210	-	-	-	3,599	70,145	73,954
- Financial hedging instruments	-	-	-	-	150	585	735
Trade payables:							
- Trade and other payables	2,449	-	-	-	-	-	2,449
- Other financial liabilities	250	303	-	24	-	629	1,206
	2,909	303	-	24	3,749	71,359	78,344

The debts shown in the previous break downs are expressed at their nominal value.

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8. LOANS AND RECEIVABLES

	Thousand euros	
	31 December 2020	31 December 2019
Trade receivables and other long-term accounts receivable		
- Loans to third parties	1,556	-
- Guarantees ("Other long-term financial assets")	937	842
Trade receivables and other accounts receivable:		
- Trade receivables for sales and services	299	303
- Other accounts receivable	1,697	322
- Personnel	-	103
- Other credits held with Public Authorities (Note 15)	4,534	476
- Guarantees ("Other short-term financial assets")	135	303
	9,158	2,349

Loans to third parties correspond to loans granted to staff of the dominant Company at a market interest rate (Note 17).

The amount recorded under the heading "Other long-term financial assets" in the balance sheet includes the amount of the guarantees associated with the rental agreements deposited with the corresponding public bodies.

Under the heading "Other debtors", the amounts corresponding to the provision of funds, derived from the acquisitions of the investment property (Note 6) and its financing (Note 12), are included.

The carrying amount of the loans and receivables approximates their fair value, given that the effect of the discount is not significant.

Under the heading of customers there is an amount of 181 thousand euros relating to invoices pending issuance (282 thousand euros at 31 December 2019).

The following table contains a breakdown of the age of receivables for sales and services:

	Thousand euros	
	At 31 December 2020	At 31 December 2019
Up to 3 months	85	21
Between 3 and 6 months	33	-
More than 6 months	-	-
	118	21

The book value of loans and receivables is denominated in euros.

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9. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash and banks	129,086	153,967
	129,086	153,967

The current accounts are denominated in euros and accrue a market interest rate.

Due to the liquidity contract entered into with JB Capital Markets, Sociedad de Valores, S.A.U., detailed in Note 10.b, at 31 December 2020 the Company holds 303 thousand euros of total cash destined for the cash account under that contract (at 31 December 2019 held 432 thousand euros).

10. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

a) Share capital and share premium

The Company was incorporated on 13 June 2018 with the issue of 300 registered shares, each with a par value of 10 euros. On the date of its incorporation, Rodex Asset Management, S.L. held 299 shares representing 99.99% of the Company's issued share capital, and Inmodesarrollos Integrados, S.L. held 1 ordinary share representing 0.01% of the Company's issued share capital.

On 25 July 2018 the Company changed its legal form from a private limited company to a public limited company and increased capital by 60 thousand euros. At that date, following the increase, Rodex Asset Management, S.L. held 6,279 registered shares, representing 99.99% of the Company's issued capital while Inmodesarrollos Integrados, S.L. held 21 registered shares, representing 0.01% of the Company's issued capital.

On 1 October 2018 an Universal General Shareholders' Meeting was held during which it was resolved to increase capital by 350,000 thousand euros maximum (the shareholders' waiving their preferential subscription right), through an offer for the subscription of the Company's shares.

On 8 October 2018 the Board of Directors approved the resolutions concerning the capital increase and the approval of the Share Subscription Prospectus for the admission to trading on the stock exchange of the Company's shares. On 19 October 2018 the Board of Directors approved the capital increase amounting to 100,000 thousand euros which was entered in the Madrid Commercial Register and began trading 10,000,000 new shares with a par value of 10 euros each on 23 October 2018.

In 2019, the Universal General Shareholders' Meeting, at its meeting of March 21, approved a new capital increase, waiving the right of preferential subscription, and delegated to the Board of Directors the necessary powers to carry it out. This capital increase was approved by the CNMV on April 8, 2019, becoming effective through the issuance and circulation of 4 million new ordinary shares of 10 euros each as face value, resulting in an increase in the share capital of 40,000 thousand euros.

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Subsequently, as part of a new capital increase, the Company sign a subscription agreement with Ivanhoe Cambridge Holdings UK LTD, which compels it to subscribe and disburse 60.000 thousand euros for the new shares, with a maximum issue price of 10.40 euros each share. On 5 November 2019, the Universal General Shareholder's Meeting approved the resolutions concerning the capital increase, waiving the right of preferential subscription, and delegated to the Board of Directors the necessary powers to carry it out. This capital increase was approved by the CNMV on 15 November 2019, becoming effective through the issuance and circulation of 14.423.076 new ordinary shares of 10 euros each as face value and 0.40 euros each as share premium, resulting in an increase in the share capital of 150.000 thousand euros.

As of 31 December 2020 and 31 December 2019 the breakdown of share capital is as follows:

	Thousand euros	
	31 December 2020	31 December 2019
Share capital	284,294	284,294
Share premium	5,769	5,769
	290,063	290,063

As of 31 December 2020, the share capital of the Parent Company is 284,294 thousand euros and is represented by 28,429,376 shares with a par value of 10 euros each, all belonging to the same class and fully subscribed and paid. All the shares carry the same voting and dividend rights.

At 31 December 2019 the Company's share capital amounted to 284,294 thousand euros and consisted of 28,429,376 shares with a par value of 10 euros each. All shares were of the same class and are fully subscribed and paid in. All shares carried the same voting and dividend rights.

The share premium is considered a freely distributable reserve.

All the parent company's shares are listed on the Spanish Stock Market.

At 31 December 2020, the companies that held a share of 3% or more in the share capital are as follows:

Entity	% voting rights allocated to shares	% voting rights held through financial instruments		Total %
Bank of Montreal	8.400	-		8.400
Ivanhoe Cambridge, INC.	20.293	-		20.293
Fundlogic SAS	3.087	-		3.087
Rodex Asset Management, SL	3.839	-		3.839
Pelham Long/Short small CAP Master Fund LTD	-	9.984		9.984
Ross Turner	-	9.984		9.984
Total	35.619	19.968		55.587

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At 31 December 2019, the companies that held a share of 3% or more in the share capital were as follows:

Entity	% voting rights allocated to shares	% voting rights held through financial instruments	Total %
Bank of Montreal	8.400	-	8.400
Ivanhoe Cambridge, INC.	20.293	-	20.293
Morgan Stanley	5.498	-	5.498
Rodex Asset Management, SL	3.840	-	3.840
Pelham Long/Short small CAP Master Fund LTD	-	9.984	9.984
Ross Turner	-	9.984	9.984
Total	38.031	19.968	57.999

b) Treasury shares

Movements in treasury shares over the year have been as follows:

	31 December 2020		31 December 2019	
	Number of treasury shares	Thousand euros	Number of treasury shares	Thousand euros
At the beginning of the financial year	55,842	625	58,130	546
Additions / purchases	1,040,123	9,569	138,340	1,518
Reductions	(517,452)	(5,112)	(140,628)	(1,439)
At the end of the financial year	578,513	5,082	55,842	625

The General Shareholders' Meeting of the Company agreed on 28 May 2020 to authorize, for a period of 5 years, the derivative acquisition of shares of Árima Real Estate SOCIMI, S.A. by the Company itself, under the provisions of articles 146 and concordant of the Capital Companies Act, complying with the requirements and limitations established in current legislation at all times, in the following terms: (i) the acquisitions may be made directly by the Company or indirectly through companies of its group, and they may be formalized, once or several times, through purchase, barter or any other legal transaction valid in Law. Acquisitions may also be made through an intermediary that acquires the shares on behalf of the Company under a liquidity contract subscribed between the Company and the intermediary; (ii) the nominal value of the shares to be acquired, added, where appropriate, to those already held, directly or indirectly, shall not exceed the maximum percentage legally permitted at any time; and (iii) the acquisition price per share will be at at most the market price on the date of acquisition.

On 6 November 2020 Árima Real Estate SOCIMI, S.A. renovated into a 12 month liquidity contract with JB Capital Markets, Sociedad de Valores, S.A.U. in order to increase liquidity and favour the regular trading of the Company's shares. However, this liquidity contract is temporarily suspended since the buyback program of treasury shares is in force since 25 March 2020. The buyback contract has been signed with JB Capital Markets.

The General Shareholders' Meeting of 26 September 2018 resolved to implement the incentive plan consisting of handing over shares or cash on a discretionary basis for the Company's team. This incentive plan was corroborated at the general Shareholder's Meeting of 5 November 2019. (Notes 2.17 and 17).

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The treasury shares held at 31 December 2020 represent 2.03% of the Company's share capital and amount to 578,513 shares (at 31 December 2019 represented 0.20% of the Company's share capital and amounted to 55,842 shares). The average cost of treasury shares has been 8.96 euros per share (the average cost of treasury shares in 2019 was 11.00 euros per share).

These shares are carried by reducing the Company's equity at 31 December 2020 by 5,082 thousand euros (at 31 December 2019 it was 625 thousand euros).

The Company has complied with the requirements of Article 509 of the Spanish Capital Companies Act, which establishes that the par value of acquired shares listed on official secondary markets, together with those already held by the Parent Company and its subsidiaries, must not exceed 10% of the share capital. The subsidiaries do not hold either treasury shares or shares in the Company.

c) Profit (losses) per share

Basic earnings per share are calculated by dividing the net gain / (loss) for the financial year attributable to the owners of the Parent Company by the weighted average number of ordinary shares outstanding during the financial year, excluding the weighted average number of treasury shares held as throughout the period.

Diluted earnings per share are calculated by dividing the net gain / (loss) for the financial year attributable to the owners of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued in the conversion of all potentially dilutive instruments.

The following breakdown reflects the income and information of the number of shares used to calculate basic and diluted earnings per share:

Basic and diluted earnings per share:

	Financial year ended at 31 December 2020	Financial year ended at 31 December 2019
Net income (thousand euros)	13,091	15,389
Weighted average number of issued shares (shares)	28,429,376	14,714,835
Weighted average number of common shares (shares)	27,911,972	14,661,803
Basic earning per share (euros)	0.47	1.05
Diluted earning per share (euros)	0.47	1.05

In relation to the calculation of earnings per share, there have been no transactions on ordinary shares or ordinary potential shares between the closing date of the consolidated annual accounts and the preparation thereof, which have not been taken into account in said calculations for the financial year ended on 31 December 2020 and 31 December 2019.

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11. RESERVES AND PROFIT (LOSS) FOR THE FINANCIAL YEAR

Reserves

	Thousand euros	
	At 31 December of 2020	At 31 December of 2019
Others reserves:		
- Voluntary reserves	5,267	(9,924)
- Legal reserve	-	-
- Hedging transactions reserves	(1,486)	(735)
	3,781	(10,659)

Legal reserve

Appropriations to the legal reserve should be made in compliance with Article 274 of the Spanish Companies which stipulates that 10% of the profits for each year must be transferred to this reserve until it represents at least 20% of share capital.

The legal reserve is not available for distribution. Should it be used to offset losses in the event of no other reserves being available, it must be replenished out of future profits.

Distribution of the profit and loss for the financial year

The proposed distribution for the profit and loss for the period obtained by the Parent Company and the reserve amount to be submitted to the General Shareholders Meeting, is as follows:

	Miles de euros	
	2020	2019
Base for distribution:		
Profit and los for the financial year	(5,224)	(7,945)
Application:		
Legal reserve	-	-
Net losses obtained from prior financial years	(5,224)	(7,945)
Dividends	-	-
	(5,224)	(7,945)

On 28 May 2020, the General Shareholders' Meeting approved, without modification, the proposal to distribute the 2019 result.

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12. DEBTS AND OTHER PAYABLES

	Thousand euros	
	31 December 2020	31 December 2019
Debts and non-current liabilities:		
- Debts with credit entities	104,039	72,427
- Financial hedging instruments (Note 14)	1,486	735
- Guarantees	960	956
	106,485	74,118
Debts and current liabilities:		
- Debts with credit entities	39	210
- Other payables (Note 7)	2,251	2,314
- Other short term debts	1,200	135
- Other debts with Public Authorities (Note 15)	2,645	1,355
- Guarantees	100	250
	6,235	4,264

The book amounts of debts and payables approximate their fair values, since the effect of discounting is not significant.

The heading "Guarantees" in the balance sheet includes the guarantees granted by the tenants of real estate registered in real estate investments (Note 6).

The book value of loans and receivables to be paid by the Company is denominated in euros.

Over the course of the financial year ended on 31 December 2020, the Group has signed two financial agreements with prestigious financial institutions (Note 3.1a): a financing agreement with a mortgage guarantee at a fixed interest rate the first year and a market interest rate the following years for the amount of 9 million euros, and another financing agreement with a mortgage guarantee at a fixed interest rate for the amount of 27 million euros.

This financing is recorded at amortized cost in the long-term liability under the heading "Debts with credit institutions". As of 31 December 2020 the amount of the amortized cost amounts to 1,755 thousand euros (1,317 thousand euros at 31 December 2019). The nominal maturities of the financing have been included in Note 7. Such financing is guaranteed by the properties described in Note 6.

As of 31 December 2020, 100% of the financing obtained by the Company has been classified as 'green' by financial institutions, given the sustainable characteristics of the financed real estate properties.

On January 28, 2019, the Group signed a financial agreement with a prestigious financial institution at a market interest rate. This financing was considered a bridge financing to continue with its investment activity, foreseeing its formalization in the long term in the following months. This financing was cancelled in the second quarter, in which two bilateral financing transactions were signed with prestigious financial institutions at a variable market interest rate by and amount of 64 million. Furthermore, in the third quarter of 2019 the Group signed a new financial agreement of 20 million euros with a prestigious financial institution at a fixed interest rate.

Under the heading "Short-term debt with credit entities" the amount of unpaid accrued interest in the amount of 39 thousand euros has been recorded (210 thousand euros at 31 December 2019).

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These loans are subject to compliance with certain financial ratios, which are common in the sector in which the Company operates and are calculated annually at the end of the year. This financial ratios are successfully fulfilled at 31 December 2020, with the exception of ratios on the financing property under reform, for which financial institutions have granted a temporary exemption to their compliance.

Additionally, the Group contracted two interest rate swaps. The amount registered in the “Financial hedging instruments” correspond to the valuation of the derivative financial instruments as of 31 December 2020 (Note 14). The effective part of the changes in the fair value of derivatives that are designated and classified as hedges is recognized in the hedge reserve within equity (Note 11).

Deferred payments to suppliers

Payments on business operations carried out during the financial year which are outstanding at the year end, with respect to the maximum terms allowed by Law 15/2010, amended by Law 31/2014, are as follows:

	2020	2019
	Days	Days
Average payment period to suppliers	45	19
Ratio of transactions paid	48	19
Ratio de transactions pending payment	42	28
		Amount
		(thousand euros)
Total payments made	10,355	12,186
Total payments pending	703	501

The calculation of the figures in the table above agrees with that established in the ICAC resolution of 4 February 2016. For the purposes of this Note, trade payables include sundry suppliers and creditors for debts with suppliers of goods and services included in the scope of the regulation with respect to the legal payment periods.

13. INCOME AND EXPENSES

a) Net turnover figure

The net turnover figure corresponding to the Company’s ordinary business activities broke down in geographical terms as follows:

Market			Thousand euros	
	Porcentaje 2020	Porcentaje 2019	2020	2019
Domestic	100%	100%	6,136	5,740
	100%	100%	6,136	5,740

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The net turnover figure breaks down as follows:

	Thousand euros	
	2020	2019
Revenue		
Rents	5,116	4,719
Reinvoicing of costs	1,020	1,021
	6,136	5,740

The lease agreements signed by the Group companies are in normal market conditions in terms of their duration, maturity dates and rent.

b) Personnel costs

	Thousand euros	
	Financial year ended on 31 December 2020	Financial year ended on 31 December 2019
Wages, salaries and associated costs	(4,219)	(8,429)
Welfare charges:		
- Other welfare charges	(205)	(180)
	(4,424)	(8,609)

Under personnel expenses, there has been recorded the remuneration to the parent Company's team, both fixed and prospective. The accrual made in 2019 for the incentive plan granted during 2020 was enough, therefore no additional costs has been recorded in 2020 (Note 17).

There have been no compensation for dismissals at 31 December 2020 neither 2019.

Under the heading of wages, salaries and associated costs, there has been has provision for bonuses amounting to 1,200 thousand euros.

The average number of employees during the financial year ended on 31 December 2020 is 12 people (in the financial year 2019 were 10 people)

The average number of employees during the financial years ended on 31 December 2020 and 31 December 2019 is as follows:

Categories	Financial year ended on 31 December 2020	Financial year ended on 31 December 2019
	Management	8
Employees with degrees	3	2
Administrative personnel and others	1	1
	12	10

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The number of employees at 31 December 2020 and 31 December 2019 is as follows:

Categories	At 31 December	At 31 December
	2020	2019
Management	8	7
Employees with degrees	3	2
Administrative personnel and others	2	1
	13	10

In addition, at 31 December 2020, Company personnel details broken down by gender were as follows:

Categories	31 December 2020		
	Men	Women	Total
Management	6	2	8
Employees with degrees	2	1	3
Administrative personnel and others	-	2	2
	8	5	13

At 31 December 2019, Company personnel details broken down by gender were as follows:

Categories	31 December 2019		
	Men	Women	Total
Management	5	2	7
Employees with degrees	2	-	2
Administrative personnel and others	-	1	1
	7	3	10

c) External services

The following table gives a breakdown of the external services:

	Thousand euros	
	Financial year ende don 31 December 2020	Financial year ende don 31 December 2019
External services directly attributable to real estates assets	(1,427)	(1,402)
Other external services	(1,593)	(1,141)
	(3,020)	(2,543)

d) Financial expenses

Financial expenses accrued in the financial year ended on 31 December 2020 are associated with the financing obtained in the period (Note 12).

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14. FINANCIAL HEDGING DERIVATIVES

		Thousand euros				
		2020				
		Non current		Current		
	Covered principal	Maturity	Asset	Liability(*)	Asset	Liability
Interest rate swap	22,700	2026	-	1,134	-	-
Interest rate swap	21,626	2024	-	352	-	-
			-	1,486	-	-
		Thousand euros				
		2019				
		Non current		Current		
	Covered principal	Maturity	Asset	Liability(*)	Asset	Liability
Interest rate swap	22,700	2026	-	585	-	-
Interest rate swap	21,626	2024	-	150	-	-
			-	735	-	-

(*) See Note 7.b

The fair value of financial hedgings derivatives is registered as a non current asset or non current liability if its maturity is beyond 12 months, and as a current asset or current liability if its maturity is prior to 12 months.

The interest rate swap derivative (financial swap) allows to change a variable interest rate to a fixed interest rate in bank loans signed by the Group. The cashflow covered is the foreseen future payments of interests related to the financial debts (Note 12). Changes in fair value of the interest rate swap are registered in "Adjustments for changes in value" inside Equity.

15. INCOME TAX AND TAX POSITION

The estimated annual average tax rate for the financial year ended at 31 December 2020 is 0%, according to Law 11/2009, of October 26, and the amendments incorporated to it by Law 16/2012, of December 27, by which the SOCIMIs are regulated.

		Thousand euros				
31 December 2020	Consolidated Income Statement			Income and expenses charged directly to Equity		
	Increase	Decrease	Total	Increase	Decrease	Total
Profit (loss) for the financial year	13,091	-	13,091	-	(751)	(751)
Income tax	-	-	-	-	-	-
Permanent differences	334	-	334	-	196	(196)
Temporary differences (**)	1,200	(5,610)	(4,410)	751	-	751
Consolidation adjustment (*)	-	(17,427)	(17,427)	-	-	-
Tax base	14,625	(23,037)	(8,412)	751	(947)	(196)

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31 December 2019	Thousand euros					
	Consolidated Income Statement			Income and expenses charged directly to Equity		
	Increase	Decrease	Total	Increase	Decrease	Total
Profit (loss) for the financial year	15,389	-	15,389	-	(8,307)	(8,307)
Income tax	-	-	-	-	-	-
Permanent differences	-	-	-	-	-	-
Temporary differences (**)	5,610	-	5,610	735	-	735
Consolidation adjustment (*)	-	(23,334)	(23,334)	-	-	-
Tax base	20,999	(23,334)	(2,335)	735	(8,307)	(7,572)

(*) Mainly include the effect of the fair value accounting of real estate investments (Note 6).

(**) Notes 15 and 17.

Tax inspections

Under current law, taxes cannot be understood to have been effectively settled until the tax authorities have reviewed the tax returns submitted or until the time-bar period of four years has elapsed.

As a result, among other things, of the different interpretations to which Spanish tax legislation lends itself, additional tax assessments may be raised in the event of a tax inspection. In any case, the Directors believe that any such liabilities, in the event that they arise, will not have any significant effect on the condensed consolidated balance sheet or the condensed consolidated income statement neither for the financial year ended on 31 December 2020 nor 31 December 2019.

At 31 December 2020 and 31 December 2019, the amounts receivable and the amounts payable by the Group in respect of the Public Authorities broke down as follows:

	Thousand euros	
	At 31 December 2020	At 31 December 2019
Accounts receivable		
Receivables from Spanish Tax Authorities (VAT)	4,534	476
	4,534	476
Payment commitments		
Payables to Spanish Tax Authorities (withholdings collected)	(2,177)	(579)
Payables to Social Security Bodies	(21)	(18)
Stamp duty on the operations of the Group (Note 6)	(447)	(758)
	(2,645)	(1,355)

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16. PROVISIONS AND CONTINGENCIES

Contingent liabilities

Neither at 31 December 2020 nor 31 December 2019 has the Company contingent liabilities.

Bank guarantees

At 31 December 2020, the Group has contracted a bank guarantee in the amount of 122 thousand euros with a prestigious financial institution. At 31 December 2019, there were 122 thousand euros.

17. BOARD OF DIRECTORS AND OTHER PAYMENTS

Shareholdings, positions and activities of the members of the Board of Directors.

Article 229 of the Spanish Capital Companies Act, which was approved by Royal Legislative Decree 1 of 2 July 2010, requires Directors to notify the Board of Directors (or, in the absence of such a body, the other Directors of the General Shareholders Meeting) of any direct or indirect conflict of interest they may have with the Company's interests.

Likewise, Directors must disclose any direct or indirect interest they or persons related to them may hold in any company engaging in activities which are identical, analogous or complementary to those comprising the Company's corporate purpose. They must also disclose the positions they hold or duties they perform at such companies. In this regard, Appendix I sets out the information provided by Directors who have declared that they hold positions and perform duties in companies with an identical, similar or complementary kind of activity.

Remuneration of members of the Board of Directors

During the financial year ended on 31 December 2020, the remuneration of the members of the Board of Directors of the dominant Company has amounted to:

	Thousand euros	
	Financial year ended on 31 December 2020	Financial year ended on 31 December 2019
Remuneration of executive members	1,476	691
Allowance of executive members	-	-
Allowance of non executive members	378	281
	1,854	972

The Parent Company has paid the amount of 26 thousand euros in premiums for liability insurance covering the members of the Board of Directors of the Parent Company for the exercise of its office (26 thousand en 2019).

The members of the Parent Company's Board of Directors do not have pension funds or similar obligations for their benefit. During the financial year ended on 31 December 2020 and the financial year ended on 31 December 2019, there are no senior management personnel that does not belong to the Parent Company's Board of Directors.

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Additionally, there is a compensation plan based on the delivery of shares whose beneficiary is the Company's team (Note 2.17). This plan, which is in force, accrues in a annual basis when, for each calculation period (between 1 July and 30 June of the following year), certain value generation conditions are accomplished. The first calculation period, which began with the parent Company's IPO, ended at 30 June 2020.

As a result, 271,227 shares have been delivered to the executive members of the Board of Directors (2,197 thousand euros) and 262,773 shares to the management team (2,128 thousand euros) (Note 13).

121,893 of the shares delivered to the executive members of the Board of Directors are pledged, guaranteeing the loans granted regarding the incentive plan for an amount of 987 thousand euros (Note 8).

The second calculation period started on 1 July 2020, ending on 30 June 2021 for the assessment of compliance with the thresholds. It is not possible at the date of formulation of these consolidated annual accounts, 18 February 2021, to assess compliance with them. Therefore, no amount has been accrued at the end of the financial year.

The non executive members of the Parent Company's Board of Directors have not received any shares or share options during the financial year ended on 31 December 2020 and financial year ended on 31 December 2019, nor have exercised options or have options pending to exercise.

18. RELATED-PARTY TRANSACTIONS

As of 31 December 2020, there are no pending balances with group companies and related parties. As of 31 December 2019, there were no pending balances with group companies and related parties. During the financial years ended on 31 December 2020 and 31 December 2019 there have been no transactions with related parties.

At 31 December 2020, there are no outstanding balances with group companies and related parties.

19. INFORMATION REQUIREMENTS RESULTING FROM SOCIMI STATUS, ACT 11/2009, AS AMENDED BY ACT 16/2012

- a) Reserves from financial years prior to the application of the tax rules set out in Act 11/2009, as amended by Act 16 of 27 December 2012.

Not applicable.

- b) Reserves from financial years in which the tax rules set out in Act 11/2009, as amended by Act 16 of 27 December 2012, have been applied.

Not applicable

- c) Dividends distributed against profits each year in which the tax rules contained in this Act applied, with differentiation between the portion originating from income subject to tax at a rate of 0% or 19%, and the portion originating from income subject to tax at the general rate.

Not applicable

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020
(Thousand euros)**

- d) In the case of distribution against reserves, identifying the year from which the reserves applied originate, and whether they were taxed at 0%, 19% or the general rate.

Not applicable

- e) Date of the agreement for the distribution of dividends referred to in c) and d) above.

Not applicable

- f) Date of acquisition of properties intended for rent and interests in the share capital of companies referred to in Article 2.1 of this Act.

Property	Localization	Date acquired
María de Molina	Calle María de Molina, on the corner with Calle Príncipe de Vergara, Madrid	21 December 2018
Paseo de la Habana	The junction of Paseo de la Habana and Avenida de Alfonso XIII, Madrid	21 December 2018
Edificio Botanic	Calle Josefa Valcárcel, 42, Madrid	29 January 2019
Edificio Play	Vía de los Poblados, 3 -Parque Empresarial Cristalia, Edificio 4B, Madrid	29 January 2019
María de Molina	Calle María de Molina, on the corner with Calle Príncipe de Vergara, Madrid	28 February 2019
Nave Guadalix	Barranco Hondo, San Agustín de Guadalix	12 April 2019
Ramírez de Arellano, 21	Calle Ramírez de Arellano, 21, Madrid	28 June 2019
Cadenza	Vía de los Poblados, 7, Madrid	30 December 2019
Manoteras, 28	Calle Manoteras, 28, Madrid	11 June 2020
P54	Distrito Chamartín	27 October 2020

- g) Identification of assets taken into account when calculating the 80% referred to in Article 3.1 of this Act.

The assets taken into account when calculating the 80% referred to in Article 3.1 of the SOCIMI Act are the ones listed in the above table.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020
(Thousand euros)**

- h) Reserves from years in which the tax system provided for under the Act was applicable and which have been made use of (not for distribution or offsetting losses) during the tax period, with identification of the year from which the reserves originate.

Not applicable

20. AUDITOR'S FEES

The fees accrued during the financial years ended on 31 December 2020 and 31 December 2019 by PricewaterhouseCoopers Auditores, S.L. and its network are as follows:

	Thousand euros	
	2020	2019
Account auditing services	58	52
Other verification work carried out by the auditor	18	155
Other services provided by the auditor	9	2
Other services provided by entities of the auditor's network	-	95
	85	304

21. ENVIRONMENTAL INFORMATION

The Group's operations do not have negative environmental impacts during the financial years ended on 31 December 2020 and 31 December 2019 and therefore it does not incur significant costs or make significant investments the aim of which is to mitigate possible impacts.

22. SUBSEQUENT EVENTS

From 31 December 2020 until the date of formulation of these consolidated annual accounts there have been no subsequent events of relevance that need to be broken down.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

1. ORGANIZATION STRUCTURE AND FUNCTIONING

Árma Real Estate SOCIMI, S.A. (Árma, the Company or the dominant Company) was created in Spain on 13 June 2018 as Árma Real Estate, S.L. in accordance with the Ley de Sociedades de Capital by issuing 300 shares with a nominal value of 10 euros each. Subsequently, on 25 July 2018, the Company became a limited company and increased its capital by issuing 6,000 new shares with a nominal value of 10 euros each.

On 27 September 2018, the Company informed the Spanish tax authorities of its application of the Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario (SOCIMI).

On 1 October 2018, was held a General Shareholder's Meeting in which was approved a capital increase, waiving the pre-emptive subscription rights of the shareholders in an offer to subscribe for the Company's shares. Subsequently, on 23 October 2018, Árma went public through a capital increase of 100 million euros by issuing 10 million ordinary shares with a nominal value of 10 euros each.

In 2019, the Universal General Shareholders' Meeting, at its meeting of March 21, approved a new capital increase, waiving the right of preferential subscription, and delegated to the Board of Directors the necessary powers to carry it out. This capital increase was approved by the CNMV on April 8, 2019, becoming effective through the issuance and circulation of 4 million new ordinary shares of 10 euros each as face value, resulting in an increase in the share capital of 40 million euros.

In the last quarter of 2019, as part of a new capital increase, the Company signed a subscription agreement with Ivanhoé Cambridge Holdings UK LTD, which compels it to subscribe and disburse 60 million euros for the new shares, with a maximum issue price of 10.40 euros each share. On 5 November 2019, the Universal General Shareholder's Meeting approved the resolutions concerning the capital increase, waiving the right of preferential subscription, and delegated to the Board of Directors the necessary powers to carry it out. This capital increase was approved by the CNMV on 15 November 2019, becoming effective through the issuance and circulation of 14,423,076 new ordinary shares of 10 euros each as face value and 0.40 euros each as share premium, resulting in an increase in the share capital of 150 million euros.

Árma is a company that was created without assets –“blind pool”- in order to take advantage of the opportunities of the Spanish real estate sector. At 31 December 2018, just two months after its flotation, the Group invested 110 million euros, making its debut in the market with the acquisition and investment commitment of four prime office assets located in the most consolidated areas of Madrid.

The Board of Directors of the dominant Company carries out its activity in accordance with the corporate governance standards set forth, mainly, in the Bylaws, in the Regulations of the Shareholders' Meeting and in the Regulations of the Board of Directors, also following the maximum commitment of compliance, the recommendations of the Good Governance Code.

The dominant Company's Board of Directors is the supervisory and control body for the Company's activity, with jurisdiction over matters such as the approval of the Group's general policies and strategies, corporate governance and corporate social responsibility policy, the risk control and management policy and compliance with the requirements necessary to maintain SOCIMI status.

The Board of Directors has two fundamental committees: an Audit and Control Committee and additionally the appointments and remuneration committee whose main function is to support the Board of Directors in their tasks of supervising and controlling the Group's ordinary management.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020



The Group's Shareholders include important national and international funds highly interested in the opportunities existing in the Spanish real estate market and in the ability of the management team to maximize and optimize the performance and value of the portfolio.

2. EVOLUTION AND RESULTS OF BUSINESS

The Group, since its launch on the stock market in October 2018, has carried out various operations to acquire real estate assets, which have resulted in a positive consolidated result of 13,091 thousand euros in 2020.

During the financial year 2019, the Group materialized the acquisition commitments that it had acquired at the end of the previous financial year, and made four additional investments for the amount of 98 million euros. Following the Group's strategy, these are three prime office assets located in the most consolidated business areas of Madrid, and a logistic warehouse located in San Agustín de Guadalix, the second logistic ring of Madrid, an excellent location of distribution to all Spain.

Following these acquisitions, the Group's portfolio collectively totaled more than 75,000 leaseable square meters and more than 770 parking spaces. The properties are faithful to the investment model of the listed company: they make up a balanced portfolio of offices for rent with great potential for appreciation for SOCIMI shareholders.

