VBARE Iberian Properties SOCIMI, S.A. and subsidiaries

Independent auditor´s report Consolidated Financial Statements and Consolidated Directors' Report at 31 December 2020 pwc

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 VBARE Iberian Properties SOCIMI, S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated Financial Statements of VBARE Iberian Properties SOCIMI, S.A. (the Parent company) and its subsidiaries (the Group), which comprise Statement of Financial Position as at December 31, 2020, and the income statement, statement of Comprehensive income, statement of changes in equity, statements of cash flows and notes to the consolidated financial statements, all consolidated, for the year then ended.

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

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* 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 financial statements 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.

Most relevant aspects of the audit

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

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Most relevant aspects of the audit	How our audit addressed the key audit matter
Valuation of investment property At 31 December 2020, investment property accounts for 94% of the Group's assets. The Group applies the fair value model in accordance with IAS 40, recognizing any changes in that value in the consolidated income statement, as described in Note 3.3. Accordingly, the Group has recognized an impairment in the fair value of the investment property in its portfolio amounting to €3.276 thousand at 31 December 2020, as described in Note 6. The Group recognizes the market value of the investment property based on the valuations performed by independent experts. The valuations were performed in accordance with the Valuation and Appraisal Standards published by the Royal Institute of Chartered Surveyors (RICS) of Great Britain, and the method has been described in Note 6 to the accompanying consolidated financial statements. In note 6 of the consolidated financial statements it is mentioned that the Group's external valuers has made the valuation of the investment property on the basis of a "material valuation uncertainty" as a consequence of the pandemic generated by COVID-19. Accordingly, the external valuers recommend that this fact be taken into account when making decisions based upon the external valuation and also recommend be kept under review. The degree of uncertainty in the assumptions applied to the calculation of that market value and the level of estimations that exist in the valuation methods applied, lead the valuation of investment property to be considered a most relevant aspect of the audit.	We obtained the investment property valuation prepared by independent management's experts and we applied the following procedures, among others: • Verification of the competence, capacity and independence of the experts by obtaining confirmation and verification of their recognized prestige in the market, and we discussed the main aspects of the valuation at meetings held with the experts. • Verification that the valuation has been performed in accordance with the RICS method and may be used to value investment property in the consolidated financial statements. • Performance of selective tests to determine and verify the accuracy of the most relevant information provided by management to the appraisers and used by them in their valuation. • Verification of the adequacy of the method and assumptions used according to market conditions. As a result of the procedures carried out, we consider that the results of investment property valuation carried out by the Parent's management, taking into account the uncertainty indicated in the independent experts' valuation reports as a result of the pandemic generated by COVID-19 and disclosed in note 6 to the accompanying consolidated financial statements, falls within a reasonable range taking into account market conditions in place at the date to which it refers. Furthermore, we evaluated the sufficiency of the information disclosed in the financial statements prepared by VBARE Iberian Properties SOCIMI, S.A. and subsidiaries regarding this matter, considering that it is consistent and reasonable.

Other information: Consolidated directors' report

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

Our audit opinion on the consolidated financial statements does not cover the consolidated director's report. Our responsibility regarding the consolidated director's report, in accordance with legislation governing the audit practice, is to evaluate and report on the consistency between the consolidated director's report and the consolidated financial statements as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, and does not include information different to that obtained as evidence during our audit. Likewise, our responsibility is to evaluate and report on whether the content and presentation of the consolidated director's 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 in the previous paragraph, the information contained in the consolidated directors' report is consistent with that contained in the consolidated financial statements for the 2020 financial year, and its content and presentation are in accordance with the applicable regulations.

Responsibility of the directors for the consolidated annual accounts

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

In preparing the consolidated financial statements, 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 directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements 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 financial statements.

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 financial statements, 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 financial statements 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 financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. 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 directors 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.

From the significant risks communicated with the Parent company´s directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are, therefore, considered to be the most significant risks..

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

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by Gonzalo Sanjurjo Pose (18610)

15 March 2021

VBARE Iberian Properties SOCIMI, S.A. and subsidiaries

Annual Consolidated Financial Statements at 31 December 2020 prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and Consolidated Directors' Report of the year 2020

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Consolidated Statement of Financial Position as at 31 December 2020 and 31 December 2019

(€ Thousand)

Assets	Notes	31 December 2020	31 December 2019
Non- Current Assets		**69,459**	**73,113**
Property, plant and equipment		35	4
Investment properties	6	69,210	72,945
Non - Current financial assets	7	214	164
Current Assets		**4,065**	**2,938**
Advance to suppliers	7	56	44
Trade and other receivables		301	115
Trade debtors	7	156	53
Other receivables from Public Administrations	12	145	62
Short term accruals		44	50
Cash and cash equivalents	7, 8	3,664	2,729
Total Assets		**73,524**	**76,051**

Notes 1 to 20 and Appendix I and II of the accompanying notes are an integral part of these Consolidated Financial Statements for the year ended 31 December 2020.

Consolidated Statement of Financial Position as at 31 December 2020 and 31 December 2019

(€ Thousand)

Equity and Liabilities	Notes	31 December 2020	31 December 2019
Net Equity		**49,870**	**55,626**
Share capital	9	18,049	18,049
Share Premium	9	20,605	22,007
Treasury shares	9	(518)	(420)
Retained earnings	9	11,734	15,990
Non-current Liabilities		**22,350**	**19,373**
Non-current financial liabilities		22,350	19,373
Bank Borrowings	7,11	22,024	18,948
Other financial liabilities	7	326	425
Current Liabilities		**1,304**	**1,052**
Current financial liabilities		624	493
Bank Borrowings	7,11	624	493
Trading creditors and other accounts payable		680	559
Trade Payables	7	589	393
Trade payables, group companies and associates	7,16	14	23
Accruals, wages and salaries	7	37	52
Other payables with Tax Administration	12	35	70
Advances from creditors	7	5	21
Equity and Liabilities		**73,524**	**76,051**

Notes 1 to 20 and Appendix I and II of the accompanying notes are an integral part of these Consolidated Financial Statements for the year ended 31 December 2020.

Consolidated Income Statement for the year ended 31 December 2020 and 31 December 2019

(€ Thousand unless otherwise stated)

Continuing operations	Note	31 December 2020	31 December 2019
Gross Rental income	6	2,037	1,833
Other operating income	6	22	26
Personal expenses	13	(505)	(509)
General and administrative expenses	13	(2,037)	(1,911)
Realize gain (Loss)and change of fair value on investment properties	6	(3,316)	4,384
Operating result		**(3,799)**	**3,823**
Finance result	13d	(457)	(389)
Profit for the period		**(4,256)**	**3,434**
Corporate income tax	12	-	-
Profit for the period attributable to the shareholders		**(4,256)**	**3,434**
Basic and diluted earnings per share (Euro)	9	**(1.19)**	**1.19**

Notes 1 to 20 and Appendix I and II of the accompanying notes are an integral part of these Consolidated Financial Statements for the year ended 31 December 2020.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2020 and 31 December 2019

(€ Thousand)

	Note	31 December 2020	31 December 2019
Profit for the year		(4,256)	3,434
Other comprehensive income:			
Items that may subsequently be reclassified to results		-	-
Items that will not be reclassified to results		-	-
Total comprehensive income for the year		**(4,256)**	**3,434**
Attributable to the Parent Company's shareholders		**(4,256)**	**3,434**

Notes 1 to 20 and Appendix I and II of the accompanying notes are an integral part of these Consolidated Financial Statements for the year ended 31 December 2020.

Consolidated Statement of Changes in Equity for the year ended 31 December 2020 and 31 December 2019

(€ Thousand)

	Share Capital	Share Premium	Treasury shares	Retained earnings	Total
OPENING BALANCE AS AT 1 JANUARY 2019	**11,949**	**12,887**	**(247)**	**12,556**	**37,145**
Profit for the year	-	-	-	3,434	3,434
Transactions with shareholders					
Share capital increase (net of issuance costs)	6,100	10,140	-	-	**16,240**
Distribution of share premium	-	(1,020)			**(1,020)**
Operation with treasury shares	-	-	(173)	-	(173)
FINAL BALANCE AS AT 31 DECEMBER 2019	**18,049**	**22,007**	**(420)**	**15,990**	**55,626**
OPENING BALANCE AS AT 1 JANUARY 2020	**18,049**	**22,007**	**(420)**	**15,990**	**55,626**
Profit for the year	-	-	-	(4,256)	(4,256)
Transactions with shareholders					
Share capital increase (net of issuance costs)	-	-	-	-	-
Distribution of share premium	-	(1,402)	-	-	(1,402)
Operation with treasury shares	-	-	(98)	-	(98)
FINAL BALANCE AS AT 31 DECEMBER 2020	**18,049**	**20,605**	**(518)**	**11,734**	**49,870**

Notes 1 to 20 and Appendix I and II of the accompanying notes are an integral part of these Consolidated Financial Statements for the year ended 31 December 2020.

Consolidated Statement of Cash Flows for the year ended 31 December 2020 and 31 December 2019

(€ Thousand)

	Note	31 December 2020	31 December 2019
CASH FLOW FROM OPERATING ACTIVITIES		**(694)**	**(1,503)**
Profit for the year		**(4,256)**	**3,434**
Adjustments required to reflect the cash flows from operating activities:		**3,562**	**(4,937)**
Income and expenses not involving cash flows:		**3,773**	**(3,946)**
- Loss (Gain) from fair value on investment properties	6	3,316	(4,384)
- Variation in provisions and losses on bad debts	7	-	49
- Finance income	13d	-	-
- Finance expense	13d	457	389
Changes in operating asset and liability items:		**(211)**	**(991)**
- Trade receivables and other accounts receivables		(243)	(160)
- Trade payables and other accounts payables		32	(831)
CASH FLOW FROM INVESTING ACTIVITIES		**388**	**(18,465)**
- Payments for Property, Plant and equipment		(32)	(1)
- Payments for investment properties	6	(1,611)	(18,786)
- Collections from selling investments properties	6	2,031	322
CASH FLOW FROM FINANCING ACTIVITIES		**1,241**	**17,638**
- Collections from capital increase (net of issuance costs)	9	-	16,240
- Payments on acquisitions of treasury shares	9	(140)	(273)
- Collections on disposals of treasury shares	9	42	100
- Distribution of share premium	9	(1,402)	(1,020)
- Collections from bank financing (net of arrangement fees)	11	4,285	3,430
- Payments for bank financing	11	(1,544)	(839)
Net increase in cash & cash equivalents		**935**	**(2,330)**
Cash & cash equivalents at beginning of the year	8	2,729	5,059
Cash & cash equivalents at the end of the year	8	**3,664**	**2,729**

Notes 1 to 20 and Appendix I and II of the accompanying notes are an integral part of these Consolidated Financial Statements for the year ended 31 December 2020.

Notes to the Annual Consolidated Financial Statements for the year ended 31 December 2020

1. General information

VBARE Iberian Properties SOCIMI, S.A. (hereafter the "**Company**" or the "**Parent Company**"), is a private company, which was incorporated on 5 March 2015, in Spain in accordance with the revised text of the Capital Companies Act approved by Royal Legislative Decree 1/2010 of 2 July ("the Capital Companies Act") by public deed executed before the notary of Madrid, Mr. Antonio Morenés Gilés, with number 267/15 of its protocol, filed in the Madrid Mercantile Registry, volume 33,274, sheet 61, section 8, page M-598783, entry 1. Its registered office is at Calle General Castaños, 11, 1º Izq. 28004 - Madrid.

On 21 of April 2015 the Company changed its corporate name from VBA Real Estate Investment Trust 3000, S.A. to VBA Real Estate Investment Trust 3000, SOCIMI, S.A., by public deed executed before the notary and registered in the Mercantile Registry of Madrid.

On the same date, it was publicly registered the minute of the Universal Meeting of Shareholders held on 23 March 2015 where it was agreed to apply the scheme for the Spanish Real Estate Investment Trust Regime (hereafter "Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario" or "SOCIMI"), regulated by the Law 11/2009, of October 26, also, amended by the Law 16/2012, of 27 December.

Afterwards, on 13 of May 2015, and with retroactive effects from the financial year beginning since its incorporation, on 5 March 2015, the Company formally informed to the Tax Authorities of its tax registered office, the option chosen by its shareholders to be eligible for the SOCIMI special regime regulated by the SOCIMI Law 11/2009, of October 26, amended by the Law 16/2012, of 27 December.

On 7 September 2016, the General Shareholders' Meeting of the Company resolved to change its corporate name to the current one (VBARE Iberian Properties SOCIMI, S.A.). These resolutions were formalized into public deed before notary public on 21 September 2016 and registered with the Mercantile Registry of Madrid on 28 September 2016 and 6 October 2016.

All the shares of VBARE Iberian Properties SOCIMI, S.A. are listed since 23 December 2016, and they are traded on the market for BME Growth of BME MTF Equity (formerly alternative stock Market "MAB").

The Company's main activity is the acquisition, development and management of real estate investment properties in Spain for leases purposes under the Law 11/2009 of October 26, also, amended by the Law 16/2012, of 27 December regulating the Sociedades Anónimas Cotizadas de Inversion en el Mercado Inmobiliario (the "**SOCIMI**" Law).

Its corporate objects according to its bylaws consist in:

a. The acquisition and refurbishment and development of urban properties for leasing purposes. Development activity includes the rehabilitation of buildings in the terms established by Law 37/1992, of 28 December, of the Value Added Tax.

b. The ownership of interests in the share capital of other Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario (SOCIMIs) or other companies not resident in Spain with a corporate object identical to that of the former and that are subject to a regime similar to that established for the SOCIMI in relation to the mandatory, legal or statutory profit distribution policy.

c. The ownership of interests in the share capital of other companies, resident or not in Spain, which its main corporate object is the acquisition of urban properties for leasing purposes, that are subject to a regime similar to that established for the SOCIMI in relation to the mandatory, legal or statutory profit distribution policy and meet the investment requirements regulating the SOCIMIs.

d. The ownership of shares or ownership interests in property Collective Investment Undertakings ("Instituciones de Inversión Colectiva Inmobiliaria") governed by the Collective Investment Undertakings Law 35/2003, of 4 November. The Company is regulated in accordance with the Capital Companies Act.

e. Any other activities ancillary to those referred to above, meaning any activities generating, in the aggregate, less than 20% of the income of the Company for each tax period or otherwise deemed ancillary in accordance with applicable laws from time to time.

SOCIMI Regime

VBARE Iberian Properties SOCIMI, S.A. is regulated in accordance with the Law 11/2009, of October 26, also, amended by the Law 16/2012, of 27 December, governing Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario. On the Articles 3 to 6 of the mentioned law it is stated the main requirements and obligations to be complied with by this kind of companies:

Investment requirements (Art. 3)

1. The SOCIMI must have invested at least 80% of the value of their assets in urban properties for leasing purposes, in land to develop properties to be earmarked for that purpose, provided that development begins within three years following its acquisition, and in equity investments in other companies referred to in Article 2.1 of above-mentioned Law 11/2009, of October 26.

   The mentioned percentage will be calculated on the consolidated balance sheet in the event that the Parent Company of a group according to the criteria set out in Article 42 of the Code of Commerce, regardless of the residence and the obligation to prepare Consolidated Financial Statements. The group will be composed exclusively by the SOCIMI and the other entities that paragraph 1 of Article 2 of the Law that regulates concerns.

   The asset value is determined by the average of the quarterly individual or consolidated balance sheets of each financial year. The Company can choose to calculate that value by substituting the book value by the market value of the elements of such balance sheets, which apply to all balances sheet for the financial year.

2. At least 80% of the income for the fiscal year corresponding to each year, excluded those arising from the transfer of the shares and investment properties used by the Company to achieve its main corporate object, once the retention period referred to below has been elapsed, should arise:

   - From the lease of investment properties
   - From dividends or profit on shares coming from the aforementioned investments

   This percentage will be calculated on the consolidated result in the event that the Company is the parent of a group according to the criteria set out in Article 42 of the Code of Commerce, regardless of the residence and the obligation to prepare Consolidated Financial Statements. The group will be composed exclusively by the SOCIMI and the other entities that paragraph 1 of Article 2 of the Law that regulates concerns.

   The Company is the parent company of the VBARE Group (hereafter 'the Group'), accordingly, the requirements as explained above will be calculated based on the consolidated figures of the Group.

3. The investment properties included in the Company's assets should remain leased for at least three years. The time during which the properties have been made available for lease will be included in calculating this term, with a maximum of one year.

