Árima Real Estate SOCIMI, S.A. and subsidiaries

Independent auditor´s report on the consolidated annual accounts for the year-ended December 31, 2021

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 its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2021, and the income statement, statement of 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 31 December 2021, 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.

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Key audit matters	How our audit addressed the key audit matters
Investment properties	
Investment properties make up 78% 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 €28,598 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 €343,600 thousand at 31 December 2021. 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) 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. 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 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. Additionally, we obtained the valuation of property investments carried out by Management's independent expert, on which we performed the following procedures among others: • 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 consolidated annual accounts. The results of the procedures performed allowed us to reasonably obtain the audit objectives for which these procedures were designed.

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2021 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 certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, 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 2021 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 IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the aforementioned 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 commitee 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 and 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 aforementioned 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

European single electronic format

We have examined the digital files of the European single electronic format (ESEF) of Árima Real Estate SOCIMI, S.A. and its subsidiaries for the 2021 financial year that comprise an XHTML file which includes the consolidated annual accounts for the financial year and XBRL files with tagging performed by the entity, which will form part of the annual financial report.

The directors of Árima Real Estate SOCIMI, S.A. are responsible for presenting the annual financial report for 2021 financial year in accordance with the formatting and markup requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Director Remuneration Report have been included by reference in the consolidated management report.

Our responsibility is to examine the digital files prepared by the Parent company's directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the consolidated annual accounts included in the aforementioned digital files completely agrees with that of the consolidated annual accounts that we have audited, and whether the format and markup of these accounts and of the aforementioned files has been affected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined completely agree with the audited consolidated annual accounts, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the audit and control committee of the Parent company

The opinion expressed in this report is consistent with the content of our additional report to the audit and control committee of the Parent company dated 23 February 2022.

Appointment period

The General Ordinary Shareholders' Meeting held on 29 June 2021 appointed us as auditors of the Group for a period of three years, as from the year ended 31 December 2021.

Previously, we were appointed by resolution of the General Ordinary Shareholders' Meeting for a period of three years and we have audited the accounts continuously since the year ended 31 December 2018.

Services provided

Services provided to the Group for services other than the audit of the accounts are disclosed in note 20 to the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original signed by

Rafael Pérez Guerra (20738)

23 February 2022

This version of the consolidated anual 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 2021
and Consolidated Management Report
for the financial year 2021

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONTENTS OF CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2021 OF ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2021
(Thousand euros)

ASSETS	Note	At 31 December 2021	At 31 December 2020
NON- CURRENT ASSETS			
Intangible assets		**218**	**69**
Property, plant and equipment	**5**	**259**	**278**
Investments properties	**6**	**343,600**	**275,750**
Non-current investments	**7 , 8**	**2,495**	**2,493**
Loans to third parties		1,578	1,556
Other non-current financial assets		917	937
		346,572	**278,590**
CURRENT ASSETS			
Trade receivables and other receivable accounts		**4,518**	**6,530**
Trade receivables for sales and services	7 , 8	339	299
Other receivable accounts	7 , 8	26	1.697
Personnel	7 , 8	1	-
Other credits held with Public Authorities	8 , 15	4,152	4,534
Other current financial assets	**7**	**36**	**135**
Prepayments for current assets	**7**	**352**	**232**
Cash and cash equivalents	**9**	**88,884**	**129,086**
Cash and banks		88,884	129,086
		93,790	**135,983**
		440,362	**414,573**

Notes 1 to 22 to the consolidated annual accounts form an integral part of the Consolidated Annual Accounts at 31 December 2021.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2021
(Thousand euros)

EQUITY AND LIABILITIES	Note	At 31 December 2021	At 31 December 2020
EQUITY			
Share capital	10	284,294	284,294
Share premium	10	5,769	5,769
Reserves	11	18,340	5,267
Profit (loss) for the period		26,125	13,091
Treasury shares	10	(8,163)	(5,082)
Hedging transactions	11 , 15	(700)	(1,486)
		325,665	**301,853**
NON CURRENT LIABILITIES			
Bank loans and credits	7 , 12	103,978	104,039
Financial hedging derivatives	7 , 15	700	1,486
Other non-current financial liabilities	7	1,255	960
		105,933	**106,485**
CURRENT LIABILITIES			
Bank loans and credits	**7 , 12**	**610**	**39**
Other current financial assets	**7**	**66**	**100**
Trade and other payables	**12**	**8,088**	**6,096**
Commercial creditors and other payables	12	6,778	2,251
Other current debts	12 , 13	1,200	1,200
Other debts with Public Authorities	14	110	2,645
		8,764	**6,235**
		440,362	**414,573**

Notes 1 to 22 to the consolidated annual accounts form an integral part of the Consolidated Annual Accounts at 31 December 2021.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2021
(Thousand euros)

	Note	Financial year ended 31 December 2021	Financial year ended 31 December 2020
Revenue	13	6,012	6,136
Changes in fair value of investment properties	6	28,598	15,469
Personnel costs	13, 17	(4,163)	(4,424)
Other operating costs	13	(3,113)	(3,020)
Amortisation and depreciation	5	(60)	(28)
OPERATING RESULTS		**27,274**	**14,133**
Financial income		28	3
Financial expenses		(1,177)	(1,045)
FINANCIAL RESULT	**13**	**(1,149)**	**(1,042)**
PRE-TAX RESULT		**26,125**	**13,091**
Income tax	**14**	**-**	**-**
PROFIT (LOSS) FOR THE FINANCIAL YEAR	**13**	**26,125**	**13,091**
Earnings per share attributable to the parent Company's owners (euros per share)			
Basic and diluted earning per share	10	0.94	0.47

Notes 1 to 22 to the consolidated annual accounts form an integral part of the Consolidated Annual Accounts at 31 December 2021.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2021
(Thousand euros)

	Note	Financial year ended on 31 December 2021	Financial year ended on 31 December 2020
Profit (Loss) for the financial year	**13**	**26,125**	**13,091**
<u>Other comprehensive income:</u>			
Entries that may subsequently be reclassified to results		**786**	**(751)**
Cash-flow hedges transactions	11, 15	786	(751)
Entries that won't subsequently be reclassified to results		**-**	**-**
Other comprehensive results for the financial year		**786**	**(751)**
Total comprehensive income for the financial year		**26,911**	**12,340**

Notes 1 to 22 to the consolidated annual accounts form an integral part of the Consolidated Annual Accounts at 31 December 2021.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2021
(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, 15)	TOTAL
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)
Others 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**
BALANCE AT 1 JANUARY 2021	**284,294**	**5,769**	**5,267**	**13,091**	**-**	**(5,082)**	**(1,486)**	**301,853**
Profit /(loss) for the financial year	-	-	-	26,125	-	-	-	26,125
Other comprehensive results for the financial year	-	-	-	-	-	-	786	786
Total comprehensive income for the financial year	**-**	**-**	**-**	**26,125**	**-**	**-**	**786**	**26,911**
Capital increase	-	-	-	-	-	-	-	-
Other movements	-	-	13,073	(13,091)	-	-	-	(18)
Other results in treasury shares (Note 10)	-	-	-	-	-	(3,081)	-	(3,081)
Total transactions with owners, recognised directly in equity and other movements	**-**	**-**	**13,073**	**(13,091)**	**-**	**(3,081)**	**-**	**(3,099)**
BALANCE AT 31 DECEMBER 2021	**284,294**	**5,769**	**18,340**	**26,125**	**-**	**(8,163)**	**(700)**	**325,665**

Notes 1 to 22 to the consolidated annual accounts form an integral part of the Consolidated Annual Accounts at 31 December 2021.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2021
(Thousand euros)

	Note	Financial year ended on 31 December 2021	Financial year ended on 31 December 2020
A) CASH FLOW FROM OPERATING ACTIVITIES			
Pre-tax result for the financial year		**26,125**	**13,091**
Adjustments to profit/loss		**(26,189)**	**(14,483)**
Depreciation of intangible assets		8	-
Depreciation of property, plant and equipment	5	52	28
Financial income		(28)	(3)
Financial expenses	13	1,177	1,045
Changes in fair value of investment properties	6	(28,598)	(15,469)
Other adjustments to profit/loss		1,200	(84)
Changes in working capital		**202**	**(6,098)**
Debtors and other receivables	8	1,630	(1,268)
Other current assets	8	361	(3,961)
Creditors and other payables	12	(2,828)	(1,342)
Other current liabilities		261	(150)
Other non-current assets and liabilities		778	623
Cash flow from operating activities		**138**	**(7,490)**
B) CASH FLOW FROM INVESTMENT ACTIVITIES			
Payments on investments		**(35,648)**	**(38,870)**
Intangible assets		(157)	-
Property, plant and equipment	5	(33)	(239)
Investment properties	6	(35,458)	(38,631)
Cash flow from investment activities		**(35,648)**	**(38,870)**
C) CASH FLOW FROM FINANCING ACTIVITIES			
Receivables and payments on equity instruments		**(3,081)**	**(8,655)**
Acquisition of treasury shares	10	(3,081)	(9,569)
Disposal of treasury shares	10	-	914
Receivables and payments on financial liabilities		**(1,611)**	**30,134**
Financial borrowings	12	-	31,793
Paid interest		(1,611)	(1,659)
Cash flow from financing activities		**(4,692)**	**21,479**
NET INCREASE/REDUCTION IN CASH AND CASH EQUIVALENTS		**(40,202)**	**(24,881)**
Cash and cash equivalents at beginning of financial year		**129,086**	**153,967**
Cash and cash equivalents at end of financial year	**9**	**88,884**	**129,086**

Notes 1 to 22 to the consolidated annual accounts form an integral part of the Consolidated Annual Accounts at 31 December 2021.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2021
(Thousand euros)

1. ACTIVITIES AND GENERAL INFORMATION

Árima 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 4º 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.

During the year ended December 31, 2021, the corporate name of the parent company has not been modified.

a) Regulatory regime

The dominant 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.

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 dominant 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 18 February 2021 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 2020 were prepared by the Board of Directos and were approved, without modifications, by the share holders on 29 June 2021.

