Lar España Real Estate SOCIMI, S.A. and Subsidiaries

Consolidated Financial Statements for year then ended on 31 December 2021, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and
Directors' Report, together with
Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2.a and 31). In the event of a discrepancy, the Spanish-language version prevails.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Lar Estate Real Estate SOCIMI, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in net equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2021, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations 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 pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters 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 matters.

Valuation of Investment Property

Description

The Group manages a portfolio of urban property assets earmarked for lease (mainly shopping centres) located in Spain. Investment property is stated at its fair value at the reporting date and is not depreciated. At 31 December 2021, the portfolio of investment property was valued at EUR 1,424 million.

The Group periodically uses third parties independent of the Group as experts to determine the fair value of its property assets. The aforementioned experts have substantial experience in the markets in which the Group operates and employ valuation methodologies and standards widely used in the market.

The valuation of the real estate portfolio is a key audit matter, since it requires the use of estimates with a significant degree of uncertainty. Specifically, the discounted cash flow method is generally applied to the valuation of the rental property assets, which requires estimates of:

- the future net revenue from each property based on available historical information and market surveys;
- the residual value of the assets at the end of the projection period;
- the exit yield; and
- the internal rate of return or opportunity cost used when discounting.

In addition, small percentage changes in the key assumptions used for the valuation of the property assets could give rise to significant changes in the consolidated financial statements.

Procedures applied in the audit

Our audit procedures included, among others, the obtaining the valuation reports of the experts hired by the Group to value the entire real estate portfolio and assessed the competence, ability and objectivity of the experts and the suitability of their work for use as audit evidence. In this connection, with the cooperation of our internal valuation experts, we:

- analysed and concluded on the reasonableness of the valuation procedures and methodology used by the experts hired by Group management;
- performed a review of the practical totality of valuations, assessing in conjunction with our internal experts, the most significant risks, including the occupancy rates and expected returns on the real estate assets. While carrying out this review we have taken into consideration available industry information and transactions with property assets similar to those in the Group's real estate portfolio.

We also analysed and concluded on the suitability of the disclosures made by the Group in relation to these matters, which are included in Notes 5.a, and 7 to the accompanying consolidated financial statements for 2021.

Compliance with the special REIT tax regime

Description

The Parent and most of its subsidiaries have availed themselves of the special tax regime for Real Estate Investment Trusts (REITs). One of the main characteristics of companies of this nature is that they are subject to an income tax rate of 0%.

The tax regime for REITs is subject to certain mandatory requirements, such as those relating to their company name and object, the minimum amount of their share capital, the obligation to distribute the profit obtained each year in the form of dividends, and the listing of their shares on a regulated market, as well as other requirements, such as, basically, investment requirements and those relating to the nature of the income obtained each year, which require significant judgements and estimates to be made by management, since failure to comply with any of these requirement will result in the loss of entitlement to the special tax regimen unless the cause of non-compliance is rectified within the immediately following year.

Therefore, compliance with the REIT tax regime requirements is a key matter in our audit, to the extent that the related tax exemption has a significant impact on both the consolidated financial statements and shareholder returns, since the business model of the Parent and its Group is based on continuing to qualify for taxation under the REIT tax regime.

Procedures applied in the audit

Our audit procedures included, among other, obtaining and reviewing the documentation prepared by Group management relating to compliance with the obligations associated with this special tax regime and we involved our internal experts from the tax area, who assisted us in analyzing both the reasonableness of the information obtained and the completeness thereof in relation to all the matters provided for in the legislation in force at the analysis date.

Lastly, we verified that Notes 1, 20 and 21 to the consolidated financial statements contain the disclosures relating to compliance with the conditions required by the REIT tax regime and other matters associated with the taxation of the Parent and of its subsidiaries.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2021, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels thereof:

a) Checking only certain information included in the Annual Corporate Governance Report and the Annual Directors' Remuneration Report, to which the Audit Law refers, has been provided as stipulated by applicable regulations and, if not, reporting this fact.

b) Evaluating and reporting on the consistency of the remaining information included in the consolidated director's report with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements, as well as evaluating and reporting on whether the content and presentation of this part of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described in above, we have checked that the information described in section a) above is provided in the consolidated directors' report and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2021 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory 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'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.

The Parent's audit committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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 the audit regulations in force 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.

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix to this auditor's report. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

European Single Electronic Format

We have examined the digital file in European Single Electronic Format (ESEF) of Lar España Real Estate SOCIMI, S.A. for 2021, which comprise the XHTML file including the financial statements for 2021, which will form part of the annual financial report.

The directors of Lar España Real Estate SOCIMI, S.A. are responsible for presenting the annual financial report for 2021 in accordance with the format and markup requirements established in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF Regulation"). For these purposes, the Annual Corporate Governance Report and the Annual Directors' Remuneration Report were included by reference in the directors' report.

Our responsibility is to examine the digital file prepared by the Company's directors, in accordance with the audit regulations in force in Spain. Those regulations require that we plan and perform our audit procedures in order to ascertain whether the content of the financial statements included in the aforementioned file corresponds in full to that of the financial statements that we have audited, and whether those financial statements were formatted, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital file examined corresponds in full to the audited financial statements, and these are presented, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Additional Report to the Parent's Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit committee dated 25 February 2022.

Engagement Period

The Annual General Meeting held on 22 April 2021 appointed us as auditors of the Group for a period of one year from the year ended 31 December 2020.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the financial statements uninterruptedly since the year ended 31 December 2014.

DELOITTE, S.L.
Registered in R.O.A.C. under no. S0692

Carmen Barrasa Ruiz
Registered in R.O.A.C. under no. 17962

25 February 2022

Appendix to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement 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's directors.

- Conclude on the appropriateness of the use by the Parent's directors 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's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

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

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

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

Consolidated financial statements for the 2021 period

(Prepared under International Financial Reporting Standards as adopted by the European Union)

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

CONTENTS

(1)		NATURE, ACTIVITIES AND COMPOSITION OF THE GROUP	10
(2)		BASIS OF PRESENTATION	13
	(a)	Regulatory framework on financial information	13
	(b)	Functional and presentation currency	13
	(c)	Comparison of information	14
	(d)	Relevant accounting estimates, assumptions and judgements used when applying accounting principles	14
	(e)	Standards and interpretations adopted since 1 January 2020	15
	(f)	Standards and interpretations issued but not effective at 1 January 2020	15
	(g)	Impact of COVID 19 on the financial statements	16
(3)		DISTRIBUTION OF PROFIT	19
(4)		CONSOLIDATION PRINCIPLES	20
	(a)	Subsidiaries	20
	(b)	Joint Ventures	21
	(c)	Business combinations	21
	(d)	Standardisation of account items	22
	(e)	Scope of consolidation	22
	(f)	Changes to the composition of the Group	27
(5)		ACCOUNTING PRINCIPLES	27
	(a)	Investment property and intangible assets	27
	(b)	Leases	28
	(c)	Financial instruments	29
	(d)	Derivative financial instruments and accounting of hedging transactions	31
	(e)	Valuation techniques and assumptions applicable to fair value measurement	33
	(f)	Treasury shares of the Parent Company	34
	(g)	Distributions to shareholders	34
	(h)	Cash and cash equivalents	35
	(i)	Employee benefits	35
	(j)	Payments based on shares	35
	(k)	Provisions	35
	(l)	Recognition of income	36
	(m)	Lease of investment property to third parties	36
	(n)	Profit and loss from the disposal of investment property	37
	(o)	Income tax	37
	(p)	Segment reporting	38
	(q)	Classification of assets and liabilities as current and non-current	38
	(r)	Environmental information	39
	(s)	Statement of Cash Flows	39
	(t)	Non-current assets held for sale and liabilities connected to non-current assets held for sale	39

(6)	SEGMENT REPORTING	41
(a)	Operating segments	41
(b)	Geographical segments	48
(7)	INVESTMENT PROPERTY	49
(8)	OPERATING LEASES – LESSOR	55
(9)	NON-CURRENT ASSETS HELD FOR SALE AND LIABILITIES CONNECTED TO ASSETS HELD FOR SALE	57
(10)	FINANCIAL ASSETS BY CATEGORY	59
(a)	Classification of financial assets by category	59
(b)	Classification of financial assets by maturity	60
(11)	TRADE AND OTHER RECEIVABLES	62
(a)	Impairment	62
(12)	CASH AND CASH EQUIVALENTS	63
(13)	NET EQUITY	64
(a)	Capital	64
(b)	Issue premium	65
(c)	Other reserves	65
(d)	Valuation adjustments	67
(e)	Treasury shares	67
(f)	Dividends paid and issue premiums returned	68
(14)	EARNINGS PER SHARE	69
(i)	Basic	69
(ii)	Diluted	69
(15)	FINANCIAL LIABILITIES BY CATEGORY	70
(a)	Classification of financial liabilities by category	70
(b)	Classification of financial liabilities by maturity	71
(16)	FINANCIAL LIABILITIES FROM BORROWINGS	73
(a)	Main characteristics of debt from bonds	73
(b)	Main characteristics of bank borrowings	76
(c)	Derivatives	78
(d)	Movements of cash under financial liabilities from borrowings	79
(17)	OTHER NON-CURRENT FINANCIAL LIABILITIES	80
(18)	TRADE AND OTHER PAYABLES	81
(19)	INFORMATION ON THE AVERAGE NUMBER OF DAYS PAYABLE	82
(20)	PUBLIC ENTITIES AND TAXATION	83
(a)	Balances with public entities	83
(b)	Reconciliation of accounting profit and taxable income	84
(c)	Reconciliation of accounting profit and Corporate Income Tax expense	86
(d)	Periods pending verification and inspections	86
(e)	Reporting requirements for SOCIMIs pursuant to Law 11/2009, amended by Law 16/2012	88
(21)	RISK MANAGEMENT POLICY	
(a)	Financial risk factors	89
(22)	REVENUE	99

(23)	OTHER OPERATING EXPENSES	99
(24)	FINANCIAL PROFIT/(LOSS)	100
(25)	EMPLOYEE BENEFITS EXPENSE	100
(26)	PROFIT/(LOSS) FOR THE PERIOD	101
(27)	RELATED PARTY BALANCES AND TRANSACTIONS	102
(a)	Related party transactions and balances	103
(b)	Information on the Parent Company's Board of Directors and Senior Management personnel of the Group	104
(c)	Transactions other than ordinary business or under terms differing from market conditions carried out by the Directors	104
(d)	Investments and positions held by the Directors and their related parties in other companies	
(28)	EMPLOYEE INFORMATION	104
(29)	AUDIT FEES	104
(30)	EVENTS AFTER THE REPORTING PERIOD	105
(31)	EXPLANATION ADDED FOR TRANSLATION TO ENGLISH	106

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

Consolidated Statement of Financial Position

31 December 2021

(Expressed in thousands of Euros)

(Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Note 2). In the event of a discrepancy, the Spanish-language version prevails)

Assets	Note	31/12/2021	31/12/2020
Intangible assets		2	2
Investment property	7	1,423,848	1,373,480
Equity-accounted investees		1,477	1,082
Non-current financial assets	10	14,422	13,618
Trade and other long-term receivables	10.11	11,586	17,996
Total non-current assets		**1,451,335**	**1,406,178**
Non-current assets held for sale	9	—	106,755
Trade and other receivables	10.11	25,452	28,463
Other current financial assets	10	3,944	369
Other current assets		3,752	3,038
Cash and cash equivalents	12	313,199	134,028
Total current assets		**346,347**	**272,653**
Total assets		**1,797,682**	**1,678,831**

The accompanying Notes 1 to 31 and Appendix I form an integral part of the Consolidated Statement of Financial Position at 31 December 2021.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

Consolidated Statement of Financial Position

31 December 2021

(Expressed in thousands of Euros)

(Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Note 2). In the event of a discrepancy, the Spanish-language version prevails)

Net Equity and Liabilities	Note	31/12/2021	31/12/2020
Capital	13	167,386	175,267
Issue premium	13	466,176	475,130
Other reserves and other contributions	13	196,903	281,005
Retained earnings	13.14	25,782	(53,668)
Treasury shares	13	(860)	(16,474)
Valuation adjustments	13	—	(1,610)
Total net equity		**855,387**	**859,650**
Financial liabilities from issue of bonds and other marketable securities	15, 16a	693,647	139,685
Bank borrowings	15, 16b	69,921	570,608
Deferred tax liabilities	20	15,578	17,201
Derivatives	15, 16c	—	4,685
Other non-current liabilities	16, 17	20,716	19,993
Total non-current liabilities		**799,862**	**752,172**
Liabilities connected to non-current assets held for sale	9	—	1,576
Financial liabilities from issue of bonds and other marketable securities	15, 16a	129,702	3,482
Bank borrowings	15, 16b	185	40,593
Derivatives	15, 16c	—	3,137
Trade and other payables	15, 18	12,546	18,221
Total current liabilities		**142,433**	**67,009**
Total net equity and liabilities		**1,797,682**	**1,678,831**

The accompanying Notes 1 to 31 and Appendix I form an integral part of the consolidated statement of financial position at 31 December 2021.

(Expressed in thousands of Euros)

(Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Note 2). In the event of a discrepancy, the Spanish-language version prevails)

Consolidated Statement of Comprehensive Income	Note	2021	2020
Revenue	6,22	76,271	93,324
Other income		2,836	3,566
Employee benefits expense	25	(592)	(474)
Other operating expenses	23	(27,888)	(26,715)
Changes in the fair value of investment property	7,9	(1,305)	(100,656)
Profit and loss from the disposal of investment property	7,9	64	—
Operating profit/(loss)		**49,386**	**(30,955)**
Financial income	24	7	40
Financial expenses	24	(26,691)	(20,096)
Impairment and profit/(loss) in disposals of financial instruments	12	(402)	—
Changes in the fair value of financial instruments	16c, 24	1,465	(2,914)
Share in profit (loss) for the period of equity-accounted investees		395	257
Profit for the period from continuing operations		**24,160**	**(53,668)**
Corporate Income Tax	20	1,622	—
Profit for the period		**25,782**	**(53,668)**
Basic earnings per share (in Euros)	14	0.31	(0.63)
Diluted earnings per share (in Euros)	14	0.31	(0.63)

Consolidated Statement of Comprehensive Income		2021	2020
Profit for the period (I)	26	25,782	(53,668)
Other Comprehensive Income Directly Recognised in Net Equity (II)	13d	223	(653)
Other Amounts Transferred to the Income Statement (III)	13d	1,387	986
Total Comprehensive Income (I+II+III)		**27,392**	**(53,335)**

The accompanying Notes 1 to 31 and Appendix I form an integral part of the Consolidated Statement of Comprehensive Income for the period ended 31 December 2021.

Consolidated Statement of Changes in Net Equity for the period ended
31 December 2021

(Expressed in thousands of Euros)

(Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Note 2). In the event of a discrepancy, the Spanish-language version prevails)

	Capital	Issue premium	Other reserves	Other contributions	Retained earnings	Treasury shares	Valuation adjustments (Note 13d)	Total net equity
Balance at 31 December 2019	175,267	475,130	254,118	240	80,730	(762)	(1,943)	982,780
Total revenue and expenses recognised in the period	—	—	—	—	(53,668)	—	333	(53,335)
Transactions with shareholders or owners:								
Capital increases	—	—	—	—	—	—	—	—
Capital decreases	—	—	—	—	—	—	—	—
Distribution of profit:								
To reserves	—	—	26,636	—	(26,636)	—	—	—
To dividends	—	—	—	—	(54,094)	—	—	(54,094)
Return of the issue premium	—	—	—	—	—	—	—	—
Treasury shares	—	—	(6)	—	—	(15,712)	—	(15,718)
Other operations	—	—	17	—	—	—	—	17
Balance at 31 December 2020	175,267	475,130	280,765	240	(53,668)	(16,474)	(1,610)	859,650
Total revenue and expenses recognised in the period	—	—	—	—	25,782	—	1,610	27,392
Transactions with shareholders or owners:								
Capital increases	—	—	—	—	—	—	—	—
Capital decreases	(7,881)	—	(12,882)	—	—	20,763	—	—
Distribution of profit:								
To reserves	—	—	(71,172)	—	71,172	—	—	—
To dividends (Note 13f)	—	—	—	—	(17,504)	—	—	(17,504)
Return of the issue premium	—	(8,954)	—	—	—	—	—	(8,954)
Treasury shares (Note 13e)	—	—	(46)	—	—	(5,149)	—	(5,195)
Other operations	—	—	(2)	—	—	—	—	(2)
Balance at 31 December 2021	167,386	466,176	196,663	240	25,782	(860)	—	855,387

The accompanying Notes 1 to 31 and Appendix I form an integral part of the Consolidated Statement of Changes in Net Equity for the period ended 31 December 2021.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

Consolidated Statement of Cash Flows for the period ended

31 December 2021

(Expressed in thousands of Euros)

(Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Note 2). In the event of a discrepancy, the Spanish-language version prevails)

	Notes	2021	2020
A) Cash flows from/(used in) operating activities		**32,069**	**8,538**
Profit/(loss) for the year before tax		*24,160*	*(53,668)*
Adjustments to the profit/(loss)		*27,909*	*123,369*
Profit /(loss) from adjustments to fair value of investment property	7,9	1,305	100,656
Impairment adjustments to commercial transactions	23	1,442	—
Impairment adjustments to financial instruments	12	402	—
Financial income	24	(7)	(40)
Financial expenses	24	26,691	20,096
Changes in the fair value of financial instruments	24	(1,465)	2,914
Share in profits/(losses) in associates' periods		(395)	(257)
Profit/(loss) from the disposal of investment property	7	(64)	—
Changes in working capital		*693*	*(44,387)*
Trade and other receivables		8,011	(28,211)
Other current and non-current assets and liabilities		(1,523)	(662)
Trade and other payables		(5,795)	(15,514)
Other cash flows from operating activities		*(20,693)*	*(16,776)*
Interest paid	16	(20,693)	(16,776)
B) Cash flows from/(used in) investing activities		**47,469**	**(24,582)**
Investment payments		*(12,108)*	*(24,582)*
Investment property	7,9	(8,533)	(24,582)
Other financial assets		(3,575)	—
Proceeds from sales on investments and dividends		*59,577*	—
Disposal of investment property	7	59,577	—
C) Cash flows from/(used in) financing activities		**97,007**	**(7,570)**
Proceeds and payments relating to equity instruments		*(5,149)*	*(15,719)*
Acquisition/disposal of equity instruments	13e	(5,149)	(15,719)
Proceeds and payments relating to financial liability instruments		*128,613*	*62,243*
Issue of:			
Debentures and other marketable debt securities	16	693,186	—
Borrowings with credit institutions	16	—	101,327
Borrowings with Group companies and associates	27	—	1,000
Return and amortization of:			
Debentures and other marketable debt securities	16	(17,300)	—
Borrowings with credit institutions	16	(547,273)	(40,084)
Payments relating to dividends and remuneration from other equity			
Dividend payments	13f	(26,457)	(54,094)
D) Cash and cash equivalents in non-current assets held for sale	12	2,626	(2,885)
E) Net increase/decrease in cash and cash equivalents		**179,171**	**(26,499)**
F) Cash and cash equivalents at the beginning of the period		134,028	160,527
G) Cash and cash equivalents at the end of the period		313,199	134,028

The accompanying Notes 1 to 31 and Appendix I form an integral part of the Consolidated Statement of Cash Flows for the period ended 31 December 2021.

(1) NATURE, ACTIVITIES AND COMPOSITION OF THE GROUP

Lar España Real Estate SOCIMI, S.A. (hereinafter the Parent Company or Lar España) was incorporated with limited liability under Spanish law on 17 January 2014 for an indefinite duration as Lar España Real Estate, S.A. Its name was changed to the current name on 6 February 2014.

Its registered office is located at Calle María de Molina 39, 28006, Madrid, Spain.

On 16 June 2021, the registered office of all the companies in the Group was changed to the current location.

According to its articles of association, the Group's Parent Company's statutory activity consists of the following:

– The acquisition and development of urban properties for lease.

– The holding of investments in the capital of other SOCIMIs (listed corporations for investment in the real estate market - Spanish "REITs") or in other entities not resident in Spain that have an identical statutory activity and are subject to a regime similar to that applicable to SOCIMIs, insofar as they have a legal or statutory obligation to distribute profits.

– The holding of investments in the capital of other entities, Spanish or foreign residents, whose main corporate purpose is the acquisition of urban property for the lease thereof that are subject to the same regime applicable to SOCIMIs insofar as they have a legal or statutory obligation to distribute profits and satisfy the investment requirements referenced in Article 3 of the SOCIMIs Law.

– The holding of shares or investments in Property Collective Investment Institutions regulated by Act 35/2003, of 4 November, on Collective Investment Institutions or any standard that might replace said Act in the future.

– In addition to the economic activity derived from the principal statutory activity, SOCIMIs may carry out complementary activities. These are understood to be activities that do not amount to more than 20% of the total earnings of the Group in each tax period or those which can be considered complementary pursuant to prevailing legislation.

Lar España Real Estate SOCIMI, S.A. and its subsidiaries and associates (hereinafter the "Group"), whose details are reflected in Note 4e, and whose main activity is the acquisition and management of shopping centres, may invest to a lesser extent in other assets for rent or for direct sale (commercial premises, industrial premises, logistics centres, offices and residential products).

Lar España Real Estate SOCIMI, S.A. has been listed on the Spanish Stock Exchanges and Continuous Market since 5 March 2014 (Note 13).

The Parent Company and the subsidiaries thereof (except Inmobiliaria Juan Bravo 3, S.L., LE Offices Marcelo Spínola 42, S.L.U. and Lar España Inversión Logística IV, S.L.U.) are regulated by Law 11/2009, of 26 October, as amended by Law 16/2012, of 27 December, which governs SOCIMIS. Said law stipulates the requirements for applying the special tax system, some of which are listed below:

1. SOCIMIs must invest at least 80% of their assets in urban properties for lease, in land for the development of urban properties for lease, provided that development commences within three years after the acquisition, or in the capital or equity of other entities referenced in Article 2.1 of Law 11/2009.

   Asset value will be based on the average of the asset values reflected in the consolidated quarterly balance sheets for the period. To calculate this value, the Parent Company chose to replace the carrying amount of the items comprising those balance sheets with their market value, which would apply to all the balance sheets for the period. For these purposes, cash or receivables derived from transfers of these properties or investments, if any, carried out in the current period or previous periods shall not be included, provided that, in the latter case, the period for reinvestment stipulated in Article 6 of the aforementioned Law has not expired.

2. Furthermore, at least 80% of revenue for the tax period corresponding to each year, excluding that derived from the transfer of those investments and properties held for the purpose of carrying out the principal statutory activity, once the holding period mentioned in the following section has elapsed, must originate from property leases and dividends or shares in profits arising from said investments.

   This will be calculated as a percentage of consolidated profit if the company is the parent of a group in accordance with the criteria established in Article 42 of the Spanish Code of Commerce, irrespective of domicile and of the obligation to draw up consolidated financial statements. This Group shall comprise solely the SOCIMIs and other entities to which Article 2.1 of the above Law refers.

3. The properties that constitute the SOCIMI's assets must be leased for at least three years. The period of time during which the properties have been available for lease, up to a maximum of one year, shall be included for the purposes of this calculation. The period shall be calculated as follows:

   a) For properties included in the SOCIMI's holdings prior to availing of the regime, from the starting date of the first tax period in which the special tax regime established in the Law is applied, provided that on that date the asset was leased or available for lease. If not, the provisions of the following point shall apply.

b) For properties developed or acquired subsequently by the Company, from the date on which they were leased or available for lease for the first time.

For shares or investments in the entities referenced in Article 2.1 of the aforementioned Law, they should be maintained as assets on the SOCIMI's balance sheet for at least three years from their acquisition or, where applicable, from the start of the first tax period in which the special tax regime established in the above Law is applied.

4. SOCIMIs and Spanish resident investees that have chosen to avail themselves of the special SOCIMI tax regime, after having satisfied any relevant trade obligations, shall be obligated to distribute the profit received in the period as dividends to their shareholders, where the distribution must be adopted within six months after each year-end, as follows:

a) 100% of profits deriving from dividends or shares of profits distributed by the entities referred to in Article 2.1 of Law 11/2009.

b) At least 50% of the profits derived from the transfer of the properties and shares or equity investments referred to in Article 2.1 of Law 11/2009, held for the purpose of complying with the principal statutory activity, realised once the periods mentioned in Article 3.2 of Law 11/2009 have elapsed. The remainder of these profits must be reinvested in other properties or stakes to be held for the purpose of complying with the statutory activity, within three years after the transfer date. Otherwise, these profits must be distributed in full together with any profits obtained during the period in which the reinvestment period expires. If the items in which the reinvestment is made are transferred in the period during which they must be held, the associated profits must be distributed in full together with any profits obtained during the period in which the items were transferred. The mandatory distribution of profits does not apply to any portion of profits attributable to periods in which the Company will not be taxed under the special regime provided for by that law.

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

The dividend must be paid within one month following the date of the agreement to distribute.

As set forth in Article 3 of the Law 11/2009, the entity/entities of the Group shall no longer be included in the special tax regime established in said Law, and shall begin paying taxes under the general corporate income tax regime, in the same tax period in which any of the following circumstances arise:

- The exclusion from trading on regulated markets or in a multi-lateral trading system.