   In this sense, the period shall begin:

   a) Regarding real estate assets owned by the Company before having opted for the Socimi Regime, the period would be computed from the initial date of its first tax period in which the special tax regime set out in the act, provided that at such date the property were leased or offered for lease.

   b) Regarding real estate assets subsequently acquired or promoted by the Company, from the date on which they were leased or offered for lease for the first time.

   Regarding shares in entities as specified in paragraph 1 of Article 2 of the act, they shall be maintained by the Company for at least three years from its acquisition or, if applicable, from the beginning of the first tax period in which the special tax regime set out in the act is applied.

Obligation of being listed on a regulated market or in a multilateral trading system (Art. 4)

The shares of the SOCIMI must be admitted to trading on a Spanish regulated market or a multilateral system Spanish negotiation or any other Member State of the European Union or the European Economic

Area or in a regulated market of any country or territory with in which there is an effective exchange of tax information, continuously throughout the whole tax period. The shares must be nominative.

Minimum capital required (Art. 5)

The minimum share capital figure is set at Euro 5 Million.

Results Distribution Obligation (Art. 6)

The Company must distribute as dividends, after fulfilling the mercantile requirements:

- 100% of profits from dividends by entities as stated in paragraph 1 of Article 2 of the Law 11/2009.
- At least 50% of the profits derived from the transfer of the investment properties and shares as stated in paragraph 1 of Article 2 of the Law 11/2009, made after expiry of the minimum holding periods, affected to its main corporate object. The rest of these benefits must be reinvested in other investment properties or shares affecting the attainment of that objective, within the three years following the date of transmission.
- At least 80% of the rest of the profits obtained. When the dividend distribution is made out of reserves from profits of a year in which has been applied the special tax regime, the distribution will necessarily be taken as previously described.

The agreement for the distribution of dividends must be agreed within six months following the end of each financial year and paid within the month following the date of the distribution agreement.

The obligation to distribute dividends described above will be according to regulations in force and will only work in the event that the Company records profits under Spanish accounting principles.

However, the company intends to propose the distribution of a dividend (including the share premium, in case the Company does not generate profits in accordance with Spanish accounting principles) equivalent to 3% of the opening balance of the Consolidated Net Equity according to IFRS – EU. This annual amount will be paid in two instalments corresponding to 1,5% each, the first during the third quarter and the second after the approval of the annual accounts of the Company. For this purpose, the General Shareholders' Meeting of the Parent Company held on 12 December 2017, at the proposal of the Board of Directors of the Parent Company, approved the execution of a distribution of share premium among the shareholders in proportion to their stake in the share capital figure of the Parent Company. It has been delegated to the Board of Directors the execution of said agreement as well as for the determination of the date of payment and amount to be distributed.

On March 4, 2019, the Board of Directors of the Parent Company agreed to distribute a complementary share premium amounting 445 thousand euros (0.188 euros per share), which became effective on March 15, 2019 among the shareholders in proportion to their participation in the capital of the Parent Company.

On September 3, 2019, the Board of Directors of the Parent Company agreed to distribute a complementary share premium amounting 574 thousand euros (0.16 euros per share), which become effective on September 13, 2019 among the shareholders in proportion to their participation in the capital of the Parent Company.

On March 9, 2020, the Board of Directors of the Parent Company agreed to distribute a complementary share premium amounting 573 thousand euros (0.16 euros per share), which become effective on March 16, 2020 among the shareholders in proportion to their participation in the capital of the Parent Company.

Additionally, on September 22, 2020, the Board of Directors of the Parent Company agreed to distribute a complementary share premium amounting 829 thousand euros (0.232 euros per share), which become effective on September 30, 2020 among the shareholders in proportion to their participation in the capital of the Parent Company.

As established the first Transitional Provision of the Law 11/2009 of October 26, amended by Law 16/2012, of 27 December, the SOCIMI can opt for the application of the special tax regime under the terms established in Article 8 of that Law, even if the requirements are not completed, but such requirements are met within two years from the date since the Company opted for the SOCIMI regime.

As of December 31 2020, and 2019, the Company meets all the requirements of the SOCIMI regime according to the Parent Company's Directors.

The failure to comply with any of the above conditions means that the Company will be taxed under the general corporate income tax regime, from the tax period in which such failure arises, unless it would be restored in the following year. In addition, the Company will be obligated to pay the quote of the currently tax period, and also the difference between the amount that the tax resulting from applying the general corporate income tax regime and the tax paid resulting from applying the SOCIMI regime in previous tax periods, subject to corresponding interest, recharges and penalties, if any, may be applicable.

The tax rate of the SOCIMI in the Corporate Income Tax is set at 0%. However, if the dividends that SOCIMI distribute to its shareholders with a holding percentage higher than 5% are exempt or taxed at a rate lower than 10%, the SOCIMI is subject to a special tax rate of 19%, which will be considered as corporate income tax on the amount of dividend distributed to such shareholders. To be applicable, this special rate must be satisfied by the SOCIMI within two months from the date of the dividend distribution.

The Company is the parent of a group of companies, and presents its Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS - EU). As at 31 December 2020 and 2019, VBARE Iberian Properties SOCIMI, S.A. is the parent company of the VBARE Group.

1.1. Subsidiaries

The Company is the parent company of a group of companies and is therefore the Parent Company of the following subsidiary as at 31 December 2020 and 31 of December 2019:

December 31, 2020 and 2019

Company name	Address	Activity	Shareholding %	Consolidation Method
VBA SUB 2018, S.L.U.	Spain	Real Estate	100% - direct	Full consolidation

On September 26, 2018, the Company acquired 100% of the shares of VBA SUB 2018, S.L.U. (the "Dependent Company") (previously named "Milandia Investments, S.L.U) for an amount of 3 thousand euros. Since 18 February 2020, the registered office and tax domicile of this subsidiary is calle General Castaños 11, 1º Izq. 28004, Madrid.

On September 27, 2018 the Parent Company as sole shareholder of VBA SUB 2018, S.L.U. decided to opt for the Socimi regime with retroactive effect from January 1, 2018.

1.2. Management Agreement

The following information highlights the most relevant points of certain management agreements originally signed in English language.

On 15 April 2015 the Company and VBA Real Estate Asset Management 3000, S.L., a private Spanish company, (the "**Management Company**") signed a management agreement (as amended) (hereafter the "**Management Agreement**") which determines the relationship between the parties. The Management Agreement. describes the main services that the Management Company will be rendering to the Company on an exclusive basis. A description of some of these services is the following:

1) Management of the acquisitions or sales of the assets, refurbishments, maintenance, insurance, rental of the properties, IT platform, overseeing of the property management, and coordination with the Company's legal advisor and with the origination companies to validate opportunities and present such to the Board of Directors, as well as to acquire, lease, sell, transfer or otherwise exchange or dispose of real estate properties on behalf of the Company and to enter and execute any agreement, contract, or arrangement in relation with the purchase, acquisition, holding, lease, exchange, transfer, sell or disposal of any property or property related investment, among other.

2) Provide the Company with services of Key Executive.

3) Provide the Company with strategic services, including formulating the general investment policy of the Company, assistance in locating investment opportunities, raising of capital and other funds by the Company and assistance in locating and contracting with service providers, as well as entering into financing agreements and ancillary agreements or documents on behalf of the Company.

The Management Agreement took effect on 2 July 2015, the date on which initial funds were raised by the Company. According to the Management Agreement, all of the following definitions and calculations are made in accordance and over the consolidated financial statements under IFRS-EU.

a) **"Management fee"**: The Management Company shall be entitled to receive a Management Fee which will be calculated quarterly (as defined in the Management Agreement), starting as of the calendar quarter on which the Company has made its first real estate investment. The Management Fee for the Relevant Quarter (as defined in the Management Agreement) will be the result of multiplying 0.25 in the Relevant Management Fee Percentage and in the FS Asset (as defined in the Management Agreement).

   In any case, VAT shall be added to all payments made in accordance with this section.

b) "**Relevant Management Fee Percentage**" means, the percentage set forth in the table below, with respect to the FS Asset:

FS Asset (Euro Million)	Progressive Management Fee as a Percentage of the FS Asset
0 to 60	1%
60.01 to 120	0.9%
120 01 to 250	0 8%
250.01 to 500	0.7%
Above 500	0 6%

c) **"Success fee"**: The Company shall pay the Management Company a Success Fee at a rate of 16% multiplied by (1+ applicable VAT rate) of the profit obtained by the Company resulting from its consolidated financial statements prepared under IFRS-EU, The Success Fee shall be subject to a Catch Up Mechanism (including Catch Up for previous years with respect to which the Accrued Catch Up Amount was not fully paid) and shall only be paid after and subject to meeting the minimum Hurdle Rate Amount (at a rate of 8% calculated severally for each annum, based on the formula set forth in the Management Agreement), and subject to a high water mark mechanism (applied on an annual basis), it being clarified that the Success Fee shall be calculated severally for each annum (as defined in the Management Agreement).

   The Company shall pay to the Management Company the Success Fee on the following dates:

   (a) For any Relevant Annum, within 7 Business Days of the execution date of the Company's audited annual consolidated financial statements for such Relevant Annum;

   (b) To the extent the Company is liquidated during a Relevant Annum – on the date of the Company's liquidation.

   The Management Company shall have the option, by providing the Company with written notice no later than 31 December of each Relevant Annum to receive all or a part of the Success Fee for such Relevant Annum in listed and tradable shares of the Company. The amount of shares to be issued to the Management Company shall be the result of dividing the Success Fee (excluding VAT) by the quoted price per share of the Company based on the average trading price during the 30 trading days prior to the exercise and consummation of such option. VAT shall be paid in immediately available funds, even if the Success Fee is paid in Company shares, as provided in this clause.

   The success fee is valid until December 31, 2018 and new success fee enter in force as amended and described in Note 1.3 below.

d) **Expenses**: Except for the Management Company Costs and Expenses (as defined in the Management Agreement), the Company shall bear all the costs and expenses related to its business activity. The Company shall bear all costs and expenses relating to its establishment, including all costs relating to the registration and incorporation of the Company; costs relating to the Initial Offering, agent fees and so forth.

e) **Term of the Management Agreement**. The Management Agreement shall be subject to an initial term of five years (the "**Initial Period**") and neither party may terminate this agreement during the Initial Period except in the circumstances set out in the Management Agreement. After the Initial Period shall have elapsed, this Management Agreement shall continue to be in force for consecutive three years renewal periods without any actions required by either of the Parties, except that at any time, after the end of the Initial Period, each of the Management Company and the Company (by resolution of the shareholders of the Company passed by a majority of at least 75% of the Company's voting rights), shall have a right to terminate the Management Agreement, by giving the other party a 180 days prior notice.

1.3. Amendment to the Management Agreement

On June 19, 2019, the Company´s shareholders and the Management Company´s shareholders approved to amend the Management Agreement (the "Amendment") in the following terms and always subjected to the success of the capital increase approved on June 19, 2019 by VBARE´s Shareholders Meeting in a minimum amount of 12,500,000 euros, condition which has been accomplished on August 2, 2019:

1. From January 1, 2019, the success fee will be calculated as a 16% plus Value Added Tax of the Distributable Amount of the Relevant Year (as defined in the Amendment) (the "**new Success Fee**"). The new Success Fee shall only be paid after and subject to meeting an annual Hurdle Rate of 6% and based on a fully Catch-Up mechanism. The Success Fee is subjected to annually high-water mark mechanism which is reflected in the definitions and formulas in the Amendment.

2. The Distributable Amount of the Relevant Year derived, inter alia, from the annual increasing in the Company share price, which will be the difference between the weighted average Company's end year share price in the last 90 trading days, but not less than 15.7 euros per share, adjusted for dividends, other distributions and capital increase made during the relevant year.

3. The new Success Fee will be paid in ordinary shares of the Company, except for the applicable Value Added Tax that will be paid in cash.

4. The Company shall pay the new Success Fee to the Management Company within seven Business Days from the date on which the Company's general shareholders meeting approves the Consolidated Annual Accounts according to the IFRS of the Relevant Year.

5. Additionally, it has been agreed that the termination date of the Management Agreement will be 31 December 2024 unless the Company starts its own liquidation before 31 December 2024. In this case the Management Agreement will be extended for two additional years until 31 December 2026, or until the date of liquidation of the Company.

6. In the event of termination of the Management Agreement, the Company shall not pay the Management Company any Termination Fee, if (a) the liquidation of the Company occurs, or (b) a breach of the Management Agreement by the Management Company declared by a competent court or authority, or (c) starting from April 2020, as part of a successful tender offer subject that at least 75% of the Company´s shareholders approve to terminate the Management Agreement with a minimum 180 days' notice period.

   A liquidation of the Company can occur also as from the calendar year 2022 if (a) the net equity of the Company, according to the audited IFRS consolidated annual accounts, as at 31 December 2021 is lower than 100,000,000 euros or (b) the average daily trading volume during 2021 is lower than 75,000 euros.

7. In the event of termination of the Management Agreement before 31 December 2024, except per clause 6 above, because at least 75% of the Company´s shareholders approve to terminate the Management Agreement, the Company shall pay to the Management Company a termination fee ("**Termination Fee**") equal to the sum of (i) the management fee paid in the year previous to the

termination, multiplied by two, and (ii) the annual success fee to be paid for the two calendar years following the date of termination of the agreement.

8. In the event of tender offer, the new Success Fee will be paid in cash, and the Distributable Amount of the Relevant Year as describe above will derived from the price per share paid in the tender offer and all the definitions shall be construed accordingly to the date of the actual execution.

9. In the event of liquidation of the Company, the Management Company will manage the liquidation of the Company's assets, including assets portfolio, repayment of all debts by the Company and subsequently distribute the liquidation's proceeds to shareholders with the majorities applicable by law, subject to the fulfilment of clause 1 above. In such event, the Company shall sell or dispose of its entire portfolio (on a consolidated basis) and distribute to shareholders all amounts in cash resulting from such distribution or otherwise available upon compliance with all its legal and contractual obligations.

2. Basis of preparation of the Consolidated Financial Statements

These Consolidated Financial Statements were obtained from the accounting records of the Parent Company and its subsidiary as of 31 December 2020 and are presented in accordance with the International Financial Report Standards (IFRS) and the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union (together, IFRS-EU), pursuant to Regulation (EC) No, 1606/2002 of the European Parliament and Council and successive amendments.

The comparative figures included in the Consolidated Financial Statements refer to the year ended 31 December 2019.

VBARE Iberian properties Socimi, S.A. stand-alone and consolidated annual accounts for the fiscal year ended 31 December 2019 were issued by the Board of Directors on 18 February 2020 and approved by the shareholders in a General Shareholders Meeting on 24 March 2020.

The Parent Company's Directors have prepared these Consolidated Financial Statements for year ended 31 December 2020 on a going-concern basis.

The preparation of these Consolidated Financial Statements in conformity with IFRS-EU requires the use of certain critical accounting estimates. It also requires that Directors exercise judgment in the process of applying the Group's accounting policies. In Note 4 of the current notes are disclosed the areas that require a higher level of judgment or complexity and areas where assumptions and estimates have a significant effect on the Consolidated Financial Statements.

During the year ended 31 December 2020 there were no significant changes on estimates made at the end of the previous fiscal year.

The presentation currency of the Consolidated Financial Statements is the Euro, which is the Group's functional currency.

The figures stated in these Consolidated Financial Statements are expressed in Euro Thousand, unless otherwise stated.

New IFRS - EU standards, amendments and IFRIC interpretations issued

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

- IFRS 3 (Modification) – "Definition of business."
- IAS 1 (Modification) and IAS 28 (Modification) – "Definition of materiality and relative significance."
- IFRS 9 (Modification), IFRS 7 (Modification) and IAS 39 (Modification) – "Interest rate benchmark reform".
- IFRS 16 (Modification) "Leasing rents reductions due to COVID-19":

For the purposes of IFRS-EU, the amendments must be applied retrospectively and are applicable no later than June 1, 2020 for fiscal years beginning on January 1, 2020.