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

b) Subsidiary companies

As of 31 December 2021 and 31 December 2020, Árima Real Estate SOCIMI, S.A., is the parent company of a Group of companies (hereinafter, the "Group") which is comprised of the next subsidiaries:

31 December 2021:

Name	Adress	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 Investments, S.L.	Calle Serrano 47, 4ª planta, 28001 Madrid	Acquisition and development of urban properties intended for lease	100

(Thousand euros)

31 December 2020

Name	Adress	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.

On 28 September 2021, the Group acquired 100% of the shares of Inmopra, S.L. This Company, which, like the Group, is engaged in real estate investment, owned a leased office building located in Chamartin (Madrid), of 1,950 sqm. This transaction was considered and defined as an asset acquisition, as it did not meet the definition of a business in accordance with IFRS 3. This company benefited from the special regime of SOCIMIs on 29 September 2021. Subsequently, its corporate name was changed on 4 October 2021, acquiring the current name of Árima Investments, S.L.

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 2021 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 consolidated annual accounts have been prepared by the Board of Directors on 22 February 2022.

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 2021, to the consolidated financial statements for the financial year ended at 31 December 2020.

2.3 IFRS Interpretation Committee and IFRIC modifications

Standards, modifications and mandatory interpretations for all years beginning on January 1, 2021:

- IFRS 9 (Modification), IAS 39 (Modification), IFRS 7 (Modification), IFRS 4 (Modification), IFRS 16 (Modification) – "Interest rate benchmark reform: Stage 2."
- IFRS 4 (Modification) – "Extension of the temporary exemption from application of IFRS 9."
- IFRS 16 (Amendment) "COVID-19 related leasehold reductions after 30 June 2021".

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

Standards, amendments and interpretations that have not yet entered into force, but may be adopted in advance:

- 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."
- Annual Improvements to IFRS. Cycle 2018 - 2020: amendments affect IFRS 1, IFRS 9, IFRS 16 and IAS 41 and apply to annual periods beginning on or after 1 January 2022.
  - IFRS 1 "First-time adoption of IFRSs".
  - IFRS 9 "Financial Instruments".
  - IAS 41 "Agriculture".
- IFRS 17 – "Insurance Contracts."

The Group has not early adopted any of the above amendments as they would not have a material effect on these consolidated financial statements.

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 or contribution of assets between an investor and its associates or joint ventures".
- IFRS 17 (Modification) - "Initial application of IFRS 17 and IFRS 19 – Comparative information."
- IAS 1 (Modification) - "Classification of liabilities as current or non-current."
- IAS 1 (Modification) - "Disclosure of Accounting Policies."
- IAS 8 (Modification) - "Definition of Accounting Estimates."
- IAS 12 (Modification) - "Deferred tax related to assets and liabilities arising from a single transaction."

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 Group 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 Groups'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 eded on 31 December 2021, 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.

- 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 parent 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 amendment in Law 11/2021 imposes a 15% tax on profits not distributed through dividends, a circumstance that is not applicable to the Group in the year ended December 31, 2021.

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.

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.

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 a property item is owner-occupied 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:

	Depreciation rate (%)
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.

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.

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.

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 gains 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.

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 valuated 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.

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%.

Likewise, as detailed in the amendments incorporated in Act 11/2021, of July 9, the entity will be subject to a special tax of 15% on the amount of profits obtained in the year that is not subject to distribution, in the part that comes from income that has not been taxed at the general rate of current tax, or is an income covered by the reinvestment period regulated in the Article 6 (1) of this Act. This tax will be considered as a share of current tax.

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.

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

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.

The Directorate has carried out an analysis 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 576 thousand euros at 31 December 2021 (224 thousand euros at December 2020).

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, which was corroborated at the General Shareholders' Meeting held on November 5, 2019 and subsequently modified and corroborated at the General Shareholders' Meeting on June 29, 2021. 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 (Note 10.b).

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 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.

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.

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 2021, the Group has not required any new bank financing in addition to the previously existing bank financing. The loans are remunerated at an interest rate referenced to EURIBOR plus a spread between 1.40% and 1.70%. At 31 December 2021 and 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 analyses 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 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. Additionally, as detailed in the amendments included in Act 11/2021, of July 9, the entity will be subject to a special tax of 15% on the amount of the profits obtained in the year that are not subject to 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 2020 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 of 2020.

This situation is significantly affecting the global economy, and most sectors of the economy are facing challenges due to the economic situation. While vaccination of the population has made significant progress in recent months, the economic outlook is still difficult to foresee.

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 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 88,884 thousand euros, the level of leverage is not high (Note 3.2) and the maneuvering fund amounts to 85,026 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 tenant´s financial position, given the Group's zero exposure to retail or corporate tenants operating in the industries most affected by COVID-19.. 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 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 Directos could be affected.

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.

(Thousand euros)

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 appropiate financing of investments. The financial leverage ratios, calculated as: (Financial debt / (Financial debt + Net equity)) as of 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Financial debt	104,588	104,078
Equity	325,665	301,853
Leverage	**24.31%**	**25.64%**

The Board of Directors consider the Group's level of indebtedness as low. At 31 December 2021, the leverage amounted to 24.31% (25.64% at 31 December 2020).

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 reflected in IFRS 13 Market Valuations. These valuations have a subjective component as they are made on the basis of the valuator's assumptions, which may not be accurate. For this reason, and in accordance with the EPRA recommendations, we have classified the valuations of investment property in Level 3 as set out in IFRS 13.

(Thousand euros)

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

31 December 2021:

				Thousand euros
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
- Investment property (Note 6)	-	-	343,600	343,600
Total assets	**-**	**-**	**343,600**	**343,600**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
- Financial hedging instruments (Note 14)	-	700	-	700
Total liabilities	**-**	**700**	**-**	**700**

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**

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

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.

(Thousand euros)

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

31 December 2021				Thousand euros
	Offices	Logistics	Corporate	Total
Net amount of turnover	4,334	1,678	-	6,012
Changes in the estimated fair value of investment properties	22,302	6,296	-	28,598
Operating costs	(1,324)	(101)	(5,851)	(7,276)
Fixed assets amortization	-	-	(60)	(60)
Operating Results	**25,312**	**7,873**	**(5,911)**	**27,724**
Financial income	-	-	28	28
Financial expenses	(990)	(185)	(2)	(1,177)
Financial Result	**(990)**	**(185)**	**26**	**(1,149)**
Pre-tax result	**24,322**	**7,688**	**(5,885)**	**26,125**
Income tax	-	-	-	-
Profit (loss) for the period	**24,322**	**7,688**	**(5,885)**	**26,125**

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**

100% of the income corresponds to transactions carried out in Spain in both year ended 31 December 2021 and year ended 31 December 2020.

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.

(Thousand euros)

31 December 2021				**Thousand euros**
	Offices	**Logistics**	**Corporate**	**Total**
Non-current assets	**314,247**	**30,240**	**2,085**	**346,572**
Investments properties	313,700	29,900	-	343,600
Other non-current assets	547	340	2,085	2,972
Current assets	**2,203**	**1,863**	**89,724**	**93,790**
Non-current liabilities	**96,590**	**9,343**	**-**	**105,933**
Current liabilities	**5,805**	**404**	**2,555**	**8,764**

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**

(Thousand euros)

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 2020	**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**
Added	51	51
Relocation to intangible fixed assets	(19)	(19)
Allocation to depreciation	(52)	(52)
Reduction of depreciation charge	1	1
Balance at 31 December 2021	**259**	**259**
Cost	348	348
Accumulated depreciation	(89)	(89)
Net book value	**259**	**259**

a) Losses due to impairment

Neither at the financial years ended on 31 December 2021 or 2020 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 2021 neither at 31 December 2021.

(Thousand euros)

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:

	Thousand euros
	Investment properties
Balance at 1 January 2020	**221,650**
Added	28,207
Subsequent capitalised disbursements	10,424
Gain / (loss) net of adjustements at fair value	15,469
Balance at 31 December 2020	**275,750**
Added	14,300
Subsequent capitalised disbursements	24,952
Gain / (loss) net of adjustements at fair value	28,598
Balance at 31 December 2021	**343,600**

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.

In 2021 the Group acquired two office buildings for a total of 10,250 thousand euros (not including acquisition costs). The buildings are located in the Chamartín district with a buildable area of 3,860 m2. In addition, there have been additional outlays of Euros 4,050 thousand for the acquisition of an asset which will have an office building of 12,000 sqm in Manoteras street, 28 which will have a total cost of 38,950 thousand euros.

The Group has also continued with its refurbishment and improvement projects, which have entailed an investment of 24,952 thousand euros. All of this is in line with its corporate strategy of value creation.

At 31 December 2021, no new mortgage guarantees have been constituted on properties. During the financial year 2020, a mortgage guarantee was constituted on the Guadalix and Cadenza properties.

(Thousand euros)

a) Income and expenses on investment properties

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

	Thousand euros	
	31.12.2021	**31.12.2020**
Rental income (Note 13)	6,012	6,136
Expenses for the operations resulting from investment properties that generate rental income	(1,425)	(1,204)
Expenses for the operations resulting from investment properties that do not generate rental income	-	(223)
	4,587	**4,709**

b) Operating leases

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

	Thousand euros	
	31.12.2021	**31.12.2020**
Less than one year	4,725	4,791
Between one and two years	3,928	2,812
Between two and three years	3,214	1,823
Between three and four years	677	1,858
Between four and five years	-	570
More than five years	-	-
	12,544	**11,854**

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.

(Thousand euros)

e) Valuation process

The cost and fair value of the real estate investments as of 31 December 2021 and 31 December 2020 are detailed below:

				Thousand euros
	31 December 2021		31 December 2020	
	Net book value	Fair value	Net book value	Fair value
Investment properties	270,729	243,600	232,467	275,750

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.

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 2021 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 28,598 thousand euros (15,469 thousand euros at 31 December 2020).