- The substantial breach of the information obligations referenced in Article 11 of said Law, unless the following year's report corrects such breach.

- The failure to agree to the total or partial distribution or payment of the dividends under the terms and within the periods referenced in Article 6 of said Law. In this case, taxation under the general regime shall take place in the tax period referencing the reporting period in which the profits giving rise to said dividends were made.

- The renouncement of the application of this special tax regime.

- The failure to fulfil any other requirements stipulated in said Law in order for the entity/entities to apply the special tax regime, except where the failure to fulfil said requirement is corrected within the following period. Nevertheless, the breach of the period referenced in Article 3.3 on the maximum period for holding leased assets of said Law shall not lead to exclusion from the special tax regime.

The exclusion from the special tax regime will prevent the entity from choosing to apply the special tax regime established in said Law again, until at least three years since the end of the last tax period in which the entity was included under the special tax regime.

(2) BASIS OF PRESENTATION

(a) Regulatory framework on financial information

The accompanying consolidated financial statements for the period ended 31 December 2021 have been prepared on the basis of the accounting records of Lar España Real Estate SOCIMI, S.A. and subsidiaries in accordance with:

- The Spanish Code of Commerce and related mercantile legislation

- International Financial Reporting Standards as adopted by the European Union (IFRS-EU) through Regulation (EC) No. 1606/2002/EC of the European Parliament and Law 62/2003 of 31 December, on tax, administrative and social measures;

- Mandatory standards approved by the Spanish Accounting and Auditing Institute (ICAC) in drafting the Spanish General Chart of Accounts and the supplementary standards thereof;

- All other applicable Spanish accounting principles;

- Law 11/2009, of 26 October, as amended by Law 16/2012, of 27 December, which governs SOCIMIs.

To present fairly the consolidated equity and consolidated financial position of Lar España Real Estate SOCIMI, S.A. and subsidiaries at 31 December 2021 and the consolidated financial performance, changes in consolidated cash flows and changes in consolidated net equity for the 2021 period, these consolidated financial statements have been prepared applying the regulations in force at 31 December 2021.

(b) Functional and presentation currency

The figures disclosed in the consolidated financial statements for the period ended 31 December 2021 are expressed in thousands of Euros, which is the functional and presentation currency of the Parent Company.

(c) Comparison of information

In accordance with the international financial reporting standards adopted by the European Union, the information contained in these consolidated financial statements corresponding to the annual period ended 31 December 2020 is presented for comparative purposes together with the information related to the 2021 period.

The same main accounting criteria were applied in the 2021 and 2020 periods, such that there were no operations or transactions that were recorded using different accounting principles that could lead to discrepancies in the interpretation of the comparative figures for the two periods.

(d) Relevant accounting estimates, assumptions and judgements used when applying accounting principles

The information included in these consolidated financial statements is the responsibility of the Parent Company's Directors.

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Group's accounting policies to prepare its consolidated financial statements in accordance with IFRS-EU.

The following is a summary of the items requiring a greater degree of judgement or which are more complex or where the assumptions and estimates made are significant to the preparation of the consolidated financial statements.

(i) *Relevant accounting estimates and assumptions*

- Calculation of fair value of investment property by applying valuation models (Note 7).
- The valuation of assets and liabilities held for sale (see Note 9).
- The evaluation of compliance with the requirements that regulate SOCIMIs (Notes 1 and 21).
- Valuation adjustment for customer insolvencies (Note 21).
- Assessment of provisions and contingencies (Notes 5k and 20d).
- Financial risk management (Note 21).

- Determination of the fair value and nature of derivative financial instruments. (Note 16).
- Estimate of the effects of the COVID-19 crisis on the financial statements (Note 2g).

(ii) *Changes in accounting estimates*

Although estimates are calculated by the Parent Company's Directors based on the best information available at 31 December 2021, future events may require changes to these estimates in subsequent years. The effect on the consolidated financial statements of any changes arising from the adjustments to be made in subsequent periods would be recognised prospectively, in accordance with the provisions of IAS 8.

(e) Standards and interpretations adopted since 1 January 2021

The following mandatory standards and interpretations already adopted by the European Union entered into force in 2021 and, where applicable, have been used by the Group to prepare the accompanying consolidated financial statements for the 2021 period:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform Phase 2. This amendment provides specific guidelines on how entities must record financial assets and liabilities whose basis for determining contractual cash flows changes as a result of the Interest Rate Benchmark Reform.

- Amendment to IFRS 4 – Deferment of the application of IFRS 9. In June 2020 the IASB also agreed to postpone the end date for the temporary exemption from applying IFRS 9, such that entities will be obligated to apply this IFRS for yearly periods starting after 1 January 2023.

- Amendment to IFRS 16 – Leases: Rent Concessions. In May 2020, the IASB approved an amendment to IFRS 16 in order to facilitate lessee's accounting of COVID-19-related rent concessions.

According to the Directors' best estimate, the foregoing standards and interpretations have not had a significant impact on these consolidated financial statements.

(f) Standards and interpretations issued but not effective at 1 January 2021

At the date of approval of these consolidated financial statements, the following standards and interpretations had been issued by the IASB but had not yet entered into force, either because the date on which they become effective is subsequent to the date of the consolidated financial statements or because they have not yet been adopted by the European Union:

(i) New regulations not yet approved for use in the European Union

– IFRS 17 Insurance Contracts and the amendments thereto. This replaces IFRS 4, which covers the principles for the recognition, measurement, presentation and disclosure of insurance contracts with the objective of ensuring that the entity provides relevant and accurate financial information that allows information users to determine the effect the insurance contracts have on the financial information.

(ii) Amendments and/or interpretations not yet adopted for use in the European Union

– Amendment to IAS 1 - Classification of Liabilities as Current or Non-current

– Amendment to IAS 1 - Disclosure of accounting policies. Amendments allowing entities to appropriately identify information on material accounting policies that must be disclosed in financial statements.

– Amendment to IAS 8 - Definition of accounting estimate. Amendment and clarifications regarding the definition of a change in accounting estimate.

– Amendment to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction. Clarification on how companies must account for deferred tax on transactions such as leases and decommissioning obligations.

– Amendment to IFRS 17 - Insurance Contracts, first application of IFRS 17 and IFRS 9. Amendment to the transition requirements of IFRS 17 for insurance companies applying IFRS 17 and IFRS 9 simultaneously for the first time.

The foregoing standards and interpretations, based on the Directors' best estimate, shall not have a significant impact on the Group's consolidated financial statements.

(g) Impact of COVID 19 on the financial statements

The emergence of the Coronavirus COVID-19 in China in January 2020 and its global spread to many countries led the World Health Organisation to define the viral outbreak as a pandemic since 11 March 2020.

On 14 March 2020, the Spanish government declared a State of Alert under Royal Decree 463/2020, which defined certain business and hospitality activities as essential and others as non-essential. Essential activities were permitted to remain open and the rest were subjected to forced administrative closure.

Then, on 3 November 2020, a new State of Alert was declared that lasted until 9 May 2021. This new state of alert included certain restrictions at the regional level that were less severe than those of the first state of alert.

In addition, on December 2020 the European Union approved the commercialisation of the first vaccines against the virus and the vaccination process began.

Taking into account the foregoing factors and the complexity of the markets due to globalisation, the consequences for the Group's operations are unclear and will largely depend on the evolution and the extent of the pandemic in coming months, as well as on the capacity to react and adapt of all the various affected economic actors and on the evolution of the vaccination process, which is being carried out with great success in Spain.

Accordingly, the directors of the Parent Company have continued to evaluate the effects that the health and economic crisis of the COVID-19 pandemic has had and might still have on the Group, notably including the following:

- **Operating risk and credit risk**: As indicated in the notes to the consolidated financial statements for the period ended 31 December 2021, the impairment to the Group's receivables at said date totalled EUR 4,820 thousand (EUR 4,998 thousand in the period ended 31 December 2020). The impairment was therefore not material given that the Group has the deposits provided by the tenants as a credit guarantee.

  In the 2021 period, the Group has continued the business policies established in the 2020 period in response to the COVID-19 pandemic. These complementary measures were effective from 1 January to 31 December 2021 and are aimed at the majority of the tenants in the Group's asset portfolio with a business activity in order to support them in reopening and recovering their businesses.

  Said measures fundamentally comprised partially waiving the minimum guaranteed rent. However, in the case of forced closure 100% of rent was waived during the period in which the tenants could not legally open. The waivers granted since the beginning of the pandemic decreased net income from leases in the amount of EUR 14,782 thousand in the 2021 period.

  In turn, the Directors have continued to evaluate tenants' credit risk as a result of the pandemic, while simultaneously continuing to support them with the aforesaid rent waiver policies. This evaluation bears in mind the different factors at play in the tenant portfolio, the characteristics of the lease agreements and the collections received so far. The conclusion reached was that the increase in the main customers' credit risk was not significant.

  In terms of the other financial assets exposed to credit risk, they mainly comprise deposits and balances with public entities. The Directors concluded that this risk had not increased significantly based on their past experience with these bodies. They can therefore expect that the credit risk of these financial assets will remain stable during their expected life.

- **Liquidity risk**: During the year, the Group's Management restructured the Group's debt by issuing unsecured green bonds in the amount of EUR 400 million in July 2021 and EUR 300 million in October 2021. These issuances reduced the liquidity risk and the financial cost of the debt and scheduled the maturity of the two financings at 5 and 7 years, respectively (Notes 15 and 16).

Furthermore, in July 2021, the Parent Company offered bondholders holding bonds in the amount of EUR 140 million to mature in March 2022 the option of an early buyback. This offer was accepted by bondholders holding bonds in the amount of EUR 17.3 million, where the amount pending amortisation was recorded in the short-term in 2022 and the complete amortisation was recorded in February 2022 (Notes 17 and 30).

On another note, after issuing the bonds, the Group performed an early amortisation of all the financial mortgage debt associated with the shopping centres belonging to the subsidiaries of the Group's Parent Company, the amount of which was EUR 517 million (Notes 15 and 16). Consequently, the Group does not believe these circumstances will generate liquidity risk in the short-term.

- **Balance sheet asset and liability valuation risk**: Pursuant to IAS 40, the Group regularly calculates the fair value of investment property. Said fair value is calculated using the valuations performed every six months by third-party independent experts. Therefore, at the end of each six-month period the fair value reflects the market conditions of the elements of the investment properties as at said date.

  The details of the main assumptions used in the valuations in December 2021, according to the nature of the assets and the sensitivity thereof in the event of an increase or decrease of said variables, are included in Note 7. There was no year-on-year change in the valuations of the investment property in 2021. In this sense, the independent experts have determined that the uncertain context in which the valuations were made the previous year due to the effects of COVID-19 had dissipated. Therefore, they have not issued their valuation reports under the basis of "material valuation uncertainty" (pursuant to VPS 3 and VPGA 10 of the Valuation Standards published by The Royal Institution of Chartered Surveyors), which they included in their reports due to the extraordinary uncertainty of last year's situation (Note 7).

- **Risk of change in certain financial figures**: In this respect, the Group has drawn up a comparison of the effect that the lockdown and the changes to agreements with tenants will have on its key financials throughout 2021. The conclusion reached was that this financial year none of the financial ratios related to the financing agreements of the year was expected to be breached. In addition, measures can be coordinated to correct or obtain waivers, if necessary.

  The foregoing notwithstanding, given the changing environment and extensive uncertainty, Management and the Directors are constantly monitoring the evolution of all these aspects.

(3) ALLOCATION OF PROFIT

The proposal for allocating the Parent Company's profits for the 2021 period to be presented to the General Shareholders' Meeting is the following:

	Euros
Basis of allocation	
Profit for the period	18,593,562.09
Issue premium	13,265,794.12
Distribution of profit	
Legal reserve	1,859,356.21
Dividends	30,000,000.00

The proposed profit distribution is € 0.3584 per share.

(4) CONSOLIDATION PRINCIPLES

Companies in which the Group holds a majority of voting rights in the representative or decision-making bodies, or which are effectively managed by the Group, are fully consolidated; entities that are managed through joint control with third parties are accounted for using the equity method.

The financial statements of the Group companies have been consolidated using the financial statements for the period ended 31 December 2021.

(a) Subsidiaries

Subsidiaries are entities, including structured entities, over which the Parent Company, either directly or indirectly through subsidiaries, exercises control.

The Parent Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Parent Company has power over a subsidiary when it has current substantive rights that give it the ability to direct the relevant activities. The Parent Company is exposed, or has rights, to variable returns from its involvement with the subsidiary when the returns from its involvement have the potential to vary as a result of the subsidiary's economic performance.

The income, expenses and cash flows of subsidiaries are included in the consolidated financial statements from their acquisition date, which is the date on which the Group obtained effective control of the aforementioned subsidiaries. Subsidiaries are excluded from the scope of consolidation as of the date on which control is yielded.

Transactions and balances with Group companies and unrealised gains or losses have been eliminated upon consolidation.

The subsidiaries' accounting policies have been adapted to Group accounting policies for like transactions and other events in similar circumstances.

The annual accounts or financial statements of the subsidiaries used in the consolidation process reference the same presentation date and the same period as those of the Parent Company.

Details of the subsidiaries and relevant information thereon are presented in Appendix I to the Notes on the consolidated financial statements.

(b) Joint Ventures

Joint ventures are understood as contractual agreements whereby two or more entities ("venturers") take part in entities (jointly controlled) or carry out operations or hold assets such that any strategic decision of a financial or operational nature that affects them requires the unanimous consent of all venturers.

In the consolidated financial statements, joint ventures are measured using the equity method, which consists of incorporating the net asset value and goodwill, if any, of the investment held in the associate into the Consolidated Statement of Financial Position item, "Equity-accounted investees". The net profit or loss for each period corresponding to the percentage of the investment in these companies is reflected in the Consolidated Statement of Comprehensive Income as "Share in profit (loss) for the period of equity-accounted investees".

Details of the joint ventures and relevant information thereon are presented in Appendix I to the Notes on the consolidated financial statements.

(c) Business combinations

The Group applies the acquisition method for business combinations. The acquisition date is the date on which the Group obtains control of the acquiree. The consideration transferred is calculated as the sum of the acquisition-date fair values of the transferred assets, the liabilities incurred or assumed and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition costs, such as professional fees, are not included in the cost of the business combination and are recognised in the Consolidated Statement of Comprehensive Income.

The contingent consideration, where applicable, is measured at the acquisition-date fair value. Any subsequent change to the fair value of the contingent consideration is recognised in the consolidated income statement, unless the change occurs within the one-year period established as the provisional accounting period, in which case it is reflected as a change in goodwill.

Goodwill is calculated as the difference between the sum of the consideration transferred, plus non-controlling interests, plus the fair value of any previously held investment in the acquiree, less the acquiree's identifiable net assets.

Should the acquisition cost of identifiable net assets be below their fair value, the lesser amount shall be recognised in the Consolidated Statement of Comprehensive Income for the period.

(d) Standardisation of account items

The Parent Company's valuation principles and standards have been applied to all companies of the consolidated Group, in order to present the different items in the consolidated financial statements in a standardised format. Therefore, in general, uniform valuation standards have been applied.

In 2021, the same date has been used for the closing date of the financial statements of all the companies included in the scope of consolidation to match that of the Parent Company.

(e) Scope of consolidation

The companies included in the consolidated Group and the consolidation method used at 31 December 2021 and 31 December 2020 are as follows:

2021 Period

Company	**Inclusion**	**Activity**	**% stakes**	**Consolidation method**
Inmobiliaria Juan Bravo 3, S.L. *(i)*	On acquisition	Property development	50%	Equity accounting
LE Logistic Alovera I y II, S.A.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Logistic Alovera III y IV, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Logistic Almussafes, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Hiper Ondara, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Offices Joan Miró 21, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail VidaNova Parc, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Galaria, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Villaverde, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail Alisal, S.A.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail As Termas, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Offices Eloy Gonzalo 27, S.A.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Hiper Albacenter, S.A.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail El Rosal, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Lagoh, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail Sagunto II, S.L.U.	On incorporation	The acquisition and development of properties	100%	Full consolidation
LE Retail Vistahermosa, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
Lar España Inversión Logística IV, S.L.U.	On incorporation	The acquisition and development of properties	100%	Full consolidation
LE Retail Anec Blau, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail Albacenter, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail Txingudi, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail Las Huertas, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Offices Marcelo Spínola 42, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation

Company	Inclusion	Activity	% stakes	Consolidation method
LE Retail Gran Vía de Vigo, S.A.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Abadía, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Hipermercados I, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Hipermercados II, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Hipermercados III, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Rivas, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Córdoba Sur, S.L.U.	On acquisition	The acquisition and development of properties	100%	Full consolidation

2020 Period

Company	Inclusion	Activity	% stakes	Consolidation method
Inmobiliaria Juan Bravo 3, S.L. *(i)*	On acquisition	Property development	50%	Equity accounting
LE Logistic Alovera I y II, S.A.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Logistic Alovera III y IV, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Logistic Almussafes, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Hiper Ondara, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Offices Joan Miró 21, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail VidaNova Parc, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Galaria, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Villaverde, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail Alisal, S.A.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail As Termas, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Offices Eloy Gonzalo 27, S.A.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Hiper Albacenter, S.A.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail El Rosal, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Lagoh, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail Sagunto II, S.L.U.	On incorporation	The acquisition and development of properties	100%	Full consolidation
LE Retail Vistahermosa, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
Lar España Inversión Logística IV, S.L.U.	On incorporation	The acquisition and development of properties	100%	Full consolidation
LE Retail Anec Blau, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail Albacenter, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation

Company	**Inclusion**	**Activity**	**% stakes**	**Consolidation method**
LE Retail Txingudi, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail Las Huertas, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Offices Marcelo Spínola 42, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail Gran Vía de Vigo, S.A.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Abadía, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Hipermercados I, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Hipermercados II, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Hipermercados III, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Rivas, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Córdoba Sur, S.L.U.	On acquisition	The acquisition and development of properties	100%	Full consolidation

(i) Inmobiliaria Juan Bravo 3, S.L. is included in the consolidated financial statements using the equity method, in accordance with IFRS 11, because, as stipulated in the articles of association and shareholder agreements, it is jointly controlled by Lar España Real Estate SOCIMI, S.A. and LVS II LUX XIII, S.a.r.l.

(f) Changes to the composition of the Group

In Note 4e and Appendix I of these consolidated financial statements, relevant information is provided regarding the Group companies that were fully consolidated and those that were included using the equity method.

There were changes to the composition of the Group in the 2021 period and they are discussed below. There were no changes to the composition of the Group in the 2020 period.

New exclusions from the scope of consolidation in 2021

On 23 February 2021 100% of the shares in the companies LE Retail Hipermercados I, S.L.U., LE Retail Hipermercados II, S.L.U. and LE Retail Hipermercados III, S.L.U. to the company Igcel Investments, S.L. for the joint amount of EUR 59,577 thousand. After said sale these companies ceased to form part of the Group.

The impact on the Group's financial statements after the sale of said companies was a decrease in net assets in the amount of EUR 59,513 thousand which, after receiving the consideration in the amount of EUR 59,577 thousand and the associated costs in the amount of EUR 558 thousand, resulted in a profit from the disposal of investment property of EUR 64 thousand (Notes 7 and 9).

(5) ACCOUNTING PRINCIPLES

(a) Investment property and intangible assets

Investment property is property, including that which is under construction or being developed for future use as investment property, which is earmarked totally or partially to earn income or for capital appreciation or both, rather than for use in the production or supply of goods or services, for administrative purposes within the Group or for sale in the ordinary course of business.

Assets classified as investment property are in operation and occupied by various tenants. These properties are intended for lease to third parties. The Directors of the Parent Company, at the date these financial statements were prepared, do not consider the disposal of these assets in the upcoming year to be very likely and have therefore decided to maintain these assets in the Consolidated Statement of Financial Position as investment property, except those indicated in Note 9 of this report.

Investment property is presented at fair value at the reporting date and is not depreciated. Profits or losses derived from changes in the fair value of the investment property are recognised when they arise.

Execution and finance costs are capitalised during the period in which the works are carried out. When the asset enters into service it is recognised at fair value.

When determining the fair value of its investment property, the Group commissions independent appraisers to appraise all of its assets at least on 30 June and 31 December of each period. Buildings are appraised individually, taking into consideration each of the lease contracts in force at the appraisal date. Buildings with areas that have not been rented out are appraised on the basis of estimated future rent, minus a marketing period.

As a general rule, intangible assets are initially valued at their purchase price or cost of production. The value of these assets is subsequently reduced by the corresponding accumulated amortisation and, where appropriate, impairment losses. Said assets are depreciated based on their useful lives.

(b) Leases

(i) Classification of leases

The Group classifies leases as finance leases when substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the lessee under the terms and conditions of the lease, otherwise they are classified as operating leases. The Group has not engaged in any finance lease transactions.

(ii) Operating leases

Lessor accounting records

Assets leased to third parties under operating lease contracts are presented according to their nature.

Operating lease income, net of incentives granted, is recognised as income on a straight-line basis over the lease term.

In relation to the rent allowance granted in the context of the COVID-19 pandemic, in the event such waivers comprise a change to the contract (as an extension of the duration thereof) IFRS 16 has been considered applicable. Therefore, these waivers are recognised on a straight-line basis throughout the lease agreements, adjusting gross income recorded under “Revenues” on the adjoined Consolidated Statement of Comprehensive Income.

Contingent lease payments are recognised as income when it is probable that they will be received, which is generally when the conditions agreed in the contract arise.

(c) Financial instruments

(i) Classification of financial instruments

Financial instruments are recognised when the Group becomes an obligated party to the agreement or legal business pursuant to the provisions of said contract. These financial instruments are classified at initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument in IAS 32 "Financial Instruments: Presentation". The Group reclassifies financial assets when its business model for managing said assets changes. The Group does not reclassify financial liabilities.

At 31 December 2021, the Group mainly had the following financial assets and liabilities: security deposits, receivables, cash, financial debt, and payables. All financial assets and liabilities are measured at amortised cost.

Financial assets and liabilities measured at amortised cost.

The Group classifies loans and receivables, as well as financial liabilities (including trade and other payables) as financial assets and liabilities at amortised cost.

This item comprises non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They mainly comprise security deposits received from lessees and placed with public bodies, or bank deposits and accrued interest receivable on the deposits. These assets are classified as current unless they mature more than twelve months after the reporting date, in which case they are classified as non-current. Loans and receivables generated in exchange for cash deliveries or commercial transactions are included under "financial assets with associates" and "trade and other receivables" in the Consolidated Statement of Financial Position, and the security deposits and guarantees are shown under "non-current financial assets" or "other current financial assets", according to when they mature.

These financial assets and liabilities at amortised cost are initially recognised by their fair value, with the addition or subtraction of any directly attributable transaction costs incurred, and they are subsequently measured at amortised cost, using the effective interest rate method.

(ii) Impairment and uncollectibility of financial assets

The Group recognises a value adjustment for expected credit losses for financial assets measured at amortised cost under profit and loss.

To assess the value adjustment for receivables from leases, the Group uses the simplified approach covered in IFRS 9, pursuant to the terms specified at the end of this section. For the rest of financial assets, on each closing date the Group measures the value adjustment as equal to the credit losses expected to arise in the following twelve months, even when the non-payment risk thereof has not significantly increased.

Expected credit losses are the difference between contracted cash flows and expected cash flows, in terms of both amount and time.

If the financial asset is secured by collateral, impairment is determined based on the present value of the cash flows that could be generated from the foreclosure of the asset, less foreclosing and sale costs, discounted at the original effective interest rate. If the financial asset is not secured by collateral, the Group applies the same criteria when the foreclosure is considered probable.

The Group considers cash and cash equivalents to have low credit risk given the credit ratings of the credit institutions in which cash and security deposits are placed.

The Group calculates expected credit losses for trade debt over the lives of the financial assets collectively, as these assets exclusively comprise receivables from leases. Expected credit losses are estimated based on all receivables that remain outstanding after 90 days, based on historical and projected information that is reasonably available.

After balances mature and are outstanding for more than 90 days, the non-payment risk of trade receivables is considered to have increased significantly, such that the balances held are impaired, less any security deposits, deposits or sureties received by virtue of the lease agreement.

(iii) Derecognitions, modifications and cancellations of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Group has substantially transferred all the risks and benefits of ownership thereof.

(iv) Derecognitions and modifications of financial liabilities

The Group derecognises all or part of a financial liability when it either discharges the liability by paying the creditor or is legally released from primary responsibility for the liability, either by process of law or by the creditor.

The exchange of debt instruments between the Group and the counterparty or substantial modifications of initially recognised liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, provided the instruments have substantially different terms.

The Group considers the terms substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

If the exchange is accounted for as an extinguishment of the financial liability, any costs or fees incurred are recognised as part of the profits/(losses) on the extinguishment. If the exchange is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are depreciated over the remaining term of the modified liability.

(v) Offsetting principles

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

(d) Derivative financial instruments and accounting of hedging transactions

Derivative financial instruments are initially recognised as per the criteria discussed above for financial assets and liabilities. Derivative financial instruments that do not fulfil the hedge accounting criteria below are classified and measured as financial assets or liabilities at fair values with changes recognised in profit or loss. Derivative financial instruments that do fulfil the hedge accounting criteria below are initially recorded at fair value with changes recognised in net equity. In both cases, the specific component of the gain or loss or cash flows from the hedging instrument, not included in the hedge efficiency measurement, are recognised as a charge or a credit under financial revenues or expenses.