As of the date of preparation of these consolidated financial statements, the Company has carried out a preliminary analysis of the impacts that the new accounting standards will have on the consolidated financial statements, reaching the conclusion that they will not be significant.

b) Standards, amendments and interpretations applied to existing standards that have not been adopted by the European Union but that can be adopted in advance:

- IFRS 4 (Modification) "Extension of the temporary exemption from applying IFRS 9"
- IFRS 9 (Modification), IAS 39 (Modification), IFRS 7 (Modification), IFRS 4 (Modification) and IFRS 16 (Modification) "Reference interest rate reform: Phase 2

The modifications will apply to the annual exercises that begin as of January 1, 2021, although their early application is allowed.

c) Standards, amendments and interpretations applied to existing standards that cannot be adopted in advance or that have not been adopted by the European Union:

- IFRS 10 (Modification) y IAS 28 (Modification) – "Sale of contribution of assets between an investor and its associates of joint venture."
- IFRS 17 – "Insurance contract."
- IFRS 17 (Modification) "Modifications to IFRS 17"
- IAS 1 (Modification) – "Clasification of liabilities as current or non-current."
- IAS 16 (Modification) " Property, plant and equipment - Income obtained before intended use"
- IAS 37 (Modification) – "Onerous contracts – Cost of breaching a contract."
- IFRS 3 (Modification) – "Reference to Conceptual Framework."

Annual Improvements to IFRS. Cycle 2018 - 2020:

The amendments affect IFRS 1, IFRS 9, IFRS 16 and IAS 41 and apply to annual periods beginning on January 1, 2022. The main amendments refer to:

- IFRS 1 "First-time adoption of IFRS"
- IFRS 9 "Financial Instruments"
- IFRS 16 "Leases"
- IAS 41 "Agriculture"

The annual improvements are pending approval by the European Union.

The Administrators of the parent company have not considered the early application of the Rules and Interpretations detailed above and in any case their application will be considered by the Group once they have been approved, where appropriate, by the European Union.

3. Accounting policies

The main accounting principles, policies and measurement criteria used by the Group in preparing the current Consolidated Financial Statements and which are in conformity with the IFRS-EU in force at the date of the corresponding Consolidated Financial Statements are detailed below:

3.1. Consolidation policies

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration paid for the acquisition of a subsidiary consists of the fair value of the assets transferred, the liabilities incurred with the former owners of the acquired company and the equity shares issued by the Group. The consideration transferred includes the fair value of any asset or liability deriving from an agreement for contingent consideration. The identifiable assets acquired, and the liabilities and contingent liabilities assumed on a business combination are initially measured at fair value on the acquisition date. For each business combination, the Group may opt to recognize any non-controlling interest in the acquired at fair value or at the proportional part of the non-controlling interest of the amounts recognized in respect of the net identifiable assets of the acquired.

Related costs are expensed in the year in which they are incurred.

If the business combination is achieved in stages, the carrying value on the acquisition date of the acquirer's previously held equity interest in the acquired is re-measured at fair value at the acquisition date. Any gain or loss arising on this subsequent measurement is recognized in profit or loss for the year. Any contingent consideration to be transferred by the Group is recognized at fair value on the acquisition date. Subsequent changes in the fair value of contingent consideration classified as an asset or a liability are recognized in accordance with IAS 39 in profit or loss or in other comprehensive income. Contingent consideration which is classified as equity is not re-measured and its subsequent settlement is recognized in equity.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Amounts presented by the subsidiaries have been adjusted where necessary to adapt them to the Group's accounting policies.

(b) Changes in the ownership stakes in subsidiaries without any change in control

Transactions involving non-controlling shareholdings that do not result in a loss of control are recognized as equity transactions, i.e. as transactions with owners in their capacity as such. The difference between the fair value of the compensation paid and the acquired proportional amount of the carrying value of the subsidiary's net assets is recognized under equity. Gains or losses on the disposal of non-controlling shareholdings are recognized under equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any shareholding retained in the Company is restated at fair value on the date on which control is lost, recognizing the change in the carrying value in the income statement. Fair value is the initial carrying value for the purposes of the subsequent recognition of the shareholding maintained as an associate, joint venture or financial asset. In addition, any amount previously recognized under other comprehensive income with respect to that company is recorded as if the Group had directly sold the related assets and liabilities. This could entail that the amounts previously recognized in the other comprehensive income are reclassified to the income statement.

3.2. Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated income statement during the reporting period in which they are incurred.

Depreciation of property, plant and equipment, is calculated systematically using the straight-line method over the assets' estimated useful lives based on the actual decline in value brought about by operation, use and possession.

The estimated useful lives are as follows:

Property, plant & equipment	Useful life (years)
Furniture	5
Data-processing equipment	5

Any changes which, if appropriate, may arise in the residual value, useful life and depreciation method of an asset are reflected as changes in the accounting estimates unless it relates to an error. When the value of an asset exceeds its estimated recoverable amount, its value is reduced immediately to its recoverable amount.

Gains and losses on the sale of property, plant and equipment are calculated by comparing the revenue obtained with the carrying value and are recognised in the consolidated income statement.

3.3. Investment property

Investment property comprises buildings under construction and development for use as investment property, which are partially or fully held to generate revenue, profits or both, rather than for use in the production or supply of goods or services, or for the Group's administrative purposes or sale in the ordinary course of business. Investment property also includes land, buildings, other constructions and furniture held to earn rents or for capital appreciation upon disposal due to increases in their respective market prices in the future.

The Parent Company's Directors do not plan to dispose of these assets in the near future and have therefore decided to recognize them as investment property in the Consolidated Statement of Financial Position.

Investment property is initially carried at cost, including related transaction costs and financing costs, if applicable. Following initial recognition, investment property is carried at fair value.

Investment properties are stated at fair value at the end of the reporting period and are not depreciated in accordance with the provisions of IAS 40.

Gains or losses arising from changes in the fair value of investment property are included in the consolidated income statement in the period in which they arise.

Subsequent expenses are recognized at the asset's carrying value only when it is likely that future profits associated with the expenses will flow to the Group and the item's cost may be reliably measured. Other repair and upkeep expenses are recognized under expenses for the year in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is written off.

In accordance with IAS 40, the Group periodically determines the fair value of its investment property to ensure the fair value reflects the actual market conditions of the investment property at that date. Fair value is determined quarterly based on independent expert appraisals.

Initial direct costs incurred by the Group in negotiating and arranging an operating lease, such as letting fees, are added to the fair value of the leased investment properties and recognised as an expense over the minimum lease term on the same basis as the lease income, according to IAS 40 and IAS 17.

3.4. Leases

Leases are always classified as finance leases whenever the terms thereof reveal that the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee.

All other leases are classified as operating leases. As at 31 December 2020 and 31 December 2019, the Group has no finance leases.

<u>Operating Lease</u>

a) Group is the lessee:

Expenses arising from operating leases are charged to the consolidated income statement in the year in which it accrues.

b) Group is the lessor:

Income arising from operating leases is charged to the consolidated income statement in the year in which it accrues.

Any charges that might be made when entering into an operating lease is treated as an advance payment charged as income over the lease term, as they are assigned or receive the benefits of the leased asset on a straight-line basis.

3.5. Financial Assets

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities over 12 months from the date of the consolidated statement of financial position are classified as non-current assets.

These financial assets are initially measured at fair value, including transaction costs that they are directly attributable and subsequently at amortized cost, recognizing the interest accrued based on their effective interest rate, defined as the rate that equals the value carrying the instrument with all its estimated cash flows to maturity.

Notwithstanding the foregoing, the trade receivables maturing in less than one year are measured both at the time of initial recognition and subsequently at their nominal value provided that the effect of not discounting flows are not significant.

At least at the year end, the necessary value adjustments are made to account for impairment when there is objective evidence that all receivables will not be collected.

The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate prevailing at the date of initial recognition. Value adjustments, and reversals, where applicable, are recognized in the consolidated income statement.

3.6. Financial Liabilities

a) Creditors and Payables

This includes trade and non-trade payables. Borrowings are classed as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months as from the consolidated statement of financial position date.

Payables are initially recognized at fair value, adjusted for directly attributable transaction costs, and subsequently measured at amortized cost using the effective interest method. The effective interest rate is the discount rate that brings the instrument's carrying amount into line with the expected future flow of payments to the maturity date of the liability.

Trade payables falling due in less than one year without a contractual interest rate are carried at their face value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.

The Group de-recognizes a financial liability when the obligation is extinguished.

When an exchange of debt instruments occurs, provided they have substantially different conditions, the lower of the original financial liability is recorded and the new financial liability is recognized. In the same way a substantial change in the current conditions of a financial liability is recorded. The difference between the carrying amount of the financial liability, or part thereof has been discharged, and the consideration paid, including attributable transaction cost, and which also includes any new different asset transferred cash or liabilities assumed, is recognized in the consolidated income statement it occurs.

When an exchange of debt instruments that do not have substantially different conditions, the original financial liability is not derecognized from the consolidated statement of financial position, recording the amount of commission paid as an adjustment to the carrying value occurs. The new amortized cost of a financial liability is determined by applying the effective interest rate, which is one that equals the carrying amount of the financial liability at the date of modification with the cash flows payable under the new conditions.

In the event of the renegotiation of existing debts, the financial liability is not deemed to change significantly when the lender of the new loan is the same as the initial lender and the present value of cash flows, including net fees, is not more than 10% higher or lower than the present value of cash flows payable on the original liability, calculated using the same method.

Borrowings

Financial debts are initially recognised at fair value, less any transaction costs incurred. Financial debts are subsequently carried at amortised cost: any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

3.7. Cash and cash equivalents

Cash and cash equivalents include petty cash, bank accounts and deposits with credit institutions and highly liquid investments, including short-term, highly liquid deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Also, the balance of "Cash and cash equivalents" includes a certain amount which is considered restricted, whose management have been entrusted to the liquidity provider (Renta 4 Banco, S.A.) in order to facilitate the liquidity of the transactions affecting shares in the Company.

3.8. Share capital

Share capital consists of nominative ordinary shares.

The costs of issuing new shares are recognized directly in equity as a reduction in share premium.

In the event that the Company acquires treasury shares, the compensation 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 taken to equity net of directly attributable incremental costs.

3.9. Earnings per share

Basic earnings per share are calculated as the ratio between net profit attributable to the Parent Company by the weighted average number of ordinary shares outstanding during the year or period, excluding the average number of shares of the Parent Company held the Group companies.

3.10. Provisions

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Provisions are carried at the present value of forecast payments that are expected to be required to settle the obligation, using a rate before taxes that reflects the current market assessment of the time value of money and the specific risks of the obligation. The adjustments to the provision due to the restatement are recognized as a financial expense as they would have been accrued.

Provisions maturing in one year or less, the financial effect of which is immaterial, 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 the reimbursement is recognized as an independent asset, provided that receipt of the reimbursement is practically certain.

The services received under the Success Fee agreement have been treated following IFRS 2 "*Share-based payments*", recognized as a liability at fair value.

3.11. Employee benefits

a) Severance payments

Termination benefits are paid to employees as a result of the Group's decision to terminate its employment contract before the normal retirement age or when the employee agrees to voluntarily resign in exchange for such benefits. The Group recognizes these benefits when there is a proved commitment to terminate the employees in accordance with a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer to encourage a voluntary resignation. Benefits that will not be paid in the twelve months following the consolidated statement of financial position date are discounted to their present value.

b) Profit sharing and bonus plans

The Group recognizes a liability and an expense for bonus and profit sharing based on a formula that takes into account the profit attributable to its shareholders after certain adjustments. The Group recognizes an accrual when it is contractually bound or when practice in the past has created an implied obligation.

3.12. Revenue recognition

Revenue is recognized in profit or loss when it can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenues from rental incomes are recognized as fair value of the consideration less trade discounts, volume discounts and taxes.

When the Group acts as a principal and is exposed to the risks associated with the transaction, revenues are presented on a gross basis. When the Group acts as an agent and is not exposed to the risks and rewards associated with the transaction, revenues are presented on a net basis. Revenues are measured at the fair value of the consideration less any trade discounts, volume rebates and returns.

Rental income

Rental income is recognised on a straight-line basis over the best estimate of the term of the lease. In the event that a lease contract is terminated earlier than expected, the registration of the outstanding rent or bonus is recorded in the last period before the end of the contract.

3.13. Operating segment information

Information on operating segments is reported on the basis of the internal information supplied to the ultimate decision-making body, the Board of Directors, which have been identified as the highest decision-making authority, being responsible for allocating resources and assessing the performance of operating segments.

The members of the Board of Directors have established that the Group has only one activity segment as at the date of these Consolidated Financial Statements.

3.14. Income taxes

General Tax regime

The expense or income from the income tax includes both current and deferred taxes. Taxes are recognized in profit or loss, except to the extent that they relate to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current tax expense is calculated based on the laws approved or about to be approved at the balance sheet date in the countries in which the Company operates and those that generate positive taxable bases. The Directors periodically evaluate the positions taken in the tax returns regarding situations in which the applicable tax regulation is subject to interpretation, and, if necessary, establishes provisions based on the amounts expected to be paid to the tax authorities.

Deferred taxes are recognized for temporary differences that arise between the tax bases of assets and liabilities and their carrying amounts in the annual accounts. However, deferred taxes are not recognized if they arise from the initial recognition of an asset or liability in a transaction, other than a business combination, which, at the time of the transaction, does not affect the accounting result or profit or loss, tax loss. The deferred tax is determined using tax rates (and laws) approved or about to be approved on the balance sheet date and that are expected to be applied when the corresponding deferred tax asset is realized, or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future tax benefits will be available with which to offset the temporary differences.

Deferred tax liabilities are recognized on the taxable temporary differences associated with investments in subsidiaries, associates and joint arrangements, except for those deferred tax liabilities for which the Company can control the date on which the temporary differences will revert and it is probable that they will not will reverse in the foreseeable future. Generally, the Company is not able to control the reversal of temporary differences for associates. Only when there is an agreement that grants the Company the ability to control the reversal of the temporary difference is it not recognized.

Deferred tax assets are recognized for deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable that the temporary difference will revert in the future and that a sufficient tax profit is expected against the than to use the temporary difference.

Deferred tax assets and deferred tax liabilities are offset if, and only if, there is a legally recognized right to offset current tax assets with current tax liabilities and when deferred tax assets and deferred tax liabilities, they are derived from the tax on the corresponding profits to the same fiscal authority, that fall on the same entity or fiscal subject, or different entities or fiscal subjects, that they try to liquidate the current fiscal assets and liabilities for their net amount.

At each accounting closing, the assets for deferred taxes recorded are reconsidered, making the appropriate corrections to them to the extent that there are doubts about their future recovery. Likewise, deferred tax assets not recorded in the balance sheet are evaluated at each closing date and these are recognized as long as their recovery with future tax benefits becomes probable.

<u>SOCIMI tax regime</u>

On 13 of May 2015 the Parent Company communicated to the corresponding Tax authorities (*Delegación de la Agencia Estatal de la Administración Tributaria*) its decision to apply for the SOCIMI special tax regime. This application was approved by its shareholders by mean of Universal Shareholders' Meeting held on 23 March 2015. The application has retroactive effect from the fiscal year beginning at the date of its incorporation, 5 March 2015.

On 8 March 2016 the Parent Company as sole shareholder of VBA SUB 3000, S.L.U. decided its subsidiary to apply for the Socimi Regime with retroactive effect from the 1 January 2016 (Company liquidated during 2018).

On September 27, 2018 the Parent Company as sole shareholder of VBA SUB 2018, S.L.U. decided that this company should apply for the SOCIMI regime with retroactive effect from January 1, 2018.

The SOCIMI special regime, after its modification by the law 16/2012, of December 27, this built upon the basis of a 0% rate taxation on the Corporate Income Tax, as long as certain requirements are fulfilled.

Nevertheless, the tax will rise proportionally to the dividend distribution. On the event of generating tax losses it will not apply the Law 27/2014, of 27 November of the Corporate Income Tax. It will not apply either the regimes of deductions and bonuses stated on the chapters II, III and IV of the mentioned CIT Law. On the rest of events not foreseen on the SOCIMI Law, it will apply what has been established on the Corporate Income Tax Law.

As stated in the article 9 of the SOCIMI Law, the Company will be submitted to a special rate of 19% of the total amount of dividends or shares on profits distributed to the shareholders which shares on the company´s capital is equal or superior to a 5%, provided that the mentioned dividends, on the shareholder place of residence, were exempt or a tax inferior to the 10% applies. The mentioned rate will be considered as the Corporate Income Tax quota. On this sense the Group has established a procedure that guarantees the confirmation by the shareholders of its taxation and the withholding, when applicable, of the 19% of the amount of the dividend distributed to those shareholders who do not fulfil the aforementioned tax requirements.