In 2020, the Group has made disbursements worth 28,207 thousand euros for the acquisition of two real estate assets in Madrid: an office building located in the district of Chamartin with a buildability of 6,535 sqm, and the signing of a purchase agreement for the acquisition of an office building that will have 12,000 sqm in Manoteras street, 28.

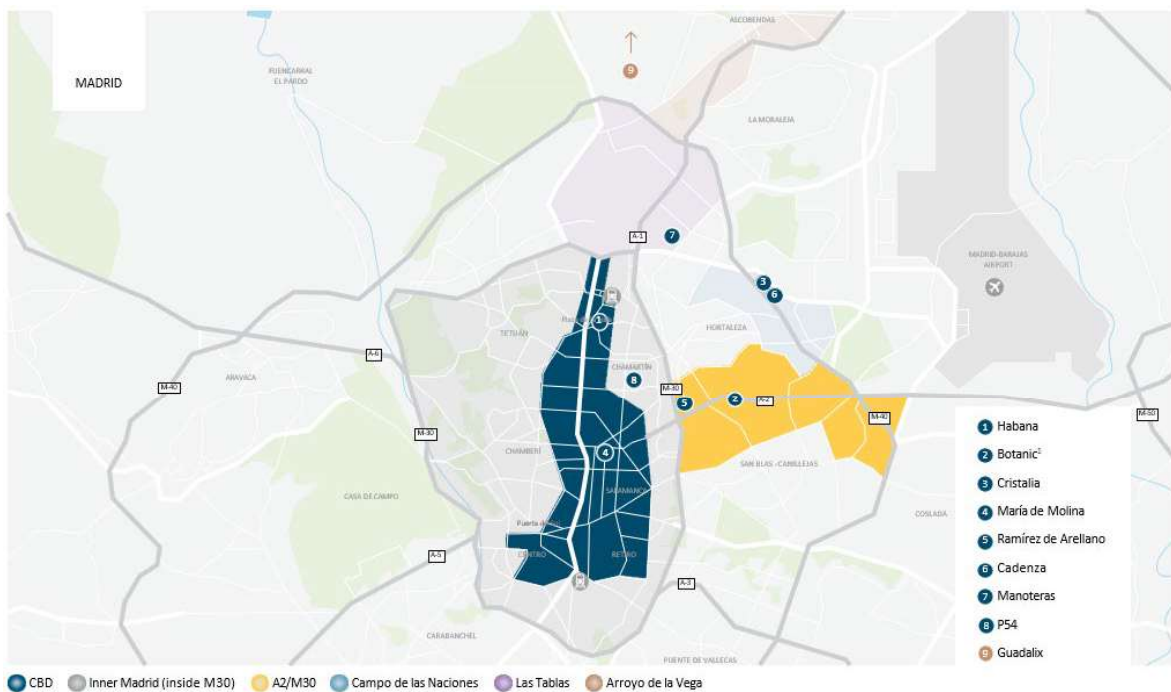
ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

Árma focuses its business strategy on investments in high-quality rental assets with strong growth potential. The commercial policy is based, mainly, on operating offices in the financial centers of Madrid and Barcelona, as well as in other consolidated areas outside the urban center, logistics properties in the most important distribution centers in Spain and, to a lesser extent, other tertiary assets.

The investments made by the Group result in the composition of a very balanced portfolio with excellent indicators such as the internal rate of return and the initial profitability on the acquisition cost, all of them aligned with the Group's commitments detailed in the IPO Prospectus and the Capital Increase Brochures.

The investments are aligned to a disciplined strategy in which a product with great potential for generating value in highly consolidated areas of the metropolitan area and the border area of Madrid has been sought, as shown in the following map:



ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

The properties that make up the Group's portfolio are as follows:

Habana

					
TYPE	LOCATION	GLA	PARKING SPACES	PRICE GLA	PRICE PARKING/SPACE
Offices	MAD CBD	4,200 m ²	65	€4,017/m ²	€25,000/p.s.



María de Molina, 39

					
TYPE	LOCATION	GLA	PARKING SPACES	PRICE GLA	PRICE PARKING/SPACE
Offices	CBD	4,020 sqm	24	€5,562€/sqm	€55,000/p.s.



ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

Botanic


TYPE
Offices


LOCATION
MAD A2/M30


GLA
9,272 m²
(acquisition)


PARKING SPACES
193
(acquisition)


PRICE GLA
€2,264/m²


PRICE PARKING/SPACE
€15,000/p.s.



Edificio Play


TYPE
Offices


LOCATION
MAD A2/CN


GLA
10,928 sqm


PARKING SPACES
202


PRICE GLA
€3,222/sqm


PRICE PARKING/SPACE
€20,000/p.s.



ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

Guadalix


TYPE
Logistics


LOCATION
MAD
S. Agustín de Guadalix


GLA
25,694 m²


PARKING SPACES
177


PRICE GLA
€638/m²


PRICE PARKING/SPACE
€0/p.s.



Ramírez de Arellano, 21


TYPE
Offices


LOCATION
MAD M30-A2


GLA
6,759 m²


PARKING SPACES
110


PRICE GLA
€4,233/m²


PRICE PARKING/SPACE
€35,000/p.s.



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CONSOLIDATED MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

CADENZA


TYPE
Offices


LOCATION
MAD A2/CN


GLA
14,564 m²


PARKING SPACES
217


PRICE GLA
€2,290/m²


PRICE PARKING/SPACE
€20,000/space



Manoteras, 28


TYPE
Offices


LOCATION
MAD M30 A1


GLA
11.962 sqm


PARKING SPACES
245


PRICE GLA
2.805€/sqm


PRICE PARKING/SPACE
22.000 €/pks



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CONSOLIDATED MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

P54


TYPE
Offices


LOCATION
BD


GLA
6,535 m²


PARKING SPACES
65


PRICE GLA
€1.545/m²


PRICE PARKING/SPACE
€20.000 /p.s



The Revenue derived from the lease of the real estate assets acquired amounted to 6,136 thousand euros in the financial year 2020 (5,740 thousand euros as of 31 December 2019). EBITDA – profit before interest, taxes, depreciation and amortization – amounts to 14.161 thousand euros.

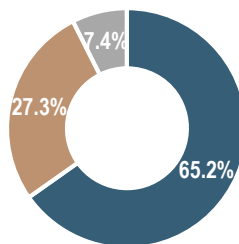
The fair value for the Group's assets as of 31 December 2020 amounts 275,750 thousand euros (221,650 thousand euros as of 31 December 2019), an increase of 25% over acquisition price.

The following graph breaks down the objective value creation of the portfolio, taking into account the nature of the management and strategy for each of the properties after a detailed analysis of them and of the market: through the commercialization of empty spaces, of the remodeling of the acquired properties or the integral rehabilitation of the assets:

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

Active Management	GAV (€m)	GAV (%)
Repositioning & Improvement	179.9	65.2%
Re-gearing & Re-leasing	75.4	27.3%
Leasing vacant	20.5	7.4%
Total	275.8	100.0%



3. EPRA INFORMATION

The NAV of the Group following the best practice recommendations of the *European Public Real Estate Association* (EPRA) is detailed below:

EPRA Net Asset Value (NAV)

	Thousand euros	
	31/12/2020	31/12/2019
NAV	301,853	299,778
Effect of options, convertibles bonds and other interest	-	-
Diluted NAV	301,853	299,778
Excluded:		
Hedging transactions	(1,486)	(735)
EPRA NAV	303,339	300,513
Number of issued shares (without treasury shares)	27,850,863	28,373,534
EPRA NAV per share (euros)	10.9	10.6

4. EVOLUTION OF THE SHARES

The share price at 31 December 2020 is 8.28 euros per share. The share prices as of 31 December 2019 was 11.30 euros per share.

5. TREASURY SHARES

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

The movement of treasury shares in the period/year is as follow:

	At 31 December 2020		At 31 December 2019	
	Number of treasury shares	Thousand euros	Number of treasury shares	Thousand euros
At the beginning of the period/year	55,842	625	58,130	546
Additions/purchases	1,040,123	9,569	138,340	1,518
Reductions	(517,452)	(5.112)	(140,628)	(1,439)
At the end of the period/year	578,513	5,082	55,842	625

The shares held by the parent Company on 31 December 2020 accounted for 2.03% of the parent Company's share capital and totalled 578,513 shares (on 31 December 2019 it accounted for 0.20% and totalled 55,842 shares). The average cost of treasury shares was €8.96 per share in 2020 (€9.26 per share in the same period of 2019).

These shares are registered, thus reducing the value of the Group equity on 31 December 2020 in the amount of 5,082 thousand euros (625 thousand euros on 31 December 2019).

The dominant Company has complied with its obligations under Article 509 of the Spanish Capital Companies Act, which establishes that the par value of acquired shares that are listed on official secondary markets, added to the value of those that are already held by the dominant Company and its subsidiaries, must not exceed 10% of the share capital. The subsidiary does not hold either treasury shares or shares in the dominant Company.

6. DIVIDEND POLICY

SOCIMIs are governed by the special tax rules established under Act 11 of 26 October 2009, with the amendments introduced by Act 16 of 27 December 2012, under which SOCIMIs are governed. They are required to distribute the profits they obtain over the course of the year to their shareholders in the form of dividends, after complying with the relevant corporate obligations. Distribution must be approved within the six months following the year end, in the following way:

a) 100% of the profits resulting from dividends or profit shares received from the companies referred to in Article 2.1 of this Act.

b) At least 50% of the profits earned from the transfer of the property, shares or ownership interests referred to in Article 2.1 of the Act, where this occurs after the deadlines referred to in Article 3.3 of the Act have expired, when the property, shares or interests are used to comply with the Company's primary corporate purpose. The remainder of these profits must be reinvested in other property or investments related to the performance of this corporate purpose within three years of the transfer date. Otherwise, these profits must be distributed in full together with any profit earned, where applicable, in the year in which the reinvestment period expires. If the items in which the reinvestment has been made are transferred prior to the end of the holding period, profits must be distributed in full, together, where applicable, with the part of the profits attributable to the years in which the Company was not taxed under the special tax scheme provided for in the aforementioned Act.

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

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

The dividend must be paid within one month of the distribution agreement. When dividends are distributed with a charge to reserves originating from profits for a year in which the special tax rules were applied, the distribution must compulsorily be approved by means of the resolution referred to above.

The Company is required to allocate 10% of its profits for the year to the legal reserve until the balance held in this reserve amounts to 20% of its share capital. The balance of this reserve is not available for distribution to the shareholders until it exceeds the 20% limit. The articles of association of these companies may not establish any restricted reserve other than the foregoing.

The following table shows a reconciliation between the result under Spanish Gaap and the result under IFRS:

	Miles de euros	
	31/12/2020	31/12/2019
Result for the period - Spanish GAAP	(5,224)	(7,945)
Adjustments:		
(I) Consolidation	2,846	1,745
(II) Changes in value of investment properties	15,469	21,589
Result for the period - IFRS	13,091	15,389

7. RISK MANAGEMENT

Árma has established a risk control system that covers its activity and is appropriate to its risk profile. Risk management policies are monitored by the dominant Company's Board of Directors. The main risk to achieve the Group's objectives is compliance with the regulatory requirements necessary to maintain its status as SOCIMI. The risk monitoring system also includes the management of financial risk. Note 3 of the Notes to the consolidated annual accounts gives details of the Group's risk management activities.

8. THE TEAM

The team of professionals who make up Árma is one of the Group's main strengths. Since its incorporation, it has selected the highly qualified personnel necessary to develop its strategies and achieve its objectives.

Árma Real Estate is an internally managed real estate investment group that integrates the management team into its organisational structure. This internal team Works exclusively and full time for the Group and its shareholders. The team comprises specialist professionals with extensive experience and a proven track record in the real estate sector as well as a Deep understanding of the market. This expert group of professionals is able to undertake highly complet investment operations over short periods of time and complete all aspects of value creation process, from identification of the investment to the active management of the property and its potential turnaround.

The Group is supervised by a Board of Directors with a majority of independent directors who have a combination of skills in the real estate, financial, international and legal sectors. The Board is advised by and investment Committee, an Appointments and Remuneration Committee and an Audit and Control Committee that ensure compliance with the investment and profitability requirements established.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

Árима has assembled a solid team of real estate professionals, whose members have more than 100 years of professional experience. The Team Works exclusively to the creation of value for the Group and its shareholders and to the satisfaction of its clients. Their specialist skills and existing contact network provide the management team with Access to unique investment opportunities in the Spanish real estate market.

9. ALTERNATIVE PERFORMANCE MEASURES

On 5 October 2015, the European Securities and Markets Authority (ESMA) published a set of Guidelines (2015/1415) on Alternative Performance Measures (APM). Compliance with these guidelines is mandatory for all issuers whose securities are admitted for trading on a regulated market and who are required to publish regulatory information under Directive 2004/109/EC on transparency.

Árима's financial information contains figures and measures that have been prepared in accordance with the applicable accounting regulations, together with a further series of measures prepared in accordance with the reporting standards that the company has established and developed internally ("Medidas Alternativas de Rendimiento – MAR").

Alternative performance measures relating to the income statement

- EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization): this is an indicator that measures the Company's operating margin before interest, taxes, depreciation and amortization have been deducted. Given that this figure does not include financial and tax costs or the accounting costs that do not involve any cash outflows, it is used by the Management to assess results over the long term and allows these results to be compared with other companies in the real estate sector. See Note 2 of these consolidated annual accounts.

Alternative performance measures relating to the balance sheet

- Gross Asset Value (GAV): this is the value of the portfolio according to its most recent external valuation by an independent expert. This figure is used to determine the value generated as a result of the Group's management of its asset portfolio. See Note 6 of these consolidated annual accounts.

- Financial leveraging ratio: calculated as financial debt / (financial debt plus equity). This figure allows the Management to assess levels of borrowing at the Group, given that the Group's main capital management objectives are to ensure long and short-term financial stability, the positive performance of Árима Real Estate SOCIMI, S.A.'s share and the appropriate financing of investments. See Note 3.2 of these consolidated annual accounts.

Alternative performance measures relating to COVID-19

The Group Management and the Board of Directors have carried out an evaluation of the main risks caused by the pandemic, according to the best information available, that may affect these consolidated annual accounts. They have concluded, after this evaluation, that the Group's financial resources continue to allow the implementation of the operating company principle, and that the Administrators and the Board of Directors are constantly monitoring, in order to successfully address any impacts that may occur. See Note 3.1.e) of these consolidated annual accounts.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

10. SUBSEQUENT EVENT

From 31 December 2020 to the date of preparation of these consolidated annual accounts, there have been no subsequent significant events that require disclosure.

11. PRINCIPAL RISKS AND UNCERTAINTY

The Group's business is subject to a range of risks that are inherent in the sector, such as changes to tax rules, developments in the real estate market, the search for further potential acquisitions in the Spanish prime assets market and the availability of financing and resources to undertake these acquisitions.

The Group therefore undertakes its activities with close attention to risk management, with the aim of acquiring real estate investments that match its strategy and that Will offer maximum value for shareholders in the medium and long term. The Group has investment resources that result from its cash flows, with the capacity to finance the assets that still require financing, thus allowing it to continue to pursue its investment strategy centred on real estate assets in Spain.

On the other hand, the emergence and expansion worldwide of COVID-19 coronavirus, rated as a pandemic by the World Health Organization, is significantly affecting the global economy due to disruption or slowing supply chains and a significant increase in economic uncertainty, evidenced by an increase in asset price volatility, exchange rates and a reduction in long-term interest rates. At the moment, however, the impact on the economy and the results of the responses that different international governments and monetary institutions are beginning to develop are still uncertain.

For Árima Real Estate SOCIMI, S.A., taking into account that, from an operational point of view, all our assets in operation have remained open and accessible to tenants during this period, with all the services available and enhanced measures of cleanliness, disinfection and air filtration, the evolution of the business has followed a favorable path, without significant impacts that have led to the adoption of extraordinary measures.

During this period, our main objective has been to protect the health and safety of our employees, tenants, contractors and suppliers, while maintaining the company's activity. Following the pandemic and alarm status statements in our country, measures have been taken to make hygiene extremely clean, travel has been limited, telework processes have been implemented, and the safety of all workers in the descaling process has been ensured.

From a financial point of view, Árima has a strong balance to overcome this challenging period, with a reduced leverage (38% LTV) and a cash position and equivalents of 129 million euros as of December 31, 2020, which translates into a positive maneuvering fund of 130 million and a net debt amount (positive) of 25 million at that date. In addition, 95% of the debt service facing the Company will take place in 2025 and subsequent years, minimizing the Group's liquidity risk. In addition, Arima has a high-quality tenant base that has allowed the rental collection terms not to be altered. On the other hand, rehabilitation projects take their course without altering the Group's strategy.

In order to support and contribute to the ongoing effort to combat the pandemic, Árima has made donations, providing disinfection equipment and health protection equipment during this period for a total amount of 323 thousand euros. The Board of Directors and the management team unanimously decided to temporarily and voluntarily waive 50% of their remuneration during the state of alarm, which has been 65% of what was provided. It also decided to postpone the delivery of the incentive plan, if accrued, as a support measure to the Company to face the current crisis situation caused by Covid-19.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

12. USE OF DERIVATIVES

The coverage of cash flows through interest rate swaps (financial swap) allows to exchange debt at variable interest rate for fixed-rate debt, where future cash flows to be covered are future interest payments on contracted loans. Changes in the fair value of derivatives are reflected in "Hedging Reserve" in equity. See Note 14 of these consolidated annual accounts.



ISSUER'S IDENTIFICATION DATA

Financial year end date [31/12/2020]

Company Tax ID No. (CIF): [A88130471]

Company name:

[**ARIMA REAL ESTATE SOCIMI, S.A.**]

Registered office:

[TOREE SERRANO. C/SERRANO, 47 - 4ª PL. 28001 MADRID]

A. OWNERSHIP STRUCTURE

A.1. Complete the following table on the company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
15/11/2019	284,293,760.00	28,429,376	28,429,376

Indicate whether there are different types of shares with different associated rights:

- Yes
 No

A.2. List the direct and indirect holders of significant ownership interests at year-end, excluding board members:

Personal or corporate name of shareholder	% voting rights allocated to shares		% voting rights held through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
BANK OF MONTREAL	0.00	8.40	0.00	0.00	8.40
PELHAM LONG/ SHORT SMALL CAP MASTER FUND LTD.	0.00	0.00	9.98	0.00	9.98
ROSS TURNER	0.00	0.00	9.98	0.00	9.98
IVANHOÉ CAMBRIDGE, INC.	0.00	20.29	0.00	0.00	20.29
RODEX ASSET MANAGEMENT, S.L.	3.84	0.00	0.00	0.00	3.84
FUNDLOGIC SAS	0.00	3.09	0.00	0.00	3.09

Breakdown of indirect holdings:

Personal or corporate name of indirect holder	Personal or corporate name of direct holder	% voting rights allocated to shares	% voting rights held through financial instruments	% of total voting rights
ROSS TURNER	ROSS TURNER	0.00	9.98	9.98

Please indicate the most significant movements in shareholding structure during the year:

Most significant movements
N/A

A.3. Complete the following tables on members of the company's board of directors that hold voting rights over company shares:

Personal or corporate name of board member	% voting rights allocated to shares		% voting rights held through financial instruments		% of total voting rights	% voting rights <u>that can be transmitted</u> through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR. LUIS ALFONSO LÓPEZ HERRERA-ORIA	0.00	3.84	0.00	0.00	3.84	0.00	3.84
% of total voting rights held by the board of directors						3.84	

Breakdown of indirect holdings:

Personal or corporate name of board member	Personal or corporate name of direct holder	% voting rights allocated to shares	% voting rights held through financial instruments	% of total voting rights	% voting rights <u>that can be transmitted</u> through financial instruments
MR. LUIS ALFONSO LÓPEZ HERRERA-ORIA	RODEX ASSET MANAGEMENT, S.L.	3.84	3.84	100.00	3.84

A.4. Indicate, where applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities, and excluding those reported in section A.6:

Related-party name or corporate name	Type of relationship	Brief description
No data available		

A.5. Indicate, where applicable, any commercial, contractual or corporate relationships between owners of significant shareholdings, and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities:

Related-party name or corporate name	Type of relationship	Brief description
No data available		

A.6. Describe the relationships (unless insignificant for both parties) that exist between significant shareholders or shareholders represented on the Board, and directors, or their representatives in the case of proprietary directors.

Explain, where applicable, how significant shareholders are represented. Specifically, name the directors who have been appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders or who are linked to significant shareholders and/or companies in their group, specifying the nature of such relationships or links. In particular, and where applicable, mention the existence, identity and position of directors of the listed company, or their representatives, who are in turn members of the board of directors or the representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders:

Personal or corporate name of linked board member or representative	Name or corporate name of linked significant shareholder	Name of the significant shareholder's group company	Description relationship/position
Mr. STANISLAS HENRY	IVANHOÉ CAMBRIDGE, INC.	IVANHOÉ CAMBRIDGE, INC.	Proprietary Director
Mr. LUIS ALFONSO LÓPEZ HERRERA-ORIA	RODEX ASSET MANAGEMENT, S.L.	RODEX ASSET MANAGEMENT, S.L.	Chief Executive Officer

A.7. Indicate whether the company has been notified of any shareholders' agreements pursuant to articles 530 and 531 of the Spanish Capital Companies Act. Provide a brief description and list of the shareholders bound by the agreement, as applicable:

Yes
 No

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. If so, give a brief description:

Yes
 No

Expressly indicate any amendments to or termination of such agreements or concerted actions during the year, where applicable:

A.8. Indicate whether any individuals or bodies corporate currently exercise control or could exercise control over the company in accordance with article 5 of the Spanish Securities' Market Act. If so, give details:

[] Yes
[v] No

A.9. Complete the following tables on the company's treasury stock:

At year-end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
578,513		2.03

(*) Held through:

Personal or corporate name of direct shareholder	Number of shares held directly
No data available	

Please indicate the most significant movements in shareholding structure during the year:

Most significant movements

Pursuant to resolutions adopted by the Board of Directors of the Company, on 26 March 2020, a share buy-back programme of the Company (the "Buy-back Programme") was launched under the provisions of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (the "Regulation 596/2014"), and Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council as regards regulatory technical standards on conditions for buy-back programmes and stabilisation measures (the "Delegated Regulation 2016/1052").

A.10. Give details of the applicable conditions and time periods governing any resolutions by the general shareholders' meeting allowing the board of directors to issue, buy back and/or transfer treasury stock:

The Ordinary General Shareholders' Meeting held on 21 May 2019 agreed to authorise the acquisition of treasury stock by the Company over a period of 5 years.

A.11. Estimated free float:

	%
Estimated free float	54.40

A.12. Give details of any restriction (statutory, legislative or of any other kind) on the transfer of securities and/or any restriction on voting rights. In particular, state whether there is any type of restriction that may make it difficult to take over control of the company through the acquisition of its shares on the market, or any rules governing prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

Yes
 No

A.13. Indicate whether the General Shareholders' Meeting has agreed to take neutralisation measures to prevent a public takeover bid under the terms of Act 6/2007.

Yes
 No

If applicable, explain the measures adopted and the terms under which these restrictions may be lifted:

A.14. Indicate whether the company has issued securities that are not traded in a regulated European Union market.

Yes
 No

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer:

B. GENERAL SHAREHOLDERS' MEETING

B.1. Indicate and detail the differences, if any, between the required quorum for convening the General Shareholders' Meeting and the quorum required in the Spanish Capital Companies Act (LSC):

Yes
 No

B.2. Indicate and, where applicable, describe any differences between the company's system of adopting corporate resolutions and the framework established in the Spanish Capital Companies Act (LSC):

Yes
 No

B.3. Indicate the rules governing amendments to the company's Bylaws. In particular, indicate the majorities required to amend the articles of association and, if applicable, the rules for protecting shareholders' rights when changing the articles of association.

The system for the adoption of resolutions refers to the LSC.

B.4. Indicate the attendance figures for the general shareholders' meetings held during the year to which this report relates and during the preceding two years:

Attendance Data					
Date of General Meeting	% attending in person	% attending by proxy	% remote voting		Total
			Electronic vote	Others	
26/09/2018	100.00	0.00	0.00	0.00	100.00
Of which, free float	0.00	0.00	0.00	0.00	0.00
01/10/2018	100.00	0.00	0.00	0.00	100.00
Of which, free float	0.00	0.00	0.00	0.00	0.00
18/10/2018	100.00	0.00	0.00	0.00	100.00
Of which, free float	0.00	0.00	0.00	0.00	0.00
21/03/2019	10.91	47.54	0.00	0.00	58.45
Of which, free float	0.00	45.80	0.00	0.00	45.80
05/11/2019	8.76	51.58	0.00	0.00	60.34
Of which, free float	0.96	49.96	0.00	0.00	50.92
28/05/2020	4.77	63.77	0.00	0.00	68.54
Of which, free float	0.93	34.95	0.00	0.00	35.88

B.5. State whether any point on the agenda of the general shareholders' meetings during the year has not been approved by the shareholders for any reason:

Yes
 No

B.6. State whether the articles of association impose any minimum requirement on the number of shares required to attend the general shareholders' meetings or to vote remotely:

Yes
 No

B.7. State whether it has been established that certain decisions (other than those established by law) that entail an acquisition, disposal, the contribution of essential assets to another company or other similar corporate transactions, must be subject to the approval of the general shareholders' meeting:

Yes
 No

B.8. Indicate the address of your company's website and the way in which corporate governance content may be accessed, along with

any other information on general meetings which must be made available to shareholders on the Company website.

www.arimainmo.com

C. COMPANY MANAGEMENT STRUCTURE

C.1. Board of Directors

C.1.1 Maximum and minimum number of directors established in the articles of association and the number set by the general meeting:

Maximum number of Directors	7
Minimum number of Directors	5
Number of directors set by the general meeting	7

C.1.2 Complete the following table with board members' details:

Personal or corporate name of board member	Representative	Category of board member	Position on the board	Date of first appointment	Date of last appointment	Election procedure
MR. STANISLAS HENRY		Proprietary	DIRECTOR	12/11/2019	12/11/2019	RESOLUTION OF BOARD OF DIRECTORS
MR. LUIS ALFONSO LÓPEZ HERRERA-ORIA		Executive	CHIEF EXECUTIVE OFFICER	26/09/2018	26/09/2018	RESOLUTION OF GENERAL SHAREHOLDERS' MEETING
MR. FERNANDO BAUTISTA SAGÜÉS		Independent	DIRECTOR	26/09/2018	26/09/2018	RESOLUTION OF GENERAL SHAREHOLDERS' MEETING
MR. DAVID JIMÉNEZ-BLANCO CARRILLO DE ALBORNOZ		Independent	DIRECTOR	26/09/2018	26/09/2018	RESOLUTION OF GENERAL SHAREHOLDERS' MEETING
MR. LUIS MARÍA ARREDONDO MALO		Independent	CHAIRMAN	26/09/2018	26/09/2018	RESOLUTION OF GENERAL SHAREHOLDERS' MEETING
MR. CATO HENNING STONEX		Independent	DIRECTOR	26/09/2018	26/09/2018	RESOLUTION OF GENERAL SHAREHOLDERS' MEETING
MRS. CHONY MARTÍN-VICENTE MAZARIEGOS		Executive	DIRECTOR	28/05/2020	28/05/2020	RESOLUTION OF GENERAL SHAREHOLDERS' MEETING

Total number of board members	7
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State if any directors have left the board of directors during the period forming the subject of this report, whether through resignation, dismissal or for any other reason:

Personal or corporate name of board member	Category of director at the time of leaving	Date of last appointment	Leaving date	Specialist committees of which he/she was a member	Indicate whether the director left before the end of their term
No data available					

C.1.3 Complete the following tables on the members of the board and their specific category:

EXECUTIVE DIRECTORS		
Personal or corporate name of board member	Position in company's organisational structure	Profile
LUIS ALFONSO LÓPEZ HERRERA-ORIA	CHIEF EXECUTIVE OFFICER	<p>Mr. Luis Alfonso López de Herrera-Oria has been the CEO of the Company since its incorporation and boast more than 30 years of experience in the real estate sector.</p> <p>He was CEO of Axiare from 2014 to 2018 and Executive Director of Prima from 1986 to 2002. During that period, Prima was admitted to the Madrid Stock Exchange (1988) and, became the largest real estate company from Spain in 1990.</p> <p>In 2002, he founded Rodex with a small team of former Prima members. In 2007, Rodex's core business was transferred to Alza Real Estate, SA, where he continued his career as CEO and independent Director. Luis Alfonso López de Herrera-Oria has also been an independent advisor to funds such as Falcon II Real Estate, founded by Morgan Stanley and CBRE, and former advisor to Advise Partners, EAFI, SL.</p> <p>He has a degree in Economics and is a member of the Royal Institution of Chartered Surveyors (FRICS).</p>
MRS. CHONY MARTÍN-VICENTE MAZARIEGOS	EXECUTIVE DIRECTOR	<p>Ms. Chony Martín Vicente-Mazariegos has been the CFO of the Company since its inception and board member. She has more than 20 years of experience in finance, corporate development and compliance (ESG).</p> <p>She was CFO of Axiare from 2014 to 2018, in addition to Director of Investor Relations of Axiare from 2014 to 2016. From 1998 to 2002, she worked in Prima as part of Luis Alfonso López de Herrera-Oria's team. Subsequently, she joined Redevco as Financial Director with responsibility in Spain, Portugal and Italy. Redevco Retail Spain is a Spanish subsidiary of Redevco, BV, a Dutch company that manages a European portfolio of 7.5 billion euros, specializing in business premises.</p> <p>She has a degree in Business Administration and Management and Economic Sciences from the Complutense University of Madrid and has also participated in various management and management programs at IESE, ESADE and IMD, with special attention to Management and the Board of Directors. Currently, she is a professor at the Instituto de Empresa (IE) and a member of the Royal Institution of Chartered Surveyors (MRICS).</p>

Total number of Executive Directors	2
% of the Board	28.57

EXTERNAL PROPRIETARY DIRECTORS		
Personal or corporate name of board member	Individual or corporate name of the significant shareholder that he/she represents or that proposed his/her appointment	Profile
MR. STANISLAS HENRY	IVANHOÉ CAMBRIDGE, INC.	<p>Mr. Stanislas Henry is an independent non-executive director of the Company. He is a French citizen and resident and holds an MBA from INSEAD (1996). He is presently principal vice president at Ivanhoé Cambridge Europe, where he heads up all Operations and Strategic Partnerships in Europe.</p> <p>He began his career in Corporate Finance at Paribas Group from 1988 to 1995, holding positions in branches of the group in Paris (Project and media financing), London (LBO financing) and New York (European Corporate Desk). He then spent five years with GE Capital and GE Real Estate in London and Paris in business development roles, contributing to GE's increased presence in the European real estate markets (in France, the UK, Spain and Italy).</p> <p>After a year in the M&A and Treasury functions at Allianz France (formerly AGF), he joined Credit Agricole Group where he led the M&A activities in the real estate sectors from 2002 to 2008 within CA CIB. He finally joined Amundi Real Estate, the Asset Management branch of Credit Agricole Group, where he created the institutional real estate funds department, developing this activity up to 12Bn €. He joined Ivanhoé Cambridge in May 2019.</p>

Total number of proprietary directors	1
% of the Board	14.29

INDEPENDENT EXTERNAL DIRECTORS	
Personal or corporate name of board member	Profile
MR. FERNANDO BAUTISTA SAGÜÉS	<p>Mr. Fernando Bautista Sagüés is an independent non-executive director. He holds a degree in law from the University of Deusto and a degree in economics and business studies from the Catholic Institute of Business Administration (ICADE) and has been a member of the Madrid Bar Association since 1981. He became a partner in the law firm J&A Garrigues in 1989 and, following its merger with Arthur Andersen, a partner in Arthur Andersen Worldwide in 1996.</p> <p>Two years later, in 1998, he was appointed partner at Freshfields.</p> <p>Between 2014 and 2018 he was an independent non-executive director of Axiare Patrimonio.</p> <p>Fernando currently advises Árima as an independent lawyer in corporate and financial law. He is an independent director of Abante Asesores, S.A. and secretary of Iberdrola S.A.'s Commission of Sustainable Development.</p>
MR. DAVID JIMENEZ-BLANCO CARRILLO DE ALBORNOZ	<p>Mr. David Jiménez-Blanco Carrillo de Albornoz is an independent non-executive Director. He holds a degree in Economics and Business Studies from CUNEF.</p> <p>David worked at Goldman Sachs International from 1995 to 2006, where he was responsible for the European Industrial Clients Group and the investment banking teams in Spain and Portugal.</p> <p>Between 2006 and 2009, he served as Chairman of Merrill Lynch Capital Markets España, S.A., Sociedad de Valores, and was Head of Investment Banking and Global Markets in Spain and Portugal of the firm, and a member of the EMEA Investment Banking Operating Committee.</p> <p>Between 2010 and 2013, he was a partner at BK Partners, a company focused on direct investment in Mexico; between 2013 and 2016 he was CFO of World Duty Free Group SpA, a company listed in Milan, and between 2016 and 2020 he was Director of Restructuring at Abengoa.</p> <p>Between 2011 and 2012 he was a Director at Atento (a subsidiary of Telefónica), and between 2014 and 2018, he was an independent Director of Axiare Patrimonio.</p> <p>Currently and from 2020 he is the Chairman of the Madrid Stock Exchange, Vicechairman of Bolsas y Mercados Españoles and an independent director of SIX Group. He is also Chairman of Gawa Capital, an asset manager focused on the management of impact funds.</p>

INDEPENDENT EXTERNAL DIRECTORS	
Personal or corporate name of board member	Profile
MR. LUIS MARÍA ARREDONDO MALO	<p>Mr. Luis Maria Arredondo Malo is a civil engineer and holds the Medal of Professional Merit by the Spanish Association of Civil Engineers (I.C.C.P). He has also completed the Senior Management Programme in Business Administration (PADE) at the IESE Business School (University of Navarra).</p> <p>From 1969 to 1975 he worked in the Spanish Ministry of Public Works as a project engineer, and from 1975 to 1978 he was General Manager of the construction company S.A.C.R.A., a subsidiary of the Belgian Group C.F.E. In 1980 and until 1988 he was General Manager of the Hispamer Real Estate Corporation (CIH) and General Manager of the Sociedad de Edificaciones de Madrid y Provincia, S.A. (EMPSA). In 1988 and until 1994 he was Managing Director (CEO) of Inmobiliaria Zabálburu, S.A., a company listed on the Spanish stock market. During that period, the real estate company became a company with a rapid and constant growth. Between 1994 and 2006 he was Managing Director of Inmobiliaria Urbis, a position he held simultaneously with that of Chairman during 2006, a company which, during that period, reached a market value of 3,400 million euros.</p> <p>Between 2006 and 2013, he was Chairman and CEO of Santander Global Property, the asset company of Banco Santander, with large international projects in cities such as Madrid, Sao Paulo, Mexico City, Monterrey, Miami and Berlin. Between 2014 and 2018, he was Chairman of the Board of Directors of Axiare Patrimonio, one of the largest listed companies in the Spanish stock market, recently acquired by Inmobiliaria Colonial.</p>
MR. CATO HENNING STONEX	<p>Mr. Cato Henning Stonex is an independent non-executive director of the Company. He holds a BSC (Econ) from the London School of Economics and Political Science. From 2006 to 2016 he was a governor and in 2016 was appointed governor emeritus. Cato Henning Stonex is Director of LSE Ideas (think tank) and a member of its Investments Committee. Cato Henning Stonex joined Morgan Grenfell & Co in 1986, where he became a trader in European government bonds. In 1989 he joined J. Rothschild Administration as a fund manager. In 1996 he was a founding partner at Taube Hodson Stonex. In 2016, Taube Hodson Stonex merged with Global Asset Management. In 2017, Cato Henning Stonex founded the Partners' Investment Company. He was an independent non-executive director of Axiare Patrimonio from 2017 to 2018.</p>

Total number of independent directors	4
% of the Board	57.14

List any Independent Directors who receive any amount or payment from the company or its corporate group other than standard director remuneration, or who maintain or have maintained during the last financial year a business relationship with the company or any group company, either in their own name or as a significant shareholder, director or senior officer of an entity, which maintains or has maintained such a relationship.