The Group uses derivative financial instruments to cover the risks to which its activities, operations and future cash flows are susceptible. These risks are mainly changes in interest rates.

At the inception of the hedge, the Group designates and formally documents the hedging relationships, as well as the target and strategy it assumes regarding these relationships. The documentation includes the identification of the hedging instrument, the hedged item, the nature of the hedged risk and the manner in which the Group measures the hedging efficiency.

The accounting for hedging transaction is only applied when there is an economic link between the hedged item and the hedging instrument, the credit risk does not have a dominant effect on the changes in value resulting from such economic link and the coverage ratio of the hedging relationship equals the amount of the hedged item that the Group actually uses to hedge said amount of the hedged item. Nevertheless, such designation must not reflect an imbalance between the weightings of the hedged item and the hedging instrument leading to a hedging imbalance, regardless of whether same is recognised, that might result in an accounting profit or loss that contradicts the purpose of the hedge accounting.

At the inception of the hedging relationship and on an on-going basis, the Group assesses whether the relationship fulfils the efficiency requirements prospectively. The Group assesses the efficiency at each closing date or when there are significant changes that affect the efficiency requirements.

The Group performs a qualitative assessment, provided the main conditions of the instrument and the hedged item coincide. When the main conditions do not fully coincide, the Group uses a hypothetical derivative with main conditions that match those of the hedged item to evaluate and measure efficiency.

In order to measure inefficiency, the Group uses the time value of money, such that the hedged item is calculated in terms of present value. Therefore, the change in the value of the hedged item includes the effect of the time value of money.

(i) Discontinued hedge accounting

If the hedging relationship ceases to fulfil the effectiveness requirements in terms of the coverage ratio, but the risk management target continues to be the same for said relationship, the Group adjusts the coverage ratio so the coverage ratio criteria are still fulfilled (rebalancing). Rebalancing refers to adjustments made to certain amounts of the hedged item or the hedging instrument in an existing relationship in order to maintain a coverage ratio that fulfils the hedging effectiveness requirements. The Group accounts for rebalancing as a continuation of the hedging relationship. At the rebalancing date, the Group calculates the ineffectiveness of the relationship and recognises any ineffectiveness in profit or loss.

The Group stops the accounting for the hedge prospectively only when all or part of the hedging relationship ceases to fulfil the classification requirements. This includes situations in which the hedging instrument expires or is sold, terminated or exercised. For these purposes, the substitution or renovation of a hedging instrument is not an expiration or termination, provided that the operation is consistent with the Group's documented risk management target. At that time, any accumulated profit or loss corresponding to the hedging instrument that may have been recorded in net equity remains in net equity until the intended transaction occurs. When the accounting for the hedge is stopped, the accumulated net profits and losses recognised under net equity are transferred to the Consolidated Statement of Comprehensive Income to the extent that the interest settlements envisaged in the agreements take place or are cancelled.

The fair value of the various derivative financial instruments is calculated using the valuation techniques described in the following note.

(e) Valuation techniques and assumptions applicable to fair value measurement

Fair values of financial assets and liabilities are determined as follows:

The fair values of financial assets and liabilities with standard terms and conditions that are traded on active markets and cash are determined by referencing the prices listed on the market.

The fair value of other financial assets and liabilities (excluding derivative instruments) are determined according to the valuation models generally accepted on the cash flow discount basis using prices of observable market transactions and contributor quotes for similar instruments.

The fair value of interest rate derivatives is calculated by updating future settlements between the fixed and variable rate, according to implicit market interest rates, which are obtained from long-term swap rate curves. Implicit volatility is used for the calculation through formulas for option pricing and for valuation of cap and floor fair values.

Furthermore, in the valuation of the derivative financial instruments, the risk incidental to the hedged element or position must be effectively eliminated throughout the expected term of the hedge, and the fact that the financial derivative was contracted specifically to hedge certain balances or transactions and the manner in which that effective hedge was expected to be achieved and measured must be documented. In addition, with the adoption of IFRS 13, the incidental risk requires that the credit risk of the parties involved in the contract, both one's own risk and that of the counterparty, be included in the valuation of derivatives. The Group applied the discounted cash flow methodology, using a discount rate affected by the Group's own risk.

The financial instruments measured subsequent to their initial recognition at fair value are classified under levels 1-3, based on the degree to which the fair value is observable.

- Level 1: listed price (unadjusted) on active markets for identical assets or liabilities.
- Level 2: observable inputs other than the listed prices used in Level 1 for assets or liabilities, directly (i.e., prices) or indirectly (i.e., derived from prices).
- Level 3: assets referencing measurement techniques, including inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The Group's financial assets and liabilities measured at fair value at 31 December 2021 are as follows:

	Thousands of euros			
	Level 1	Level 2	Level 3	Total
Liability derivative financial (Note 16c)	-	-	-	-
	-	-	-	-

The Group's financial assets and liabilities measured at fair value at 31 December 2020 were as follows:

	Thousands of euros			
	Level 1	Level 2	Level 3	Total
Liability derivative financial (Note 17c)	-	7,822	-	7,822
	-	7,822	-	7,822

Additionally, note 7 includes information regarding the determination of the fair value of investment property, pursuant to measurement techniques described in said note.

(f) Treasury shares of the Parent Company

The Group's acquisition of equity instruments of the Parent Company is recognised separately at cost of acquisition in the Consolidated Statement of Financial Position as a reduction in net equity, irrespective of the reason for the purchase. Any gains or losses in transactions with own equity instruments are not recognised.

The subsequent depreciation of the equity instruments of the Parent Company entails a capital decrease equivalent to the par value of the shares. Any positive or negative difference between the purchase price and the par value of the shares is debited or credited to reserve accounts.

Transaction costs related to own equity instruments are accounted for as a reduction in net equity.

(g) Distributions to shareholders

Dividends are effective and recognised as decreased net equity when approved by the General Shareholders' Meeting.

The Parent Company files taxes under the special regime for SOCIMIs. Pursuant to Article 6 of Law 11/2009, of 26 October 2009, amended by Law 16/2012, of 27 December, SOCIMIs adopting the special tax regime are required to distribute profit for the period as dividends to shareholders after settling all corresponding trading obligations, as per the terms in Note 1. The dividend distribution must be agreed within six months after each period end and the dividend paid within one month from the date of the agreement.

(h) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand bank deposits in financial institutions. This category also includes other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

(i) Employee benefits

Short-term employee benefits comprise employee remuneration other than termination benefits that are expected to be settled wholly before 12 months after the end of the reporting period in which the employees render the related services.

The Group recognises the expected cost of profit-sharing and bonus plans for workers when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

(j) Payments based on shares

The Group recognises, on one hand, goods and services received as an asset or an expense, according to the nature thereof, when same is received, and on the other, the corresponding liability if the transaction is settled with an amount that is based on the value of the equity instruments.

(k) Provisions

In preparing the financial statements, the Parent Company's Directors differentiate between the following:

(i) Provisions: balances payable covering present obligations arising from past events, the cancellation of which is likely to cause an outflow of resources but are uncertain as to amount and/or time of cancellation.

(ii) Contingent liabilities: possible obligations that arise from past events and whose future existence depends on the occurrence or non-occurrence of one or more future events not under the control of the Company.

The consolidated financial statements include all the relevant provisions that are more likely than not to entail an obligation. Unless they are considered remote, contingent liabilities are not recognised in the consolidated financial statements, rather information on same is provided in the notes to the report.

Provisions are measured at the present value of the best possible estimate of the amount that will be required to settle or transfer the liability, taking into account the information available on the event and the consequences thereof; the adjustments that arise due to updating said provisions are recognised as financial expenses as they accrue.

The compensation to be received from a third party when an obligation is settled is recognised as an asset, provided it is certain that reimbursement will be received, unless part of the risk has been contractually externalised so that the Group is not liable. In this case, the compensation will be taken into consideration when estimating the amount of any relevant provisions.

(l) Recognition of income

Revenue from leases is recognised at the fair value of the consideration received or receivable therefrom.

Discounted and waived rent is recognised as decreased income by allocating the total amount of rent waived during the rent-free period or of the allowance on a straight-line basis over all the periods in which the lessee's contract is in force. Specifically, the rent allowances granted in the context of the COVID-19 pandemic, in the event such allowances comprise a change to the contract (as an extension of the duration thereof) have likewise been recognised on a straight-line basis. Should the lease agreement end sooner than expected or the real estate asset be sold, the unrecognised portion of the rent allowance or waiver will be recorded in the last period prior to contract termination.

(m) Lease of investment property to third parties

The principal activity of the companies that form the Group mainly comprise the acquisition and lease of shopping centres and business parks. However, they may invest on a smaller scale in other assets for rent or for direct sale (commercial premises, office buildings, logistics bays, logistics centres and/or residential products). Group revenues originate from the lease of these investment properties to third parties.

Revenues derived from the lease of investment properties are recognised by taking into account the degree to which the provision has been completed at the reporting date when the outcome of the transaction can be reliably estimated. The Group companies recognise revenue from leases on a monthly basis in accordance with the terms and amounts agreed in the different agreements with their lessees. This revenue is recognised only when it can be measured reliably and it is probable that the economic benefits derived from the lease will be received.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent that the recognised expenses are recoverable.

Invoices issued to lessees include EUR 25,052 thousand (EUR 28,562 thousand at 31 December 2020) for rebilled communal expenses (shared utility costs, services related to the management of the property, taxes, etc.). Said amount is reflected in accordance with the nature thereof and pursuant to the terms of paragraph B36 of IFRS 15, offsetting the expense for said items under "Other operating expenses" on the adjoined Consolidated Statement of Comprehensive Income at 31 December 2021, given that the Company is acting as an agent on behalf of its lessees, as it does not control the services supplied to the lessees.

The Group regularly assesses whether any service provision contracts are onerous and, where applicable, recognises the necessary provisions.

(n) Profit and loss from the disposal of investment property

Profits and losses resulting from the disposal of investment property are recognised based on the accrual criterion, i.e., when the actual flow of goods covered in the transaction occurs, regardless of when the financial or cash flow arising therefrom occurs. Said profits and losses are measured at the fair value of the consideration received, less any sales costs, as compared to the carrying amount of the delivered asset.

The recognition of revenues from sales takes place when the material risks and benefits inherent to owning said sold property asset have substantially been transferred to the buyer, where the daily management and effective control over said asset are not retained.

(o) Income tax

(i) *General regime*

The income tax expense or tax income includes the part related to the current income tax expense or tax income and the part corresponding to the deferred tax expense or income.

The current tax is the amount that the Group pays as a consequence of the fiscal settlements of the income tax corresponding to a period. Deductions and other tax relief applicable to payable taxes, excluding withholdings and payments on account, and tax loss carry-forwards applied in the current reporting period are accounted for as a reduction in current tax.

Deferred tax income or expenses derived from the recognition and cancellation of deferred tax assets and liabilities. These include temporary differences, which are defined as the amounts which are expected to be paid or recovered in the future for differences between the carrying amount of assets and liabilities and their tax value, as well as tax loss carry-forwards and tax deductions pending fiscal application. These amounts are recognised by applying the temporary difference or deduction corresponding to the tax rate at which they are expected to be recovered or settled.

The Group companies subject to the general corporate income tax regime are Inmobiliaria Juan Bravo 3, S.L. (included using the equity method), LE Offices Marcelo Spínola 42, S.L.U. and Lar España Inversión Logística IV, S.L.U.

(ii) *Tax regime for SOCIMIs*

The Parent Company and the subsidiaries (with the exception of Inmobiliaria Juan Bravo 3, S.L., LE Offices Marcelo Spínola 42, S.L.U. and LAR España Inversión Logística IV, S.L.U.) file tax returns under the special regime for SOCIMIs. This tax regime, following the amendment introduced by Law 16/2012, of 27 December, is based on paying a corporate income tax rate of 0%, provided certain requirements are met (Note 1).

Pursuant to the Article 9 of Law 11/2009, of 26 October, amended by Law 16/2012 of 27 December, governing SOCIMIs, the entity shall be subject to a special tax rate of 19% on the total amount of dividends or shares in profits distributed among shareholders with an interest in the entity exceeding 5%, when such dividends are tax-exempt or are taxed at a rate of less than 10% at the shareholders' seat of economic activity. Where applicable, this special tax must be paid by the SOCIMI within two months of the dividend distribution date. The Group has established a procedure ensuring that shareholders confirm their tax status and, where applicable, 19% of the amount of the dividend distributed to the shareholders that do not meet the aforementioned tax requirements is withheld.

In addition, Law 11/2021, of 9 July, on measures for preventing tax fraud, which transposed Directive (EU) 2016/1164, modified Article 9 of Law 11/2009, of 26 October, which regulates SOCIMIs. Likewise, the entity's rental revenue that is not taxed at the general corporate income tax rate and that is not covered by a reinvestment period will be subject to a special tax of 15% on any profits obtained in the year that are not subject to distribution. Where applicable, this special tax must be paid by the SOCIMI within two months of the accrual date.

(p) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision-maker in order to make decisions about resources to be allocated to the segment and to assess its performance and for which discrete financial information is available.

(q) Classification of assets and liabilities as current and non-current

The Group classifies assets and liabilities in the Consolidated Statement of Financial Position as current and non-current. To this end, assets and liabilities are classified as current if they meet the following criteria:

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within twelve months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least twelve months after the reporting date.

- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within twelve months after the reporting date or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

(r) Environmental information

The Group takes measures to prevent, reduce and repair any damage caused to the environment by its activities.

Expenses derived from environmental activities are recognised as operating expenses in the period in which they are incurred. However, due to its nature, the Group's activity does not have a significant impact on the environment.

(s) Statement of Cash Flows

The Statement of Cash Flows has been prepared using the indirect method and the following expressions and definitions:

- Cash flows: inflows and outflows of cash and cash equivalents, the latter being short-term, highly liquid investments not subject to significant risk of changes in value.

- Operating activities: the Group's usual activities and other activities that cannot be classified as investing or financing activities.

- Investing activities: the acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of net equity and of liabilities that do not form part of operating activities.

(t) Non-current assets held for sale and liabilities connected to non-current assets held for sale

The Group classifies a non-current asset or a disposal group, as well as directly connected liabilities, as being held for sale when a decision has been made to sell same and such sale is expected to happen within the next twelve months.

These assets or disposal groups are measured at their carrying amount or fair value after deducting the necessary sales costs, whichever is less, with the exception of the investment property that is accounted for in accordance with the fair value model of IAS 40.

Assets classified as non-current and held for sale are not depreciated, but at the date of each balance sheet the appropriate value adjustments are made so the carrying value does not exceed the fair value minus sales costs.

Revenues and expenses generated by non-current assets and disposal groups comprising elements held for sale that do not meet the requirements to be classified as discontinued operations are recognised in the Consolidated Statement of Comprehensive Income under the item that corresponds to the nature of said asset, disposal group or liability.

(6) SEGMENT REPORTING

(a) Operating segments

At 31 December 2021, the Group comprises the operating segments listed below, with the following income and principal services:

- Shopping centres: Txingudi, Las Huertas, Hipermercado Albacenter, Anec Blau, Portal de la Marina, Albacenter, As Termas, Hipermercado Portal de la Marina, El Rosal, Parque Comercial VidaNova Parc, Lagoh, Gasolinera As Termas, Parque Comercial Megapark Barakaldo, Parque Comercial Vistahermosa, Gran Vía de Vigo, Parque Comercial y Galería Abadía y Parque Comercial Rivas.

- Residential: Stake in the company Inmobiliaria Juan Bravo 3, S.L., the developer of a block of flats on Calle Juan Bravo in Madrid. All of the flats were delivered as of the date of these consolidated financial statements.

The profit generated by each segment and by each asset within each segment is used as a measure of its performance because the Group considers this to be the most relevant information with which to assess the profits generated by specific segments as compared with other groups that operate in these businesses.

The details of these activities by segment for the 2021 and 2020 periods are as follows:

Consolidated Statement of Comprehensive Income

	Thousands of Euros			
	2021			
	Shopping centres	Residential (Stakes in associates)	Head Office and Central Services *	Total
Revenue from external customers:				
Revenue from leases	76,271	—	—	76,271
Total revenue	76,271	—	—	76,271
Other income	2,836	—	—	2,836
Changes in the fair value of investment property	(1,305)	—	—	(1,305)
Employee benefits expense	—	—	(592)	(592)
Amortisation and depreciation charges				
Other operating expenses **/***	(22,055)	—	(5,833)	(27,888)
Profit/(loss) from the disposal of investment property	64	—	—	64
Operating profit/(loss)	55,811	—	(6,425)	49,386
Net finance cost **	(24,789)	—	(430)	(25,219)
Impairment and gains/(losses) on disposals of financial instruments	—	—	(402)	(402)
Profit / (loss) for the period of joint ventures accounted for using the equity method	—	395	—	395
Loss for the period from continuing operations	31,022	395	(7,257)	24,160
Income tax expense/income	—	—	1,622	1,622
	31,022	395	(5,635)	25,782

** The line item "Head Office and Central Services" essentially comprises the corporate revenue and expense assumed by the Parent of the Group.*

*** In the 2021 period, the Parent Company rebilled the amount corresponding to "Operating expenses" to the subsidiaries. The amount attributable to shopping centres at 31 December 2021 totalled EUR 11,602 thousand. In addition, the Parent Company rebilled the amount corresponding to financial expenses accrued through the Bonds to the subsidiaries. The amount attributable to shopping centres amounts to EUR 8,738 thousand.*

*** In 2021, expenses pertaining to investments that did not generate revenue during the period amount to EUR 1,658 thousand and are from the Córdoba Sur project and plot M4-2 in Sagunto.

Consolidated Statement of Comprehensive Income

	Thousands of Euros			
	2020			
	Shopping centres	Residential (Stakes in associates)	Head Office and Central Services *	Total
Revenue from external customers:				
Revenue from leases	93,324	—	—	93,324
Total revenue	93,324	—	—	93,324
Other income	3,566	—	—	3,566
Changes in the fair value of investment property	(100,656)	—	—	(100,656)
Employee benefits expense	—	—	(474)	(474)
Amortisation and depreciation charges				
Other operating expenses **/***	(22,641)	—	(4,074)	(26,715)
Profit/(loss) from the disposal of investment property	—	—	—	—
Operating profit/(loss)	(26,407)	—	(4,548)	(30,955)
Net finance cost **	(21,920)	—	(1,050)	(22,970)
Profit / (loss) for the period of joint ventures accounted for using the equity method	—	257	—	257
Loss for the period from continuing operations	(48,327)	257	(5,598)	(53,668)
Income tax expense/income	—	—	—	—
	(48,327)	257	(5,598)	(53,668)

** The line item "Head Office and Central Services" essentially comprises the corporate revenue and expense assumed by the Parent of the Group.*

*** In the 2020 period, the Parent Company rebilled the amount corresponding to "Operating expenses" to the subsidiaries. The amount attributable to shopping centres at 31 December 2020 totalled EUR 9,881 thousand. In addition, the Parent Company rebilled the amount corresponding to financial expenses accrued through the Bonds to the subsidiaries. The amount attributable to shopping centres amounts to EUR 4,364 thousand.*

*** In 2020, expenses pertaining to investments that did not generate revenue during the period amount to EUR 439 thousand and are from plot M4-2 in Sagunto.

Consolidated Statement of Financial Position	Thousands of Euros			
	31 December 2021			
	Shopping centres	Residential (Stakes in associates)	Head Office and other Central Services	Total
Intangible assets	2	—	—	2
Investment property	1,423,848	—	—	1,423,848
Equity-accounted investees	—	1,477	—	1,477
Non-current financial assets	14,422	—	—	14,422
Trade and other long-term other receivables	11,586	—	—	11,586
Total non-current assets	1,449,858	1,477	—	1,451,335
Non-current assets held for sale	—	—	—	—
Trade and other receivables	25,444	—	8	25,452
Other current financial assets	3,942	—	2	3,944
Other current assets	3,587	—	165	3,752
Cash and cash equivalents	63,663	–	249,536	313,199
Total current assets	96,636	—	249,711	346,347
Total assets	1,546,494	1,477	249,711	1,797,682

Consolidated Statement of Financial Position	Thousands of Euros			
	31 December 2020			
	Shopping centres	Residential (Stakes in associates)	Head Office and other Central Services	Total
Intangible assets	2	—	—	2
Investment property	1,373,480	—	—	1,373,480
Equity-accounted investees	—	1,082	—	1,082
Non-current financial assets	13,618	—	—	13,618
Trade and other long-term other receivables	17,996	—	—	17,996
Total non-current assets	1,405,096	1,082	—	1,406,178
Non-current assets held for sale	106,755	—	—	106,755
Trade and other receivables	28,263	—	200	28,463
Other current financial assets	21	—	348	369
Other current assets	2,750	—	288	3,038
Cash and cash equivalents	100,469	–	33,559	134,028
Total current assets	238,258	—	34,395	272,653
Total assets	1,643,354	1,082	34,395	1,678,831

Consolidated Statement of Financial Position

	Thousands of Euros			
	31 December 2021			
	Shopping centres	Residential (Stakes in associates)	Head Office and other Central Services	Total
Liabilities connected to non-current assets held for sale	—	—	—	—
Financial liabilities from issue of bonds and other marketable securities	823,349	—	—	823,349
Bank borrowings	70,106	—	—	70,106
Deferred tax liabilities	15,578	—	—	15,578
Derivatives	—	—	—	—
Other non-current liabilities	20,716	—	—	20,716
Borrowings with Group companies and associates	—	—	—	—
Trade and other payables	9,556	—	2,990	12,546
Total current and non-current liabilities	939,305	—	2,990	942,295

Consolidated Statement of Financial Position

	Thousands of Euros			
	31 December 2020			
	Shopping centres	Residential (Stakes in associates)	Head Office and other Central Services	Total
Liabilities connected to non-current assets held for sale	1,576	—	—	1,576
Financial liabilities from issue of bonds and other marketable securities	143,167	—	—	143,167
Bank borrowings	611,201	—	—	611,201
Deferred tax liabilities	17,201	—	—	17,201
Derivatives	7,822	—	—	7,822
Other non-current liabilities	19,954	—	39	19,993
Borrowings with Group companies and associates	—	—	—	—
Trade and other payables	16,735	—	1,486	18,221
Total current and non-current liabilities	817,656	—	1,525	819,181

(b) Geographical segments

Revenue and assets per geographical segment are presented on the basis of the location of the assets.

The table below summarises, by geographical area, the revenue, investment property (including those classified as non-current assets held for sale) and intangible assets (solely those that generate revenue) of each of the Group's assets:

	Thousands of Euros				
	31 December 2021				
	Revenue	%	Investment property	Non-current assets held for sale (Note 9)	%
Andalusia	14,602	19.14	249,571	—	17.53
Basque Country	13,913	18.24	295,000	—	20.72
Galicia	12,308	16.14	232,040	—	16.30
Community of Valencia	12,576	16.49	216,587	—	15.21
Castile La Mancha	7,747	10.16	149,380	—	10.49
Castile and León	6,305	8.27	115,520	—	8.11
Catalonia	4,884	6.40	98,750	—	6.94
Community of Madrid	3,640	4.77	67,000	—	4.70
Balearic Islands	132	0.17	—	—	—
Cantabria	75	0.10	—	—	—
Navarre	58	0.08	—	—	—
La Rioja	31	0.04	—	—	—
	76,271	100.00	1,423,848	—	100.00

	Thousands of Euros				
	31 December 2021				
	Revenue	%	Investment property	Non-current assets held for sale (Note 9)	%
Basque Country	17,574	18.83	215,430	62,760	18.85
Andalusia	15,760	16.89	292,400	—	19.82
Galicia	15,526	16.64	235,800	—	15.98
Community of Valencia	14,959	16.03	214,590	—	14.54
Castile La Mancha	9,504	10.18	146,460	—	9.93
Castile and León	7,977	8.55	106,400	10,530	7.92
Catalonia	5,836	6.25	96,400	—	6.53
Community of Madrid	4,247	4.55	66,000	—	4.47
Balearic Islands	885	0.95	—	12,810	0.87
Cantabria	471	0.51	—	7,240	0.49
Navarre	380	0.41	—	5,690	0.39
La Rioja	205	0.21	—	2,980	0.20
	93,324	100.00	1,373,480	102,010	100.00

The Group carries out its activity entirely in Spain.

(7) INVESTMENT PROPERTY

At 31 December 2021, investment property owned by the Group mainly comprises 15 shopping centres and business parks, 2 hypermarkets (Portal de la Marina and Albacenter), 2 petrol stations, and the land on which these are located, which are held to obtain rental revenue and are therefore not occupied by the Group.

Investment property is presented at fair value.