The application of the SOCIMI regime previously described was initiated from the financial year beginning on 5 March 2015 notwithstanding that the Company did not comply with all the requirements of the standard for its application since, under the First Transitional provision of Law 11/2009 of the SOCIMI regime, the Company has a 2 years period since the SOCIMI regime was opted for, in order to fulfil with all the requirements stated in the mentioned law. As of 31 December 2020, and as of 31 December 2019, the Company meets all the requirements of the SOCIMI Regime according to the Parent Company's Directors.

The proposed distribution of the fiscal year 2019 results from the Parent Company stand-alone annual accounts approved by the Parent Company´s General Shareholders' Meeting was the application of the year losses to previous year's results. The Board of Directors of the Parent Company expect that the loss generated on fiscal year 2019 will be offset by future year's profits. Besides, the group subsidiary has not distributed any dividends to the Parent Company either during the year ended 31 December 2020, nor the year ended 31 December 2019.

<u>Other taxes</u>

Considering the fact that the Group obtains its income mainly from the lease of real estate for residential purposes, it does not apply VAT on its customers. The Parent Company applies in its taxation the rule of the general pro rata, by which the taxpayer can deduct a percentage of the supported VAT that is determined by the quotient of the total volume of transactions that generate the right to deduct between the total volume of operations made with and without right to deduction.

3.15. Related-party transactions

In general, transactions between group companies are initially recognized at fair value. If applicable, where the agreed price differs from the fair value, the difference is recognized based on the economic reality of the transaction. Transactions are subsequently measured in accordance with applicable standards.

3.16. Environmental information

They are considered assets of environmental nature those assets that are used regularly in the Group's core activity, whose main purpose is to minimize environmental impact and protect and improve the environment, including the reduction or elimination of future pollution.

The Group activity, by its own nature, has no significant environmental impact.

4. Use of estimates

The preparation of the Consolidated Financial Statements requires Directors to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The Board of Directors reviews these estimates on a continuous basis. However, given the uncertainty inherent to these estimates, there is a significant risk that significant adjustments could arise in the future regarding the value of the associated assets and liabilities and significant changes in the assumptions, events and circumstances on which they are based.

In preparing these Consolidated Financial Statements, the significant judgments made by the Parent Company's Directors in applying the group's accounting policies and the key sources of estimation uncertainty are as follows:

Fair value of investment properties

Fair value is determined by independent external valuation experts ("*appraiser*") using valuation techniques and assumptions as to estimates of projected future cash flows from the property and estimate of the suitable discount rate for these cash flows and by management's evaluations which are based on economic models.

As for investment properties under development also requires an estimate of construction costs. If applicable, fair value is determined based on recent real estate transactions with similar features and location than the valued property.

The best evidence of the fair value of investment property in an active market is the price of similar assets. In the absence of such information, the appraiser determines fair value using a range of reasonable values. When making such judgments, the appraiser uses a series of sources, including:

i. Current prices on an active market of different kinds of properties in different conditions or locations, adjusted for differences with the Group's assets.
ii. Recent prices of properties on other less active markets, adjusted for changes in economic conditions since the transaction date.
iii. Discounting of cash flows based on estimates deriving from the terms and conditions of current lease contracts and, if possible, the evidence of the market prices of similar properties in the same location, through the use of discount rates reflecting the uncertainty of the time factor.

Valuation techniques and assumptions used to measure fair value

The fair values of financial assets and financial liabilities are determined as follows:

- Fair values of financial assets or liabilities with standard terms and conditions traded on active liquid markets are determined by reference to their quoted market price.
- Fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable market transactions and dealer quotes for similar instruments.

  Financial instruments measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

  - Level 1: Measurements derived from (unadjusted) quoted prices in active markets for identical assets or liabilities.
  - Level 2: Measurements derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i,e,, as prices) or indirectly (i,e,, derived from prices).
  - Level 3: Measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (non-observable inputs).

In Note 6 also is provided information on how the fair value of investment properties is calculated in accordance with the valuation techniques described in the said note. The investment properties measured at fair value (without taking into account the advance on payments in investment properties, if any) as at 31 December 2020 and 31 December 2019 are as follows:

	Level 1	Level 2	Level 3	Total
Investment properties (note 6)	-	-	69,210	69,210
Total 31.12.2020	-	-	**69,210**	**69,210**
Investment properties (note 6)	-	-	72,945	72,945
Total 31.12.2019	-	-	**72,945**	**72,945**

Corporate income tax

The Company has opted for the tax regime established in the Law 11/2009, 26 October, governing the Sociedades Cotizadas de Inversión en el Mercado Inmobiliario (SOCIMI), which in practice means that provided certain requirements are met, the Company is subject to a corporate income tax rate of 0%.

The Parent Company's Directors monitors on a quarterly basis the compliance with the relevant legal requirements in order to secure the tax advantages established therein.

In this respect, the Parent Company's Directors consider that such requirements have been met within the established terms and periods and have therefore recognized no income or expense in respect of the Corporate Income Tax.

5. Financial risk management and Financial instruments

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks. The Group's overall risk management program is based on the uncertainty of financial markets and aims to minimize the adverse effects of such risks on the financial profitability of the Group.

Risk management is undertaken by the Management Company (VBA Real Estate Asset Management 3000, S.L.) in accordance with the policies approved by the Board of Directors.

5.1.1 Market risk

Given the current status of the real-estate sector and in order to mitigate the effects thereof, the Group has specific measures in place to minimize the impact on its financial position.

These measures are applied pursuant to the results of sensitivity analyses carried out by the Group on a regular basis and on the basis of the strategy outlined in their business plan.

- Foreign exchange risk

The Group is not exposed to exchange rate fluctuations as all its operations are in its functional and its presentation currency (Euro).

- Interest rate risk

The Group's interest rate risk arises from long term borrowings. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk.

The Group analyses exposure to interest rate dynamically. Various scenarios are simulated, taking into consideration alternative financing sources. Based on these scenarios, the Group calculates the impact on consolidated income statement of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

In nominal terms, borrowings issued at fixed and variable rates as of 31 December 2020 and 31 December 2019 are as follows:

		Euro Thousand
	31/12/2020	31/12/2019
Borrowings at variable rate	1,763	1,838
Borrowings at fixed rate (*)	21,137	17,881
TOTAL	**22,900**	**19,719**

(*) VBARE Iberian Properties Socimi, S.A., has a mortgage loan for an amount of 3,430,000 euros at 20 years formalized in 2019 which accrues a fixed interest rate during the first 12 years and variable from year 13. This mortgage loan for the purposes of the above table is considered " Borrowings at fixed rate ".

(*) VBA SUB 2018, S.L.U. has a mortgage loan for an amount of 5,250,000 euros at 21 years formalized in 2018 which accrues a fixed interest rate during the first 12 years and variable from year 13. This mortgage loan for the purposes of the above table is considered " Borrowings at fixed rate "

Based on the simulations performed, the recalculated impact on profit after tax of a 100 bps change in the reference interest rate (12-month Euribor) will result in a maximum increase of EUR 14 thousand or a decrease of EUR 0 thousand at 31 December 2020 (an increase of EUR 18 thousand or a decrease of EUR 0 thousand at 31 December 2019). The simulation is carried out periodically in order to ensure that the maximum potential loss is within the limit established by the Board of Directors.

5.1.2 Liquidity risk

Liquidity risk is defined as the risk of the Group encountering difficulties meeting its obligations regarding financial liabilities settled in cash or with other financial assets.

The Group conducts prudent management of liquidity risk by maintaining sufficient cash to meet its payment obligations when they fall due, both in normal and stressed conditions, without incurring unacceptable losses or risking the Group's reputation.

The Group monitors on monthly basis the compliance with the requirements stated in the loan agreements as well as the sufficiency for facing the financial obligations derived from the agreement.

5.1.3 Credit risk

The Group holds cash and deposits in Spanish banks. The Group is exposed to the stability of these banks and their solvency risk.

Another credit risk arises from the profile of the Group's tenants. The Group only accepts tenants with the highest credit quality, but there are purchasing operations in which the asset is acquired with valid tenants with no previous validation carried out by the Group. In addition, the Group hedges the risk with security deposits paid by the tenants. A strict scoring process has been put in place in order to minimise the risk of defaults.

During 2018, the Group began to insure the contracts signed through default insurance. These insurances cover possible non-payment by tenants for a maximum period of 12 months and also cover the costs related to legal proceedings and other costs arising therefrom. At 31 December 2020, 62.2% of the contracts in force were covered by insurance against default which represents 59.5% of the annualized leasing income. Adding the contracts, the Group has bank guarantees at first request, the % would increase to 67.8% and 71.7% respectively.

5.1.4 Tax risk

As mentioned in Note 1, the Parent Company and its subsidiary have applied for the SOCIMI regime. In accordance with Article 6 of the Law 11/2009, amended by the Law 16/2012, the companies availing themselves of this regime are required to distribute in the form of dividends to their shareholders, following compliance with the pertinent mercantile obligations, the profit obtained in the year. The distribution must be approved within the six months following the year end and paid within one month since the distribution agreement.

If the General Shareholders' Meeting of such companies does not approve the dividend distribution proposed by the Board of Directors, calculated in accordance with the requirements of the SOCIMI Law, they would be in breach of the said Law and they would therefore be taxed under the general tax scheme (Note 3.14).

6. Investment property

Investment properties comprise: apartment buildings, scattered apartments, storage rooms, parking spaces and retail assets owned by the Group for rent on a long-term basis and not occupied by the Group.

Set out below is a breakdown of and movements in the accounts recorded under investment properties:

Euro Thousand

	Investment Properties	Total
Balance at 31 December 2018	**50,098**	**50,098**
Acquisitions	16,490	16,490
Transaction cost capitalised	756	756
Subsequent disbursements capitalised	1,538	1,538
Sales	(337)	(337)
Others	(11)	(11)
Gain from fair value adjustments	4,411	4,411
Balance at 31 December 2019	**72,945**	**72,945**
Acquisitions	-	-
Transaction cost capitalised	59	59
Subsequent disbursements capitalised	1,511	1,511
Sales	(2,013)	(2,013)
Others	(16)	(16)
Loss from fair value adjustments	(3,276)	(3,276)
Balance at 31 December 2020	**69,210**	**69,210**

Under "Others" caption the Group records the letting fees incurred for the commercialisation of the properties (Note 3.3). These are capitalised within the carrying amount of the leased assets and are recognised as an expense during the minimum lease term, on the same basis as the lease derived therefrom, as established in IAS 40 and IAS 17.

From 1 January 2020 to 31 December 2020 the Group has completed the following transactions:

- During year 2020, the Company has not formalized the purchase of any asset.
- During year, the Group formalized the sale of 14 apartments units for a price 4.46% higher than the last valuation immediately prior to the date of the sale and 67% higher than the total investment costs (net of cost of sales).

From 1 January 2019 to 31 December 2019 the Group has completed the following transactions:

- On 8 January 2019, the Group formalised the purchase of a building with 27 dwellings and 2 retail units located at Vallehermoso Street in the city of Madrid. The purchase price amounted to EUR 5,264 thousand plus transaction costs.
- On 30 September 2019, the Group purchased a building with 10 dwellings and 2 retail units located at San Andrés in the city of Madrid. The purchase price amounted to EUR 6,606 thousand plus transaction costs.
- On 28 October 2019, the Group purchased 35 dwellings and 35 parking spaces in a building located at calle Monte Igueldo in the city of Madrid. The purchase price amounted to EUR 4,620 thousand plus transaction costs.
- During the last quarter of the year, the Group formalized the sale of 3 scattered units for a price 13% higher than the independent expert valuation reflected in the consolidated interim financial statements as of September 30, 2019 and 46% higher than the total investment costs (net of cost of sales).

The identification of qualified assets included under this note in accordance with the Article 11 of SOCIMI Law and is included in Appendix I to the Consolidated Financial Statements.

Valuation Process

At 31 December 2020 and 31 December 2019 investment properties are recognized at fair value. The fair value of the Group's investment properties is calculated on the basis of independent appraisers' reports not related to the Group.

Below is the cost and fair value of investment properties at 31 December 2020 and 31 December 2019:

Euro Thousand

	31 December 2020		31 December 2019	
	Cost	Fair value	Cost	Fair value
Investment properties	51,630	69,210	51,276	72,945

Gains recognized in the consolidated income statement on measuring investment property at fair value as of 31 December 2020 amount to less to Euro 3,276 Thousand (2019: Euro 4,384 Thousand). According to IFRS 13, some situations may arise where transaction prices may not represent the fair value of an asset at initial recognition.

These investments have been valued following a market value approach, and these valuations have been performed by Savills Aguirre Newman Valoraciones y Tasaciones, S.A.U., an independent expert firm in accordance with the provisions of the RICS Appraisal and Valuation Manual (the "Red Book") published by The Royal Institution of Chartered Surveyors based in England.

The outbreak of the new coronavirus (COVID-19) declared by the World Health Organization as a "global health emergency" on January 30, 2020 has impacted global financial markets. It has also impacted real estate markets in Spain, including residential which has seen a reduction in the volume of leasing and sales transactions and has resulted in an unprecedented set of circumstances on which to base judgment valuation.

Therefore, Savills Aguirre Newman Valoraciones y Tasaciones, S.A.U., has made the valuation on the basis of a "material valuation uncertainty" according to VPGA 10 of the RICS Valuation - Global Standards recommending that this fact be taken into account when making decisions based on said assessment and that it be kept under review.

According to Savills Aguirre Newman Valoraciones y Tasaciones, S.A.U., despite the lack of recent open market transactions, they consider that the valuations reflect current market conditions. They are of the opinion that they are well supported due to their continuous communication with the transactional departments of the company, as well as with other external agents in the market. Through this, they have been able to evaluate current supply and demand prices and make the appropriate adjustments to reflect current market conditions. Finally, they have communicated to us that they consider that their valuation has a reasonable degree of confidence.

The market value is defined as the estimated amount for which an asset can be sold on a given market at the date of valuation between a seller and a willing buyer, being both reasonably knowledgeable about the asset, prudently, free of undue pressure to trade and assuming a reasonable time period is given for completing the transaction.

Methodology:

a) Discounted cash flows method:

The valuation methodology adopted in terms of determining fair value of currently suitable to be rented properties is the discounted cash flows method with projected net operating income at 5 years and capitalizing the 6th year at an exit yield between 3.00% and 6.5% (between 3 % and 6.75% as of 31 December 2019) and using an Internal Rate of Return for discounting cash flows obtained between 4.25% and 7.5% (between 5% and 7.5% as of 31 December 2019).

The discounted cash flow method is based on predictions of the probable net income that will be generated by assets over a specific time period, taking into account the assets' residual value at the end of that period. Cash flows are discounted at an internal rate of return in order to arrive at the present net value, that internal rate of return is adjusted to reflect the risk associated with the investment and assumptions adopted.

Key variables are therefore net income, approximate residual value and internal rate of return.

Sensitivity analysis

Based on the simulations performed, the impact over fair value of investment properties of a 1% change in the internal rate of return would produce the following impacts:

Euro thousand

	Theoretical value			
	31 December 2020		31 December 2019	
	+1%	-1%	+1%	-1%
Valued using discounted cash flows method	66,178	72,404	69,760	76,321
Fair value of investment properties	**66,178**	**72,404**	**69,760**	**76,321**

Based on the simulations performed, the impact over fair value of investment properties of a 0.25% change in the exit yield would produces the following impact:

Euro thousand

	Theoretical value	
	31 December 2020	
	+0.25%	-0.25%
Valued using discounted cash flows method	65,302	73,699
Fair value of investment properties	**65,302**	**73,699**

Operating leases

The entire amount recognised as revenue for the period has its origin in lease contracts.

Total amount of future minimum collections under non-cancellable operating leases is as follows:

Euro Thousand

	31 December 2020	31 December 2019
Less than one year	606	652
Between one and two years	86	122
Between two and three years	43	112
More than four years	-	-
	735	886

The lease contracts signed by the Group with its tenants from March 2019 have a typical length of one year being the option granted to the tenant to prorogue them up to seven years (three years for leases signed before March 2019). Regardless the maximum duration and for the purposes of this note, it has been considered as minimum future collections the following 12 months after the lease contract formalization.

Insurances

It is the Group policy to arrange all the insurance policies necessary to cover possible risks affecting investment properties. The coverage provided by these policies as of 31 December 2020 and 2019 is considered to be sufficient by the Parent Company Directors'.

Commitments

As of 31 December 2020, and 2019 the Group has no contractual commitments for the acquisition, construction or development of investment properties or in relation to repairs, maintenance or insurance.