Where applicable, include a reasoned statement from the Board detailing why it believes that the said director will be able to perform his/her duties as an independent director.

Personal or corporate name of board member	Description of the relationship	Reasoned statement
No data available		

OTHER EXTERNAL DIRECTORS

Give details of any other external directors and list the reasons why they cannot be considered proprietary or independent directors. Give details of their relationships with the company, its executives or shareholders:

Personal or corporate name of board member	Reasons	Company, manager or shareholder to whom he/she is linked	Profile
No data available			

Total number of other external directors	N.A.
% of the Board	N.A.

List any changes in the category of each director that have occurred during the period reported:

Personal or corporate name of board member	Date of change	Previous category	Current category
No data available			

C.1.4 Complete the following table with information on the number of female board members at the close of the last 4 financial years and their category:

	Number of female board members				% of the total number of directors of each type			
	FY 2020	FY 2019	FY 2018	FY 2017	FY 2020	FY 2019	FY 2018	FY 2017
Executive	1	0	0	N.A.	100.00	0.00	0.00	N.A.
Proprietary	0	0	0	N.A.	0.00	0.00	0.00	N.A.
Independent	0	0	0	N.A.	0.00	0.00	0.00	N.A.
Others	0	0	0	N.A.	0.00	0.00	0.00	N.A.
Total	1	0	0	N.A.	14.29	0.00	0.00	N.A.

C.1.5 State whether the company has diversity policies that apply to its board of directors on such questions as age, gender, disability and professional training and experience. Small and medium-sized enterprises, as these are defined in the Accounts Audit Act, must at least report the policy they have implemented in relation to gender diversity.

- Yes
 No
 Partial policies

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also describe the specific measures adopted by the board of directors and the appointments and remuneration committee to achieve a balanced and diverse group of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, including results achieved.

The Board of Directors has approved a director selection policy which ensures that the procedures used to select directors favour diversity in respect of gender, experience and knowledge and that they are free from any implicit bias that might involve some form of discrimination. It also ensures that candidates for the position of non-executive director have sufficient time available to properly perform their duties.

C.1.6 Explain the measures agreed by the appointments committee, where applicable, to ensure that selection processes are not subject to any implicit bias that would make it difficult to select female directors, and to ensure that the company makes a conscious effort to search for and include female candidates who have the required professional profile, thus allowing for a balanced presence between men and women.

Explanation of measures

The Board of Directors has approved the policy for the selection of directors, through which it ensures that the procedures for the selection of directors' favour diversity of gender, experience and knowledge, and do not suffer from implicit biases that may imply any form of discrimination. In keeping with this commitment, the General Meeting of Shareholders on 28 May approved, at the proposal of the Appointments and Remuneration Committee, the appointment of a female director, setting the number of directors at seven.

When, in spite of the measures taken (where applicable), there are few or no female directors, please give the reasons why this is the case:

Explanation of reasons

As mentioned in the previous section, the company is making the relevant internal assessments regarding the inclusion of women on the Board of Directors, though yet no such appointments have been made.

C.1.7 Explain the conclusions of the appointments committee regarding verification of compliance verification of compliance with the policy aimed at favouring an appropriate composition of the board of directors.

The Company has established a policy of selecting board members based on an analysis of the Company's needs. Candidates for board members will be persons of known reputation, reliability, competence, qualification, training and availability who are committed to the role. In addition, they must be professionals whose conduct and career path are aligned with the mission, vision and values of the Company. It is also the Company's wish to pursue diversity policies and ensure compliance with the targets set with regard to participation by women in board of directors, a situation that is currently under analyses.

C.1.8 Explain, where applicable, the reasons why proprietary directors have been appointed at the request of shareholders who hold less than 3% of the share capital:

Personal or corporate name of shareholder	Reasons
No data available	

Provide details of any rejections of formal requests for board representation from shareholders whose shareholding interest is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. Where applicable, explain the reasons why they were rejected.

[] Yes

[x] No

C.1.9 Where applicable, give details of the powers and duties delegated by the board of directors to directors or board committees:

Personal or corporate name of board member or committee	Brief description
MR. LUIS ALFONSO LÓPEZ HERRERA-ORIA	Each and every one of the powers accorded to the Board of Directors which may be subject to delegation under Law, Bylaws and the Board of Directors' Regulations

C.1.10 List the directors, if any, who hold office as directors, directors' representatives or executives in other companies belonging to the listed company's group:

Personal or corporate name of board member	Name of the group company	Position	Does he/she have executive powers?
MR. LUIS ALFONSO LÓPEZ HERRERA-ORIA	Árma Investigación, Desarrollo e Innovación, S.L.U.	Representative of the Sole Director	YES

C.1.11 Where applicable, list any directors or directors' representatives that are legal entities and are members of the board of directors or the representatives of members of the board of directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Personal or corporate name of board member	Name of the listed company	Position
No data available		

C.1.12 State and, where applicable, explain whether the company has established rules on the maximum number of company boards on which its directors may hold seats, identifying, where appropriate, where this is regulated:

- Yes
 No

Explanation of the rules and identification of the document where this is regulated.

In accordance with Article 21, section 2.a of the Board of Directors Regulations, under no circumstances may a director be a member of more than 5 Boards of Directors.

C.1.13 Give details of the following amounts paid in relation to the overall remuneration received by the board of directors:

Amount of remuneration accrued by the board (thousands of euros)	4,051
Value of rights accumulated by current board members in respect of pensions (thousands of euros)	
Value of rights accumulated by former board members in respect of pensions (thousands of euros)	

C.1.14 List any members of senior management who are not executive directors and indicate the total remuneration paid to them during the financial year:

Name or corporate name	Position/s
No data available	

C.1.15 Indicate whether any changes have been made to the board regulations during the year:

- Yes
 No

C.1.16 Give details of the procedures for selecting, appointing, re-electing and removing Directors. List the competent bodies and the processes and criteria used for each procedure.

The selection policy for candidates for the position of director establishes that candidates for the Company's Board of Directors will be selected on the basis of the following principles:

1. The aim will be to ensure that the Board of Directors comprises a balanced membership with the majority being Non-Executive Directors and with a reasonable ratio of Proprietary and Independent Directors.
2. The Board of Directors shall ensure that the procedures for the selection of Directors favour diversity of gender, experience and knowledge and are free from any implicit bias that might lead to discrimination. It will also ensure that candidates for Non-Executive Directors have sufficient time available to properly perform their duties.

3. Additionally, the process of selecting candidates for the position of Director will begin with a preliminary analysis of the needs of the Company and its Group. This analysis will be carried out by the Company's Board of Directors, with advice and a mandatory prior supporting report from the Appointments and Remuneration Committee.
4. The supporting report from the Appointments and Remuneration Committee shall be published when convening the General Shareholders' Meeting to which the ratification, appointment or re-election of each Director is to be submitted.
5. The Appointments and Remuneration Committee will annually verify compliance with the Board Member Selection Policy and will detail its findings in the Annual Corporate Governance Report.

C.1.17 Explain the extent to which the annual appraisal of the Board has given rise to significant changes in its internal organisation and the procedures applicable to its activities:

Description of changes

According to the General Shareholders' Meeting dated 28/05/2020, a new director (female director) has been appointed in 2020.

Describe the appraisal process and the areas assessed by the Board of Directors with the help, where required, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been subject to appraisal.

Description of the appraisal process and areas assessed

The Board of Directors shall conduct an annual self-assessment of its operation and of its Commissions and Committees, in particular the diversity in the composition and competence of the Board of Directors, as well as the performance of the Chairman of the Board of Directors, the Chief Executive Officer of the Company and of the different Directors, paying special attention to the heads of the different Board Commissions and Committees, and it shall take the appropriate measures for their improvement.

The result of this assessment shall be recorded in the minutes of the meeting or attached to this report as an appendix.

The assessment of the various Board Commissions and Committees should start from the reports they send the Board of Directors, while that of the Board itself should start from the report drafted by the Appointments and Remunerations Committee.

Every three years, the Board of Directors shall be assisted in carrying out the assessment by an External Consultant, whose independence shall be verified by the Appointments and Remuneration Committee.

Any business relationships that the consultant (or any company from its group) maintains with the Company (or any company within the Group) must be listed in the Annual Corporate Governance Report. The process and the areas assessed will be described in the aforementioned Annual Corporate Governance Report.

At present, at the close of the financial year, now that the Company has completed its first year of trading, an assessment is being made of the board and its committees, with a view to adopting an action plan to deal with any deficiencies detected, where applicable.

C.1.18 For financial years in which the assessment has been assisted by an external advisor, give details of the business relationships that the external advisor or any company in its group maintains with the company or any company in its group.

N/A.

C.1.19 Indicate the cases in which Directors are obliged to resign.

Article 12 of the Board of Directors' Regulations regulates the dismissal and removal of Directors:

1. Directors must relinquish their post and formalise their resignation whenever any of the grounds set out in law for incompatibility or disqualification from holding the position of director become apparent, and also in the following cases:

a) In the case of proprietary directors, when the shareholder at whose request they were appointed transfers the entire holding that it had in the Company or reduces it to such a level that this requires a reduction in the number of its proprietary directors.

- b) When the Board itself requests this by a majority of at least two thirds (2/3) of its members, due to the director having infringed his/her obligations, following a proposal or report from the Appointment and Remuneration Committee, or when his/her remaining on the Board could endanger the Company's credit and reputation.
2. In the event that a private individual representing a legal entity that holds a position of the board becomes affected by any of the grounds set out in law for incompatibility or disqualification from office, the legal entity that holds the position on the board must immediately replace that person.
3. The Board of Directors may not propose the removal of any independent director prior to the end of the statutory period for which he/she was appointed, unless there are fair grounds as assessed by the Board following a report from the Appointments and Remuneration Committee. In particular, it shall be understood that just cause exists when the director has failed to comply with the duties inherent in his/her post, has failed to comply with any applicable recommendation on the subject of corporate governance or has become bound by any of the circumstances preventing his/her appointment as an independent director. Notwithstanding the foregoing, the Board may also propose the removal of independent directors resulting from takeover bids, mergers or other similar corporate operations that imply a change in the Company's capital structure, when such changes in the structure of the Board are supported by the criterion for proportionality set out in article 9, section 3, above.
4. When a director leaves his/her post before the end of his/her term, whether through resignation or due to any other cause, he/she shall explain their reasons in a letter sent to all members of the Board, notwithstanding the resignation being notified as a significant event and the reason for the resignation being noted in the Annual Corporate Governance Report. In particular, in the event that the resignation of the Director is due to the Board having adopted significant or repeated resolutions regarding which the director has set down on record his/her reservations and as a consequence of this has decided to resign, this circumstance shall be expressly stated in his/her resignation letter. This provision also applies to the secretary of the Board, even if he/she is not a director.
5. Notwithstanding the above, the removal of directors may be approved by the General Shareholders' Meeting at any moment, even when not provided for in the meeting's agenda.

C.1.20 Are enhanced majorities required for any type of decision, other than those that are stipulated in law?

- Yes
 No

Where applicable, describe the differences.

Description of differences

Article 31 of the Regulations of the Board of Directors establishes in section 6 that the favourable vote of a qualified majority of directors will be necessary for (i) the approval of the report necessary for the General Meeting to approve the establishment of the compensation system for directors and management of the Company, consisting of the delivery of shares or rights over them, for (ii) the modifications with respect to the Company's business and for (iii) the modification of article 31.6 itself.

Likewise, article 4.3. of the Board Regulations establishes a 2/3 majority of the Board to be able to modify the Regulation itself, and 12.1. b) of the Board Regulations establishes a 2/3 majority of the Board in order to request termination or resignation of the Directors.

C.1.21 Indicate whether there are any specific requirements, other than those that apply to directors, to be appointed chairman of the board of directors:

- Yes
 No

C.1.22 Indicate whether the articles of association or the board regulations set any age limit for directors:

- Yes
 No

C.1.23 State whether the articles of association or the board regulations establish any term limits or other stricter requirements for independent directors in addition to those that are required by law:

- Yes
 No

C.1.24 Indicate whether the articles of association or the board regulations stipulate specific rules for delegating voting rights on the board of directors, how this is done and, in particular, the maximum number of times that voting rights may be delegated to a board member, as well as whether there is any limitation on the categories of director to whom proxies can be delegated, beyond the restrictions imposed by law. Where applicable, detail these briefly.

Article 31.2 of the Board of Directors' Regulations states that directors must attend board meetings in person, notwithstanding the contents of paragraph 8 of Article 30. However, directors may be represented by another director in accordance with the legislation in force from time to time. The power of representation shall be granted especially for the board meeting in question, and it may be notified using any of the means provided for in paragraph 5 of Article 30 of the Regulations.

C.1.25 Indicate the number of board meetings held during the year. Indicate how many times the board has met without the chairman in attendance. Attendance will also include proxies appointed with specific instructions.

Number of board meetings	11
Number of board meetings held without the chairman's attendance	3

State the number of meetings held by the coordinating director with the other directors when no executive director was present either in person or by proxy:

Number of meetings	0
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Indicate the number of meetings held of the various board committees during the year:

Number of meetings of the AUDIT COMMITTEE	4
Number of meetings of the APPOINTMENTS AND REMUNERATION COMMITTEE	5

C.1.26 State the number of meetings held by the board of directors during the year and details of the number of members in attendance:

Number of meetings held with at least 80% of board members present in person	1
% of personal attendance over total votes during the year	9.10
Number of meetings at which all board members were present in person or represented by proxy with specific instructions	1
% of votes issued at meetings in person or by proxy with specific instructions over total votes during the year	9.10

C.1.27 State whether the consolidated and individual financial statements submitted for authorisation by the board are previously certified:

- Yes
 No

Identify, where applicable, the person(s) who certified the company's individual and consolidated annual accounts prior to their authorisation for issue by the board:

C.1.28 Explain the mechanisms, if any, put in place by the board of directors to ensure that the individual and consolidated financial statements prepared by the board are not presented at the general shareholders' meeting with a qualified audit report.

Article 40 of the Board of Directors' Regulations governs relations with the external auditors in the following terms:

1. Relations between the Board of Directors and the Company's external auditors shall be channelled via the Audit and Compliance Committee.
2. The Board of Directors shall refrain from contracting audit firms in which the fees which the company and the companies in its group are expected to pay for all items are greater than five percent (5%) of the income of the audit firm in Spain during the immediately preceding financial year.
3. The Board of Directors shall aim to formulate the annual accounts definitively in such a way that there are no provisos or reservations in the audit report, and in the exceptional case that these exist, both the chairman of the Audit and Control Committee and the auditors shall clearly explain to the shareholders the content and scope of those provisos or reservations.

C.1.29 Is the board secretary also a member of the board?

- Yes
 No

If the Secretary does not have the status of director, please complete the following table:

Personal or corporate name of board secretary	Representative
MR. IVÁN AZINOVIC GAMO	

C.1.30 Give details of the specific measures established by the company to ensure the independence of its external auditors and, where applicable the mechanisms implemented to maintain the independence of financial analysts, investment banks, and rating agencies, including how the provisions set out in law have been implemented in practice.

Section five of Article 35 of the Board of Directors' Regulations establishes the following duties for the Audit and Control Committee in relation to the external auditor:

- (i) to bring before the Board of Directors proposals for the selection, appointment, re-election and replacement of the external auditor (which must be international firms of acknowledged standing), along with the terms of their engagement;
 - (ii) to receive information from the external auditor on a regular basis regarding the audit plan and the results of its execution, and to check that the management takes its recommendations into account;
 - (iii) to ensure the independence of the external auditor and, to that end, ensure that the Company informs the CNMV (Spanish Securities Market Commission) of the change of auditor as a significant event, enclosing a declaration on the possible existence of disagreements with the outgoing auditor and their content, where applicable; and in the event that the external auditor resigns, to examine the circumstances that caused its resignation.
- The Audit and Control Committee must establish the appropriate relations with the account's auditors or auditing companies in order to receive information on those questions that could endanger their independence, so that these can be examined by the Audit and Control Committee, along with any other questions relating to the process of conducting the accounts audits and any other communications provided for in the legislation on accounts audits and auditing standards. In all cases, they must receive written confirmation each year from the account's auditors or the auditing companies regarding their independence from the company and any companies directly or indirectly related to it, along with information on additional services of any kind that have been provided to these companies by the said auditors or companies or parties related to them, in accordance with the provisions of Spanish Accounts Auditing Act 22 of 20 July 2015;

(iv) to aid the Company's auditor so that it can accept responsibility for the audits of the companies belonging to the group, where applicable;
(v) in the event of the external auditor's resignation, to examine the circumstances that have caused it;
(vi) to ensure that the payment of the external auditor does not compromise its quality or independence;
(vii) to ensure that the external auditor has a yearly meeting with the Board of Directors in full session to inform it of the work undertaken and developments in the Company's risk and accounting positions;
(viii) to ensure that the Company and its external auditor respect the regulations in force on the provision of services other than auditing, the limits on the concentration of the auditor's business and, in general, all other regulations governing the independence of auditors.
In addition, prior to the issue of the accounts audit report, the Audit and Control Committee must produce an annual report in which it gives an opinion on the independence of the account's auditors or auditing companies. This report must, in all cases, include a statement regarding the provision of the additional services referred to in section b), point (iii), above.

C.1.31 State whether the Company has changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

- Yes
 No

If there have been disagreements with the outgoing auditor, explain the reasons:

- Yes
 No

C.1.32 Indicate whether the auditing firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of all fees invoiced to the company and/or its group:

- Yes
 No

	Company	Group companies	Total
Fees for non-audit work (thousands of euros)	27	0	27
Amount invoiced for non-auditing work / Amount for auditing work (as a %)	46.55	0.00	46.55

C.1.33 Indicate whether the audit report on the previous year's annual accounts is qualified or includes reservations. If so, please explain the reasons given by the chairman of the audit committee to shareholders at the General Shareholders' Meeting to explain the content and extent of these qualified opinions or reservations.

- Yes
 No

C.1.34 Indicate the number of consecutive years during which the current audit firm has been auditing the company's individual and/or consolidated annual financial statements. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the annual accounts have been audited:

	Individual	Consolidated
Number of consecutive years	3	3

	Individual	Consolidated
Number of years audited by the current audit firm / number of years the company or its group have been audited (as a %)	100.00	100.00

C.1.35 Indicate whether there are procedures for directors to receive the information they need in sufficient time to prepare for meetings of the governing bodies and, where applicable, give details:

- Yes
 No

Details of the procedure

Section 5 of Article 30 of the Board of Directors' Regulations establishes the following:

Meetings of the Board of Directors will be notified by letter, fax, telegram, email or any other means that provides proof of receipt, and notification will be authorised with the signature of the chairman, or with the signature of the secretary or deputy secretary, by order of the chairman. Such notifications shall be sent sufficiently in advance so that they are received by board members no later than the third day before the date set for the meeting, except in the case of urgent meetings, which may even be convened and held immediately. This shall exclude those cases in which the Regulations require a specific period of advance notice. Notifications shall always include the place, date and time at which the meeting is to be held and, unless duly justified, the meeting's agenda, and they shall be accompanied by any information deemed necessary in order to debate and adopt resolutions on the items to be discussed, unless the Board of Directors has been constituted or exceptionally convened for reasons of urgency.

In this regard, the company's usual practice is to make all information available to board members a week before the meeting is to be held.

C.1.36 Indicate and, where applicable, give details of whether the company has established regulations obliging directors to inform the board of any circumstances that might harm the organisation's name or reputation, resigning as the case may be:

- Yes
 No

Details of the regulations

Article 21 of the Board of Directors' Regulations governs the duty of notification on the part of directors:

1. Directors shall inform the Company of any stake that they or their Related Parties hold in the capital of any company with the same or a similar or complementary kind of business activity to the one forming the corporate purpose, giving details of any positions held or duties performed at the company in question. They shall also inform the Company of any activity that they engage in, either for themselves or for others, that is complementary to the one forming the Company's the corporate purpose. All such information shall be included in the notes to the annual accounts and in the Annual Corporate Governance Report, in accordance with legal requirements.

2. Directors must also notify the Company:

a) of all the posts held and the activities carried out in other companies or organisations, along with any other professional obligations. In particular, and prior to accepting any appointment as a director or executive in another company or organisation, directors must consult the Appointments and Remuneration Committee. No Director may, under any circumstances, sit on more than five (5) Boards of Directors;

- b) of any material change in their professional situation that may affect the nature or condition by virtue of which they had been appointed as directors;
- c) of any judicial, administrative or other proceedings that they may be involved in and that, due to their characteristics or importance, could have a serious impact on the Company's reputation. In particular, all directors must inform the Company, through its Chairman, of any cases in which they are arraigned, or if a court decides to hold a trial involving them in connection with any of the crimes listed in Article 213 of the Spanish Capital Companies Act. In such cases, the Board of Directors shall examine the matter as promptly as possible and adopt any resolutions it deems appropriate in the Company's best interests;
- d) of any holding taken directly or indirectly in the Company's share capital by the director or any of his/her Related Parties, and of any change to that holding, and of any transaction that is engaged in directly or indirectly by the director or any of his/her Related Parties in relation to the Company's share capital. For these purposes, the term "Related Parties" shall be understood to include any other persons who are deemed to have close ties with directors, pursuant to the terms of Article 3 of Regulation (EU) 596/2014 of the European Parliament and Council of 16 April 2014 on market abuse (market abuse regulation); and
- e) in general, of any fact or situation that may be of relevance to their actions as a director of the Company.

C.1.37 Indicate whether any member of the board of directors has notified the company that they have been indicted or tried for any of the offences listed in Article 213 of the Spanish Capital Companies Act:

- Yes
 No

C.1.38 List any significant agreements entered into by the company which come into force, will be amended or will be terminated in the event of a change of control of the company due to a takeover bid, and the effects thereof.

Árma Real Estate Socimi, S.A. has an incentive scheme for the Company's team. This plan was approved at the General Shareholders' Meeting of 26 September 2018 and can be found in the information prospectuses for the Company's IPO and share capital increases, which have been registered with the Spanish Securities Market Commission (CNMV). As set out for information purposes in the prospectus, if there is a change of control as a consequence of a public share offering, in accordance with the terms of Royal Decree 1066 of 27 July 2007 on public tenders for the acquisition of securities, this event shall be classified as a liquidation event, as this is defined in the incentive scheme. This plan may be settled both in shares or in cash, at the Board of Directors discretion.

C.1.39 Identify and provide detailed information, individually in respect of directors and in aggregate form in all other cases, regarding any agreements between the company and its administrative officers, executives and employees that offer compensation, guarantees or protection clauses in the event of their resignation or unfair dismissal, or that provide for their contractual termination as a result of a takeover bid or other kinds of operations.

Number of beneficiaries	8
Type of beneficiary	Description of the agreement
CHIEF EXECUTIVE OFFICER AND MANAGERS	The services contract entered by the company and the CEO establishes that if the company terminates the contract without just cause (i.e., unfair dismissal as defined by the Spanish Workers' Statute), the Managing Director will be entitled to receive compensation in cash equivalent to two (2) years' total annual remuneration at the most recent rate. In addition, six of the Company's managers, excluding the managing director, have clauses that offer them compensation in the event of the termination of their employment contracts on any grounds other than a disciplinary action deemed lawful or the voluntary resignation of the manager him/herself. Managers would receive the same compensation in other cases, such as a change of control. In the event that managers are entitled to receive compensation, this will be two years' total annual remuneration at the most recent rate.

Indicate whether, beyond the cases provided for in law, these contracts have been notified to and/or approved by the company's or the group's management bodies. If they have, specify the procedures and events provided for and the nature of the bodies responsible for their approval or for making this notification:

	Board of directors	General Shareholders' Meeting
Body that authorises clauses	√	
	Yes	No
Is the General Shareholders' Meeting informed of such clauses?		√

C.2. Board committees

C.2.1 Give details of all of the fees paid to the board of directors, its members, and the proportion of executive, proprietary, independent and other external directors that they represent:

AUDIT COMMITTEE		
Name	Position	Category
MR. STANISLAS HENRY	MEMBER	Proprietary
MR. DAVID JIMENEZ-BLANCO CARRILLO DE ALBORNOZ	CHAIRMAN	Independent
MR. CATO HENNING STONEX	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	33.33
% of independent directors	66.67
% of other external directors	0.00

Explain the duties exercised by this committee, including, where applicable, any duties that are additional to those set out in law, and describe the rules and procedures it follows for its organisation and function. For each of these duties, briefly describe the most important actions taken during the year and how, in practice, the committee has performed each of the duties attributed to it, either by law or pursuant to the articles of association or other corporate resolutions.

The primary function of the Audit and Control Committee is to support the Board of Directors in its oversight role by regularly reviewing the process for the preparation of economic and financial information, its internal controls and the independence of the external auditor.

Identify the board members who are members of the audit committee and have been appointed considering their knowledge and experience of accounting or auditing or both and state the date that the Chairman of this committee was appointed.

Names of directors with experience	MR. DAVID JIMENEZ-BLANCO CARRILLO DE ALBORNOZ
Date of appointment of the Chairman	26/09/2018

APPOINTMENTS AND REMUNERATION COMMITTEE		
Name	Position	Category
MR. STANISLAS HENRY	MEMBER	Proprietary
MR. FERNANDO BAUTISTA SAGÜÉS	CHAIRMAN	Independent
MR. CATO HENNING STONEX	MEMBER	Independent
% of executive directors	0.00	
% of proprietary directors	33.33	
% of independent directors	66.67	
% of other external directors	0.00	

Explain the duties exercised by this committee, including, where applicable, any duties that are additional to those set out in law, and describe the rules and procedures it follows for its organisation and function. For each of these duties, briefly describe the most important actions taken during the year and how, in practice, the committee has performed each of the duties attributed to it, either by law or pursuant to the articles of association or other corporate resolutions.

The main duty of this committee is essentially to provide the Board of Directors with support and assistance in relation to the proposed appointment, re-election, approval and dismissal of board members, the setting-up and overseeing of payment policy for the Company's board members and directors, the monitoring of directors' compliance with their duties, particularly as regards conflicts of interest and related-party transactions, and the supervision of compliance with the Internal Codes of Conduct and Corporate Governance regulations.

C.2.2 Complete the following table with information on the number of female board members sitting on the board's committees at the close of the last four financial years:

	Number of female board members							
	FY 2020		FY 2019		FY 2018		FY 2017	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	0	0.00	0	0.00	0	0.00	N.A.	N.A.
APPOINTMENTS AND REMUNERATION COMMITTEE	0	0.00	0	0.00	0	0.00	N.A.	N.A.

C.2.3 Indicate, where appropriate, whether the board committees are subject to regulations, the place where they are available for consultation and any amendments made during the financial year. Also, indicate whether an annual report on the activities of each committee has been prepared voluntarily.

The rules for the organisation and operation of the board's committees are set out in Articles 34, 35 and 36 of the Board of Directors Regulations. The Board of Directors Regulations are available for consultation on the company's website. No voluntary annual reports have been drawn up on the activities of each committee.

D. RELATED PARTY AND INTRA-GROUP TRANSACTIONS

- D.1.** Explain, where applicable, the procedures for approving related party or inter-group transactions and the bodies with the competence to grant this approval.