Based on the simulations performed on these valuations, the recalculated impact on the fair value of the properties in the portfolio at 31 December 2021, of a variation of 0.25% in the exit yield, would produce:

- in the event that the exit yield was reduced by 0.25%, the market value of these properties would be 359,700 thousand euros.
- in the case that the exit yield was increased by 0.25%, the market value of these properties would be 329,300 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 377,900 thousand euros.
- in the case that the market rents were reduced by 10%, the market value of these properties would be 309,500 thousand euros.

As of 31 December 2020, 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 exit yield was reduced by 0.25%, the market value of these properties would be 288,400 thousand euros.
- in the case that the exit 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 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 307,550 thousand euros.
- in the event that market rents were reduced by 10%, real estate investments would amount to 243,900 thousand euros.

As of 31 December 2021, the exit yields used in the valuations of offices located in the prime area would be between 3.50% and 4.25% and for those that are decentralized the yields would be between 4.50% and 5.00% (4.25% and 4.75% respectively in December 2020). The discount rates used would be between 6.25% and 7.25% (between 6.50% and 7.20% in December 2020).

At 31 December 2021, the exit yields used in the logistical valuations located in the prime area would be 4.75% and for those that are decentralized the yields would be 5.00% (5.25% and 6.00% respectively in December 2020). The discount rates used would be around 7.50% (7.75% in December 2020)

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**	
	31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Loans to third parties	-	-	1,578	1,556	-	-
Other long-term financial liabilities	-	-	917	937	-	-
Total long-term financial liabilities	**-**	**-**	**2,495**	**2,493**	**-**	**-**

	Current financial assets					
	Fair value with changes in comprehensive income		**Amortized cost**		**Fair value with changes in the income statement**	
	31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Trade receivables for sales and services (Note 8) and other assets	-	-	754	2,363	-	-
Total short-term financial assets	**-**	**-**	**754**	**2,363**	**-**	**-**

Thousand of euros

	Non-current financial liabilities					
	Debts with credit entities		**Debentures and other marketable securities**		**Financial hedging instruments and other liabilities**	
	31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.20120**
Debts and other financial liabilities (Note 12)	103,978	104,039	-	-	1,955	2,446
Total non-current financial liabilities	**103,978**	**104,039**	**-**	**-**	**1,955**	**2,446**

(Thousand euros)

	Current financial liabilities					
	Debts with credit entities		Debentures and other marketable securities		Financial hedging instruments and other liabilities	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Debts and other payables (Note 12)	610	39	-	-	8,044	3,551
Total current financial liabilities	**610**	**39**	**-**	**-**	**8,044**	**3,551**

b) Analysis by maturity date

At 31 December 2021 and 31 December 2020, the value of financial instruments with a specific maturity date or with a maturity date falling within a specific year was as follows:

At 31 December 2021

	Thousand euros						
	Financial assets						
	2022	2023	2024	2025	2026	Subsequent years	Total
Trade receivables:							
- Trade receivables	366	-	-	-	-	-	**366**
Non-current investments:							
- Loans to third parties	-	-	1,578	-	-	-	**1,578**
- Other financial assets	388	302	-	358	-	257	**1,305**
	754	**302**	**1,578**	**358**	**-**	**257**	**3,249**

	Financial liabilities						
	2022	2023	2024	2025	2026	Subsequent years	Total
Debts:							
- Debts with credit entities	610	376	4,693	13,891	66,979	19,479	**106,028**
- Financial hedging instruments	-	-	204	-	496	-	**700**
Trade payables:							
- Trade and other payables	7,978	-	-	-	-	-	**7,978**
- Other financial liabilities	66	328	145	407	132	243	**1,321**
	8,654	**704**	**5,042**	**14,298**	**67,607**	**19,722**	**116,027**

(Thousand euros)

At 31 December 2020

	Financial assets						Thousand euros
	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**

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

8. LOANS AND RECEIVABLES

	Thousand euros	
	31 December 2021	31 December 2020
Trade receivables and other long-term accounts receivable	**2,495**	**2,493**
- Loans to third parties	1,578	1,556
- Guarantees (“Other long-term financial assets”)	917	937
Trade receivables and other accounts receivable:	**4,554**	**6,665**
- Trade receivables for sales and services	339	299
- Other accounts receivable	26	1,697
- Personnel	1	-
- Other credits held with Public Authorities (Note 15)	4,152	4,534
- Guarantees (“Other short-term financial assets”)	36	135
	7,049	**9,158**

Long-term loans to third parties relate to loans granted to personnel (including executive directors) of the Parent Company at market interest rates on the same terms as at 31 December 2020.

(Thousand euros)

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

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 339 thousand euros relating to invoices pending issuance (181 thousand euros at 31 December 2020).

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

	Thousand euros	
	At 31 December 2021	**At 31 December 2020**
Up to 3 months	-	85
Between 3 and 6 months	-	33
More than 6 months	-	-
	-	**118**

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

9. CASH AND CASH EQUIVALENTS

		Thousand euros
	31 December 2021	**31 December 2020**
Cash and banks	88,884	129,086
	88,884	**129,086**

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 2021 the Company holds 303 thousand euros of total cash destined for the cash account under that contract (at 31 December 2020 held 303 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.

(Thousand euros)

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.

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 and circulartion 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 2021 and 31 December 2020 the breakdown of share capital is as follows:

	Thousand euros	
	31 December 2021	**31 December 2020**
Share capital	284,294	284,294
Share premium	5,769	5,769
	290,063	**290,063**

As of 31 December 2021 and 20 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.

The share premium is considered a freely distributable reserve.

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

(Thousand euros)

At 31 December 2021, 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 %
Fidelity Select Portfolios	3.548	-	**3.548**
Ivanhoe Cambridge, INC.	20.293	-	**20.293**
Rodex Asset Management	3.839	-	**3.839**
Morgan Stanley	5.060	0.077	**5.137**
Thames River Capital LLP	9.984	-	**9.984**
Pelham Long/Short small CAP Master Fund LTD	-	9.984	**9.984**
Total	**42.724**	**10.061**	**52.785**

At 31 December 2020, 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**
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**
Total	**35.619**	**9.984**	**45.603**

b) Treasury shares

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

	31 December 2021		31 December 2020	
	Number of treasury shares	Thousand euros	Number of treasury shares	Thousand euros
At the beginning of the financial year	**578,513**	**5,082**	**55,842**	**625**
Additions / purchases	347,554	3,081	1,040,123	9,569
Reductions	-	-	(517,452)	(5,112)
At the end of the financial year	**926,067**	**8,163**	**578,513**	**5,082**

The General Shareholders' Meeting of the Company agreed on 29 June 2021 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 2021 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.

In addition, there is a compensation plan based on the delivery of shares or cash at the discretion of the Parent Company, which was initiated with its IPO (Initial Public Offering), the beneficiary of which is the Company's team (Note 2.17). This plan accrues annually when, for each calculation period (between 1 July and 30 June of the following year), certain value creation conditions are met. In relation to this plan, the General Shareholders' Meeting of 29 June 2021 resolved, at the request of the Parent's Board of Directors, to adapt the calculation conditions from which the plan accrues, to adapt them to the current economic environment and the Group's situation (size and future growth profile), all with the aim of continuing to create value for shareholders.

The first period in which these adaptations took effect is from 1 July 2020 to 30 June 2021, and mainly concerned the total shareholder return - the threshold of which is 8% - and delivery periods. This return is measured as the revaluation of the Net Asset Value plus the total dividends distributed, excluding certain capital increases, whether cash or non-cash, and weighted by the period of time during which they occurred during the calculation period. Thus, this remuneration continues to be focused on generating shareholder return, obtained through active management. As of December 31, 2020, the shareholder return threshold set out in the compensation plan was 10%. This return was measured as the total dividend distributed plus the revaluation of the Net Asset Value, excluding any capital increase that had occurred in each calculation period.

When the conditions generating the vesting of the plan are met, the Parent Company will deliver one third of the shares to the beneficiaries 12 months after the end of the calculation period, one third of the shares 18 months after the end of the calculation period and one third of the shares 24 months after the end of the calculation period.

The treasury shares held at 31 December 2021 represent 3.26% of the Company's share capital and amount to 926,067 shares (at 31 December 2020 represented 2.03% of the Company’s share capital and amounted to 578,513 shares). The average cost of treasury shares has been 8.81 euros per share (the average cost of threasury shares in 2020 was 8.96 euros per share).

These shares are carried by reducing the Company's equity at 31 December 2021 by 8,163 thousand euros (at 31 December 2020 it was 5,082 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 2021	**Financial year ended at 31 December 2020**
Net income (thousand euros)	26,125	13,091
Weighted average number of issued shares (shares)	28,429,376	28,429,376
Weighted average number of common shares (shares)	27,650,550	27,911,972
Basic earning per share (euros)	**0.94**	**0.47**
Diluted earning per share (euros)	**0.94**	**0.47**

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 2021 and 31 December 2020.

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

Reserves

		Thousand euros
	At 31 December of 2021	At 31 December of 2020
Others reserves:		
- Voluntary reserves	18,340	5,267
- Legal reserve	-	-
- Hedging transactions reserves	(700)	(1,486)
	17,640	**3,781**

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
	2021	2020
Base for distribution:		
Profit and los for the financial year	**(3,528)**	**(5,224)**
Application:		
Legal reserve	-	-
Net losses obtained from prior financial years	(3,528)	(5,224)
Dividends	-	-
	(3,528)	**(5,224)**

On 29 June 2021, the General Shareholders' Meeting approved, without modification, the proposal to distribute the 2020 result.

(Thousand euros)

12. DEBTS AND OTHER PAYABLES

	Thousand euros	
	31 December 2021	31 December 2020
Debts and non-current liabilities:		
- Debts with credit entities	103,978	104,039
- Financial hedging instruments (Note14)	700	1,486
- Guarantees	1,255	960
	105,933	**106,485**
Debts and current liabilities:		
- Debts with credit entities	610	39
- Other payables (Note 7)	6,778	2,251
- Other short term debts	1,200	1,200
- Other debts with Public Authorities (Note 14)	110	2,645
- Guarantees	66	100
	8,764	**6,235**

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.