Mortgages

Certain assets include under the caption Investment Properties, whose whole fair value amounts to Euro 63,091 Thousand as of 31 December 2020 (Euro 67,266 Thousand as of 31 December 2019) serves as guarantee of the compliance with the obligations arranged as a result of the financing obtained by the Group (Note 11).

Notes to the Annual Consolidated Financial Statements for the year ended 31 December 2020

7. Analysis of financial instruments

7.1 Analysis by categories

The carrying amount of each category of financial instruments stipulated in the standard "Financial instruments" is as follows:

a) Financial assets:

Euro thousand

	Non-current assets			
	Debt and equity securities		Loans, derivatives and other	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Credits and other receivables	-	-	214	164
	-	-	214	164

	Current assets			
	Debt and equity securities		Loans, derivatives and other	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Credits and other receivables	-	-	3,876	2,826
	-	-	3,876	2,826
Total financial assets	-	-	4,090	2,990

Under non-current financial assets the Group recognises the amount relating to deposits made with different public bodies derived from leases.

The movement of the corrective accounts representing the impairment losses arising from the credit risk for each class of financial assets is summarized below:

Euro Thousand

	31/12/2020	31/12/2019
Opening balance	26	11
Provisions	107	52
Releases	(2)	(3)
Write-offs	(77)	(34)
Closing balance	54	26

b) Financial liabilities:

Euro thousand

	Non-current liabilities			
	Borrowings		Loans, derivatives and other	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Loans and payables	22,024	18,948	326	425
	22,024	18,948	326	425

	Current liabilities			
	Borrowings		Loans, derivatives and other	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Loans and payables	624	493	645	489
	624	493	645	489
Total financial liabilities	22,648	19,441	971	914

Under non-current financial liabilities include deposits received from lessees that will be returned to the tenants on maturity of the lease contract. These deposits are retained if the lessees fail to meet their payment obligations or if there is any other breach of contract.

Under Current financial liabilities it is recognised the part of the aforementioned loan agreements with maturity in the short term (Note 11).

7.2 Analysis by maturity

The maturity of the financial liabilities as per the Consolidated Statement of Financial Position as at 31 December 2020 is the following:

Euro thousand

	31/12/2020	31/12/2021	31/12/2022	31/12/2023	Next years	Total
Bank borrowings (Note 11)	624	806	996	1,217	19,277	22,920
Other financial liabilities	-	326	-	-	-	326
Trade payables	589	-	-	-	-	589
Trade payables, group companies and associates (Note 16)	14	-	-	-	-	14
Accruals, wages and salaries	37	-	-	-	-	37
Advances from clients	5	-	-	-	-	5
Total financial liabilities	**1,269**	**1,132**	**996**	**1,217**	**19,277**	**23,891**

The maturity of the financial liabilities as per the Consolidated Statement of Financial Position as at 31 December 2019 is the following:

Euro thousand

	31/12/2019	31/12/2020	31/12/2021	31/12/2022	Next years	Total
Bank borrowings (Note 11)	493	549	624	777	17,299	19,742
Other financial liabilities	-	425	-	-	-	425
Trade payables	393	-	-	-	-	393
Trade payables, group companies and associates (Note 16)	23	-	-	-	-	23
Accruals, wages and salaries	52	-	-	-	-	52
Advances from clients	21	-	-	-	-	21
Total financial liabilities	**982**	**974**	**624**	**777**	**17,299**	**20,656**

The total amount does not match with the analysis by categories because the loans that the Group formalized with the different financial entities were accounted at each moment at amortized cost, resulting all the costs incurred in arranging such financing and paid in full, are netting the outstanding debt and they will be amortized during the life of each loan. The amount pending to be amortized as of December 31, 2020 amounts to 272 thousand euros (301 thousand euros as of December 31, 2019).

Non-current assets and liabilities relate to deposits linked to lease contracts. Its maturity is conditioned to the maturity of these contracts. It is the Group estimation that the average maturity of leasing contracts will range from two to three years.

8. Cash and cash equivalents

"Cash and cash equivalents" includes the Group's cash on hand and in banks and short-term deposits with an original maturity of three months or less. The carrying amount of these assets is equal to their fair value.

As of 31 December 2020, and 31 December 2019, the balance of "Cash and cash equivalents" is not restricted, except for a total amount of Euro 70 Thousand (Euro 205 Thousand as of 31 December 2019) whose management have been entrusted to the liquidity provider (Renta 4 Banco, S.A.).

In addition, the Group was granted two credit line with Banco Sabadell and Banca Pueyo for a maximum amount of 500,000 euros and 600,000 euros respectively, which a maturity date on 7 March 2021 and on 14 May 2021. At 31 December 2020, 0 euros have been drawn down.

9. Net Equity

Share Capital and share premium

	Number of shares	Share capital	Share Premium	Advances in Capital	Total
					Euro thousand
Balance as at 31 December 2018	**2,389,721 (*)**	**11,949**	**12,887**	**-**	**24,836**
Capital Increase	1,220,069	6,100	10,249	-	16,349
Issuance costs	-	-	(109)	-	(109)
Distribution of share premium	-	-	(1,020)	-	(1,020)
Balance as at 31 December 2019	**3,609,790 (*)**	**18,049**	**22,007**	**-**	**40,056**
Capital Increase	-	-	-	-	-
Issuance costs	-	-	-	-	-
Distribution of share premium	-	-	(1,402)	-	(1,402)
Balance as at 31 December 2020	**3,609,790 (*)**	**18,049**	**20,605**	**-**	**38,654**

(*) This figure includes 40,451 treasury shares (32,569 treasury shares as of 31 December 2019) as disclosed in note below.

The Board of Directors of the Parent Company, agreed in the meeting held on 23 March 2018, to make a capital increase of the Company up to a maximum of 14,125,836.90 euros, through the issuance of up to a maximum of 1,062,093 ordinary shares with a nominal value of 5 euros plus a share premium of 8.30 euros per share, resulting an issuing price of 13.30 euros per share. The decision was taken in exercise of the delegation of authority granted by the Shareholders at Extraordinary Universal Shareholders Meeting held on 12 December 2017, which authorized the Board of Directors to increase the capital of the Company pursuant to the provisions of Article 297 b) 1 of the Companies Act (Ley de Sociedades de Capital).

The capital increase took place by public deed on 15 June 2018 before the notary of Madrid Mr. Vicente de Prada Guaita, amounting to Euro 1,203 Thousand through the creation and issuance of 240,457 new shares with a nominal value of Euro 5 each, numbered from 2,149,265 to 2,389,721 fully subscribed and paid. These new shares were issued with a total share premium of Euro 1,996 Thousand. The cash consideration received by the Parent Company from the shareholders in respect of the capital increase and share premium totalled Euro 3,199 Thousand.

The Board of Directors of the Parent Company, agreed in the meeting held on 17 May 2019, to make a capital increase of the Company up to a maximum of 29,993,742.60 euros, through the issuance of up to a maximum of 2,238,339 ordinary shares with a nominal value of 5 euros plus a share premium of 8.40 euros per share, resulting an issuing price of 13.40 euros per share. The decision was approved by the Shareholders at Extraordinary Universal Shareholders Meeting held on 19 June 2019, which authorized the Board of Directors to increase the capital of the Company pursuant to the provisions of Article 297.1.a) of the Companies Act (Ley de Sociedades de Capital).

Subsequently, the Board of Directors of the Parent Company held on June 19, 2019, by virtue of the delegation conferred by the Extraordinary Universal General Meeting held the same day, pursuant to the provisions of article 297.1. a) of the Capital Companies Act, approved the capital increase with preferential subscription rights. The nominal amount of the proposed capital increase is 29,993,742.60 euros and is carried out by issuing and putting into circulation 2,238,339 new registered ordinary shares of the Parent, each with a par value of 5 euros and a share premium of 8.40 euros for each share. This share capital increase is subject to a minimum subscription of minimum amount of 12,500,000 euros.

The Universal Extraordinary General Meeting held on 19 June 2019 also authorised the Board of Directors, in accordance with the provisions of article 297.1.b) of the Spanish Companies Act, to increase the share capital to 50% of the current share capital within a maximum period of five years, on one or several occasions, in the amount it deems appropriate, at a minimum unit issue rate of 13.40 euros.

The capital increase took place by public deed on 2 August 2019 before the notary of Madrid Mr. Carlos de Prada Guaita, amounting to Euro 6,100 Thousand through the creation and issuance of 1,220,069 new shares with a nominal value of Euro 5 each, numbered from 2,389,722 to 3,609,790 fully subscribed and paid. These new shares were issued with a total share premium of Euro 10,249 Thousand. The cash consideration received by the Parent Company from the shareholders in respect of the capital increase and share premium totalled Euro 16,349 Thousand.

As of 31 December 2020, the share capital of VBARE Iberian Poperies SOCIMI, S.A. amounts to Euro 18,048,950 Thousand represented by 3,609,790 nominative ordinary shares represented by book entries with a nominal value of 5 Euro each, granting the same rights to their owners.

All the shares of VBARE Iberian Properties SOCIMI, S.A. are listed since 23 December 2016, and they are traded on the market for BME Growth of BME MTF Equity (formerly alternative stock Market "MAB").

The share capital and the share premium, including the shares and the share premium that derived from the advances on share capital and share premium, which are totally paid, is as follows:

	31 December 2020	31 December 2019
Number of shares	3,609,790	3,609,790
Par value (Euro)	5	5
Share capital (Euro Thousand)	18,049	18,049
Share Premium (Euro Thousand)	21,320	22,722
	39,369	40,771
Issuance Cost Deducted (Euro Thousand)	(715)	(715)
	38,654	40,056

Issuance costs have been deducted according to IAS 32.

Distribution of share premium

On March 4, 2019, the Board of Directors of the Parent Company approved the distribution of share premium amounting 446 thousand euros (0.188 euros per share), which will become effective on March 15 2019 among the shareholders in proportion to their participation in the capital of the Parent Company.

On September 3, 2019, the Board of Directors of the Parent Company approved the distribution of share premium amounting 574 thousand euros (0.16 euros per share), which become effective on September 15, 2019 among the shareholders in proportion to their participation in the capital of the Parent Company.

On March 9, 2020, the Board of Directors of the Parent Company agreed to distribute a complementary share premium amounting 573 thousand euros (0.16 euros per share), which become effective on March 16, 2020 among the shareholders in proportion to their participation in the capital of the Parent Company.

Additionally, on September 22, 2020, the Board of Directors of the Parent Company agreed to distribute a complementary share premium amounting 829 thousand euros (0.232 euros per share), which become effective on September 30, 2020 among the shareholders in proportion to their participation in the capital of the Parent Company.

Treasury shares

The movement under this caption during 2020 and 2019 is the following:

		Euro thousand
	Number of shares	Value
Balance at 31 December 2018	**20,080**	**247**
Increases / Acquisitions	20,556	273
Decreases / Disposals	(8,067)	(100)
Balance at 31 December 2019	**32,569**	**420**
Increases / Acquisitions	11,184	140
Decreases / Disposals	(3,302)	(42)
Balance at 31 December 2020	**40,451**	**518**

Treasury shares of the Parent Company as at 31 December 2020 represent 1.12% (2019 0.90%) of the capital share figure totalling 40,451 shares (2019: 32,569 shares) with an average price of acquisition of 12.65 Euro per share (2019: 12.71 Euro).

On 7 September 2016 the General Shareholders Meeting of the Parent Company agreed to authorise the Board of Directors in order to acquire Company's treasury shares by way of purchase, exchange or payment in kind, in one or several transactions, provided that the acquired shares shall not exceed 20% of the Company's share capital. The price or consideration for such shares shall range from a minimum equal to their nominal value to a maximum of (i) in case that the Company's shares have not been admitted to listing on any regulated market or multilateral trading facility, 25 euros per share (ii) in case that the Company's shares are listed on the market for BME Growth of BME MTF Equity (formerly alternative stock Market "MAB"), 120% of the listed price for the shares in the Parent Company at the time of the acquisition. This authorisation is in force for a five-year period after the date of the agreement.

Legal reserves and other reserves

In accordance with the Spanish Companies Act. private companies have to transfer an amount equal to 10% of the profit for the year to the legal reserve until this reserve reaches at least 20% of capital. The legal reserve can be used to increase capital in the part of the balance exceeding 10% of the increased capital. Except as mentioned above, while not exceeding 20% of the capital and considering the limitations set forth under the SOCIMI regime, the legal reserve can only be used to offset losses, provided that sufficient other reserves available for this purpose.

In accordance to Law 11/2009, for which SOCIMI are regulated, the legal reserve of the companies that have opted to apply the SOCIMI tax regime, may not exceed 20% of the share capital figure. The bylaws of these companies may not establish any other statutory reserve unavailable different from the legal reserve.

As at 31 December 2020 and 31 December 2019 the Parent Company´s legal reserve is not constituted.

Shareholders

Every shareholder is required to notify the Company any direct or indirect acquisition of shares which causes such shareholder's aggregate stake in the Company to reach, exceed or fall below 5% of the share capital and any successive multiples thereof.

According to the information provided, the main shareholders of the Parent Company as of 31 December 2020 and 31 December 2019, with a percentage higher than 5% of the share capital of the Parent Company, directly or indirectly, are as follows:

	% Number of Shares		
	31 December 2020		
Shareholder	Direct	Indirect	Total
Meitav Dash Provident Funds and Pension Ltd.	16.58%	-	16.58%
Dan Rimoni	10.98%		10.98%
M. Wertheim (holdings) Ltd.	10.43%	-	10.43%
Value Base Ltd.	4.88%	3.26%	8.14%
Kranot Hishtalmut Psagot	6.08%	-	6.08%
Ido Nouberger (*)	3.39%		3.39%

	% Number of Shares		
	31 December 2019		
Shareholder	Direct	Indirect	Total
Meitav Dash Provident Funds and Pension Ltd.	16.58%	-	16.58%
M. Wertheim (holdings) Ltd.	10.43%	-	10.43%
Dan Rimoni	10.39%	-	10.39%
Kranot Hishtalmut Psagot	8.37%	-	8.37%
Value Base Ltd.	4.88%	3.26%	8.14%
Ido Nouberger (*)	3.39%		3.39%

(*) Ido Nouberger also holds 20.075% in Value Base Ltd.

Earnings per share

a) Basic earnings per share:

Basic earnings per share are calculated by dividing the profit / (loss) for the period attributable to shareholders of the Parent Company by the weighted average number of ordinary shares throughout the period, excluding the weighted average number of treasury shares held shares throughout the period.

Details of the calculation of earnings/(losses) per share are as follows:

	31 December 2020	31 December 2019
Net profit for the period attributable to equity holders of the Parent Company (Euro Thousand)	(4,256)	3,434
Number of the net weighted average shares (treasury shares deducted)	3,576,383	2,877,444
Earnings (loss) per share (Euro)	(1.19)	1.19

b) Diluted earnings per share:

Diluted earnings per share are calculated by dividing net profit/(loss) of the period attributable to the owners of the Parent Company by the weighted average number of ordinary shares in the period, plus the weighted average number of shares which would be issued when converting all potentially diluting instruments.

For these purposes, they are considered dilutive instruments the ordinary shares presented under "advances capital" which have been issued at the close of each period.

The Parent Company's Directors have evaluated the effect of dilution of these potential shares and their potential impact on the calculation of earnings per share, and have concluded that its effect is not significant, and therefore basic and diluted earnings per share do not differ significantly.

Net result distribution

The distribution of net result of the Parent Company as of 31 December 2020 according to Spanish General Accepted Accounting Principles as per their stand-alone annual proposed by the Parent Company's Directors to be approved by the General Shareholders' Meeting is as follows:

	Euro Thousand
Basis of distribution	
Profit /(Loss)	(362)
Distribution	
Losses from prior years	(362)

The distribution of results of the Parent Company as of 31 December 2019 according to Spanish General Accepted Accounting Principles as per their stand-alone annual accounts as approved by the General Shareholders' Meeting on 24 March 2020 is as follows:

	Euro Thousand
Basis of distribution	
Profit /(Loss)	(948)
Distribution	
Losses from prior years	(948)

Dividends distribution policy

The dividend will be paid in cash, and it will be recognized as a liability in the Consolidated Financial Statements in the period in which the dividends are approved by shareholders of the Parent Company or subsidiaries.