The Group has recognised the following investment property at fair value at 31 December 2021 and 31 December 2020:

	Thousands of Euros	
	Investment property	
	31/12/2021	31/12/2020
Shopping centres and single-tenant commercial properties	1,423,848	1,373,480
	1,423,848	1,373,480

The composition and movements that had occurred in the accounts included under the heading "Investment property" in the Group's Consolidated Statement of Financial Position at 31 December 2021 and 2020 were as follows:

	Thousands of Euros	
	31/12/2021	31/12/2020
Balance at the beginning of the period	1,373,480	1,449,344
Additions for the period	8,533	24,792
Transfers of non-current assets held for sale (Note 5t and 9)	43,140	—
Changes in fair value	(1,305)	(100,656)
Balance at the end of the period	1,423,848	1,373,480
Fair value	1,423,848	1,373,480

Additions and changes to the scope

2021 Period

Type of asset	Company	Thousands of Euros Additions
Shopping centre	Rivas (a)	1,791
Shopping centre	Gran Vía de Vigo (a)	1,366
Business Park	Anec Blau (a)	1,057
Shopping centre	Abadía (a)	819
-	Improvements to other assets and fit-outs	3,500
		8,533

(a) The amounts mainly correspond to renovations performed on the Anec Blau, Rivas, Gran Vía de Vigo and Abadía property assets.

(b) This amount refers to improvements and fit-outs effected in the period in the rest of the assets in the Group's portfolio.

2020 Period

Type of asset	Company	Thousands of Euros Additions
Shopping centre	Anec Blau (a)	7,693
Shopping centre	Lagoh (b)	4,102
Business Park	Megapark Ocio (a)	5,127
Shopping centre	Rivas (a)	2,055
Shopping centre	Portal de la Marina (c)	1,226
-	Improvements to other assets and fit-outs	4,589
		24,792

(a) Amounts corresponding mainly to the refurbishments carried out on the Anec Blau, Rivas and Megapark Ocio property assets.

(b) Amounts corresponding mainly to the construction finishings at the Lagoh shopping centre in the amount of EUR 4,102 thousand.

(c) Amounts corresponding to the fit out granted to Zara for improvements to the premises and other improvements at the shopping centre.

(d) This amount refers to improvements and fit-outs effected in the period in the rest of the assets in the Group's portfolio.

Investment commitments pertaining to investment property totalled EUR 8,150 thousand at 31 December 2021 (EUR 1,763 thousand at 31 December 2020).

After the Board of Directors approved the business plan on 18 March 2021, the shopping centres owned by Group companies LE Retail Las Huertas, S.L.U. and LE Retail Txingudi, S.L.U. that were posted under "Non-current assets held for sale" at 31 December 2020 were reclassified under "Investment property", given that they were not expected to be sold in the short-term (Note 9).

Disclosures on the fair value of investment property

Details of the assets measured at fair value and the hierarchy in which they are classified are as follows:

	Thousands of Euros			
	2021			
	Total	Level 1	Level 2	Level 3
Recurrent fair value measurements				
Investment property				
Shopping centres and single-tenant commercial				
– Land	325,197	—	—	325,197
– Buildings	1,098,651	—	—	1,098,651
Total assets measured recurrently at fair value	1,423,848	—	—	1,423,848

	Thousands of Euros			
	2020			
	Total	Level 1	Level 2	Level 3
Recurrent fair value measurements				
Investment property				
Shopping centres and single-tenant commercial				
– Land	312,122	—	—	312,122
– Buildings	1,061,358	—	—	1,061,358
Total assets measured recurrently at fair value	1,373,480	—	—	1,373,480

No assets have been transferred between the different levels during the period.

At 31 December 2021 and 2020, details of the gross leasable area and occupancy rate by line of business are as follows:

	Square metres			
	2021		2020 (*)	
	Gross leasable area	Occupancy rate	Gross leasable area	Occupancy rate
Shopping centres and single-tenant commercial properties	551,326	96.11%	533,482	95.17%

(*) The square metres of the Huertas and Txingudi shopping centres and the supermarket portfolio, which are classified as held for sale at 31 December 2020, have occupancy rates of 89.4%, 96.4% and 100%, respectively, and measure 6,267, 10,712 and 27,909 square meters, respectively, have not been included.

All investment properties that are rented or are expected to be rented under effective leases are classified as investment properties. In accordance with IAS 40, the fair value of the investment property has been determined by professionally accredited external independent appraisal companies with recent experience in the locations and categories of the properties being appraised. Independent appraisal companies determine the fair value of the Group's investment property portfolio every six months (June and December) and on a quarterly basis in the case of assets under construction or comprehensive renovations.

The appraisal is conducted in accordance with the Professional Standards published by The Royal Institution of Chartered Surveyors ("Red Book"), based in the United Kingdom.

The methodology used to calculate the market value of investment assets consists of updating 10 years' worth of revenue and expense projections for each asset, which will subsequently be updated on the date of the Statement of Financial Position using a market discount rate. The residual value at the end of year 11 is calculated applying a rate of return ("exit yield" or "cap rate") to the net revenue projections estimated for year 11. The market values thus obtained are analysed by calculating and analysing the yield capitalisation implicit in these values. The projections are aimed at reflecting the Group's best estimate, reviewed by the appraiser, of the future income and expenses of the real estate assets.

The appraisal companies that performed the valuations of the Group's investment property at 31 December 2021 and 2020 were Jones Lang Lasalle España and Cushman & Wakefield.

Fees paid by the Group to the appraisal companies for measurements in the 2021 and 2020 periods are as follows:

	Thousands of Euros	
	2021	2020
Appraisal services	60	71
	60	71

Assumptions used in valuations

In terms of calculating the fair value of investment property, the material unobservable input data used to measure the fair value correspond to rental income, the Exit Yield and the discount cash flow used in projections. Quantitative information on the material unobservable input data used to measure the fair value is shown below:

	2021		2020	
	Exit Yield	Discount rate	Exit Yield	Discount rate
Shopping centres and single-tenant	5.45 – 8.50	7.03 – 10.30	5.45 – 8.40	6.98–10.30

In terms of rental revenue, the amounts per square meter used in the measurement for 2021 ranged from EUR 4.50 and EUR 21.60 per month (EUR 4.50 and 21.60 per month in 2020), depending on the type of asset and the location. The revenue growth rates used in the projections are mainly based on the CPI.

Sensitivity analysis of the assumptions used

The effect on consolidated assets and the Consolidated Statement of Comprehensive Income of a one-quarter percentage point, one-half percentage point and one percentage point variation in the discount rate, revenue and exit yields with respect to investment property, including those classified as non-current assets held for sale, would be as follows:

Change in discount rate

	Thousands of Euros					
	31/12/2021					
	Assets			Consolidated comprehensive income		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Discount rate increase	(21,466)	(46,240)	(94,111)	(21,466)	(46,240)	(94,111)
Discount rate decrease	29,842	56,407	111,434	29,842	56,407	111,434

	Thousands of Euros					
	31/12/2020					
	Assets			Consolidated comprehensive income		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Discount rate increase	(25,546)	(49,968)	(96,815)	(25,546)	(49,968)	(96,815)
Discount rate decrease	24,907	50,974	101,759	24,907	50,974	101,759

Change in revenue

	Thousands of Euros					
	31/12/2021					
	Assets			Consolidated comprehensive income		
	2.5%	5%	10%	2.5%	5%	10%
Revenue increase	17,559	31,289	58,930	17,559	31,289	58,930
Revenue decrease	(9,712)	(23,248)	(50,114)	(9,712)	(23,248)	(50,114)

	Thousands of Euros					
	31/12/2020					
	Assets			Consolidated comprehensive income		
	2.5%	5%	10%	2.5%	5%	10%
Revenue increase	16,590	33,850	68,210	16,590	33,850	68,210
Revenue decrease	(19,370)	(38,010)	(75,009)	(19,370)	(38,010)	(75,009)

Change in Exit Yield

	Thousands of Euros					
	31/12/2021					
	Assets			Consolidated comprehensive income		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Exit Yield increase	(28,381)	(58,151)	(111,259)	(28,381)	(58,151)	(111,259)
Exit Yield decrease	39,002	77,341	165,688	39,002	77,341	165,688

	Thousands of Euros					
	31/12/2020					
	Assets			Consolidated comprehensive income		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Exit Yield increase	(32,577)	(62,164)	(115,176)	(32,577)	(62,164)	(115,176)
Exit Yield decrease	34,323	72,386	159,745	34,323	72,386	159,745

The details of "Changes in fair value of investment property" in the Consolidated Statement of Comprehensive Income at 31 December 2021 and 31 December 2020 are as follows:

	2021		2020	
	Thousands of Euros		Thousands of Euros	
	Investment property	Non-current assets held for sale	Investment property	Non-current assets held for sale
Shopping centres and single-	(1,305)	—	(100,452)	(204)
	(1,305)	—	(100,452)	(204)

(8) OPERATING LEASES – LESSOR

At 31 December 2021, the Group has the shopping centres and single-tenant commercial properties leased to third parties under operating leases.

Future minimum payments for non-cancellable operative leases, without taking into consideration possible discounts that could be granted, taking into account those assets classified as non-current assets held for sale (Note 9) are as follows:

	Thousands of Euros	
	31/12/2021	31/12/2020
	Minimum rent collections	Minimum rent collections
Year 1	82,465	91,724
Year 2	60,873	72,588
Year 3	44,432	52,566
Year 4	30,654	38,990
Year 5	21,362	25,752
Over five years	100,542	114,895
	340,328	396,515

The majority of lease contracts between the Group and its customers stipulate a fixed rent and, where applicable, a variable rent based on the performance of the tenants' activity. Specifically, contracts that include floating rent fall into the following categories:

– Agreements with a fixed rate per m^2 (minimum guaranteed rent) and a floating rate (floating rent) calculated as a percentage of the sales made by the lessees in the relevant commercial premise or of the receipts from various premises (in the case of cinemas, for example). In these contracts, if the result of applying the percentage arranged in the contract to the lessee's total annual sales (or monthly in certain cases) is greater than the minimum guaranteed rent, the difference is invoiced to the lessee.

– Agreements that exclusively establish a floating amount as the rental payment, where this floating amount is determined by applying the percentage stipulated in the agreement to the lessee's sales at the relevant commercial premise.

Below are the details of the Group's revenue from leases in 2021 and 2020, differentiating between the fixed rent proceeds and the floating rent proceeds:

	Thousands of Euros	
	31/12/2021	31/12/2020
Revenue from floating rent	6,947	4,759
Revenue from fixed rent	69,324	88,565
Total revenue	76,271	93,324

The ten lessees that contributed the most rental revenues in 2021 and 2020, as well as the main characteristics of each, are as follows:

<u>2021 Period</u>

Position	Trade name	Project	% of total rental	% of total accumulated rental	Maturity *	Sector
1	Inditex Group	Anec Blau/Albacenter/El Rosal/As Termas/Lagoh /Gran Vía de Vigo/Portal de la Marina	9.35 %	9.35 %	2025-2035	Textile/Fashion
2	Carrefour	El Rosal/Gran Vía de Vigo/Hiper Portal de la Marina	4.58 %	13.93 %	2042-2060	Distribution/Hypermarket
3	Mediamarkt	Megapark/Parque Abadía/Vistahermosa/As Termas/Rivas/ Lagoh	4.21 %	18.14 %	2030-2044	Technology
4	Leroy Merlin	VidaNova Parc/Vistahermosa/As Termas	3.06 %	21.20 %	2041-2058	DIY
5	Decathlon	Megapark/Abadía/VidaNova Parc	2.69 %	23.89 %	2036-2043	Distribution
6	Cortefiel Group	Abacenter/Anec Blau/ As Termas/ Abadía / Rosal /Txingudi / Megapark / VidaNova Parc / Portal de la Marina/ Lagoh	2.63 %	26.52 %	2022-2036	Textile/Fashion
7	Conforama	Megapark/Rivas/Vidanova Parc	2.34 %	28.86 %	2023-2038	Textile/Fashion
8	Mercadona	Anec Blau/Hiper Albacenter/Megapark/Lagoh	2.25 %	31.11 %	2040-2049	Distribution/Hypermarket
9	El Corte Inglés	Lagoh/Parque Abadía/ Gran Via de Vigo/ Megapark/ As Termas/ Rivas	2.14 %	33.25 %	2025-2039	Textile/Fashion
10	C&A	Parque Abadia/Gran Via de Vigo /As Termas/Portal de la Marina/ Vidanova Parc	2.11 %	35.36 %	2023-2038	Textile/Fashion

* *The information above references the contracts that were in force during the 2021 period, where the effect of revenue linearisation was not taken into account. Furthermore, the expiry of contracts refers to the final date of the contract, although the contract may have the option for early termination.*

2020 Period

Position	Trade name	Project	% of total rental	% of total accumulated rental	Maturity *	Sector
1	Inditex Group	Anec Blau/Albacenter/El Rosal/As Termas/Lagoh /Gran Vía de Vigo/Portal de la Marina	6.83	6.83	2025-2034	Textile/Fashion
2	Eroski	Portfolio supermarkets/As Termas petrol station	5.40	12.23	2051	Distribution/Hypermarket
3	Carrefour	El Rosal/Gran Vía de Vigo/Hiper Portal de la Marina	5.07	17.30	2042-2060	Distribution/Hypermarket
4	Mediamarkt	Megapark/Parque Abadía/Vistahermosa/As Termas/Rivas/ Lagoh	3.77	21.07	2023-2044	Technology
5	Leroy Merlin	VidaNova Parc/Vistahermosa/As Termas	2.61	23.68	2041-2058	DIY
6	Cortefiel Group	Abacenter/Anec Blau/ As Termas/ Abadía /Huertas / Rosal / Gran Vía de Vigo / Vistahermosa /Txingudi / Megapark / VidaNova Parc / Portal de la Marina/ Lagoh	2.33	26.01	2021-2036	Textile/Fashion
7	Decathlon	Megapark/Abadía/VidaNova Parc	2.15	28.16	2036-2043	Distribution
8	Mercadona	Anec Blau/Hiper Albacenter/Megapark/Lagoh	2.03	30.19	2040-2049	Distribution/Hypermarket
9	Alcampo	Vistahermosa/ Parque Abadía	1.88	32.07	2055-2061	Distribution/Hypermarket
10	Conforama	Megapark/Rivas/Vidanova Parc	1.87	33.94	2023-2038	Textile/Fashion

* *The information above references the contracts that were in force during the 2020 period, where the effect of revenue linearisation was not taken into account. Furthermore, the expiry of contracts refers to the final date of the contract, although the contract may have the option for early termination.*

(9) NON-CURRENT ASSETS HELD FOR SALE AND LIABILITIES CONNECTED TO ASSETS HELD FOR SALE

On 23 February 2021, 100% of the shares in the companies LE Retail Hipermercados I, S.L.U., LE Retail Hipermercados II, S.L.U. and LE Retail Hipermercados III, S.L.U. to the company Igcel Investments, S.L., for a total amount of EUR 59,577 thousand. After said sale these companies ceased to form part of the Group (Note 4).

The impact on the Group's financial statements after selling said companies was a decrease in net assets in the amount of EUR 59,513 thousand. After said sale, said assets and liabilities associated therewith were removed from the Group's balance sheet.

On 18 March 2021 the Board of Directors approved the business plan that led to the reclassification of the shopping centres owned by Group companies LE Retail Las Huertas, S.L.U. and LE Retail Txingudi, S.L.U. from "Non-current assets held for sale" at 31 December 2020 to "Investment property", given that they were not expected to be sold in the short-term (Note 7).

In accordance with IAS 40 and the exception applicable under IFRS 5, investment property classified as non-current assets held for sale was carried at fair value.

The different assets and liabilities reclassified as held for sale are detailed below:

	Thousands of Euros			
	Assets		Liabilities	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
LE Retail Las Huertas, S.L.U. (a)	—	10,797	—	267
LE Retail Txingudi, S.L.U. (a)	—	33,268	—	658
LE Retail Hipermercados I, S.L.U. (b)	—	21,463	—	242
LE Retail Hipermercados II, S.L.U. (b)	—	21,585	—	217
LE Retail Hipermercados III, S.L.U. (b)	—	19,642	—	192
	—	106,755	—	1,576

The details of the assets and liabilities classified as held for sale at 31 December 2020 are as follows:

	LE Retail Las Huertas,	LE Retail Txingudi, S.L.U.	LE Retail Hipermercados I, S.L.U.	LE Retail Hipermercados II, S.L.U.	LE Retail Hipermercados III, S.L.U.	Total
Non-current assets held for sale	**10,797**	**33,268**	**21,463**	**21,585**	**19,642**	**106,755**
Investment property	10,530	32,610	20,050	20,360	18,460	102,010
Non-current financial assets	180	417	204	134	167	1,102
Trade and other receivables	—	—	166	64	48	278
Cash and cash equivalents	87	241	1,043	1,027	967	3,365
Liabilities connected to non-current assets held for sale	**(267)**	**(658)**	**(242)**	**(217)**	**(192)**	**(1,576)**
Trade payables	—	—	(39)	(13)	(7)	(59)
Other current liabilities	(267)	(658)	(203)	(204)	(185)	(1,517)
Non-current assets held for sale	**10,530**	**32,610**	**21,221**	**21,368**	**19,450**	**105,179**

(10) FINANCIAL ASSETS BY CATEGORY

(a) Classification of financial assets by category

	Thousands of Euros			
	2021		2020	
	Non-current	Current	Non-current	Current
	Carrying amount	Carrying amount	Carrying amount	Carrying amount
Non-current financial assets	14,422	—	13,618	—
Other financial assets	—	3,944	—	369
Operating lease receivables - invoices awaiting formalisation (Note 11)	—	2,026	—	1,472
Operating lease receivables - invoices issued (Note 11)	—	12,417	—	12,743
Operating lease receivables - revenue linearisation	11,586	5,460	17,996	4,401
Advances to suppliers	—	12	—	1,746
Public entities, other (Note 20)	—	5,537	—	8,101
Total	26,008	29,396	31,614	28,832

“Non-current financial assets” mainly comprises the security deposits and guarantees received from the lessees of the investment property mentioned in Note 7, which the Group has deposited with the corresponding public bodies.

At 31 December 2021, “Public entities, other” mainly comprises the Value Added Tax pending return requested by the company LE Retail Anec Blau, S.L.U in the amount of EUR 2,592 thousand. In addition, this line item includes EUR 2,317 thousand corresponding to the amount paid by the company LE Logistic Alovera I y II, S.A.U. in regard to a disputed tax assessment regarding Capital Transfer Tax and Stamp Duty for the 2014 purchase of logistics units that were owned by said company. On 17 April 2019, an economic administrative claim was filed on behalf of the Company against said settlement agreement, where no administrative ruling has been received as of the date of these consolidated financial statements. However, in the meantime, the Directors, with the support of the Group’s tax advisors, consulted the criteria of the General Directorate of Taxation and received a favourable non-binding response on 25 September 2019. Therefore, based on the best estimate thereof, said amount is considered recoverable.

In turn, the line item “Operating lease receivables - invoices issued” mainly includes rent accrued and invoiced to tenants during the year, most of which are outstanding, as well as the amount of VAT in the invoices issued by Lar España Real Estate SOCIMI, S.A. to the subsidiaries for a total of EUR 4,271 thousand.

At 31 December 2021 the line item “Operating lease receivables - pending invoices” in the table above mainly includes income from floating rent yet to be invoiced to tenants.

In addition, at 31 December 2021 the line item “Operating lease receivables - revenue linearisation” includes the amount pending allocation to profits and losses for waivers granted to certain tenants and that pursuant to the financial information framework applicable to the Group are allocated on a straight-line basis to the Consolidated Statement of Comprehensive Income between the date of the agreement and the remaining duration of each lease agreement. Of said amount, EUR 10,421 thousand correspond to waivers granted because of the pandemic (EUR 15,347 thousand at 31 December 2020).

Lastly, the balance under “Other financial assets” in the table above mainly corresponds to the amount of a deposit established in February 2021 by the company LE Retail Vistahermosa, S.L.U. to guarantee a surety in the amount of EUR 3,957 thousand paid to the Valencian tax authority for an ongoing tax proceeding (Note 21.a.iv).

The carrying amount of financial assets recognised at cost or amortised cost, unlike than those from the linearisation of income that due to their nature have zero value, does not differ from their fair value.

(b) Classification of financial assets by maturity

The classification of financial assets by maturity is as follows:

	2021			
	Thousands of Euros			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Non-current financial assets	—	—	14,422	14,422
Other financial assets	3,944	—	—	3,944
Operating lease receivables - invoices awaiting formalisation	2,026	—	—	2,026
Operating lease receivables - invoices issued	12,417	—	—	12,417
Operating lease receivables - revenue linearisation	5,460	7,261	4,325	17,046
Advances to suppliers	12	—	—	12
Public entities, other (Note 20)	5,537	—	—	5,537
	29,396	7,261	18,747	55,404

	2020			
	Thousands of Euros			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Non-current financial assets	—		13,618	13,618
Other financial assets	369	—	—	369
Operating lease receivables - invoices awaiting formalisation	1,472	—	—	1,472
Operating lease receivables - invoices issued	12,743	—	—	12,743
Operating lease receivables - revenue linearisation	4,401	11,606	6,390	22,397
Advances to suppliers	1,746	—	—	1,746
Public entities, other (Note 20)	8,101	—	—	8,101
	28,832	11,606	20,008	60,446

(11) TRADE AND OTHER RECEIVABLES

Details of "trade and other receivables" at 31 December 2021 and 2020 are as follows:

	2021		2020	
	Thousands of Euros		Thousands of Euros	
	Current	Non-current	Current	Non-current
Operating lease receivables - invoices issued	17,237	—	17,741	—
Operating lease receivables - invoices awaiting formalisation	2,026	—	1,472	—
Operating lease receivables - revenue linearisation	5,460	11,586	4,401	17,996
Advances to suppliers	12	—	1,746	—
Public entities, other (Notes 10 and 20)	5,537	—	8,101	—
Less impairment allowances	(4,820)	—	(4,998)	—
Total	25,452	11,586	28,463	17,996

In accordance with the terms in Note 2g of this consolidated report, after the shopping centres opened, the Group began negotiations with practically all lessees, reaching agreements regarding rent allowances accrued during closure in exchange for increased break option time frames and lease contract maturities. At 31 December 2021, there were outstanding balances invoiced to customers in the amount of EUR 17,237 thousand (EUR 17,741 thousand at 31 December 2020), EUR 4,271 of which corresponds to a VAT balance from the invoices issued by Lar España Real Estate SOCIMI, S.A. pending offset by the Group subsidiaries. Accordingly, at 31 December 2021 the Group performed an individual study on each debtor, analysing their situation and recording a total impairment in the amount of EUR 4,820 thousand (EUR 4,998 thousand at 31 December 2020). This impairment corresponds to the receivables from those tenants whose debt is considered unlikely to be recovered by Group management, after subtracting the amount of any security deposits, additional guarantees and sureties.

(a) Impairment

Movement in impairment and uncollectibility measurement allowances for amounts payable to the Group by the tenants is as follows:

	Thousands of Euros
	2021
Balance at 31 December 2020	4,998
Impairment provisions (Note 23)	2,502
Reversals of impairment loss (Note 23)	(2,680)
Balance at 31 December 2021	4,820

The provisions and impairment reversals regarding commercial transactions are recorded under "Other operating expenses" on the adjoined Consolidated Statement of Comprehensive Income (Note 23).

In the 2021 period irrecoverable credits were recognised in the amount of EUR 315 thousand (EUR 109 thousand in 2020).

(12) CASH AND CASH EQUIVALENTS

Details of "cash and cash equivalents" at 31 December 2021 and 2020 are as follows:

	Thousands of Euros	
	2021	2020
Banks	313,199	134,028
Total	313,199	134,028

On 14 January 2020, a new share programme was formalised between Lar España and its liquidity provider, aimed at a maximum of 4,500,000 shares, representing 5% of share capital, which could be acquired at a price no greater than (a) the price of the last arm's length transaction or (b) the highest arm's length offer at that time in the business centre where the purchase was made. The maximum duration of this programme was initially until 14 October 2020 and was subsequently extended to 14 April 2021.

On 14 October 2021, the share buyback programme, aimed at a maximum of 4,500,000 shares, representing 5% of the share capital, ended between Lar España and its liquidity provider.

This balance includes the investment funds the Parent Company has contracted that are managed by Banco Santander and BBVA for a total amount of EUR 209,598 thousand. The availability of these funds is immediate, and they are invested with the remaining cash the Group has to cover its short-term payment commitments.

(13) NET EQUITY

(a) Capital

At 31 December 2021 the share capital of Lar España Real Estate SOCIMI, S.A. amounts to EUR 167,386 thousand (EUR 175,267 thousand at 31 December 2020) represented by 83,692,969 registered shares (87,633,730 registered shares at 31 December 2020), represented through book entries, with a par value of EUR 2 each, subscribed and fully paid, all granting the same rights.

On 18 November 2021, pursuant to the Board of Directors' resolution of 11 November 2021, the Parent Company reduced capital by EUR 7,881 thousand, corresponding to 3,940,761 shares of EUR 2 par value each and representing 4.5% of share capital. The capital decrease was charged against unrestricted reserves by appropriating to a restricted capital redemption reserve EUR 7,881 thousand, an amount equal to the par value of the redeemed shares. The shares were paid through the use of treasury shares, the value of which at the time of the capital decrease totalled EUR 20,763 thousand.

All of the shares of the company Lar España Real Estate SOCIMI, S.A. are quoted on the Madrid, Barcelona, Bilbao and Valencia stock exchanges.

The quoted price at 31 December 2021 was EUR 5.12 per share, and the average price per share in the 2021 period was EUR 5.17 (in the 2020 period, the quoted price was EUR 4.67 per share and the average price per share was EUR 4.76).