The Group has not entered into any financing transactions in the financial year 2021 in addition to those existing at 31 December 2020.

At December 31, 2021 and December 31, 2020, 100% of the financing obtained by the Parent Company has been classified as 'green' by the financial institutions given the sustainable characteristics of the properties financed, meeting the objective set by the Group in this respect.

Over the course of the financial year ended on 31 December 2020, the Group signed two financial agreements with prestigious financial institutions: 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.

The long-term debt of the Group is recorded at amortized cost in the long-term liabilities under the heading “Debts with credit entities”. At 31 December 2021, the amount of the amortized cost is 1,440 thousand euros (at 31 December 2020 it amounted 1,755 thousand euros). Their norminal maturities have been included in Note 7. The real estate assets that guarantee the aforementioned loans, through mortgage commitment, have a market value at 31 December 2021 of 276,700 thousand euros (at 31 December 2020 it amounted 232,300 thousand euros).

Under the heading "Short-term debt with credit entities" the amount of unpaid accrued interest and principal repayments in the amount of 234 thousand euros and 376 thousand euros, respectively, at 31 December 2021 (39 thousand euros at 31 December 2020) has been recognised.

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 2021, with the exception of ratios on the financing property under reform, for which financial institutions have granted a temporary exemption to their compliance.

Additionally, in 2019 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 2021 (Note 15). 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 Act 15/2010, amended by Act 31/2014, are as follows:

	2021	**2020**
	Days	**Days**
Average payment period to suppliers	27	45
Ratio of transactions paid	26	48
Ratio de transactions pending payment	38	42
		Amount (thousand euros)
Total payments made	27,535	10,335
Total payments pending	1,043	703

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:

			Thousand euros	
Market	**Percentage 2021**	**Percentage 2020**	**2021**	**2020**
Domestic	100%	100%	6,012	6,136
	100%	**100%**	**6,012**	**6,136**

(Thousand euros)

The net turnover figure breaks down as follows:

	Thousand euros	
	2021	**2020**
Revenue		
Rents	5,192	5,116
Reinvoicing of costs	820	1,020
	6,012	**6,136**

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 2021	**Financial year ended on 31 December 2020**
Wages, salaries and associated costs	(3,941)	(4,219)
Welfare charges:		
- Other welfare charges	(222)	(205)
	(4,163)	**(4,424)**

Under personnel expenses, there has been recorded the remuneration to the parent Company's team, both fixed and prospective.

There have been no compensation for dismissals at 31 December 2021 neither 2020.

Under the heading of wages, salaries and associated costs, there has been has provision for bonuses amounting to 1,200 thousand euros at 31 December 2021 (1,200 thousand euros at 31 December 2021).

The average number of employees during the financial year ended on 31 December 2021 is 14 people (in the financial year 2020 were 12 people).

(Thousand euros)

The average number of employees during the financial years ended on 31 December 2021 and 31 December 2020 is as follows:

Categories	Financial year ended on 31 December 2021	Financial year ended on 31 December 2020
Management	8	8
Employees with degrees	4	3
Administrative personnel and others	2	1
	14	**12**

The number of employees at 31 December 2021 and 31 December 2020 is as follows:

Categories	At 31 December 2021	At 31 December 2020
Management	8	8
Employees with degrees	4	3
Administrative personnel and others	2	2
	14	**13**

In addition, at 31 December 2021, Company personnel details broken down by gender were as follows:

			31 December 2021
Categories	**Men**	**Women**	**Total**
Management	6	2	8
Employees with degrees	2	2	4
Administrative personnel and others	1	1	2
	9	**5**	**14**

At 31 December 2020, Company personnel details broken down by gender were as follows:

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

(Thousand euros)

c) External services

The following table gives a breakdown of the external services:

	Thousand euros	
	Financial year ended on 31 December 2021	**Financial year ended on 31 December 2020**
External services directly attributable to real estates assets	(1,425)	(1,427)
Other external services	(1,688)	(1,593)
	(3,113)	**(3,020)**

d) Financial expenses

Financial expenses accrued in the financial year ended on 31 December 2021 are associated with the financing obtained in the period (Note 12).

14. INCOME TAX AND TAX POSITION

Income tax expense is recognised on the basis of management's estimate of the expected weighted average tax rate for the full financial year. The estimated annual average tax rate for the financial year ended at 31 December 2021 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 2021	**Consolidated Income Statement**			**Income and expenses charged directly to Equity**		
	Increase	**Decrease**	**Total**	**Increase**	**Decrease**	**Total**
Profit (loss) for the financial year	**26,125**	**-**	**26,125**	**-**	**-**	**-**
Income tax	-	-	-	-	-	-
Permanent differences	69	(17)	52	-	-	-
Temporary differences (**)	-	-	-	786	-	786
Consolidation adjustment (*)	-	(30,541)	(30,541)	-	-	-
Tax base	**26,194**	**(30,558)**	**(4,364)**	**786**	**-**	**786**

(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)**

Thousand euros

(*) Consolidation adjustments include the adjustments made for IFRS standardisation.
(**) 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 2021 nor 31 December 2020.

At 31 December 2021 and 31 December 2020, 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 2021	At 31 December 2020
Accounts receivable		
Receivables from Spanish Tax Authorities (VAT)	4,152	4,534
	4,152	**4,534**
Payment commitments		
Payables to Spanish Tax Authorities (withholdings collected)	(89)	(2,177)
Payables to Social Security Bodies	(21)	(21)
Stamp duty on the operations of the Group (Note 6)	-	(447)
	(110)	**(2,645)**

(Thousand euros)

15. FINANCIAL HEDGING DERIVATIVES

			Thousand euros			
			2021			
			Non current		Current	
	Covered principal	Maturity	Asset	Liability(*)	Asset	Liability
Interest rate swap	22,700	2026	-	496	-	-
Interest rate swap	21,626	2024	-	204	-	-
				700	**-**	**-**

			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**	**-**	**-**

(*) 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 "Adjustements for changes in value" inside Equity.

16. PROVISIONS, CONTINGENCIES AND BANK GUARANTEES

Contingent liabilities and contingencies

At 31 December 2021 and 31 December 2020 the Group has no contingent liabilities and contingencies.

Bank Guarantees

At 31 December 2021 and 31 December 2020, the Company has contracted a bank guarantee in the amount of 122 thousand euros with a prestigious financial institution.

(Thousand euros)

17. BOARD OF DIRECTORS AND OTHER PAYMENTS

Positions and ownership interests held by members of the Board of Directors

In the duty to avoid situations of conflict with the interest of the Company, during the year the directors who have held positions in the management body have complied with the obligations provided at article 228 of the consolidated corporation law. Likewise, both they and the persons related to them have refrained from incurring in the cases of conflict of interest provided at article 229 of said law, except in cases where the corresponding authorization has been obtained.

Remuneration of members of the Board of Directors

During the financial year ended on 31 December 2021, 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 2021	**Financial year ended on 31 December 2020**
Remuneration of executive members	1,228	1,476
Allowance of executive members	-	-
Allowance of non executive members	425	378
	1,653	**1,854**

The Parent Company has paid the amount of 66 thousand euros in premiums for liability insurance covering the members of the Board of Directrs of the Parent Company for the exercise of its office (26 thousand en 2020).

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 2021 and the financial year ended on 31 December 2020, there are no senior management personnel that does not belong to the Parent Company's Board of Directors.

The non-executive members of the Board of Directors of the Parent Company have not received any shares or share options during the years ended 31 December 2021 and 31 December 2020, nor have they exercised any options or have any options outstanding.

In addition, there is a compensation plan based on the delivery of shares that began with the Parent Company's IPO, the beneficiary of which is the Parent Company's team (Note 2.17). This plan accrues annually when, for each calculation period (between 1 July and 30 June of the following year), certain value creation conditions are met (Note 10.b).

The third calculation period of the plan started on 1 July 2021, with 30 June 2022 as the date for completion and assessment of compliance with the thresholds. At the date of preparation of these consolidated financial statements, 22 February 2022, it is not possible to estimate compliance with the thresholds. Therefore, no amount has accrued at year-end.

As of December 31, 2020, as a result of the first calculation period of the compensation plan ending on June 30, 2020, 271,227 shares were delivered to the Company's executive directors (2,197 thousand euros) and 262,773 shares were delivered to the management team (2,128 thousand euros).

18. RELATED-PARTY TRANSACTIONS

As at 31 December 2021, there are no outstanding balances with related parties. As at 31 December 2020 there were also no outstanding balances with related parties. During the years ended 31 December 2021 and 31 December 2020 there have been no transactions with related parties.

19. INFORMATION REQUIREMENTS RESULTING FROM SOCIMI STATUS, ACT 11/2009, AS AMENDED BY ACT 16/2012 AND ACT 11/2021

a) Reserves from years prior to the application of the tax regime established in this Law.

Not applicable.

b) Reserves arising from years in which the tax regime established in this Law has been applied, differentiating the part that comes from income subject to a tax rate of 0%, 15% or 19%, with respect to those that, where applicable, have been taxed at the general tax rate.

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%, 15%, 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%, 15%, or 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.

(Thousand euros)

Property	Localization	Date acquired	Segment
María de Molina	Calle María de Molina, on the corner with Calle Príncipe de Vergara, Madrid	21 December 2018	Offices
Paseo de la Habana	The junction of Paseo de la Habana and Avenida de Alfonso XIII, Madrid	21 December 2018	Offices
Edificio Botanic	Calle Josefa Valcárcel, 42, Madrid	29 January 2019	Offices
Edificio Play	Vía de los Poblados, 3 -Parque Empresarial Cristalia, Edificio 4B, Madrid	29 January 2019	Offices
María de Molina	Calle María de Molina, on the corner with Calle Príncipe de Vergara, Madrid	28 February 2019	Offices
Nave Guadalix	Barranco Hondo, San Agustín de Guadalix	12 April 2019	Logistics
Ramírez de Arellano, 21	Calle Ramírez de Arellano, 21, Madrid	28 June 2019	Offices
Cadenza	Vía de los Poblados, 7, Madrid	30 December 2019	Offices
Manoteras, 28	Calle Manoteras, 28, Madrid	11 June 2020	Offices
P54	Distrito Chamartín	27 October 2020	Offices
P56	Distrito Chamartín	28 September 2021	Offices
P58	Distrito Chamartín	30 September 2021	Offices

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

(Thousand euros)

20. AUDITOR'S FEES

The fees accrued during the financial years ended on 31 December 2021 and 31 December 2020 by PricewaterhouseCoopers Auditores, S.L. and its network are as follows:

	Thousand euros	
	2021	**2020**
Account auditing services	91	58
Services other than auditing(*)	30	27
	121	**85**

***** There are no tax services or any required by other legal regulations.

21. ENVIRONMENTAL INFORMATION

The Group's activities do not give rise to any negative environmental impacts and, consequently, it does not incur any significant costs or investments to mitigate such impacts.