The SOCIMI is required to distribute the profit generated during the year to shareholders as dividends, Once the corresponding mercantile obligations have been fulfilled, said distribution must be agreed within six months of the year end. The Company must distribute the following as dividends:

a) 100% of the profit from dividends or shares in profits distributed by the entities referred to in Section 1, Article 2 of the SOCIMI Law.

b) At least 50% of the profits arising from the transfer of the properties, shares or ownership interests referred to in Section 1, Article 2 of the SOCIMI Law, subsequent to expiry of the time limits referred to in Section 3, Article 3 of the Law aforesaid, which are used for pursuit of the entities' principal corporate purpose. The remainder of these profits must be reinvested in other property or investments used for the pursuit of said activity within three years after the transfer date. Otherwise, these profits should be distributed in full together with any profit arising in the year in which the reinvestment period expires. If the items subject to reinvestment are transferred before the holding period ends, the related profits must be distributed in full together with any profits arising in the year in which they are transferred. The distribution obligation does not extend to the portion of these profits, if any, which may be allocated to years in which the Company did not file tax returns under the SOCIMI special tax regime.

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

When dividend distributions are charged to reserves generated from profits in a year in which the special tax regime applied, the distribution must necessarily be approved as set out above.

The legal reserve of the companies that have opted to apply the SOCIMI special tax regime may not exceed 20% of the share capital. The bylaws of these companies may not establish any other statutory reserve unavailable different from the last. Once all amounts established by Law or the bylaws have been covered, dividends may only be distributed by charging profits for the year or freely available reserves as long as equity is not less than share capital and will not fall below share capital as a result of the distribution. For these purposes, profits taken directly to equity may not be directly or indirectly distributed. If there are prior-year losses that cause the Company's equity to be lower than share capital, profits must be used to offset those losses.

During the year ended 31 December 2020 and 31 December 2019, no dividends have been distributed.

10. Trade payables

The carrying amount of these trade payables is equal to their fair value.

Information on deferred payment to suppliers

The information required under Additional Provision Three of Law 15/2010, of 5 July, is as follows: (Euro Thousand).

It is detailed below the information required by the Second Final Disposition of Law 31/2014, of December 3, which has been prepared applying the resolution of the Instituto de Contabilidad y Auditoría de Cuentas ("ICAC") dated 29 January 2016.

	2020	2019
	Days	
Average payment period to suppliers	23	25
Settled payments ratio	22	27
Outstanding payments ratio	35	17
	Amount (Euro Thousand)	
Total payments made	3,506	4,996
Total outstanding payments	221	58

By "Average payment period to suppliers" will be meant the time that elapses from the date of an invoice to the factual payment of the operation as it is apparent from the resolution of the Institute of Accounting and Auditing (ICAC) mentioned above.

In addition, the "Average payment period to suppliers" will be calculated as the ratio formed by the sum of the settled payments ratio multiplied by the total amount of payments made, plus the outstanding payments ratio multiplied by the total amount of outstanding payments in the numerator. And the total amount of payments made and outstanding payments in the denominator.

The settled payments ratio is calculated as the ratio formed by the sum of the products corresponding to the amounts paid multiplied by the number of paydays (calendar days elapsed from the initiation of the payment term until the material payment of the operation) in the numerator, and the total amount of payments made in the denominator.

Also, the outstanding payments ratio will be the ratio formed by the sum of the products of the outstanding payment amounts multiplied by the number of days in which have been pending of payment (calendar days elapsed from the initiation of the term until the day of closing of the annual accounts) in the numerator, and the total amount of outstanding payments in the denominator.

According to the provisions of Article three of the resolution of the Institute of Accounting and Auditing (ICAC) dated 29 January 2016, the amount of transactions accrued prior to the entry into force of the Law 31/2014, December 3 has not been considered.

The maximum legal payment period applicable to the "Company" under Law 11/2013 of 26 July is of 30 days unless there is an agreement between the parties, which will be of a maximum period of 60 days.

11. Borrowings

The breakdown of the Group's financial debt as of 31 December 2020 is as follows:

				Long term debt	Short-term debt			
Signing date	Maturity	Interest rate (annual)	Amount financed	Principal	Principal	Interest due not paid	Financial expense	Interest paid
21/04/2016	21/04/2031	Variable Eur12+1.25%	2,100	1,688	75	5	26	23
19/07/2016	19/07/2031	Fixed 1.8%	750	402	8	2	13	12
19/07/2016	19/07/2031	Fixed 1.8%	300	244	11	1	5	5
30/11/2016	31/12/2031	Fixed 1.8%	600	444	39	-	11	9
30/11/2016	31/12/2031	Fixed 1.8%	637	471	41	-	10	10
26/04/2017	30/06/2032	Fixed 1.8%	187	162	8	-	4	3
26/04/2017	30/06/2032	Fixed 1.8%	1,250	1,081	56	-	23	20
26/04/2017	30/06/2032	Fixed 1.8%	250	216	11	-	5	4
10/05/2017	10/05/2032	Fixed 1.8%	508	439	23	-	9	9
31/01/2018	31/01/2030	Fixed 1.8%	324	307	9	-	6	6
31/01/2018	31/01/2030	Fixed 1.8%	492	466	14	-	10	9
29/01/2018	29/01/2033	Fixed 2%	675	283	-	1	17	11
12/07/2018	30/09/2030	Fixed 1.8%	625	602	14	-	12	11
30/07/2018	30/09/2030	Fixed 1.8%	785	756	18	-	17	14
30/07/2018	30/09/2030	Fixed 1.8%	900	866	20	-	18	16
02/10/2018	31/12/2030	Fixed 1.8%	735	713	15	-	15	13
03/10/2018	03/10/2039	Fixed 1.8% (*)	5,250	5,105	72	7	97	94
09/10/2018	31/12/2030	Fixed 1.8%	800	537	11	-	14	12
08/01/2019	08/01/2039	Fixed 1.8% (**)	3,430	3,334	53	4	66	62
24/10/2019	01/10/2030	Fixed 1.7%(***)	4,000	3,500	-	-	49	48
14/05/2020	14/05/2025	Fxed 1.5%	425	365	60	-	4	4
25/05/2020	25/05/2025	Fixed 1.75%	360	315	45	-	5	4
30/09/2020	30/09/2025	Variable Eur12+2.35%	300	-	-	-	-	-
		TOTAL	25,683	22,296	603	20	436	399

* VBA SUB 2018, S.L.U. has a mortgage loan for an amount of 5,250,000 euros at 21 years formalized in 2018 which accrues a fixed interest rate during the first 12 years and variable from year 13. This mortgage loan for the purposes of the above table is considered " Borrowings at fixed rate ".

(**) VBARE Iberian Properties Socimi, S.A., has a mortgage loan for an amount of 3,430,000 euros at 20 years formalized in 2019 which accrues a fixed interest rate during the first 12 years and variable from year 13. This mortgage loan for the purposes of the above table is considered " Borrowings at fixed rate ".

(***) VBARE Iberian Properties Socimi, S.A formalized a mortgage loan on October 24, 2019 for an amount of 4,000,000 euros that at December 31, 2020 had been withdrawn 3,500,000 euros.

The total amount does not match with the balance sheet as of December 31, 2020 because the loans that the Group formalized with the different financial entities were accounted at each moment at amortized cost, resulting all the costs incurred in arranging such financing and paid in full, are netting the outstanding debt and they will be amortized during the life of each loan. The amount pending to be amortized as of December 31, 2020 amounts to 272 thousand euros.

During the twelve-month period ended December 31, 2020, the Group has formalized three loans without mortgage guarantees for amounts of 425,000, 360,000 and 300,000 euros, both with a maturity of 5 years.

From these three loans, only the first two have been withdrawn as December 31, 2020. Additionally, the Group has withdrawn in 2020 3,500,000 euros from the 4,000,000 euros loan formalized on October 24, 2019.

Additionally, the Group has two credit lines for a maximum amount of 500,000 euros and 600,000 euros respectively, which a maturity date on 7 March 2021 and on 14 July 2021. At 31 December 2020, 0 euros have been drawn down and has accrued a financial expense of 21 thousand euros in 2020.

The breakdown of the Group's financial debt as of 31 December 2019 is as follows:

				Long term debt	Short-term debt			
Signing date	Maturity	Interest rate (annual)	Amount financed	Principal	Principal	Interest due not paid	Financial expense	Interest paid
21/04/2016	21/04/2031	Variable Eur12+1.25%	2,100	1,763	75	5	27	24
19/07/2016	19/07/2031	Fixed 1.8%	750	636	27	3	13	12
19/07/2016	19/07/2031	Fixed 1.8%	300	254	11	2	5	5
30/11/2016	31/12/2031	Fixed 1.8%	600	483	39	-	11	10
30/11/2016	31/12/2031	Fixed 1.8%	637	513	41	-	11	11
26/04/2017	30/06/2032	Fixed 1.8%	187	170	7	-	3	3
26/04/2017	30/06/2032	Fixed 1.8%	1,250	1,138	50	-	22	22
26/04/2017	30/06/2032	Fixed 1.8%	250	228	10	-	5	4
10/05/2017	10/05/2032	Fixed 1.8%	508	462	20	-	8	9
31/01/2018	31/01/2030	Fixed 1.8%	324	316	6	-	10	10
31/01/2018	31/01/2030	Fixed 1.8%	492	480	9	-	15	16
29/01/2018	29/01/2033	Fixed 2%	675	551	26	2	16	16
12/07/2018	30/09/2030	Fixed 1.8%	625	616	8	-	13	11
30/07/2018	30/09/2030	Fixed 1.8%	785	773	10	-	17	14
30/07/2018	30/09/2030	Fixed 1.8%	900	887	11	-	18	16
02/10/2018	31/12/2030	Fixed 1.8%	735	728	7	-	15	13
03/10/2018	03/10/2039	Fixed 1.8% (*)	5,250	5,177	63	7	99	95
09/10/2018	31/12/2030	Fixed 1.8%	800	689	7	-	17	14
08/01/2019	08/01/2039	Fixed 1.8% (**)	3,430	3,387	43	4	64	57
24/10/2019	01/10/2030	Fixed 1.7%(***)	4,000	-	-	-	-	-
		TOTAL	24,598	19,249	470	23	389	362

* VBA SUB 2018, S.L.U. has a mortgage loan for an amount of 5,250,000 euros at 21 years formalized in 2018 which accrues a fixed interest rate during the first 12 years and variable from year 13. This mortgage loan for the purposes of the above table is considered " Borrowings at fixed rate ".

(**) VBARE Iberian Properties Socimi, S.A., has a mortgage loan for an amount of 3,430,000 euros at 20 years formalized in 2019 which accrues a fixed interest rate during the first 12 years and variable from year 13. This mortgage loan for the purposes of the above table is considered " Borrowings at fixed rate ".

(***) VBARE Iberian Properties Socimi, S.A formalized a mortgage loan on October 24, 2019 for an amount of 4,000,000 euros that at December 31, 2019 was not been withdrawn.

The Group's financial debt is recognised at its amortised cost.

The total amount does not match with the balance sheet as of December 31, 2019 because the loans that the Group formalized with the different financial entities were accounted at each moment at amortized cost, resulting all the costs incurred in arranging such financing and paid in full, are netting the outstanding debt and they will be amortized during the life of each loan. The amount pending to be amortized as of December 31, 2019 amounts to 301 thousand euros.

All these loans described are guaranteed through a mortgage over the properties which market value at 31 December 2020 amounts to Euro 63,091 Thousand (as of 31 December 2019 Euro 67,266 Thousand) (Note 6).

The abovementioned loan agreements contain certain covenants that are customary in the market for facilities of this nature (based on Loan to Value (LTV) and rental incomes over the asset mortgaged). Failure to meet these covenants represents an event of default and may result in, among other things, an acceleration of the loan's maturity and/or may trigger an early amortization event.

At December 31, 2020, the Parent Company defaults on a ratio of a loan whose outstanding principal at December 31, 2020 amounts to 283 thousand euros. Despite this, the Parent Company has received a waiver from said financial entity which exempt its compliance on December 31, 2020.

12. Tax Authorities and Tax situation

The main current receivable and payable taxes balances as at 31 December 2020 and 31 December 2019 are as follows:

12.1. Balances with Tax Authorities

Euro Thousand

	31 December 2020		31 December 2019	
	Tax assets	Tax liabilities	Tax assets	Tax liabilities
Withholding tax	-	24	-	60
VAT	145	-	62	-
Payroll tax	-	11	-	10
Other taxes	-	-	-	-
	145	35	62	70

The Group does not maintain long term balances with tax authorities as at 31 December 2020 and 31 December 2019.

12.2. Corporate Income Tax

The reconciliation between the consolidated net result for the year ended 31 December 2020 and the taxable base of the Group companies' is set out below:

Euro Thousand

	Consolidated income statement			Income and expense allocated directly to net equity			Total
	Increase	Reductions	Total	Increases	Reductions	Total	
Balance income and expenses of financial period	(4,256)	-	**(4,256)**	-	-	-	**(4,256)**
IFRS and Consolidation Adjustments		3,056	3,056	-	-	-	**3,056**
Corporation Tax	-	-	-	-	-	-	-
Permanent differences	-	-	-		-	-	-
Temporary differences:	37	(62)	(25)	-	-	-	(25)
Taxable base			(1,224)			-	(1,224)

The taxable base presented in the table above is the sum of the taxable bases of the group companies, having been adjusted the consolidated profit for the year by consolidation and IFRS adjustments.

In accordance with the SOCIMI Law, current Corporate Income Tax is the result of applying 0% to the tax base.

Permanent differences relate to issuance costs for the capital increase carried out by the Parent Company during the year (Note 9). Temporary differences relate to fluctuation of non-deductible accruals.

12,3. Years open to review and tax inspections

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute of limitations has expired. As of 31 December 2020, all the taxes applicable for which the Group companies are liable since its incorporation are open to inspection.

As a result, among other things, of the different interpretations to which Spanish tax legislation lends itself, additional tax liabilities may arise in the event of a tax inspection, In any event, the Directors consider that such liabilities, if ever they arise, will not have a significant effect on the accompanying Consolidated Financial Statements.

13. Revenue and expenses

a) Gain from fair value on investment properties

The details of gain from fair value on investment properties are provided in Note 6.

b) Payroll

Euro Thousand

	31 December 2020	31 December 2019
Wages and salaries	408	411
Social Security	97	88
Compensation	-	10
Total	**505**	**509**

The average number of employees throughout the year broken down by category is as follows:

	2020	2019
Qualified profesionals	10	10
Administrative staff and others	1	1
Total	**11**	**11**

The distribution of the Group's employees at the year-end broken down by gender is as follows:

	31 December 2020			31 December 2019		
	Male	Female	Total	Male	Female	Total
Qualified profesionals	3	7	10	3	7	10
Administrative staff and others	-	1	1	1	-	1
Total	**3**	**8**	**11**	**4**	**7**	**11**

During 2020 and 2019, there were no employees, with a disability greater than or equal to 33%.

c) General and administrative expenses

The breakdown of this caption of the consolidated income statement is as follows:

Euro Thousand

	31 December 2020	31 December 2019
Property operating expenses	597	555
Management fee – see note 1.2.1(a) and note 16	900	807
Success fee – see note 1.2.1(c) and note 16	-	-
Variation in provisions and losses on bad debts	105	49
Professional fees and others	435	500
Total	**2,037**	**1,911**

Calculation of the success fee

The amount corresponding to the success fee as of 31 December 2020 and 31 December 2019 has been calculated in accordance with the conditions established in the Management Agreement and its subsequent amendments as detailed in notes 1.2. and 1.3.

December 31, 2020

As of December 31, 2020, no success fee has been accrued by the Company as the as the "Distributable Amount of the Relevant Year" as stated in Note 1.3. has not reach the hurdle rate of 6%.

December 31, 2019

As of December 31, 2019, no success fee has been accrued by the Company as the as the "Distributable Amount of the Relevant Year" as stated in Note 1.3. has not reach the hurdle rate of 6%.

d) Finance result

The finance result is as at 31 December 2020 and 31 December 2019 is broken-down as follows:

Euro Thousand

	31 December	
	2020	2019
Financial expenses		
Bank interest from borrowings (Note 11)	(457)	(389)
Total	**(457)**	**(389)**

e) Contribution to the consolidated profit by Group company

The contribution to the profit for the year ended 31 December 2020 and 31 December 2019 by each company included in the consolidation scope is as follows:

Euro Thousand

	31 December	
	2020	2019
VBARE Iberian Properties SOCIMI, S.A.	(2,678)	3,111
VBA SUB 2018, S.L.U.	(1,578)	323
Total	**(4,256)**	**3,434**

14. Audit fees

The audit fees accrued during the fiscal year ended 31 December 2020 by PricewaterhouseCoopers Auditores, S.L. for the audit and review services rendered amounts to Euro 57 thousand euros (2019: Euro 60 Thousand).