The breakdown of the Parent Company's main shareholders at 31 December 2021 is as follows:

	%
LVS II Lux XII S.a.r.l. (*)	21.7%
Grupo Lar Inversiones Inmobiliarias, S.A.	11.4%
Santa Lucía S.A. Cía. de Seguros	5.2%
Adamsville, S.L.	5.2%
Brandes Investment Partners, L.P.	5.0%
Blackrock Inc.	3.7%
Other shareholders with an interest of less than 3%	47.8%
Total	100.0 %

(*) See Note 30

(b) Issue premium

The Revised Spanish Companies Act expressly provides for the use of the issue premium to increase share capital and does not stipulate any specific restrictions as to its use, provided that the Company's equity does not fall below its share capital as a result of any distribution.

On 22 April 2021, the distribution of dividends from the 2020 period against the issue premium was approved for the amount of EUR 8,954 thousand, taking into account the shares issued (Note 13.e).

At 31 December 2021, the Group's share premium amounted to EUR 466,176 miles thousand (EUR 475,130 thousand at 31 December 2020).

(c) Other reserves

The breakdown of this line item as at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	31/12/2021	31/12/2020
Legal reserve	19,011	16,990
Capital redemption reserve	23,384	15,502
Other Parent Company reserves	(63,735)	(43,610)
Reserves in consolidated companies	218,003	291,883
Other shareholder contributions	240	240
Total	196,903	281,005

Reserve movements that took place during the 2021 and 2020 periods were as follows:

	Thousands of Euros		
	2021		
	Parent Company reserves	Reserves in consolidated companies	Total Reserves
Opening balance	(10,878)	291,883	281,005
Profit for 2020	20,212	(73,880)	(53,668)
Distribution of Dividends for the period	(17,504)	—	(17,504)
Capital decrease	(12,882)		(12,882)
Result from treasury shares	(46)	—	(46)
Other operations	(3)	—	(3)
Closing balance	(21,100)	218,003	196,903

	Thousands of Euros		
	Parent Company reserves	Reserves in consolidated companies	Total Reserves
Opening balance	(16,104)	270,462	254,358
Profit for 2019	59,309	21,421	80,730
Distribution of Dividends for the period	(54,094)	—	(54,094)
Result from treasury shares	(6)	—	(6)
Other operations	17	—	17
Closing balance	(10,878)	291,883	281,005

(i) *Legal reserve*

The legal reserve is to be provided for in compliance with Article 274 of the Spanish Companies Act, which requires that companies transfer 10% of profits for the period to a legal reserve until this reserve reaches an amount equal to 20% of the share capital.

The legal reserve is not distributable to shareholders and if it is used to offset loss, in the event that no other reserves are available, the reserve must be replenished with future profits.

At 31 December 2021 the Company's legal reserve totals EUR 19,011 thousand (EUR 16,990 at 31 December 2020). Therefore, the legal reserve at 31 December 2021 is not fully provided for.

Pursuant to Law 11/2009 which governs SOCIMIs, the legal reserve of companies that have opted to avail themselves of the special tax regime provided for by this law may not exceed 20% of their share capital. The articles of association of these companies may not stipulate any restricted reserve other than the legal reserve.

(ii) *Capital redemption reserve*

This reserve includes the nominal value of the treasury shares redeemed in the capital decreases carried out on 18 November 2021, 20 December 2019, 10 June 2019 and 28 December 2018, totalling EUR 23,384 thousand. The provision and availability of this reserve shall be held to the same requirements demanded for the capital decrease, in line with the provisions of Article 335 c) of the Spanish Companies Act, the revised text of which was approved by Royal Legislative Decree 1/2010 of 2 July ("Spanish Companies Act").

(d) Valuation adjustments

This line item in the Consolidated Statement of Financial Position includes the amount of changes to the value of financial derivatives designated as cash flow hedging instruments. Movements in this line item, in thousands of Euros, are as follows:

	Thousands of Euros	
	2021	2020
Opening balance	(1,610)	(1,943)
Changes in fair value of hedges in the period recognised directly in net equity	223	(653)
Other amounts transferred to the Income Statement	1,387	986
Closing balance	—	(1,610)

In 2021 all of the financial derivatives the Group had contracted with credit institutions were cancelled (Note 15).

(e) Treasury shares

At 31 December 2021, the Company has treasury shares with an acquisition cost of EUR 860 (EUR 16,474 thousand at 31 December 2020).

Movement during the 2021 and 2020 periods was as follows:

2021 Period

	Number of shares	Thousands of Euros
31 December 2020	3,074,672	16,474
Additions	1,064,394	5,543
Derecognitions	(4,008,096)	(21,157)
31 December 2021	130,970	860

2020 Period

	Number of shares	Thousands of Euros
31 December 2019	103,820	762
Additions	2,994,520	15,885
Derecognitions	(23,668)	(173)
31 December 2020	3,074,672	16,474

The average selling price of treasury shares in 2021 was EUR 5.13 per share (EUR 7.02 in 2020). Furthermore, losses for the period ended 31 December 2021 amounted to EUR 46 thousand (EUR 6 thousand in losses at 31 December 2020) and were recognised under “Other reserves” on the Consolidated Statement of Financial Position.

On 28 February 2019 and 18 December 2019 marked the end of the share repurchase programs formalised between the Company and its liquidity supplier, said programs having a target of a maximum of 3,160,000 and 4,660,000 shares, respectively.

On 14 January 2020, a new share buy-back programme was formalised between Lar España and its liquidity provider, aimed at a maximum of 4,500,000 shares, representing 5% of share capital, which may be acquired at a price no greater than (a) the price of the last arm’s length transaction or (b) the highest arm’s length offer at that time in the business centre where the purchase is made. The maximum duration of this programme was initially until 14 October 2020 and was subsequently extended to 14 October 2021.

Said programme temporarily suspended the liquidity agreement formalised with a financial intermediary pursuant to the terms of Circular 3/2007, of 19 December by the Spanish Securities Market Commission on liquidity agreements for the purposes of accepting same as a market practice and other applicable regulations.

(f) Dividends paid and issue premium returned

On 22 April 2021, the General Shareholders’ Meeting of the Parent Company approved the distribution of a dividend of EUR 27,500 thousand, at EUR 0.31 per share (taking into account all the shares issued), with EUR 18,546 thousand being charged against profit and loss for the 2020 period and EUR 8,954 thousand against the share premium (Note 15.b). Said dividend was paid on 21 May 2021. The amount distributed totalled EUR 26,457 thousand (once the amount corresponding to treasury shares had been deducted, as this is not taken from the Parent Company’s net equity), taking into consideration the approved amount per share and the shares in circulation at the time of the approval by the General Shareholders’ Meeting.

(14) EARNINGS PER SHARE

(i) Basic

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

Details of the calculation of the earnings per share are as follows:

	31/12/2021	31/12/2020
Profit/(loss) for the period attributable to net equity instrument holders of the Parent Company (in thousands of Euros)	25,782	(53,668)
Weighted average number of ordinary shares in circulation (number of	84,189,058	85,605,283
Basic earnings per share (in Euros)	0.31	(0.63)

The average number of ordinary shares in circulation is determined as follows:

	31/12/2021	31/12/2020
Ordinary shares at the beginning of the year	87,633,730	87,633,730
Share capital increase (weighted effect)	—	—
Share capital decrease (weighted effect)	(172,745)	—
Average effect of treasury shares	(3,271,927)	(2,028,447)
Weighted average number of ordinary shares in circulation at 31 December (in securities)	84,189,058	85,605,283

(ii) Diluted

Diluted earnings per share are calculated by adjusting profit for the period attributable to equity holders of the Parent Company and the weighted average number of ordinary shares in circulation to the effect of all dilutive potential ordinary shares; that is, as if all potential ordinary shares treated as dilutive had been converted.

In addition, as indicated in Note 27, the Parent Company has entered into an Investment Management Agreement with the manager, for which a performance fee is payable. The amount of this floating remuneration will be settled, as so decided by the Parent Company, in cash (which will subsequently be used by the manager to subscribe for the shares issued) or in treasury shares. Every year in which the fee has been accrued the Parent has chosen a cash payment. In accordance with paragraphs 46 and 47A of IAS 33 and taking into account that at 31 December 2021 the manager has provided its complete service, all the potential ordinary shares that the Parent Company would deliver to the manager must be considered diluted.

Details of the calculation of diluted earnings per share are as follows (in Euros):

	31/12/2021	31/12/2020
Profit after tax	25,781,582	(53,667,977)
Weighted shares in circulation	84,189,058	85,605,283
Potential ordinary shares	19,628	—
Diluted earnings per share	0.31	(0.63)

(15) FINANCIAL LIABILITIES BY CATEGORY

(a) Classification of financial liabilities by category

The classification of financial liabilities by category at 31 December 2021 and at 31 December 2020 is as follows:

	Thousands of Euros	
	2021	
	Non-current	Current
	Carrying amount	Carrying amount
Carried at amortised cost:		
Financial liabilities from issue of bonds and other marketable securities	693,647	129,702
Bank borrowings	69,921	185
Other financial liabilities	20,716	—
Trade and other payables:		
Trade payables	—	9,136
Public entities, other payables (Note 20a)	—	3,410
Total financial liabilities	784,284	142,433

	Thousands of Euros	
	2020	
	Non-current	Current
	Carrying amount	Carrying amount (*)
Carried at fair value:		
Derivatives	4,685	3,137
Carried at amortised cost:		
Financial liabilities from issue of bonds and other marketable securities	139,685	3,482
Bank borrowings	570,608	40,593
Other financial liabilities	19,993	—
Trade and other payables:		
Trade payables	—	17,477
Public entities, other payables	—	730
Customer advances	—	14
Total financial liabilities	734,971	65,433

**Liabilities connected to non-current assets held for sale are not included.*

At 31 December 2021 and 2020, the carrying amounts of the financial liabilities recorded at amortised cost do not differ significantly from the fair value.

(b) Classification of financial liabilities by maturity

Details by maturity of financial liabilities at 31 December 2021 and 31 December 2020 are as follows:

	2021						
	Thousands of Euros						
	2022	2023	2024	2025	2026 and remaining	Indefinite	Total
Financial liabilities from issue of bonds *(a)*	129,738	—	—	—	700,000	—	829,738
Bank borrowings *(a)*	185			24,500	45,500	—	70,185
Other financial liabilities	—	—	—	—	—	20,716	20,716
Trade and other payables	12,546	—	—	—	—	—	12,546
Total	142,469	—	—	24,500	745,500	20,716	933,185

	2020						
	Thousands of Euros						
	2021	2022	2023	2024	2025 and remaining	Indefinite	Total
Financial liabilities from issue of bonds *(a)*	3,482	140,000	—	—	—	—	143,482
Bank borrowings *(a)*	40,653	114,509	174,405	105,188	183,509	—	618,264
Derivatives	3,137	181	1,636	430	2,438	—	7,822
Other financial liabilities	—	—	—	—	—	19,993	19,993
Trade and other payables	18,221	—	—	—	—	—	18,221
Total	65,493	254,690	176,041	105,618	185,947	19,993	807,782

(a) Measuring financial liabilities from bonds and bank borrowings at amortised cost decreases the nominal value of the liabilities reflected above by EUR 6,389 thousand and EUR 79 thousand, respectively in the 2021 period (EUR 315 thousand and EUR 7,063 thousand in the 2020 period).

(16) FINANCIAL LIABILITIES FROM BORROWINGS

The Group's debts comprise corporate bonds and loans with credit institutions. The details thereof are as follows:

(a) Main characteristics of debt from corporate bonds

Issue in the 2015 period for EUR 140 million

On 21 January 2015, the Parent Company's Board of Directors approved the issue of simple bonds up to a maximum amount of EUR 200 million, following approval by the then-sole shareholder of the Parent Company on 5 February 2014. Lastly, on 19 February 2015 the Parent Company carried out an issue in the amount of EUR 140 million, each bond with a nominal value of EUR 100 thousand.

The main characteristics of the issue were as follows:

- Issuer: Lar España Real Estate SOCIMI, S.A.
- Amount of the issue: EUR 140,000 thousand.
- Nominal value of each bond: EUR 100 thousand.
- Maturity: 21/02/2022. In certain circumstances the early amortisation of this instrument is possible.
- Interest rate: 2.9%.
- Nature of the issue: Simple bonds.
- Guarantees: Guarantee on the financial investments of the Parent Company and mortgages and ordinary first-tier pledges up to a maximum amount of 20% of the placement. Mortgaged assets include: the Txingudi, Albacenter, Albacenter Hipermercado, Anec Blau and As Termas shopping centres. In addition, an ordinary pledge has been established on the shares in LE Retail Txingudi, S.L.U., LE Retail Albacenter, S.L.U., LE Retail Hiper Albacenter, S.A.U., LE Retail Anec Blau, S.L.U. and LE Retail As Termas, S.L.U., the market value of which was EUR 273,110 thousand at 31 December 2021.

The issuance expenses associated with this issue are recorded after deducting the debt to which they are associated, initially totalling EUR 1,995 thousand, EUR 281 thousand of which was allocated in 2021 (EUR 309 thousand in 2020). Interest accrued in 2021 for this debt totalled EUR 3,828 thousand (EUR 4,060 thousand at 31 December 2020), with EUR 3,619 thousand outstanding as at 31 December 2021.

With regard to this funding, please note that on 12 July 2021 the Company offered its bondholders the option of an early buyback for a purchase price of the principal + 1%. Said offer was accepted and paid on 23 July 2021 by bondholders holding bonds in the amount of

EUR 17.3 million, where EUR 122.7 million of the nominal value was therefore pending payment at 31 December 2021. The latter amount was paid on 17 February 2022. Guarantees on the mortgaged property assets were cancelled on 22 February 2022 (Note 30).

<u>Issue in the 2021 period for EUR 400 million</u>

On 22 July 2021, the Parent Company carried out a placement of green, unsecured bonds amounting to a total of EUR 400 million, each with a nominal value of EUR 100 thousand.

The main characteristics of the issue are as follows:

– Issuer: Lar España Real Estate SOCIMI, S.A.
– Amount of the issue: EUR 400,000 thousand.
– Nominal value of each bond: EUR 100 thousand.
– Maturity: 22/07/2026. In certain circumstances the early amortisation of this instrument is possible.
– Interest rate: 1.75%.
– Nature of the issue: Simple green bonds.

The issuance expenses associated with this issue initially totalled EUR 4,923 thousand and are recorded after deducting the debt. Of this amount, in 2021 EUR 417 thousand of said expenses were allocated to the line item “Financial expenses” on the Consolidated Statement of Comprehensive Income for the period. Interest accrued in 2021 for the coupon totalled EUR 3,106 thousand, all of which was outstanding as at 31 December 2021.

<u>Issue in the 2021 period for EUR 300 million</u>

On 3 November 2021, the Parent Company carried out a placement of bonds amounting to a total of EUR 300,000 million, each with a nominal value of EUR 100 thousand.

The main characteristics of the issue are therefore as follows:

– Issuer: Lar España Real Estate SOCIMI, S.A.
– Amount of the issue: EUR 300,000 thousand.
– Nominal value of each bond: EUR 100 thousand.
– Maturity: 3/11/2028. In certain circumstances the early amortisation of this instrument is possible.
– Interest rate: 1.84%.
– Nature of the issue: Simple green bonds.

The issuance expenses associated with this issue initially totalled EUR 1,889 thousand and are recorded after deducting the debt. Of this amount, in 2021 EUR 43 thousand of said expenses were allocated to the line item "Financial expenses" on the Consolidated Statement of Comprehensive Income for the period. Interest accrued in 2021 for the coupon totalled EUR 879 thousand, all of which was outstanding as at 31 December 2021.

Covenants associated with corporate bonds

As in the bond issuance cancelled in February 2022 (Note 30) the two bond issuances issued by the Group have clauses on the fulfilment of certain financial ratios, calculated using the Group's consolidated financial statements each year.

- A financial debt ratio equal to or lesser than 60%, calculated as consolidated financial debt divided by the total consolidated value of the asset.

- A guaranteed financial debt ratio is not greater than 40%, calculated as guaranteed financial debt divided by the consolidated asset value.

- An Interest Coverage Ratio more than 2.1, calculated as EBITDA divided by the financial expenses for the period.

- The Total Untaxed Asset Ratio is less than 1.25.

The result of failing to meet said ratios is early maturity, where such failure can be corrected within 30 days after notice thereof is given by the fiscal agent or by any of the bondholders. In this sense, the Directors believe said ratios are met as at the date of these consolidated financial statements and expect them to be met in the next twelve months.

(b) Main characteristics of bank borrowings

The terms and conditions of the loans and debts with credit institutions are as follows:

2021 Period

			Thousands of Euros			
Institution	Effective rate (%)	Maturity	Limit 31/12/2021	Limit 31/12/2020	Fair value at 31/12/2021 *	Fair value at 31/12/2020 *
The European Investment Bank	1.67	04 May 2027	70,000	70,000	70,106	70,085
Bankinter	Euribor 12M + 1.60% spread	16 May 2021	30,000	30,000	—	29,940
LE Retail El Rosal, S.L.U.	Euribor 3M + 1.75% spread	7 July 2030	—	50,000	—	48,738
LE Retail Hiper Ondara, S.L.U.	Euribor 3M + 1.7% spread	24 Feb 2023	—	97,000	—	96,607
LE Retail Hiper Ondara, S.L.U.	Euribor 3M + 1.7% spread	24 Feb 2023	—	60,000	—	59,043
LE Retail Gran Vía de Vigo, S.A.U.	Euribor 3M + 1.75% spread	14 March 2022	—	82,400	—	81,683
LE Retail Vistahermosa, S.L.U.	Euribor 3M + 1.85% spread	2 March 2022	—	21,550	—	21,453
LE Retail Abadía, S.L.U.	1.80% (until 23/11/20) Euribor 3M + 1.75% spread	23 May 2024	—	34,750	—	34,253
LE Retail Abadía, S.L.U.	1.93% (until 23/11/20) Euribor 3M + 1.75% spread	23 May 2024	—	7,310	—	7,292
LE Retail Hiper Ondara, S.L.U.	Euribor 3M + 1.7% spread	24 Feb 2023	—	8,250	—	6,208
LE Retail VidaNova Parc, S.L.U.	Euribor 3M + 1.85% spread	31 Dec 2024	—	28,000	—	27,449
LE Retail Rivas, S.L.U.	1.90	19 Dec 2024	—	34,500	—	34,333
LE Retail Lagoh, S.L.U.	Euribor 3M +2% spread	30 June 2020	—	4,000	—	—
LE Retail Lagoh, S.L.U.	Euribor 3M +2% spread	29 June 2025	—	98,500	—	94,117
			100,000	626,260	70,106	611,201

**Amount includes outstanding accrued interest.*

As shown in the table above, the majority of the mortgage loans the Group held were cancelled in 2021 with the funds obtained from the 2021 bond issuances described in the previous section. Furthermore, the mortgage guarantees that said loans held on the shopping centres were cancelled after the early repayment thereof. The details of the amounts and the dates of the various operations cancelling loans are provided in the summary table below:

Company	Bank / Agent Bank	Scheduled	Cancellation amount (thousands of euros)
LE RETAIL VIDANOVA PARC, S.L.	BBVA	November 2021	28,000
LE RETAIL LAGOH, S.L.	Santander	November 2021	96,481
LE RETAIL HIPERONDARA, S.L.	Natixis	August 2021	97,000
LE RETAIL HIPERONDARA, S.L.	Natixis	August 2021	60,000
LE RETAIL HIPERONDARA, S.L.	Natixis	August 2021	6,062
LE RETAIL ABADÍA, S.L.	Santander	November 2021	42,060
LE RETAIL RIVAS, S.L.	BBVA	November 2021	34,500
LE RETAIL EL ROSAL, S.L.	Caixabank	November 2021	49,280
LE RETAIL GRAN VÍA DE VIGO, S.L.	ING	July 2021	82,400
LE RETAIL VISTAHERMOSA, S.L.	BBVA	July 2021	21,550
Total			517,333

The financial expenses accrued on these loans in the 2021 period totalled EUR 15,151 thousand (EUR 12,283 thousand in 2020). In turn, the accrued, unpaid interest at 31 December 2021 amounts to EUR 185 thousand (EUR 794 thousand at 31 December 2020).

Covenants associated with the loan subscribed with the EIB

The Parent Company undertakes to maintain, at all times, on the basis of the consolidated financial statements, a Loan to Value Ratio that is less than 50% (taking into account net financial debt), a Debt Service Coverage Ratio equal to or greater than 2.5x and a Net Financial Debt /Net Equity ratio that is less than 1.0x. The result of failing to meet said ratios is early maturity. In this sense, the Directors believe said ratios are met as at the date of these consolidated financial statements and expect them to be met in the next twelve months. In this sense, the Directors believe said ratios are met as at the date of these consolidated financial statements and expect them to be met in the next twelve months.

(c) Derivatives

The details of the derivative financial instruments as at 31 December 2021 and 2020 are as follows:

	Thousands of euros	
	2021	2020
Non-current	—	4,685
Interest rate		
Current	—	3,137
Interest rate		
	—	7,822

To determine the fair value of interest rate derivatives, the Parent Company uses the cash flow discount on the basis of the implicit amounts determined by the Euro interest rate curve according to the market conditions on the date of measurement.

These financial instruments were classified as level 2 according to the calculation categories established in IFRS 7.

Derivatives contracted by the Group at 31 December 2021 and 31 December 2020 and their fair values at said dates are as follows (in thousands of euros):

	Thousands of euros				
	Contracted interest rate	Fair value at 31/12/2021	Fair value at 31/12/2020	Notional	Maturity
LE Retail Hiper Ondara, S.L.U. (Megapark)	0.22%	—	1,670	97,000	2023
LE Retail Hiper Ondara, S.L.U. (Portal de la Marina)	0.31% / 0.39%	—	1,199	60,000	2023
LE Retail Hiper Ondara, S.L.U. (Megapark Ocio)	0.35%	—	96	4,675	2023
LE Retail Gran Vía de Vigo, S.A.U.	0.29%	—	844	82,400	2022
LE Retail Vistahermosa, S.L.U.	0.12%	—	181	21,550	2022
LE Retail VidaNova Parc, S.L.U.	0.00%	—	586	28,000	2024
LE Retail Lagoh, S.L.U.	0.87%	—	3,246	58,113	2025
		—	7,822		

Thanks to the new bond issuances and the cancellations of the bank loans during 2021 and described in the table above, all the interest rate derivatives were cancelled.

The details of the principal amounts associated to each cancellation operation are provided in the summary table below:

Thousands of Euros

Company	Opening balance	Change in value	Cancellation amount	Closing balance
LE RETAIL VIDANOVA PARC, S.L.U.	586	(319)	(267)	—
LE RETAIL LAGOH, S.L.U.	3246	(911)	(2,335)	—
LE RETAIL HIPERONDARA, S.L.U.	2965	(554)	(2,411)	—
LE RETAIL GRAN VÍA DE VIGO,	844	(353)	(491)	—
LE RETAIL VISTAHERMOSA, S.L.U.	181	(69)	(112)	—
Total	7822	(2,206)	(5,616)	—

Interest accrued in 2021 for contracted derivatives totalled EUR 1,662 thousand (EUR 2,623 thousand in 2020).

(d) Movements of cash under financial liabilities from borrowings

The movement of cash in the 2021 and 2020 period of the Group's financial debts is as follows:

2021 Period

	Opening balance	New debt	Initial amortised cost	Principal paid	Interest paid	Interest accrued (Note 24)	Changes in fair value	Closing balance
		Cash flow		Cash flow	Cash flow			
Financial liabilities from issue of bonds	143,167	700,000	(6,813)	(17,300)	(4,443)	8,738	—	823,349
Bank borrowings	611,201	—	—	(547,273)	(8,973)	15,151	—	70,106
Derivatives	7,822	—	—	—	(7,278)	1,662	(2,206)	—
	762,190	700,000	(6,813)	(564,573)	(20,694)	25,551	(2,206)	893,455

2020 Period

	Opening balance	New debt	Initial amortised cost	Principal paid	Interest paid	Interest accrued (Note 24)	Consideration	Changes in fair value	Closing balance
		Cash flow		Cash flow	Cash flow				
Financial liabilities from issue of bonds	142,858	—	—	—	(4,055)	4,364	—	—	143,167
Bank borrowings	547,768	101,327	—	(40,084)	(10,093)	12,283	—	—	611,201
Debts with Group companies	3,199	1,000	—	—	—	76	(4,275)	—	—
Derivatives	5,239	—	—	—	(2,623)	2,623	—	2,583	7,822
	699,064	102,327	—	(40,084)	(16,771)	19,346	(4,275)	2,583	762,190

(17) OTHER NON-CURRENT FINANCIAL LIABILITIES

At 31 December 2021 the Group includes under “Other non-current financial liabilities” EUR 20,716 thousand (EUR 19,993 thousand at 31 December 2020) that comprise security deposits delivered to the Group by the various tenants of the commercial premises in the real estate assets. This amount generally represents two months’ rent and will be reimbursed at the end of the contract term.