22. SUBSEQUENT EVENTS

From 31 December 2021 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 2021

1. ORGANIZATION STRUCTURE AND FUNCTIONING

Árima Real Estate SOCIMI, S.A. (hereinafter Árima, or the Company or the dominant Company) was incorporated as a public limited company, opting for the application of the special regime of Public Limited Investment Companies Listed on the Property Market (SOCIMI in Spanish).

Árima is the Parent Company of a Group whose main objective is the creation of a real estate portfolio focused mainly on the office and logistics sector in Madrid, with the aim of obtaining income from rents through an active management of the portfolio.

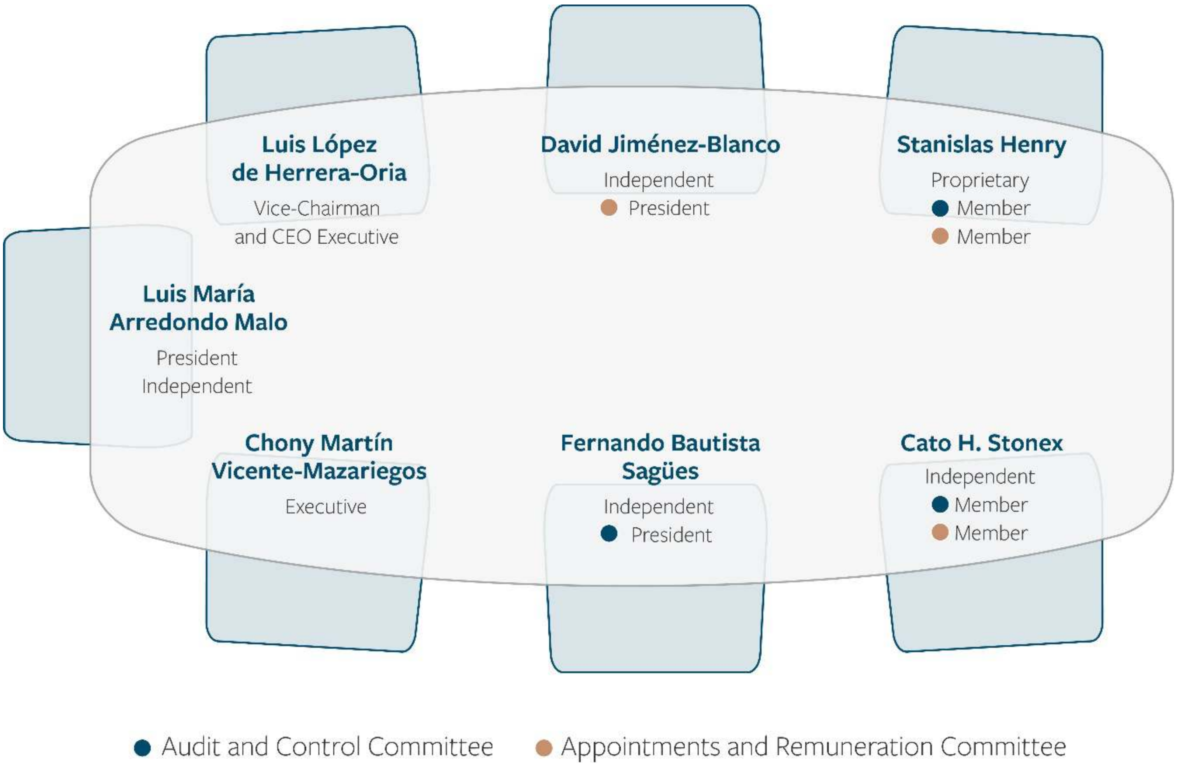
The Group's strategy is based on generating real value in its portfolio through renovations that maximize operational, environmental and technological efficiency to address the shortage of quality sustainable buildings in the markets. In this way, our assets have a positive impact on the environment in which they are located while generating growth and attractive returns for our investors.

These objectives become a reality thanks to Árima's team, which is the main pillar of the Company. Árima's professionals have a deep knowledge of the sector and the local market and a long track record and joint experience. They share values such as transparency, excellence, sustainable profitability, and tangible revaluation. Árima's management team has worked successfully in the past in different projects and maintains a strong alignment with the interests of its shareholders thanks to its significant shareholding.

The Group's shareholding includes major national and international funds that are very interested in the opportunities in the Spanish real estate market and in the management team's ability to maximise and optimise the performance and value of the portfolio.

The dominant Company is supervised by the Board of Directors, a body with authority over matters such as the approval of the Group's general policies and strategies, such as the Corporate Social Responsibility Policy, the Risk Control and Management Policy, as well as compliance with the requirements necessary to maintain SOCIMI status.

The Board of Directors carries out its activities in accordance with the rules of corporate governance contained mainly in the Company's Bylaws, the Regulations of the Shareholders' Meeting and the Regulations of the Board of Directors, also following the recommendations of the Good Governance Code with the maximum commitment to compliance. It also has two fundamental committees, whose essential function is to support this body in its tasks of supervision and control of the ordinary management of the Group: the Audit and Control Committee and, on the other hand, the Appointments and Remuneration Committee.



2. EVOLUTION AND RESULTS OF BUSINESS

The Group, since its launch on the stock market in October 2018, has carried out various real estate asset acquisition transactions. The management of this portfolio has resulted in a positive consolidated result of 26,125 thousand euros in the year 2021.

Árima has a solid strategy and a defensive portfolio with no exposure to vulnerable sectors. In addition, during the year, leasing contracts have been signed and renewed, contributing to maintain a solid and highly stable position in the climate of economic recovery after the pandemic.

From an operational point of view, all of the Company's operative assets in operation have remained open and accessible, complying with all sanitary measures and ensuring a safe and healthy return to the office for all tenants. These practices have allowed the business to follow a positive path, without significant impacts that have required the adoption of extraordinary actions.

Árima has continued to reinforce its commitment with its stakeholders, especially with shareholders and investors, strengthening communication and continuous contact. In addition, it has paid special attention to ensure the health of its employees and tenants and to look after the welfare of the communities in which its assets are located.

The investments made by the Group result in the composition of a portfolio consisting of 9 assets with a defensive profile and high growth potential. As of December 31, 2021, the Group has 5 renovations initiated and in progress, which will allow for significant increases in value and rent in the contracts signed once the work is completed.

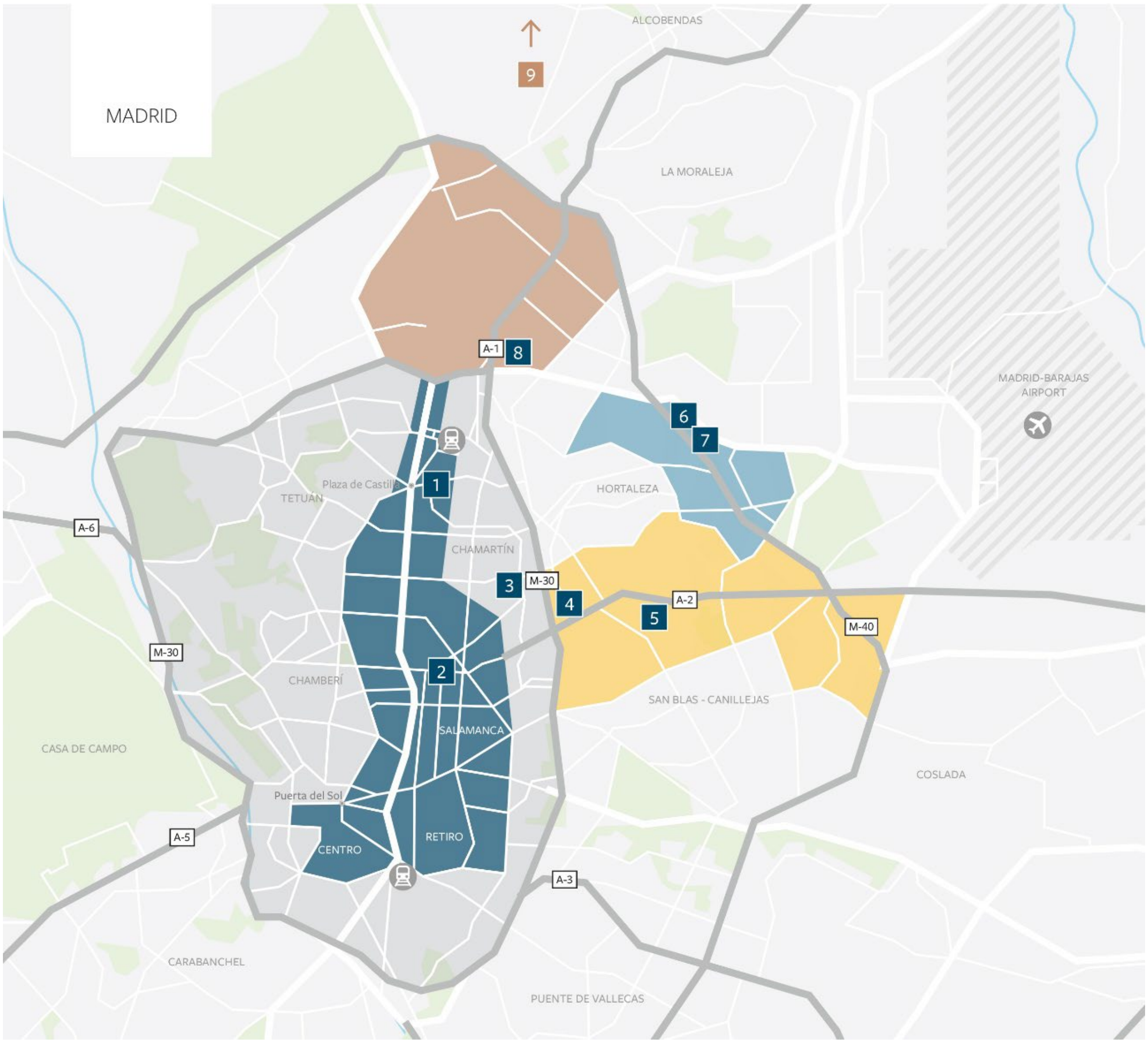
ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2021