During the years ended December 31, 2020 and 2019, no other fees have been accrued for services performed by other companies in the PwC network.

15. Environmental information

Given the activity in which the Group operates, it has no environmental liabilities, expenses, assets, provisions or contingencies that could have a material impact on its equity, financial position and results of its operations.

Therefore, no specific environmental disclosures have been included in these notes to the Consolidated Financial Statements.

16. Transactions with VBA Real Estate Asset Management 3000 and Related parties

Transactions shown below were carried out with related parties as at 31 December 2020 and 2019 is as follows:

Euro Thousand

	31 December 2020		
	Success fee	Management fee	Other expenses
VBA Real Estate Asset Management 3000, S.L.	-	900	-
Aura Asset Management, S.L.	-	-	2
	-	900	2

Euro Thousand

	31 December 2019		
	Success fee	Management fee	Other expenses
VBA Real Estate Asset Management 3000, S.L.	-	807	-
Aura Asset Management, S.L.	-	-	49
	-	807	49

At 31 December 2020 and 31 December 2019, the outstanding balances with the related parties break down as follows:

Euro Thousand

	Trade and other payables	
	31 December 2020	31 December 2019
VBA Real Estate Asset Management 3000, S.L.	14	23
Aura Asset Management, S.L.	-	-
Total	14	23

Euro Thousand

	Trade and other receivables	
	31 December 2020	31 December 2019
VBA Real Estate Asset Management 3000, S.L.	-	-
Total	-	-

As mentioned in note 1,2, the Parent Company has several agreements with VBA Real Estate Asset Management 3000, S,L, (the Management Company).

17. Board of Directors and senior management

Directors' and senior management remuneration

During fiscal year 2020, the amount accrued by the members of the Parent Company's Board of Directors amounted to Euro 60 thousand (Euro 60 thousand during year ended 2019) as well as the amounts stated in the note above.

During 2020, as in 2019, no contribution has been made in the form of loans or pension plans in favor of former or current members of the Parent Company's Board of Directors. Likewise, no other amounts have been committed for these concepts during the year.

Regarding D&O liability insurance, the Parent Company has underwritten a specific insurance policy involving the payment of Euro 5 Thousand (Euro 5 Thousand in 2019) being the Directors of the Parent Company the beneficiaries.

The members of the Board of Directors of the Parent Company have not received any remuneration relating to profit distribution or bonus. Neither have they received shares or stock options during the year, nor have they exercised options or have options pending exercise.

Remuneration and loans to senior management

As of 31 December 2020, and 2019, the Company does not employ employees who may be considered as senior management. The planning, direction and control of activities will be carried out through joint decisions if they affect economic and strategic policies and are taken by the Board of Directors.

Information regarding conflicts of interest

Article 229 of the Spanish Companies Act 2010, adopted by virtue of Royal Legislative Decree 1/2010, amended by Law 31/2014 of December 3 (the "Companies Act") that specifically modifies the content of Article 229, requires the Directors to notify the Company's governing body of any direct or indirect conflict of interest they may have with the Company's interests.

Likewise, Directors must disclose any direct or indirect interest they or persons related to them may hold in any company engaging in activities which are identical, analogous or complementary to those comprising the company's objects, and also disclose the positions or duties they might have in the same.

In this context, in order to duly comply with the requirements set forth in the Companies Act, some Directors have disclosed they could potentially find themselves in a situation of conflicted interest due to the fact they hold, where appropriate, a direct or an indirect participation, in the Management Company or in companies with the same, similar or complementary activity to the one of the Group companies.

- It is expressly noted that four out of six members of the Board of Directors are also members of the Board of Directors of (i) the Management Company (VBA Real Estate Asset Management 3000, S.L.) and (ii) VBA Sub 2018, S.L. In this regard, the Board of Directors of the two entities is made up of these four individuals who are directors of the Parent Company.

- Mr. Fernando Ernesto Acuña Ruiz and Mr. Juan Manuel Soldado Huertas jointly hold an indirect stake of the Management Company, since they are the owners of Aura Asset Management, S.L.

- Mr. Yair Ephrati holds a 12.5% direct participation in the Management Company.

- Mr. Ido Nouberger holds 20.075% in Value Base Ltd, which holds a 37,5% direct participation and 50% of the voting rights of the Management Company (representing over 50% including the votes of Mr. Yair Ephrati's shares).

- Additionally, Value Base Ltd and Mr. Yair Ephrati's wife holds a 75% and 25% stake respectively in Value Base Mergers and Acquisitions Ltd, which is an entity which has rendered services to the Management Company.

- Mr. Fernando Ernesto Acuña Ruiz holds a participations in the entity Morton Street, S.L. and Nettle Bay, S.L., whose corporate purpose is similar to the business activities of the Group.

- Mr. Fernando Ernesto Acuña Ruiz and Mr. Juan Manuel Soldado Huertas are partners in Aura Asset Management, S.L., in which its corporate purpose is similar to the corporate purpose of the Parent Company.

18. Provision and contingencies

As of 31 December 2020, and 31 December 2019 the Group has no claims or demands and no provisions and contingencies have arisen.

19. Information requirements deriving from Socimi regime, Law 11/2009 as amended by the Law 16/2012

Description	31 December 2019	31 December 2018
a) Reserves from years prior to the application of the tax scheme contained in Law 11/2009, amended by Law 16/2012.	N/A	N/A
b) Reserves from years in which the tax scheme contained in Law 11/2009, amended by Law 16/2012 have been applied	N/A	N/A
c) Dividends distributed against profits each year in which the tax scheme contained in this Law is applicable, differentiating the part from income subject to tax at 0% or 19% from those where tax has been levied at the general rate.	N/A	N/A
d) For distribution against reserves, identifying the year from which the reserves applied derive and if they have been taxed at 0%, 19% or the general rate	N/A	N/A
e) Date of the agreement for the distribution of dividends referred to in c) and d) above.	N/A	N/A
f) Date of acquisition of buildings for rent and interests in the capital of companies referred to in Article 2.1 of this Law	Please see note 6 and Appendix I and II	Please see note 6 and Appendix I and II
g) Identification of assets taken into account in the 80% referred to in Article 3.1 of this Law.	Please see note 6 and Appendix I and II	Please see note 6 and Appendix I and II
h) Reserves from years in which the tax system applicable in this Law was applicable, which were made available in the tax period, not for distribution or offsetting losses, identifying the year from which the reserves derive	N/A	N/A

20. Other information

On March 11, 2020, and due to the rapid spread of coronavirus disease (hereinafter "Covid-19"), the World Health Organization (WHO) raised the public health emergency situation to international pandemic.

Likewise, the Government of Spain declared on March 14 the state of alarm, a state that has been prolonged on different occasions and that ended last June 21. On October 25, the Government of Spain has again declared the state of alarm with the intention of extending it until May 9, 2021 in order to thus cover the mobility restrictions of citizens.

At the date of the approval of these Annual Consolidated Financial Statements, in the Group´s opinion, the impact that COVID-19 has had and has over the Group, doesn´t differ from any other sector´s company.

It exists different aspects that COVID-19 has impacted on the Group´s Annual Consolidated Financial Statements which are detailed below:

- Default rate: The paralysis of economic activity caused by the declaration of the state of alarm and the measures of confinement has caused that many employees to be in a situation of work suspension or unemployment. This fact, together with the delay in the collection of unemployment benefits and the formalization of economic aid to the tenants, can motivate the delay or even the non-satisfaction of some monthly rent by certain tenants.

The Spanish Government, through several Royal Decrees, has established some economic measures for those tenants in a situation of "economic vulnerability" due to Covid-19. The Group, according to Law, can decide for those tenants who request it, if defer 100% or cancel 50% of the lease rent up to 4 months. The Group is analysing and formalizing agreements case by case with those tenants who have requested it according to the requirements established in such Royal Decrees.

Additionally, the Group has been working from more than 2 years in the assurance of the leasing rents through the formalization of default insurances. At the date of the approval of these Annual Consolidated Financial Statements, around 75% of current lease rents are either insured by default insurance, or covered by bank guarantees.

Despite this fact, the Group has seen sorely increased default rate during this period, although the impact in the financial statements is very limited due to the explanations above.

- Adjustment on independent appraisals: Due to the current uncertainty of the country´s economy situation in different areas as: a) Unemployment rate, and, b) slowdown and subsequent recovery of the economy, the Group´s independent appraisers have carried out several adjustments in the hypothesis used, causing a decrease on the appraisal value of 4% versus the same assets appraisal as of December 31, 2019.

Other information:

In the Group´s opinion and due to the work carried out in the last months related to the treasury position strengthening, the Group has a good financial health to face the current situation thanks to a solid treasury position (5.6 million euros including available credit lines y loans not withdrawn). In addition, and after the end of the year, the Parent Company has formalized a new mortgage loan for an amount of 2.4 million euros, which has further improved its cash position.

21. Events occurring after the reporting period

On February 24, 2021 the Group formalized a mortgage loan with Caja Laboral Popular Cooperativa de Crédito "Laboral Kutxa" for an amount of 2.4 million euros for the 35 apartments located in Monte Igueldo´s street in the city of Madrid.

According to the Parent Company's Directors, no other facts or circumstances occurred after the year ended 31 December 2020 have come to their attention which may have significant impact on these Consolidated Financial Statement.

Notes to the Annual Consolidated Financial Statements for the year ended 31 December 2020

Appendix I: Investment properties acquired by the Group

Kind of Asset	Location	Acquisition Date
Building of 14 units, 3 Storages & 16 parkings	Calle Juan Pascual, Madrid.	30/07/2015
Apartment	Calle Venancio Martin, Madrid	19/11/2015
Apartment	Calle Uva, Madrid.	19/11/2015
Apartment	Calle Abdón Bordoy, Aranjuez	19/11/2015
Apartment	Calle San José y Pasaderas, Madrid.	19/11/2015
Apartment	Travesía de Getafe, Parla	19/11/2015
Apartment	Calle Abedul, Madrid.	19/11/2015
Building of 6 units & 5 Storages	Calle Antonia Ruiz Soro, Madrid	18/05/2016
Apartment	Avenida Doctor Mendiguchía Carriche, Leganés.	17/12/2015
Apartment	Camino de la Suerte, Madrid	17/12/2015
Apartment	Avenida Cerro Prieto, Móstoles.	17/12/2015
Apartment	Calle León XIII, Parla	17/12/2015
5 Apartments, 2 Storages & 1 Parking	Calle Oropéndola, Madrid.	17/12/2015
8 Apartments & 8 Storages	Calle Cantueso, Madrid	17/12/2015
Apartment	Calle El Huésped del Sevillano, Madrid.	18/12/2015
Apartment	Calle Cedro, Torrejón de Ardoz	18/12/2015
Apartment	Calle Ernestina Manuel de Villena, Madrid.	18/12/2015
Apartment	Calle Sáhara, Madrid	18/12/2015
Apartment	Calle Rafaela Ybarra, Madrid.	18/12/2015
Apartment	Calle Alejandro Morán, Madrid	21/04/2016
Apartment	Calle Topacio, Torrejón de Ardoz.	31/05/2016
7 Apartments, 7 Storages & 7 Parkings	Calle Bariloche, Madrid	19/01/2016
Building of 48 units	Calle Carnicer, Madrid.	04/02/2016
Building of 6 units	Calle Brihuega, Madrid	14/04/2016
Apartment	Calle Sanz Raso, Madrid.	31/05/2016
Apartment	Calle Algaba, Madrid	31/05/2016
5 Apartments	Calle Santa Julia, Madrid.	31/05/2016
31 Apartments & 31 Storages	Calle Vicente Carballal, Madrid	31/05/2016
Building of 16 units	Calle Margaritas, Madrid.	22/12/2016
Building of 8 units	Calle Carrascales, Madrid	28/06/2017
Building of 7 units	Calle Santa Valentina, Madrid.	20/07/2017
1 Local Premise &12 Apartments	Calle Concordia, Móstoles	21/03/2018
14 Apartments & 10 Storages	Calle Eugenio Gross, Málaga.	26/06/2018
Building of 12 units	Calle Don Quijote, Madrid	24/07/2018
Building of 36 units	Calle Luchana, Madrid.	03/10/2018
Building of 29 units	Calle Vallehermoso, Madrid	08/01/2019
Building of 12 units	Calle San Andrés, Madrid.	30/09/2019
35 Apartments & 35 parkings	Avenida Monte Igueldo, Madrid	28/10/2019

Notes to the Annual Consolidated Financial Statements for the year ended 31 December 2020

Appendix II: Investments in affiliates

Sociedad	Acquisition Date
VBA SUB 2018, S L U	26/09/2018

VBARE Iberian Properties SOCIMI, S.A. and subsidiaries

Preparation of the Annual Consolidated Financial Statements at 31 December 2020 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Consolidated Director's Report for the year 2020

DON IÑIGO DE LOYOLA SÁNCHEZ DEL CAMPO BASAGOITI, in his position as **SECRETARY NON-DIRECTOR OF THE BOARD OF DIRECTORS**, of the company **"VBARE IBERIAN PROPERTIES SOCIMI, S.A."** with registered office in the town of Madrid, at Calle General Castaños 11, 1º Izq, **CERTIFIES**:

That the Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) both in Spanish language and in English language, have been drawn up with **the favourable vote of all the members of the Company's Board of Directors** at the meeting held on 15 March 2021, for verification by the auditors.

The directors attended by telephone conference, in accordance with the provisions of article 23.14 of the Company's Bylaws, giving the meeting a telematic nature in the interests of adopting preventive measures and in order to preserve people's health and avoid the spread of COVID 19. For this reason, the duly formulated Consolidated Financial Statements **DO NOT HAVE the signatures of any of the directors:**

- **Fernando Acuña Ruiz.**
- **Juan Manuel Soldado Huertas.**
- **Yair Ephrati.**
- **Ido Nouberger.**
- **Juan José Nieto Bueso.**
- **Yeshayau Manne.**

The above-mentioned Financial Statements, which precede this procedure, are numbered from page 1 to 47 and signed only at the end with my signature.

Madrid, 15 March 2021

Íñigo Sánchez del Campo Basagoiti

(Secretary Non - Director of the Board of Directors)

VBARE Iberian Properties SOCIMI, S.A. and subsidiaries

Consolidated Directors' Report for the year 2020

1. Organizational structure and operation

VBARE Iberian Properties SOCIMI, S.A. ("**VBARE**" or the "**Company**") was incorporated in Spain on 5 March 2015, in accordance with the Spanish Corporate Law.

VBARE reported on 13 May 2015 to the Tax Administration (*Agencia Tributaria*) its option for the application to the SOCIMI (*Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario*) regime.

On 23 December 2016, VBARE's shares were admitted to trading on the MAB BME Growth of BME MTF Equity (formerly alternative stock Market "MAB") under the SOCIMIs segment, being the initial issuing value of the shares 12.9 euros per share.

The market value in the stock exchange of VBARE as of 31 December 2020 stood at Euro 39,708 Thousand (including the treasury shares value) and its shares are quoted at a value per share of 11 euros. As of 31 December 2020, the EPRA Net Asset Value (NAV) of the Company was Euro 49,870 Thousand which derived a value per share of 13.94 euros price (without the treasury shares). As of 31 December 2019, the market capitalization of the Company stood at Euro 48,371 Thousand (including the treasury shares value) and its shares were quoted at a value per share of 13.40 euros.

VBARE was established with a clear objective to grow its portfolio and is expecting to continue with this objective by future fund raisings new investors (qualified and institutional). For this purpose, the Management of the Company is conducting meetings with institutional investors and investing substantial efforts in order to raise new funds in order to continue with VBARE ´s growth.

The Board of Directors of VBARE, which is composed of 6 members (of which 2 are independent), is conducting its activities in accordance with the rules of corporate governance as stated, mainly, in the By-Laws and in response to the Internal Code of Conduct.

VBARE signed a management agreement with VBA Real Estate Asset Management 3000, S.L. (the "Management Company"). Even though, it is the Board of Directors, which ultimately supervises and controls the activities of the Company, with jurisdiction over matters such as the approval of the general policies and strategies of the Company, the policy of corporate governance and corporate social responsibility, the policy of control and management of risks and, in any case, on the fulfillment of the requirements for maintaining the status of SOCIMI of the Company.