(18) TRADE AND OTHER PAYABLES

Details of “Trade and other payables” at 31 December 2021 and 2020 are as follows:

	Thousands of Euros	
	2021	2020
Trade payables (a)	7,798	15,105
Trade payables, related companies (b)	1,191	2,262
Customer advances	—	17
Salaries payable	147	107
Public entities, other payables (Note 20)	3,410	730
	12,546	18,221

(b) The line item “Trade payables” at 31 December 2021 includes the amount of EUR 2,332 thousand corresponding to the amounts pending payment for the development and reformation of the investment property owned by the Group (Note 5) (EUR 5,466 thousand at 31 December 2020).

(c) “Trade payables, related companies” includes EUR 849 thousand related to the fixed remuneration and the floating remuneration to be paid to the manager and accrued in the period (Note 27). (EUR 1,811 thousand at 31 December 2020).

(19) INFORMATION ON THE AVERAGE NUMBER OF DAYS PAYABLE OUTSTANDING TO SUPPLIERS

Below appears the information required by the third additional Provision of Law 15/2010, of 5 July (amended by the second final Provision of Law 31/2014, of 3 December), which has been prepared pursuant to the Resolution of 29 January 2016 by Spain's Accounting and Audit Institute on the information to be included in the report on the consolidated financial statements in terms of the average number of days payable outstanding to suppliers in commercial transactions:

	2021	2020
	Days	Days
Average number of days payable outstanding to	22	29
Ratio of paid operations	21	26
Ratio of outstanding operations	20	62
	Thousands of Euros	Thousands of Euros
Total effected payments	96,196	123,609
Total outstanding payments	6,019	23,713

Pursuant to the Resolution by Spain's Accounting and Audit Institute on the calculation of the average number of days payable outstanding to suppliers in these consolidated financial statements, commercial transactions corresponding to the delivery of goods or rendering of services accrued since the date Law 31/2014, of 3 December, entered into force were taken into consideration, although this has been exclusively regarding companies based in Spain that have been fully or proportionally integrated.

Trade payables as they relate to goods and services included in "Short-term suppliers, related companies", "Suppliers, Group and associates" and "Sundry creditors" of the current liability of the balance sheet are considered suppliers, for the exclusive purpose of providing the information established in this Resolution. These refer excursively to the Spanish institutions included in the consolidable Group.

"Average number of days payable outstanding to suppliers" is understood to mean the time passed between the delivery of goods or the rendering of services by the supplier and the material payment of the transaction.

The maximum legal payment period applicable to the Company in the 2014/15 period according to Law 3/2004, of 29 December containing measures to combat late payments in commercial transactions and in accordance with the transitory provisions established in Law 15/2010, of 5 July, is 60 days until the publication of Law 11/2013 of 26 July and 30 days as of the publication of said Law and as of today's date (unless the conditions established in same are met, which would allow said maximum payment period to be extended to 60 days).

(20) PUBLIC ENTITIES AND TAXATION

(a) Balances with public entities

Receivables	Thousands of Euros 31/12/2021	Thousands of Euros 31/12/2020
Taxation authorities, VAT recoverable	2,955	5,492
Taxation authorities, other withholdings	265	279
Other receivables from taxation authorities	2,317	2,316
Other Social Security receivables	—	14
	5,537	8,101

Payables	Thousands of Euros 31/12/2021	Thousands of Euros 31/12/2020
Taxation authorities, VAT payable	3,329	654
Taxation authorities, personal income tax	74	72
Taxation authorities, Corporate Income Tax payable (Note 20b)	—	—
Social security payable	7	5
Deferred tax liabilities	15,578	17,201
	18,988	17,932

The amounts included in “Taxation authorities, VAT recoverable” mainly correspond to VAT paid as current expenses in the Anec Blau shopping centre.

“Other receivables from taxation authorities” includes the amount paid by LE Logistic Alovera I y II, S.A.U. in regard to a disputed tax assessment, which addresses the Capital Transfer Tax and Stamp Duty for the 2014 purchase of logistics bays that were owned by said company. On 17 April 2019, an economic administrative claim was filed on behalf of the Company against said settlement agreement, where no administrative ruling has been received as of the date of these consolidated financial statements. However, in the meantime, the Directors, with the support of the Group’s tax advisors, consulted the criteria of the General Directorate of Taxation and received a favourable non-binding response on 25 September 2019. Therefore, based on the best estimate thereof, said amount is considered recoverable.

(b) Reconciliation of accounting profit and taxable income

At 31 December 2021, the Parent Company and the subsidiaries were covered by the SOCIMI tax regime, with the exception of LE Offices Marcelo Spínola, S.L.U and LAR España Inversión Logística IV, S.L.U., which requested the resignation of the SOCIMI tax regime in 2018.

At 31 December 2021 and 31 December 2020, the taxable fiscal base comprises the following items:

	Thousands of Euros		Thousands of Euros	
	Tax regime for SOCIMIs	General regime	Tax regime for SOCIMIs	General regime
	31/12/2021	31/12/2021	31/12/2020	31/12/2020
Profit/(loss) before tax from continuing operations	24,160		(53,668)	
Consolidation adjustments:	(3,200)		97,112	
Aggregate profit before tax from continuing operations	20,994	(34)	43,457	(13)
Permanent differences	19	12	251	5
Temporary differences	4,320	(3)	5,432	(4)
Generation/(Offset) of negative tax bases	—	—	—	—
Tax base	—	—	49,140	(12)
Tax payable (0%/25%)	—		—	2
Withholdings/Deductions	(110)	—	(195)	—
Payment instalments	—	—	—	(3)
Corporate Income Tax	—	—	(195)	(1)

Deferred tax assets and liabilities

At 31 December 2021, the Parent Company’s directors do not expect any asset to be sold before the three-year time limit expires, which is the reason the deferred tax liabilities for the increase in value (IAS 40) have been calculated at 0% for all the companies included under the SOCIMI regime.

Likewise, the Group has not recorded deferred tax assets for the temporary differences that increase the tax base because the applicable rate is calculated at 0%.

The deferred tax liability totalling EUR 15,578 thousand is the result of the purchase of the companies LE Retail Gran Vía de Vigo, S.A.U. and LE Retail Rivas, S.L.U after adjusting the fair value of their assets when the business combination was incorporated, because these companies were not taxed under the special SOCIMI tax regime at the time of their acquisition.

As a result of the sale of the shareholdings in the companies LE Retail Hipermercados I, S.L.U., LE Retail Hipermercados II, S.L.U. and LE Retail Hipermercados III, S.L.U. (Note 9) the deferred tax liability that had been recorded at the time of the business combination in the amount of EUR 1,622 thousand was derecognised.

Details of the Negative Tax Bases and net financial expenses posted in the Corporate Income Tax statements filed by the Group companies are as follows:

	Millions of Euros	
Period created	Negative tax bases	Financial expenses
2012	—	5
2013	—	5
2014	—	8
2015	—	6
2016	—	5
2017	—	—
2018	—	3
2019	—	2
2020	—	—
Total	—	34

However, the fact that the companies that self-declared said taxes under the SOCIMI regime and that the Company’s management do not expect these companies to go on to declare tax under the general tax scheme or to receive revenue subject to the general tax scheme, means that said amounts are not considered tax credits.

(c) Reconciliation of accounting profit and Corporate Income Tax expense

The reconciliation of Corporate Income Tax expenses at 31 December 2021 and 31 December 2020 is as follows:

	Thousands of Euros		Thousands of Euros	
	Tax regime for SOCIMIs 31/12/2021	General regime 31/12/2021	Tax regime for SOCIMIs 31/12/2020	General regime 31/12/2020
Profit/(loss) before tax from continuing operations	24,160		(53,668)	
Consolidation adjustments	(3,200)		97,112	
Aggregate profit before tax from continuing operations	20,994	(34)	43,457	(13)
Generation/(Offset) of unrecorded negative tax bases	—	—	—	—
Permanent differences	19	12	251	5
Temporary differences	4,320	(3)	5,432	(4)
Theoretical tax payable (0%-25%)	—		—	2
Previous years' corporate income tax adjustment	—	—	—	—
Movement in consolidated deferred tax liability (Notes 9 and 20b)	—	1,622	—	—
Corporate income tax expense/income	—	1,622	—	—

The breakdown of Corporate Income Tax expenses into current and deferred tax is as follows:

	Thousands of Euros	
	2021	2020
Current tax expenses	—	—
Deferred tax expenses	1,622	—
	1,622	—

(d) Periods pending verification and inspections

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed. At the 2021 reporting date, the last four fiscal years of the Group were open to inspection.

Based on the procedures described in notes 10a and 20a above, on 11 December 2019, inspections were started regarding the company Lar España Real Estate Socimi, S.A. to partially verify and inspect the following items and periods:

Item	Periods
Corporate income tax	2015 to 2018
Value Added Tax	2015 to 2018
Withholdings/direct deposit from work and professional earnings	09/2015 to 12/2018
Withholdings/direct deposit from movable capital	09/2015 to 12/2018
Withholdings from non-resident tax	09/2015 to 12/2018

According to the initial notification, the inspecting body reported that the scope of the procedure would be confined to the proper verification of the regional taxation authority tax rates for the aforesaid items. Nevertheless, by means of a notification dated 16 July 2021, the inspections were expanded to include the verification of the VAT for the 2015 and 2016 periods on property transfers of any nature that were carried out.

On 7 February 2022, after the verification and inspection concluded, five certificates were signed in witness whereof, the result of which was a payment of zero Euros for all taxes and periods. Nevertheless, a sixth certificate is signed but contested, regarding the verification of VAT for the 2015 and 2016 periods. According to the contents of this last certificate, the proposed settlement comprises a total amount of EUR 41,683 thousand, of which EUR 34,313 thousand correspond to the tax and EUR 7,370 thousand to interest on arrears. For this reason, they have not registered any provision in these consolidated financial statements. If the regularisation proposal is ultimately confirmed by the tax administration and the courts, neither the VAT payable nor the late interest to be paid would be recoverable.

According to the inspecting body, said regularisation proposal was the result of not having adhered to the terms of Article 110 of Law 37/1992, of 28 December, on Value Added Tax, by regularising the amounts of the tax paid in the 2014 period for the acquisition of various investment assets that were transferred in 2015 and 2016 to the following subsidiaries:

- Office building located at C/ Arturo Soria nº 366, Madrid, contributed to the company LE Offices Arturo Soria, S.L., due to the incorporation thereof on 21 September 2015.
- Commercial building Parque de Medianas de Villaverde, contributed to the company, LE Retail Villaverde, S.L.U., due to the incorporation thereof on 21 September 2015.
- Undivided interest and estate located in the Albacenter shopping centre, located in Albacete, contributed to the company, LE Retail Albacenter, S.L., due to the incorporation thereof on 29 April 2016.

- Office building and parking garage located at Calle Cardenal Marcelo Spínola 42, Madrid, contributed to the company, LE Offices Marcelo Spínola 42, S.L.U., due to the incorporation thereof on 29 April 2016.
- Commercial building called L´Anec Blau Centro Comercial y Ocio located at Castelldefels, Barcelona, contributed to the company, LE Retail Anec Blau, S.L., due to the incorporation thereof on 29 April 2016.
- Business premises located in the Huertas shopping centre located at Avenida Madrid, Palencia, contributed to the company, LE Retail las Huertas, S.L., due to the incorporation thereof on 29 April 2016.
- Business premises located in the Parque Comercial de Txingudi business park, located in Irún, contributed to the company, LE Retail Txingudi, S.L.U, due to the incorporation thereof on 29 April 2016.

The directors of the Parent Company, with the support of the Group's tax advisors, believe that said regularisation proposal is not lawful. To this end, arguments shall be submitted against the certificate signed but contested and, where appropriate, the definitive settlement will be challenged if the settlement is not in the company's best interests. The Directors, with the support of the Group's tax advisors, believe that their claims will be approved, either through the administrative or judicial channel, and that ultimately no amount will need to be paid, the reason for which no provision has been recorded in these consolidated annual accounts.

On 11 December 2019, inspections were started at Lar España Real Estate SOCIMI, S.A. to partially verify and inspect the Corporate Income Tax, Value Added Tax, Withholdings from work and professional earnings, Withholdings from movable capital and Non-resident tax withholdings for the years 2015-2019. The scope of this procedure is solely limited to the proper verification of the regional taxation authority tax rates.

In addition, inspections were started at the Group company LE Retail Gran Vía de Vigo, S.L.U. to verify and inspect the Capital Transfer Tax and Stamp Duty for 2014 in relation to the property owned by said company, where an additional payment of EUR 824 thousand is being claimed. An economic-administrative claim has been filed arguing that such payment is inadmissible. The Directors believe that the claim will be admitted with no further amounts needing to be paid.

The Parent Company's directors consider that the aforementioned taxes have been adequately settled, and consequently, even if discrepancies were to arise in the interpretation of prevailing standards with respect to the tax treatment of operations, the accompanying financial statements would not be significantly affected by any resulting liabilities.

(e) Reporting requirements for SOCIMIs pursuant to Law 11/2009 amended by Law 16/2012

SOCIMI reporting requirements are broken down in the individual financial statements of each of the Group companies.

(21) RISK MANAGEMENT POLICY

(a) Financial risk factors

The Group's activities are exposed to various financial risks: market risk, credit risk, liquidity risk and interest rate risk in cash flows. The Group's global risk management programme focuses on uncertainty in the financial markets and aims to minimise the potential adverse effects on the Group's profit.

The Group's Senior Management manages risks in accordance with policies approved by the Board of Directors. Senior Management identifies, evaluates and mitigates financial risks in close collaboration with the Group's operational units. The Board of Directors issues global risk management policies in writing, as well as policies for specific issues such as market risk, interest rate risk, liquidity risk and investments of cash surpluses.

(i) *Market risks*

The emergence of the Coronavirus COVID-19 in China in January 2020 and its global spread to many countries led the World Health Organisation to define the viral outbreak as a pandemic since 11 March 2020. Specifically, this has caused the Group's real estate assets to be completely or partially closed, pursuant to the terms of Note 2g, resulting in uncertainty regarding the cash flows thereof, as well as an absence in the real estate operations market. In light of current conditions in the property sector, the Group has established a series of specific measures for minimising said impact on its financial position.

In light of current conditions in the property sector, the Group has established specific measures that it plans to adopt to minimise their impact on its financial position.

The application of these measures is dependent on the outcome of the sensitivity analyses that the Group performs periodically. These analyses take the following factors into consideration:

- The economic environment in which the Group performs its activity: the design of various economic scenarios with different key variables that can affect the Group (interest rates, share price, occupancy rates of investment property, NPL increase, increase in waivers granted, market shrinkage, etc.).

- The identification of variables that are interconnected and their degree of connection.

- Time frame for the assessment: the time frame shall take into account the analysis and potential deviations therefrom.

(ii) Credit risk

Defined as the risk of financial loss for the Group if a customer or counterparty fails to discharge its contractual obligations.

The Group has formal procedures in place to detect impairment of trade receivables. By means of these procedures and the individual analysis by business area, delays in payment can be detected and methods for estimating the impairment loss can be established.

Historically, the Group has not had significant concentrations of credit risk. Receivables from lessees are not considered to entail high risk, as they are collected at the beginning of the month and are guaranteed by the security deposits, deposits and sureties covered in the lease agreement. However, due to the emergence of COVID-19 and the total and partial closure of the real estate assets, the Group began negotiations with practically all lessees to reach rent allowances that relieved lessees most affected by the situation (Note 2g). This led to there being outstanding balances invoiced to customers at 31 December 2021 in the amount of EUR 17,237 thousand (EUR 17,741 thousand at 31 December 2020). Accordingly, at 31 December 2021 the Group performed an individual study on each debtor, where the impairment recorded in the Group's receivables was EUR 4,820 thousand in 2021. This impairment corresponds to the receivables from tenants whose debt is considered unlikely to be recovered by Group management, after subtracting the amount of any security deposits, additional guarantees and sureties.

The maximum exposure to credit risk for loans and other receivables at the reporting date of the Consolidated Statement of Financial Position is as follows:

		Thousands of Euros	
	Note	2021	2020
Non-current financial assets	10	14,422	13,618
Other current financial assets	10	3,944	369
Other current assets	10	3,752	3,038
Trade and other receivables	11	37,038	46,459
Cash and cash equivalents	13	313,199	134,028
		372,355	197,512

Group policy for the impairment of trade receivables stipulates that a provision must be made for debts of over 90 days for the full amount outstanding, minus any security deposits and guarantees pledged by the debtor.

	Thousands of Euros				
	2021				
	Not past due	Less than 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Total
Operating lease receivables (Note 11)	864	5,008	36	11,329	17,237
Total assets	864	5,008	36	11,329	17,237

	Thousands of Euros				
	2020				
	Not past due	Less than 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Total
Operating lease receivables	962	1,516	13,834	1,429	17,741
Total assets	962	1,516	13,834	1,429	17,741

At 31 December 2021, the Group recorded an impairment provision for the majority of the receivables considered unlikely to be recovered (Note 8). Moreover, the Group has formal procedures in place to detect impairment of trade receivables. By means of these procedures and the individual analysis by business area, delays in payment can be detected and methods for estimating the impairment loss can be established.

	2021	2020
Community of Valencia	1,511	1,742
Basque Country	62	243
Galicia	831	354
Castilla La Mancha	27	45
Catalonia	296	217
Castile and León	115	284
Andalusia	1,978	2,057
Community of Madrid	—	56
	4,820	4,998

Cash and cash equivalents

At 31 December 2021 the Group has cash totalling EUR 313,199 thousand (EUR 134,028 thousand at 31 December 2020), which represents its maximum exposure to the risk associated with these assets.

This balance includes the investment funds the Parent Company has contracted that are managed by Banco Santander and BBVA for a total amount of EUR 209,598 thousand. The availability of these funds is immediate, and they are invested with the remaining cash the Group has to cover its short-term payment commitments.

Cash is held at highly-rated banks and financial institutions.

(iii) *Liquidity risk*

Defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group applies a prudent policy to cover its liquidity risks based on having sufficient liquidity to meet its obligations when they fall due in both normal and stressed conditions, without incurring unacceptable loss or placing the Group’s reputation at risk. The initial uncertainty caused by the pandemic and the overall market situation has led to generally increased liquidity stress in the economy and squeezed the credit market. Accordingly, the Parent Company restructured the Group’s debt by issuing unsecured green bonds in the amount of EUR 400 million in July 2021 and EUR 300 million in October (Notes 2.e and 16). Consequently, the Group does not believe these circumstances will generate liquidity risk in the short-term.

The Group’s exposure to liquidity risk at 31 December 2021 and 31 December 2020 is set forth below. The following tables show the analysis of financial liabilities by remaining contractual maturity dates.

	2021					
	Thousands of Euros					
	Less than 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Indefinite	Total
Financial liabilities from issue of bonds	—	129,702	—	693,647	—	823,349
Bank borrowings	—	—	185	69,921	—	70,106
Other non-current liabilities	—	—	—	—	20,716	20,716
Deferred tax liabilities	—	—	—	—	15,578	15,578
Trade and other payables	5,633	5,542	1,371	—	—	12,546
Total	5,633	135,244	1,556	763,568	36,294	942,295

	2020					
	Thousands of Euros					
	Less than 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Indefinite	Total
Liabilities connected to non-current assets held for sale	—	651	925	—	—	1,576
Financial liabilities from issue of bonds	—	3,482	—	139,685	—	143,167
Bank borrowings	—	—	40,593	570,608	—	611,201
Derivatives	—	—	3,137	4,685	—	7,822
Other non-current liabilities	—	—	—	—	19,993	19,993
Deferred tax liabilities	—	—	—	—	17,201	17,201
Trade and other payables	4,272	10,932	3,017	—	—	18,221
Total	4,272	15,065	47,672	714,978	37,194	819,181

On 17 February 2022, the Group paid the simple corporate bonds that matured on 21 February 2022 in the amount of EUR 122,700 thousand., along with the relevant interest, which was classified under “1 to 3 months” in the 2021 period.

In this context the Parent Company’s Directors and Management made the decision to carry out two unsecured green bond issuances in the amount of EUR 400 million and EUR 300 million to strengthen the liquidity position and cancel a large portion of the Group’s financial debt in advance. Said green bond issuances were successfully completed in July and October 2021 and allowed the Group to cancel most of its financial debt, with the exception of an amount of secured simple bonds in force totalling EUR 122.7 million, which shall be paid back at maturity, i.e., in February 2022.

The Group also has securities granted in the amount of EUR 5,083 thousand (EUR 1,997 thousand at 31 December 2020), mostly related to the amount of a security deposited in February 2021 in the amount of EUR 3,957 thousand paid by the company LE Retail Vistahermosa, S.L.U. to the Valencian tax authority for an ongoing tax proceeding on which, in the opinion of the Group directors and tax advisors, it is probable that a favourable resolution will be received. In their best estimate, the Group Directors do not expect any obligation to materialise as a result thereof.

(iv) *Cash flow and fair value interest rate risks*

At 31 December 2021, the Group holds short-term fixed-rate financial assets (deposits) to generate a return on cash surpluses not invested in investment property. Fixed-rate financial assets are for the most part independent of market interest rate fluctuations.

In 2021, investment funds were contracted in the amount of EUR 210,000 thousand in order to reduce the impact of the financial costs of bank account maintenance.

On 17 February 2022, the Group paid the financial liabilities from the issuance of bonds, which mature in 2022, in the amount of EUR 126 million (Note 30).

At the reporting date, income and cash flows from the Group's operating activities are for the most part not significantly affected by fluctuations in market interest rates.

(v) *Tax risk*

As mentioned in Note 1, the Parent Company and part of the subsidiaries thereof have availed themselves of the special tax regime for SOCIMIs.

Among the obligations that the Parent Company must comply with are some that are more formalistic in nature, such as the inclusion of the term SOCIMI in the corporate name, the inclusion of certain information in the notes to the individual financial statements, listing on a stock exchange, etc., and others that additionally require the preparation of estimates and the use of judgements by Management (determination of taxable income, income tests, asset tests, etc.) that may be complex, especially considering that the SOCIMI Regime is relatively recent and is being implemented, fundamentally, through responses of the General Directorate of Taxation to queries raised by different companies. In this sense, Group Management, with the support of its tax advisers, evaluated its completion of the requirements of the SOCIMI regime, concluding that at 31 December 2021 all requirements were satisfied. Therefore, the Group shall continue to avail itself of the SOCIMI tax regime, and this has been taken into account when drawing up these consolidated financial statements.

Should the Group not satisfy the requirement established in the Regime, or the Companies' Shareholders' Meeting does not approve the dividend distribution proposed by the Board of Directors, calculated in accordance with the requirements set forth in the aforementioned law, the companies would be in breach of said law and, consequently, would have to file their tax returns under the general tax regime rather than that applicable to SOCIMIs (Note 1).

(vi) *Capital management*

The Group is essentially financed with its own capital and financial debt. In 2021 the Group issued unsecured green bonds in the amount of EUR 400 million and EUR 300 million. In addition, the Group issued bonds in 2015.

The Group manages its capital with the aim of safeguarding its capacity to continue operating as a going concern, so as to continue providing shareholder remuneration and benefiting other stakeholders, while maintaining an optimum capital structure to reduce the cost of capital.

To maintain and adjust the capital structure, the Group can adjust the amount of dividends payable to shareholders (within the limits established by the SOCIMI regime), reimburse capital, issue shares or dispose of assets to reduce debt.

Like other groups in the sector, the Group controls its capital structure on a leverage ratio basis. This ratio is calculated as net debt divided by the sum of net debt and total capital. Net debt is the sum of financial debt (bonds, mortgages and derivatives) less cash and cash equivalents. Total capital is the sum of share capital plus the issue premium.

	Thousands of Euros	
	31/12/2021	31/12/2020
Total financial debt (Notes 15 and 16)	893,455	762,190
Less, Cash and cash equivalents (Note 12)	(313,199)	(134,028)
Net debt	580,256	628,162
Total capital (capital + premium)	633,562	650,397
Total	1,213,818	1,278,559
Leverage ratio	47.80 %	49.13 %

(vii) *Environmental information*

Lar España is aware that integrating sustainability into the business model is essential in order to create value for both stakeholders and shareholders. Consequently, in recent years appropriate measures based on various international standards have been implemented.
As part of the risk assessment performed annually, the Company carries out a study of the main climate risks that could affect the continuity of its business, as well as of the different controls that are implemented for mitigating these risks.

Since January 2016, following the approval of its Sustainability Policy, Lar España has drafted an ESG Master Plan, which is aligned with the SDGs of the United Nations and the Paris Agreement (COP21), for the main purpose of obtaining a clear and defined road map at Company level. After drafting this Plan, the Company started work on other more specific plans focusing on more precise aspects, such as:

- At climate change level, the Company has prepared a comprehensive Carbon Footprint Reduction Plan with the aim of establishing a clear emission neutrality goal. As part of this plan, measures have been designed that are adapted to each of the assets and will be implemented in forthcoming years in line with the investment plans and the progress of the different technologies in this field.

- At environmental level the Company has developed, in conjunction with a specialised company, an Energy Efficiency Plan which is being implemented on an asset-by-asset basis following Energy Audits and is supported by an automated data platform to obtain data on asset consumption and emissions, enabling live monitoring, and has been designed and implemented specifically for Lar España. In addition, the Company is carrying out a study on the implementation of photovoltaic panels at most of the portfolio assets, after obtaining energy contracts with guarantees of origin in all its portfolio assets.