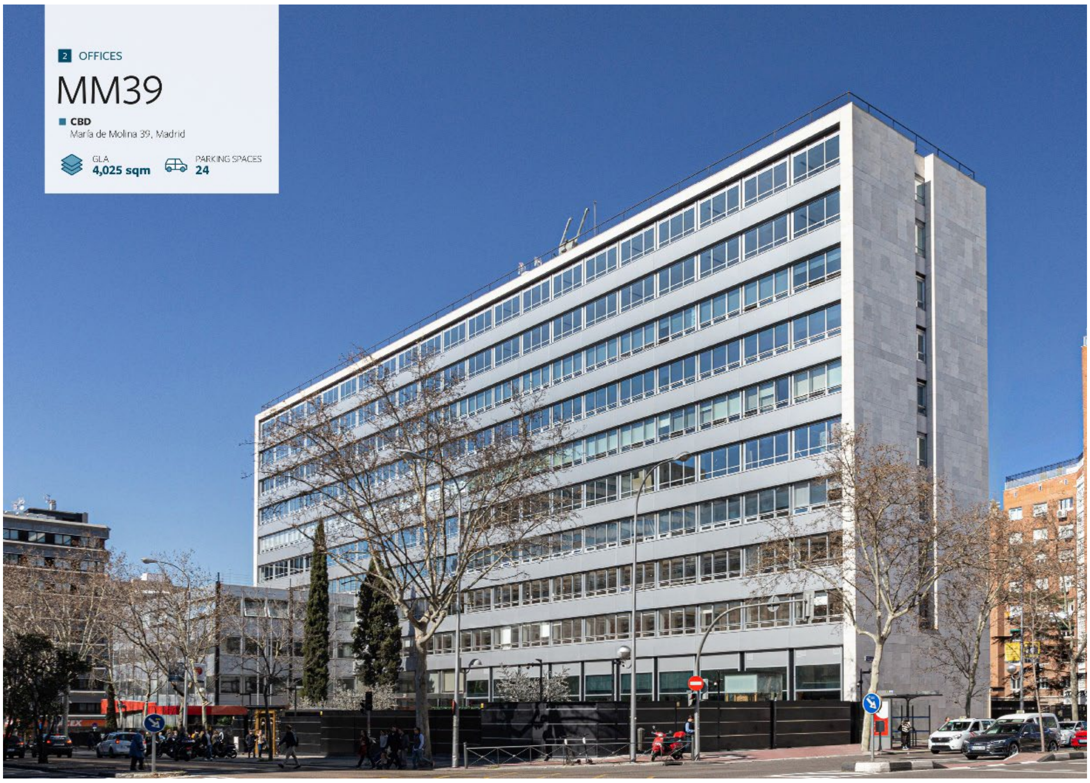
Although the consequences of COVID-19 have spread throughout the year and continue to mark the economic recovery, Árima's portfolio continues its positive growth, and its value amounts to €343.6M as of December 31, 2021. The revaluation of the portfolio reflects disciplined investment, focused on healthy buildings, sustainable works and projects whose philosophy fits perfectly with what the post-COVID world demands, as well as the good progress of refurbishments, with deliveries expected throughout 2022 and 2023.

During 2021, the Group has acquired two office buildings for an amount of 10,250 thousand euros (excluding acquisition costs). The properties are located in Madrid, Chamartín district, and have a surface area of 3,860 m2. Likewise, additional disbursements have been made amounting to 4,050 thousand euros for the acquisition of a 12,000 m2 property at Calle Manoteras, 28 which will have a total cost of 38,950 thousand euros.

Following these transactions, the Group's portfolio totals more than 99,000 leasable sqm and 1,292 parking spaces. The properties are in line with the listed company's investment model. They make up a balanced portfolio of rental assets and buildings with great potential for revaluation for the SOCIMI's shareholders, always seeking a product with great potential for generating value in highly consolidated areas of the metropolitan area and the outskirts of Madrid, as shown in the following map.



The assets comprising the Group's portfolio are as follows:

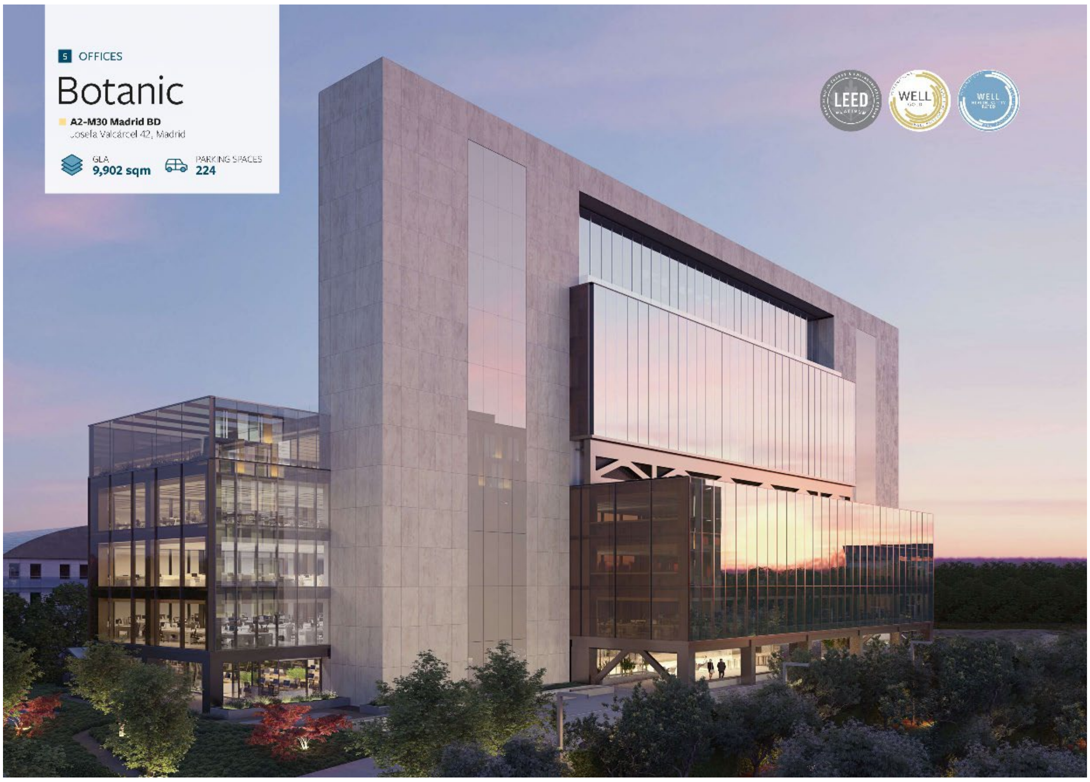


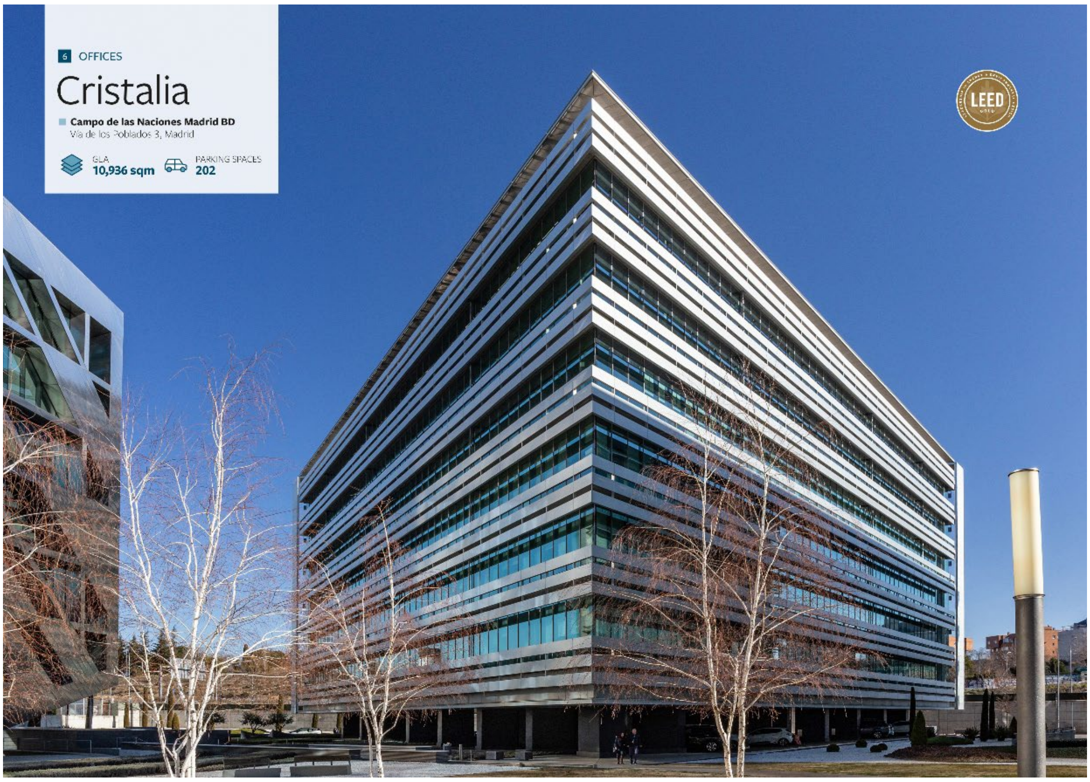

3 OFFICES
Pradillo
Inner Madrid
Pradillo 54-56-58, Madrid
GLA
11,925 sqm
PARKING SPACES
180
LEED
WELL


4 OFFICES
RMA
Inner Madrid
Ramírez de Arellano 21, Madrid
GLA
6,759 sqm
PARKING SPACES
110
BREEAM

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2021





ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

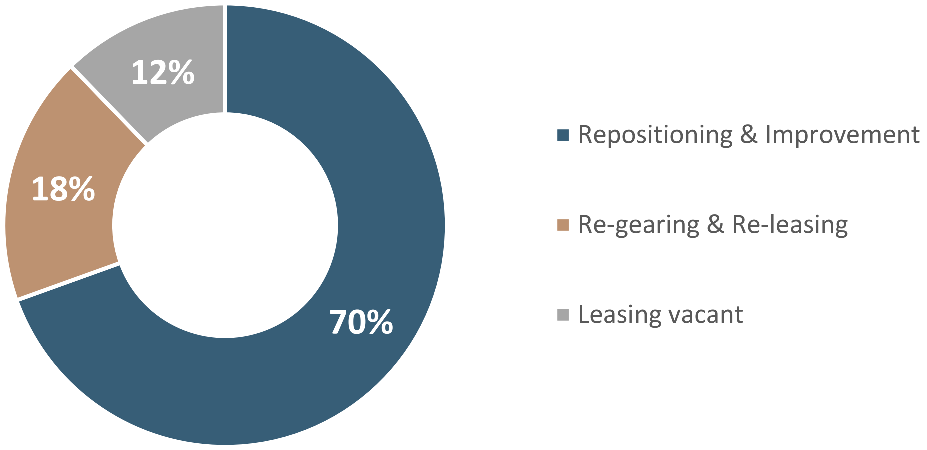
CONSOLIDATED MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2021

The revenue derived from the lease of real estate assets amounted to 6,012 thousand euros during the year 2021 (31 December 2020: 3,136 thousand euros). EBITDA - earnings before interest, taxes, depreciation and amortisation - amounted to 27,334 thousand euros.

The market value of the Group's assets at 31 December 2021 amounts to 343,600 thousand euros (31 December 2020: 275,750 thousand euros) representing an increase of 50% over the purchase price.

The following chart breaks down the current portfolio, grouping the value according to the different active management strategies. With this approach, the Group achieves maximum performance, with a balanced portfolio combining income assets with repositioning projects with high appreciation potential.

Value Creation	GAV (€m)	GAV (%)
Repositioning and Improvement	238,800	69.5%
Re-gearing and re-leasing	62,700	18.2%
Leasing vacant	42,100	12.3%
Total	**343,600**	**100%**



3. EPRA INFORMATION

The European Public Real Estate Association (EPRA) defines three different metrics for calculating the Net Asset Value (NAV) in its Best Practices guide: Net Reinstatement Value, Net Tangible Assets and Net Disposal Value. Considering its activity, the metric that best represents the nature of the Company is Net Tangible Asset:

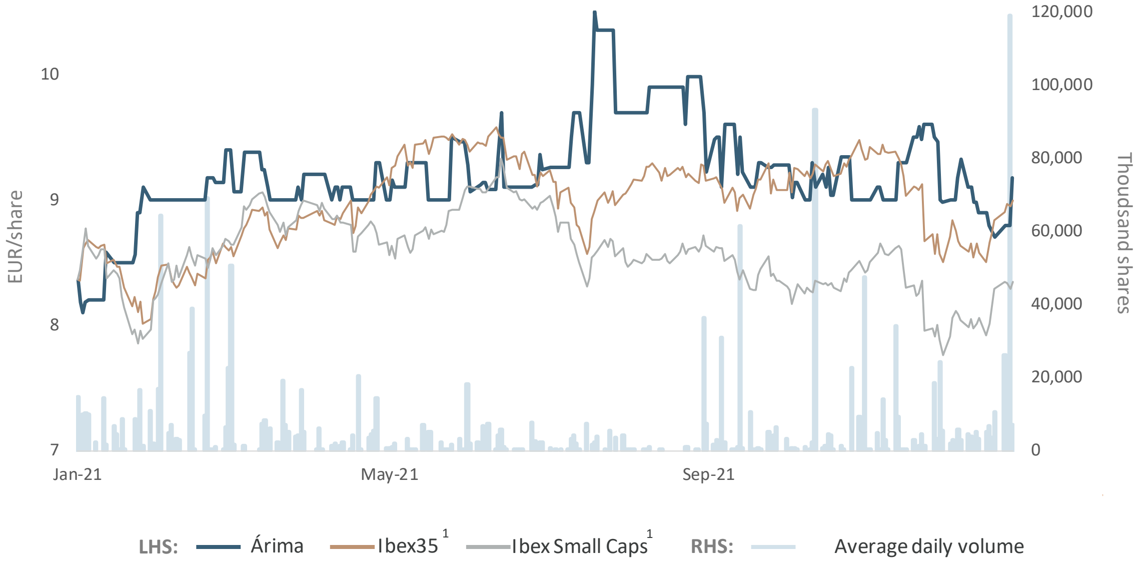
EPRA Net Asset Value Metric: Net Tangible Assets

	Thousand euros	
	31/12/2021	**31/12/2020**
NAV	**325,665**	**301,853**
Effect of options, convertibles bonds and other interest	-	-
Diluted NAV	325,665	301,853
Excluded:		
Fair value of financial instruments	(700)	(1,486)
Intangible assets	218	69
EPRA NTA	**326,147**	**303,270**
Number of issued shares (without treasury shares)	27,503,309	27,850,863
EPRA NAV per share (euros)	**11.9**	**10.9**

During fiscal 2021, the Net Tangible Asset grew by 9%, as a result of successful portfolio management and strategic acquisitions during the year.

4. EVOLUTION OF THE SHARES

The share price at December 31, 2021 was 9.18 euros per share, reflecting a revaluation of 11% during the year. The share price at December 31, 2020 was €8.28 per share.



5. TREASURY SHARES

At December 31, 2021, the Company holds shares representing 3.26% of the dominant Company's share capital and totalling 926,067 shares (at 31 December 2020 they represented 2.03% and totalled 578,513 shares). The average cost of treasury shares was EUR 8.81 per share in 2021 (EUR 8.96 per share in the same period of 2020), which translated into an attractive discount on the Net Tangible Asset.

These shares are registered, thus reducing the value of the Group equity on 31 December 2021 by EUR 8,163 thousand euros (at 31 December 2020 by EUR 5,082 thousand euros).

[1] Data rebased for graphical representation (base at 01.01.2021 = Árima's share price)

The movement of treasury shares in the year is as follows:

	31 December 2021		31 December 2020	
	Number of treasury shares	Thousand euros	Number of treasury shares	Thousand euros
At the beginning of the period/year	**578,513**	**5,082**	**55,842**	**625**
Additions/purchases	347,554	3,081	1,040,123	6,569
Reductions	-	-	(517,452)	(5,112)
At the end of the period/year	**926,067**	**8,163**	**578,513**	**5,082**

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

The Company is 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 form 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. Additionally, the amendment to Law 11/2021 imposes a 15% tax on undistributed profits through dividends.

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:

	Thousand euros	
	31/12/2021	**31/12/2020**
Result of the period - Spanish GAAP	**(3,528)**	**(5,224)**
Adjustments:		
(I) Consolidation	1,055	2,846
(II) Revaluation of investment property	28,598	15,469
Result for period - IFRS	**26,125**	**13,091**

7. THE TEAM

Árima Real Estate is a real estate investment group that bases its activity on professional solvency, deep knowledge of the sector and the high level of connection of its management team with the market. The management team has an individual average of 20 years of experience in the sector and a long history of working together as a team. This background, experience and knowledge give the Company access to differentiated investment opportunities in the Spanish real estate market.

For all these reasons, Árima's professionals are one of the main strengths of the Group. They are in charge of all the economic-financial, real estate, regulatory compliance and sustainability responsibilities and carry out their work committed to the Company's strategy and in order to achieve the established objectives, both in terms of business and ESG (Environmental, Social, Governance) issues.

All of them work exclusively and with full dedication to the creation of shareholder value, and with proximity and rigor as constants. They are able to tackle highly complex investment operations in short periods of time, and to carry out the entire value creation process from the identification of the properties, through a very disciplined investment strategy, to their active management, their adaptation to meet all the Group's requirements in terms of sustainability and their potential rotation.

Below, the evolution of the average workforce is shown:

Categories	**Financial year ended on 31 December 2021**	**Financial year ended on 31 December 2020**
Management	8	8
Employees with degrees	4	3
Administrative personnel and others	2	1
	14	**12**

In addition, at 31 December 2021, Company personnel details broken down by gender were as follows:

			31 December 2021
Categories	**Men**	**Women**	**Total**
Management	6	2	8
Employees with degrees	2	2	4
Administrative personnel and others	1	1	2
	9	**5**	**14**

8. 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 consolidated management report.

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 Árima Real Estate SOCIMI, S.A.'s share and the appropriate financing of investments. See Note 3.2 of these consolidated annual accounts.

At 31 December 2021, 100% of the financing obtained by the Company is classified as "green" by the financial institutions given the sustainable characteristics of the properties financed.

Alternative performance measures related to COVID-19

The Group's administration and management continue to assess the main risks that the pandemic has on these consolidated annual accounts. It is concluded that the application of the going concern principle continues to be allowed and that constant monitoring of the situation will be maintained to address potential impacts that may occur. See note 3.1.e) to these consolidated annual accounts.

9. 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.