Sections 3, 4 and 5 of Article 22 of the Board of Directors Regulations establish the following procedure for the approval of related party transactions:

1. Any transactions carried out by the Company with directors, significant shareholders or shareholders that are represented on the Board, or with Managers or persons related to any of the parties mentioned, including transactions that could give rise to a conflict of interest and any transaction with third parties pursuant to which any director, significant shareholder or shareholder that is represented on the Board, Manager or related person is entitled to receive any compensation, remuneration or commission, are subject to authorisation from the Board of Directors, following a favourable report from the Audit and Control Committee.
2. Prior to authorising the Company's engagement in transactions of this nature, the Audit and Control Committee and the Board of Directors shall evaluate the transaction from the perspective of the equal treatment of all shareholders and current market conditions.
3. In the event that the related party transaction affects a director, he or she will not be provided with any additional information about the operation or transaction in question and, if the director in question is present at the meeting of the Board of Directors or the Audit and Control Committee then, in addition to being unable to exercise or delegate their voting rights, they must withdraw from the meeting room during any deliberation and, where applicable, vote on the transaction at sessions of both the Board and the Audit and Control Committee.
4. The prior authorisation of the Board provided for in Section 1 of this Article shall not be required when the following three conditions are simultaneously met:
 - a) when the transactions in question are carried out pursuant to standard contracts with pre-established conditions that are applied en masse to many customers;
 - b) when the transactions in question are carried out at prices or rates established at a general level with the party acting as the supplier of the good or service involved; and
 - c) when their value does not exceed 1% of the Company's annual turnover.
5. Where these are transactions that fall within the Company's ordinary business and involve usual or recurring activities, a general authorisation from the Board of Directors shall be sufficient.

- D.2.** List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's significant shareholders:

Significant shareholder's name or corporate name	Name or corporate name of the group company or entity	Nature of the relationship	Type of operation	Amount (thousands of euros)
No data available				N.A.

- D.3.** List any transactions that are significant, by virtue of their amount or importance, between the company or its group of companies and the company's managers or directors:

Name or corporate name of administrators or directors	Name or corporate name of the related party	Relationship	Nature of the operation	Amount (thousands of euros)
No data available				N.A.

- D.4.** List any relevant transactions undertaken by the company with other companies in its group, provided that they are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms do not set them apart from the company's ordinary trading activities:

In any case, information shall be given regarding any intra-group transactions carried out with entities established in countries or territories that have the status of tax haven:

Name of the group company	Brief description of the operation	Amount (thousands of euros)
No data available		N.A.

- D.5.** Give details of any significant transactions conducted between the company or companies in its group with other related parties that have not been reported in the previous sections:

Name or corporate name of the related party	Brief description of the operation	Amount (thousands of euros)
No data available		N.A.

- D.6.** List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its directors, management or significant shareholders.

Article 17 of the Board of Directors' Regulations governs conflicts of interest in the following terms:

1. A conflict of interest will be deemed to exist in situations in which the interests of the Company or companies in its group collide, directly or indirectly, with the personal interests of the director. Directors will be deemed to have personal interest whenever the matter in question affects the director personally or a Related Party (as defined below).
2. For the purposes of the present Regulations, "Related Parties" shall be defined as follows:
 - a) with regard to an individual, the following:
 - (i) the spouse or a person who is spousal equivalent;
 - (ii) forebears, descendants and siblings of the person subject to these Regulations or of the spouse (or spousal equivalent) of the person subject to these Regulations;
 - (iii) the spouses of all forebears, descendants and siblings of the person subject to these Regulations;
 - (iv) companies in which the person subject to these Regulations, in their own name or through an intermediary, holds or could hold control, either directly or indirectly, in accordance with the scenarios contemplated in Article 42 of the Spanish Commercial Code;
 - b) with regard to a body corporate, the following:
 - (i) partners or shareholders who hold or could hold control, either directly or indirectly, over the body corporate subject to these Regulations, in accordance with the scenarios contemplated in Article 42 of the Spanish Commercial Code;
 - (ii) companies which form part of the same business group, as defined in Article 42 of the Spanish Commercial Code, and the partners or shareholders thereof;
 - (iii) the personal representative, the managers, whether *de jure* or *de facto*, the liquidators, and the attorneys with general powers to act on behalf of the body corporate subject to these Regulations;
 - (iv) any persons who, with regard to the representative of the body corporate subject to these Regulations, are deemed to be related persons, in accordance with the terms set out in the previous section for directors who are natural persons.
3. All conflict of interest situations will be governed by the following rules:
 - a) notification: directors must inform the Board of Directors, through its chairman or secretary, of any situation affecting them that entails a conflict of interest;
 - b) abstention: directors must refrain from attending and participating in any deliberation or votes on those matters in which a conflict of interest may exist and, as a consequence, their presence will not be taken into account in such cases for the calculation of the quorum. In the case of proprietary directors, these must refrain from participating in any voting on matters which might imply a conflict of interest between the shareholders who have proposed their appointment and the Company;
 - c) transparency: the Company's Annual Corporate Governance Report will give details of any conflict of interest situation involving directors that is known to the Company as a result of notification by the person concerned or by any other means.

4. The provisions contained in this present Article may be developed further through the corresponding rules issued by the Company's Board of Directors, including an Internal Code of Conduct.

D.7. Indicate whether the company is controlled by another entity within the meaning of Article 42 of the Commercial Code, listed or unlisted, and has, directly or through its subsidiaries, business dealings with that entity or any of its subsidiaries (other than those of the listed company) or engages in activities related to those of any of them.

Yes

No

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1. Explain the scope of the Company's Risk Control and Management System, including measures relating to tax risk:

The Board of Directors is the body responsible for determining the risk control and management policy, identifying the Company's main risks, implementing the appropriate internal control and information systems, and carrying out regular monitoring of the main risks to which the Company is exposed. By virtue of the above, the Board of Directors of the Company has approved the Risk Control and Management Policy and the Risk Management Manual. This establishes a systematic and preventive procedure, in line with international standards of reference in risk management to address risks by anticipating, preventing and detecting them. The risk management system considers both the company's own characteristics and those of the economic, geographical and regulatory environments in which it operates. The risk management policy and strategy is the responsibility of the Board of Directors. However, all members of the organisation are involved and responsible for ensuring the success of the risk management system.

E.2. Identify the company bodies responsible for preparing and implementing the Risk Management System, including measures relating to tax risk.

The Board of Directors is the body responsible for approving the Company's strategy and the organisation required to put it into practice, as well as for supervising and ensuring that the Management meets the stated targets. In addition, the Board is responsible for ensuring that, in relations with all the parties that have a direct or indirect interest in the Company, the laws and regulations are duly complied with, obligations and contracts are fulfilled in good faith, the actions and best practices of the sectors and areas in which the company carries out its activities are respected, and any other principles of social responsibility that the company has accepted voluntarily are duly observed. Article 43 of the Company's Articles of Association establishes that the Board of Directors must create and maintain an Audit and Control Committee on a permanent and internal basis / Article 44 of the Company's Bylaws entrusts the Audit and Control Committee with the fundamental duty of acting as support to the Board of Directors in its supervisory work by carrying out a periodic review of the process for the preparation of economic and financial information, the Company's internal controls and the independence of the external auditor.

E.3. State the primary risks, including tax compliance risk and, where significant, risk arising from corruption (this being understood in the terms set out in Royal Legislative Decree 18/2017), where such risks may affect the achievement of business objectives:

The following is a list of some of the main kinds of risk that may be encountered as a result of the Company's real estate and assets management activity, all of which are covered by the risk monitoring system.

1. Financial risk

a) Market risk

Interest rate risk. The Company's interest rate risk arises from its financial debt. The Company occasionally engages in interest rate swaps to cover this risk.

b) Credit risk

The Company is not exposed to significant levels of credit risk, this being understood to mean the impact that the non-payment of receivables could have on its income statement. The company has policies that ensure that both sales and lettings are made to clients with an appropriate credit history.

c) Liquidity risk

The Company's Finance Department is responsible for managing liquidity risk in order to cover any existing payment obligations and/or any undertakings arising from new investments. To this end it analyses the expected cash flows.

2. Market risk

The Company minimises this type of risk through its own strategy and business model. Árima invests in prime properties, with strong upside potential in the office, logistics and retail sectors, in the most consolidated areas. The Company has implemented a long-term business plan that focuses on value creation through active management and repositioning of the portfolio, with special attention to environmental sustainability.

3. Economic risk

Risks in acquisitions is managed by completing a meticulous analysis of transactions, examining and foreseeing any problems that might arise in the future, and considering the possible solutions to such problems. In disposals, the main risk resides in the failure to collect the amounts agreed in the contracts as a result of the buyers' non-compliance. These risks are minimised through the establishment of all kinds of guarantees that will, if necessary, allow the total price to be received or the property forming the object of disposal to be recovered.

4. Risks of a legal and fiscal nature

The Company's activities are subject to legal and fiscal provisions and to the requirements of urban development. Local, regional, national and European authorities can impose sanctions for breaches of these regulations and requirements. Any changes to this legal and fiscal environment could affect general planning of the Company activities which, through the corresponding internal departments, with assistance from legal and tax advisors, will monitor, analyse and, where appropriate take the necessary measures in this regard.

The risks associated with complying with the specific legislation, would be the following:

a) Judicial and extrajudicial claims. The Company's business activities may lead to legal action being taken in relation to properties being let, even if these may result from the actions of third parties contracted by the Company (architects, engineers, construction contractors and subcontractors). The Company has taken out various civil liability and damage insurance policies in order to mitigate this type of risk.

b) Company responsibilities resulting from its classification as a SOCIMI. All of the Company's activities must comply with Act 11/2009, which sets out the regulations for SOCIMIs. As a result, the Company constantly monitors its own activities and checks that they are in line with the legislation currently in force in this regard.

5. Risks regarding the prevention of money laundering and monetary infringements

This category of risk is controlled through the prevention and monitoring of transactions carried out by the Company, in accordance with the legislation in force.

6. Risks relating to personal data protection.

These risks are controlled by means of special and standardised clauses to be included in contracts in different situations, which in accordance with the rules regulating this area, allow any kind of liability that may affect the Company to be limited and even eliminated.

7. Risks relating to the Protection of Consumers and End Users

The Company complies with the requirements of the different state and regional rules regarding consumers and end users. The Company also has an Internal Code of Conduct focused on matters relating to stock markets.

Sections IV and V of the Internal Code of Conduct establish the behaviour and action criteria that recipients of the Code must comply with in relation to the relevant securities and instruments, any privileged and relevant information, and confidential documents, in order to aid transparency in the performance of the Company's activities and provide adequate information and protection for investors.

E.4. Indicate whether the company has a risk tolerance level, including against tax risk:

Árma's risk tolerance is defined as the level of Risk that the Company is prepared to accept in order to achieve its established strategic objectives. Risk tolerance is shaped by the Company's strategy and is agreed by the Board of Directors. Risk tolerance is defined as the level of variation that the Company accepts in achieving an objective. It is, therefore, the acceptable threshold for each risk and objective. Risk tolerance must be updated regularly by the people from each department who are responsible for reporting to and properly informing the compliance supervisor.

E.5. Identify any risks, including tax risk, which have emerged during the year:

No risk of the type described above has emerged during the year.

E.6. Explain the plans for responding to and monitoring the main risks facing the company, including tax risk, and the procedures put in place by the company to ensure that the board of directors is able to respond to any new challenges that may arise:

The Risk Management System operates in a comprehensive, continuous and cross-cutting manner and addresses the management of all priority risks, both internal and external. To this end, the approach adopted for risk management considers the following basic elements in an aligned manner: control environment, objectives, risk identification and management, and control activities. Once a risk has been assessed and the control activities carried out have been carried out for its mitigation, if the risk level is not in the comfort zone, an additional action (Action Plan) is required to reduce the level of risk to the desired level. Risk Managers are responsible for designing, implementing and updating the corresponding Action Plans, considering at all times the views and comments of the Head of Risk Management and Control Function and the Audit and Control Committee. The objective of these Action Plans is to provide the response that best places the risk within the previously established objectives, complementing the control activities already in place. Once the Action Plans have been defined, the Risk Managers communicate them to the Head of the Risk Control and Management Function who, if considered necessary, after a prior analysis, submits them to the Audit and Control Committee for its knowledge and approval and, ultimately, to the Board of Directors.

F. INTERNAL RISK MONITORING AND MANAGEMENT SYSTEMS RELATING TO THE FINANCIAL REPORTING (ICFR) PROCESS

Describe the mechanisms that comprise the risk monitoring and management systems associated with the company's financial reporting process (ICFR).

F.1. The company's monitoring environment.

Specify at least the following components with a description of their main characteristics:

F.1.1 The bodies and/or officers that are responsible for: (i) the existence and regular updating of a suitable, effective ICFR, (ii) its implementation; and (iii) its monitoring.

Continuing with the development of a rigorous internal control system, Árima has drawn up a Management Manual for the Internal Control over Financial Reporting System (ICFR), which has been approved by the Board of Directors.

The SCIIF is a set of processes that affect all levels of the organisation and all the Company's personnel.

Mainly:

1. Board of Directors

With reference to the ICFR, the Regulations of the Board of Directors establish the following functions of the Board:

- To prepare the annual accounts and their presentation to the General Meeting.
- To determine the risk control and management policy.
- To monitor the internal control and information systems.
- To approve the financial information which, as a listed company, the Company must periodically publish.

As the body ultimately responsible for supervising the ICFR, the Board of Directors has established the necessary organisational structure to enable it to monitor the ICFR system, with the support of the Audit and Compliance Committee.

2. Audit and Control Committee

In order to ensure the reliability of financial information, the Audit and Control Committee has been assigned the following functions:

- To ensure the proper functioning of the information and internal control systems, in particular with regard to the preparation and integrity of the financial information.
- To be aware of and periodically review the process of preparation and presentation of financial information and the internal risk control and management systems associated with the risks associated with the Company's significant risks.
- Submit recommendations or proposals to the Board of Directors aimed at safeguarding the integrity of the information and control systems.

In the performance of these duties, the Audit and Compliance Committee must ensure the following aspects relating to the company's ICFR:

- Compliance with regulatory requirements.
- Adequate delimitation of the scope of consolidation.
- The correct application of accounting criteria.

In terms of the organisation of the ICFR work, the Audit and Compliance Committee is responsible for approving what and when to supervise and how to assess ICFR supervision (approval of the ICFR work and supervision plan).

3. Financial management

Árima's CFO has the following responsibilities in the framework of the ICFR:

- Design, implement, evaluate and provide overall monitoring of the SCIIF, for which he/she shall validate the design of the SCIIF Work and Monitoring Plan.
- Report on the effective functioning of the ICFR to the Audit and Control Committee.
- Ensure that appropriate ICFR training programmes are implemented.

4. ICFR Responsible

The ICFR Responsible is part of the Company's Finance Department and is assigned the following duties within the ICFR framework.

of the ICFR system:

- Identify the risks of error, omission or fraud in financial reporting through the ICFR scoping matrix and documenting the design of controls.

F.1.2 Where applicable, and particularly as regards the process for the preparation of the financial information, the following items:

- The departments and/or mechanisms responsible for: (i) designing and revising the organisational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of duties and tasks; and (iii) ensuring the existence of sufficient procedures for their correct reporting throughout the company:

Ultimate responsibility for the design and review of the Company's organisational structure lies with the CEO, under the delegation of the Board of Directors. As regards the process for the preparation of the financial information, in addition to the organisational charts, all of the people involved in the process also have a clear knowledge of the specific guidelines, responsibilities and periods that apply to each closure.

- Code of conduct, approval body, level of dissemination and instruction, principles and values included (indicating whether there is specific mention of the recording of transactions and the preparation of financial information), the body in charge of analysing breaches and of proposing corrective actions and sanctions:

The Company has a Code of Conduct, compliance with which is mandatory, and which is approved by the Board of Directors. The aim of this code of conduct is to establish the basic principles and rules that will govern the behaviour of everyone who acts on behalf of Árima and its subsidiary companies. The Code is applicable to all companies that make up the Árima Group and it is binding on the members of the Board of Directors and all company personnel, irrespective of the position they occupy and the duties they perform. This Code of Conduct is supplementary to the Securities Market Internal Code of Conduct, company regulations, the Articles of Association and any other legislation that applies to Árima's activities, and compliance is mandatory for both Árima and all of the companies with which a significant contractual relationship is in place. Non-compliance with the terms of this Code shall be deemed infringement and may result in the adoption of disciplinary measures.

- Whistle-blowing channel, which enables irregularities of a financial and accounting nature to be reported to the audit committee, along with potential breaches of the code of conduct and irregular activities within the organisation. State, where applicable, whether this process is confidential:

The Company has implemented a whistle-blowing channel for matters related to the internal regulations of the Company and a procedure for reporting potentially significant financial and accounting incidents. In addition, the Whistleblowing Channel also includes the creation of an Ethics Committee whose functions are: reception and classification of complaints received, co-ordination of the investigation work for each of the complaints received, and the of investigation for each of the complaints, imposition of the corresponding disciplinary sanctions, and preparation of periodic reports on the functioning of the Channel.

- Training and regular refresher courses for personnel involved in preparing and reviewing financial information and evaluating ICFR, which address, at least, accounting regulations, auditing, internal monitoring and risk management:

The Finance Department, and specifically the staff involved in the preparation and review of financial information, receives the necessary training on financial and internal control aspects, as well as on regulatory changes affecting the periodic financial information issued by the Company. This training is organised internally and is advised by independent experts in each area.

F.2. Financial reporting risk assessment.

Provide details of at least the following:

F.2.1 The main characteristics of the risk identification process, including risks of error or fraud, in respect of:

- Whether there is an existing documented process:

The Board of Directors has approved an Internal Financial Reporting Control System Management Manual. This system identifies risks of error, omission or fraud in financial reporting through the ICFR scoping matrix. This matrix identifies which accounts and disclosures have a significant risk associated with them and whose potential impact on financial reporting may be material. The ultimate aim is to establish a control system that contributes to the mitigation of risks to the achievement of financial objectives. In addition, the financial information issued is reviewed by the Company's auditors.

- Whether the process covers all financial reporting objectives (existence and occurrence; integrity; evaluation; presentation, breakdown and comparability; and rights and obligations), whether it is updated and how frequently:

As With the ultimate aim of providing assurance as to the reliability of the financial information provided to the market, Árima's System of Internal Control over Financial Reporting pursues the following control objectives.

Internal Control over Financial Reporting of Árima pursues the following control objectives:

- Existence and occurrence: transactions, facts and other events included in the financial information exist and have been recorded at the right time.
- Completeness: the information reflects all transactions, facts and other events to which the entity is a party.
- Adequate valuation: transactions, facts and other events are recorded and valued in accordance with applicable standards.
- Fair presentation, disclosure and comparability: transactions, facts and other events are classified, presented and reflected in the financial information in accordance with applicable standards.
- Timing of transactions: transactions and events have been recorded in the correct period.
- Adequate reflection of rights and obligations: the financial information reflects, at the relevant date, the rights and obligations through corresponding assets and liabilities.

assets and liabilities, in accordance with the applicable regulations.

The scope of the Internal Control over Financial Reporting System shall be reviewed at least annually before setting the reporting schedule for the following year. reporting schedule for the following financial year.

- The existence of a process for identifying the consolidation perimeter, taking account, among other things, of the potential existence of complex corporate structures, vehicle companies or special purpose entities:

Árima's organisational structure is simple, comprising Árima Real Estate SOCIMI, S.A. and its dependent company (100%) Árima Investigación, Desarrollo e Innovación, S.L.U.

- Whether the process takes account of the effects of other types of risk (operational, technological, financial, legal, fiscal, reputational, environmental, etc.) in the manner in which they affect the financial statements:

Any analysis will include all regulatory, technological and reputational risk, risk of fraud, human resource-related risk, operational risk, etc. that are relevant for the financial statements.

- The corporate governance body that supervises the process:

The ICFR is a set of processes that affect all levels of the organisation and all Company personnel. Mainly:

1. Board of Directors

With reference to the ICFR, the Regulations of the Board of Directors establish the following functions of the Board:

- To prepare the annual accounts and their presentation to the General Meeting.
- Determine the risk management and control policy.
- To monitor the internal control and information systems.
- Approve the financial information which, as a listed company, the Company must periodically publish.

As the body ultimately responsible for supervising the ICFR, the Board of Directors has established the necessary organisational structure to monitor the ICFR system, with the support of the Audit and Compliance Committee.

2. Audit and Compliance Committee

In order to ensure the reliability of financial information, the Audit and Compliance Committee has been assigned the following functions:

- To ensure the proper functioning of the information and internal control systems, in particular with regard to the preparation and integrity of the financial information.
- To be aware of and periodically review the process of preparation and presentation of financial information and the internal risk control and management systems associated with the risks associated with the Company's significant risks.
- Submit recommendations or proposals to the Board of Directors aimed at safeguarding the integrity of the information and control systems.

In the performance of these duties, the Audit and Compliance Committee must ensure the following aspects relating to the company's ICFR:

- Compliance with regulatory requirements.
- Adequate delimitation of the scope of consolidation.
- The correct application of accounting criteria.

In terms of the organisation of the ICFR work, the Audit and Compliance Committee is responsible for approving what and when to supervise and how to assess ICFR supervision (approval of the ICFR work and supervision Plan).

3. Financial Management

Árma's CFO has the following responsibilities in the framework of the ICFR:

- Design, implement, evaluate and provide overall monitoring of the ICFR, for which he/she shall validate the design of the ICFR Work and Monitoring Plan.
- Report on the effective functioning of the ICFR to the Audit and Control Committee.
- Ensure that appropriate ICFR training programmes are implemented.

4. ICFR Responsible

The ICFR Responsible is part of the Company's Finance Department and is assigned the following duties within the ICFR framework:

- Identify the risks of error, omission or fraud in financial reporting through the ICFR scoping matrix and document the design of controls.
- Ensure the correct functioning of the ICFR, for which purpose those responsible for each process/sub-process and associated controls must monitor them and report such information to the ICFR Responsible at Árma.
- Prepare reports for the Financial Management, considering the results of the reports received.
- Alert on changes in regulatory and financial information risk scenarios.
- Identify new risks in the processes.
- Collaborate in the proposal of improvement actions and resolution of incidents.

F.3. Monitoring activities.

State whether at least the following items are in place and specify their main characteristics:

- F.3.1 Procedures for reviewing and authorising the financial information and the description of ICFR to be disclosed to the securities markets, stating who is responsible in each case, along with the documentation showing flow charts of activities and controls (including those that address the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the specific review of critical judgements, estimates, evaluations and projections.

The Company has an internal procedure for reviewing financial information (including annual accounts, financial statements for interim periods, the Management Report and the Annual Corporate Governance Report), which oversees the process from the moment that information is generated in the Administration and Finances Department up to its approval by the Audit and Control Committee and, finally, by the Board of Directors prior to publication.

- F.3.2 Internal control policies and procedures for IT systems (including secure access, tracking changes, system operation, continuity and segregation of duties) giving support to key company processes relating to the preparation and publication of financial information.

The internal control policies and procedures associated with the IT systems are defined by the Company Management. The main risks considered by the Company, to which it provides a response, concern physical security (security copies, maintenance and access to servers, etc.), logic security (access controls, procedures for registrations and removals, protection against viruses and other malware, etc.), sufficient segregation of functions, registration and traceability of information, privacy (LOPD - the Spanish Data Protection Act), systems development and systems maintenance.

- F.3.3 Internal control policies and procedures for overseeing the management of activities outsourced to third parties, and the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

Activity outsourced to third parties that has a greater impact on the financial statements corresponds to the valuation of assets made by an independent expert. The procedure that has been implemented by the Company in this regard primarily contains recommendations from the CNMV (Spanish Securities Market Commission) made to listed valuation and real estate companies in relation to the valuation of properties. In addition, when subcontracting or requesting services, the Company works with companies of acknowledged reputation.

F.4. Information and communications.

State whether at least the following items are in place and specify their main characteristics:

- F.4.1 A specific office which is in charge of defining and maintaining accounting policies (accounting policies area or department) and settling queries or disputes over their interpretation, and which is in regular communication with the team in charge of company operations, and an up-to-date manual of accounting policies that has been sent to all the company's operational units.

The Company's Administration and Finance Department is responsible for defining and updating accounting policies and for responding to queries and consultations in this regard.

- F.4.2 Mechanisms for collecting and preparing financial information with standardised formats, which are to be applied and used by all the company or group units and which support the main financial statements and notes to the accounts, along with the detailed information on the ICFR.

The accounting policies defined by the Management form the basis for the preparation of the financial information of both the Company and its subsidiaries. These accounting policies guarantee the application of the same criteria during the preparation of information and consistency in its presentation.

F.5. Supervising the operation of the system.

Indicate the existence of at least the following components, and specify their main characteristics:

- F.5.1 The activities of the audit committee in overseeing ICFR, and whether there is an internal auditing office whose duties include supporting the committee in the task of supervising the internal control system, including ICFR. Describe the scope of the ICFR assessment carried out over the course of the year and the procedure by which the person responsible for making this assessment can communicate his/her findings. State also whether the company has an action plan detailing the potential corrective measures, and whether it has taken account of their impact on its financial information.

As indicated in article 44 of the Company's Articles of Association, the Audit and Compliance Committee's duties include, among others, the following periodic review of the process of preparing the economic and financial information, its internal controls and the independence of the external auditor. Specifically, the ICFR Manual approved by the Board of Directors assigns it the following responsibilities:

- Ensuring the proper functioning of the information and internal control systems, in particular with regard to the preparation and integrity of the financial information.
- To be familiar with and periodically review the process of preparation and presentation of financial information and the internal risk control and management systems associated with the Company's significant risks.
- Submit recommendations or proposals to the Board of Directors aimed at safeguarding the integrity of the information and control systems.

In the performance of these duties, the Audit and Compliance Committee must ensure the following aspects relating to the company's ICFR:

- Compliance with regulatory requirements.
- Adequate delimitation of the scope of consolidation.
- The correct application of accounting criteria.

In terms of the organisation of the ICFR work, the Audit and Compliance Committee is responsible for approving what and when to supervise and how to assess ICFR supervision (approval of the ICFR Work and Monitoring Plan).

The Audit and Control Committee is also supported by the Financial Management and the ICFR Responsible, who prepares a report on the status of compliance and effectiveness of the ICFR, which is reported to the Finance Department. The latter, in turn, reports the results obtained to the Audit and Control Committee (which will submit them to the Board of Directors when it considers it necessary). The scope of the Internal Control over Financial Reporting System must be reviewed at least once a year before setting the reporting calendar for the following year.

reporting calendar for the following financial year.

Furthermore, the conclusion of the Company's auditors on the financial information provided has been satisfactory.

- F.5.2 Whether the Company has a procedure by which the accounts auditor (in accordance with the contents of the Auditing Standards ("NTA")), the internal auditing department and other experts may communicate with senior management and the audit committee or senior managers of the company regarding any significant internal control weaknesses identified during their review of the annual accounts or any others they have been assigned. State also whether the Company has an action plan to correct or mitigate the weaknesses found.

The Audit and Control Committee meets in order to perform its prime function, which is to act as support for the Board of Directors in its supervisory work, by carrying out a regular review of the process for the preparation of the economic and financial information, the internal auditing department and the independence of the external auditor. In addition to other potential actions, it also carries out the following duties:

Discussions with External Auditors (with particular significance when they have acted on any specific matter: Audit reports, limited reviews, etc.) in order to:

- Obtain information on the planning, scope and conclusions of the work carried out.
- Obtain information on internal control weaknesses detected during the course of their work.
- Inform the external auditor about any matters that could affect their work.
- Talk to the external auditor regarding the expected contents of its reports.
- Obtain the necessary information for ensuring the independence of the External Auditor in compliance with the duties of the Audit and Control Committee.

In addition, the Audit and Control Committee may demand additional information or the participation of experts when it comes to analysing topics relating to compliance with their duties.

F.6. Other relevant information

F.7. External auditor's report.

State whether:

F.7.1 The ICFR information supplied to the markets has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

The Company has not submitted the information on the ICFR for review by the external auditor. However, it is considered that the established controls are adequate for the current volume and complexity of the Company, having passed since its incorporation through several processes of review and audit of the financial information. The conclusion of the external auditor has been satisfactory in all cases.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree to which the company complies with the Code of Corporate Governance recommendations for listed companies.

In the event that the Company does not comply with any of the recommendations or complies only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behaviour. General explanations will not be acceptable.

1. The articles of association of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles on the takeover of the company through the purchase of shares on the market.

Compliant Explain

2. When the listed company is controlled, within the meaning of article 42 of the Commercial Code, by another entity, whether listed or not, and has, directly or through its subsidiaries, business relations with that entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to those of any of them, it should publicly disclose precisely the following:

- a) The type of activity they respectively engage in, and any potential business dealings between them, as well as between the subsidiary and other group companies.
- b) The mechanisms in place to resolve any potential conflicts of interest that may arise.

Compliant Partially compliant Explain N.A.

3. During the general shareholders' meeting, as a supplement to the written information circulated in the annual corporate governance report, the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, in particular:

- a) Any changes that have taken place since the previous general shareholders' meeting.
- b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead, where applicable.

Compliant Partially compliant Explain

4. The company should define and promote a policy regarding communication and contacts with shareholders and institutional investors in the context of their involvement in the company, as well as with proxy advisors, that fully respects the rules against market abuse and treats shareholders in the same position in the same way. The company should make this policy public on its website, including information on how it has been put into practice and identifying the interlocutors or persons responsible for carrying it out. A

And, without prejudice to legal obligations regarding the dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through the channels it deems appropriate (media, social networks or other channels) which contributes to maximising the dissemination and quality of the information available to the market, investors and other stakeholders. The company should draw up and implement a policy for communicating with and contacting shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

Compliant [X] Partially compliant [] Explain []

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When the Board approves an issue of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Compliant [] Partially compliant [X] Explain []

The General Shareholders' Meeting held on 21 March 2019 agreed to authorise the Board of Directors to increase the share capital, as provided for in Article 297.1.b) of the Spanish Capital Companies Act, over a maximum period of five years, through monetary contributions and up to a maximum amount equal to half (50%) of the share capital, with the attribution of powers to exclude the pre-emptive right, revoking previous authorisations.

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the general shareholders' meeting, even if their distribution is not compulsory:

- a) Report on auditor independence.
- b) Reports on the operation of the audit committee and the appointments and remuneration committee.
- c) Report by the audit committee report on related party transactions.

Compliant [X] Partially compliant [] Explain []

7. The company should broadcast its general shareholders' meetings live via its website.

And that the company has mechanisms that enable proxy voting and voting by telematic means and even, in the case of large cap companies and to the extent proportionate, attendance and active participation in the General Meeting.

Compliant [] Explain [X]

This recommendation will be analysed on an annual basis, though it is not envisaged at present.

8. The Audit Committee should ensure that the annual accounts submitted by the Board of Directors to the General Meeting of shareholders are drawn up in accordance with accounting regulations. In the event that the auditor has included a qualification in its audit report, the chairman of the audit committee should clearly explain to the general meeting the audit committee's opinion on its content and scope, making available to shareholders at the time of publication of the notice of call to the meeting, together with the rest of the proposals and reports of the board, a summary of said opinion.

Compliant [X] Partially compliant [] Explain []

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend General Shareholders' Meetings and the exercise or delegation of voting rights and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Compliant [X] Partially compliant [] Explain []

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals for agreement prior to the general shareholders' meeting, the company should:

- a) Immediately circulate the supplementary items and new proposals for agreement.
- b) Publish the standard form of attendance card or proxy appointment or remote voting form with the necessary modifications so that new items on the agenda and alternative proposals for agreement can be voted on in the same terms as those submitted by the board of directors.
- c) Put all these items or alternative proposals to the vote, applying the same voting rules as for those submitted by the board of directors, with particular regard for presumptions or deductions about the direction of votes.
- d) After the general shareholders' meeting, disclose the breakdown of votes on these supplementary items or alternative proposals.