- Regarding contribution to the Circular Economy principles, and as a step forward in the fight against climate change, Lar España developed a Waste Management Plan to increase its knowledge of the type of waste generated by the assets, and to centralise waste management at Company level. During 2021 various measures have been taken at the centres, such as installing specific recycling points, identifying and cataloguing a higher proportion of waste and studying different waste treatment alternatives. The Company's aim is to continue working on this matter to obtain a higher level of control over the waste generated by its activity and over the routes used for disposing of this waste, which will have a positive impact on the organisation's Carbon Footprint.

Additionally, Lar España was proud to register its carbon footprint for 2018 and 2019 with Spain's Ministry for the Ecological Transition and the Demographic Challenge (MITECO). This scheme is part of Spain's national strategy, aligned with that of the European Union. We have now also presented our report on our activities in 2020.

Once the data for 2021 has been registered over the coming months, we will have register our carbon footprint with MITERD for four consecutive years, being eligible to receive the "Reduzco" (I reduce) seal.

As part of this process, the Company submitted its Emissions Reduction Plan to the Ministry as another step towards carbon neutrality, and a further affirmation of the Company's commitment to responsible and sustainable business operations.

In addition, over the course of 2021, we put together a long-term action plan in order to define the strategy we will follow to successfully reduce our emissions. Our proposed measures include:

1. Continuing our policy of using guaranteed renewable electricity sources at all strategic
properties.

2. Expanding the use of renewable energy systems across our portfolio.

3. Applying the findings of technical-economic studies into the potential for investing in solar photovoltaic energy at strategic properties and promoting on-site renewable energy generation.

4. Completing and launching our own automated system for monitoring energy use, based on telematic technology.

5. ñImplementing predictive maintenance programmes and more proactive inspection protocols for airconditioning systems to prevent coolant leaks.

6. Ongoing schedule to replace older machinery and equipment with more efficient, sustainable and low-emissions alternatives.

Sustainable mobility

Sustainable mobility is a concept that came about to counteract the environmental and social problems associated with urban transport. At Lar España, we see it as a way of adding value to the properties in our portfolio, and as such it is one of our priority areas of focus. Which explains why we are studying the different ways of implementing sustainable mobility solutions at each of our assets.

The main projects underway are:

• Electric car charging points.
• Car sharing.
• Walkways, improved pedestrian access to shopping centres and their surrounding areas.
• Campaign to promote the use of public transport, bus stops and taxis.
• Parking areas and access routes for bicycles, scooters and motorcycles, along with designated parking spaces for families and emergency vehicles near the main entrances, with a guided parking system.

Out of the 14 properties in Lar España's portfolio, 13 currently feature electrical vehicle charging points. In other words, more than 90% of Lar España's portfolio offered the option to charge electric vehicles as of 31 December 2021. There are currently 155 electrical vehicle charging points installed at Lar España's properties, with a further 75 due to be installed, amounting to a total of 230 charging points.

Certificates

The Company remains committed to participating in assessment and certification schemes to guarantee that the operation of all its properties is as sustainable as possible. Throughout 2021, we forged ahead with our Renewal Plan for certifications renewing 8 certificates, 7 of which have a higher score than the previous one.

We also continued to move forward with our plan to achieve certification for our retail parks, setting ourselves the ambitious target of 100% of our portfolio becoming BREEAM-certified within the first few months of 2022. 2021 saw us get off to a strong start here, with Parque Abadía being awarded a new certificate, achieving a "Very Good" rating in both categories.

For the fourth year running, Lar España has taken part in the GRESB (Global Sustainability Real Estate Benchmark) assessment process, which has become the benchmark for assessing commitment to environmental, social and good governance (ESG) issues in the real estate sector.

This equates to a 25% increase in its rating compared to the previous year, and an increase of over 50% compared to its rating in 2019 and almost +90% compared to the first year Lar España took part in this index in 2018. This demonstrates Lar España's commitment to

sustainability, society and good governance best practices as well as the progress it has made in these areas.

(22) REVENUE

The details of revenue are presented in Note 6, in conjunction with segment reporting.

(23) OTHER OPERATING EXPENSES

Details of other expenses are as follows:

	Thousands of Euros	
	2021	2020
Services by independent professionals	17,116	16,575
Insurance premiums	355	366
Bank fees and commissions	308	37
Advertising and publicity	803	1,135
Common expenses	4,264	471
Taxes	2,547	2,850
Impairment losses and uncollectibility of trade and other receivables (Note 11a)	137	4,242
Remuneration of the Board of Directors (Note 27b) (*)	590	560
Other expenses	1,768	479
	27,888	26,715

(*) Includes the non-executive secretary's remuneration.

"Independent professional services" mainly includes the expense for the accrued Base Fee pertaining to the contract with the manager, Grupo LAR, in the amount of EUR 8,609 thousand (EUR 8,496 thousand in 2020), where a floating fee called a Performance Fee in the amount of EUR 134 thousand was accrued in 2021 (no floating fees were accrued under said contract in 2020) (Note 27a).

Invoices issued to lessees include rebilled communal expenses (shared utility costs, services related to the management of the property, taxes, etc.) in the amount of EUR 29,748 thousand (EUR 28,562 thousand at 31 December 2020), which are net of the amount recorded under "Communal expenses" on the Consolidated Statement of Comprehensive Income.

Further, the line item "Impairment losses and uncollectability of trade and other receivables" includes the loss of the advances from the Córdoba Sur shopping centre as the sales transaction associated with the asset in the amount of EUR 1,621 thousand did not take place, as well as the movement of the receivable impairment provision for the period.

(24) FINANCIAL PROFIT/(LOSS)

The details of financial profit/(loss) at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	2021	2020
Financial income		
Financial revenue from deposits	7	40
Financial expenses		
Financial expenses due to bank borrowings (Note 16b)	(16,021)	(12,283)
Financial expenses due to bonds (Note 16a)	(8,738)	(4,364)
Financial expenses due to derivatives (Note 16c)	(1,662)	(2,623)
Financial expenses with Group companies and associates (Note 27a)	—	(76)
Other financial expenses	(270)	(750)
Impairment and profit/(loss) in disposals of financial instruments	(402)	
Changes in the fair value of financial instruments (Note 16c)	1,465	(2,914)
	(25,621)	(22,970)

(25) EMPLOYEE BENEFITS EXPENSE

Details of employee benefits expense at 31 December 2021 and 2020 are as follows:

	Thousands of Euros	
	2021	2020
Salaries and wages	541	412
Other benefits and taxes	51	62
	592	474

(26) PROFIT/(LOSS) FOR THE PERIOD

Each company's contribution to consolidated profit for the period is as follows:

	Thousands of Euros	
	2021	2020
Lar España Real Estate SOCIMI, S.A.	(22,120)	(17,686)
LE Logistic Alovera I y II, S.A.U.	(20)	(11)
LE Retail Hiper Albacenter, S.A.U.	(349)	(176)
LE Retail Alisal, S.A.U.	(6)	5
LE Offices Eloy Gonzalo 27, S.A.U.	(3)	118
LE Retail As Termas, S.L.U.	3,456	655
LE Retail Hiper Ondara, S.L.U.	12,800	(4,388)
LE Offices Joan Miró 21, S.L.U.	(34)	58
LE Logistic Alovera III y IV, S.L.U.	(3)	(13)
LE Logistic Almussafes, S.L.U.	(160)	(7)
LE Retail VidaNova Parc, S.L.U.	1,677	(5,937)
LE Retail El Rosal, S.L.U.	1,996	(256)
LE Retail Galaria, S.L.U.	(3)	(9)
LE Retail Lagoh, S.L.U.	11,046	(16,176)
LE Retail Vistahermosa, S.L.U.	3,865	(603)
LE Retail Sagunto II, S.L.U.	52	(492)
Lar España Inversión Logística IV, S.L.U.	(2)	5
LE Retail Villaverde, S.L.U.	(7)	(10)
LE Retail Anec Blau, S.L.U.	4,754	(8,853)
LE Retail Albacenter, S.L.U.	2,755	270
LE Retail Txingudi, S.L.U.	934	(1,728)
LE Retail Las Huertas, S.L.U.	236	(311)
LE Offices Marcelo Spínola 42, S.L.U.	(49)	(18)
LE Retail Gran Vía de Vigo, S.A.U.	(660)	(8,786)
LE Retail Abadía, S.L.U.	5,090	2,350
Inmobiliaria Juan Bravo 3, S.L.	395	257
LE Retail Hipermercados I, S.L.U.	(258)	2,747
LE Retail Hipermercados II, S.L.U.	(424)	3,224
LE Retail Hipermercados III, S.L.U.	(419)	2,553
LE Retail Rivas, S.L.U.	1,244	(444)
LE Retail Córdoba Sur, S.L.U.	(1,623)	(6)
Profit/(loss) before tax	24,160	(53,668)
Income tax	1,622	—
Profit after tax	25,782	(53,668)

(27) RELATED PARTY BALANCES AND TRANSACTIONS

(a) Related party transactions and balances

Management agreement with Grupo Lar

On 19 February 2018, the Parent Company entered into an agreement with its management company, Grupo Lar Inversiones Inmobiliarias, S.A. (the "Management Company"), for the purpose of renewing the terms of the Investment Management Agreement. According to the aforementioned novation, the IMA will be effective for 4 years from 1 January 2018. In addition, the structure of the fees payable to the Management Company (base fee and performance fee) was modified. The base fee payable to the Management Company shall be calculated on the basis of an annual amount equivalent to whichever is the higher between (i) EUR 2 million or (ii) the sum of (a) 1.00% of the value of the EPRA NAV (EPRA net asset value) (excluding net cash) at 31 December of the previous year up to an amount of EUR 1 billion or less, and (b) 0.75% of the value of the EPRA NAV (excluding net cash) at 31 December of the previous year in relation to the amount exceeding EUR 1 billion.

The base fee accrued by the manager totalled EUR 8,609 thousand in 2021 (EUR 8,496 thousand in 2020) is recorded under "Other operating expenses" on the Consolidated Statement of Comprehensive Income. At 31 December 2021, EUR 715 thousand is provided for and outstanding (at 31 December 2020 EUR 1,811 thousand was provided for and outstanding).

Likewise, the performance fee to be paid to the Management Company is calculated based on the 16% increase in the Group's EPRA NAV over 10% and the 4% increase in the Parent Company's market capitalisation over 10%, adjusted in both cases for certain circumstances covered in the IMA, and shall be subject to a total limit equal to 3% of the EPRA NAV of the Group at 31 December of the previous year. Pursuant to Clause 7.2.2 of the Management Agreement, Grupo Lar Inversiones Inmobiliarias, S.A. must use the amount earned as the Performance Fee (after deducting the applicable Corporate Income Tax amount) to subscribe any shares that the Parent Company may issue, or as so decided by the Parent Company, to acquire same's treasury shares.

In terms of the floating amount, EUR 134 thousand was recorded, and outstanding, at 31 December 2021. No figures were recorded at 31 December 2020 under this concept and therefore the Directors of the Parent Company believe that developments of the EPRA NAV and market capitalisation at year-end did not reach either minimum established in the IMA for the accrual thereof.

On 29 December 2021, the Parent Company entered into an agreement with its management company, Grupo Lar Inversiones Inmobiliarias, S.A. (the "Management Company"), for the purpose of renewing the terms of the Investment Management Agreement. According to the aforementioned novation, the IMA will be effective for 5 years from 1 January 2022. In addition, the structure of the fees payable to the Management Company (base fee and performance fee) was modified.

Other contracts with related parties

Similarly, the Group has signed a contract with a related company, Gentalia 2006, S.L., (an investee 100% owned by Grupo Lar Inversiones Inmobiliarias, S.A.) for the provision of services related to the administration of the properties. At 31 December 2021 the expense incurred in this item amounted to EUR 2,387 thousand (EUR 2,027 thousand at 31 December 2020), of which EUR 342 thousand was pending payment as at 31 December 2021 (EUR 414 thousand at 31 December 2020).

(b) Information on the Parent Company's Board of Directors and Senior Management personnel of the Group

The remuneration received by the members of the Board of Directors and Senior Management personnel of the Group during 2021 and 2020, classified by item, is as follows:

	Thousands of Euros					
	2021			2020		
	Salaries	Allowances	Insurance premiums	Salaries	Allowances	Insurance premiums
Board of Directors	-	590	148*	-	560	96*
Senior Management	541	-	-	412	-	-

* The amount for insurance premiums covering civil liability for damages from acts or omissions corresponds to the Company's Board of Directors and Senior Management.

Allowances for the Board of Directors include EUR 85 thousand for the non-executive Secretary of the Board of Directors (EUR 81 thousand at 31 December 2020).

At 31 December 2021, the Company has 7 Board members, 5 of whom were men and 2 are woman (at 31 December 2020 the company had 7 Board members, 5 of whom were men and 2 were woman).

At 31 December 2021 and 2020 the Group has no pension, life insurance, stock options or compensation obligations with former or current members of the Board of Directors or Senior Management personnel of the Parent Company.

At 31 December 2021 and 2020 no advances or loans have been extended to members of the board or Senior Management.

(c) Transactions other than ordinary business or under terms differing from market conditions carried out by the Directors

Apart from the transactions with related parties listed above, in 2021 the Directors have not carried out any transactions other than ordinary business or with conditions other than market conditions with related parties or with Group companies.

(d) Investments and positions held by the Directors and their related parties in other companies

The Directors of the Parent Company and their related parties have had no conflicts of interest requiring disclosure in accordance with Article 229 of the Revised Spanish Companies Act.

(28) EMPLOYEE INFORMATION

The average headcount of the Group at 31 December 2021 and 2020, distributed by category, is as follows:

	2021	2020
Professional category		
Senior Management	3	3
Total	3	3

The distribution of Group personnel by gender at 31 December 2021 and 2020 is as follows:

	Number			
	2021		2020	
	Women	Men	Women	Men
Senior Management	1	3	1	2
Total	1	3	1	2

In the 2021 and 2020 periods the Group had no employees with a 33% or greater disability.

(29) AUDIT FEES

During 2021 and 2020, fees for audit and other related services charged to the Group by the auditor of the consolidated financial statements, Deloitte, S.L., and by companies belonging to the Deloitte network, as well as fees for services charged by the auditors of the individual financial statements of the companies included in the consolidation and by the entities related thereto through control, shared property or management were as follows (in thousands of Euros):

	Thousands of Euros	
	31/12/2021	31/12/2020
Audit and related services		
Audit services	365	319
Other verification services	151	64
Professional services		
Other services	-	-
Total	516	383

(30) EVENTS AFTER THE REPORTING PERIOD

Based on the events described in the notes to the consolidated annual accounts:
On 28 January 2022, the shareholder LVS II Lux XII S.a.r.l. sold its entire shareholding in the Company to Castellana Properties SOCIMI, S.A.

On 28 January 2021 Mr Laurent Luccioni, proprietary director of Lar España Real Estate SOCIMI, S.A, appointed to represent LVS II Lux XII S.a.r.l., submitted his resignation as a result said shareholding having been sold.

In relation to Lar España's issue of secured plain vanilla (senior) bonds for a total amount of Euros 140 million, which mature on 21 February 2022 and are listed on the regulated Euronext Dublin stock exchange, Lar España has informed that on 17 February 2022 it fully redeemed and cancelled the amounts that were not subject to the repurchase previously issued in July 2021. A nominal amount of Euros 122.7 million was reimbursed from the remaining amount. Consequently, Lar España cancelled and extinguished all the guarantees granted in the framework of the issue on 22 February 2022, which include various real estate mortgages set up by the Company's subsidiaries LE Retail As Termas, S.L.U., LE Retail Albacenter, S.L.U., LE Retail Txingudi, S.L.U., LE Retail Hiper Albacenter, S.A.U., and LE Retail Anec Blau, S.L.U., on buildings the Company owns. Likewise, various pledges on shares of the aforementioned subsidiaries, that were granted in the context of the issue, were cancelled.

(31) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company (see Note 2.a). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

a) Subsidiaries

Company	Activity	Type of entity	Shareholding %		Thousands of Euros					
			Direct	Total	Share capital	Operating profit/(loss)	Profit/(loss)	Interim dividends	Other equity	Total net equity
LE Logistic Alovera I y II, S.A.U.	Leasing of property	Subsidiary	100	100	60	(20)	(18)	—	3,545	3,587
LE Retail Hiper Albacenter, S.A.U.	Leasing of property	Subsidiary	100	100	60	(94)	(96)	—	15,000	14,964
LE Retail Alisal, S.A.U.	Leasing of property	Subsidiary	100	100	60	(5)	(1)	—	2,279	2,338
LE Offices Eloy Gonzalo 27, S.A.U.	Leasing of property	Subsidiary	100	100	60	(3)	(3)	—	343	400
LE Retail As Termas, S.L.U.*	Leasing of property	Subsidiary	100	100	4	677	605	(383)	34,131	34,357
LE Logistic Alovera III y IV, S.L.U.	Leasing of property	Subsidiary	100	100	4	(3)	(2)	—	634	636
LE Logistic Almussafes, S.L.U.	Leasing of property	Subsidiary	100	100	4	(160)	(154)	—	2,962	2,812
LE Retail Hiper Ondara, S.L.U.*	Leasing of property	Subsidiary	100	100	4	4,587	1,174	(934)	141,550	141,794
LE Offices Joan Miró 21, S.L.U.	Leasing of property	Subsidiary	100	100	4	(34)	(33)	—	798	769
LE Retail Vidanova Parc, S.L.U.*	Leasing of property	Subsidiary	100	100	4	1,339	153	—	29,605	29,762
LE Retail El Rosal, S.L.U.*	Leasing of property	Subsidiary	100	100	3	2,053	553	(330)	25,046	25,272
LE Retail Galaria, S.L.U.	Leasing of property	Subsidiary	100	100	4	(3)	(3)	—	410	411
LE Retail Lagoh, S.L.U.*	Leasing of property	Subsidiary	100	100	3	4,640	1,395	(447)	118,153	119,104
LE Retail Sagunto II, S.L.U.	Leasing of property	Subsidiary	100	100	3	10	10	—	1,085	1,098
LE Retail Vistahermosa, S.L.U.*	Leasing of property	Subsidiary	100	100	3	1,404	913	(657)	22,734	22,993
Lar España Inversión Logística IV, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	(2)	2	—	1,943	1,948
LE Retail Villaverde, S.L.U.	Leasing of property	Subsidiary	100	100	3	(6)	(3)	—	1,748	1,748
LE Retail Anec Blau, S.L.U.*	Leasing of property	Subsidiary	100	100	3	(1,208)	(1,224)	—	90,551	89,330
LE Retail Albacenter, S.L.U.	Leasing of property	Subsidiary	100	100	3	649	657	(536)	36,229	36,353
LE Retail Txingudi, S.L.U.	Leasing of property	Subsidiary	100	100	3	(351)	(343)	—	34,658	34,318

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Information on Group Companies
31 December 2021

Company	Activity	Type of entity	Shareholding % Direct	Shareholding % Total	Thousands of Euros Share capital	Operating profit/(loss)	Profit/(loss)	Interim dividends	Other equity	Total net equity
LE Retail Las Huertas, S.L.U.	Leasing of property	Subsidiary	100	100	3	(222)	(245)	—	13,217	12,975
LE Offices Marcelo Spínola, S.L.U.	Leasing of property	Subsidiary	100	100	3	(49)	(36)	—	6,541	6,508
LE Retail Gran Vía de Vigo, S.A.U.*	Leasing of property	Subsidiary	100	100	502	2,029	(204)	—	31,003	31,301
LE Retail Abadía, S.L.U.*	Leasing of property	Subsidiary	100	100	7,204	2,433	1,372	(905)	18,832	26,503
LE Retail Rivas, S.L.U.*	Leasing of property	Subsidiary	100	100	3	1,837	402	—	28,571	28,976
LE Retail Córdoba Sur, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	4	(1,623)	(1,623)	—	958	(661)
					8,014	17,875	3,248	(4,192)	662,526	669,596

* Company audited by Deloitte, S.L.

All the companies are domiciled at Calle María de Molina 39, Madrid.

b) Joint venture

					Shareholding %		Thousands of Euros						
Company	**Registered office**	**Activity**	**Auditor**	**Type of entity**	**Direct**	**Total**	**Share capital**	**Operating profit/(loss)**	**Profit/(loss)**	**Dividends**	**Other equity**	**Total net equity**
Inmobiliaria Juan Bravo 3, S.L.	María de Molina 39, Madrid	Property development	-	Associate	50	50	1,483	232	230	—	1,241	2,954

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Information on Group Companies
31 December 2020

a) Subsidiaries

Company	Activity	Type of entity	Shareholding % Direct	Shareholding % Total	Thousands of Euros Share capital	Operating profit/(loss)	Profit/(loss)	Dividends	Other equity	Total net equity
LE Logistic Alovera I y II, S.A.U.	Leasing of property	Subsidiary	100	100	60	(13)	(11)	—	3,556	3,605
LE Retail Hiper Albacenter, S.A.U.	Leasing of property	Subsidiary	100	100	60	469	469	(463)	14,503	14,569
LE Retail Alisal, S.A.U.	Leasing of property	Subsidiary	100	100	60	—	5	(4)	2,279	2,340
LE Offices Eloy Gonzalo 27, S.A.U.	Leasing of property	Subsidiary	100	100	60	115	118	(96)	343	425
LE Retail As Termas, S.L.U.*	Leasing of property	Subsidiary	100	100	4	2,952	2,416	(2,352)	33,323	33,391
LE Logistic Alovera III y IV, S.L.U.	Leasing of property	Subsidiary	100	100	4	(14)	(13)	—	646	637
LE Logistic Almussafes, S.L.U.	Leasing of property	Subsidiary	100	100	4	(13)	(7)	—	2,969	2,966
LE Retail Hiper Ondara, S.L.U.*	Leasing of property	Subsidiary	100	100	4	8,503	3,855	(3,655)	138,891	139,095
LE Offices Joan Miró 21, S.L.U.	Leasing of property	Subsidiary	100	100	4	56	58	(57)	798	803
LE Retail Vidanova Parc, S.L.U.*	Leasing of property	Subsidiary	100	100	4	1,907	1,147	(389)	28,620	29,382
LE Retail El Rosal, S.L.U.*	Leasing of property	Subsidiary	100	100	3	1,944	926	(344)	24,188	24,773
LE Retail Galaria, S.L.U.	Leasing of property	Subsidiary	100	100	4	(9)	(9)	—	420	415
LE Retail Lagoh, S.L.U.*	Leasing of property	Subsidiary	100	100	3	6,949	735	—	118,190	118,928
LE Retail Sagunto II, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	(10)	(441)	—	1,522	1,084
LE Retail Vistahermosa, S.L.U.*	Leasing of property	Subsidiary	100	100	3	1,472	929	(575)	22,089	22,446
Lar España Inversión Logística IV, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	4	5	—	1,943	1,951
LE Retail Villaverde, S.L.U.	Leasing of property	Subsidiary	100	100	3	(13)	(10)	—	1,758	1,751
LE Retail Anec Blau, S.L.U.*	Leasing of property	Subsidiary	100	100	3	189	180	—	87,717	87,900
LE Retail Albacenter, S.L.U.	Leasing of property	Subsidiary	100	100	3	1,064	1,064	(1,051)	35,034	35,050
LE Retail Txingudi, S.L.U.	Leasing of property	Subsidiary	100	100	3	1,429	1,429	(1,148)	33,666	33,950

LE Retail Las Huertas, S.L.U.	Leasing of property	Subsidiary	100	100	3	480	51	—	12,937	12,991
LE Offices Marcelo Spínola, S.L.U.	Leasing of property	Subsidiary	100	100	3	(28)	(18)	—	6,559	6,544
LE Retail Gran Vía de Vigo, S.A.U.*	Leasing of property	Subsidiary	100	100	502	5,912	3,695	(3,321)	28,902	29,778
LE Retail Abadía, S.L.U.*	Leasing of property	Subsidiary	100	100	7,204	3,378	2,418	(2,294)	17,909	25,237
LE Retail Rivas, S.L.U.*	Leasing of property	Subsidiary	100	100	3	2,418	1,720	(1,580)	28,056	28,199
LE Retail Córdoba Sur, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	4	(6)	(6)	—	963	961
					8,014	39,135	20,705	(17,329)	647,781	659,171

* Company audited by Deloitte, S.L.

All the companies are domiciled at Calle María de Molina 39, Madrid.

b) Joint venture

					Shareholding %		Thousands of Euros					
Company	**Registered office**	**Activity**	**Auditor**	**Type of entity**	**Direct**	**Total**	**Share capital**	**Operating profit/(loss)**	**Profit/(loss)**	**Dividends**	**Other equity**	**Total net equity**
Inmobiliaria Juan Bravo 3, S.L.	María de Molina 39, Madrid	Property development	Deloitte	Associate	50	50	1,483	2,004	558	—	123	2,164

1 Situation of the Group

1.1 Organisational structure and operations

The Group is a group of companies that was created in 2014 with an externalised management structure. It has designated Grupo Lar Inversiones Inmobiliarias, S.A. as exclusive manager, a company that has fifty years of experience in the property market and a long history of generating value through various property cycles in the last decades, and that has alliances with some of the most internationally renowned investors.

Strategic management, allocation of resources, risk management and corporate control, as well as accounting and financial reports are among the main responsibilities of the Group's Board of Directors.