10. RISK MANAGEMENT

Árima is subject to a wide range of regulations and good practices in compliance and reporting. In response to these requirements, the Group has carried out an analysis and adaptation of the following Risk Management Systems:

- Risk Management System, defined and developed through the Risk Management Policy and Manual, in order to establish the basic principles, key risk factors and the general framework of action for the control and management of all types of risks faced by the Company (Compliance, Environment, Sustainability, Strategic, Financial and Operational).
- Criminal Compliance Policy, which defines the main guidelines of the Crime Prevention and Detection Model (CPDM), which are developed in the Management Manual issued for this purpose.
- Management Manual of the Internal Control over Financial Reporting System (ICFRS) with the objective of establishing the basis for the maintenance, review, reporting and supervision of the ICFR, ensuring that risks due to errors, omissions or fraud in financial information are adequately controlled, either by prevention, detection, mitigation, compensation or correction, providing assurance that internal controls operate effectively and contribute to ensuring the reliability of the Company's financial information.

In order to:

- Comply with applicable regulations.
- Benefit from models adapted to Árima's specific characteristics.
- Aid decision-making internally and with third parties through the reporting of these areas.

The Board of Directors considers risk management and internal control to be essential factors for the achievement of the Company's objectives. In order to implement these measures, the Company benefits from an Audit and Control Committee which, in turn, relies on the Risk Control and Management Function. Árima has therefore established a risk management model based on the Risk Management and Control Policy, which is detailed in greater detail in the Risk Management and Control Manual. This management model includes, in line with its commitment to integrate sustainability at all levels of the Company, an ESG risk analysis (Environmental, Social, Governance).

The Group's objective is to establish systematic and preventative procedures, aligned with renowned international risk management standards (COSO[2] ERM 2017 - Business Risk Management Framework) and led by management, to forecast, prevent and detect risks.

Risk management and control is an ongoing process based on (i) the identification and assessment of potential Company risks based on strategic and business objectives, (ii) the determination of critical risk action plans and controls, (iii) monitoring the effectiveness of the controls and residual risk developments put in place, to report to the Company's governing bodies.

In addition, the Risk Management System operates in a comprehensive, continuous, and cross-cutting way, and serves the management of all priority risks, both internal and external.

Note 3 of the consolidated annual accounts gives details of the Group's risk management activities.

11. PRINCIPAL RISKS AND UNCERTAINTY

The Group's activity is subject to various risks inherent to the sector, such as changes in tax regulations, the evolution of the real estate market, defaults, environmental risks, the search for potential acquisitions of new prime assets in the domestic market and the availability of financing and resources to undertake these acquisitions.

Therefore, the Group carries out its work with committed risk management, as described in the previous section, with the aim of acquiring real estate investments that are in line with its strategy and that provide maximum value to its shareholders in the medium and long term. Árima has investment resources that result from its cash flows associated with the ability to finance assets, which will enable it to continue with its investment strategy focused on real estate assets in Spain.

2 The "Committee of Sponsoring Organizations" (COSO) is a voluntary private sector organization founded in 1985 whose mission is to provide intellectual leadership in relation to three interrelated issues: corporate risk management, internal control and fraud deterrence.

Additionally, following the emergence and worldwide spread of the COVID-19 coronavirus pandemic, Spanish economic activity, like all major economies, contracted significantly due to restrictions on mobility and one of the strictest lockdowns affecting all sectors. The last few months have seen the beginning of a recovery and some regions, such as Madrid, are growing faster than the national average. This has improved the outlook and allowed us to approach the future with a renewed spirit.

From a financial point of view, Árima has a solid balance sheet to overcome this challenging period, with a reduced leverage (31% LTV) and a cash position and equivalents of EUR 89 million at 31 December 2021, which translates into a positive working capital of EUR 85 million and a net debt amount (positive) of EUR 15.7 million at that date. In addition, 95% of the debt service facing the dominant Company will take place in 2025 and subsequent years, minimising the Group's liquidity risk. In addition, Árima has a high-quality tenant base, which has allowed rent collection periods to remain unchanged. In addition, the refurbishment projects continue without disrupting the Group's strategy.

12. 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 Act 15/2010, amended by Act 31/2014, are as follows:

	2021	**2020**
	Days	**Days**
Average payment period to suppliers	27	45
Ratio of transactions paid	26	48
Ratio de transactions pending payment	38	42

	Amount (thousand euros)	
Total payments made	27,535	10,335
Total payments pending	1,043	703

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. TECHNOLOGY, SUSTAINABILITY & HEALTH

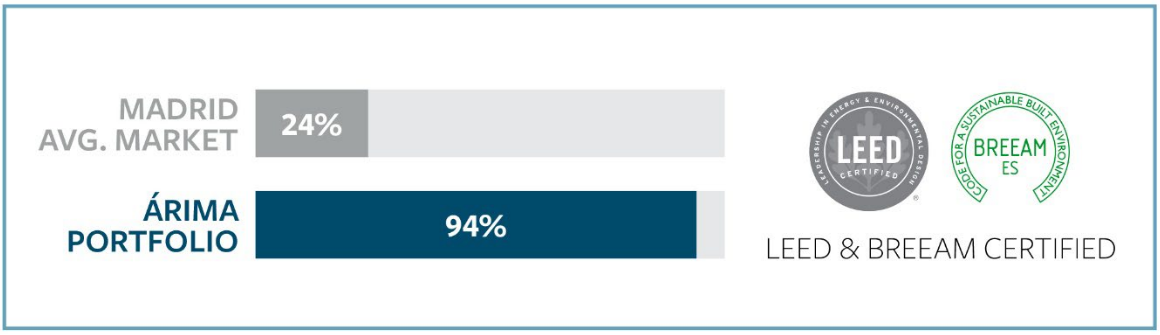
Árima is positioned at the forefront of quality in its buildings, creating sustainable and innovative, attractive and healthy spaces, inspiring creativity and talent retention.

The Group continues to focus on innovation as a driving force to achieve efficient asset management and offer cutting-edge solutions to tenants. During the year Árima has consolidated its relationship with companies such as Wallbox, to electrify a large part of the parking spaces. Facilitating and promoting electric mobility in the assets is part of the strategy to provide the assets with the highest levels of sustainability, wellbeing, health, and technology in order to generate the greatest wellbeing for its tenants and to create avant-garde and attractive workspaces, which favour the retention of labour talent and set a trend in the design of office spaces in the post-Covid world.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2021

Árima is committed to obtaining the certifications that guarantee the highest standards of sustainability and health safety in the portfolio. Thus, the team works to achieve the highest LEED, WELL and BREEAM ratings for its assets, reaching a percentage of offices with sustainable certifications four times higher than the market average.



Árima's excellent track record in sustainability has been recognized during the 2021 fiscal year by GRESB (Global Real Estate Sustainability Benchmark) and EPRA (European Public Real Estate Association). On the one hand, GRESB awards Árima four stars out of a maximum of five in its benchmark index, which places the Company above the average of European office companies with an average size of EUR 4.7 bn in record time. On the other hand, EPRA has awarded the EPRA sBPR Gold and Most Improved awards in recognition of compliance with sustainability best practice recommendations and score increase respectively.

GRESB 2021

EPRA BPR GOLD

EPRA sBPR MOST IMPROVED AWARD

14. SUBSEQUENT EVENTS

From 31 December 2021 to the date of preparation of these consolidated annual accounts there have been no material subsequent events requiring disclosure.

ANNEX: Annual Corporate Governance Report and Annual Report on the Remuneration of Directors.

ÁRIMA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

PREPARATION OF THE CONSOLIDATED STATEMENTS AND THE CONSOLIDATED MANAGEMENT REPORT FOR FINANCIAL YEAR ENDED ON 31 DECEMBER 2021

The Board of Directors of the company Árima Real Estate SOCIMI, S.A. on 22 February 2022, and in compliance with the requirements set out in the article 253 of the Ley de Socieades de Capital y the article 37 of the Código de Comercio, proceeds to prepare the Consolidated Annual Accounts and Consolidated Management Report for the financial year ended on 31 December 2021, which are constituted by the attached documents that precede this writing.

Mr. Luis María Arredondo Malo President	Mr. Luis Alfonso López de Herrera-Oria Vice-President and Board Member
Mr. David Jiménez-Blanco Carrillo de Albornoz Board Member	Mr. Cato Henning Stonex Board Member
Mr. Fernando Bautista Sagüés Board Member	Mr. Stanislas Henry Board Member
Mrs. Chony Martín Vicente-Mazariegos Board Member	

Notice extended by the Secretary to the Board, placing on record that, following the preparation by the members of the Board of Directors of Árima Real Estate SOCIMI, S.A. and subsidiaries of the Consolidated Annual Accounts and Consolidated Management Report for the financial year ended on 31 December 2021 in the meeting held on 22 February 2022, all Directors have signed this document and stamped their signature on this last page, to which I bear witness, in Madrid, on 22 February 2022. I also certify that these Consolidated Annual Accounts are the same as those approved by that Board of Directors, and therefore I sign all pages.

Mr. Iván Azinovic Gamo

For the purposes of Article 8.1(b) of Real Decreto 1362/2007 of 19 October, the members of the Board of Directors of Arima Real Estate SOCIMI, S.A.

State:

That, as far as their knowledge reach, the Consolidated Annual Accounts of Árima Real Estate SOCIMI, S.A. (consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated annual accounts) for the financial year ended on 31 December 2021, prepared for the Board of Directors in the meeting held on 22 February 2022, developed in accordance with the accounting principles that are applicable, they offer the faithful image of the equity, financial situation and the results of Árima Real Estate SOCIMI, S.A.

They also state that the Consolidated Management Report supplementing the Consolidated Annual Accounts includes a faithful analysis of the evolution, business results and position of Árima Real Estate SOCIMI, S.A., as well as the description of the major risks and uncertainties it faces.

In Madrid, at 22 February 2022

Mr. Luis María Arredondo Malo
President

Mr. Luis Alfonso López de Herrera-Oria
Vice-president and Board Member

Mr. David Jiménez-Blanco Carrillo de Albornoz
Board Member

Mr. Cato Henning Stonex
Board Member

Mr. Fernando Bautista Sagües
Board Member

Mr. Stanislas Henry
Board Member

Mrs. Chony Martín Vicente-Mazariegos
Board Member