Compliant [] Partially compliant [] Explain [] N.A.. [X]

11. In the event that a company plans to pay for attendance at the general shareholders' meeting, it should first establish a general, long-term policy in this respect.

Compliant [] Partially compliant [] Explain [] N.A.. [X]

12. The Board of Directors should perform its duties with a unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interests, understood as the creation of a profitable and sustainable business over the long term which ensures its continuity and maximises the company's economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to the principles of good faith, ethics and respect for commonly accepted customs and good practices, but should also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and any other stakeholders who could be affected, as well as reconciling the impact of its activities on the broader community and the natural environment.

Compliant [X] Partially compliant [] Explain []

13. The board of directors should have the appropriate size to achieve maximum effectiveness and participation, which means it should ideally have between five and fifteen members.

Compliant [X] Explain []

14. The Board of Directors should approve a Director selection policy that:

- a) Is specific and verifiable.
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the board of directors' own needs.
- c) Favours a diversity of know-how, experience and gender. For these purposes, measures that encourage the company to have a significant number of female senior managers are considered to be conducive to gender diversity.

The results of the prior analysis of the Board's needs should be written up in the appointments committee's explanatory report, to be published when the general meeting is convened to ratify the appointment and re-election of each director.

The appointments Committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Compliant [X] Partially compliant [] Explain []

15. Proprietary and independent directors should occupy a broad majority of seats on the board, while the number of executive directors should be the minimum necessary, bearing in mind the complexity of the corporate group and the percentage of the company's share capital held by the executive directors.

And that the number of female directors should account for at least 40% of the members of the board of directors by the end of 2022 and thereafter, but no earlier than 30%.

Compliant [X] Partially compliant [] Explain []

[The proprietary and independent directors constitute a large majority of the Board, the number of executive directors being significantly lower. It is important to highlight that the composition of the Board is enriched by the different profiles that comprise it in terms of age, nationality and professional career. Currently, the percentage relative to female directors is equivalent to 14% of the Board.]

16. The number of proprietary directors as a percentage of the total number of non-executive directors should not exceed the proportion between the company share capital represented by these directors and the remainder of this share capital.

This criterion can be attenuated:

- a) In companies with a high level of market capitalisation in which few equity stakes attain the legal threshold to be considered a significant shareholding.
- b) In companies in which a plurality of shareholders is represented on the board of directors and they are not related to one another.

Compliant Explain

17. The number of Independent Directors should represent at least one half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30% of share capital, independent directors should occupy, at least, a third of all Board places.

Compliant Explain

18. Companies should post the following information on directors on their websites, and keep this information permanently updated:

- a) Background and professional experience.
- b) Directorships held at other companies, listed or otherwise, and any other paid activities that they may engage in, of whatever nature.
- c) Information on the director category to which they belong and, in the case of proprietary directors, information on the shareholder they represent or have links with.
- d) The date of their first appointment as board member and the dates of any subsequent re-elections.
- e) Shares that they hold in the company, and any options thereover.

Compliant Partially compliant Explain

19. The annual corporate governance report, following verification by the appointments committee, should explain the reasons for the appointment of proprietary directors at the behest of shareholders controlling less than 3% of capital; it should also explain, where applicable, any rejection of a formal request for a seat on the board from shareholders whose equity stake is equal to or greater than that of others that have successfully applied for a proprietary directorship.

Compliant Partially compliant Explain N.A.

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Compliant [] Partially compliant [] Explain [] N.A. []

21. The Board of Directors should not propose the removal of any independent directors before the expiry of their tenure as mandated by the articles of association, except where just cause is found by the board of directors, based on a report by the appointments committee. In particular, just cause shall be presumed when directors take up new posts or responsibilities that prevent them from allocating sufficient time to the performance of their duties as board member, or are in breach of the duties inherent in their position, or are affected by one of the grounds that disqualifies them from classification as independent, as set out in the applicable legislation.

The removal of independent directors may also be proposed as a consequence of a takeover bid, merger or similar corporate operation which involves changes to the company's capital structure, when the changes to the structure of the board of directors are triggered by the proportionality criterion set out in recommendation 16.

Compliant [] Explain []

22. Companies should establish rules obliging directors to inform and, where applicable, resign in any circumstances that might harm the organisation's name or reputation, and directors should particularly be obliged to inform the Board of Directors of any criminal charges brought against them and of any subsequent court proceedings.

The Board, having been informed of or otherwise having knowledge of any of the situations mentioned in the preceding paragraph, should examine the matter as promptly as possible and, in view of the particular circumstances, decide, after a report from the Nomination and Remuneration Committee, whether or not to adopt any measure, such as the opening of an internal investigation, request the resignation of the director or propose his or her removal. And that a report be included in the annual corporate governance report, unless there are special circumstances justifying this, which should be recorded in the minutes. This is without prejudice to the information that the company must disclose, if appropriate, when the corresponding measures are adopted.

Compliant [] Partially compliant [] Explain []

23. All directors should express clear opposition when they feel a proposal submitted for the board of directors' approval might damage the corporate interest. In particular, independents and other directors unaffected by a potential conflict of interest should challenge any decision that could go against the interests of shareholders lacking representation on the board of directors.

When the board takes significant or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation should also apply to the secretary of the board, director or otherwise.

Compliant Partially compliant Explain N.A.

24. When, either by resignation or by resolution of the general meeting, a director retires from office before the end of his term of office, he should sufficiently explain the reasons for his resignation or, in the case of non-executive directors, his opinion on the reasons for the removal by the board, in a letter to be sent to all members of the board of directors.

And, without prejudice to the disclosure thereof in the annual corporate governance report, the company should, to the extent relevant for investors, publish the resignation as soon as possible, including sufficient reference to the reasons or circumstances provided by the director.

Compliant Partially compliant Explain N.A.

25. The appointments committee should ensure that non-executive directors have sufficient time available to perform their responsibilities effectively.

The board's regulations should establish rules for the maximum number of company directorships that board members may hold.

Compliant Partially compliant Explain

26. The Board should meet with the necessary frequency to properly perform its functions properly, at least eight times a year, in accordance with a calendar and agendas set at the beginning of the year, and each director may individually propose the addition of other items to the agenda.

Compliant Partially compliant Explain

27. Director absences should be kept to the bare minimum and quantified in the annual corporate governance report. In the event that their absence is unavoidable, directors should grant a proxy with the appropriate instructions.

Compliant Partially compliant Explain

28. When directors or the secretary express concerns about a proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the board meeting, the person expressing them can request that they be recorded in the minutes.

Compliant Partially compliant Explain N.A.

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, and this should extend, if the circumstances make this necessary, to external assistance at the company's expense.

Compliant Partially compliant Explain

30. Regardless of the knowledge directors must possess in order to perform their duties, companies should also offer them refresher programmes when the circumstances make this advisable.

Compliant Explain N.A.

31. The agendas of meetings should clearly indicate the points on which the board of directors must arrive at a decision or adopt a resolution, so that directors may study or gather the necessary information beforehand.

When, exceptionally and for reasons of urgency, the chairman wishes to present decisions or resolutions for board approval that were not on the meeting agenda, their inclusion shall require the express prior consent, duly recorded in the minutes, of the majority of directors present.

Compliant Partially compliant Explain

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Compliant Partially compliant Explain

33. In addition to the duties assigned to him by law and the company's articles of association, the chairman, as the person responsible for the efficient functioning of the board of directors, should: prepare and submit a schedule of meeting dates and agendas to the board; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; take responsibility for managing the board and its proper functioning; ensure that sufficient time is devoted to the discussion of strategic issues, and approve and review refresher courses for each director, when the circumstances make this advisable.

Compliant Partially compliant Explain

34. When a coordinating director has been appointed, the articles of association or board of directors' regulations should grant him or her the following powers over and above those conferred by law: chairing the board of directors in the absence of the chairman and vice chairmen, where applicable; giving voice to the concerns of non-executive directors; maintaining contacts with investors and shareholders to hear their views and developing a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinating the plan for the chairman's succession.

Compliant [] Partially compliant [] Explain [] N.A. []

35. The Board secretary should particularly strive to ensure that the board's actions and decisions are informed by the governance recommendations set out in this good governance code, to the extent that they apply to the company.

Compliant [] Explain []

36. The Board of Directors sitting in full session should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

- a) The quality and efficiency of the board's own actions.
- b) The performance and membership of its committees.
- c) The diversity of board membership and skills.
- d) The performance of the chairman of the board of directors and the company's chief executive.
- e) The performance and contribution of individual directors, with particular attention to the chairs of board committees.

The evaluation of the various board committees should start from the reports they submit to the board of directors, while the evaluation of the board itself should start from the report submitted by the appointments committee.

Every three years, the board of directors should engage an external consultant to aid in the evaluation process. This consultant's independence should be verified by the appointments committee.

Any business dealings that the consultant or any member of its corporate group maintains with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Compliant [] Partially compliant [] Explain []

[The Company, given its recent creation, is evaluating the best way to carry out the pertinent evaluations and action plans.]

37. When the company has an Executive committee, the breakdown of its members by director category should be similar to that of the board itself. The secretary of the board should also act as secretary to the executive committee.

Compliant [] Partially compliant [] Explain [] N.A. []

38. The Board of Directors should be kept fully informed of the matters debated and the decisions adopted by the executive committee, and all board members should receive a copy of the executive committee's minutes.

Compliant [] Partially compliant [] Explain [] N.A. []

39. Audit Committee members, particularly the chairman, are appointed in the light of their knowledge and experience of accounting, audit or risk management, and the majority of members should be independent directors.

Compliant [] Partially compliant [] Explain []

40. Companies should have a unit in charge of internal auditing duties, under the supervision of the audit committee, to monitor the effectiveness of internal reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Compliant [] Partially compliant [] Explain []

41. The head of the unit responsible for internal auditing should submit an annual work programme to the audit committee, directly report any incidents arising during the programme's implementation, and submit an activity report at the end of each year.

Compliant [] Partially compliant [] Explain [] N.A. []

42. The audit committee should have the following duties, over and above those set out in law:

1. With regard to internal reporting and monitoring systems:

- a) Monitoring and assessing the preparation and integrity of financial and non-financial information, as well as the systems for controlling and managing financial and non-financial risks relating to the company and, where appropriate, the group - including operational, technological, legal, social, environmental, political, reputational and corruption-related risks - reviewing compliance with regulatory requirements, the appropriate scope of consolidation and the correct application of accounting criteria.
- b) Monitoring the independence of the unit responsible for internal auditing duties; proposing the selection, appointment, re-election and removal of the head of the internal auditing service; proposing the service's budget; approving its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receiving regular information on its activities; and verifying that senior management take account of the findings and recommendations contained in its reports.
- c) Establish and supervise a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report potentially significant irregularities, including financial and accounting irregularities, or of any other nature related to the company that they become aware of within the company or its group. This mechanism should guarantee confidentiality and, in any event, provide for cases in which communications may be made anonymously, respecting the rights of both the complainant and the reported.
- d) Overall, to ensure that the established internal control policies and systems are effectively implemented in practice.

2. With regard to the external auditor:

- a) In the event of the external auditor's resignation, examining the circumstances that have caused it.
- b) Ensuring that the payment of the external auditor does not compromise its quality or independence.
- c) Ensuring that the company notifies any change of auditor to the CNMV as a significant event, accompanied by a statement detailing any potential disagreements arising with the outgoing auditor, where applicable, and the reasons for these disagreements.
- d) Ensuring that the external auditor has a yearly meeting with the board of directors in full session to inform it of the work undertaken and developments in the company's risk and accounting positions.
- e) Ensuring that the company and the external auditor adhere to current regulations on the provision of non-auditing services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Compliant [X]

Partially compliant []

Explain []

43. The Audit Committee should be empowered to meet with any company employee or manager, even in the absence of other senior officers.

Compliant [X]

Partially compliant []

Explain []

44. The Audit Committee should be informed of any structural changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, where applicable, the exchange ratio proposed.

Compliant [] Partially compliant [] Explain [] N.A. []

45. Control and risk management policy should at least identify:

- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risk), with the inclusion under financial or economic risk of contingent liabilities and other off-balance sheet risk.
- b) A risk management and control model based in different levels, including a specialised risk committee when sectoral rules so provide or where the company deems it appropriate.
- c) The determination of the risk level the company sees as acceptable.
- d) The measures in place to mitigate the impact of identified risk events should they occur.
- e) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risk.

Compliant [] Partially compliant [] Explain []

46. The Company should establish an internal risk monitoring and management office within one of the company's own internal departments or units, with direct supervision from the audit committee or some other specialist board committee. This office should be expressly charged with the following duties:

- a) Ensuring that risk control and management systems are functioning correctly and, specifically, that any major risks the company is exposed to are correctly identified, managed and quantified.
- b) Participating actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensuring that risk control and management systems are mitigating risk effectively within the framework of the policy drawn up by the board of directors.

Compliant [] Partially compliant [] Explain []

47. Appointees to the appointments and remuneration committee (or the appointments committee and the remuneration committee, if separately constituted) should have the right balance of knowledge, skills and experience for the duties they are called on to perform, and the majority of their members should be independent directors.

Compliant Partially compliant Explain

48. Companies with high levels of capitalisation should have a separate appointments committee and remuneration committee.

Compliant Explain N.A.

49. The appointments committee should consult with chairman of the board of directors and the company's chief executive, especially on matters relating to executive directors.

Any board member should be able to suggest directorship candidates for consideration by the appointments committee, in order to cover vacant director positions.

Compliant Partially compliant Explain

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- a) Proposing standard conditions for senior officer contracts to the Board of Directors.
- b) Monitoring compliance with the remuneration policy set by the Company.
- c) Periodically reviewing the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensuring that their individual remuneration is proportionate to the amounts paid to other directors and senior officers in the company.
- d) Ensuring that potential conflicts of interest do not undermine the independence of any external advice provided to the committee.
- e) Verifying the information on directors' and senior officers' pay contained in the various corporate documents, including the annual report on directors' pay.

Compliant Partially compliant Explain

51. The remuneration committee should consult with the company's chairman and chief executive, especially where matters relating to executive directors and senior officers are concerned.

Compliant Partially compliant Explain

52. The rules governing the composition and operation of the supervision and control committees should be set out in the board of directors' regulations and they should be consistent with the rules that govern legally mandatory board committees, as specified in the foregoing recommendations, including:
- a) Committees should be formed exclusively by non-executive directors, with a majority of independent directors.
 - b) They should be chaired by independent directors.
 - c) The board of directors should appoint the members of such committees in consideration of the knowledge, skills and experience of its directors and the duties to be performed by each committee, and it should discuss their proposals and reports. Committees should submit an account to the first full meeting of the board after the committee in question has met, and the board should respond to the work carried out.
 - d) Committees may engage external advice, when they feel it necessary for the performance of their duties.
 - e) Meetings should be minuted and a copy made available to all board members.

Compliant [X]

Partially compliant []

Explain []

N.A. []

53. Supervision of compliance with the company's environmental, social and corporate governance policies and rules, as well as internal codes of conduct, should be entrusted to one or more committees of the Board of Directors, which may be the Audit Committee, the nomination committee, a committee specialising in sustainability or corporate social responsibility or another committee that the board of directors, in the exercise of its powers of self-organisation, has decided to create. Such a committee should be composed solely of non-executive directors, the majority of whom should be independent, and should be attributed with the following powers and be specifically attributed the minimum functions indicated in the following recommendation.

Compliant [X] Partially compliant [] Explain []

54. The minimum functions referred to in the above recommendation are as follows:

- a) Supervision of compliance with the company's corporate governance rules and internal codes of conduct, also ensuring that the corporate culture is aligned with its purpose and values.
- b) Supervision of the application of the general policy regarding the communication of economic-financial, non-financial and corporate information as well as communication with shareholders and investors, proxy advisors and other stakeholders. The way in which the entity communicates and relates to small and medium-sized shareholders shall also be monitored.
- c) Evaluating and periodically reviewing the corporate governance system and the company's environmental and social policy to ensure that they fulfil their mission of promoting the corporate welfare and take into account, as appropriate, the legitimate interests of other stakeholders.
- d) overseeing that the company's environmental and social practices are in line with the company's strategy and policy.
- e) Supervision and evaluation of the processes of relations with the different stakeholders.

Compliant [X] Partially compliant [] Explain []

55. Sustainability policies on environmental and social issues should identify and include at least:

a) The principles, commitments, objectives and strategy with regard to shareholders, employees, customers, suppliers, social issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of corruption and other illegal conduct

b) methods or systems for monitoring compliance with policies, associated risks and their management.

c) mechanisms for monitoring non-financial risk, including those related to ethical and business conduct issues.

d) Channels of communication, participation and dialogue with stakeholders.

e) Responsible communication practices that avoid manipulation of information and protect integrity and honour. integrity and honour.

Compliant [X] Partially compliant [] Explain []

56. Director remuneration should be sufficient to attract and retain directors with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Compliant [X] Explain []

57. Variable remuneration linked to the company's and the director's individual performance, remuneration via the awarding of shares, options or any other right over shares, or the right to be remunerated on the basis of share price movements should be confined to executive directors, along with membership of long-term savings schemes, such as pension plans, retirements schemes or other social welfare programmes.

The company may consider the payment of non-executive directors through the handover of shares, provided that they retain such shares until the end of their mandate. The above condition shall not apply to any shares that the director must dispose of to settle costs related to their acquisition, where applicable.

Compliant [X] Partially compliant [] Explain []

58. In the case of variable payments, remuneration policies should include the necessary limits and technical safeguards to ensure that such payments reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's business sector or other similar circumstances.

In particular, variable payment items should meet the following conditions:

- a) They should be linked to predetermined and measurable performance criteria that factor in the risk assumed in order to obtain a given outcome.
- b) They should promote the sustainability of the company and include non-financial criteria that are relevant to the creation of long-term value, such as compliance with the company's internal rules and procedures and its risk control and management policies.
- c) They should be designed to achieve a balance between the delivery of short, medium and long-term objectives, in such a way that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to sustainable value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Compliant [] Partially compliant [] Explain [X] N.A. []

Given its recent incorporation, the Company is currently in the process of analysing the establishment of predetermined and measurable performance criteria that are in line with its turnover and the business activities that form the basis for calculating any variable payments.

59. The payment of variable components of remuneration should be subject to sufficient verification that performance or other pre-established conditions have been effectively met. Institutions should include in the annual directors' remuneration report the criteria for the time required and methods for such verification, depending on the nature and characteristics of each variable component.

In addition, entities should consider the establishment of a "malus" clause based on the deferral for a sufficient period of time of the payment of a part of the variable components that entails their total or partial loss in the event that some event occurs prior to the time of payment that makes it advisable to do so.

Compliant [X] Partially compliant [] Explain [] N.A. []

60. In the case of remuneration linked to company earnings, any qualifications stated in the external auditor's report should be considered and the said earnings reduced accordingly.

Compliant [X] Partially compliant [] Explain [] N.A. []

61. A significant percentage of executive directors' variable remuneration should be linked to the handover of shares or financial instruments linked to their value.

Compliant [X] Partially compliant [] Explain [] N.A. []

62. When the shares or options or rights in shares corresponding to remuneration systems have been allocated, directors should not be able to transfer ownership of a number of shares equivalent to twice their fixed annual remuneration, nor should they be able to exercise the options or rights granted to them until a term of at least three years has elapsed since their allocation.

An exception is made in the case where the director maintains, at the time of transfer or exercise, a net economic exposure to share price variation of a market value equivalent to an amount of at least twice his annual fixed remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to shares that the director needs to dispose of in order to meet the costs related to their acquisition or, subject to the favourable opinion of the nomination and remuneration committee, in order to deal with extraordinary situations that so require.

Compliant [] Partially compliant [] Explain [] N.A. []

With regard to variable payments made in the form of shares, a twelve-month lock-up period has been established and approved for a third of the shares handed over, a eighteen months' lock-up for a further third and a twenty-four months for the final third.

63. Contractual arrangements should include provisions that permit the company to reclaim variable payment amounts when payment is found to be out of step with the director's actual performance or based on data subsequently found to be incorrect.

Compliant [] Partially compliant [] Explain [] N.A. []

No similar clause has been included in the provision of services contract signed between the Company and the CEO.

64. Contract termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that the director in question has met the predetermined performance criteria.

For the purposes of this recommendation, termination or contractual termination payments include any payments whose accrual or payment obligation arises as a result of or in connection with the termination of the director's contractual relationship with the company, including amounts not previously vested in long-term savings schemes and amounts paid under post-contractual non-competition agreements.

Compliant [] Partially compliant [] Explain [] N.A. []

H. OTHER INFORMATION OF INTEREST

1. If there is any material aspect or principle relating to the corporate governance practices followed by the company or the companies in its group that has not been addressed in this report and which should be included in order to provide a more comprehensive and reasoned view of the corporate governance structure and practices at the company or group, explain briefly.
2. In this section, you may include any other information, clarification or observation related to the above sections of this report, insofar as they are relevant and do not repeat information already provided.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when it differs from the information required by this report.

3. The company may also indicate whether it voluntarily subscribes to other international, industry specific or other ethical principles or standard practices. Where appropriate, the code in question shall be identified along with the date of affiliation. In particular, state whether the company has signed up to the Good Tax Practices Code of 20 July 2010:

To complete the information provided in section C.2 of this report, the Company has an Investment Committee that analyses and approves investments. The reason why its composition has not been detailed together with the Audit and Control Committee and the Appointments and Remuneration Committee is that some of its members are not members of the Board of Directors.

Its composition is as follows:

Mr. Luis Alfonso López de Herrera-Oria (CEO).
Mr. Stanislas Henry (Proprietary Director).
Mrs. Chony Martín Vicente-Mazariegos (CFO).
Mrs. Carmen Boyero-Klossner (Strategy Director).
Mr. Guillermo Fernández-Cuesta Laborde (Real Estate Director).
Mr. Fernando Arenas Liñán (Real Estate Director).
Mr. Stuart William McDonald (Real Estate Director).
Mr. Fabio Alen Viani (Real Estate Director).
D. Pablo de Castro Cardo (Real Estate Director).

This annual corporate governance report was adopted by the company's Board of Directors at its meeting held on:

[18/02/2021]

Indicate whether any director abstained or voted against the approval of this Report.

[] Yes
[v] No

Árma Real Estate SOCIMI, S.A.

Independent auditor's report on the annual accounts
for the year-ended December 31, 2020



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation

Independent auditor's report on the annual accounts

To the shareholders of Árima Real Estate SOCIMI, S.A.

Report on the annual accounts

Opinion

We have audited the annual accounts of Árima Real Estate, S.A. (the Company), which comprise the balance sheet as at December 31, 2020, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at December 31, 2020, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in Note 2.a of the notes to the annual accounts), and, in particular, with the accounting principles and criteria included therein.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Valuation of investment properties

Investment properties make up 63% of the Company's assets. The Company values investment property at acquisition cost less the relevant depreciation and impairment losses, if any, as detailed in notes 3.2 and 6. Total investment properties recognised in non-current assets on the balance sheet amount to €232,467 thousand at 31 December 2020.

At the year end at least, the Company assesses whether there is any indication that any of its investment property may be impaired and specifically if there is any significant decrease in the asset's fair value or value in use. In 2020, the Company has recorded an impairment associated with its investment property for an amount of 888 thousand euros.

In order to consider the fair value of investment property, the Company bases itself on the valuations carried out by independent experts. The valuations are performed in accordance with international standards, the methodology being described in notes 3.3 and 6 to the accompanying annual accounts.

Valuers consider specific variables such as the lease contracts signed and specifically its rents. Similarly, they apply certain key assumptions such as exit yields, estimated market rent and comparable transactions in order to arrive at a final valuation.

The Company recognises depreciation on investment property on a straight-line basis, based on the estimated useful life included in note 3.2.

The significance of the estimates and judgements involved in these valuations, coupled with a minor difference in percentage terms in the valuation of a property, could result in a material figure, meaning that the valuation of investment property is considered a key audit matter.

For acquisitions of investment property, we verified the key supporting documentation, such as contracts and sale-purchase deeds or other documents affecting the price.

We verified that the useful life taken into account for each asset is appropriate with respect to its nature and we carried out tests on the arithmetic calculation of the depreciation charge for the year.

With respect to potential impairment losses, we obtained the valuation of investment properties carried out by Management's independent expert, on which we performed the following procedures:

- Verification of the expert's competence, capacity and independence by obtaining confirmation and corroborating its professional standing in the market.
- Verification that the valuations were performed according to accepted methodology.

Discussion of the principal key assumptions of the valuation through sundry meetings with the expert valuer and management, assessing the consistency of the main assumptions used taking existing market conditions into account.

- Performance of selective tests to corroborate the accuracy of the most relevant data provided by Management to the valuer and used by it in the valuations.

Additionally, we assessed the sufficiency of the information disclosed in the financial statements.

The results of the procedures performed allowed us to reasonably obtain the audit objectives for which these procedures were designed.



Other information: Management report

Other information comprises only the management report for the 2020 financial year, the formulation of which is the responsibility of the Company's directors and does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the management report, in accordance with legislation governing the audit practice, is to:

- a) Verify only that the statement of non-financial information and certain information included in the Annual Corporate Governance Report, as referred to in the Auditing Act, has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.
- b) Evaluate and report on the consistency between the rest of the information included in the management report and the annual accounts as a result of our knowledge of the Company obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the management report is consistent with that contained in the annual accounts for the 2020 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit and control committee for the annual accounts

The Company's directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of Árma Real Estate SOCIMI, S.A., in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Company's directors are responsible for assessing the Company'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 either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit and control committee is responsible for overseeing the process of preparation and presentation of the annual accounts.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the 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 legislation governing the audit practice in Spain 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 annual accounts.



As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's directors.
- Conclude on the appropriateness of the directors' 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Company's audit and control committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit and control committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Company's audit and control committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters.

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

Report on other legal and regulatory requirements

Report to the audit and control committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit and control committee dated 25 February 2021.



Árma Real Estate SOCIMI, S.A.

Appointment period

We were appointed Group auditors for a three-year period as from the year ended 31 December 2018 at the general meeting of shareholders held on 18 October 2018.

Services provided

Non-audit services provided to the Company are described in note 23 to the accompanying annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish by
Rafael Pérez Guerra (20738)

February 25, 2021



This version of the Annual Accounts is a free translation from the original, which is prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the annual accounts takes precedence over this translation.

ÁRIMA REAL ESTATE SOCIMI, S.A.

Annual Accounts at 31 December 2020
and Management Report for the financial year 2020



ÁRIMA REAL ESTATE SOCIMI, S.A.

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Appendix

Appendix I – Detail of positions and ownership interests held by the Directors in companies with a similar company object.

Management Report for the financial year 2020.

ÁRIMA REAL ESTATE SOCIMI, S.A.

BALANCE SHEET AT 31 DECEMBER 2020
(Thousand euros)

ASSETS	Note	At 31 December 2020	At 31 December 2019
NON- CURRENT ASSETS			
Property, plant and equipment	5	187	136
Investments properties	6	232,467	196,689
Long-term investments in group companies		503	3
Equity instruments	8	3	3
Loans to subsidiaries	21	500	-
Non-current investments		2,493	842
Loans to third parties	7, 8	1,556	-
Other non-current financial assets	7, 8	937	842
		235,650	197,670
CURRENT ASSETS			
Trade receivables and other accounts receivable		6,494	1,204
Trade receivables for sales and services	7, 9	299	303
Other accounts receivable	7, 9	1,697	322
Personnel	9	-	103
Other credits held with Public Authorities	9, 17	4,498	476
Other current financial assets	7	135	303
Prepayments for current assets	7	232	158
Cash and cash equivalents	10	128,725	153,964
Cash and banks		128,725	153,964
		135,586	155,629
		371,236	353,299

Notes 1 to 26 to the annual accounts form an integral part of the Annual Accounts at 31 December 2020.

ÁRIMA REAL ESTATE SOCIMI, S.A.

**BALANCE SHEET AT 31 DECEMBER 2020
(Thousand euros)**

EQUITY AND LIABILITIES	Note	At 31 December 2020	At 31 December 2019
EQUITY			
Share capital	11 a)	284,294	284,294
Share premium	11 a)	5,769	5,769
Reserves	12	(11,245)	(11,048)
Negative results from previous years	12	(8,448)	(503)
Profit (loss) for the period	13	(5,224)	15,389
Other equity instruments	20	-	5,610
Treasury shares	11 b)	(5,082)	(625)
Hedging transactions	12 , 16	(1,486)	(735)
		258,578	274,817
NON CURRENT LIABILITIES			
Bank loans and credits	14	104,039	72,427
Financial hedging derivatives	14 , 16	1,486	735
Other non-current financial liabilities	14	960	956
		106,485	74,118
CURRENT LIABILITIES			
Bank loans and credits		39	210
Other current financial liabilities	14	100	250
Trade and other payables		6,034	3,804
Commercial creditors and other payables	7 , 14	2,189	2,314
Other current debts	14 , 15	1,200	135
Other debts with Public Authorities	17	2,645	1,355
Prereceivables for current assets		-	100
		6,173	4,364
		371,236	353,299

Notes 1 to 26 to the annual accounts form an integral part of the Annual Accounts at 31 December 2020.

ÁRIMA REAL ESTATE SOCIMI, S.A.

**INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020
(Thousand euros)**

	Note	Financial year ended on 31 December 2020	Financial year ended on 31 December 2019
<u>COTINUED OPERATIONS</u>			
Net turnover figure	15 a)	6,136	5,740
Rendering of services		6,136	5,740
Personnel expenses	15 b)	(4,424)	(8,609)
Wages, salaries and personnel costs		(4,219)	(8,429)
Welfare charges		(205)	(180)
Other operating expenses		(3,020)	(2,543)
External services	15 c)	(2,362)	(1,985)
Taxes		(658)	(558)
Impairment and losses on disposal of fixed assets	5	-	(33)
Impairment and losses of investment properties	6	(888)	-
Depreciation of property, plant and equipment and investment properties	5, 6	(1,986)	(1,756)
OPERATING RESULTS		(4,182)	(7,201)
Financial income		3	-
Financial expenses	15	(1,045)	(744)
FINANCIAL RESULT		(1,042)	(744)
PRE-TAX RESULT		(5,224)	(7,945)
Income tax	17	-	-
PROFIT (LOSS) FOR THE PERIOD		(5,224)	(7,945)

Notes 1 to 26 to the annual accounts form an integral part of the Annual Accounts at 31 December 2020.

ÁRIMA REAL ESTATE SOCIMI, S.A.

**STATEMENT OF CHANGES TO EQUITY FOR THE FINANCIAL YEAR ENDED ON 31
DECEMBER 2020
(Thousand euros)**

**A) STATEMENT OF RECOGNISED INCOME AND EXPENSES FOR THE FINANCIAL YEAR ENDED ON 31
DECEMBER 2020
(Thousand euros)**

	Note	Financial year ended on 31 December 2020	Financial year ended on 31 December 2019
Profit (loss) in the income statement	13	(5,224)	(7,945)
Total income and expenses attributed directly to equity		(751)	(735)
On cash-flow hedges transactions	13	(751)	(735)
Total transfers to the income statement		-	-
TOTAL RECOGNISED INCOME AND EXPENSES		(5,975)	(8,680)

Notes 1 to 26 to the annual accounts form an integral part of the Annual Accounts at 31 December 2020.

ÁRIMA REAL ESTATE SOCIMI, S.A.