The Group carries out its activity with the following types of assets:

- Shopping centres: the rental of shopping centre and single-tenant commercial premises.

  The Group focuses its strategy on searching for shopping centres with great potential for growth and with opportunities of improvement in asset management, mainly those where there is the possibility to replace or expand.

- Residential.

  The Group made an exception investment in the luxury residential market in Madrid, through the joint development (50%) of the Lagasca99 project with PIMCO. The development, most of which has already been delivered, is not in response to a strategic line in envisaged in the future business plans.

The Group's investment policy focuses mainly on the following:

- On assets the company considers to be strategic assets, mainly commercial parks and shopping centres.

- Investment opportunities in retail assets that are dominant in its area of influence, and that offer great management possibilities, avoiding those segments where competition may be greater.

- Risk diversification, expanding throughout Spain mainly in shopping centre investments.

2 Evolution and result of the businesses

2.1 Introduction

At the 2021 reporting date, the Group's ordinary revenue amounted to EUR 76,271 thousand, corresponding to the business in which the Group is engaged, the rental business.

During 2021 the Group incurred "Other expenses" amounting to EUR 27,888 thousand, corresponding essentially to the fees for management provided by Grupo Lar Inversiones Inmobiliarias, S.A. to the Group (EUR 8,743 thousand) and recurrent services that are directly linked to the everyday management of the assets by the amount of EUR 11,153 thousand.

Earnings before interest, taxes, depreciation and amortisation (EBITDA is calculated as the result of the operations, net of the change in fair value of investment property, net of amortisation expenses) stood at EUR 50,691 thousand.

The valuation during 2021 of the assets held by the Group at 31 December 2021, according to the independent valuation conducted by Cushman & Wakefield and JLL at the close of the financial year supposed a negative effect in the consolidated profit and loss of EUR 1,305 thousand.

The financial result has been negative in an amount of EUR 25,621 thousand, including impairment and result from the disposals of financial instruments.

The Group's loss for the period was EUR 25,782 thousand.

By area of activity, we should be emphasised:

- A significant percentage of the Group's revenue is the result of rent from retail centres, representing a 65% of total revenue, as opposed to 34% from parks, and from 1% from other retail.

- Around 44.4% of rental revenue is generated by the Lagoh, Megapark and Gran Vía de Vigo.

As at 31 December of 2021, the Group occupied across its whole business 96.1% the gross leasable area (GLA), the occupancy rate at retail centres being 95.2%. Retail parks occupancy stands at 97.3%.

As at 31 December of 2021, the Group has a portfolio of real estate rental projects covering shopping centres (310,862 sqm) and retail parks (240,464 sqm). The overall total gross leasable area of 551,326 sqm.

2.2 Other financial indicators

As at 31 December of 2021, the Group revealed the following financial indicators:

- Working capital (calculated as the difference between current assets and current liabilities) → EUR 203,914 thousand (EUR 205,644 thousand as at 31 December 2020).
- Liquidity ratio (calculated as the ratio of current assets to current liabilities) →2.4 (4.1 as of 31 December 2020).
- Solvency ratio (calculated as the quotient of the sum of net assets and non-current liabilities in the numerator and denominator, non-current assets) → 1.1 (1.1 as of 31 December 2020).

These ratios represent particularly high values, indicating that the Group enjoys a sufficient level of liquidity and a high degree of safety margin in order to meet its payments.

The ROE (Return on Equity), which measures the profitability obtained by the Group on its own shares, totals 3.03% (-5.92% as of 31 December 2020). This is calculated as the quotient of the profit for the last 12 months and the Company's net equity, averaged over the last four quarters.

The ROA (Return on Assets), which measures the efficiency of the Group's total assets, regardless of the source of funding used, i.e. the capacity of a company's assets to generate profit, is 1.51% (-

3.14% as of 31 December 2020); This is calculated as the quotient of the profit for the last 12 months and the Company's total assets, averaged over the last four quarters.

In accordance with the recommendations issued by the European Securities and Markets Authority (ESMA) regarding the calculation and determination of Alternative Performance Measures used by the Company's Management in taking financial and operational decisions, sections 5 and 8 of the "Full yearly report 2021", which was published on the same date as these Financial Statements and explanatory notes, state how the EPRA (European Public Real Estate Association) indicators are calculated and defined.

2.3 Environment and staff issues

Environment

The Group undertakes operations the main aim of which is to prevent, reduce or rectify any damage which it could cause to the environment as a result of its activities. However, given its nature, the Group's operations have no significant environmental impact.

Personnel

As at 31 December of 2021 the Group has 4 employees (3 men and 1 woman). Said employees are classified as Senior Management. In the 2021 period the Company has had no employees with a 33% or greater disability.

3 Liquidity and capital resources

3.1 Liquidity and capital resources

At 31 December 2021, the Group's financial debt amounted to EUR 893,455 thousand. The level of debt is related mainly to the bonds issued by the Parent Company in July and October 2021, respectively, and a credit line arranged by Lar España Real Estate SOCIMI, S.A. In the same way, a corporate loan with the European Investment Bank is included.

As at 31 December of 2021, the Group's short-term financial debt stands at EUR 129,887 thousand, mainly corresponding to the amount pending amortisation of the first bond issue by the Parent Company in February 2015. As of the publication of these financial statements, the company has fully returned this amount (see post-closing events).

On 19 May 2021, the Parent Company renewed the facility granted by Bankinter during the last two financial years for an amount of EUR 30,000 thousand, and extended its maturity until 16 May 2022. Interest accrues quarterly and the interest rate is 12-month EURIBOR plus a 1.60% spread. Financial expenses accrued at 31 December 2021 in relation to said credit facility amounted to EUR 216 thousand.

On 15 July 2021, Lar España successfully completed the placing of an issue of unsecured senior green bonds with maturity in July 2026. The maximum pre-fixed amount was 400 million, which was oversubscribed by more than four times. Fitch rating agency allocated an investment grade rating or BBB rating to both Lar España and to its issue of green bonds. The annual coupon was fixed at 1.75% at fixed rate, compared to 2.9% interest rate on the 2015 bond. Fitch rating agency has allocated an investment grade rating or BBB rating to both Lar España and to its issue of green bonds.

On 20 July 2021, after announcing the public offer to repurchase in cash the simple senior secured bonds issued by the company in February 2015, for a total amount of EUR 140 million maturing in February 2022, Lar España accepted the purchase in cash of bonds for an aggregate nominal amount of EUR 17,300 thousand. Following the settlement of said amount on 23 July 2021, bonds remained outstanding, for an aggregate amount of EUR 122,700 thousand, which as at the date of reporting these financial statements, have been fully repaid.

After the issue of said bonds, on 28 July 2021, the Group cancelled in advance the mortgage loans of Group companies Le Retail Gran Vía de Vigo, S.A.U. in the amount of EUR 82.4 million and Le Retail Vistahermosa, S.L.U. in the amount of EUR 21.5 million and on 04 August 2021 the mortgage loans associated with Group company Le Retail Hiper Ondara, S.L.U. in the amount of EUR 163.1 million.

In November 2021, Lar España successfully placed a new issue of unsecured senior green bonds with 7-year maturity. The maximum pre-fixed amount was 300 million, and it received subscription requests for more than 4 times the amount offered. The nominal aggregate amount was in line with the outstanding balance of the Lar España secured debt, which was re-financed in its entirety, marking the end of the transition of the Company from a secured financing strategy to an unsecured one, thus culminating the refinancing process of the Company's debt. The transaction was closed with a fixed annual coupon of 1.843% since its issue, calculated by reference to its nominal amount. This issue, along with that carried out in July of this year, has managed to reduce the average cost of debt from 2.2% to 1.8%. Fitch rating agency ratified the BBB rating for this new issue.

Following the second issue of green bonds, on 18 November 2021, the loan that LE Retail Lagoh, S.L.U. held with Santander for a total amount of EUR 96,481 thousand, and the loan that the company LE Retail Vidanova Parc, S.L.U. held with BBVA for a total amount of EUR 28,000 thousand were both fully repaid. Furthermore, on 18 November 2021, the loan that LE Retail El Rosal S.L.U. held with Caixabank for a total amount of EUR 49,280 thousand was also fully repaid; the loan that LE Retail Rivas, S.L.U. held with BBVA for a total amount of EUR 34,500 thousand and the loan that the company LE Retail Abadía, S.L.U. held with Santander for a total amount of EUR 42,060 thousand were both fully repaid.

3.2 Analysis of contractual obligations and off-balance-sheet operations

The Group has contractual obligations for investment commitments relating to investment property amounting to EUR 8,150 thousand at December 31, 2021, in addition to those mentioned in point 3.1 above.

As at 31 December of 2021, the Group does not present off-balance-sheet transactions that have had, or are expected to have, a significant effect on the financial position of the Group, the revenue and expenditure structure, the operating result, liquidity, capital expenses or on own resources.

4 Main risks and uncertainties

The Group is exposed to a variety of risk factors, arising from the nature of its activity. The Group's Board of Directors is responsible for approving the risk management and control policy, and it assumes responsibility for identifying the Group's main risks and supervising the internal control systems, and it is informed through the Audit and Control Committee. The Group's Risk Management and Control System identifies, groups, manages and controls the risks potentially affecting the Group in the following areas, that constitute the Group's corporate risk map, which is adequately reported in the Annual Corporate Governance Report.

5 Environmental information

In addition to these risks and impacts, those detailed in paragraph 7 of this management report are deemed of great significance.

Lar España is aware that integrating sustainability into the business model is essential in order to create value for both stakeholders and shareholders. Consequently, in recent years appropriate measures based on various international standards have been implemented.
As part of the risk assessment performed annually, the Company carries out a study of the main climate risks that could affect the continuity of its business, as well as of the different controls that are implemented for mitigating these risks.
Since January 2016, following the approval of its Sustainability Policy, Lar España has drafted an ESG Master Plan, which is aligned with the SDGs of the United Nations and the Paris Agreement (COP21), for the main purpose of obtaining a clear and defined road map at Company level. After drafting this Plan, the Company started work on other more specific plans focusing on more precise aspects, such as:

- At climate change level, the Company has prepared a comprehensive Carbon Footprint Reduction Plan with the aim of establishing a clear emission neutrality goal. As part of this plan, measures have been designed that are adapted to each of the assets and will be implemented in forthcoming years in line with the investment plans and the progress of the different technologies in this field.

- At environmental level the Company has developed, in conjunction with a specialised company, an Energy Efficiency Plan which is being implemented on an asset-by-asset basis following Energy Audits and is supported by an automated data platform to obtain data on asset consumption and emissions, enabling live monitoring, and has been designed and implemented specifically for Lar España. In addition, the Company is carrying out a study on the implementation of photovoltaic panels at most of the portfolio assets, after obtaining energy contracts with guarantees of origin in all its portfolio assets.

- Regarding contribution to the Circular Economy principles, and as a step forward in the fight against climate change, Lar España developed a Waste Management Plan to increase its knowledge of the type of waste generated by the assets, and to centralise waste management at Company level. During 2021 various measures have been taken at the centres, such as installing specific recycling points, identifying and cataloguing a higher proportion of waste and studying different waste treatment alternatives. The Company's aim is to continue working on this matter to obtain a higher level of control over the waste generated by its activity and over the routes used for disposing of this waste, which will have a positive impact on the organisation's Carbon Footprint.

Additionally, Lar España was proud to register its carbon footprint for 2018 and 2019 with Spain's Ministry for the Ecological Transition and the Demographic Challenge (MITECO). This scheme is part of Spain's national strategy, aligned with that of the European Union. We have now also presented our report on our activities in 2020.

Once the data for 2021 has been registered over the coming months, we will have register our carbon footprint with MITERD for four consecutive years, being eligible to receive the "Reduzco" (I reduce) seal.

As part of this process, the Company submitted its Emissions Reduction Plan to the Ministry as another step towards carbon neutrality, and a further affirmation of the Company's commitment to responsible and sustainable business operations.

In addition, over the course of 2021, we put together a long-term action plan in order to define the strategy we will follow to successfully reduce our emissions. Our proposed measures include:

1. Continuing our policy of using guaranteed renewable electricity sources at all strategic properties.

2. Expanding the use of renewable energy systems across our portfolio.

3. Applying the findings of technical-economic studies into the potential for investing in solar photovoltaic energy at strategic properties and promoting on-site renewable energy generation.

4. Completing and launching our own automated system for monitoring energy use, based on telematic technology.

5. ñImplementing predictive maintenance programmes and more proactive inspection protocols for airconditioning systems to prevent coolant leaks.

6. Ongoing schedule to replace older machinery and equipment with more efficient, sustainable and low-emissions alternatives.

Sustainable mobility

Sustainable mobility is a concept that came about to counteract the environmental and social problems associated with urban transport. At Lar España, we see it as a way of adding value to the properties in our portfolio, and as such it is one of our priority areas of focus. Which explains why we are studying the different ways of implementing sustainable mobility solutions at each of our assets.

The main projects underway are:

• Electric car charging points.
• Car sharing.
• Walkways, improved pedestrian access to shopping centres and their surrounding areas.
• Campaign to promote the use of public transport, bus stops and taxis.
• Parking areas and access routes for bicycles, scooters and motorcycles, along with designated parking spaces for families and emergency vehicles near the main entrances, with a guided parking system.

Out of the 14 properties in Lar España's portfolio, 13 currently feature electrical vehicle charging points. In other words, more than 90% of Lar España's portfolio offered the option to charge electric vehicles as of 31 December 2021. There are currently 155 electrical vehicle charging points installed at Lar España's properties, with a further 75 due to be installed, amounting to a total of 230 charging points.

Certificates

The Company remains committed to participating in assessment and certification schemes to guarantee that the operation of all its properties is as sustainable as possible. Throughout 2021, we forged ahead with our Renewal Plan for certifications renewing 8 certificates, 7 of which have a higher score than the previous one.

We also continued to move forward with our plan to achieve certification for our retail parks, setting ourselves the ambitious target of 100% of our portfolio becoming BREEAM-certified within the first few months of 2022. 2021 saw us get off to a strong start here, with Parque Abadía being awarded a new certificate, achieving a "Very Good" rating in both categories.

For the fourth year running, Lar España has taken part in the GRESB (Global Sustainability Real Estate Benchmark) assessment process, which has become the benchmark for assessing commitment to environmental, social and good governance (ESG) issues in the real estate sector.

This equates to a 25% increase in its rating compared to the previous year, and an increase of over 50% compared to its rating in 2019 and almost +90% compared to the first year Lar España took part in this index in 2018. This demonstrates Lar España's commitment to sustainability, society and good governance best practices as well as the progress it has made in these areas.

6 Significant circumstances occurring after the close

No important circumstances arose after the reporting period other than those mentioned under postclosing events.

7 Information on the foreseeable evolution of the Group

After the volume of investments made since March 2014, active property management capacity will be key in upcoming years.

This active management strategy will lead to an increase in current income and in profitability with respect to purchase price. All of this will be reflected in the increased value of the assets in our portfolio.

The Group will, however, continue to analyse any investment opportunities that may be attractive and thus continue to generate value for its shareholders.

With the appropriate reservations given the current situation, we believe that the Group will be in a position to continue making progress in 2022 and in subsequent years.

8 COVID-19

8.1 Current situation

In 2021, Lar España has recovered both at its level of activity and many of its key business indicators have raised to levels close to the levels previous to the health crisis caused by COVID-19. The Company has continued to pursue its objective of creating value for its stakeholders, maintaining an active dialogue with tenants and implementing a totally innovative retail offer.

At the reporting date, all the Company's shopping centres and malls were open and in operation, and at all times complying with the required health measures and restrictions. In addition, the Company continues to have a solid, highly consolidated and good-quality tenant base, which explains to some extent the positive recovery in sales figures and visits during the year. Following continuous contact with each tenant, trade relations have been strengthened and the duration and stability of contracts in all shopping centres and shopping parks have been strengthened.

8.2 Management experience

The company benefits from a business model unlike any other on the Spanish property market, pioneering specialist services in the Spanish retail sector.

With more than 50 years of behind it, the group has successfully dealt with past crisis situations and has a highly expert management team recognized at all decision-making and management levels.

Thanks to a wealth of professional experience in retail asset management, Lar España operates teams that specialise in the Spanish retail sector. Since it was first created, the company has made profitable management and continually improving its assets a priority, investing in technology and committed to achieving a robust client portfolio to provide unique added value to its properties.

From the declaration of the state of emergency until 31 December 2021, the SOCIMI (REIT) Lar España Real Estate reached case-by-case rental agreements in respect of 100% of the gross lettable area in its centres. The Company has managed each situation directly, without intermediaries, which has enabled it to reach agreements quickly, which are adapted to the specific needs of each tenant and activity. The agreements have largely been reached in conditions that represent a major compromise by both parties, strengthening relations with retailers and consolidating the term and stability of the agreements, as well as that of all the shopping centres and retail parks.

8.3 Business model and operational structure

In terms of location and standing in their respective catchment areas, the company's properties are dominant in their catchment areas. A premium collection of properties with high value-add that secures sustainable returns for shareholders.

The company's shopping centres boast an occupancy rate of 96%, operating at close to full capacity.

In the large majority of cases, Lar España also fully owns its properties, affording it complete control over decision-making. This allows it to efficiently promote and implement measures and strategies that meet the requirements of the market and its customers at all times.

Lar España has a solid, diversified and high-quality tenant base, enjoying a healthy and collaborative relationship with them all – now even more so given the present climate.

The top ten tenants account for 35.36 % of its rental income, and more than 70% of all the leases signed with retailers have a remaining term over 2024.

The company's properties, have a clear competitive edge in their catchment areas, generally offering more than 551,326 sqm of retail space and located in regions with an above average per capita income for Spain.

8.4 Commitment to retailers

The company communicates openly and regularly with all of its tenants, across all its properties. All of its strategies share the clear objective of guaranteeing the safety of its customers and employees, to ensure that all the stores in the company's portfolio can carry on their activity within the 'new normal'.

8.5 Consolidated financial position

In this respect, we should emphasize the strength of the Company's liquidity and autonomy with a significant financial resilience capacity. The Company can perfectly assume this type of scenarios, with stress plans applicable to the annual business model and confident that it will obtain a satisfactory result.

With an average cost of 1.9%, 100% of which is at a fixed rate, and without significant maturities in the next 5 years, except for the repayment of the outstanding amount corresponding to the first bond issue carried out by the company in February 2015, which amounts to EUR 122,700 thousand, and which was repaid on 17 February 2022 (see post-closing events).

The cash strength of Lar España enables it to perfectly meet all the expenses of the Company.

8.6 Financial and investment caution

The company has applied austerity measures to all of its ongoing activities, adapting its expenses to the new situation. Nonetheless, all decisions will be made on the premise of achieving solid returns via effective management and value uplift across all of its assets.

9 R&D&I activities

Due to the inherent characteristics of the companies that make up the Group, and their activities and structure, the Group does not usually conduct any research, development and innovation initiatives. However, Lar España remains committed to becoming the leader of the transformation of the retail sector, by creating new, more efficient and digital methods of interacting with external and internal customers *(Customer Journey Experience)*.

10 Acquisition and disposal of treasury stock

On 14 January 2020, a new share buy-back programme was formalised between Lar España and its liquidity provider, aimed at a maximum of 4,500,000 shares, representing 5% of share capital, which may be acquired at a price no greater than (a) the price of the last arm's length transaction or (b) the highest arm's length offer at that time in the business centre where the purchase is made. The maximum duration of this programme was initially until 14 October 2020 and was subsequently extended to 14 October 2021.

Pursuant to this programme, the Parent Company acquired a total of 3,940,761 treasury shares, representing 4.5% of the share capital. Subsequently, on 15 December 2021, the company registered a public deed of reduction in capital of the Company for a nominal amount of EUR 7,881,522, by redeeming those shares. Consequently, the share capital of the company was established at EUR 167,385,938, represented by EUR 83,692,969 registered shares of EUR 2 nominal value each, and Article 5 of the Company's by-laws, dealing with the capital and the shares of Lar España was amended accordingly.

Following the completion of the said share repurchase programme, the company reported the reactivation of the liquidity agreement for treasury stock management, executed on 5 July 2017 and reported to the market on 10 July 2017.

The acquisitions were carried out within the framework of a discretionary treasury share management contract, of which the Spanish Securities Market Commission (CNMV) was notified in compliance with the recommendations published by said body on 18 July 2013.

As of 31December 2021, the share price was EUR 5.12.

As of 31 December 2021, the Company holds a total of 130,970 shares, representing 0.16% of total issued shares.

11 Other relevant information

11.1 Stock exchange information

The initial share price at the start of the year was EUR 4.69 and the nominal value at the reporting date was EUR 5.12. During 2021, the average price per share was EUR 5.17.

In the framework of the green bond issues carried out by the company in 2021, the Fitch rating agency allocated an investment grade rating or BBB to both Lar España and to its issue of green bonds.

11.2 Dividend policy

On 22 April 2021, the Shareholders' General Meeting approved the distribution of a dividend of 18,546 thousand Euros, at EUR 0.212 per share (taking into account all the shares issued) and recognised in profit and loss for the 2020 period, and of 8,954 thousand Euros, at EUR 0.102 per share (taking into account all the shares issued), charged to the share premium.

The total pay-out was 17,503 thousand Euros charged to the Profit for the period 2020 (after deducting the amount corresponding to treasury shares, which does not leave the Parent Company's equity and totals 1,043 thousand Euros in dividends charged to profit), and 8,954 thousand Euros charged to share premium given the amount per share approved and shares outstanding at the time of approval by the General Shareholders' Meeting on 22 April 2021. The dividend pay-out was settled in full on 21 May 2021.

11.3 Average number of days payable outstanding to suppliers

The average number of days payable outstanding to suppliers is 22 complying with the maximum legal payment period applicable to the Company in the year 2021 according to Law 3/2004, of 29 December containing measures to combat late payments in commercial transactions and in accordance with the transitory provisions established in Law 15/2010, of 5 July.

12 Annual Corporate Governance Report

For the purposes of Article 538 of the Spanish Companies Act, we confirm that the Annual Corporate Governance Report (IAGC) along with the Internal Financial Reporting Control Systems (SCIIF) and the Annual Report of Directors' Remuneration (IARC) for 2021 all form part of the Management Report. Both Reports are available on the website of the National Securities Market Commission (CNMV).

13 Events after the reporting period

On 28 January 2022, the shareholder LVS II Lux XII S.a.r.l. sold its entire shareholding in the Company to Castellana Properties SOCIMI, S.A.

On 28 January 2021, Mr Laurent Luccioni, proprietary director of Lar España Real Estate SOCIMI, S.A, appointed to represent LVS II Lux XII S.a.r.l., submitted his letter of resignation as a result of said shareholding having been sold.

With respect to the issue of simple (senior) bonds secured by Lar España for a total amount of EUR 140 million, with maturity on 21 February 2022 and admitted to trading on the regulated market Euronext Dublin of the Stock Exchange, Lar España reports that, on 17 February, the amounts that had not been previously repurchased in July 2021 were fully re-paid and cancelled, and the remaining amount of EUR 122.7 million in nominal value was returned. As a result, Lar España has cancelled and extinguished all the guarantees granted in the framework of the 22 February 2022 issue, including several real estate mortgages created by the subsidiaries LE Retail As Termas, S.L.U., LE Retail Albacenter, S.L.U., LE Retail Txingudi, S.L.U., LE Retail Hiper Albacenter, S.A.U., and LE Retail Anec Blau, S.L.U., on properties owned by them. In addition, various pledges were lifted and cancelled on the shares of said subsidiaries, which had been created within the framework of the issue.

LAR ESPAÑA REAL ESTATE, SOCIMI, S.A.
DECLARATION OF RESPONSIBILITY FOR THE 2021 FINANCIAL STATEMENTS

The members of the Board of Directors of LAR ESPAÑA REAL ESTATE, SOCIMI, S.A. declare that, to the best of their knowledge, the individual financial statements of LAR ESPAÑA REAL ESTATE, SOCIMI, S.A. and the consolidated financial statements with its subsidiaries, for the year ended December 31, 2021, prepared (in English) by the Board of Directors at the meeting held on February 24, 2022, in accordance with the applicable accounting principles and in single electronic format, offer a true and fair view of the net worth, financial situation and results of LAR ESPAÑA REAL ESTATE, SOCIMI, S.A. and of the subsidiaries included in the consolidated group, taken as a whole, and that the directors' reports accompanying the individual and consolidated financial statements (along with their attachments and supplementary documentation) include a true analysis of the business performance, results and position of LAR ESPAÑA REAL ESTATE, SOCIMI, S.A. and of the subsidiaries included in the consolidated group, taken as a whole, and a description of the main risks and uncertainties they face.

Signatories:

Mr José Luis del Valle Doblado (Chairman)	Mr José Luis del Valle Doblado (representing Mr Alec Emmott)
Mr Roger Maxwell Cooke	Mr José Luis del Valle Doblado (representing Ms Leticia Iglesias Herraiz)
Mr Miguel Pereda Espeso	Ms Isabel Aguilera Navarro

* The Directors Mr Alec Emmott and Mrs Leticia Iglesias Herraiz attended via videoconference and, having clearly stated his approval of the statements and expressly authorising Mr José Luis del Valle Doblado to sign the statements on his behalf, they are drawn up.

Madrid, 24 February 2022