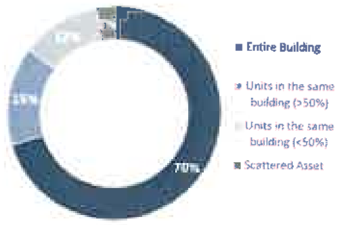
2. Evolution and performance of the business

During financial year ended 31 December 2020 the following significant events took place:

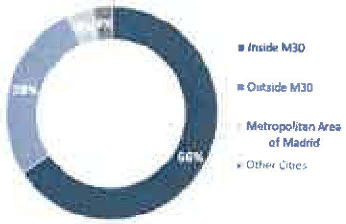
- The Group formalized the sale of 14 scattered units for a price 4.5% higher than the last valuation immediately prior to the date of the sale and 67% higher than the total investment costs (net of cost of sales).
- The Group ´s Net Income amounts to 2,059 thousand euros, which supposes an increase compared to December 31, 2019 of 11%.
- The average gross occupancy for the year ended on December 31, 2020 has been 85.95% for the stabilized assets, which supposes a decrease compared to December 31, 2019, which was 91.59%
- During 2020, the Group has obtained new financing mortgages for an amount of 1,085 thousand euros, such financing mortgage loans have been granted with highly favorable conditions, with an average interest rate of 1.87%, The Group's Loan to Value (LTV) as of 31 December 2020 amounts to 34.2%.

- The portfolio's characteristics in terms of assets typology and its localization is the following:

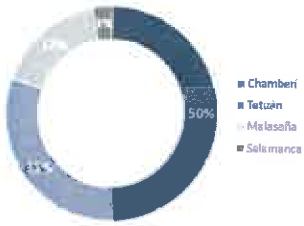
TYPE OF OWNERSHIP



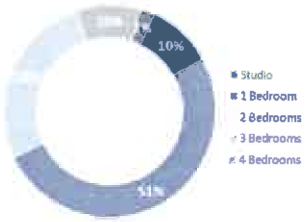
PORTFOLIO LOCATION



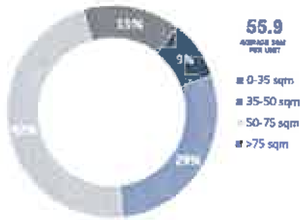
INSIDE M30 LOCATION



NUMBER OF BEDROOMS

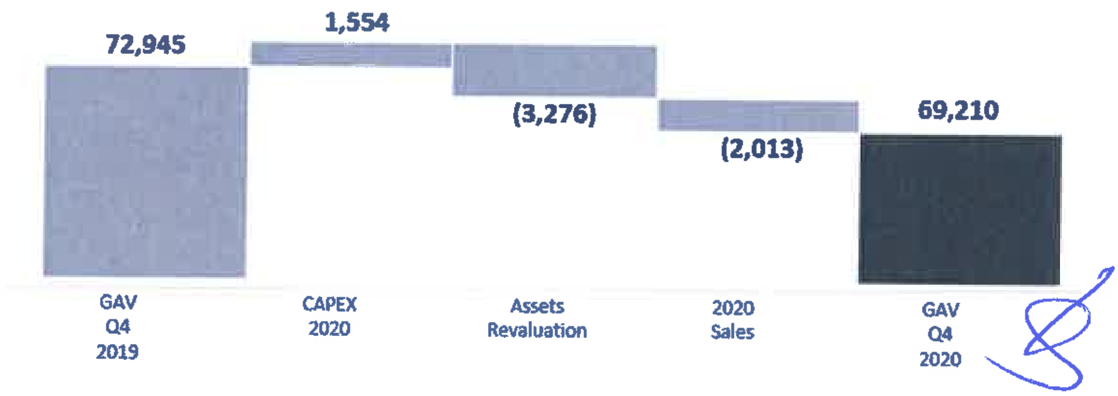


RESIDENTIAL UNITS BY SURFACE



- GAV evolution during 2020 can be appreciated in the following graph (thousand Euro):

GAV EVOLUTION (€k)



3. EPRA Information

EPRA
BPR
SILVER

SUMMARY

	31 December 2020	31 December 2019
EPRA Earnings (€ Thousand)	(940)	(950)
EPRA Earnings per Share (EPS)	(0,26)	(0,33)
EPRA NAV (€ Thousand)	49,870	55,626
EPRA NAV per share	13,94	15,55
EPRA NAV (€ Thousand)	49,870	55,626
EPRA NNNNAV per share	13,94	15,55
EPRA NIY (A/B)	3,98%	3,72%
EPRA "topped-up" NIY (C/B)	4,25%	3,97%
EPRA Vacancy Rate	11,05%	6,29%
EPRA Like for Like Rental Growth	(0.38%)	5.1%
EPRA Property Related Capex (€ Thousand)	1,385	18,782

EPRA Earnings

(€ Thousand)

	31 December 2020	31 December 2019
Earnings per IFRS income statement	(4,256)	3,434
Adjustments to calculate EPRA Earnings, exclude:		
(i) Changes in value of investment properties	3,316	(4,384)
EPRA Earnings	(940)	(950)
Basic number of shares	3,576,383	2,877,444
EPRA Earnings per Share (EPS)	(0.26)	(0.33)
Company specific adjustments:		
Company specific adjustments:	-	-
Company specific Adjusted Earnings	(940)	(950)
Basic number of shares	3,576,383	2,877,444
Company specific Adjusted EPS	(0.26)	(0.33)

EPRA Net Asset Value (NAV)

(€ Thousand)

	31 December 2020	31 December 2019
NAV per the financial statements	49,870	55,626
Effect of exercise of options, convertibles and other equity interests (diluted basis)	-	-
Diluted NAV, after the exercise of options, convertibles and other equity interests	49,870	55,626
Exclude:		
Fair value of financial instruments	-	-
Deferred tax	-	-
Goodwill as a result of deferred tax	-	-
EPRA NAV	49,870	55,626
Fully diluted number of shares	3,576,383	3,577,221
EPRA NAV per share	13.94	15.55

EPRA NNNAV

(€ Thousand)

	31 December 2020	31 December 2019
EPRA NAV	49,870	55,626
Include:		
Fair value of financial instruments	-	-
Fair value of debt	-	-
Deferred tax	-	-
EPRA NNNAV	49,870	55,626
Fully diluted number of shares	3,576,383	3,577,221
EPRA NNNAV per share	13.94	15.55

EPRA Net Initial Yield (NIY) y 'topped-up' NIY

	31 December 2020	31 December 2019
	(€ Thousand)	
Completed property portfolio	**44,325**	**49,318**
Allowance for estimated purchasers' costs	-	-
Gross up completed property portfolio valuation (B)	**44,325**	**49,318**
Annualized cash passing rental income	1,962	2,062
Property outgoings	(198)	(225)
Annualized net rents (A)	**1,765**	**1,837**
Add: notional rent expiration of rent-free periods or other lease incentives	120	120
Topped-up net annualized rent (C)	**1,885**	**1,957**
EPRA NIY (A/B)	**3.98%**	**3.72%**
EPRA "topped-up" NIY (C/B)	**4.25%**	**3.97%**

EPRA NIY and "Topped-up" do not consider those buildings/units that are under refurbishment at the end of the year.

Operating expenses associated with non-recoverable assets are those recurrent expenses relating to buildings/units that are not under refurbishment.

EPRA Vacancy Rate

	31 December 2020	31 December 2019
	(€ Thousand)	
Estimated Rental Value of vacant space	276	169
Estimated rental value of the whole portfolio	2,497	2,684
EPRA Vacancy Rate	**11.05%**	**6.29%**

The increase in this ratio is mainly due to the increase in the supply of rental homes in 2020 appreciated in Madrid by the marketing of the long-term rental of a significant number of units that were previously offered for rent for short stays through platforms like AIRBNB.

EPRA vacancy rate does not consider those buildings/units that are under refurbishment.

Property Related Capex

	31 December 2020	31 December 2019
	(€ Thousand)	
Acquisitions	-	17,244
Capex		
Like for Like Portfolio	1,511	1,345
2020 Acquisitions	-	-
2019 Acquisitions	-	193
CAPITAL EXPENDITURE	**1,511**	**18,782**

In relation to the capex invested in 2020, 93% of the total has been invested in the buildings the Group owns at Luchana, Vallehermoso, San Andrés and Monte Igueldo´s streets in Madrid, being hese buildings the Group's latest acquisitions.

Like for Like Rental Growth

	31 December 2020	31 December 2019
Like for Like Rental Growth	(0.38%)	5.1%
LIKE FOR LIKE RENTAL GROWTH	**(0.38%)**	**5.1%**

The decrease in rental is mainly explained by the increase of vacancy experienced in 2020.

4. Evolution of the share and treasury shares

As mentioned above, the Parent Company´s shares were admitted to trading on BME Growth of BME MTF Equity (formerly alternative stock Market "MAB") on 23 December 2016 with an initial issuing price of 12.9 euros per share.

The share price as of December 31, 2020 is €11. As of 31 December 2019, the share price was €13.40.

During 2020, 164 Thousand shares and 2,060 Thousand euros have been negotiated, equivalent to 4.6% of its share capital. Such volume implies an average daily negotiation in that period of 641 shares and 8 Thousand euros.

As of 31 December 2020, the Parent Company has a total of 40,451 treasury shares handled by the liquidity provider (Renta 4 Banco, S.A.), The treasury shares held by the Parent Company as of 31 December 2020 represents a 1.12 % of the total share capital of the Parent Company for that date.

5. Dividend Policy

The SOCIMIs have been regulated by the special tax regime established in the Law 11/2009, of 26 October, as amended by Law 16/2012, of 27 December, which regulates the investment listed corporations in the real estate market.

SOCIMIs are required to distribute dividends to their shareholders, once the commercial obligations that are applicable, the benefit obtained in the exercise, and agree on its distribution within six months after the conclusion of each exercise, in the following manner:

a) The 100% of the profits from dividends or other shares in profits that were distributed by the entities referred to in paragraph 1 of article 2 of the Law.

b) At least 50% of profits derived from the transfer of real estate and shares or holdings referred to in paragraph 1 of article 2 of the Law, carried out once the periods referred to in paragraph 3 of article 3 of this Law, subject to the fulfillment of its primary object. The rest of these benefits must be reinvested in other estate or interests affections to the fulfillment of that object, within a period of three years from the date of transmission, In his absence, these benefits must be distributed in its entirety in conjunction with the benefits, if any, which come from the year in which ends the period of reinvestment. If the reinvestment object elements are transmitted before the deadline for the maintenance, those benefits must be distributed in its entirety in conjunction with the benefits, as the case may be, the part of these benefits attributable to periods in which the Company will not be taxed by the special tax regime established in this law.

c) At least 80% of the rest of the benefits obtained. The dividend shall be paid within one month of the date of the distribution agreement. When the distribution of dividends with charge to reservations from benefits of an exercise in which it has been applied the special tax regime, its distribution will be taken with the agreement referred to in the previous paragraph. The Company is obliged to allocate 10 per cent of the benefits of exercise to the constitution of the legal reserve, until it reaches the 20% of the capital. This book, as long as it does not exceed the limit of 20% of the social capital, is not available for distribution to shareholders. The statutes of these societies may not establish any other reservation of an unavailable other than the previous one.

As set out in the Prospectus (*"Documento Informativo de Incorporación al Mercado"* or *"DIIM"*), the Company has adopted a dividend policy which consists in the distribution of a dividend (including premium of shares) equal to the greater of the following amounts:

i) The 3% of the annual Consolidated Net Equity; or
ii) The distribution requirements resulting from the application of the SOCIMI Regime.

Dividends will be distributed, provided that sufficient reserves available at that time and within the corporate and tax regime applicable in two payments:

i) Through an interim dividend - initially planned in or around the third quarter of each fiscal year-; and
ii) A supplementary dividend approved by the General Shareholders Meeting.

The obligation to distribute dividends described in this section shall conform at all times to the legislation in force and is only active in the situation in which the Group Companies have record profits. However, if the Companies does not generate sufficient benefits, for the Board of Directors to propose a dividend, the possibility of distributing available reserves such as the share premium will be assessed.

The General Shareholders' Meeting of the Parent Company held on 12 December 2017, at the proposal of the Parent Company's Board of Directors, approved the distribution of share premium among the shareholders in proportion to their participation in the share capital figure of the Parent Company having delegated to the Board of Directors the execution of said agreement as well as the determination of the date of payment and amount of the share premium to be distributed.

On March 9, 2020, the Board of Directors of the Parent Company agreed to distribute share premium amounting 573 thousand euros (0.16 euros per share), which become effective on March 16, 2020 among the shareholders in proportion to their participation in the capital of the Parent Company.

Additionally, on September 22, 2020, the Board of Directors of the Parent Company agreed to distribute share premium amounting 829 thousand euros (0.232 euros per share), which become effective on September 30, 2020 among the shareholders in proportion to their participation in the capital of the Parent Company.

6. Average payment period to suppliers

The detail of the payments by commercial operations carried out during the fiscal year and outstanding at the end of the consolidated statement of financial position in relation to the legal time limits provided for in the Law 15/2010, as amended by Law 31/2014, is the following:

	2020	2019
	Days	
Average payment period to suppliers	23	26
Settled payments ratio	22	27
Outstanding payments ratio	35	17
	Amount (Euro Thousand)	
Total payments made	3,506	4,996
Total outstanding payments	221	58

7. The team

The team of professionals that make up VBARE constitutes one of the main strengths of the Company. Since its incorporation, has selected the personnel needed to develop its strategy and achieve its objectives, VBARE is a Real Estate Investment Group externally managed by the Management Company. The Management Company works exclusively - and with full dedication - for the Group, It is made up of specialized professionals with extensive experience and proven track record in real estate, financial, valuation, asset management, capital markets and with a deep knowledge of the market.

This expert group of professionals is capable of dealing with investment operations of great complexity in short periods of time and carried out in a comprehensive manner throughout the process of value creation: from the identification of the investment until the active management and potential rotation of the asset. The Company is supervised by a Board of Directors consisting of 6 directors including 2 independent and a Chief Executive Officer, together with competencies in the real estate industry, in the field of valuation, regulatory, financial and legal.

In addition, the group has its own staff that ensures the day-to-day operations of the portfolio of investment properties, which include financial control functions and operations, property management, commercialization and project management.

8. Risk Management

VBARE has established a system of control of risks covered by their activity and is suitable for the Company's risk profile.These policies are supervised by the Board of Directors.

The risk control also includes the management of financial risk. Policies to cover each type of risk are detailed in the accompanying Notes to the Consolidated Financial Statements.

9. Activities in the field of research and development

VBARE has not carried out activities in the field of research and development in the year 2019.

10. Circumstances that have arisen after the close of the financial year

On February 24, 2021 the Group formalized a mortgage loan with Caja Laboral Popular Cooperativa de Crédito "Laboral Kutxa" for an amount of 2.4 million euros for the 35 apartments located in Monte Igueldo's street in the city of Madrid.

According to the Parent Company's Directors, no other facts or circumstances occurred after the year ended 31 December 2020 have come to their attention which may have significant impact on these Consolidated Financial Statement.

11. Prospects for the 2021 financial year

Despite this 2020 marked by COVID-19, the Company looks to 2021 with hope and positivism for different reasons:

- The increase in the availability of vaccines against the virus will presumably cause an increase in the % of the immune population, and therefore, one more step to return to the long-awaited pre-covid normality.
- The greatest resistance appreciated since the beginning of the pandemic of the residential sector for rent vs other sectors.
- The economic strength of Madrid vs other regions.
- The increase in the desire for rent vs. ownership experienced in recent years.

We expect that, after a start to 2021 where demand will remain weak with a foreseeable negative impact on occupancy, a recovery towards the end of the year based on good fundamentals in the sector, especially in Madrid.

The objective for fiscal year 2021 is to continue with our strategy of creating value for our shareholders through the improvement of the profitability of the existing portfolio, as well as the acquisition of new assets at attractive prices with the potential to increase rents and value in the medium term.

Additionally, a large part of the portfolio could be divested, since it would have complied with the minimum holding period required to sell assets, benefiting from the special tax regime established in the SOCIMI Law. The Group is currently reviewing the portfolio to determine which assets would be marketed for sale. As envisaged in the Group's initial business plan, following the sale of these assets, the intention is to return to its shareholders by distributing part of the profits as extraordinary dividends and reinvesting another part in new assets that meet our strategy of creating value for shareholders.