**STATEMENT OF CHANGES TO EQUITY FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020
(Thousand euros)**

**B) STATEMENT OF CHANGES TO EQUITY FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020
(Thousand euros)**

	Capital (Note 11.a)	Share Premium (Note 11.a)	Reserves (Note 12)	Negative results from previous years (Note 12)	Accumulated earnings (Note 13)	Other equity instruments (Note 20)	Treasury Shares (Note 11.b)	Hedging Reserve (Note 12 and 16)	TOTAL
BALANCE AT 1 JANUARY 2019	100,063	-	(3,553)	-	(503)	-	(546)	-	95,461
Profit/(loss) for the financial year	-	-	-	-	(7,945)	-	-	-	(7,945)
Other comprehensive results for the financial year	-	-	-	-	-	-	-	(735)	(735)
Total comprehensive income for the financial year	-	-	-	-	(7,945)	-	-	(735)	(8,680)
Capital increase	184,231	5,769	(7,572)	-	-	-	-	-	182,428
Other movements	-	-	-	(503)	503	5,610	-	-	5,610
Other results in treasury shares (Note 10)	-	-	77	-	-	-	(79)	-	(2)
Total transactions with owners, recognised directly in equity and other movements	184,231	5,769	(7,495)	(503)	503	5,610	(79)	-	188,036
BALANCE AT 31 DECEMBER 2019	284,294	5,769	(11,048)	(503)	(7,945)	5,610	(625)	(735)	274,817
BALANCE AT 1 JANUARY 2020	284,294	5,769	(11,048)	(503)	(7,945)	5,610	(625)	(735)	274,817
Profit/(loss) for the financial year	-	-	-	-	(5,224)	-	-	-	(5,224)
Other comprehensive results for the financial year	-	-	-	-	-	-	-	(751)	(751)
Total comprehensive income for the financial year	-	-	-	-	(5,224)	-	-	(751)	(5,975)
Capital increase	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	(7,945)	7,945	(5,610)	-	-	(5,610)
Other results in treasury shares (Note 10)	-	-	(197)	-	-	-	(4,457)	-	(4,654)
Total transactions with owners, recognised directly in equity and other movements	-	-	(197)	(7,945)	7,945	(5,610)	(4,457)	-	(10,264)
BALANCE AT 31 DECEMBER 2020	284,294	5,769	(11,245)	(8,448)	(5,224)	-	(5,082)	(1,486)	258,578

Notes 1 to 26 to the annual accounts form an integral part of the Annual Accounts at 31 December 2020.

ÁRIMA REAL ESTATE SOCIMI, S.A.
**CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020
(Thousand euros)**

	Note	Financial year ended on 31 December 2020	Financial year ended on 31 December 2019
A) CASH FLOW FROM OPERATING ACTIVITIES			
Pre-tax result for the period		(5,224)	(7,945)
Adjustments to profit/loss		3,832	8,144
Depreciation of property, plant and equipment	5	20	11
Depreciation of investment properties	6	1,966	1,746
Investment properties impairment	6	888	
Financial income		(3)	-
Financial expenses	15	1,045	744
Profit / (losses) on disposal of fixed assets		-	33
Other adjustments to profit/loss		(84)	5,610
Changes in working capital		(6,125)	770
Debtors and other receivables	9	(1,268)	(616)
Other current assets	9	(3,926)	(475)
Other current liabilities		(150)	250
Creditors and other payables	14	(1,404)	1,419
Other non-current assets and liabilities		623	193
Cash flow from operating activities		(7,517)	969
B) CASH FLOW FROM INVESTMENT ACTIVITIES			
Payments on investments		(39,202)	(160,204)
Group companies	9, 21	(500)	-
Property, plant and equipment	5	(71)	(117)
Investment properties	6	(38,631)	(160,087)
Cash flow from investment activities		(39,202)	(160,204)
C) CASH FLOW FROM FINANCING ACTIVITIES			
Receivables and payments on equity instruments		(8,654)	182,426
Issue of equity instruments	11	-	182,428
Acquisition of treasury shares	11	(9,569)	(1,487)
Disposal of treasury shares	11	915	1,485
Receivables and payments on financial liabilities		30,134	72,806
Financial borrowings	14	31,793	103,203
Financial payments	14	-	(30,000)
Paid interest		(1,659)	(397)
Cash flow from financing activities		21,480	255,232
NET INCREASE/REDUCTION IN CASH AND CASH EQUIVALENTS		(25,239)	95,997
Cash and cash equivalents at beginning of financial year		153,964	57,967
Cash and cash equivalents at end of financial year	10	128,725	153,964

Notes 1 to 26 to the annual accounts form an integral part of the Annual Accounts at 31 December 2020.

ÁRIMA REAL ESTATE SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020 (Thousand euros)

1. ACTIVITIES AND GENERAL INFORMATION

Árma Real Estate SOCIMI, S.A. (hereinafter, the “Company”) was incorporated in Spain on 13 June 2018 under the Spanish Capital Companies Act. Its registered office is located at calle Serrano, 47 4ª planta, 28001 Madrid.

Its corporate purpose is described in Article 2 of its articles of association and consists of:

- The acquisition and development of urban properties intended for lease.
- The ownership of interests in the share capital of other Spanish Real Estate Investment Trusts (*Sociedad Anónima Cotizada de Inversión en el Mercado Inmobiliario*, “SOCIMI”) or other companies that are not resident in Spain, that have the same corporate purpose, and that are governed by rules similar to those governing SOCIMIs as regards the compulsory, legal or statutory policy on profit distribution.
- The ownership of interests in the share capital of other companies that are both resident and non-resident in Spain, whose corporate purpose is the acquisition of urban properties for lease, and which are governed by the same rules that govern SOCIMIs as regards the compulsory, legal or statutory policy on profit distribution, and which meet the investment requirements set out in Article 3 of the Spanish SOCIMI Act.
- The ownership of shares or holdings in Collective Investment Institutions governed by Spanish Collective Investment Institutions Act 35 of 4 November 2003.

The Company may also engage in other ancillary activities, this being understood to mean activities that generate income accounting for less than 20% of the Company’s total income over a single tax period. The Company carries out its activity at calle Serrano, 47 4ª planta, 28001 Madrid.

Any activity that must by law meet special requirements that are not met by the Company are excluded.

The aforementioned business activities may also be fully or partially engaged in indirectly by the Company through the ownership of interests in another company or companies with a similar corporate purpose.

a) Regulatory regime

The Company is regulated under the Spanish Capital Companies Act.

In addition, on 27 September 2018 the Company informed the Tax Authorities that it wished to opt for application of the rules governing Spanish Real Estate Investment Trusts (SOCIMIs), and is therefore subject to Act 11 of 26 October 2009, with the amendments introduced by Act 16 of 27 December 2012, under which SOCIMIs are governed. Article 3 of Act 11 of 26 October 2009 sets out certain requirements that must be met by this type of company, namely:

- i) They must have invested at least 80% of the value of their assets in urban properties intended for lease, or in land for the development of properties that are to be used for the same purpose, provided that development begins within three years following its acquisition, or in equity investments in other companies, as set out in Article 2 section 1 of the aforementioned Act.

ÁRIMA REAL ESTATE SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020 (Thousand euros)

ii) At least 80% of the income from the tax period corresponding to each year, excluding the income deriving from the transfer of ownership interests and real estate properties used by the Company to comply with its main corporate purpose, once the retention period referred to in the following paragraph has elapsed, must come from the lease of properties and from dividends or shares in profits associated with the aforementioned investments.

iii) The real estate properties that make up the Company's assets must remain leased for at least three years. Calculation of this term will include the time that the properties have been offered for lease, up to a maximum of one year.

The First Transitional Provision of the SOCIMI Act allows for application of the SOCIMI tax rules under the terms set out in Article 8 of the SOCIMI Act, even when the requirements it contains are not met on the date of incorporation, on the condition that these requirements are met during the two years following the date on which it is decided to opt for application of the said tax rules. In this regard, the Directors of the Company consider that the necessary requirements have already met within the established terms and periods, and they have therefore not entered any income or expense in respect of Corporate Income Tax.

The Company has been listed on the Spanish Stock Market since 23 October 2018, with its tax address at calle Serrano, 47 4ª planta, 28001 Madrid.

As stated on Note 8, the Company is the dominant Company of a Group (hereinafter, the "Group"). This annual accounts have been prepared on a non-consolidated basis. On 18 February 2021 the consolidated annual accounts of Árima Real Estate SOCIMI, S.A. and subsidiaries at 31 December 2020 were prepared by the Board of Directors according to the international financial reporting standards adopted by the European Union (IFRS- UE) and at that date the consolidation equity and the consolidation results amount to 301,853 thousand euros and 13,091 thousand euros respectively.

The figures contained in these annual accounts are expressed in thousands of euros, unless otherwise indicated.

The Company's functional and presentation currency is the euro.

2. PRESENTATION BASIS

a) Fair presentations

The annual accounts for the financial year ended on 31 December 2020 were prepared by the Board of Directors on 18 February 2021, in accordance with the regulatory financial reporting framework applicable to the Company, comprising:

- a) The Spanish Code of Commerce and other corporate legislation applicable in Spain.
- b) The General Chart of Accounts approved by Royal Decree 1514/2007, of 16 November, as amended by Royal Decree 1159/2010, of 17 September, Royal Decree 602/2016, of 2 December, and the sector adaptation for companies in the real estate sector.
- c) The mandatory standards approved by the Spanish Institute of Auditors and Accountants in order to implement the General Chart of Accounts and significant secondary legislation.
- d) All other accounting legislation applicable in Spain.

ÁRIMA REAL ESTATE SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020
(Thousand euros)

The annual accounts for the financial year ended on 31 December 2020, obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework applicable to the Company and specifically, the accounting principles and standards contained therein and therefore present fairly the Company's equity, financial position, and financial performance and accurately reflect cash flows included in the cash flow statement for the financial year ended on 31 December 2020.

b) Non-compulsory accounting principles

Where an accounting principle is compulsory and has a significant effect on the preparation of the annual accounts, there is no instance in which it has not been applied.

c) Critical aspects relating to the valuation and assessment of uncertainty

The preparation of the annual accounts requires the Company to make certain estimates and judgements with regard to the future. These estimates and judgements are continually reassessed and are based on historical experience and other factors, including expectations of future events that are considered reasonable under the circumstances.

The resulting accounting estimates, by definition, will rarely match actual results. The estimates and judgements that entail a significant risk of giving rise to a substantial adjustment to the book values of assets and liabilities during the next financial year are discussed below.

Estimates made by the Board of Directors have been used in the preparation of the annual accounts for the financial year ended on 31 December 2020 to assess some of the assets, liabilities, income, expenses and commitments registered in them. These estimates are referred to:

Fair value of investment properties

The Administrators of the Company carry out an assessment of the fair value of each property taking into account the most recent independent valuations. The Administrators of the Company determine the value of a property within a range of acceptable fair value estimates.

The best evidence of the fair value of investment properties in an active market is the price of similar assets. When making such judgements, the Company uses a series of sources, including:

- i. The current prices in an active marketplace of different kinds of properties in varying states of repair and different locations, adjusted to reflect differences with the Company's own assets.
- ii. The recent prices paid for properties in other, less active marketplaces, adjusted to reflect changes in economic conditions since the transaction date.
- iii. The discounting of cash flows based on estimates resulting from the terms and conditions contained in current lease contracts and, where possible, evidence of the market prices of similar properties in the same location, through the use of discount rates that reflect the uncertainty of the time factor.

ÁRIMA REAL ESTATE SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020 (Thousand euros)

Useful life of investment properties

The Company Management establishes the estimated useful life of its investment properties, along with the corresponding charges for depreciation. The useful life of an investment property is estimated on the basis of the period in which each of the elements included under this heading will generate financial profits. At year end, the Company reviews the useful life of its investment properties, and if its estimates differ from the estimates made in the past, the effects of this change are entered prospectively from the financial year in which the change is made.

Cash flow hedges

The effective portion of changes in the fair value of a derivative designated as a cash flow hedge is entered under other comprehensive income. The profit or loss on the ineffective portion is entered immediately in the income statement under "other (losses)/gains - net".

Amounts accumulated in equity are reclassified to the income statement in the periods in which the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). Gains or losses on the effective part of interest rate swaps used to hedge loans at variable rates are entered in the income statement under "financial income/expenses". However, when the forecast transaction that is being hedged results in the entry of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial valuation of the cost of the asset. The deferred amounts are definitively entered as the cost of the assets sold, in the case of stocks, or as depreciation in the case of property, plant and equipment.

When a hedging instrument matures or is sold or when the requirements for the application of hedge accounting cease to be met, any gains or losses accumulated in equity to that date will remain in equity and will be entered when the forecast transaction is finally entered in the income statement. When it is expected that the scheduled transaction is not going to take place after all, the profit or loss accumulated in the equity is immediately transferred to the income statement under the heading "other net (losses)/profits".

Income Tax

The company applies the system provided for in Act 11 of 26 October 2009, which governs Spanish Real Estate Investment Trusts (SOCIMIs), which in practice means that, provided that it meets certain requirements, the Company is subject to a Corporate Income Tax rate of 0%.

The Directors monitor compliance with the requirements set out in the relevant legislation in order to secure the tax advantages offered. In this regard, the Directors consider that the necessary requirements will be met within the established terms and periods, and they have therefore not entered any income or expense in respect of Corporate Income Tax.

While these estimates were developed on the basis of the best available information at the end of the 2020 financial year, future events may lead to a change in these estimates (up or down) in the future. Changes in accounting estimates will be applied prospectively.

d) Grouped entries

To facilitate understanding of the balance sheet and the income statement, the entries in these annual accounts are presented in grouped form, and the necessary analysis is set out in the relevant notes to the accounts.

ÁRIMA REAL ESTATE SOCIMI, S.A.

**NOTES TO THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020
(Thousand euros)**

e) Comparative information

The figures presented in the financial statements are comparable with each entry in the income statement, the statement of comprehensive income, the statement of changes in equity and statement of cash flows correspond to the financial year ended at 31 December 2020, to the financial statements for the financial year ended at 31 December 2019.

3. ACCOUNTING CRITERIA

The main accounting policies adopted in the preparation of the annual accounts are described below. These policies have been applied uniformly for the financial year presented, unless otherwise indicated.

3.1 Property, plant and equipment

Property, plant and equipment items are entered at their acquisition price or production cost, minus accumulated depreciation and the accumulated value of any recognised losses.

The costs of major repairs are activated and amortised over their estimated useful life, while recurring maintenance costs are charged to the income statement during the financial year in which they are incurred.

All other repairs and maintenance costs are charged to the pro income during the financial period in which they are incurred.

Depreciation of property, plant and equipment, with the exception of land, which is not depreciated, is calculated systematically using the straight-line method over the assets' estimated useful lives based on the actual decline in value brought about by operation, use and possession. Depreciation rate based on estimated useful lives are as follow:

	<u>Depreciation rate (%)</u>
Other facilities	10%
Furnishing	10%
Data processing equipment	25%
Transport items	25%
Other fixed assets	10%

3.2 Investment properties

Investment properties include lands, office buildings, logistics warehouses and other items owned by the Company that are held to obtain long-term rental income or to get capital appreciation and are not occupied by the Company.

Investment properties are valued at cost of acquisition minus the relevant accumulated amortisation and any losses due to impairment.

All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. Nevertheless, these costs will be capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company or they involves an increase in their useful life.

ÁRIMA REAL ESTATE SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020
(Thousand euros)

For non-current assets whose commissioning for their intended use requires a period of time of more than twelve months, the capitalized costs include the financial costs that may have been incurred before the assets were finished and that have been charged by the supplier or related to loans or other funds borrowed in general or specifically and directly attributable to the acquisitions.

Investment properties are depreciated using the straight-line method, based on the number of years of useful life estimated in each case. Depreciation rate based on estimated useful lives are as follow:

	<u>Depreciation rate (%)</u>
Buildings	2%
Technical installations	<u>8%</u>

Costs incurred in property developments or part of such developments, construction of which is on going at the year end, are considered to be work in progress. These assets are carried at cost less the impairment losses recognized. These assets depreciation, as the other investment properties, begins when the assets are ready for the use for which they were projected.

3.3 Losses due to the impairment of non-financial assets

Assets subject to depreciation are subjected to impairment reviews whenever some event or a change in circumstances indicates that the book value may not be recoverable.

A loss due to impairment is entered in the amount by which the book value of an asset exceeds its recoverable value, the latter being understood to mean the fair value of the asset minus sale costs, or its operational value, whichever is higher.

In order to assess impairment losses, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units). Non-financial assets, other than goodwill, in respect of which an impairment loss has been recognised, are reviewed at each balance sheet date in case the loss has reversed.

The Company engages independent expert CBRE Valuation Advisory, S.A. to calculate the value of all of its investment properties at least twice a year. These valuations are made in accordance with the valuation standards issued by the Royal Institute of Chartered Surveyors (RICS) in the United Kingdom and by International Valuation Standards (IVS) prepared by International Valuation Standards Committee (IVSC).

When calculating the value of investment properties, consideration is given to the amount that the Company expects to recover as a result of their lease. To this end, projections are made in respect of the cash flows that will be generated, based on the best estimate of leasing rates and on expectations for each individual asset, taking account of any uncertainty that may be caused by a reduction in cash flows or discount rates. The operational value of a real estate property will not necessarily be the same as its fair value, insofar as the former will be based on factors that are specific to the organisation, mainly the capacity to ask prices that are above or below market levels, due to the assumption of certain risks or the assumption of costs (construction or marketing in respect of investment properties under development; refurbishment; maintenance; etc.) other than those that are generally associated with companies in the sector, while the latter is the value at which two independent parties would be willing to complete a transaction.

ÁRIMA REAL ESTATE SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020 (Thousand euros)

The estimated yields depend on the type and age of the properties and their location. The properties have been valued individually, taking account of the lease agreements in place at the end of the financial year and, where applicable, the forecast value.

The book value of the Company's investment properties is corrected at the end of each financial year with the entry of the relevant loss due to impairment, in order to bring this figure into line with the recoverable value when the fair value is lower than the book value.

When a loss due to impairment is subsequently reversed, the book value of the asset is increased to reflect the corrected estimate of its recoverable amount, though the increased book value may not exceed the book value that would have been allocated of the loss due to impairment had not been entered in previous financial years. Reversals of losses due to impairment are entered in the income statement.

3.4 Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included under current assets unless they mature more than 12 months after the balance sheet date, in which case they are entered under non-current assets. Loans and receivables are entered on the balance sheet under "Trade receivables and other accounts receivable", "Non-current investments" and "Loans to subsidiaries" in the balance sheet.

These financial assets are initially valued at fair value, including directly attributable transaction costs, and are subsequently valued at amortised cost. Accrued interest is entered at the effective interest rate, this being understood to be the updated rate that brings the instrument's book value into line with all estimated cash flows through to maturity. Notwithstanding the foregoing, trade receivables that are due within less than one year are valued at their par value, both when initially entered and on subsequent valuation, provided that the effect of not updating flows is not significant.

At least at the end of each financial year, the necessary value adjustments are made to account for impairment when there is objective evidence that all receivables will not be collected.

Losses due to impairment are calculated as the difference between book value of the asset in question and the current value of estimated future cash flows, discounted at the effective interest rate at the time of initial entry. Value adjustments, as well as any applicable reversions, are accounted for in the income statement.

Investments in the equity of group companies

These are valued at cost, minus (where applicable) the accumulated amount of any losses due to impairment. If there is objective evidence that the book value is not recoverable, the relevant valuation correction will be made for the difference between the book value and the recoverable amount, which is understood to be either the fair value minus sale costs or the actual value of cash flows from the investment, whichever is higher.

Unless there is better evidence of the recoverable amount, when estimating the impairment of these investments, the net equity of the subsidiary company is taken into account and adjusted for the unrealised capital gains existing on the valuation date. Value corrections and, where applicable, their reversal, are entered in the income statement in the financial year in which they occur.

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3.5 Equity

The share capital is made up of ordinary shares.

The costs of issuing new shares or options are entered directly in equity as a reduction in reserves.

In the event that the Company acquires treasury shares, the consideration paid including any incremental cost that is directly attributable, is deducted from equity until the shares are redeemed, issued again or otherwise disposed of. When treasury shares are subsequently sold or reissued, any amount received is moved to equity, net of any directly attributable incremental costs.

Distribution of the result and compulsory payment of dividends

SOCIMIs are governed by the special tax rules established under Act 11 of 26 October 2009, with the amendments introduced by Act 16 of 27 December 2012 and subsequent modifications, under which SOCIMIs (Spanish Real Estate Investment Trusts) are governed. They are required to distribute the profits they obtain over the course of the year to their shareholders in the form of dividends, after complying with the relevant corporate obligations. Distribution must be approved within the six months following the year end, in the following way:

- a) 100% of the profits resulting from dividends or profit shares received from the companies referred to in Article 2.1 of this Act.
- b) At least 50% of the profits earned from the transfer of the property, shares or ownership interests referred to in Article 2.1. of the Act, where this occurs after the deadlines referred to in Article 3.3 of the Act have expired, when the property, shares or interests are used to comply with the Company's primary corporate purpose. The remainder of these profits must be reinvested in other property or investments related to the performance of this corporate purpose within three years of the transfer date. Otherwise, these profits must be distributed in full together with any profit earned, where applicable, in the year in which the reinvestment period expires. If the items in which the reinvestment has been made are transferred prior to the end of the holding period, profits must be distributed in full, together, where applicable, with the part of the profits attributable to the years in which the Company was not taxed under the special tax scheme provided for in the aforementioned Act.
- c) At least 80% of the remaining profits obtained.

The dividend must be paid within one month of the distribution agreement. When dividends are distributed with a charge to reserves originating from profits for a year in which the special tax rules were applied, the distribution must compulsorily be approved by means of the resolution referred to above.

The Company is required to allocate 10% of its profits for the year to the legal reserve until the balance held in this reserve amounts to 20% of its share capital. The balance of this reserve is not available for distribution to the shareholders until it exceeds the 20% limit. The articles of association of these companies may not establish any restricted reserve other than the foregoing.

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3.6 Financial liabilities

Debts and payables

This category includes trade and non-trade payables. These third-party resources are classified as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

These payables are initially entered at their fair value, adjusted for directly attributable transaction costs, and subsequently entered at amortised cost using the effective interest rate method. The effective interest rate is the updated rate which brings the instrument's book value into line with expected future payment flows until maturity of the liability.

Nonetheless, trade payables that are due within less than one year and do not have a contractually agreed interest rate are valued at their nominal value, both when initially entered and on subsequent valuation, provided that the effect of not updating cash flows is not significant.

Financial borrowings

Financial borrowings are initially entered at their fair value, minus any transaction costs incurred. Subsequently, financial borrowings are valued at amortised cost: any difference between the proceeds obtained (net of the costs required to obtain them) and the redemption value is entered in the income statement over the life of the borrowings using the effective interest rate method.

3.7 Current and deferred income tax

In accordance with the SOCIMI tax rules, the Company is subject to a Corporate Income Tax rate of 0%.

As established in Article 9.2 of Act 11 of 26 October 2009, with the amendments incorporated via Act 16 of 27 December 2012, and subsequent addendments, the Company shall be subject to a special rate of 19% on the overall sum of the dividends or profit distributions received by shareholders whose stake in the share capital of the Company is equal to or greater than 5%, when those dividends, in the possession of its shareholders, are exempt from or have a tax rate of less than 10% (to this effect, the tax due will be taken into consideration under the Non-Resident Income Tax Act).

However, that special rate will not apply when the dividends or profit shares are received by entities whose purpose is the ownership of interests in the share capital of other SOCIMIs or other companies that are not resident in Spain, that have the same corporate purpose, and that are governed by rules similar to those governing SOCIMIs as regards the compulsory, legal or statutory policy on profit distribution, with respect to companies that have a share that is equal to or greater than 5% of the share capital of the SOCIMIs and that pay tax on those dividends or profit shares at a rate of at least 10%.

The Board of Directors monitor compliance with the requirements set out in the legislation in order to save the tax advantages established therein. In this sense, the administrator's estimation is that these requirements are being met within the terms and deadlines set, not proceeding to record any kind of result derived from corporation tax.

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3.8 Provisions and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is likely that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are valued at the current value of the payments that are expected to be required to settle the obligation, using a pre-tax rate that reflects the current market assessment of the time value of money and the specific risks of the obligation. The adjustments to provisions as the result of their restatement are entered as a financial expense as they accrue.

Provisions that mature in one year or less and have non-significant financial effects are not discounted.

When it is expected that a portion of the payment necessary to cancel the provision will be reimbursed by a third party, this reimbursement is entered as an independent asset, provided that its receipt is practically certain.

Contingent liabilities are considered to be potential liabilities deriving from past events, the existence of which is subject to the occurrence of one or more future events that lie outside the control of the Company. These contingent liabilities are not recorded in the accounts but are described in the notes (Note 18).

3.9 Revenue Recognition

Income is stated at the fair value of the consideration to be received and it represents the amounts to be collected for the services rendered during the ordinary course of the Company's activities, minus returns, discounts, rebates and VAT.

Provision of services

The Company provides leasing services. Income earned from the leasing of property is entered as it becomes payable, and profits are entered on a straight-line basis with regard to incentives and initial lease agreement costs.

The costs associated with each rental payment, including any items removed as a result of impairment, are entered as an expense. Properties let out to third parties, all of which are let under operational leases, are included under the heading "investment properties" in the balance sheet.

3.10 Leases

a) When the Company is the lessee - Operating lease

Leases in which the lessor maintains a significant part of the risks and benefits arising from ownership are classified as operating leases. Operating lease payments (net of any incentive received by the lessor) are charged to the income statement for the year in which they accrue on a straight-line basis over the lease period.

b) When the Company is the lessor

Properties let out under operating lease are included with investment property on the balance sheet. Income earned from the leasing of property is entered on a straight-line basis over the lease period.

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3.11 Operational currency and currency in which the accounts are presented

The figures in these annual accounts are presented in euro thousand, the euro is the currency that the Company uses for both accounting and operational purposes.

3.12 Transactions between related parties

Generally speaking, transactions performed between related parties are initially entered in the accounts at their fair value. Where applicable, if the agreed price differs from the fair value, this difference will be entered, taking account of the real financial conditions of the transaction. It will subsequently be valued in accordance with the provisions set out in the relevant standards.

3.13 Employee benefits

a) Share based payments

On 26 September 2018, the Annual General Shareholders Meeting approved a new remuneration plan based on the Company's own shares, granted to Árima Real Estate team. That plan will be in effect for 6 years and the right to receive shares as an incentive will accrue when, for each calculation period (a period of one year, between 1 July and 30 June of the following year), the conditions established in the plan are met.

These conditions principally require the total return for shareholders to be in excess of a specific percentage. This return is measured as the sum of the total dividends distributed plus revaluation of the Net Asset Value, excluding any share capital increase that may have occurred during the calculation period. This payment is therefore focused on the return generated for the shareholder through active management of the portfolio, and not on the size of it.

In order for this incentive to take effect, shareholders must obtain a return in excess of 10%. When the return exceeds this threshold, the incentive corresponds to 20% of any amount by which is exceeded.

The right to receive this incentive is accrued on a yearly basis (from 1 June to 30 June of the following year) and its liquidated by the delivery of shares. The team may dispose of the shares received after the following periods: one third of the shares after twelve months, other third of the shares after eighteen months and the last third of the shares after twenty-four months.

b) Short term obligations and bonus

Wage liabilities, which are expected to be settled within twelve months of the end of the financial year in which employees provide the corresponding services, are recognized in the reported financial year and valued at the amounts expected to be paid when liabilities are settled. Liabilities are presented on the balance sheet as current obligations for employee benefits.

3.14 Cash and cash equivalents

Cash and cash equivalents include cash holdings, instantly accessible deposits with credit institutions, other short-term highly liquid investments with original maturities of three months or less.

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3.15 Financial derivatives and hedging financial instruments

Financial derivatives are valued, both at the initial and in subsequent valuations, at fair value. The method of recognizing the resulting loss or gain depends on whether the derivative has been designated as a hedging instrument or not, and, where appropriate, the type of hedging. The Company designates certain derivatives as:

Cash flow hedges

The effective amount of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are transiently recognized in equity. Its allocation to the profit and loss account is made in the years in which the planned covered transaction affects the result, unless the coverage corresponds to a planned transaction that ends in the recognition of a non-financial asset or liability, in which case the amounts recorded in the equity are included in the cost of the asset when it is acquired or the liability when it is assumed. Loss or gain relative to the ineffective part is immediately recognized in the profit and loss account.

4. FINANCIAL RISK MANAGEMENT

The Company's activities are exposed to various financial risks: market risk (including interest rate risk), credit risk, liquidity risk and tax risk. The Company's risk management programme focuses on uncertainty in financial markets and seeks to minimise any potential adverse impact on its financial profitability.

Risk management is overseen by the Company's Finance Department, which identifies, evaluates and hedges financial risks in accordance with the policies approved by the Board of Directors of the Company. The Board provides policies for overall risk management and policies covering specific areas such as interest rate risk, liquidity risk, the use of derivatives and non-derivatives and investing excess liquidity.

4.1 Financial risk factors

a) Market risk

The Company's interest rate risk arises from the financial debt. Loans issued at variable rates expose the Company to interest rate risk of cash flows. During the financial year ended at 31 December 2020, the Company has signed long-term financing agreements with prestigious financial institutions at a variable market interest rate with mortgage guarantee (Note 6 and Note 12). The loans are remunerated at an interest rate referenced to EURIBOR plus a spread between 1.40% and 1.70%. As of 31 December 2020 and 2019, the amount drawn down in nominal terms from this variable rates financial agreements amounts to 63,644 thousand euros.

The Company analyzes exposure to interest rate risk dynamically. Several scenarios are simulated taking into account the alternatives of financing and coverage. Based on these scenarios, the Company calculates the impact on the result for a given change in the interest rate (scenarios are used only for liabilities that represent the most significant positions subject to interest rates).

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These analyzes take into account:

- Economic environment in which it carries out its activity: design of different economic scenarios modifying the key variables that may affect the company (interest rates, share price,% occupancy of real estate investments, etc.).
- Identification of those interdependent variables and their level of linkage.
- Temporary framework in which the evaluation is being carried out: the time frame for the analysis and its possible deviations will be taken into account.

Based on the simulation carried out, the Company manages the cash flow interest rate risk through variable to fixed interest rate swap. These interest rate swaps have the economic effect of converting loans at variable interest rates into loans at fixed interest rates. Generally, the Company obtains foreign long-term resources with variable interest and exchanges them for a fixed interest rate lower than those that would be available if the Company had obtained the external resources directly at fixed interest rates. Under interest rate swaps, the Company undertakes with third parties to exchange, on a regular basis, the difference between the fixed interest and the variable interest based on the principal notionals contracted.

b) Credit risk

Credit risk originates, mainly from customers for sales and services, as well as from other debtors. The Company defines the credit risk management and analysis policy of its new clients before proceeding to offer them the usual payment terms and conditions. The Company's risk control establishes the credit quality that the client must possess, taking into account its financial position, past experience and other factors. The Company considers that it does not have significant concentrations of credit risk, this being understood to refer to the possible impact that a default on receivables could have on the income statement.

The Company maintains its cash and other equivalent liquid assets in entities with the best credit quality.

c) Liquidity risk

The Company's Financial Management is responsible for managing liquidity risk to address payments already committed and/or commitments arising from new investments. To do this, it prepares annual projections of the expected cash flows.

The maturity dates set for the Company's financial asset and liability instruments at 31 December 2020 and 31 December 2019 are shown in Note 7.

d) Tax risk

As mentioned in Note 1, the Company is subject to the special tax regime of the rules governing Spanish Real Estate Investment Trusts (SOCIMIs). It is therefore subject to Act 11 of 26 October 2009, with the amendments introduced by Act 16 of 27 December 2012, under which SOCIMIs are governed. Article 3 of Act 11 of 26 October 2009 sets out certain requirements that must be met by this type of company. The companies that have opted for said regime are obliged to distribute dividends to its shareholders, once the pertinent mercantile obligations have been fulfilled, the benefit obtained in the year, having to arrange their distribution within the six months following the end of each year and be paid within the month following the date of the agreement of distribution.

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In the event that the Shareholders' Meeting of such companies does not approve the distribution of dividends proposed by the Board of Directors, which has been calculated in accordance with the requirements set forth in the aforementioned law, they would not be complying with it, and therefore they should be taxed under the general tax regime and not the one applicable to the SOCIMI.

e) Other risk

The appearance of the Coronavirus COVID-19 in China and its recent global expansion to a large number of countries, has led to the viral outbreak being classified as a pandemic by the World Health Organization since last 11 March 2020.

This situation is significantly affecting the global economy, and most sectors of the economy are facing challenges due to the economic situation.

In this context, the Company's Management and the Board of Directors have carried out an evaluation of the current situation, according to the best information available, in these financial statements which describes as follows:

- Operational Risk:

In general terms, although at the moment of this financial statements approval, the coronavirus crisis has not significantly affected the Company activity, it could observed a trend towards some stabilization of rents in the areas where the Company has investments properties, which could have impacted in their fair value. Real estate investments have remained open and accessible to tenants during this financial year, with all available services and enhanced measures for cleaning, disinfection and air filtration; and the evolution of the business has followed a favorable path, without significant impacts that have led to the adoption of extraordinary measures. On the other hand, rehabilitation projects have run their course without significant delays and without altering the Company's strategy. In addition, the Company has a high quality tenant base that has not altered the rental collection periods. The Board of Directors continue to monitor the possible impacts that the pandemic may have on the course of the ongoing works of certain real estate investments and the rental contracts of current and future tenants.

- Liquidity risk:

The Board of Directors monitors liquidity needs to ensure that it has the necessary financial resources to meet its needs. The Company is in a very robust position as it has cash and cash equivalents in the amount of 128,725 thousand euros, the level of leverage is not high (Note 3.2) and the maneuvering fund amounts to 129,413 thousand euros. In addition, 95% of the debt service facing the Company will take place in 2025 and subsequent years.

- Risk of valuation of assets and liabilities of the balance sheet:

There have been no significant increases in risks from default or deterioration in the tenants' financial position. In addition, the Company counts at fair value real estate investments based on valuations made by the independent expert whose assumptions already reflect potential impacts of COVID-19. With respect to the remaining assets and liabilities of the balance sheet, no significant value changes related to the potential effects of the pandemic have been detected.

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With regard to the preparation of these annual accounts, the Board of Directors have assessed and concluded that the Company's financial resources continue to allow the implementation of the going concern basis.

Due to the rapid and frequency of changes in the events and the potential evolution of the pandemic in the coming months (potential mitigating impacts and actions), significant estimates and judgments from the Board of Directors could be affected. Therefore, developing in these circumstances a reasonable estimate of the potential impact of COVID-19 on future operations and cash flows is difficult, because markets and economic operators may react unexpectedly to an unforeseen evolution of the pandemic.

Finally, emphasize that the Administrators and the Board of Directors are constantly monitoring developments, in order to successfully address any financial and non-financial impacts that may occur.

5. PROPERTY, PLANT AND EQUIPMENT

The following table contains a breakdown of the entries shown for "Property, plant and equipment" and the relevant movements:

	Thousand euros	
	Property, plant and equipment	Total
Balance at 1 January 2019	63	63
Cost	65	65
Accumulated depreciation	(2)	(2)
Net Book value	63	63
Added	121	121
Sales	(40)	(40)
Allocation to depreciation	(11)	(11)
Reduction of depreciation charge	3	3
Balance at 31 December 2019	136	136
Cost	149	149
Accumulated depreciation	(13)	(13)
Net book value	136	136
Added	90	90
Sales	(22)	(22)
Allocation to depreciation	(20)	(20)
Reduction of depreciation charge	3	3
Balance at 31 December 2020	187	187
Cost	217	217
Accumulated depreciation	(30)	(30)
Net book value	187	187

a) Losses due to impairment

During 2020 and 2019, no entries were made or reversed in respect of value correction for impairment in relation to any property, plant and equipment item.

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 b) Fully depreciated property, plant and equipment

No item had been fully depreciated at 31 December 2020 neither at 31 December 2019.

6. INVESTMENT PROPERTIES

Investment properties include land, office buildings and other items owned by the Company that are held to obtain long-term rental income or capital revaluation and are not occupied by the Company.

Movement and breakdown of investment properties are shown below:

	Thousand euros				
	Land	Building	Technical Installations	Investment Properties in progress	Total
Balance at 1 January 2019	23,630	6,949	1,494	6,275	38,348
Added	74,312	66,304	17,855	1,615	160,086
Transfers	2,603	2,975	697	(6,275)	-
Allocation to depreciation	-	(650)	(1,095)	-	(1,745)
Balance at 31 December 2019	100,545	75,578	18,951	1,615	196,689
Cost	100,545	76,231	20,049	1,615	198,440
Accumulated depreciation	-	(653)	(1,098)	-	(1,751)
Book value at 31 December 2019	100,545	75,578	18,951	1,615	196,689
Added	24,708	3,120	380	10,424	38,632
Transfers	-	1,968	1,318	(3,286)	-
Allocation to depreciation	-	(751)	(1,215)	-	(1,966)
Impairment of investment properties	-	(888)	-	-	(888)
Balance at 31 December 2020	125,253	79,027	19,434	8,753	232,467
Cost	125,253	81,319	21,747	8,753	237,072
Accumulated depreciation	-	(1,404)	(2,313)	-	(3,717)
Impairment aculated	-	(888)	-	-	(888)
Book value at 31 December 2020	125,253	79,027	19,434	8,753	232,467

In the financial year 2019, the Company formalized the acquisition of five office buildings and one logistic facility for a total amount of 158,471 thousand euros. Offices buildings are located in the most consolidated business areas of Madrid: on the urban axis M30-A2, in the business park of Cristalía, in María de Molina street, Ramírez de Arellano street and Vía de los Poblados. The logistic facility is located in San Agustín de Guadalix.

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In 2020, the Company made disbursements worth 28,207 thousand euros for the acquisition of two real estate assets in Madrid: an office building located in the district of Chamartin with a buildability of 6,535 sqm and a property that will have an office building with 12,000 sqm in Manoteras street, 28.

Under the heading “Investment properties in progress”, is included the cost of those improvements made to the assets whose implementation has not been completed.

At 31 December 2020 a mortgage was constituted on Guadalix and Vía de los Poblados properties as a guarantee of the granted financing in the financial year. At 31 December 2019 the financed buildings corresponded to the offices of María de Molina, Habana, América, Cristalia and Ramírez de Arellano.

a) Losses due to impairment

The company has booked an impairment of 888 thousand euros as a consequence of the valuation procedure mentioned in the heading g) of this note.

b) Fully depreciated assets

No items had fully depreciated at 31 December 2020 and 31 December 2019.

c) Income and expenses on investment properties

The following income and expenses on investment properties have been detailed in the income statement:

	Thousand euros	
	31.12.2020	31.12.2019
Rental income (Note 13)	6,136	5,740
Expenses for the operations resulting from investment properties that generate rental income	(1,204)	(1,352)
Expenses for the operations resulting from investment properties that do not generate rental income	(223)	(50)
	4,709	4,338

d) Operating leases

The total amount of future minimum receivables from non-cancellable operating leases is as follows:

	Thousand euros	
	31.12.2020	31.12.2019
Less than one year	4,791	4,896
Between one and five years	7,063	10,787
More than five years	-	590
	11,854	16,273

e) Insurances

The Company signs the insurance policies necessary to cover any possible risk that might affect any aspect of its investment properties. The coverage in these policies is deemed to be sufficient.

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f) Liabilities

At the close of the period, the Company does not have contractual obligations for the acquisition, construction or development of real estate investments, or for repairs, maintenance or insurance, in addition to those already included in the Note.

g) Valuation process

Information on the cost and fair value of real estate investments at 31 December 2020:

	Thousand euros			
	31 December 2020		31 December 2019	
	Net book value	Fair value	Net book value	Fair value
Investment properties	232,467	275,750	196,689	221,650

The valuations of these real estate assets have been carried out using "market value" hypothesis, these valuations being made in accordance with the Professional Standards of assesment by the Royal Institution of Chartered Surveyors of July 2017 – 'Red Book'. The market value of the Company's properties has been determined on the basis of evaluation carried out by independent expert valuers (CBRE Valuation Advisory, S.A.).

The "Market Value" is defined as the estimated amount for which an asset should be able to be exchanged at the valuation date, between a willing seller and a willing buyer, after a reasonable sales marketing period, and in which both parties have acted with knowledge, prudence and without any coercion.

The valuation methodology adopted by the independent appraisers in relation to the determination of fair value was basically the 10-year discount cash flow method and the income capitalization method (reflecting net income, capitalized expenses, etc.), besides comparing the information with comparables. The residual amount at the end of year 10 is calculated by applying a rate of return ("Exit yield" or "cap rate") of the projections of net income for year 11. Cash flows are discounted at an internal rate of return for reach the current net value. This internal rate of return is adjusted to reflect the risk associated with the investment and the assumptions adopted. The key variables are, therefore, the income and the exit yield.

The estimated yields depend on the type and age of the properties and their location. The properties have been valued individually, considering each one of the lease agreements in force at the end of the year and, if applicable, the foreseeable ones, based on the current market rents for the different areas, supported by comparables and transactions carried out for your calculations.

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7. ANALYSIS OF FINANCIAL INSTRUMENTS

a) Analysis by category

The book value of each of the categories of financial instruments, excluding investments in the equity of group companies (Note 8) and cash and cash equivalents, is as follows:

	Thousand euros					
	Non-current financial assets					
	Equity instruments		Debts values		Credits, Derivatives and Others	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Loans to subsidiaries	-	-	-	-	500	-
Loans to third parties	-	-	-	-	1,556	-
Other long-term financial liabilities	-	-	-	-	937	842
Total long-term financial assets	-	-	-	-	2,993	842

	Current financial assets					
	Equity instruments		Debts values		Credits, Derivatives and Others	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	Trade receivables for sales and services (Note 9) and other assets	-	-	-	-	2,363
Total short-term financial assets	-	-	-	-	2,363	1,189

	Thousand euros					
	Non-current financial liabilities					
	Bank loans and credits		Bonds and other negociable securities		Derivatives and others	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Debts and other financial liabilities (Note 14)	104,039	72,427	-	-	2,446	1,691
Total non-current financial liabilities	104,039	72,427	-	-	2,446	1,691

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	Current financial liabilities					
	Bank loans and credits		Bonds and other negotiable securities		Derivatives and others	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Debts and other payables (Note 14)	39	210	-	-	3,489	2,699
Total current financial liabilities	39	210	-	-	3,489	2,699

b) Analysis by maturity date

At 31 December 2020 and 31 December 2019, the value of financial instruments, excluding investments in the equity of group companies (Note 8) and cash and cash equivalents, with a specific maturity date or with a maturity date falling within a specific year was as follows:

At 31 December 2020

	Thousand euros						
	Financial assets						Total
	2021	2022	2023	2024	2025	Subsequent years	
Trade receivables:							
- Trade receivables	1,996	-	-	-	-	-	1,996
Non-current investments:							
- Loans to subsidiaries	-	-	-	-	500	-	500
- Loans to third parties	-	-	-	1,556	-	-	1,556
- Other financial assets	367	561	29	-	337	10	1,304
	2,363	561	29	1,556	837	10	5,356
	Financial liabilities						Total
	2021	2022	2023	2024	2025	Subsequent years	
Debts:							
- Debts with credit entities	39	376	376	4,693	13,891	86,458	105,883
- Financial hedging instruments	-	-	-	352	-	1,134	1,486
Trade payables:							
- Trade and other payables	3,389	-	-	-	-	-	3,389
- Other financial liabilities	100	520	31	-	397	12	1,060
	3,528	896	407	5,045	14,288	88,220	111,768

ÁRIMA REAL ESTATE SOCIMI, S.A.
**NOTES TO THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020
(Thousand euros)**
At 31 December 2019

	Thousand euros						
	Financial assets						
	2020	2021	2022	2023	2024	Subsequent years	Total
Trade receivables:							
- Trade receivables	625	-	-	-	-	-	625
- Other financial assets	564	205	-	50	-	587	1,406
	1,189	205	-	50	-	587	2,031
	Financial liabilities						
	2020	2021	2022	2023	2024	Subsequent years	Total
Debts:							
- Debts with credit entities	210	-	-	-	3,599	70,145	73,954
- Financial hedging instruments	-	-	-	-	150	585	735
Trade payables:							
- Trade and other payables	2,449	-	-	-	-	-	2,449
- Other financial liabilities	350	303	-	24	-	629	1,306
	3,009	303	-	24	3,749	71,359	78,444

The debts shown in the previous break downs are expressed at their nominal value.

8. LONG TERM INVESTMENTS IN GROUP COMPANIES

The following table shows a breakdown of long-term investments in group companies at 31 December 2020 and 31 December 2019:

Name	Address	Activity	Share capital percentage		Voting rights	
			Direct %	Indirect %	Direct %	Indirect %
Árma Investigación, Desarrollo e Innovación, S.L.U.	Serrano, 47 4ª planta, 28001 Madrid	Real Estate activity Sustainability projects Exploitation of industrial property rights	100	-	100	-

Árma Real Estate Investments, S.L.U. was incorporated in December, 10 2018. At 7 November 2019 its corporate name was changed to Árma Investigación, Desarrollo e Innovación, S.L.U. At the time of its incorporation, Árma Real Estate SOCIMI, S.A. became the dominant company of a group of companies of which it has control, forming a group at that time. This subsidiary is not a listed company.

ÁRIMA REAL ESTATE SOCIMI, S.A.

**NOTES TO THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020
(Thousand euros)**

9. LOANS AND RECEIVABLES

	Thousand euros	
	31 December 2020	31 December 2019
Non-current investments:		
- Loans to subsidiaries (Note 21)	500	-
- Loans to third parties	1,556	-
- Guarantees ("Other long-term financial assets")	937	842
Trade receivables and other accounts receivable:		
- Trade receivables for sales and services	299	303
- Other accounts receivable	1,697	322
- Personnel	-	103
- Other credits held with Public Authorities (Note 15)	4,498	476
- Guarantees ("Other short-term financial assets")	135	303
	9,622	2,349

Loans to third parties correspond to loans granted to staff of the Company at a market interest rate (Note 20).

The amount recorded under the heading "Other long-term financial assets" in the balance sheet includes the amount of the guarantees associated with the rental agreements deposited with the corresponding public bodies.

Under the heading "Other debtors", the amounts corresponding to the provision of funds, derived from the acquisitions of the investment property (Note 6) and its financing (Note 14), are included.

The carrying amount of the loans and receivables approximates their fair value, given that the effect of the discount is not significant.

Under the heading of customers there is an amount of 181 thousand euros relating to invoices pending issuance (282 thousand euros at 31 December 2019).

The following table contains a breakdown of the age of receivables for sales and services:

	Thousand euros	
	At 31 December 2020	At 31 December 2019
Up to 3 months	85	21
Between 3 and 6 months	33	-
More than 6 months	-	-
	118	21

The book value of loans and receivables is denominated in euros.

ÁRIMA REAL ESTATE SOCIMI, S.A.

**NOTES TO THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020
(Thousand euros)**

10. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash and banks	128,725	153,964
	128,725	153,964

The current accounts are denominated in euros and accrue a market interest rate.

Due to the liquidity contract entered into with JB Capital Markets, Sociedad de Valores, S.A.U., detailed in Note 11.b, at 31 December 2020 the Company holds 303 thousand euros of total cash destined for the cash account under that contract (at 31 December 2019 held 432 thousand euros).

11. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

a) Share capital and share premium

The Company was incorporated on 13 June 2018 with the issue of 300 registered shares, each with a par value of 10 euros. On the date of its incorporation, Rodex Asset Management, S.L. held 299 shares representing 99.99% of the Company's issued share capital, and Inmodesarrollos Integrados, S.L. held 1 ordinary share representing 0.01% of the Company's issued share capital.

On 25 July 2018 the Company changed its legal form from a private limited company to a public limited company and increased capital by 60 thousand euros. At that date, following the increase, Rodex Asset Management, S.L. held 6,279 registered shares, representing 99.99% of the Company's issued capital while Inmodesarrollos Integrados, S.L. held 21 registered shares, representing 0.01% of the Company's issued capital.

On 1 October 2018 an Universal General Shareholders' Meeting was held during which it was resolved to increase capital by 350,000 thousand euros maximum (the shareholders' waiving their preferential subscription right), through an offer for the subscription of the Company's shares.

On 8 October 2018 the Board of Directors approved the resolutions concerning the capital increase and the approval of the Share Subscription Prospectus for the admission of the trading on the stock exchange of the Company's shares. On 19 October 2018 the Board of Directors approved the capital increase amounting to 100,000 thousand euros which was entered in the Madrid Commercial Register and began trading of 10,000,000 new shares with a par value of 10 euros each on 23 October 2018.

In 2019, the Universal General Shareholders' Meeting, at its meeting of March 21, approved a new capital increase, waiving the right of preferential subscription, and delegated to the Board of Directors the necessary powers to carry it out. This capital increase was approved by the CNMV on April 8, 2019, becoming effective through the issuance and circulation of 4 million new ordinary shares of 10 euros each as face value, resulting in an increase in the share capital of 40,000 thousand euros.

Subsequently, as part of a new capital increase, the Company sign a subscription agreement with Ivanhoé Cambridge Holdings UK LTD, which compels it to subscribe and disburse 60.000 thousand euros for the new shares, with a maximum issue price of 10.40 euros each share. On 5 November 2019, the Universal General Shareholder's Meeting approved the resolutions concerning the capital increase, waiving the right of preferential subscription, and delegated to the Board of Directors the necessary powers to carry it out. This capital increase was approved by the CNMV on 15 November 2019, becoming effective through the issuance

ÁRIMA REAL ESTATE SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020
(Thousand euros)

and circulation of 14.423.076 new ordinary shares of 10 euros each as face value and 0.40 euros each as share premium, resulting in an increase in the share capital of 150.000 thousand euros.

As of 31 December 2020 and 31 December 2019 the breakdown of share capital and share premium is as follows:

	Thousand euros	
	31 December 2020	31 December 2019
Share capital	284,294	284,294
Share premium	5,769	5,769
	290,063	290,063

As of 31 December 2020, the share capital of the Company is 284,294 thousand euros and is represented by 28,429,376 shares with a par value of 10 euros each, all belonging to the same class and fully subscribed and paid. All the shares carry the same voting and dividend rights.

At 31 December 2019 the Company's share capital amounted to 284,294 thousand euros and consisted of 28,429,376 shares with a par value of 10 euros each. All shares were of the same class and are fully subscribed and paid in. All shares carried the same voting and dividend rights.

The share premium is considered a freely distributable reserve.

All the Company's shares are listed on the Spanish Stock Market.

At 31 December 2020, the companies that held a share of 3% or more in the share capital are as follows:

Entity	% voting rights allocated to shares	% voting rights held through financial instruments	Total %
Bank of Montreal	8.400	-	8.400
Ivanhoe Cambridge, INC.	20.293	-	20.293
Fundiogic SAS	3.087	-	3.087
Rodex Asset Management, S.L.	3.839	-	3.839
Pelham Long/Short small CAP Master Fund LTD	-	9.984	9.984
Ross Turner	-	9.984	9.984
Total	35.619	19.968	55.587

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**NOTES TO THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020
(Thousand euros)**

At 31 December 2019, the companies that held a share of 3% or more in the share capital were as follows:

Entity	% voting rights allocated to shares	% voting rights held through financial instruments	Total %
Bank of Montreal	8.400	-	8.400
Ivanhoe Cambridge, INC	20.293	-	20.293
Morgan Stanley	5.498	-	5.498
Rodex Asset Management, S.L.	3.840	-	3.840
Pelham Long/Short small CAP Master Fund LTD	-	9.984	9.984
Ross Turner	-	9.984	9.984
Total	38.031	19.968	57.999

b) Treasury shares

Movements in treasury shares over the year have been as follows:

	31 December 2020		31 December 2019	
	Number of treasury shares	Thousand euros	Number of treasury shares	Thousand euros
At the beginning of the financial year	55,842	625	58,130	546
Additions / purchases	1,040,123	9,569	138,340	1,518
Reductions	(517,452)	(5,112)	(140,628)	(1,439)
At the end of the financial year	578,513	5,082	55,842	625

The General Shareholders' Meeting of the Company agreed on 28 May 2020 to authorize, for a period of 5 years, the derivative acquisition of shares of Árima Real Estate SOCIMI, S.A. by the Company itself, under the provisions of articles 146 and concordant of the Capital Companies Act, complying with the requirements and limitations established in current legislation at all times, in the following terms: (i) the acquisitions may be made directly by the Company or indirectly through companies of its group, and they may be formalized, once or several times, through purchase, barter or any other legal transaction valid in Law. Acquisitions may also be made through an intermediary that acquires the shares on behalf of the Company under a liquidity contract subscribed between the Company and the intermediary; (ii) the nominal value of the shares to be acquired, added, where appropriate, to those already held, directly or indirectly, shall not exceed the maximum percentage legally permitted at any time; and (iii) the acquisition price per share will be at least the nominal value and, at most, the market price on the date of acquisition.

On 6 November 2020, Árima Real Estate SOCIMI, S.A. renovated into a 12 month liquidity contract with JB Capital Markets, Sociedad de Valores, S.A.U. in order to increase liquidity and favour the regular trading of the Company's shares. However, this liquidity contract is temporarily suspended since the buyback program of treasury shares is in force since 25 March 2020. The buyback contract has been signed with JB Capital Markets.

The General Shareholders' Meeting of 26 September 2018 resolved to implement the incentive plan consisting of handing over shares or cash on a discretionary basis for the Company's team. This incentive plan was corroborated at the general Shareholder's Meeting of 5 November 2019. (Notes 2.17 and 17).

ÁRIMA REAL ESTATE SOCIMI, S.A.

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(Thousand euros)

The treasury shares held at 31 December 2020 represent 2.03% of the Company's share capital and amount to 578,513 shares (at 31 December 2019 represented 0.20% of the Company's share capital and amounted to 55,842 shares). The average cost of treasury shares has been 8.96 euros per share (the average cost of treasury shares in 2019 was 11.00 euros per share).

These shares are carried by reducing the Company's equity at 31 December 2020 by 5,082 thousand euros (at 31 December 2019 it was 625 thousand euros).

The Company has complied with the requirements of Article 509 of the Spanish Capital Companies Act, which establishes that the par value of acquired shares listed on official secondary markets, together with those already held by the Company and its subsidiaries, must not exceed 10% of the share capital. The subsidiaries do not hold either treasury shares or shares in the Company.

12. RESERVES

Reserves

	Thousand euros	
	<u>At 31 December of 2020</u>	<u>At 31 December of 2019</u>
Others reserves:		
- Voluntary reserve	(11,244)	(11,048)
- Legal reserve	-	-
- Hedging transactions reserve	(1,486)	(735)
- Net losses obtained from prior financial years	(8,449)	(503)
	<u>(21,179)</u>	<u>(12,286)</u>

Legal reserve

Appropriations to the legal reserve should be made in compliance with Article 274 of the Spanish Companies which stipulates that 10% of the profits for each year must be transferred to this reserve until it represents at least 20% of share capital.

The legal reserve is not available for distribution. Should it be used to offset losses in the event of no other reserves being available, it must be replenished out of future profits.

ÁRIMA REAL ESTATE SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020
(Thousand euros)

13. PROFIT (LOSS) FOR THE FINANCIAL YEAR

Distribution of the profit and loss for the financial year

The proposed distribution for the profit and loss for the financial year ended on 31 December 2020 obtained by the Company and the reserve amount to be submitted to the General Shareholders Meeting, is as follows:

	Thousand euros	
	2020	2019
<u>Base for distribution:</u>		
Profit and los for the financial year	(5,224)	(7,945)
<u>Application:</u>		
Legal reserve	-	-
Net losses obtained from prior financial years	(5,224)	(7,945)
Dividends	-	-
	(5,224)	(7,945)

On 28 May 2020, the General Shareholders' Meeting approved, without modification, the proposal to distribute the 2019 result.

14. DEBTS AND OTHER PAYABLES

	Thousand euros	
	31 December 2020	31 December 2019
<u>Debts and non-current liabilities:</u>		
- Debts with credit entities	104,039	72,427
- Financial hedging instruments (Note 16)	1,486	735
- Guarantees	960	956
	106,485	74,118
<u>Debts and current liabilities:</u>		
- Debts with credit entities (Note 7)	39	210
- Other payables (Note 7)	2,189	2,314
- Other short term debts	1,200	135
- Other debts with Public Authorities (Note 17)	2,645	1,355
- Guarantees	100	250
	6,173	4,264

The book amounts of debts and payables approximate their fair values, since the effect of discounting is not significant.

The heading "Guarantees" in the balance sheet includes the guarantees granted by the tenants of real estate registered in real estate investments (Note 6).

The book value of loans and receivables to be paid by the Company is denominated in euros.

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(Thousand euros)

Over the course of the financial year ended on 31 December 2020, the Company has signed two financial agreements with prestigious financial institutions (Note 3.1a): a financing agreement with a mortgage guarantee at a fixed interest rate the first year and a market interest rate the following years for the amount of 9 million euros, and another financing agreement with a mortgage guarantee at a fixed interest rate for a maximum amount of 27 million euros.

This financing is recorded at amortized cost in the long-term liability under the heading "Debts with credit institutions". As of 31 December 2020 the amount of the amortized cost amounts to 1,755 thousand euros (1,317 thousand euros at 31 December 2019). The nominal maturities of the financing have been included in Note 7. Such financing is guaranteed by the properties described in Note 6.

As of 31 December 2020, 100% of the financing obtained by the Company has been classified as 'green' by financial institutions, given the sustainable characteristics of the financed real estate properties.

On January 28, 2019, the Company signed a financial agreement with a prestigious financial institution at a market interest rate. This financing was considered a bridge financing to continue with its investment activity, foreseeing its formalization in the long term in the following months. This financing was cancelled in the second quarter, in which two bilateral financing transactions were signed with prestigious financial institutions at a variable market interest rate by an amount of 64 millions. Furthermore, in the third quarter of 2019 the Company has signed a new financial agreement of 20 million euros with a prestigious financial institution at a fixed interest rate.

Under the heading "Short-term debt with credit entities" the amount of unpaid accrued interest in the amount of 39 thousand euros has been recorded (210 thousand euros at 31 December 2019).

These loans are subject to compliance with certain financial ratios, which are common in the sector in which the Company operates and are calculated annually at the end of the year. This financial ratios are successfully fulfilled at 31 December 2020, with the exception of ratios on the financing property under reform, for which financial institutions have granted a temporary exemption to their compliance.

Additionally, the Company contracted two interest rate swaps. The amount registered in the "Financial hedging derivatives" correspond to the valuation of the derivative financial instruments as of 31 December 2020. The effective part of the changes in the fair value of derivatives that are designated and classified as hedges is recognized in the hedge reserve within equity (Note 16).

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**NOTES TO THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020
(Thousand euros)**

Deferred payments to suppliers

Payments on business operations carried out during the financial year which are outstanding at the year end, with respect to the maximum terms allowed by Law 15/2010, amended by Law 31/2014, are as follows:

	2020	2019
	Days	Days
Average payment period to suppliers	45	19
Ratio of transactions paid	48	19
Ratio of transactions pending payment	42	28
	Amount	Amount
	(thousand euros)	(thousand euros)
Total payments made	10,335	12,186
Total payments pending	703	501

The calculation of the figures in the table above agrees with that established in the ICAC resolution of 4 February 2016. For the purposes of this Note, trade payables include sundry suppliers and creditors for debts with suppliers of goods and services included in the scope of the regulation with respect to the legal payment periods.

15. INCOME AND EXPENSES

a) Net turnover figure

The net turnover figure corresponding to the Company's ordinary business activities broke down in geographical terms as follows:

Mercado	Porcentaje 2020	Porcentaje 2019	Miles de euros	
			2020	2019
Nacional	100%	100%	6,136	5,740
	100%	100%	6,136	5,740

The net turnover figure breaks down as follows:

	Thousand euros	
	2020	2019
Revenue		
Rents	5,116	4,719
Reinvoicing of costs	1,020	1,021
	6,136	5,740

The lease agreements signed by the Company are in normal market conditions in terms of their duration, maturity dates and rent.

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b) Personnel costs

	Thousand euros	
	Financial year ended on 31 December 2020	Financial year ended on 31 December 2019
Wages, salaries and associated costs	(4,219)	(8,429)
Welfare charges:		
- Other welfare charges	(205)	(180)
	(4,424)	(8,609)

Under personnel expenses, there has been recorded the remuneration to the Company's team, both fixed and prospective. The accrual made in 2019 for the incentive plan granted during 2020 was enough, therefore no additional costs has been recorded in 2020 (Note 20).

At 31 December 2020 and 31 December 2019 there was no compensation for dismissals.

Under the heading of wages, salaries and associated costs, there has been recorded a provision for bonus amounting to 1,200 thousand euros.

The average number of employees during the financial year ended on 31 December 2020 is 12 people. In the financial year from 13 June to 31 December 2019 it was 10 people. Shown by professional grade, is as follows:

Categories	Financial year ended on 31 December 2020	Financial year ende don 31 December 2019
Management	8	7
Employees with degrees	3	2
Administrative personnel and others	1	1
	12	10

The number of employees at 31 December 2020 and 31 December 2019, shown by professional grade, was as follows:

Categories	At 31 December 2020	At 31 December 2019
Management	8	7
Employees with degrees	3	2
Administrative personnel and others	2	1
	13	10

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In addition, at 31 December 2020, Company personnel details broken down by gender were as follows:

Categories	At 31 December 2020		
	Men	Women	Total
Management	6	2	8
Employee with degrees	2	1	3
Administrative personnel and others	-	2	2
	8	5	13

In addition, at 31 December 2019, Company personnel details broken down by gender were as follows:

Categories	At 31 December 2019		
	Men	Women	Total
Management / Directors	5	2	7
Employee with degrees	2	-	2
Administrative personnel and others	-	1	1
	7	3	10

c) External services

The following table gives a breakdown of the external services:

	Thousand euros	
	Financial year ended on 31 December 2020	Financial year ended on 31 December 2019
External services directly attributable to real estates assets	(1,427)	(1,402)
Other external services	(1,593)	(1,141)
	(3,020)	(2,543)

d) Financial expenses

Financial expenses accrued in the financial year ended on 31 December 2020 are associated with the financing obtained in the period (Note 14).

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**NOTES TO THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020
(Thousand euros)**
16. FINANCIAL HEDGING DERIVATIVES

		Thousand euros				
		2020				
		Non current			Current	
	Covered principal	Maturity	Asset	Liability(*)	Asset	Liability
Interest rate swap	22,700	2026	-	1,134	-	-
Interest rate swap	21,626	2024	-	352	-	-
			-	1,486	-	-
		Thousand euros				
		2019				
		Non current			Current	
	Covered principal	Maturity	Asset	Liability(*)	Asset	Liability
Interest rate swap	22,700	2026	-	585	-	-
Interest rate swap	21,626	2024	-	150	-	-
			-	735	-	-

(*) See Note 7.b

The fair value of financial hedgings derivatives is registered as a non current asset or non current liability if its maturity is beyond 12 months, and as a current asset or current liability if its maturity is prior to 12 months.

The interest rate swap derivative (financial swap) allows to change a variable interest rate to a fixed interest rate in bank loans signed by the Company. The cashflow covered is the foreseen future payments of interests related to the financial debts. Changes in fair value of the interest rate swap are registered in "Hedging transactions" in Equity (Note 12).

17. INCOME TAX AND TAX POSITION

		Thousand euros					
31 December 2020		Income and expenses attributed directly to Equity					
		Income statement			Income and expenses attributed directly to Equity		
		Increases	Reductions	Total	Increases	Reductions	Total
Income and expenses balance for the period		-	(5,524)	(5,524)	-	(751)	(751)
Income tax		-	-	-	-	-	-
Permanent differences		334		334		(196)	(196)
Temporary differences (N. 15/20)		2,088	(5,610)	(3,522)	751		751
Taxable base		2,422	(10,834)	(8,412)	751	(947)	(196)

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NOTES TO THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020
(Thousand euros)

31 December 2019	Thousand euros					
	Income statement			Income and expenses attributed directly to Equity		
	Increases	Reductions	Total	Increases	Reductions	Total
Income and expenses balance for the period	-	(7,945)	(7,945)	-	(8,308)	(8,307)
Income tax	-	-	-	-	-	-
Permanent differences	-	-	-	-	-	-
Temporary differences	5,610	-	5,610	735	-	735
Taxable base	5,610	(7,945)	(7,945)	735	(8,308)	(7,572)

When reading this Note, it should be born in mind that the Company is covered by the special SOCIMI scheme and has not recognised any deferred tax assets as it considers that they will not be recoverable.

At 31 December 2020 tax profits are calculated as accounting losses for the year plus expenses resulting from the Company's incorporation and capital increases which are recognised directly in equity. At the year end date the Company has not recognised deferred tax assets. There were no payments on account of corporate income tax during the financial year 2020 neither 2019.

In accordance with Law 11/2009, as amended by Law 16/2012, regulating REITs (SOCIMIs), current corporate income tax is the result of applying 0% to the tax base. Withholdings and payments on account amount to 0 thousand euros.

Tax inspections

Under current law, taxes cannot be understood to have been effectively settled until the tax authorities have reviewed the tax returns submitted or until the time-bar period of four years has elapsed. All the Company's taxes are open to inspection.

As a result, among other things, of the different interpretations to which Spanish tax legislation lends itself, additional tax assessments may be raised in the event of a tax inspection. In any case, the Directors believe that any such liabilities, in the event that they arise, will not have any significant effect on the balance sheet or the income statement neither for the financial year ended on 31 December 2020 nor the financial year ended on 31 December 2019.

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At 31 December 2020 and 31 December 2019, the amounts receivable and the amounts payable by the Company in respect of the Public Authorities broke down as follows:

	<u>At 31 December 2020</u>	<u>Thousand euros At 31 December 2019</u>
Accounts receivable		
Receivables from Spanish Tax Authorities (VAT)	4,498	476
	4,498	476
Payment commitments		
Payables to Spanish Tax Authorities (withholdings collected)	(2,177)	(579)
Payables to Social Security Bodies	(21)	(18)
Stamp duty on the operations of the Company (Note 6)	(447)	(758)
	(2,645)	(1,355)

18. PROVISIONS, CONTINGENCIES AND BANK GUARANTEES

Contingent liabilities

Neither at 31 December 2020 nor 31 December 2019 has the Company contingent liabilities.

Bank Guarantees

At 31 December 2020, the Company has contracted a bank guarantee in the amount of 122 thousand euros with a prestigious financial institution. At 31 December 2019, there were 122 thousand euros.

19. COMMITMENTS

Operational leasing commitments

The Company leases its office premises under an irrevocable operating lease. This contract is for two years and four months and may be renewed on maturity for another additional three years following the relevant notification by the Company. Minimum total future payments for non-cancellable leases are 224 thousand euros at 31 December 2020 (389 thousand euros at 31 December 2019).

20. BOARD OF DIRECTORS AND OTHER PAYMENTS

Shareholdings, positions and activities of the members of the Board of Directors

Article 229 of the Spanish Capital Companies Act, which was approved by Royal Legislative Decree 1 of 2 July 2010, requires Directors to notify the Board of Directors (or, in the absence of such a body, the other Directors or the General Shareholders Meeting) of any direct or indirect conflict of interest they may have with the Company's interests.

Likewise, Directors must disclose any direct or indirect interest they or persons related to them may hold in any company engaging in activities which are identical, analogous or complementary to those comprising the Company's corporate purpose. They must also disclose the positions they hold or duties they perform at such companies. In this regard, Appendix I sets out the information provided by Directors who have declared that they hold positions and perform duties in companies with an identical, similar or complementary kind of activity.

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NOTES TO THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020
(Thousand euros)

Remuneration of members of the Board of Directors

During the financial year ended on 31 December 2020, the remuneration of the members of the Board of Directors of the Company has amounted to:

	Thousand euros	
	Financial year ended on 31 December 2020	Financial year ended on 31 December 2019
Remuneration of executive members	1,476	691
Allowance of executive members	-	-
Allowance of non executive members	378	281
	1,854	972

In addition, during the financial year ended 31 December 2020, the Company has paid the amount of 26 thousand euros in premiums for liability insurance covering the members of the Board of Directors of the Company for the exercise of its office (26 thousand in 2019).

The members of the Board of Directors of the Company do not have pension funds or similar obligations for their benefit. During the financial year ended on 31 December 2020 and the financial year ended on 31 December 2019, there are no senior management personnel that does not belong to the Company's Board of Directors.

Additionally, there is a compensation plan based on the delivery of shares whose beneficiary is the Company's team (Note 2.17). This plan, which is in force, accrues in a annual basis when, for each calculation period (between 1 July and 30 June of the following year), certain value generation conditions are accomplished. The first calculation period, which began with the parent Company's IPO, ended at 30 June 2020.

As a result, 271,227 shares have been delivered to the executive members of the Board of Directors (2,197 thousand euros) and 262,773 shares to the management team (2,128 thousand euros) (Note 15).

121,893 of the shares delivered to the executive members of the Board of Directors are pledged, guaranteeing the loans granted regarding the incentive plan for an amount of 987 thousand euros (Note 9).

The second calculation period started on 1 July 2020, ending on 30 June 2021 for the assessment of compliance with the thresholds. It is not possible at the date of formulation of these consolidated annual accounts, 18 February 2021, to assess compliance with them. Therefore, no amount has been accrued at the end of the financial year.

The non executive members of the Company's Board of Directors have not received any shares or share options during the financial year ended on 31 December 2020 and financial year ended on 31 December 2019, nor have exercised options or have options pending to exercise.

21. RELATED-PARTY TRANSACTIONS

At 31 December 2020, there is a balance under the heading "Investment in subsidiaries", amounting 500 thousand euros, corresponding to a credit granted to the group company Árima Investigación, Desarrollo e Innovación, S.L.U. at an interest rate of EURIBOR 12 months + 2% and a maturity of 5 years. At 31 December 2019 there were no pending balances with group companies and related parties.

ÁRIMA REAL ESTATE SOCIMI, S.A.

**NOTES TO THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020
(Thousand euros)**

During the annual financial years ended on 31 December 2020 and 31 December 2019, no related party transactions have occurred.

22. INFORMATION REQUIREMENTS RESULTING FROM SOCIMI STATUS, ACT 11/2009, AS AMENDED BY ACT 16/2012

- a) Reserves from financial years prior to the application of the tax rules set out in Act 11/2009, as amended by Act 16 of 27 December 2012.

Not applicable.

- b) Reserves from financial years in which the tax rules set out in Act 11/2009, as amended by Act 16 of 27 December 2012, have been applied.

Not applicable

- c) Dividends distributed against profits each year in which the tax rules contained in this Act applied, with differentiation between the portion originating from income subject to tax at a rate of 0% or 19%, and the portion originating from income subject to tax at the general rate.

Not applicable

- d) In the case of distribution against reserves, identifying the year from which the reserves applied originate, and whether they were taxed at 0%, 19% or the general rate.

Not applicable

- e) Date of the agreement for the distribution of dividends referred to in c) and d) above.

Not applicable

- f) Date of acquisition of properties intended for rent and interests in the share capital of companies referred to in Article 2.1 of this Act.

ÁRIMA REAL ESTATE SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020
(Thousand euros)

Property	Localization	Date acquired
María de Molina	Calle María de Molina, on the corner with calle Príncipe Vergara, Madrid	21 December 2018
Paseo de la Habana	The junction of Paseo de la Habana and Avenida de Alfonso XIII, Madrid	21 December 2018
Edificio América	Calle Josefa Valcárcel, 42, Madrid	29 January 2019
Edificio Play	Vía de los Poblados, 3 -Parque Empresarial Cristalia, Edificio 4B, Madrid	29 January 2019
María de Molina	Calle María de Molina, on the corner with calle Príncipe Vergara, Madrid	28 February 2019
Nave Guadalix	Barranco Hondo, San Agustín de Guadalix	12 April 2019
Ramírez de Arellano, 21	Calle Ramírez de Arellano, 21, Madrid	28 June 2019
Cadenza	Vía de los Poblados, 7, Madrid	30 December 2019
Manoteras, 28	Calle Manoteras, 28, Madrid	11 June 2020
P54	Distrito Chamartín	27 October 2020

- g) Identification of assets taken into account when calculating the 80% referred to in Article 3.1 of this Act.

The assets taken into account when calculating the 80% referred to in Article 3.1 of the SOCIMI Act are the ones listed in the above table.

- h) Reserves from years in which the tax system provided for under the Act was applicable and which have been made use of (not for distribution or offsetting losses) during the tax period, with identification of the year from which the reserves originate.

Not applicable

ÁRIMA REAL ESTATE SOCIMI, S.A.

**NOTES TO THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2020
(Thousand euros)**

23. AUDITOR'S FEES

The fees accrued during the financial years ended on 31 December 2020 and 31 December 2019 by PricewaterhouseCoopers Auditores, S.L. and its network are as follows:

	Thousand euros	
	2020	2019
Services related to account auditing	58	52
Other verification works provided by the auditor	18	155
Other services provided by the auditor	9	2
Other services provided by entities within the network of the auditor	-	95
	85	304

24. INFORMATION ON GREENHOUSE GAS EMISSION RIGHTS

The Company's operations do not have negative environmental impacts during the financial years ended on 31 December 2020 and 31 December 2019 and therefore it does not incur significant costs or make significant investments the aim of which is to mitigate possible impacts.

25. ENVIRONMENTAL INFORMATION

The Company's operations do not have negative environmental impacts and therefore it does not incur significant costs or make significant investments the aim of which is to mitigate possible impacts.

26. SUBSEQUENT EVENTS

From December 31, 2020 until the date of formulation of these annual accounts there have been no subsequent events of relevance that need to be broken down.

ÁRIMA REAL ESTATE SOCIMI, S.A.

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

1. ORGANIZATION STRUCTURE AND FUNCTIONING

Árma Real Estate SOCIMI, S.A. (Árma or the Company) was created in Spain on 13 June 2018 as Árma Real Estate, S.L. in accordance with the Ley de Sociedades de Capital by issuing 300 shares with a nominal value of 10 euros each. Subsequently, on 25 July 2018, the Company became a limited company and increased its capital by issuing 6,000 new shares with a nominal value of 10 euros each.

On 27 September 2018, the Company informed the Spanish tax authorities of its application of the Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario (SOCIMI).

On 1 October 2018, was held a General Shareholder's Meeting in which was approved a capital increase, waiving the pre-emptive subscription rights of the shareholders in an offer to subscribe for the Company's shares. Subsequently, on 23 October 2018, Árma went public through a capital increase of 100 million euros by issuing 10 million ordinary shares with a nominal value of 10 euros each.

In 2019, the Universal General Shareholders' Meeting, at its meeting of March 21, approved a new capital increase, waiving the right of preferential subscription, and delegated to the Board of Directors the necessary powers to carry it out. This capital increase was approved by the CNMV on April 8, 2019, becoming effective through the issuance and circulation of 4 million new ordinary shares of 10 euros each as face value, resulting in an increase in the share capital of 40 million euros.

In the last quarter of 2019, as part of a new capital increase, the Company signed a subscription agreement with Ivanhoé Cambridge Holdings UK LTD, which compels it to subscribe and disburse 60 million euros for the new shares, with a maximum issue price of 10.40 euros each share. On 5 November 2019, the Universal General Shareholder's Meeting approved the resolutions concerning the capital increase, waiving the right of preferential subscription, and delegated to the Board of Directors the necessary powers to carry it out. This capital increase was approved by the CNMV on 15 November 2019, becoming effective through the issuance and circulation of 14,423,076 new ordinary shares of 10 euros each as face value and 0.40 euros each as share premium, resulting in an increase in the share capital of 150 million euros.

Árma is a company that was created without assets –“blind pool”- in order to take advantage of the opportunities of the Spanish real estate sector. At 31 December 2018, in just two months after its flotation, the Company invested 110 million euros, making its debut in the market with the acquisition and investment commitment of four prime office assets located in the most consolidated areas of Madrid.

The Board of Directors of the dominant Company carries out its activity in accordance with the corporate governance standards set forth, mainly, in the Bylaws, in the Regulations of the Shareholders' Meeting and in the Regulations of the Board of Directors, also following the maximum commitment of compliance, the recommendations of the Good Governance Code.

The dominant Company's Board of Directors is the supervisory and control body for the Company's activity, with jurisdiction over matters such as the approval of Árma's general policies and strategies, corporate governance and corporate social responsibility policy, the risk control and management policy and compliance with the requirements necessary to maintain SOCIMI status.

The Board of Directors has two fundamental committees: an Audit and Control Committee and additionally the appointments and remuneration committee whose main function is to support the Board of Directors in their tasks of supervising and controlling the Company's ordinary management.

ÁRIMA REAL ESTATE SOCIMI, S.A.

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020



The Company's Shareholders include important national and international funds highly interested in the opportunities existing in the Spanish real estate market and in the ability of the management team to maximize and optimize the performance and value of the portfolio.

2. EVOLUTION AND RESULTS OF BUSINESS

During the financial year 2019, the Company materialized the acquisition commitments that it had acquired at the end of the previous financial year, and made four additional investments for the amount of 98 million euros. Following the corporate strategy, these are three prime office assets located in the most consolidated business areas of Madrid, and a logistic warehouse located in San Agustín de Guadalix, the second logistic ring of Madrid, an excellent location of distribution to all Spain.

Following these acquisitions, the Company's portfolio collectively totaled more than 75,000 leaseable square meters and more than 770 parking spaces. The properties are faithful to the investment model of the listed company: they make up a balanced portfolio of offices for rent with great potential for appreciation for SOCIMI shareholders.

In 2020, the Company has made disbursements worth 28,207 thousand euros for the acquisition of two real estate assets in Madrid: an office building located in the district of Chamartin with a buildability of 6,535 m2, and the signing of a purchase agreement for the acquisition of 12,000 m2 of offices in Manoteras street, 28.

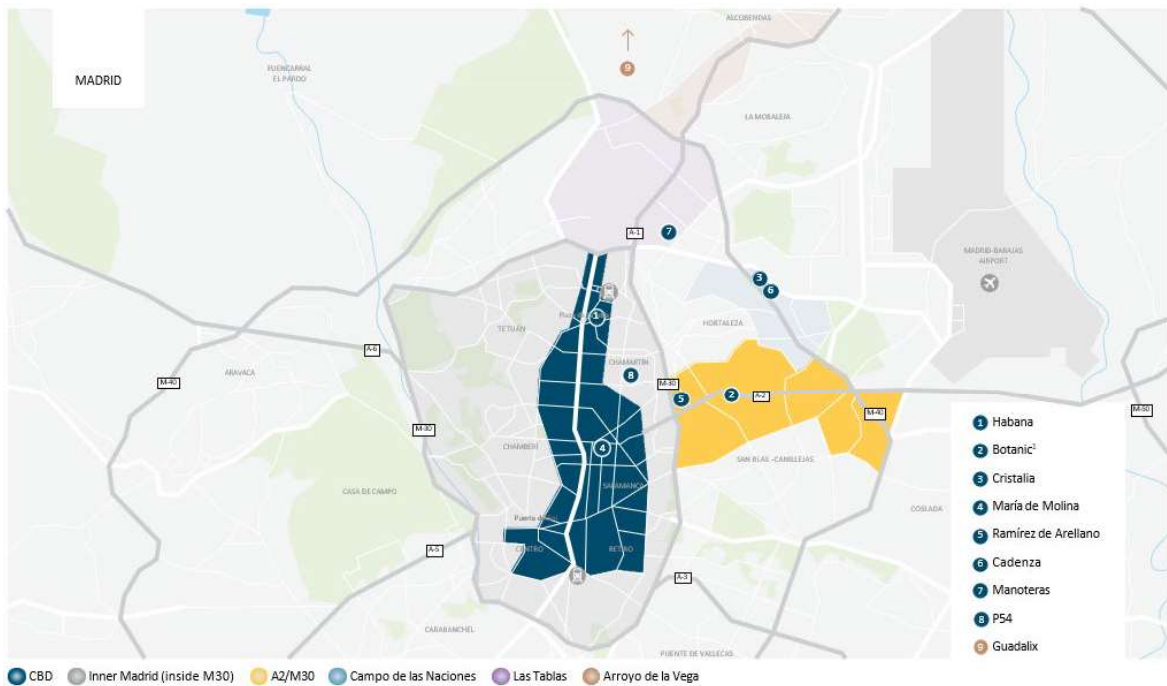
Árma focuses its business strategy on investments in high-quality rental assets with strong growth potential. The commercial policy is based, mainly, on operating offices in the financial centers of Madrid and Barcelona, as well as in other consolidated areas outside the urban center, logistics properties in the most important distribution centers in Spain and, to a lesser extent, other tertiary assets.

ÁRIMA REAL ESTATE SOCIMI, S.A.

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

The investments made by the Company result in the composition of a very balanced portfolio with excellent indicators such as the internal rate of return and the initial profitability on the acquisition cost, all of them aligned with Árima’s commitments detailed in the IPO Prospectus and the Capital Increase Brochures.

The investments are aligned to a disciplined strategy in which a product with great potential for generating value in highly consolidated areas of the metropolitan area and the border area of Madrid has been sought, as shown in the following map:



ÁRIMA REAL ESTATE SOCIMI, S.A.

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

The properties that make up the Company's portfolio are as follows:

Habana

					
TYPE	LOCATION	GLA	PARKING SPACES	PRICE GLA	PRICE PARKING/SPACE
Offices	MAD CBD	4,200 m ²	65	€4,017/m ²	€25,000/p.s.



María de Molina, 39

					
TYPE	LOCATION	GLA	PARKING SPACES	PRICE GLA	PRICE PARKING/SPACE
Offices	CBD	4,020 sqm	24	€5,562€/sqm	€55,000/p.s.



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MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

Botanic


TYPE
Offices


LOCATION
MAD A2/M30


GLA
9,272 m²
(acquisition)


PARKING SPACES
193
(acquisition)


PRICE GLA
€2,264/m²


PRICE PARKING/SPACE
€15,000/p.s.



Edificio Play


TYPE
Offices


LOCATION
MAD A2/CN


GLA
10,928 sqm


PARKING SPACES
202


PRICE GLA
€3,222/sqm


PRICE PARKING/SPACE
€20,000/p.s.



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Guadalix


TYPE
Logistics


LOCATION
MAD
S. Agustín de Guadalix


GLA
25,694 m²


PARKING SPACES
177


PRICE GLA
€638/m²


PRICE PARKING/SPACE
€0/p.s.



Ramírez de Arellano, 21


TYPE
Offices


LOCATION
MAD M30-A2


GLA
6,759 m²


PARKING SPACES
110


PRICE GLA
€4,233/m²


PRICE PARKING/SPACE
€35,000/p.s.



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MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

CADENZA


TYPE
Offices


LOCATION
MAD A2/CN


GLA
14,564 m²


PARKING SPACES
217


PRICE GLA
€2,290/m²


PRICE PARKING/SPACE
€20,000/space



Manoteras, 28


TYPE
Offices


LOCATION
MAD M30 A1


GLA
11.962 sqm


PARKING SPACES
245


PRICE GLA
2.805€/sqm


PRICE PARKING/SPACE
22.000 €/pks



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MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

P54


TYPE
Offices


LOCATION
BD


GLA
6,535 m²


PARKING SPACES
65


PRICE GLA
€1.545/m²


PRICE PARKING/SPACE
€20.000 /p.s



The Revenue derived from the lease of the real estate assets acquired amounted to 6,136 thousand euros in the financial year 2020 (5,740 thousand euros as of 31 December 2019). EBITDA – profit before interest, taxes, depreciation and amortization – amounts to 14.161 thousand euros.

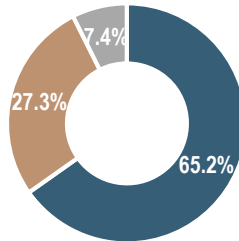
The fair value for the Group’s assets as of 31 December 2020 amounts 275,750 thousand euros (221,650 thousand euros as of 31 December 2019), an increase of 25% over acquisition price.

The following graph breaks down the objective value creation of the portfolio, taking into account the nature of the management and strategy for each of the properties after a detailed analysis of them and of the market: through the commercialization of empty spaces, of the remodeling of the acquired properties or the integral rehabilitation of the assets:

Active Management	GAV (€m)	GAV (%)
Repositioning & Improvement	179.9	65.2%
Re-gearing & Re-leasing	75.4	27.3%
Leasing vacant	20.5	7.4%
Total	275.8	100.0%

ÁRIMA REAL ESTATE SOCIMI, S.A.

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020



3. EPRA INFORMATION

The NAV of the Group following the best practice recommendations of the *European Public Real Estate Association* (EPRA) is detailed below:

EPRA Net Asset Value (NAV)

	Thousand euros	
	31/12/2020	31/12/2019
NAV	301,853	299,778
Effect of options, convertibles bonds and other interest	-	-
Diluted NAV	301,853	299,778
Excluded:		
Hedging transactions	(1,486)	(735)
EPRA NAV	303,339	300,513
Number of issued shares (without treasury shares)	27,850,863	28,373,534
EPRA NAV per share (euros)	10.9	10.6

4. EVOLUTION OF THE SHARES

The share price at 31 December 2020 is 8.28 euros per share. The share prices as of 31 December 2019 was 11.30 euros per share.

5. TREASURY SHARES

The movement of treasury shares in the period/year is as follow:

	At 31 December 2020		At 31 December 2019	
	Number of treasury shares	Thousand euros	Number of treasury shares	Thousand euros
At the beginning of the period/year	55,842	625	58,130	546
Additions/purchases	1,040,123	9,569	138,340	1,518
Reductions	(517,452)	(5.112)	(140,628)	(1,439)
At the end of the period/year	578,513	5,082	55,842	625

ÁRIMA REAL ESTATE SOCIMI, S.A.

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The shares held by the parent Company on 31 December 2020 accounted for 2.03% of the parent Company's share capital and totalled 578,513 shares (on 31 December 2019 it accounted for 0.20% and totalled 55,842 shares). The average cost of treasury shares was €8.96 per share in 2020 (€9.26 per share in the same period of 2019).

These shares are registered, thus reducing the value of the Group equity on 31 December 2020 in the amount of 5,082 thousand euros (625 thousand euros on 31 December 2019).

The dominant Company has complied with its obligations under Article 509 of the Spanish Capital Companies Act, which establishes that the par value of acquired shares that are listed on official secondary markets, added to the value of those that are already held by the dominant Company and its subsidiaries, must not exceed 10% of the share capital. The subsidiary does not hold either treasury shares or shares in the dominant Company.

6. DIVIDEND POLICY

SOCIMIs are governed by the special tax rules established under Act 11 of 26 October 2009, with the amendments introduced by Act 16 of 27 December 2012, under which SOCIMIs are governed. They are required to distribute the profits they obtain over the course of the year to their shareholders in the form of dividends, after complying with the relevant corporate obligations. Distribution must be approved within the six months following the year end, in the following way:

a) 100% of the profits resulting from dividends or profit shares received from the companies referred to in Article 2.1 of this Act.

b) At least 50% of the profits earned from the transfer of the property, shares or ownership interests referred to in Article 2.1 of the Act, where this occurs after the deadlines referred to in Article 3.3 of the Act have expired, when the property, shares or interests are used to comply with the Company's primary corporate purpose. The remainder of these profits must be reinvested in other property or investments related to the performance of this corporate purpose within three years of the transfer date. Otherwise, these profits must be distributed in full together with any profit earned, where applicable, in the year in which the reinvestment period expires. If the items in which the reinvestment has been made are transferred prior to the end of the holding period, profits must be distributed in full, together, where applicable, with the part of the profits attributable to the years in which the Company was not taxed under the special tax scheme provided for in the aforementioned Act.

c) At least 80% of the remaining profits obtained

The dividend must be paid within one month of the distribution agreement. When dividends are distributed with a charge to reserves originating from profits for a year in which the special tax rules were applied, the distribution must compulsorily be approved by means of the resolution referred to above.

The Company is required to allocate 10% of its profits for the year to the legal reserve until the balance held in this reserve amounts to 20% of its share capital. The balance of this reserve is not available for distribution to the shareholders until it exceeds the 20% limit. The articles of association of these companies may not establish any restricted reserve other than the foregoing.

7. RISK MANAGEMENT

Árma has established a risk control system that covers its activity and is appropriate to its risk profile. Risk management policies are monitored by the dominant Company's Board of Directors. The main risk to achieve the Group's objectives is compliance with the regulatory requirements necessary to maintain its status as SOCIMI.

ÁRIMA REAL ESTATE SOCIMI, S.A.

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

The risk monitoring system also includes the management of financial risk. Note 4 of the Notes to the annual accounts gives details of the Group's risk management activities.

8. THE TEAM

The team of professionals who make up Árima is one of the Group's main strengths. Since its incorporation, it has selected the highly qualified personnel necessary to develop its strategies and achieve its objectives.

Árima Real Estate is an internally managed real estate investment group that integrates the management team into its organisational structure. This internal team works exclusively and full time for the Group and its shareholders. The team comprises specialist professionals with extensive experience and a proven track record in the real estate sector as well as a deep understanding of the market. This expert group of professionals is able to undertake highly complex investment operations over short periods of time and complete all aspects of value creation process, from identification of the investment to the active management of the property and its potential turnaround.

The Group is supervised by a Board of Directors with a majority of independent directors who have a combination of skills in the real estate, financial, international and legal sectors. The Board is advised by an investment committee, an appointments and remuneration committee and an audit and control committee that ensure compliance with the investment and profitability requirements established.

Árima has assembled a solid team of real estate professionals, whose members have more than 100 years of professional experience. The team works exclusively to the creation of value for the Group and its shareholders and to the satisfaction of its clients. Their specialist skills and existing contact network provide the management team with access to unique investment opportunities in the Spanish real estate market.

9. ALTERNATIVE PERFORMANCE MEASURES

On 5 October 2015, the European Securities and Markets Authority (ESMA) published a set of Guidelines (2015/1415) on Alternative Performance Measures (APM). Compliance with these guidelines is mandatory for all issuers whose securities are admitted for trading on a regulated market and who are required to publish regulatory information under Directive 2004/109/EC on transparency.

Árima's financial information contains figures and measures that have been prepared in accordance with the applicable accounting regulations, together with a further series of measures prepared in accordance with the reporting standards that the company has established and developed internally ("Medidas Alternativas de Rendimiento – MAR").

Alternative performance measures relating to the income statement

- EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization): this is an indicator that measures the Company's operating margin before interest, taxes, depreciation and amortization have been deducted. Given that this figure does not include financial and tax costs or the accounting costs that do not involve any cash outflows, it is used by the Management to assess results over the long term and allows these results to be compared with other companies in the real estate sector. See Note 2 of these annual accounts.

Alternative performance measures relating to the balance sheet

- Gross Asset Value (GAV): this is the value of the portfolio according to its most recent external valuation by an independent expert. This figure is used to determine the value generated as a result of the Group's management of its asset portfolio. See Note 6 of these annual accounts.

ÁRIMA REAL ESTATE SOCIMI, S.A.

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

- Financial leveraging ratio: calculated as financial debt / (financial debt plus equity). This figure allows the Management to assess levels of borrowing at the Group, given that the Group's main capital management objectives are to ensure long and short-term financial stability, the positive performance of Árima Real Estate SOCIMI, S.A.'s share and the appropriate financing of investments. See Note 4.a) of these annual accounts.

Alternative performance measures relating to COVID-19

The Group Management and the Board of Directors have carried out an evaluation of the main risks caused by the pandemic, according to the best information available, that may affect these annual accounts. They have concluded, after this evaluation, that the Group's financial resources continue to allow the implementation of the operating company principle, and that the Administrators and the Board of Directors are constantly monitoring, in order to successfully address any impacts that may occur. See Note 4.e) of these annual accounts.

10. SUBSEQUENT EVENTS

From 31 December 2020 to the date of preparation of these annual accounts, there have been no subsequent significant events that require disclosure.

11. PRINCIPAL RISKS AND UNCERTAINTY

The Group's business is subject to a range of risks that are inherent in the sector, such as changes to tax rules, developments in the real estate market, the search for further potential acquisitions in the Spanish prime assets market and the availability of financing and resources to undertake these acquisitions.

The Group therefore undertakes its activities with close attention to risk management, with the aim of acquiring real estate investments that match its strategy and that will offer maximum value for shareholders in the medium and long term. The Group has investment resources that result from its cash flows, with the capacity to finance the assets that still require financing, thus allowing it to continue to pursue its investment strategy centred on real estate assets in Spain.

On the other hand, the emergence and expansion worldwide of COVID-19 coronavirus, rated as a pandemic by the World Health Organization, is significantly affecting the global economy due to disruption or slowing supply chains and a significant increase in economic uncertainty, evidenced by an increase in asset price volatility, exchange rates and a reduction in long-term interest rates. At the moment, however, the impact on the economy and the results of the responses that different international governments and monetary institutions are beginning to develop are still uncertain.

For Árima Real Estate SOCIMI, S.A., taking into account that, from an operational point of view, all our assets in operation have remained open and accessible to tenants during this period, with all the services available and enhanced measures of cleanliness, disinfection and air filtration, the evolution of the business has followed a favorable path, without significant impacts that have led to the adoption of extraordinary measures.

During this period, our main objective has been to protect the health and safety of our employees, tenants, contractors and suppliers, while maintaining the company's activity. Following the pandemic and alarm status statements in our country, measures have been taken to make hygiene extremely clean, travel has been limited, telework processes have been implemented, and the safety of all workers in the descaling process has been ensured.

ÁRIMA REAL ESTATE SOCIMI, S.A.

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

From a financial point of view, Árima has a strong balance to overcome this challenging period, with a reduced leverage (38% LTV) and a cash position and equivalents of 129 million euros as of December 31, 2020, which translates into a positive maneuvering fund of 130 million and a net debt amount (positive) of 25 million at that date. In addition, 95% of the debt service facing the Company will take place in 2025 and subsequent years, minimizing the Group's liquidity risk. In addition, Arima has a high-quality tenant base that has allowed the rental collection terms not to be altered. On the other hand, rehabilitation projects take their course without altering the Group's strategy.

In order to support and contribute to the ongoing effort to combat the pandemic, Árima has made donations, providing disinfection equipment and health protection equipment during this period for a total amount of 323 thousand euros. The Board of Directors and the management team unanimously decided to temporarily and voluntarily waive 50% of their remuneration during the state of alarm, which has been 65% of what was provided. It also decided to postpone the delivery of the incentive plan, if accrued, as a support measure to the Company to face the current crisis situation caused by Covid-19.

12. USE OF DERIVATIVES

The coverage of cash flows through interest rate swaps (financial swap) allows to exchange debt at variable interest rate for fixed-rate debt, where future cash flows to be covered are future interest payments on contracted loans. Changes in the fair value of derivatives are reflected in "Hedging Reserve" in equity. See Note 16 of these annual accounts.